OP-Pohjola Group´s Financial Statements Bulletin 1 January - 31 December 2012

OP-Pohjola

OP-Pohjola Group’s earnings before tax improves by 15% – business continues to grow strongly

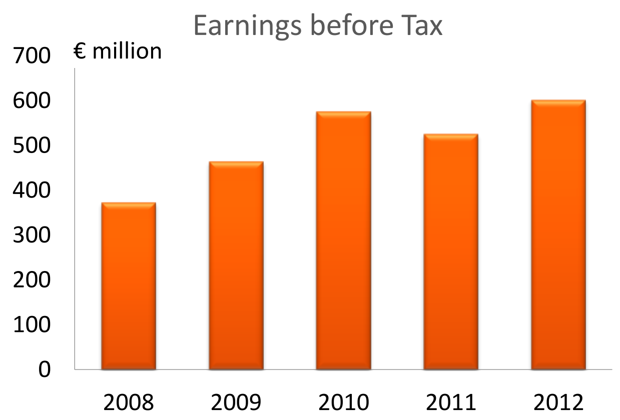
- OP-Pohjola Group's 2012 earnings before tax came to EUR 601 million (525). The Non-life Insurance and Wealth Management segments improved their performance significantly. Banking’s performance was in the previous year’s level.
- Earnings before tax at fair value soared to a new record at EUR 1,299 million thanks to a rise in the value of investments.
- The Group’s income increased by a total of 10%. Net interest income contracted by 3%, while other income increased by 21%. Expenses increased by 9%.
- Impairments charges on receivables came to EUR 99 million (101).
- Earnings before tax in the last quarter amounted to EUR 108 million (37).
- Core Tier 1 ratio was a strong 14.1% (14.0). Without the effect of transition provisions limiting risk-based calculation methods, it stood at 14.8% (14.0).
- The joint customers of Banking and Non-life Insurance increased by a record 126,000.
- The corporate loan portfolio increased in the year to December by 9%, home loans by 8% and deposits by 9%. Within Non-life Insurance, insurance premium revenue rose by 10% during the financial year.
- The information and consultation of employees process related to the reorganisation of OP-Pohjola Group Central Cooperative Consolidated was concluded in December. As a result, the Central Cooperative decided to cut 561 jobs, with another 150 jobs to be outsourced.
- 2013 earnings before tax are expected to be about the same or slightly lower than in 2012. For more details, see “Outlook for 2013".

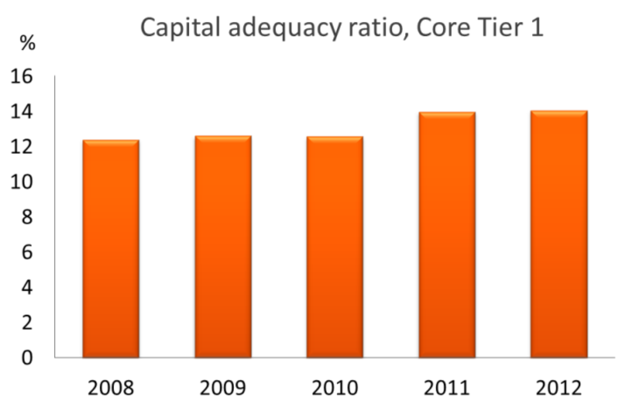
OP-Pohjola Group's key indicators

	2012	2011	Change, %
Earnings before tax, € million	601	525	14.5
Banking	437	447	-2.2
Non-life Insurance	92	8	
Wealth Management	101	47	
Returns to owner-members and OP bonus customers	192	176	8.8
	31 Dec 2012	**31 Dec 2011**	**Change, %**
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.90	1.80	0.10*
Core Tier 1 ratio, %	14.1	14.0	0.1*
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.46	0.47	-0.02*
Joint banking and insurance customers (1,000)	1,425	1,299	9.7

* Change in ratio

Comparatives deriving from the income statement are based on the corresponding figures in 2011. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2011 are used as comparatives.





Comments by Reijo Karhinen, Executive Chairman and CEO

2012 was an eventful year for OP-Pohjola. The conditions were difficult, but our performance was better than a year ago, just as we had expected. We enjoyed strong growth and retained our solid capital adequacy. The integration of our banking and non-life insurance operations continued at accelerated pace, resulting in a record number of new joint customers. This is a clear indication of our personnel's expertise and the competitiveness of our products and services.

Considering the circumstances, I am very happy with our results in 2012. Slow economic growth, historically low interest rates and a number of regulatory changes created a challenging operating environment. We owe our earnings improvement to success in non-life insurance and wealth management operations. Investment income increased, but our net interest income dipped, just as we expected it would. Performance by Banking was somewhat short of that a year ago. In the second half of 2012, income increased significantly, so income increased more than expenses for the whole year. The favourable investment environment pushed the Group's earnings at fair value to a new record.

OP-Pohjola Group is Finland's largest provider of home and corporate loans. In my opinion, we managed the responsibility that comes with this position very well again last year. Our credit portfolio growth figures were very impressive. Our lending grew at a clearly higher rate than the industry average, underlining our role in the Finnish economy as a promoter of economic activity and employment. Our ability to meet our customers' financing needs was translated into a stronger market position. These excellent growth figures stem from our solid capital adequacy and our basic mission to respond to our customers' needs and expectations.

The current major transformation of the financial sector demands from us great vigilance, continuous adaptation and proactive measures to ensure our successful business operations in the future. We also purposefully built a foundation in case of even more demanding years. The reorganisation programme in OP-Pohjola Group Central Cooperative Consolidated that we began last autumn and the Vallila 2015 business premises investment should bring us major cost savings in the near future. Two thirds of these savings arise from other than personnel costs.

Changes in our operating environment are dictated by more rigorous regulation and taxation both in the EU and in Finland. However, no coordinated plan to control these exists. The changes put the sector under greater pressure to succeed, and banks' financing opportunities are weakening as customer financing is being reallocated. It is particularly the small and medium-sized companies whose financing is at risk and whose expenses are rising that will bear the brunt of this. So those who should be helping our economy to grow and to create more jobs are becoming the victims of more stringent regulation and taxation.

2013 has, thanks to measures by the ECB, got off to a somewhat more positive start. I am nevertheless more and more concerned about Finland's economic development. We are on a treacherous path. With no economic growth, there will be no new jobs. We need bold political decisions that provide people and businesses with the right incentives. We cannot continue to raise taxes, that is for sure.

OP-Pohjola Group's financial buffers are good and our customer lending is on a sound basis. We will continue to do our part to help the Finnish economy grow. Indeed, our cooperative principles oblige us to do so.

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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.

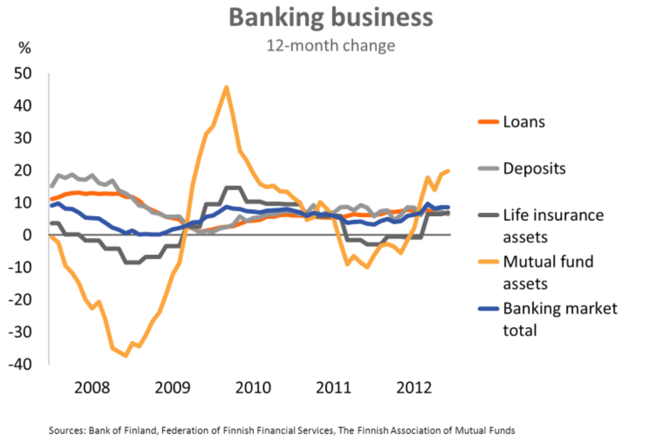
Economic growth in Finland remained weak in 2012. Following the favourable first quarter, economic growth faded towards the year end. Economic growth was supported by consumer spending, whereas exports and capital spending were subdued. The slower economic growth made unemployment increase during the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

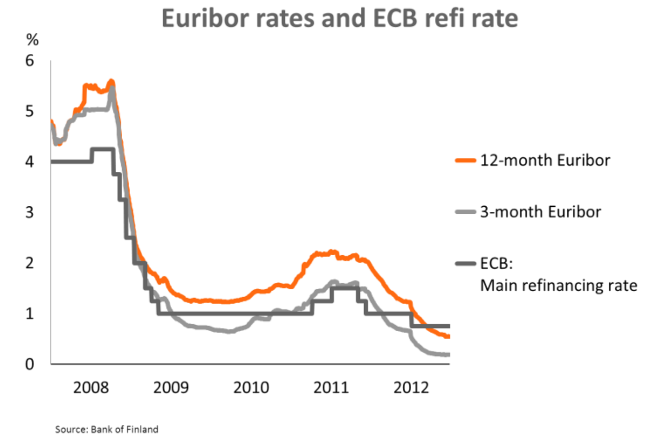
The global economic growth outlook for 2013 is still weaker than on average. Economic growth in the euro area will remain weak. The Finnish economy will at its best grow slowly. The ECB will keep its key interest rate low and, if required, take extraordinary measures to support financial stability. Euribor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

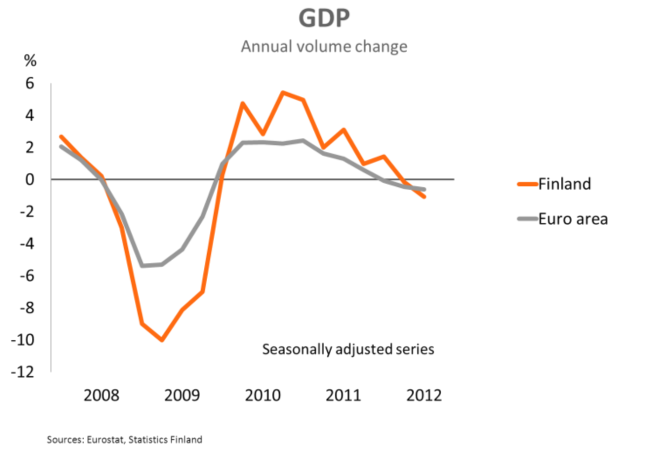
Last year, total loans in the Finnish banking sector increased by 7%, which was markedly above the average growth rate in the euro area. Loans to households continued their relatively steady growth, supported by lower market rates, whereas demand for corporate loans subsided in the second half as a result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

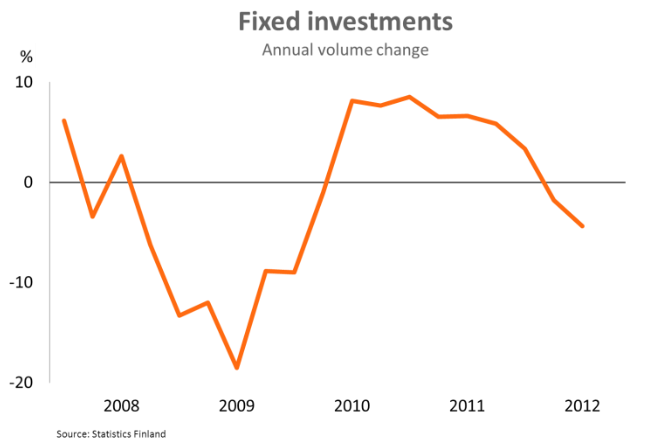
As a result of favourable developments in financial markets, mutual fund and insurance assets grew during the second half of 2012. Stock prices in Finland rose by an average of around 10% in 2012. Mutual funds' net asset inflows increased and life insurance premiums written rebounded. The growth rate 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%. Claims paid increased by 4%, which is a slower rate than previously. This can be specifically attributed to the better weather conditions than the year before.









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

Earnings analysis, € million	2012	2011	Change, %	Q4/2012	Q4/2011	Change, %	Q3/2012
Banking	437	447	-2.2	82	114	-27.8	102
Non-life Insurance	92	8		10	-63		27
Wealth Management	101	47		26	-17		40
Earnings before tax	**601**	**525**	**14.5**	**108**	**37**		**156**
Gross change in fair value reserve	698	-400		137	55		186
Earnings/loss before tax at fair value	**1,299**	**125**		**246**	**93**		**342**
Return on economic capital, % *)	14.9	13.7	1.2*				
Return on economic capital at fair value, % *)	27.8	6.3	21.5				
Income							
Net interest income	1,003	1,030	-2.6	231	275	-16.2	243
Net income from Non-life Insurance	433	312	38.8	99	20		105
Net income from Life Insurance	108	72	51.2	33	-6		27
Net commissions and fees	584	574	1.8	156	138	12.5	134
Net trading and investment income	132	80	65.7	47	38	24.8	19
Other operating income	111	93	18.6	23	25	-6.2	41
Other income, total	**1,368**	**1,131**	**21.0**	**358**	**215**	**66.3**	**326**
Total income	**2,371**	**2,160**	**9.7**	**588**	**490**	**20.1**	**569**
Expenses							
Personnel costs	749	689	8.7	176	180	-2.1	184
Other administrative expenses	378	351	7.7	104	104	-0.2	82
Other operating expenses	352	318	10.7	100	88	12.9	81
Total expenses	**1,479**	**1,358**	**8.9**	**379**	**372**	**2.0**	**347**
Impairment loss on receivables	**99**	**101**	**-2.6**	**51**	**37**	**38.6**	**19**
Returns to owner-members and OP bonus customers							
Bonuses	173	163	6.7	45	42	7.3	44
Interest on ordinary and supplementary cooperative capital	19	14	33.9	5	2		2
Total returns	**192**	**176**	**8.8**	**50**	**44**	**12.6**	**46**

*) 12-month rolling, change in percentage

Other key indicators, € million	31 Dec 2012	31 Dec 2011	Change %
Receivables from customers	65,161	60,331	8.0
Life Insurance assets	9,173	7,006	30.9
Non-life Insurance assets	3,492	3,205	8.9
Liabilities to customers	49,650	45,974	8.0
Debt securities issued to the public	19,270	20,005	-3.7
Equity capital	7,134	6,242	14.3
Balance sheet total	99,769	91,905	8.6
Tier 1 capital	5,352	4,753	12.6

January–December

OP-Pohjola Group's earnings before tax came to EUR 601 million (525).

Performance in the report period was boosted by good Non-life investment performance, better performance by Life Insurance and higher net trading income. Earnings were eroded by lower net interest income as a result of low interest rates, lower wealth management commissions and fees year on year and higher expenses incurred by the Group. Bonuses to owner-members and OP bonus customers recognised in the income statement grew by 6.7% year on year to EUR 173 million.

The Group's fair value reserve increased by EUR 698 million in the report period thanks to investment market performance, whereas a year ago it decreased by EUR 400 million. Earnings before tax at fair value came to EUR 1,299 million (125).

Pre-tax earnings by Banking, EUR 437 million, were 2.2% lower than a year ago as a result of higher expenses and lower net interest income. Despite the lower net interest income, earnings by Banking increased by a total of 3.5%. Net trading and investment income increased year on year to EUR 84 million (11). Net commissions and fees increased to EUR 543 million (538) as commissions related to lending and payment services increased. Banking had a cost/income ratio of 57.1 (56.3).

The operating combined ratio of Non-life Insurance was 90.5% (89.8). Pre-tax earnings increased year on year as a result of higher net investment income recorded and higher insurance premium revenue. The Wealth Management segment's earnings over the previous year increased owing to lower insurance liability supplements and the acquisition of Skandia Life Finland's business operations (Aurum Investment Insurance Ltd). This acquisition resulted in the recognition of a positive non-recurring item of EUR 19 million related to estimated cost and income synergies. In 2012, changes in reserving bases recorded in insurance operations weakened the Group's earnings by EUR 52 million (74). Investment income at fair value by both the Non-life Insurance and Wealth Management segments increased clearly over the previous year.

Expenses rose by 8.9% year on year primarily due to higher ICT and personnel costs related to business growth and development, and by higher, accelerated depreciation on the Vallila business property. Higher personnel costs were mainly caused by an increase in the number of employees and higher pension costs. Personnel costs were also increased by non-recurring expenses of EUR 14 million related to the reorganisation programme of OP-Pohjola Group Central Cooperative Consolidated announced in September. Expenses without the reorganisation expenses and the above accelerated depreciation increased by 5.6%. The number of staff increased by 61 in 2012.

Impairment losses recognised under various income statement items that eroded earnings amounted to EUR 159 million (178), of which EUR 99 million (101) concerned loans and receivables. Net impairment loss on loans and receivables accounted for 0.15% (0.16) of the loan and guarantee portfolio.

Equity capital stood at EUR 7,134 million on 31 December, being 14.3% higher than on 31 December 2011. Equity capital was increased by the report period's profit and growth in the fair value reserve. Equity capital was also reduced by profit distribution.

The Board of Directors of Pohjola Bank plc 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, which would total EUR 145 million (129), of which the Group's internal divided would account for 53%.

On 31 December, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 759 million (756).

OP-Pohjola Group had 4,210,000 customers in Finland at the end of December. The number of private customers totalled 3,783,000 and that of corporate customers 428,000. The number of joint banking and non-life insurance customers increased by a record 126,000 from its 2011-end level to 1,425,000, as a result of cross-selling.

October–December

Earnings before tax for the fourth quarter came to EUR 108 million against EUR 37 million reported a year ago. Income, except net interest income, was higher than that a year ago. During the same period a year ago, a total of EUR 69 million of insurance liability supplements were recognised; there were none of these in Q4/2012. Expenses increased by EUR 7 million and impairment losses on receivables by EUR 14 million year on year.

Owing to low interest rates, net interest income was smaller than in the preceding quarter. Pre-tax earnings totalled EUR 108 million, which was 31% lower than in the third quarter (156).

OP-Pohjola Group's long-term financial targets	**31 Dec 2012**	**31 Dec 2011**	**Target**
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.90	1.80	1.6
Return on economic capital, % (12-month rolling)	14.9	13.7	18
Growth differential between income and expenses, percentage points (12-month rolling)	0.8	-6.1	> 0

OP-Pohjola Group aims to grow on a long-term basis and at a higher rate than the sector average. The Group's loan portfolio and Non-life Insurance premiums written increased at a higher rate in the year to December than the sector average. The growth of mutual funds and unit-linked savings policies, excluding the acquisition of Aurum Investment Insurance Ltd, were, on the other hand, slower than the sector average. OP-Pohjola Group nevertheless increased its market share in unit-linked insurance savings considerably following the acquisition of Aurum Investment Insurance Ltd.

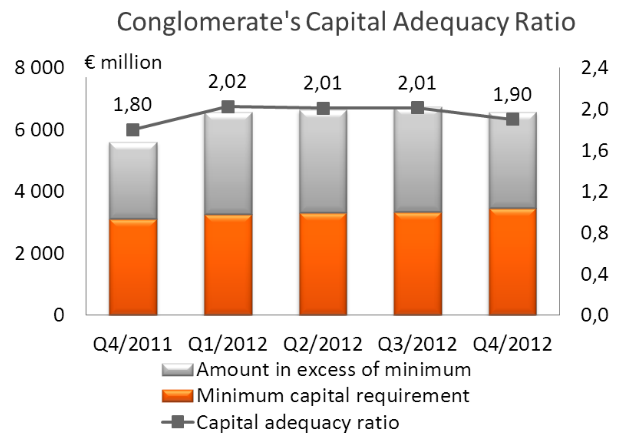
Capital adequacy, risk exposure and credit ratings

Capital adequacy

On 31 December, OP-Pohjola Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 3,112 million (2,486), which was 25% more than a year ago.

The minimum capital requirement under the above Act increased by 11.5% in 2012. The 11.9% increase in the minimum requirement set for Banking can be mainly attributed to growth in the loan portfolio and transition provisions related to capital adequacy measurement. The combined growth in the minimum capital requirement for Non-life and Life Insurance was 8.4%.

The capital base increased by 18% thanks to a 14% increase in equity capital and a Tier 2 issue of subordinated notes. Pohjola Bank plc issued a lower Tier 2 subordinated note worth EUR 500 million in February 2012. Pohjola Bank plc redeemed in the last quarter Upper Tier 2 perpetual subordinated notes of EUR 150 million and GBP 100 million. Changes in Tier subordinated notes increased the Group's capital adequacy specified in the Act on the Supervision of Financial and Insurance Conglomerates by 0.06 units in net terms.



As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous, in an effort to improve the quality of their capital base, to increase capital buffers, 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 the Group's viewpoint, the major changes in the new regulations in terms of capital adequacy requirements are related to how insurance company investments and supplementary cooperative capital are treated in terms of capital base measurement concerning capital adequacy and to the new minimum leverage ratio and liquidity requirements. On the basis of calculations based on the most recently available draft regulation, OP-Pohjola Group estimates that its banking capital adequacy will remain at its current level or to improve.

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 capital adequacy 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. Non-life Insurance business already fulfils the solvency requirement under the proposed Solvency II. Life Insurance should fulfil the capital adequacy requirements under the proposed Solvency II when any adjustments related to the risk levels of investment assets and insurance liabilities that have already been initiated are taken into consideration.

Risk exposure

OP-Pohjola Group's risk exposure remained stable in 2012. The Group has a strong risk-bearing capacity sufficient to secure business continuity.

No major changes took place in credit risk exposure, although market conditions were significantly more sluggish towards the end of the year. See below in the section dealing with business segments for details on Banking's credit risk exposure.

No major changes took place in 2012 in Non-life Insurance's or Life Insurance's underwriting risks. The solvency of insurance companies improved thanks to their good performance and a rise in the market value of investments. See below in the section dealing with business segments for details on the risk exposure.

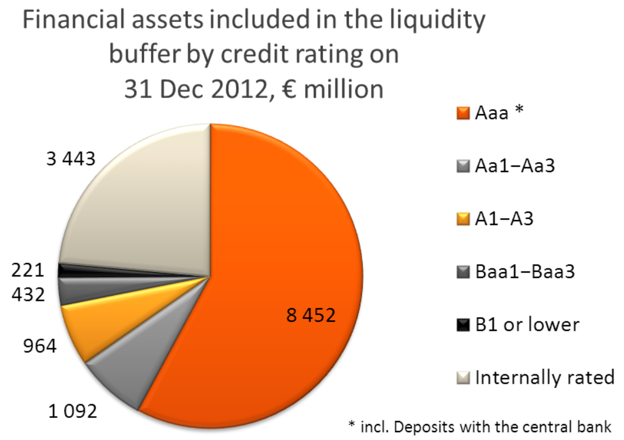
OP-Pohjola Group's funding and liquidity position is good. The percentage of deposits and notes and bonds of funding grew in 2012. The Group issued long-term bonds in 2012 worth a total of EUR 4.5 billion. Of these, Pohjola Bank plc, the Group's central bank, accounted for EUR 2.9 billion, while OP Mortgage Bank, which is responsible for issuing the Group's covered bonds, accounted for the rest. OP-Pohjola Group's short-term and long-term wholesale funding performed well throughout the report period.

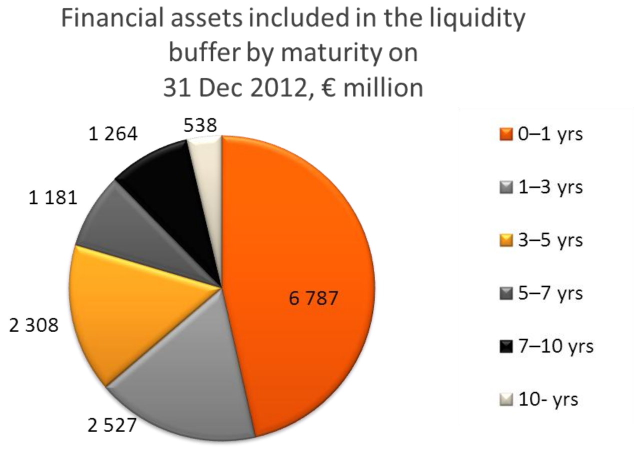
OP-Pohjola Group secures its liquidity with a liquidity buffer which mainly consists of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies 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 below is based on mark-to-market valuations.

Liquidity buffer, € billion	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 and other sources of additional funding based on the Group's contingency funding plan are sufficient to cover wholesale funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.





OP-Pohjola Group’s market risk exposure was within the set limits in the report period.

The interest rate risk by Banking, measured as the effect of a 1-percentage point decrease on a 12-month net interest income and the value of investments, decreased considerably as a result of lower interest rates. Within Banking, credit spread risk is highest in notes and bonds included in the liquidity buffer. Credit spread risk by Banking decreased as the number of notes and bonds was reduced and uncertainty in the bond market was lifted. Equity risk was reduced by selling investments. About half of the interest rate risk of insurance liabilities by Life Insurance was hedged by 31 December.

Investment assets, € million	31 Dec 2012	31 Dec 2011	Change
Pohjola Bank plc	11,866	12,560	-694
Non-life Insurance	3,078	2,830	248
Life Insurance	3,624	3,671	-47
Group member cooperative banks	901	911	-10
OP-Pohjola Group Mutual Insurance Company	373	364	9
Total	19,842	20,336	-494

Credit ratings

Rating agency	Short-term debt	Long-term debt
Fitch Ratings (OP-Pohjola Group and Pohjola Bank plc)	F1	A+
Standard & Poor's (Pohjola Bank plc)	A-1+	AA-
Moody's (Pohjola Bank plc)	P-1	Aa3

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

Standard & Poor's affirmed on 16 May and 20 November 2012 Pohjola Bank plc’s long-term debt rating at AA- and short-term debt rating at A-1+, and on 20 November, S&P revised the outlook from stable to negative.

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

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, while Pohjola Bank plc's Prime-1 short-term debt and deposit ratings remained unchanged, with a stable outlook for these ratings.

Outlook for 2013

The global economy is expected to continue to grow moderately in 2013. The euro area economy fell into a recession in 2012 and this year its growth is expected to be negative or zero. The Finnish economy too contracted in the second half of 2012. However, it is expected to begin to grow at a slow pace in 2013.

The financial sector operating environment is expected to be difficult this year. Historically low market interest rates are decreasing banks' net interest income and weakening insurance companies' return on investments, while the weak market conditions will reduce demand for financial services and the bank tax confirmed in late 2012 will cause major costs to Finnish banks. Adjusting to the more rigorous regulatory environment in the financial sector will reduce profitability even further. Despite some stabilisation in the last six months, there is still a risk of the exacerbation of the European sovereign debt crisis, which would have an adverse effect on the entire financial sector.

Uncertainties related to the operating environment and the radically changing regulatory environment make it difficult to estimate OP-Pohjola Group's performance in 2013. Unless the operating environment turns out to be considerably weaker than expected, OP-Pohjola Group's financial performance is expected to be at about the same level as in 2012, or somewhat lower. The primary uncertainties affecting the financial performance in 2013 relate to the rate of business growth, impairment loss on receivables and changes in the investment environment.

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

Operations and earnings by business segment

As a result of the adoption of the updated strategy, the life insurance business together with the asset management and mutual fund businesses that used to be under the Group's Banking operations was formed into a new Wealth Management segment. The change in business segment structure decreased Banking's pre-tax earnings for the financial year by approximately EUR 42 million. The figures for Aurum Investment Insurance Ltd, which was acquired in the third quarter, are presented under the Wealth Management segment. Reporting based on the new division of segments has begun from the beginning of the third quarter. The comparatives have been changed correspondingly.

OP-Pohjola Group's business segments are Banking, Non-life Insurance and Wealth Management. Non-segment operations are presented under 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies.

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax 2012	Earnings before tax 2011	Change, %
Banking	1,692	967	-288	437	447	-2.2
Non-life Insurance	458	366	0	92	8	1 073.7
Wealth Management	237	136	0	101	47	114.4
Other Operations	441	449	-3	-10	32	-132.2
Eliminations	-456	-439	0	-18	-9	96.8
Total	**2,371**	**1,479**	**-291**	**601**	**525**	**14.5**

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

Banking

- OP-Pohjola Group became the intermediary for government payments on 1 December 2012
- Earnings before tax fell by 2.2% to EUR 437 million.
- Income increased by a total of 3.5%. Net interest income contracted by 1.5%, while net commissions and fees increased by 1.0%.
- Impairment losses on receivables increased by 6.3%.
- In annual terms, growth was particularly strong in deposits and corporate and home loans.

Banking: key figures and ratios

€ million	2012	2011	Change, %
Net interest income	969	984	-1.5
Impairment loss on receivables	96	90	6.3
Other income	722	650	11.1
Personnel costs	433	405	6.8
Other expenses	534	516	3.5
Returns to owner-members and OP bonus customers	192	176	8.8
Earnings before tax	**437**	**447**	**-2.2**
€ million			
Home loans drawn down	7,601	7,435	2.2
Corporate loans drawn down	7,375	6,699	10.1
Net asset inflows of mutual funds	-698	-1,709	-59.1
No. of brokered property transactions	16,291	17,240	-5.5
€ billion	**31 Dec 2012**	**31 Dec 2011**	**Change, %**
Loan portfolio			
Home loans	31.7	29.3	8.0
Corporate loans	17.0	15.6	9.3
Other loans	16.4	15.2	7.9
Total	**65.1**	**60.1**	**8.3**
Guarantee portfolio	3.1	2.7	13.9
Deposits			
Current and payment transfer	23.7	21.6	9.7
Investment deposits	21.3	19.7	8.2
Total deposits	**45.0**	**41.3**	**9.0**
Market share, %			
Of loans	33.4	32.9	0.5
Of deposits (According to Bank of Finland definition)	34.1	34.4	-0.2

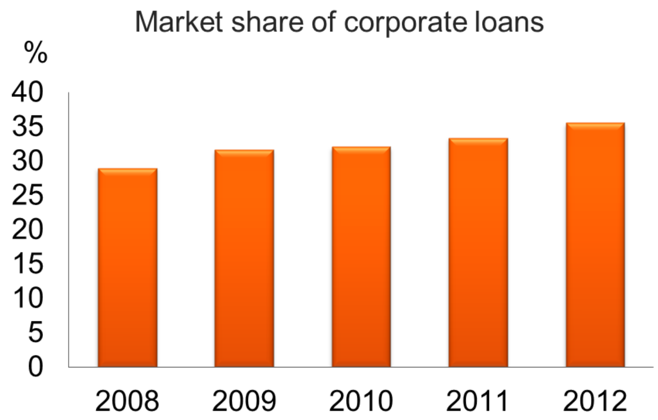
Banking enjoyed continued growth in terms of loans and deposits. The Group increased its market share in loans. The market share rose particularly well in corporate loans. Loan margins continued to rise throughout 2012 as banks passed higher funding costs onto lending margins and were preparing for tighter regulation. The margins of term deposits stopped rising in the second half of 2012.

OP-Pohjola Group's deposits increased by 9.0% during the report period. Payment transaction accounts increased by 9.7% and investment deposits by 8.2%.

The number of homes sold through OP-Kiinteistökeskus real estate agents was 16,291 in the report period, or 5.5% lower than a year ago (17,240).

The volume of new home loans drawn down increased by 2.2% year on year. Demand was supported by low interest rates. Loan interest rates are historically low, although margins are clearly higher than a year ago. The average margin of new home loans rose in the second half clearly above one percentage point. On 31 December, the Group held 36.9% (36.0) of the home mortgage portfolio. The consumer loan portfolio grew by 8.1% from last year's figure.

The corporate loan portfolio grew by 9.3% in the report period. The volume of new drawn down corporate loans was 10.1% higher year on year. The average margin of new loans was 1.8%. The Group's market share of corporate loans increased from 33.3% at the year-end 2011 to 35.5% on 31 December 2012.



The cooperative member banks had 1.4 million owner-members on 31 December, or 43,000 more than a year earlier. The Group member cooperative banks and Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1,285,000 OP bonus customers at the end of December.

Loyal customer bonuses earned by OP bonus customers totalled EUR 173 million, up by 6.7% year on year. In January–December, OP bonus customers used a total of EUR 96.0 million (98.4) of bonuses for banking services and EUR 81.7 million (66.3) for Pohjola non-life insurance premiums. Bonuses were used for the payment of 1,629,000 insurance bills, and 15% of these were paid in full using OP bonuses.

On 28 December 2012, the Finnish Parliament passed a bill on a temporary bank tax. This non-deductible expense concerning deposit banks affects not only all cooperative banks in OP-Pohjola Group but also Helsinki OP Bank Plc, Pohjola Bank plc and OP-Kotipankki Oyj between 2013 and 2015 . The tax accounts for 0.125% of all risk-weighted assets, which means that the Group will incur additional non-deductible expenses of around EUR 46 million in 2013.

Earnings and risk exposure

Pre-tax earnings by Banking shrank by 2.2% to EUR 437 million as a result of lower net interest income and higher expenses.

Banking income increased by 3.5% to EUR 1,692 million. Net interest income contracted by 1.5% as a result of low market interest rates. Net commissions and fees increased by 1.0% as the commissions and fees for lending and payment services increased. Wealth management commissions and fees fell short of those a year ago. Net trading and investment income grew by a total of EUR 74 million year on year mainly as a result of better derivatives business performance and improved value of investments. Banking had a cost/income ratio of 57.1 (56.3).

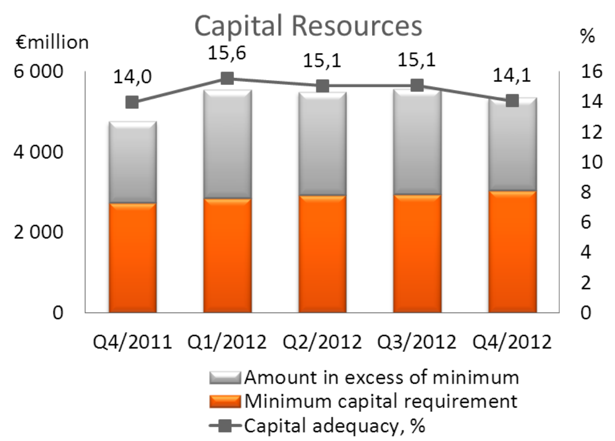
Banking's credit risk exposure remained stable with a moderate risk level. At EUR 96 million, impairment loss on receivables were, as expected, as low as they were a year ago. In annual terms, this is equivalent to a mere 0.15% of the loan and guarantee portfolio. Non-performing and zero-interest receivables were at the same level in relation to the loan and guarantee portfolio as a year ago. A total of 46% (47) of OP-Pohjola Group's corporate exposures, divided into 12 main categories, fell into the top five corporate loan portfolios, also known as investment grade.

OP-Pohjola Group's doubtful receivables as percentage of loan and guarantee portfolio		31 Dec 2012		31 Dec 2011
	€ million	%	€ million	%
Non-performing and zero-interest receivables, net	311	0.46	296	0.47
Impairment loss on receivables since 1 January, net	99	0.15	101	0.16

Capital base

Following permission from the Financial Supervisory Authority, the Group has applied the Internal Ratings Based Approach (IRBA) to the conglomerate's retail, corporate and credit institution exposures since December 2011. The Foundation Internal Ratings Based Approach (FIRB) is applied to corporate and credit institution 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) at the end of 2012. Without the Basel I floor capital requirement, the Core Tier 1 ratio, Tier 1 ratio and the capital adequacy ratio under the Act on Credit Institutions would have been 14.8% (14.0). The statutory minimum for capital adequacy ratio is 8%, and for Tier 1 ratio 4%. In the autumn of 2011, the European Banking Authority (EBA) set the minimum requirement for the Core Tier 1 ratio at 9% applying to major European banks.



The Group's Tier 1 capital amounted to EUR 5,352 million (4,753) on 31 December. This change was due to the EUR 500 million lower Tier 2 subordinated note issued by Pohjola Bank plc in February, redemption of Upper Tier 2 perpetual subordinated notes of EUR 150 million and GBP 100 million and the financial year's results and the positive value change of the fair value reserve.

Insurance company and financial institution investments, deducted from Tier 1 and 2 capital on a fifty-fifty basis, came to EUR 2,419 million (2,314). A total of EUR 498 million (542) have been deducted from equity capital as a shortfall of expected losses and impairment losses. Deductions from Tier 2 capital exceeded Tier 2 capital by EUR 364 million (706), which were deducted from Tier 1 capital.

The minimum capital requirement was EUR 3,047 million (2,722) on 31 December 2012, or 11.9% higher year on year. A rise in the loan portfolio and the Basel I floor transition provision included in the Group's capital adequacy measurement related to the Internal Ratings Based Approach that increases the capital requirement increased the capital requirement while the loan portfolio quality remaining unchanged. The minimum capital requirement grew in corporate exposure by EUR 120 million and in retail exposure by EUR 58 million. Credit and counterparty risk accounted for 85.5% (89.8) of the capital requirement. Operational risk accounted for 7.8% (8.5) of the capital requirement, the so-called Basel I floor for 4.8% (–) and market risk for 1.9% (1.7).

Non-life Insurance

- Earnings before tax amounted to EUR 92 million (8); earnings before tax at fair value were EUR 283 million (-39).
- Net investment income increased by EUR 79 million.
- Insurance premium revenue increased by 10% (6).
- The operating combined ratio stood at 90.5% (89.8).
- There were 570,000 loyal customer households on 31 December, increasing by 46,700 (42,700) in 2012.
- Return on investments at fair value was 10.8% (-0,4).

Non-life Insurance: key figures and ratios

€ million	2012	2011	Change, %
Insurance premium revenue	1,126	1,024	10.0
Insurance claims and benefits	759	692	9.7
Net investment income	115	36	221.1
Unwinding of discount and other items included in net income	-45	-46	3.4
Net income from Non-life Insurance	**438**	**321**	**36.2**
Other net income	20	23	-11.7
Personnel costs	135	125	7.3
Other expenses	231	211	9.7
Earnings before tax	**92**	**8**	
Gross change in fair value reserve	191	-47	
Earnings/loss before tax at fair value	**283**	**-39**	
Insurance premium revenue			
Private customers	566	503	12.5
Corporate and institutional customers	513	472	8.7
Baltic States	46	48	-3.5
Total insurance premium revenue	**1,126**	**1,024**	**10.0**
Key ratios			
Return on investments at fair value, %	10.8	-0.4	
Operating combined ratio*, %	90.5	89.8	
Operating expense ratio*, %	21.5	21.8	
Operating loss ratio*, %	69.0	68.0	

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

Sales of insurance policies proceeded well both in terms of private and corporate customers. Insurance premium revenue from private customers rose by 12.5% and that from corporate customers by 8.7%, year on year.

Growth in the number loyal customer households was record-high in 2012. There were 570,000 loyal customer households on 31 December, increasing by 46,700 (42,700). A total of 69% of these loyal customer households 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 premiums (1,391,000) with 251,000 (209,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 82 million (66).

Based on the strong growth of insurance premium revenue, it is estimated that OP-Pohjola Group solidified its position as Finland's largest non-life insurer measured by the market share of premiums written.

Earnings and risk exposure

Earnings before tax improved to EUR 92 million (8), mainly because of good investment performance. The discount rate for technical provisions related to pension liabilities was reduced from 3.3% to 3.0% owing to low interest rates, which increased insurance liabilities by EUR 52 million. During the same period a year ago, insurance liabilities were increased by a total of EUR 59 million as a result of a reduction of the discount rate and the higher life expectancy.

Growth in insurance premium revenue was brisk in both private and corporate customers. Total insurance premium revenue was up by 10% (6). Excluding the changes in reserving bases, the balance on technical account remained good. The operating combined ratio stood at 90.5% (89.8).

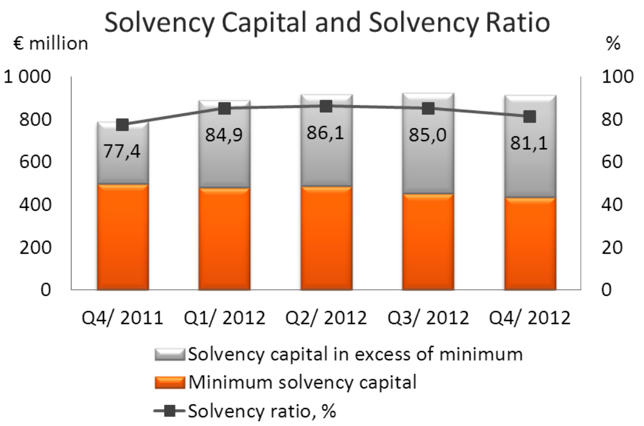
Excluding the changes in reserving bases, claims incurred increased by 12%. The number of losses reported increased by 8% as a result of a larger number of customers. Claims incurred due to new major losses were higher than a year ago. The operating risk ratio excluding indirect loss adjustment expenses stood at 62.8% (61.9). The reported number of major or medium-sized losses (in excess of EUR

0.1 million and over EUR 0.5 million in pension liabilities) came to 291 (234) in January–December, with their claims incurred retained for own account totalling EUR 120 million (92).

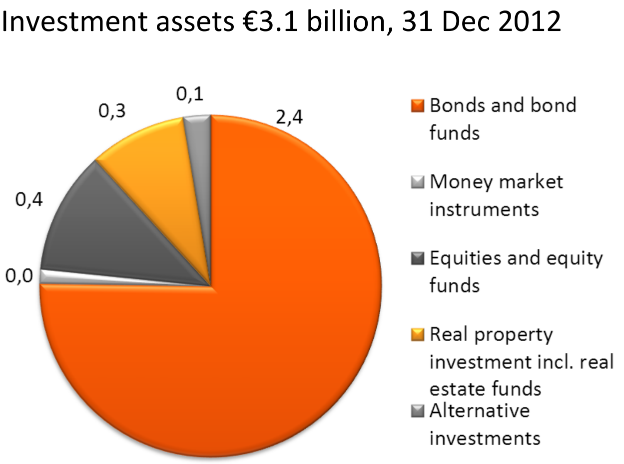
Higher commissions arising from sales growth and the larger number of employees added to operating expenses. OP-Pohjola recruited more personnel in 2011 for sales and claims services with a view to improving services for its growing customer base.

Return on investments at fair value stood at 10.8% (-0.4). Investment income at fair value amounted to EUR 306 million (-11). Impairment charges recognised in the income statement totalled EUR 13 million (42).

Non-life Insurance's risk-bearing capacity was good. Non-life Insurance's solvency capital stood at EUR 914 million (787) on 31 December. The equalisation provision that is included under solvency capital was EUR 273 million (353).



On 31 December, the Non-life Insurance investment portfolio totalled EUR 3.1 billion (2.9), the asset allocation being as follows:



The fixed-income portfolio by credit rating remained healthy, considering that investments under the "investment-grade" accounted for 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).

Wealth Management

- Earnings before tax were EUR 101 million (47) and earnings before tax at fair value EUR 315 million (–144).
- OP-Pohjola Group increased its market share considerably in unit-linked insurance savings following the acquisition of Aurum Investment Insurance Ltd.
- The share of unit-linked insurance of insurance savings increased to 61.9 (48.3).
- Return on investments at fair value was 9.2% (-1,5).

Wealth Management: key figures and ratios

€ million	2012	2011	Change, %
Life Insurance’s net interest and risk result	19	-6	429.1
Net commissions and fees			
Fund and asset management	99	101	-2.2
Life insurance	98	89	10.7
Expenses	-25	-30	16.7
Total net commissions and fees	172	160	7.7
Other income	45	24	90.6
Personnel costs	32	30	8.4
Other expenses	104	101	2.6
Earnings before tax	**101**	**47**	**114.4**
Gross change in fair value reserve	214	-191	
Earnings/loss before tax at fair value	**315**	**-144**	
Market share, %	**31 Dec 2012**	**31 Dec 2011**	**Change, %**
Insurance savings	25.0	20.9	4.1
Unit-linked insurance savings	31.8	25.3	6.5
Mutual fund assets	18.0	20.7	-2.7
€ billion			
Insurance savings	8.6	6.7	28.2
Unit-linked	5.3	3.3	64.3

The commissions and fees of the new Wealth Management segment consist of commissions and fees from asset and fund management and life insurance policies.

Life Insurance has the strategic goal of increasing unit-linked insurance savings. As part of its strategy, OP-Pohjola Group Central Cooperative acquired on 31 August 2012 the share capital of Aurum Investment Insurance Ltd from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc. Unit-linked insurance savings increased from 1 January by 64.3%, of which the business acquired from Aurum Investment Insurance Ltd represented 41.0 percentage points. Growth was also boosted by the fact that investment savings regained their value and by a switch from with-profits policies to unit-linked policies. The share of unit-linked insurance savings of all insurance savings increased to 61.9% (48.3).

Earnings and risk exposure

Earnings before tax stood at EUR 101 million (47). Other income includes a non-recurring income of EUR 19 million arising from the acquisition of Aurum Investment Insurance Ltd. This income is based on the estimated cost and income synergies from the acquisition of Aurum. Cost benefits arise from more efficient policy management. Income benefits are derived from an extensive sale of banking and insurance services.

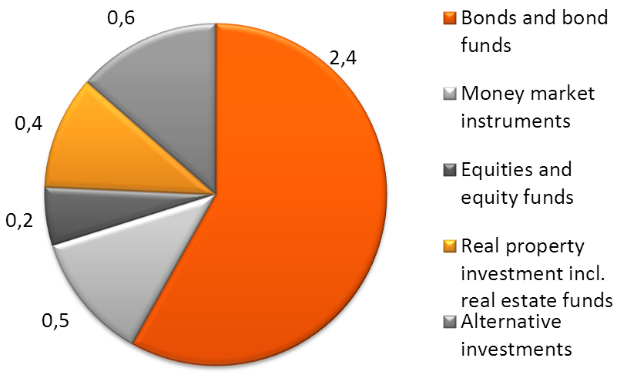
Earnings after a change in the fair value reserve came to EUR 315 million (-144). Life Insurance’s net investment income excluding income from unit-linked insurance was EUR 244 million (192). The interest rate risk of insurance liabilities was hedged by means of interest rate derivatives, which increased the investment income by EUR 131 million (62), increasing the change in insurance liabilities by the same amount.

Life Insurance’s efficiency fell as expenses increased in proportion to profits. Expenses were increased, for example, by transaction costs related to the acquisition of Aurum Investment Insurance Ltd. The cost ratio, which includes all income to cover operating expenses in which sales channel fees are excluded, rose to 34.6% (29.4).

Life Insurance’s return on investments at fair value, excluding that on derivatives designated as hedging instruments for insurance liabilities, was 9.2% (-1.5).

Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.2 billion (4.1), were divided as follows:

Life Insurance's investment assets €4.2 billion, 31 Dec 2012

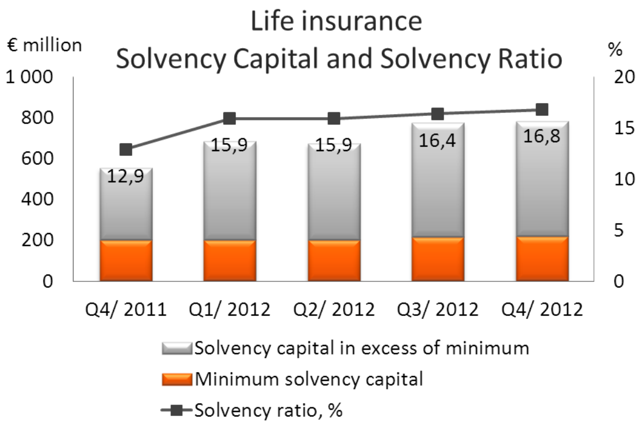


Investments under the 'investment-grade' accounted for 90% (76) of the fixed-income portfolio. The portfolio's modified duration was 3.2 years (3.0) on 31 December.

Assets of the mutual funds managed by OP-Pohjola Group totalled EUR 11.9 billion (11.5), increasing by 4.2% in the report period. Net asset inflows of OP-Pohjola Group's mutual funds were EUR 698 million in the negative (–1,709).

Assets managed by OP-Pohjola Group's Asset Management totalled EUR 41.1 billion (37.5) on 31 December, of which EUR 9.5 billion (9.9) was invested in OP-Pohjola Group's mutual funds and EUR 8.3 billion (6.2) in assets managed by OP-Private. OP-Pohjola Group companies accounted for EUR 8.8 billion of the managed assets.

Life Insurance's solvency improved as the market value of investment assets increased. Its solvency margin was EUR 780 million, which was 3.6-fold the required minimum. The solvency ratio, or the ratio of solvency capital to weighted insurance liabilities, was 16.8% (12.9).



Other Operations

Other Operations: key figures and ratios

€ million	2012	2011	Change, %
Net interest income	24	31	-22.8
Net trading income	1	2	-53.0
Net investment income	7	22	-69.9
Other income	409	365	12.1
Expenses	449	377	18.9
Impairment loss on receivables	3	11	-73.7
Earnings/loss before tax	**-10**	**32**	**-132.2**
€ billion	**31 Dec 2012**	**31 Dec 2011**	**Change, %**
Receivables from credit institutions	8.5	7.0	20.4
Financial assets held for trading	-0.1	-0.1	-55.7
Investment assets	6.5	8.5	-23.5
Liabilities to credit institutions	4.9	5.2	-4.4
Debt securities issued to the public	14.4	15.7	-8.3

Other Operations' pre-tax losses for January–December were EUR 10 million (earnings of 32).

Net interest income decreased by 22.8%. Net investment income includes a total of EUR 25 million (1) of capital losses and impairment losses. Other Income consists to a large extent of intra-Group service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 149 million (128) were personnel costs and EUR 127 million (109) ICT costs. Expenses were also increased by the EUR 31 million immediate write-off concerning the business premises in Vallila, Helsinki.

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 196 member cooperative banks (205), OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Luvian Osuuspankki merged with Nakkilan Osuuspankki on 31 March 2012. The bank's new name is Nakkila-Luvian Osuuspankki. Maskun Osuuspankki merged with Vakka-Suomen Osuuspankki on 31 March 2012. The bank's name was changed to Lounaisrannikon Osuuspankki. Huhtamon Osuuspankki merged with Vampulan Osuuspankki on 30 April 2012. Haminan Seudun Osuuspankki, Kotkan Seudun Osuuspankki, Kouvolan Seudun Osuuspankki, Kymijoen Osuuspankki and Virolahden Osuuspankki merged on 31 May 2012 to form Kymenlaakson Osuuspankki.

Lappo Andelsbank merged with Andelsbanken för Åland on 31 August 2012. Sauvon Osuuspankki merged with Lounais-Suomen Osuuspankki on 30 September 2012.

OP-Services Ltd's licensed operations were transferred on 1 June 2012 to the newly established OP Process Services Ltd. Both companies are wholly-owned subsidiaries of OP-Pohjola Group Central Cooperative. Some 300 staff joined the new company. OP Process Services received a credit institution licence on 7 May 2012, and a clearing and account operator licence on 21 May 2012.

The plan published in December 2011 to buy Skandia Life's Finnish operations was carried out in August 2012 by acquiring the share capital of Aurum Investment Insurance Ltd.

Personnel and remuneration

On 31 December, OP-Pohjola Group had 13,290 employees (13,229). The staff averaged 13,411 employees (12,858). Staff increases were related to business expansion and development. During 2012, 311 employees (370) retired at an average age of 61.5 years (61.5).

OP-Pohjola Group's scheme for variable remuneration comprises short-term company-specific incentives and long-term Group-wide incentives.

The long-term incentive scheme for the entire OP-Pohjola Group consists of a management incentive scheme, and a personnel fund for other staff.

The management incentive scheme consists of consecutive three-year performance periods, the first of which 2011–13. Those covered by the scheme will be entitled to receiving a certain number of Pohjola Bank plc Series A shares, if OP-Pohjola Group attains its strategy-based targets set for the performance period in question. The bonus based on the scheme will be paid out to the beneficiary in terms of shares and cash and in three instalments in 2015–2017 after the vesting period, provided that the Group's capital adequacy is higher than the internal minimum requirements on the payout date. Conditions related to employment or executive contracts have been attached to the bonus payout.

Senior management of OP-Pohjola Group Central Cooperative

OP-Pohjola Group Central Cooperative's Annual Cooperative Meeting was held on 27 March 2012. Of the members who were due to resign from the Supervisory Board for the term ending 2015, Director Jorma Vierula, Professor Jarmo Partanen, Managing Director Kari Manninen and Managing Director Juha Pullinen were re-elected. Assistant Director Jukka Kääriäinen was elected a new member to the Supervisory Board. Moreover, of the members who were due to resign from the Supervisory Board latest in the term ending 2015, Managing Director Jussi Ruuhela, Jorma Pitkälä, Managing Director Markku Salomaa, Timo Viitanen, M.A., Professor Paavo Pelkonen and Managing Director Timo Levo we re-elected. The following new members were elected: Annukka Nikola (Director, Administration), Jari Himanen (Managing Director), Tapani Eskola (Managing Director), Tuomas Kupsala (Managing Director), Seppo Pääkkö (Managing Director), Ilmo Aronen (R&D Director), Simo Kauppi (Managing Director), Juha Kiiskinen (Headmaster), Professor Jarna Heinonen and Ari Mikkola (Rector).

The Supervisory Board comprises 33 members.

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

Reorganisation programme

As part of OP-Pohjola Group Central Cooperative Consolidated’s reorganisation programme, the procedures for information and consultation of employees, as referred to in the Finnish Act on Co-operation within Undertaking, covering all personnel groups were concluded on 10 December 2012.

As a result, OP-Pohjola Group Central Cooperative Consolidated will cut 561 jobs. Of these, redundancies will total 247 and 314 employees will leave the Central Cooperative through other arrangements. In addition, 150 jobs will be outsourced.

The reorganisation programme is aimed at achieving annual cost savings of around 150 million euros by the end of 2015. The measures implemented by the end of 2012 are already estimated to have created savings of EUR 65 million. Within the framework of the programme, the production of services for OP-Pohjola Group Central Cooperative Consolidated and OP-Pohjola Group member cooperative banks will be centralised in OP-Services Ltd that is undergoing a major transformation. Job cuts account for a third of the total cost savings targets.

Capital expenditure and service development

The Central Cooperative and its subsidiaries are responsible for developing OP-Pohjola Group's services. ICT investments and related specifications make up a significant portion of costs of developing these services. EUR 95 million (54) of these costs consisted of ICT costs capitalised on the balance sheet for the period. EUR 66 million of the investments (30) were related to banking, EUR 20 million (18) to non-life insurance and EUR 8 million (6) to wealth management.

OP-Pohjola Group income statement

EUR million	Note	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Interest income		3,174	3,294	-4
Interest expenses		2,171	2,264	-4
Net interest income before impairment losses	5	**1,003**	**1,030**	**-3**
Impairments of receivables	6	99	101	-3
Net interest income after impairments		**904**	**928**	**-3**
Net income from Non-life Insurance operation	7	433	312	39
Net income from Life Insurance operations	8	108	72	51
Net commissions and fees	9	584	574	2
Net trading income	10	81	17	
Net investment income	11	52	63	-17
Other operating income	12	109	90	21
Personnel costs		749	689	9
Other administrative expenses		378	351	8
Other operating expenses		352	318	11
Returns to owner-members		192	176	9
Share of associates' profits/losses		2	4	-43
Earnings before tax for the period		**601**	**525**	**15**
Income tax expense		119	89	33
Profit for the period		**483**	**436**	**11**
Attributable to, EUR million				
Profit for the period attributable to owners		482	436	10
Profit for the period attributable to non-controlling interest		1	0	
Total		**483**	**436**	**11**

OP-Pohjola Group statement of comprehensive income

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Profit for the period	**483**	**436**	**11**
Change in fair value reserve			
Measurement at fair value	648	-422	
Cash flow hedge	50	22	
Actuarial gains/losses on post-employment benefit obligations	-90	-137	-34
Translation differences	0	1	-78
Income tax on other comprehensive income			
Measurement at fair value	158	-106	
Cash flow hedge	12	5	
Actuarial gains/losses on post-employment benefit obligations	-22	-30	
Total comprehensive income for the period	**942**	**29**	
Attributable to, EUR million			
Profit for the period attributable to owners	941	29	
Profit for the period attributable to non-controlling interest	1	0	
Total	**942**	**29**	

OP-Pohjola Group balance sheet

EUR million	Liite	31 Dec 2012	31 Dec 2011	Change, %
Cash and cash equivalents		5,784	4,376	32
Receivables from credit institutions		840	1,104	-24
Financial assets at fair value through profit or loss		358	281	27
Derivative contracts		4,436	3,307	34
Receivables from customers		65,161	60,331	8
Non-life Insurance assets	15	3,492	3,205	9
Life Insurance assets	16	9,173	7,006	31
Investment assets		6,596	8,343	-21
Investments in associates		39	40	-2
Intangible assets		1,320	1,169	13
Property, plant and equipment (PPE)		710	702	1
Other assets		1,745	1,884	-7
Tax assets		115	158	-27
Total assets		**99,769**	**91,905**	**9**
Liabilities to credit institutions		1,965	1,783	10
Financial liabilities at fair value through profit or loss		3	1	
Derivative contracts		4,162	3,232	29
Liabilities to customers		49,650	45,974	8
Non-life Insurance liabilities	17	2,592	2,508	3
Life Insurance liabilities	18	8,970	6,932	29
Debt securities issued to the public	19	19,270	20,005	-4
Provisions and other liabilities		3,297	2,840	16
Tax liabilities		990	834	19
Cooperative capital		622	624	0
Subordinated liabilities		1,114	931	20
Total liabilities		**92,635**	**85,663**	**8**
Equity capital				
Share of OP-Pohjola Group's owners				
Share and cooperative capital		336	333	1
Fair value reserve	20	339	-188	
Other reserves		2,683	2,621	2
Retained earnings		3,752	3,474	8
Non-controlling interests		24	3	
Total equity capital		**7,134**	**6,242**	**14**
Total liabilities and equity capital		**99,769**	**91,905**	**9**

Changes in OP-Pohjola Group's equity capital

EUR million	Share and cooperative capital	Fair value reserve: Fair value measure-ment	Fair value reserve: Cash flow hedging	Other reserves	Retained earnings	Non-control-ling interests	Total equity capital
Balance at 1 January 2011	**368**	**118**	**-6**	**2,656**	**3,590**	**0**	**6,726**
Change in accounting policy under IAS 19	-	-	-	-	**-187**	-	**-187**
Balance at 1 January 2011, new accounting policy	**368**	**118**	**-6**	**2,656**	**3,403**	**0**	**6,539**
Rights issue	-	-	-	-	-	-	-
Transfer of cooperative capital to equity capital	1	-	-	-	-	-	1
Holdings in Pohjola Bank plc purchased from non-controlling interests	-31	-	-	-79	-117	-	-227
Issue expenses	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	43	-43	-	-
Profit distribution	-	-	-	-	-74	-	-74
Total comprehensive income for the period	-	-316	16	-	322	-	22
Effect of change in accounting policy on comprehensive income for the period	-	-	-	-	6	-	6
Share-based payments	-	-	-	-	2		2
Other	-4	-	-	1	-26	3	-26
Balance at 31 Dec 2011	**333**	**-198**	**10**	**2,621**	**3,474**	**3**	**6,242**

EUR million	Share and cooperative capital	Fair value reserve: Fair value measure-ment	Fair value reserve: Cash flow hedging	Other reserves	Retained earnings	Non-control-ling interests	Total equity capital
Balance at 1 January 2012	**333**	**-198**	**10**	**2,621**	**3,474**	**3**	**6,242**
Increase of share capital	-	-	-	-	-	-	-
Transfer of cooperative capital to equity capita	4	-	-	-	-	-	4
Transfer of reserves	-	-	-	61	-61	-	-
Profit distribution	-	-	-	-	-62	-	-62
Total comprehensive income for the period	-	489	38	-	414	1	942
Share-based payments	-	-	-	-	0	-	0
Other	-1	-	-	1	-13	21	8
Balance at 31 Dec 2012	**336**	**291**	**48**	**2,683**	**3,752**	**24**	**7,134**

Cash flow statement

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011
Cash flow from operating activities		
Profit for the period	483	436
Adjustments to profit for the period	874	432
Increase (-) or decrease (+) in operating assets	**-3,151**	**-4,757**
Receivables from credit institutions	262	40
Financial assets at fair value through profit or loss	172	161
Derivative contracts	30	-8
Receivables from customers	-4,941	-3,581
Non-life Insurance assets	-205	-181
Life Insurance assets	-252	419
Investment assets	1,742	-1,070
Other assets	41	-537
Increase (+) or decrease (-) in operating liabilities	**4,081**	**6,936**
Liabilities to credit institutions	153	66
Financial liabilities at fair value through profit or loss	2	1
Derivative contracts	-21	33
Liabilities to customers	3,676	6,769
Non-life Insurance liabilities	10	102
Life Insurance liabilities	22	-358
Provisions and other liabilities	240	323
Income tax paid	-99	-108
Dividends received	118	131
A. Net cash from operating activities	**2,306**	**3,071**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-49	-66
Decreases in held-to-maturity financial assets	334	297
Acquisition of subsidiaries, net of cash acquired	-76	-6
Disposal of subsidiaries, net of cash disposed	4	1
Purchase of PPE and intangible assets	-194	-109
Proceeds from sale of PPE and intangible assets	9	3
B. Net cash used in investing activities	**28**	**119**
Cash flow from financing activities		
Increases in subordinated liabilities	500	181
Decreases in subordinated liabilities	-313	-430
Increases in debt securities issued to the public	24,457	39,026
Decreases in debt securities issued to the public	-25,484	-38,837
Increases in cooperative and share capital	221	216
Decreases in cooperative and share capital	-219	-238
Dividends paid and interest on cooperative capital	-78	-84
Returns to owner-members	-12	-22
Holdings in Pohjola Bank plc purchased from non-controlling interests	-	-227
Other	-	-
C. Net cash from financing activities	**-927**	**-415**
Net change in cash and cash equivalents (A+B+C)	**1,407**	**2,776**
Cash and cash equivalents at period-start	**4,465**	**1,689**
Cash and cash equivalents at period-end	**5,872**	**4,465**
Interest received	**3,634**	**2,979**
Interest paid	**-2,277**	**-1,927**
Cash and cash equivalents		
Liquid assets	5,798	4,381
Receivables from credit institutions payable on demand	74	84
Total	**5,872**	**4,465**

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.

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

OP-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, OP-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, OP-Pohjola Group is also preparing for the requirements of the revised IAS 19 effective for financial years starting on or after 1 January 2013. The change in the accounting policy has been applied retrospectively and its effects on the comparatives of OP-Pohjola Group's 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	1,749	1,496	-253
Tax assets	125	125	0
Liabilities			
Provisions and other liabilities	2,333	2,332	0
Tax liabilities	1,014	948	-66
Shareholders' equity			
Retained earnings	3,590	3,403	-187

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 31 Dec 2011			
Assets			
Other assets	2,266	1,884	-382
Tax assets	158	158	0
Liabilities			
Provisions and other liabilities	2,839	2,840	1
Tax liabilities	928	834	-94
Shareholders' equity			
Retained earnings	3,763	3,474	-289
Income statement 2011			
Personnel costs	696	689	-7
Income tax expense	87	89	2
Statement of comprehensive income 2011			
Actuarial gains/losses on post-employment benefit obligations	-	-137	-137
Income tax on actuarial gains/losses on post-employment benefit	-	-30	-30

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

	Q1–Q4/ 2012	Q1–Q4/ 2011
Return on equity, %	7.2	6.8
Return on equity at fair value, %	14.1	0.4
Return on assets, %	0.50	0.50
Cost/income ratio, %	62	63
Average personnel	13,411	12,858
Full-time	12,393	11,701
Part-time	1,018	1,157

Return on equity (ROE), %	Total comprehensive income for the period / Shareholders' equity (average of the beginning and end of the period)	x 100
Return on equity at fair value, %	Profit for the period + change in fair value reserve less deferred tax liability / Shareholders' equity (average of the beginning and end of the period)	x 100
Return on assets (ROA), %	Profit for the period / Balance sheet total (average of the beginning and end of the period)	x 100
Cost/income ratio, %	(Personnel costs + other administrative expenses + other operating expenses) / (Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses)	x 100
Return on economic capital, %	Earnings + customer bonuses after tax (value rolling 12 month) / Average economic capital	x 100
Operating loss ratio	Claims incurred excl. Change in technical interest / Insurance premium revenue excl. Change in technical interest (net)	x 100
Operating expense ratio	Operating expenses / Insurance premium revenue excl. Change in technical interest (net)	x 100
Operating combined ratio, %	Operating loss ratio + operating expense ratio	
Risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses / Net insurance premium revenue	x 100
Cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue	x 100
Operating cost ratio, %	Operating expenses before change in deferred acquisitions costs + loss adjustment expenses / Expense loading x 100	x 100
Solvency ratio, %	Solvency capital / Insurance premium revenue	x 100

Note 3. Business operations acquired during the period

On 31 August 2012, OP-Pohjola Group Central Cooperative – the central institution of OP-Pohjola Group – bought the share capital of Aurum Investment Insurance Ltd, a Finnish life insurance company established in connection with the acquisition, from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc. On 28 August 2012 as part of the acquisition, Skandia Life's portfolio of 100,000 pension, savings and investment policies transferred to Aurum Investment Insurance Ltd which became an OP-Pohjola Group Central Cooperative subsidiary on 31 August 2012. The accounts of Aurum Investment Insurance Ltd have been included in OP-Pohjola Group's consolidated financial statements since 31 August 2012.

In this Financial Statements Bulletin, the acquisition cost of Aurum Investment Insurance Ltd shares have been used as the acquisition cost in the consolidation of Group accounts. All related expert and consulting fees were charged to expenses.

Aurum Investment Ltd's premiums written included in OP-Pohjola Group's consolidated accounts amounted to EUR 45 million and earnings before tax to EUR 6 million.

The net arising from the difference between the fair value of the identifiable assets acquired and the liabilities assumed and the acquisition cost as a result of the consolidation, a gain from a bargain purchase, has been recognised in other operating income on the acquisition date. Any changes to the above net amount that may arise from the revision of the acquisition price based on the business volume development will be recognised directly in the income statement. This revision process is supposed to end by 31 March 2013. The identifiable assets acquired and the liabilities assumed comprise the net assets of Aurum Investment Insurance Ltd measured at fair value and other identifiable items identified in connection with the acquisition.

EUR million		**Fair values used in consolidati**
Life Insurance assets		1,360
Intangible assets		
Customer relationships		5
Insurance contracts		127
Other assets		1
Cash and cash equivalents		36
Total assets		**1,528**
Life Insurance liabilities		1,362
Provisions and other payables		5
Deferred tax liabilities		32
Total liabilities		**1,399**
Net assets		128
Interest in net assets acquired on 31 August 2012	100%	128
Total consideration paid in cash		108
Gain from bargain purchase, gross		20
Related transaction costs in the income statement.		2
Gain from bargain purchase, net		19
Total consideration paid in cash		108
Cash and cash equivalents of acquired subsidiary		36
Cash flow impact		72

Note 4. OP-Pohjola Group quarterly performance

EUR million	2011 Q4	Q1	2012 Q2	Q3	Q4
Interest income	927	899	836	764	674
Interest expenses	652	625	582	521	444
Net interest income	**275**	**274**	**255**	**243**	**231**
Impairments of receivables	37	11	17	19	51
Net interest income after impairments	**238**	**264**	**237**	**224**	**179**
Net income from Non-life Insurance operation	20	100	129	105	99
Net income from Life Insurance operations	-6	32	16	27	33
Net commissions and fees	138	153	141	134	156
Net trading income	31	38	3	18	22
Net investment income	7	15	10	1	26
Other operating income	24	25	21	39	23
Personnel costs	180	199	190	184	176
Other administrative expenses	104	93	99	82	104
Other operating expenses	88	87	84	81	100
Returns to owner-members	44	44	52	46	50
Share of associates' profits/losses	1	0	1	1	0
Earnings before tax for the period	**37**	**203**	**134**	**156**	**108**
Income tax expense	-37	49	35	33	2
Profit for the period	**74**	**154**	**99**	**123**	**106**
Other comprehensive income					
Change in fair value reserve					
Measurement at fair value	49	373	-23	166	132
Cash flow hedge	6	5	20	20	5
Actuarial gains/losses on post-employment benefit obligations	3	30	-10	10	-120
Translation differences	1	0	0	0	0
Income tax on other comprehensive income					
Measurement at fair value	17	91	-6	40	32
Cash flow hedge	1	1	5	5	1
Actuarial gains/losses on post-employment benefit obligations	6	7	-2	2	-29
Total comprehensive income for the period	**109**	**463**	**89**	**271**	**119**

Note 5. Net interest income

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Loans and other receivables	1,524	1,593	-4
Receivables from credit institutions and central banks	20	37	-45
Notes and bonds	232	269	-14
Derivatives (net)			
Derivatives held for trading	70	79	-12
Derivatives under hedge accounting	49	-19	
Liabilities to credit institutions	-9	-17	-46
Liabilities to customers	-406	-397	2
Debt securities issued to the public	-415	-473	-12
Subordinated debt	-58	-31	85
Hybrid capital	-8	-9	-12
Financial liabilities held for trading	0	0	-53
Other (net)	3	2	59
Net interest income before fair value adjustment under hedge accounting	**1,002**	**1,033**	**-3**
Hedging derivatives	270	19	
Value change of hedged items	-269	-23	
Total net interest income	**1,003**	**1,030**	**-3**

Note 6. Impairments of receivables

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Receivables eliminated as loan or guarantee losses	67	85	-22
Receoveries of eliminated receivables	-14	-11	-27
Increase in impairment losses	108	115	-6
Decrease in impairment losses	-62	-88	29
Total	**99**	**101**	**-3**

Note 7. Net income from Non-life Insurance

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Net insurance premium revenue			
Premiums written	1,215	1,120	8
Insurance premiums ceded to reinsurers	-49	-55	11
Change in provision for unearned premiums	-32	-44	27
Reinsurers' share	-7	3	
Total	**1,126**	**1,024**	**10**
Net Non-life Insurance claims			
Claims paid	786	703	12
Insurance claims recovered from	-61	-33	-86
Change in provision for unpaid claims	6	51	-89
Reinsurers' share	28	-29	
Total	**759**	**692**	**10**
Net investment income, Non-life Insurance			
Interest income	60	60	0
Dividend income	29	30	-3
Property	1	3	-64
Capital gains and losses			
Notes and bonds	27	-8	
Shares and participations	14	0	
Loans and receivables	-2	0	
Property	0	0	-30
Derivatives	-11	-18	41
Fair value gains and losses			
Notes and bonds	0	-34	
Shares and participations	-11	-10	-18
Loans and receivables	0	-1	
Property	3	3	11
Derivatives	-2	0	
Other	2	2	8
Total	**110**	**26**	
Unwinding of discount	-44	-46	4
Other	0	0	
Net income from Non-life Insurance	**433**	**312**	**39**

Note 8. Net income from Life Insurance

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Premiums written	848	748	13
Reinsurers' share	-27	-27	2
Total	**821**	**721**	**14**
Claims incurred			
Benefits paid	-644	-711	9
Change in provision for unpaid claims	-42	15	
Reinsurers' share	11	9	15
Change in insurance liabilities			
Change in life insurance provision	-619	218	
Reinsurers' share	6	11	-44
Total	**-1,289**	**-458**	
Other	-58	28	
Total	**-527**	**290**	
Net investment income, Llife Insurance			
Interest income	52	56	-6
Dividend income	61	73	-16
Property	-3	3	
Capital gains and losses			
Notes and bonds	3	6	-57
Shares and participations	36	27	37
Loans and receivables	0	4	
Property	-1	1	
Derivatives	-17	-38	55
Fair value gains and losses			
Notes and bonds	4	-6	
Shares and participations	-31	-6	
Loans and receivables	-1	-8	
Property	2	-1	
Derivatives	129	62	
Other	3	6	
Assets serving as cover for unit-linked policies			
Shares and participations			
Capital gains and losses	70	-123	
Fair value gains and losses	303	-296	
Other	24	24	1
Total	**635**	**-219**	
Net income from Non-life Insurance	**108**	**72**	**51**

Note 9. Net commissions and fees

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Commission income			
Lending	176	160	10
Deposits	5	5	-1
Payment transfers	175	160	10
Securities brokerage	21	31	-33
Securities issuance	15	13	14
Mutual funds brokerage	74	88	-16
Asset management and legal services	70	64	10
Insurance brokerage	54	53	1
Guarantees	22	22	1
Other	44	42	4
Total	**656**	**638**	**3**
Commission expenses	72	64	13
Net commissions and fees	**584**	**574**	**2**

Note 10. Net trading income

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Capital gains and losses			
Notes and bonds	13	7	99
Shares and participations	1	1	-36
Derivatives	-20	28	
Changes in fair value			
Notes and bonds	2	2	47
Shares and participations	6	-9	
Derivatives	63	-12	
Financial assets and liabilities amortised at cost			
Capital gains and losses			
Loans and other receivables	-	-	
Dividend income	1	1	8
operations	14	-1	
Total	**81**	**17**	

Note 11. Net investment income

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Available-for-sale financial assets			
Capital gains and losses			
Notes and bonds	17	12	41
Shares and participations	8	17	-52
Dividend income	24	26	-9
Impairment losses	-11	-5	
Carried at amortised cost			
Capital gains and losses	-12	1	
Total	**26**	**51**	**-49**
Investment property			
Rental income	38	40	-5
Maintenance charges and expenses	-28	-27	-3
Changes in fair value, capital gains and losses	15	-2	
Other	1	1	-27
Total	**26**	**11**	
Other	-	-	
Net investment income	**52**	**63**	**-17**

Note 12. Other operating income

EUR million	Q1–Q4/ 2012	Q1–Q4/ 2011	Change, %
Income from property and business premises in own use	16	15	6
Rental income from assets rented under operating lease	10	16	-36
Other	82	58	41
Total	**109**	**90**	**21**

Note 13. Classification of financial instruments

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and balances with central banks	5,784	-	-	-	-	5,784
Receivables from credit institutions and central banks	840	-	-	-	-	840
Derivative contracts	-	-	3,733	-	703	4,436
Receivables from customers	65,161	-	-	-	-	65,161
Non-life Insurance assets**	558	-	132	2,802	-	3,492
Life Insurance assets***	305	-	5,746	3,122	-	9,173
Notes and bonds	-	401	266	5,446	-	6,113
Shares and participations	-	-	91	327	-	418
Other receivables	3,929	-	423	-	-	4,352
Total 31 December 2012	**76,577**	**401**	**10,392**	**11,696**	**703**	**99,769**
Total 31 December 2011	**70,672**	**753**	**7,219**	**12,852**	**410**	**91,905**

EUR million			Financial liabilities at fair value through profit or loss******	Other liabilities	Hedging derivatives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	1,965	-	1,965
Financial liabilities held for trading (excl. derivatives)	-	-	3	-	-	3
Derivative contracts	-	-	3,743	-	419	4,162
Liabilities to customers	-	-	-	49,650	-	49,650
Non-life Insurance liabilities****	-	-	3	2,589	-	2,592
Life Insurance liabilities*****	-	-	5,371	3,600	-	8,970
Debt securities issued to the public	-	-	-	19,270	-	19,270
Subordinated loans	-	-	-	1,114	-	1,114
Other liabilities	-	-	-	4,909	-	4,909
Total 31 December 2012	-	-	**9,119**	**83,097**	**419**	**92,635**
Total 31 December 2011	-	-	**6,117**	**79,151**	**395**	**85,663**

*Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies and investment contracts.
**Non-life Insurance assets are specified in Note 15.
***Life Insurance assets are specified in Note 16.
****Non-life Insurance liabilities are specified in Note 17.
*****Life Insurance liabilities are specified in Note 18.
******Includes the balance sheet value of technical provisions related to unit-linked insurance policies.

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

On 31 December, the fair value of these debt instruments was approximately EUR 631 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques.

Subordinated liabilities are carried at amortised cost.

Note 14. Financial instruments recognised at fair value, grouped by valuation technique

Fair value of assets on 31 Dec 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	125	209	23	358
Non-life Insurance	-	13	6	19
Life Insurance	-	7	80	87
Derivative financial instruments				
Banking	7	4,403	25	4,436
Non-life Insurance	1	0	-	1
Life Insurance	-	130	-	130
Available-for-sale				
Banking	4,514	1,209	49	5,772
Non-life Insurance	1,799	759	244	2,802
Life Insurance	1,626	789	707	3,122
Total	**8,072**	**7,520**	**1,135**	**16,727**

Fair value of assets on 31 Dec 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	105	164	13	281
Non-life Insurance	-	-	6	6
Life Insurance	-	-	93	93
Derivative financial instruments				
Banking	15	3,284	9	3,307
Non-life Insurance	0	0	-	0
Life Insurance	-	50	-	50
Available-for-sale				
Banking	5,869	1,262	47	7,179
Non-life Insurance	1,725	552	257	2,534
Life Insurance	2,011	392	737	3,139
Total	**9,725**	**5,704**	**1,161**	**16,590**

Fair value of liabilities on 31 Dec 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	-	3	-	3
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	21	4,056	85	4,162
Non-life Insurance	3	0	-	3
Life Insurance	-	-	-	-
Total	**23**	**4,059**	**85**	**4,168**

Fair value of liabilities on 31 Dec 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	1	-	-	1
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	23	3,124	85	3,232
Non-life Insurance	0	0	-	1
Life Insurance	-	0	-	0
Total	**24**	**3,125**	**85**	**3,234**

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

Note 15. Non-life Insurance assets

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Investments			
Loan and other receivables	104	117	-11
Shares and participations	409	435	-6
Property	112	98	15
Notes and bonds	1,960	1,540	27
Derivatives	1	0	
Other participations	452	565	-20
Total	**3,038**	**2,754**	**10**
Other assets			
Prepayments and accrued income	41	35	17
Other			
Arising from direct insurance operations	290	262	11
Arising from reinsurance operations	91	121	-25
Cash in hand and at bank	10	6	89
Other receivables	20	26	-21
Total	**454**	**451**	**1**
Non-life Insurance assets	**3,492**	**3,205**	**9**

Note 16. Life Insurance assets

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Investments			
Loan and other receivables	168	226	-26
Shares and participations	1,702	2,470	-31
Property	156	120	30
Notes and bonds	1,506	762	98
Derivatives	130	50	
Total	**3,663**	**3,628**	**1**
Assets covering unit-linked insurance contracts			
Shares, participations and other investments	5,373	3,262	65
Other assets			
Prepayments and accrued income	44	32	38
Other			
Arising from direct insurance operations	12	12	0
Arising from reinsurance operations	77	71	8
Cash in hand and at bank	3	0	
Total	**137**	**115**	**18**
Life Insurance assets	**9,173**	**7,006**	**31**

Note 17. Non-life Insurance liabilities

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Provision for unpaid claims			
Provision for unpaid claims for annuities	1,205	1,155	4
Other provision for unpaid claims	788	789	0
Total	1,993	1,944	3
Provisions for unearned premiums	455	422	8
Other liabilities	144	142	1
Total	**2,592**	**2,508**	**3**

Note 18. Life Insurance liabilities

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Insurance liabilities for unit-linked insurance policies	4,288	3,210	34
Investment contracts	1,082	67	
Insurance liabilities	3,578	3,644	-2
Other liabilities	21	10	
Total	**8,970**	**6,932**	29

Insurance liabilities include EUR 163 (62) million in a change in the fair value of secured interest rate swaps.

Note 19. Debt securities issued to the public

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Bonds	13,612	11,525	18
Certificates of deposit, commercial papers and ECPs	5,514	8,183	-33
Other	144	297	-51
Total	**19,270**	**20,005**	**-4**

Note 20. Fair value reserve after income tax

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Notes and bonds	85	-181	
Shares and participations	207	-17	
Other	48	10	
Total	**339**	**-188**	

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

The fair value reserve before tax amounted to EUR 499 million (-249) and the related deferred tax liability amounted to EUR 110 million (deferred tax asset of 61). On 31 December, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 260 million (198) million and negative mark-to-market valuations EUR 21 million (211).

Note 21. Capital structure and capital adequacy

Capital structure and capital adequacy, EUR million	31 Dec 2012	31 Dec 2011	Change, %
Tier 1 capital			
OP-Pohjola Group's equity capital	7,134	6,242	14
The effect of insurance companies on the Group's shareholders' equity is excluded (incl. OVY's technical provisions)	-160	178	
Fair value reserve, transfer to Tier 2	-82	144	
Supplementary cooperative capital not included in equity capital	620	622	0
Core Tier 1 capital before deductions and hybrid capital	7,513	7,186	5
Intangible assets	-372	-342	9
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-100	-119	-16
Planned profit distribution / profit distribution as proposed by the Board	-68	-61	12
Investments in insurance companies and financial institutions	-1,210	-1,157	5
Shortfall of impairments – expected losses	-249	-271	-8
Shortfall of other Tier 1 capital	-163	-484	
Core Tier 1 capital	**5,352**	**4,753**	**13**
Hybrid capital	201	223	-10
Shortfall of Tier 2 capital	-364	-706	-48
Transfer to Core Tier 1 capital	163	484	
Tier 1 capital	**5,352**	**4,753**	**13**

Tier 2 capital			
Fair value reserve (excl. cash flow hedge valuation)	34	-154	
Perpetual bonds	0	285	-100
OVY's equalisation provision	218	215	1
Debenture loans	842	375	
Investments in insurance companies and financial institutions	-1,210	-1,157	5
Shortfall of impairments – expected losses	-249	-271	-8
Transfer to Tier 1 capital	364	706	-48
Tier 2 capital	**0**	**0**	
Total capital base	**5,352**	**4,753**	**13**
Risk-weighted assets			
Credit and counterparty risk	32,575	30,556	7
Central government and central banks exposure	46	175	-74
Credit institution exposure	1,208	1,450	-17
Corporate exposure	19,870	18,370	8
Retail exposure	8,298	7,573	10
Other	3,153	2,989	5
Market risk	723	571	27
Operational risk	2,954	2,903	2
Other	1,841	-	
Total	**38,093**	**34,030**	**12**
Risk-weighted assets, excl. transition provisions	**36,252**	**34,030**	**7**
Minimum capital requirement			
Credit and counterparty risk	2,606	2,445	7
Market risk	58	46	27
Operational risk	236	232	2
Other	147	-	
Total	**3,047**	**2,722**	**12**
Minimum capital requirement, excl. transition provisions	**2,900**	**2,722**	**7**

Ratios, %	**31 Dec 2012**	**31 Dec 2011**	**Change, percentage point**
Ratios under transition provisions			
Capital adequacy ratio	14.1	14.0	0.1
Tier 1 capital ratio	14.1	14.0	0.1
Core Tier 1 capital ratio	14.1	14.0	0.1
Ratios excl. transition provisions			
Capital adequacy ratio	14.8	14.0	0.8
Tier 1 capital ratio	14.8	14.0	0.8
Core Tier 1 capital ratio	14.8	14.0	0.8

Capital base*, EUR million	**2012**	**2011**	**Change, %**
Capital base under transition provisions	2,305	2,031	13
Capital base excl. transition provisions	2,452	2,031	20

*Capital base above minimum capital requirement

Following permission from the Financial Supervisory Authority, the Group has applied the Internal Ratings Based Approach (IRBA) to the conglomerate’s retail, corporate and credit institution exposures since December 2011. The Foundation Internal Ratings Based Approach (FIRB) is applied to corporate and credit institution exposures.

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

EUR million	31 Dec 2012	31 Dec 2011	Change, %
OP-Pohjola Group's equity capital	7,134	6,242	14
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,676	1,518	10
Other sector-specific items excluded from capital base	-1		-92
Goodwill and intangible assets	-1,272	-1,114	14
Equalisation provisions	-212	-271	-22
Proposed profit distribution	-68	-61	12
Items under IFRS deducted from capital base*	-179	-164	10
Shortfall of impairments – expected losses	-498	-542	-8
Conglomerate's capital base, total	**6,581**	**5,596**	**18**
Regulatory capital requirement for credit institutions**	3,047	2,722	12
Regulatory capital requirement for insurance operations***	421	388	8
Conglomerate's total minimum capital requirement	**3,468**	**3,111**	**12**
Conglomerate's capital adequacy	**3,112**	**2,486**	**25**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base)	**1.90**	**1.80**	**5**

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

** Risk-weighted assets x 8%

*** Minimum solvency margin

Note 23. Collateral given

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Given on behalf of own liabilities and commitments			
Mortgages	1	1	
Pledges	4,633	6,834	-32
Other	583	492	19
Total	**5,218**	**7,327**	**-29**

Note 24. Off-balance-sheet items

EUR million	31 Dec 2012	31 Dec 2011	Change, %
Guarantees	948	1,084	-13
Other guarantee liabilities	1,688	1,612	5
Pledges	3	2	75
Loan commitments	10,855	10,363	5
Commitments related to short-term trade transactions	455	248	83
Other	479	606	-21
Total off-balance-sheet items	**14,428**	**13,914**	**4**

Note 25. Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
30 September 2012, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	44,687	78,829	38,926	162,441	4,371	3,715
Currency derivatives	19,859	2,746	517	23,122	294	340
Equity and index-linked derivatives	303	819	6	1,127	50	0
Credit derivatives	122	92	-	214	10	2
Other derivatives	288	584	78	950	37	37
Total derivatives	**65,259**	**83,069**	**39,527**	**187,855**	**4,762**	**4,094**

	Nominal values / remaining term to maturity				Fair values*	
31 December 2011, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	44,769	86,886	37,628	169,283	2,798	2,659
Currency derivatives	17,995	2,338	732	21,065	625	419
Equity and index-linked derivatives	213	1,110	6	1,328	55	1
Credit derivatives	45	191	-	236	2	2
Other derivatives	239	358	22	619	27	26
Total derivatives	**63,261**	**90,882**	**38,388**	**192,531**	**3,507**	**3,108**

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

Derivatives netting is applied at OP-Pohjola Group, but in this document derivative transactions are presented in gross amounts.

Note 26. Related-party transactions

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

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

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

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman and CEO Reijo Karhinen in a press conference on 6 February 2013, starting at noon at Vääksyntie 4, Vallila, Helsinki.

Pohjola Bank plc will publish its own interim report.

Financial reporting in 2013

Schedule for Financial Statements Bulletin for 2012 and 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

OP-Pohjola Group Central Cooperative
Executive Board

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