OP-Pohjola

OP-Pohjola Group

REPORT BY THE EXECUTIVE BOARD AND FINANCIAL STATEMENTS 2008

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REPORT BY THE EXECUTIVE BOARD 2008

OP-POHJOLA GROUP (AMALGAMATION OF THE COOPERATIVE BANKS) IFRS FINANCIAL STATEMENTS 2008

INTERIM REPORTS 2009

The OP-Pohjola Group and Pohjola Bank plc each will publish three Interim Reports in 2009:
for January-March on 7 May 2009
for January-June on 6 August 2009
for January-September on 5 November 2009

The Interim Reports will be published in Finnish, Swedish and English. The Interim Reports are available on our website at the address op.fi/english and pohjola.fi/english. Paper copies can be ordered by calling +358 (0)10 252 7167or by e-mail: viestinta@op.fi.

Since all the figures in this report have been rounded off, adding up individual figures may yield a different result from the sum presented.

OP-POHJOLA GROUP'S REPORT BY THE EXECUTIVE BOARD 2008

OP-POHJOLA GROUP – THE YEAR IN BRIEF

Group results for 2008 satisfactory considering the conditions

- OP-Pohjola Group's earnings before tax came to EUR 372 million (1,005)*. Impairment losses and lower income related to investments account for 90% of the earnings reduction.
- Pre-tax earnings made by Banking came to EUR 532 million (722), the decline significantly affected by customer bonuses, charged to expenses, which increased to EUR 132 million (83).
- In Non-life Insurance, earnings before tax stood at EUR 55 million (181). Return on investment fell sharply, but the balance on technical account was excellent. The operating combined ratio** was 91.5.
- Poor investment performance in Life Insurance operations resulted in a loss of EUR 162 million (earnings of 129).
- Despite the exceptional market situation, OP-Pohjola Group did not adopt its own pricing models for financial instrument measurement, nor value their liabilities at market prices.

Sustained vigorous growth and stronger market position

- Total deposits increased by 19% – and the market share increase, 1.5 percentage points, was record-high.
- Loan portfolio up by 14% – home mortgages by 12% and corporate loans by 22%. Non-life insurance premium revenue rose by 9% and those from private customers by 12%.
- The market share of mutual fund capital grew by 1.1 percentage points, while the market share of life insurance savings declined by 0.6 percentage points year on year.

Solid capital adequacy a competitive advantage in challenging operating environment

- OP-Pohjola Group's capital adequacy is very strong. Tier 1 ratio stood at 12.6% (12.6).
- Impairment losses on receivables were 0.1%, or EUR 58 million (13), of the loan and guarantee portfolio. Non-performing loans increased year on year, but their share of the loan and guarantee portfolio remained low.
- The Group's liquidity and availability of funding have remained good despite the exceptionally challenging operating environment.
- It is exceptionally difficult to predict at this stage how the financial sector's operating environment will be affected in the future. OP-Pohjola Group's extremely strong capital adequacy will act as a stabilising buffer to ensure continuity.

* Changes are based on a year-on-year comparison.
** The official combined ratio declined from 92.9% to 94.7%.

OP-POHJOLA GROUP'S KEY INDICATORS

	2008	2007	Change*
Earnings before tax, EUR million	372	1,005	-63
Banking and Investment Services	532	722	-26
Non-life Insurance	55	181	-70
Life Insurance	-162	129	
Bonuses paid to customers	132	83	59
Return on equity (ROE),%	4.1	13.7	-9.6
Return on equity at fair value,%	-6.0	10.9	-16.8
Cost/income,% (Banking and Investment Services)	54	49	5.8
Average personnel	12,615	12,378	1.9

	31 Dec 2008	31 Dec 2007	Change*
Total assets, EUR billion	75.7	65.7	15.3
Capital adequacy **	12.7	12.2	0.5
Tier 1 ratio,%**	12.6	12.2	0.4
Ratio of capital resources to minimum amount of capital resources***	1.40	1.52	-0.12
Non-performing loan losses within loan and guarantee portfolio,%	0.4	0.3	0.1
Market share,%			
Of loan portfolio	32.1	31.1	1.0
Of total deposits	33.8	32.3	1.5
Of capital invested in mutual funds	22.5	21.4	1.1
Of insurance savings through life and pension insurance	19.4	19.9	-0.5
	2008	2007	Change*
Of premiums written in life and pension insurance,%	29.4	30.8	-1.4

* Percentage point change, except for earnings before tax, customer bonuses, total assets and average number of personnel, for which the change is stated in percentages, as well as the ratio of capital resources to the minimum amount of capital resources, for which the change is stated as a change in the ratio.
** Pursuant to the Act on Credit Institutions.Year 2007 figures have been converted into comparable figures.
*** Pursuant to the Act on the Supervision of Financial and Insurance Conglomerates.

OPERATING ENVIRONMENT

The global financial market got into a serious crisis in 2008. Problems originating from the US housing market began to affect other countries and sectors, resulting in falling GDP figures in many countries. Finland is not immune to this contagious global recession and the economic outlook for 2009 is even bleaker.

The global financial crisis came to a head in autumn 2008 when Lehman Brothers, an investment bank, filed for Chapter 11 protection, bringing down the liquidity in financial markets, and the lack of confidence increased short-term market rates and intensified equity and currency market swings.

To settle the crisis, national central banks took considerable measures to support the financial markets, such as increasing market liquidity to prevent a loan slump, and also bringing their benchmark interest rates exceptionally low. Many countries also put in place considerable revival packages.

Many financial institutions in various countries suffered massive losses and had to rely on state support, which led to a number of restructuring measures in the financial sector. In January 2009, the Finnish government decided to make interbank lending guarantees available and to make fixed-term capital investments in banks.

The support measures taken by central banks and governments alleviated the acute crisis, with the short-term market rates being cut and interbank trading picking up a little. The long-term effects, however, are difficult to predict.

The global financial crisis has weakened economic outlooks everywhere. Both the US and many EU countries have veered into recession and emerging economies too are experiencing slower growth, because weaker export prospects will be only partly offset by sustained domestic demand.

Finland's economic outlook deteriorated rapidly in the latter half of 2008, bringing GDP growth to a standstill and resulting in a downturn of exports owing to the global recession. Growth in consumer spending slowed down as households became more and more wary in the wake of dismal economic and business news. Incomes continued their upward trend, but so did unemployment. Capital spending was up for most of the year owing to the completion of earlier construction projects, but the number of building permits applied for gives reason to believe that construction investments will be falling sharply.

It would appear that Finland alongside other industrial countries is drifting into a recession in 2009, with industry and especially construction showing a drastic downturn, while the service sector is expected to fare better than other sectors. Consumer confidence is as weak as it was during the slump in the 1990s, and the only thing people have faith in is that they will be able to save up money.

In 2008, the inflation rate went up to 4.1%, mostly due to higher food prices and housing costs. The stagnating economy is expected to decrease the inflation rate to less than 3% in 2009.

Owing to lack of confidence in financial markets, the Euribor rates rose until autumn 2008. Moreover, the European Central Bank (ECB) raised its benchmark interest rate further in July to 4.25%, basing its decision on high inflation. As the financial crisis came to a head in the autumn, the ECB cut its benchmark interest rate three times by the end of 2008, coming to 2.5% and in January 2009 to 2.0%, bringing the Euribor rates down in its wake.

Loans and deposits continued to grow briskly in the banking market in 2008, and the growth rate of the loan portfolio of financial institutions remained the same as in the previous year, at 11.7%. Because the financial markets were jammed up, the growth rate of corporate loans in particular rose to 19%, whereas the home mortgage growth rate slowed down to 8.7% despite the falling interest rates and housing prices in the latter half of the year. However, households' loan portfolio increased faster than their income, resulting in higher indebtedness.

The deposit growth rate rose to a record 12.9% in 2008, because many savings were channelled to deposits due to the steep fall in the equity market. Banking market growth is forecast to slow down in 2009. Slower growth in household income and lower interest rates are expected to dampen deposit growth. The rise in home loans is also expected to slow down, although the average interest rates of new home loans will fall.

In 2008, capital market performance was exceptionally poor and stock performance was one of the worst ever experienced, with the OMX Helsinki Cap index – a measure of stock prices in Finland – falling by a stunning 50%. Mutual fund assets shrank by 37.4% owing to considerable net subscriptions and negative returns. Life insurance premiums written fell by 6.8%, which contributed to a fall in insurance savings.

Despite the weaker economy, non-life insurance premiums written rose by 4.2% in 2008. The non-life insurance business is not so badly affected, because statutory insurance accounts for such a high percentage of the policies. On the other hand, the stagnating economy is expected to slow down growth in claims expenditure.

OP-POHJOLA GROUP'S EARNINGS AND TOTAL ASSETS

January–December

Earnings before tax came to EUR 372 million (1,005)*. Various impairment losses related to investments and lower income account for 90% of the EUR 633 million reduction in earnings. Poor return on investment weakened life insurance results in particular, ending in a loss, with non-life insurance earnings before tax also adversely affected, whereas the balance on technical account was excellent. Banking and Investment Services earnings before tax were still good despite the difficult market situation, although we fell short of the previous year's record figures.

The Group's revenues declined by 19% to EUR 1,823 million (2,254). Net interest income rose by 13% to EUR 1,189 million (1,048), but other income declined by 14% to EUR 634 million (1,206). Net commissions, totalling EUR 419 million, were almost the same as last year, despite diminished asset management commissions. Other key sources of income suffered in the historically poor investment markets, cutting return on investment substantially.

On the whole, the poor investment performance has been calculated to have weakened the Group's result by EUR 572 million year-on-year. The net investment income of life insurance fell by EUR 308 million and that of non-life insurance by EUR 100 million, while net trading income fell by EUR 95 million and the net investment income of banking by EUR 70 million. The above net income figures include a EUR 51 million decrease in fair value recognised in the financial statement from available-for-sale securities, EUR 112 million in impairments recognised in the financial statements as a result of reclassification of investment instruments containing embedded derivatives, and a fair value decrease of EUR 74 million recognised under the liquidity reserve. The Group recognised EUR 78 million in net sales losses during the financial year, whereas the year before profits of EUR 134 million were recorded.

During the financial crisis, there has been no proper market for a number of investment instruments, which has made market price sources less reliable. However, OP-Pohjola Group did not adopt any of its own market valuation models. The Group has reclassified certain assets according to the European Commission regulation approved in October. See under notes in financial statements. This reclassification will reduce result fluctuations in the future.

Expenses stood at EUR 1,238 million (1,129), up by 9.7% year on year, a significant part of this increase due to higher personnel costs. The 8.3% rise in personnel costs resulted not only from an increase in staff numbers and the payroll bill but also by pension costs which had risen at a much higher rate than wages and salaries. ICT expenses accounted for a significant part of other administrative costs.

Bonuses paid to owner-members and OP bonus customers rose by 59% and totalled to EUR 132 million (83).

Net impairment losses on loans and receivables increased to EUR 58 million (13). New impairment losses in gross terms totalled EUR 81 million, or 92% more than the year before. The biggest single impairment loss, EUR 10 million, was recorded in relation to Lehman Brothers. Value readjustments and cancellations of impairment losses totalled EUR 23 million, or 21% more than the year before. Impairment losses on receivables remained low, at 0.11% of the loan and guarantee portfolio.

Return on equity stood at 4.1%, down from last year's 13.7%. Pre-tax loss at fair value was EUR 365 million (earnings of EUR 798 million)* as a result of a fall in the market value of securities.

Comparatives for 2007 are given in brackets. For income-statement and other aggregated figures, January–December 2007 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures on the previous balance sheet date (31 December 2007) serve as comparatives.

**The combined cost ratio excluding amortisation on intangible assets arising from the Pohjola acquisition and allocated to the business segment without the effect of changes in calculation bases.

Banking and Investment Services reported a pre-tax profit of EUR 532 million (722). Non-life Insurance earnings before tax were EUR 55 million (181), showing a 70% year-on-year decrease. Non-life Insurance reported a combined ratio of 94.7% (92.9), and the operating combined ratio** improved to 91.5% (93.8). Life Insurance recorded pre-tax losses of EUR 162 million (earnings of EUR 129 million). The results of both life and non-life insurance operations were weakened by falling net investment income.

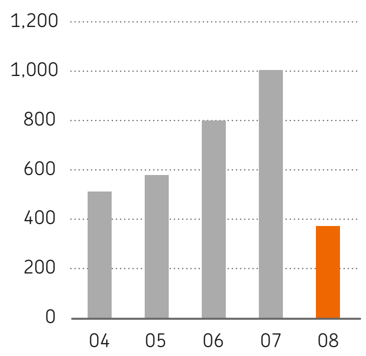
In the autumn of 2005 in connection with the Pohjola acquisition, the then OP Bank Group announced that it would seek income and cost synergies of about EUR 91 million by the end of 2010. It is estimated that the decisions made by the end of the financial period will yield annual cost savings of over EUR 55 million. In 2010 the cost savings are estimated to rise to over EUR 65 million with the decisions made by the end of 2008. Revenue Income synergies achieved to date are estimated to amount to over EUR 30 million per year. Estimates of the total amount of synergy benefits already achieved or to be achieved by the end of the report period will therefore exceed the target set in 2005. Although we achieved our target, there is still potential especially in terms of profit synergies. Immediate integration costs concerning the financial period totalled EUR 4 million (15). Project expenses related to information system integration, including internal personnel costs, totalled EUR 16 million.

Earnings analysis

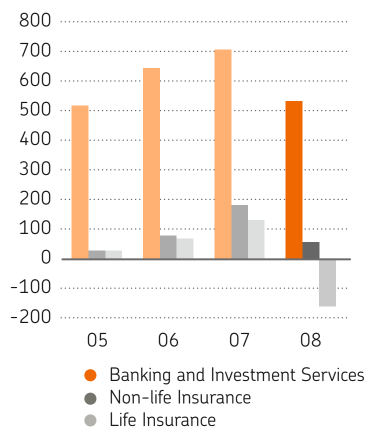
EUR million	*2008*	*2007*	*Change, EUR million*	*Change, %*
Earnings before tax	**372**	**1,005**	**-633**	**-63.0**
Gross change in fair value reserve	-737	-207	-530	
Earnings/loss before tax at fair value	**-365**	**798**	**-1,162**	
Return on equity (ROE),%	**4.1**	**13.7**		**-9.6,***
Return on equity at fair value,%	**-6.0**	**10.9**		**-16.8,***
Income				
Net interest income	1,189	1,048	141	13.5
Net income from Non-life Insurance	345	427	-82	-19.3
Net income from Life Insurance	-139	172	-311	
Net commissions and fees	419	430	-11	-2.6
Net trading and investment income	-99	65	-164	
Other operating income	108	109	-2	-1.4
Share of associates' profits/losses	1	3	-2	-74.1
Other income, total	634	1,206	-572	-47.5
Total income	**1,823**	**2,254**	**-431**	**-19.1**
Expenses				
Personnel costs	598	553	46	8.3
Other administrative expenses	328	303	24	8.0
Other operating expenses	312	273	40	14.6
Total expenses	**1,238**	**1,129**	**110**	**9.7**
Impairment losses on receivables	**58**	**13**	**45**	
Returns to owner-members and OP bonus customers				
Bonuses	132	83	49	59.1
Interest on ordinary and supplementary cooperative capital	22	24	-2	-9.6
Total returns	**154**	**107**	**47**	**43.6**

* Percentage point(s)

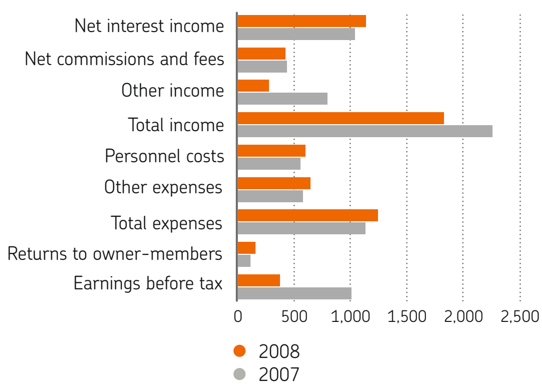
Earnings before tax, € million



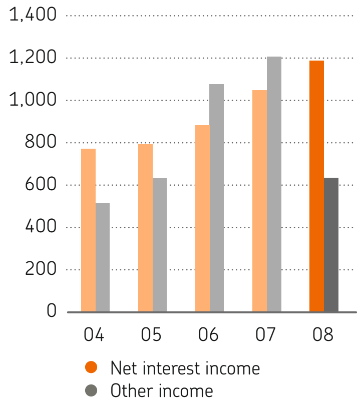
Earnings before tax by business segment, € million



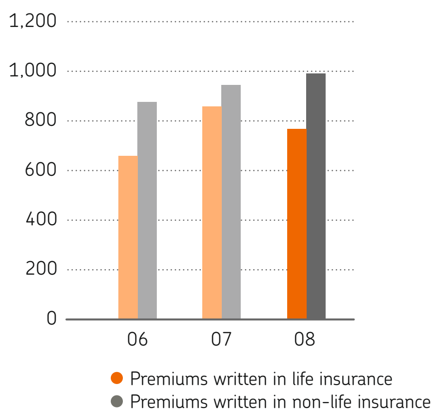
Key income statement items, € million



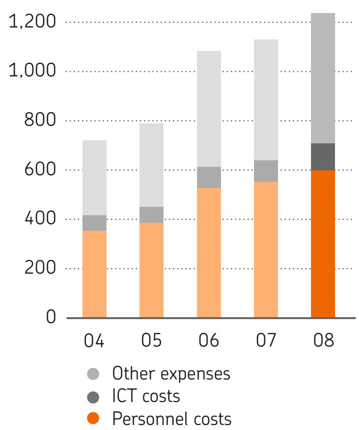
Net interest income and other income, € million



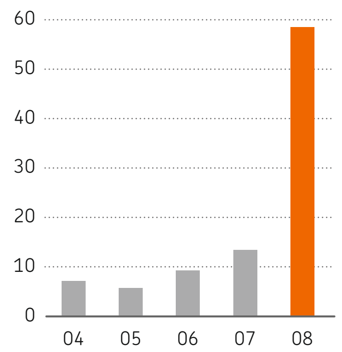
Change in insurance premiums written, € million



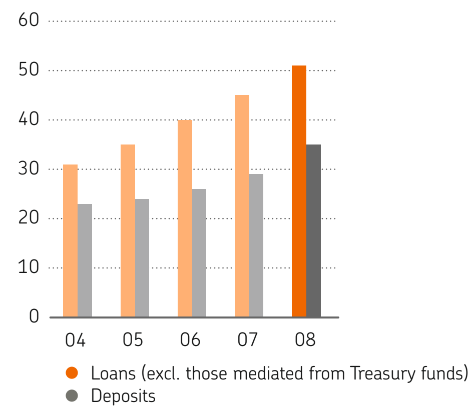
Total expenses, € million



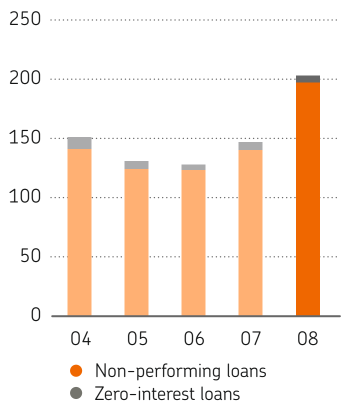
Impairments of receivables, € million



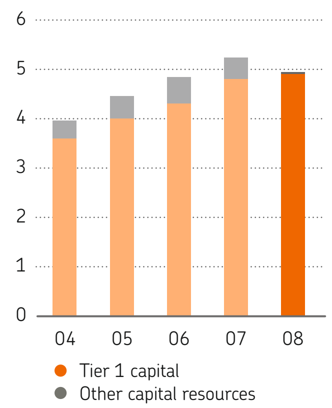
Loans and deposits, € billion



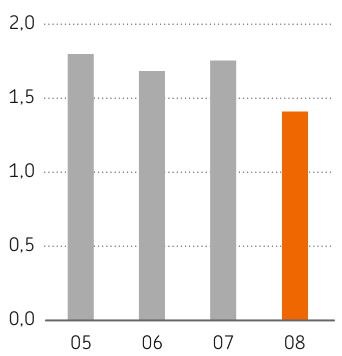
Non-performing loans, € million



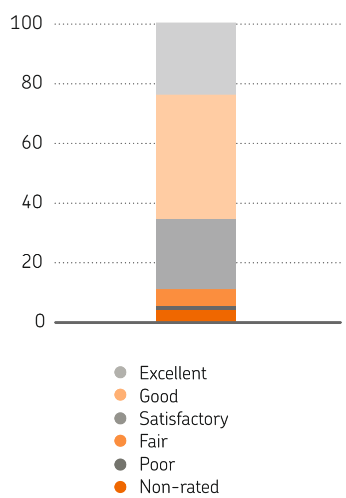
Capital resources, € billion



Capital adequacy of financial and insurance conglomerate, € billion



Corporate exposure by rating in 2008, %



On December 31, OP-Pohjola Group's total assets stood at EUR 75.7 billion (65.7), up by 15% from those on 31 December 2007. During the review period, receivables from customers increased by 16% to EUR 51.7 billion (44.8) and deposits by 19% to EUR 34.5 billion (29.0). Debt securities issued to the public rose by 29% to EUR 18.2 billion.

Equity capital decreased by 7.5% to EUR 5.2 billion (5.6) owing to the lower fair value reserve, the latter, adjusted for deferred tax assets, being EUR 556 in the negative (minus EUR 10 million). The main reason for the decrease in the fair value reserve during the reporting period was the dip in securities' market values.

On 31 December, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 695 million (689). Member banks' interest on the ordinary and supplementary cooperative capital recognised in the 2008 financial statements totalled some EUR 22 million. The Board of Directors of Pohjola Bank plc (OKO Bank plc until 29 February 2008) proposes that the company pay a dividend of EUR 0.23 for each Series A share and EUR 0.20 for each Series K share for 2008, totalling EUR 45 million (131).

Key income statement items by quarter

	2008				2008	2007	Change
EUR million	Q1	Q2	Q3	Q4			%
Net interest income	272	296	305	316	1.189	1.048	13,5
Net income from Non-life Insurance	89	89	96	72	345	427	-19,3
Net income from Life Insurance	8	-7	-91	-49	-139	172	
Net commissions and fees	120	103	97	99	419	430	-2,6
Other income	-13	41	-1	-18	9	177	-94,8
Total income	476	521	406	420	1.823	2.254	-19,1
Personnel costs	152	158	130	158	598	553	8,3
Other administrative expenses	82	86	61	97	328	303	8,0
Other operating expenses	77	72	80	84	312	273	14,6
Total expenses	311	316	272	339	1.238	1.129	9,7
Impairments of receivables	2	7	18	31	58	13	
Returns to owner-members	37	40	42	35	154	107	43,6
Earnings before tax	125	158	74	15	372	1.005	-63,0

CAPITAL ADEQUACY

Two sets of capital adequacy ratios are calculated for OP-Pohjola Group. OP-Pohjola Group operates in compliance with the Act on Cooperative Banks and other Cooperative Institutions. Owing to the regulations on joint responsibility and security conditions prescribed in the Act, a minimum amount of capital resources has been set for the amalgamation of the cooperative banks calculated according to the regulations for capital adequacy specified in the Act on Credit Institutions. The amalgamation of the cooperative banks comprises its central institution (OP-Pohjola Group Central Cooperative), the central institution's member credit institutions and companies belonging to their consolidation groups. Although OP-Pohjola Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. This capital adequacy figure is called the amalgamation of cooperative banks' capital adequacy.

OP-Pohjola Group is also a financial and insurance conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is governed by specific provisions of the capital adequacy requirement.

In view of both capital adequacy requirements, OP-Pohjola Group's risk-bearing capacity is strong.

Transition to the capital adequacy calculation measurement in accordance with Basel II

OP-Pohjola Group Central Cooperative will publish annually, as part of the financial statements, the full information required by Pillar III of the capital adequacy framework and the Financial Supervision Authority standards.

In its calculation of capital requirement for credit risk, OP-Pohjola Group will phase in the Internal Rating-based Approach (IRBA). The Financial Supervision Authority granted OP-Pohjola Group permission to use IRBA in its capital adequacy measurement for credit risks as of 30 September 2008. This permission concerns liabilities granted to Pohjola Bank plc's corporate and institutional customers. Otherwise the capital requirement is calculated using the Standardised Approach. The adoption of IRBA will reduce OP-Pohjola Group's capital requirement but is expected to make the capital requirement more susceptible to market fluctuations. As to market risks, OP-Pohjola Group will continue to use the Standardised Approach. The capital requirement for operational risks will be calculated using the Basic Indicator Approach (BIA), with the objective of adopting the Standardised Approach in 2010.

Capital adequacy of the amalgamation of cooperative banks

On 31 December, OP-Pohjola Group's capital adequacy ratio under the Credit Institutions Act stood at 12.7% and Tier 1 capital adequacy ratio at 12.6%. Both the capital adequacy ratio and Tier 1 capital adequacy stood at 12.2% (comparable figures).

Capital resources	*Basel II*	*Basel II**			*Reported*
EUR million	*31 Dec 2008*	*31 Dec 2007*	*Change, EUR million*	*Change, %*	*31 Dec 2007*
Capital resources					
Tier 1 capital	**4,884**	**4,656**	**228**	**4.9**	**4,826**
Tier 2 capital	**0**	**0**	**0**		**802**
Other capital resources	**47**		**47**		
Allowances from combined Tier 1 and Tier 2 capital	**-**	**-**			**-360**
Total capital resources	**4,931**	**4,656**	**275**	**5.9**	**5,268**

* Converted into comparable figures

On 1 January 2008, OP-Pohjola Group adopted a method recommended by the Financial Supervisory Authority to include insurance company investments in the calculation of capital adequacy as referred to in the Act on Credit Institutions. After this change, half of the balance sheet value of the insurance company investments will be deducted from the company's Tier 1 capital and the other half from Tier 2 capital. As a result of this change, the company's capital resources on 31 December 2007 converted into comparable figures were reduced by some EUR 378 million, which lowered the capital adequacy ratio by about 0.9 percentage points to 12.9%. The change had no major effect on the amount of Tier 1 capital.

The Financial Supervisory Authority issued in January 2009 its new interpretation on the calculation of consolidated capital resources, the amendments relating to how insurance institutions are treated in terms of capital resources. OP-Pohjola Group has adjusted the calculation of its capital resources in accordance with the Financial Supervisory Authority. This change in the interpretation reduced the company's capital resources reported on 31 December 2007 by EUR 234 million and the capital adequacy ratio by about 0.6 percentage points. The Group's capital resources were EUR 491 million higher on 31 December 2008 than they would have been if the former calculation principles had been applied.

The adoption of capital adequacy calculation according to Basel II did not affect the Group's capital resources.

Tier 1 capital amounted to EUR 4,884 million on 31 December. Comparable Tier 1 capital stood at EUR 4,656 million on 31 December 2007. The result for the reporting period less the estimated dividend payout is included in Tier 1 capital. OP-Pohjola Group's Tier 1 capital increased by 4.9% during the report period.

Tier 2 capital was reduced to zero following deductions from the item during the report period. Any deductions in excess of the Tier 2 capital were made from Tier 1 capital. At the end of the report period, capital resources were reduced by a fair value reserve that was EUR 84 million in the red. At the end of 2007, the comparable fair value reserve increased the consolidation group's capital resources by EUR 18 million. In March, Pohjola Bank plc issued a EUR 170 million debenture loan, classified as lower Tier 2 capital, with a maturity of ten years, and in December a EUR 100 million subordinated bond, of which a total of EUR 80 million is included in Tier 1 capital and EUR 20 million in other upper Tier 2 capital. The loan has a maturity of 5 years.

On 31 December, insurance company investments, deducted in equal proportions from Tier 1 and 2 capital, came to EUR 2,159 million (1,813). On the basis of the exemptions granted by the Financial Supervisory Authority, investments by OP-Pohjola Group entities in venture capital funds, managed by Pohjola Capital Partners, are treated in the capital adequacy calculation in the same way as investments in shares in business or industrial corporations.

On 31 December, the ratio of hybrid capital to Tier 1 capital before adjustments was 3.6% (4.6). Tier 1 capital does not include equity capital growth resulting from the IFRS-compliant measurement of pension liabilities and the assets covering them, and from the measurement at fair value of investment property.

Capital adequacy	*Basel II*	*Basel I*			*Reported*
EUR million	*31 Dec 2008*	*31 Dec 2008*	*Change, EUR million*	*Change, %*	*31 Dec 2007*
Risk-weighted items, total	**38,746**	**43,482**	**-4,736**	**-10.9**	**38,245**
Capital resources requirement					
Credit and counterparty risk	2,832	3,403	-571	-16.8	3,011
Market risk	47	75	-28	-37.3	49
Operational risk	221	-	221		-
Total	**3,100**	**3,478**	**-378**	**-10.9**	**3,060**
Capital adequacy ratio,%	**12.7**	**11.3**	**1.4**		**13.8**
Ratio of Tier 1 capital to total risk-weighted items, % (Tier 1 ratio)	**12.6**	**11.2**	**1.4**		**12.6**

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

OP-Pohjola Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated using the consolidation method, whereby assets included in capital resources but not included in equity capital, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet. Capital resources may not include items not available for covering the losses of other companies belonging to the conglomerate.

Based on its interpretation issued on 31 March 2008, the Finnish Financial Supervisory Authority altered the manner in which OP-Pohjola Group Mutual Insurance Company's equalisation provision is to be applied in capital adequacy calculation. As a result of this change, the capital adequacy referred to in the Act on the Supervision of Financial and Insurance Conglomerates was reduced by EUR 196 million on 31 March. However, this has no material effect on the Group's actual risk-bearing capacity.

On 31 December, OP-Pohjola Group's capital resources calculated according to the Act on the Supervision of Financial and Insurance Conglomerates exceeded the minimum amount specified in the Act by EUR 1,406 million (1,753). Changes in the capital adequacy calculation as specified in the Act on Credit Institutions increased the possibilities of using Tier 2 capital, which in effect compensates for the negative effect of the interpretation concerning OP-Pohjola Group Mutual Insurance Company.

The insurance companies' equalisation provision is not included in the financial and insurance conglomerate's capital resources. On 31 December 2008, the combined equalisation provision less the non-life and life insurance tax liabilities stood at EUR 481 million. The equalisation provision acts as a buffer for insurance companies in case of years with heavy losses and is therefore part of the financial services group's actual buffer against losses.

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

EUR million	*31 Dec 2008*	*31 Dec 2007*	*Change, EUR million*	*Change, %*
OP-Pohjola Group's equity capital	5,215	5,638	-423	-7.5
Business-segment-specific items	1,873	1,607	266	16.5
Goodwill and intangible assets	-1,106	-1,116	10	-0.9
Equalisation provision	-481	-256	-225	87.7
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-619	-728	109	-15.0
Conglomerate's capital resources, total	**4,882**	**5,145**	**-263**	**-5.1**
Regulatory capital requirement for credit institutions	3,115	3,037	78	2.6
Regulatory capital requirement for insurance operations	361	355	6	1.7
Total minimum amount of conglomerate's capital resources	3,476	3,392	84	2.5
Conglomerate's capital adequacy	**1,406**	**1,753**	**-347**	**-19.8**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.40**	**1.52**	**-0.11 ***	

* Change in ratio

CAPITAL ADEQUACY MANAGEMENT AND RISK EXPOSURE

Capital adequacy management: key objectives, principles and organisation in a nutshell

The purpose of capital adequacy management is to secure the financial services group's risk-bearing capacity and to ensure continuity of operations. In OP-Pohjola Group, this consists of reliable management and the organisation of internal control and risk management, relying on stress testing concerning financial capital and sufficiency of capital, and also making use of capital plans and a backup plan made in connection with the strategy to protect company capital. Capital adequacy management has been integrated into business control and management, and is carried out at Group level in all business areas.

OP-Pohjola Group's strategy contains the key risk management principles and the Group's targets for risk-bearing capacity and risk appetite. The Group has a moderate attitude towards risk-taking. The indicator for success in terms of risk-bearing capacity has been set in the strategy as the ratio between non-current capital resources and economic capital. The objective is that non-current capital resources are always greater than economic capital. The target in terms of risk appetite is that OP-Pohjola Group's net impairment losses on receivables do not exceed 0.25% of the loan and guarantee portfolio.

OP-Pohjola Group Central Cooperative is responsible for Group-level capital adequacy management and for ensuring that the Group's risk management system is sufficient and kept up to date. The Central Cooperative issues Group entities with guidelines for ensuring risk management and supervises the operation of the entities. Group entities are responsible for their own capital adequacy management in accordance with the nature and extent of their operations.

OP-Pohjola Group's risk limit system plays a key risk management role. The Central Cooperative's Supervisory Board sets limits for risk-bearing capacity and credit and market risks and, based on OP-Pohjola Group's risk limits, the Central Cooperative and its subsidiaries adjust their own risk limit systems. The Group's risk limit system is also used to determine the supervision limits concerning Group member banks (including Helsinki OP Bank Plc), and any control and supervision of the member banks by the Central Cooperative is based on this supervision limit system. Group member banks set themselves stricter risk limits than the supervision limits imposed by the Central Cooperative.

OP-Pohjola Group’s risk exposure

Risk-bearing capacity
The indicator for OP-Pohjola Group's risk-bearing capacity is the ratio of capital resources to the minimum amount of capital resources referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The Group's risk limit for this capital adequacy ratio is 1.2, while the legal requirement is 1. On 31 December 2008, the ratio was 1.40, against 1.52 on 31 December 2007. On 31 December 2008, OP-Pohjola Group's capital resources were EUR 710 million (1,074) above the Group's internal risk limit and EUR 1,406 million (1,753) more than the limit required by law. The high risk-bearing capacity acts as a buffer against unexpected losses and paves the way for business growth.

OP-Pohjola Group assesses the sufficiency of capital resources at regular intervals. Capital management follows the principles of the Group's risk limit system. The primary risk indicator for capital planning is capital adequacy, as defined in the Act on the Supervision of Financial and Insurance Conglomerates, which measures risk-bearing capacity. The amount of capital required to cover the risks is assessed by means of OP-Pohjola Group's internal economic capital model.

OP-Pohjola Group's capital plan includes scenarios to estimate the sufficiency of capital in various operating environments. The Group's risk-bearing capacity is lower is certain stress scenarios but always remains above the risk level of the Group's risk-bearing capacity.

Credit risks
OP-Pohjola Group's banking loan and guarantee portfolio stood at EUR 53.9 billion (47.2), or 14% higher year on year. Of the EUR 6.8 billion increase in the loan and guarantee portfolio, EUR 3.3 billion was accounted for by households and EUR 3.2 billion by companies and housing associations. In 2008, home mortgages increased by 12% to EUR 24.2 billion, accounting for 45% (46%) by year-end of the Group's total loan and guarantee portfolio. Households accounted for 63% (65) and companies and housing associations 34% (32) of the entire loan and guarantee portfolio.

OP-Pohjola Group's loan and guarantee portfolio is diversified. At the end of 2008, the largest single counterparty-related customer risk accounted for 7.1% (7.0%) of the Group’s capital resources. The limit for an individual customer risk is 15%. The biggest risk concentration for any sector in banking is in the real estate business: it accounted for EUR 2.7 billion, or 12.0%, of private sector receivables and commitments.

The Group's corporate loan categorisation encompasses almost all company customers. The purpose of rating is to put customers in different group according to the risk.Customers' credit rating is reassessed whenever necessary, but at least once a year. At the end of 2008, 96% of corporate exposures were rated. 66% of the exposures were in good rating categories (categories 1–6). Customers with poor loan repayment ability (categories 9–12) accounted for 7% of the exposures.

OP-Pohjola Group's risk limits

Risk-bearing capacity	2007	2008	Risk limit
Capital adequacy ratio (Act on the Supervision of Financial and Insurance Conglomerates)	1.52	1.40	1.20

Credit risks, %

Largest single customer risk/own funds	7.0	7.1	15.0
Total large customer risks/own funds	0.0	0.0	100.0
Sector risk [1]	-	14.6	18.0
* Banking	-	12.0	
* Non-Life Insurnace	-	14.6	
* Life Insurance	-	12.8	
Non-performing receivables/loan and guarantee portfolio	0.3	0.4	2.0

Market risks, %

Funding risk, cumulative financing position/total assets of banking operations, %			
≤ 12 months	-39.7	-39.4	-50.0
≤ 3 years	-27.3	-29.8	-40.0
≤ 5 years	-20.2	-20.3	-30.0
Liquidity reserve/total assets of banking operations	10.3	14.5	6.0
Interest rate risk /economic capital [2]	0.7	0.6	+/-10
Currency risk /economic capital [3]	8.7	4.2	20.0
Equity risk /economic capital [4]	30.1	9.0	50.0
Capital invested in property/economic capital	34.1	30.0	70.0

1) commitments / corporate sector's receivables and commitments
Insurance companies: The biggest corporate sector's market

2) Effect of 100 basis points increase in interest rate on present value of future cash flows

3) Total net currency position as per Financial Supervision Authority standard 106.12

4) Market value

Private customers are also put in credit categories according to risk. 91% of private customers' exposure had been categorised by 33 December 2008. Of the six main categories, 70% of the exposures belong to the top two categories. The main category immediately below them accounted for 12% of the exposures.

On 31 December 2008, OP-Pohjola Group's non-performing and zero-interest receivables came to EUR 203 million, up by 38% on the previous year. Non-performing and zero-interest loans are stated net of impairment losses on specific receivables and groups of receivables, which amounted to EUR 89 million (84). The ratio of non-performing and zero-interest loans to the loan and guarantee portfolio on 31 December 2008 was 0.4% (or 0.1 percentage points) higher year on year, and 1.6 percentage points below its risk level of 2.0%. Impairment losses on receivables remained low, at a gross amount of EUR 81 million in 2008, which is 0.15% of the loan and guarantee portfolio.

Credit risks have increased but are still at a low level. The percentage of non-performing and other doubtful receivables of the loan and guarantee portfolio is still low. This view is supported by the individual credit decisions made by the loan portfolio insurance and credit risk committees and by loan portfolio analyses and reports. Disturbances in the economic environment in the last quarter of 2008 did not yet reflect on customers' liquidity.

Loan and guarantee portfolio by sector

				Non-performing and zero-interest rate loans	
EUR million	31 Dec. 2008	31 Dec. 2007	Change. %	EUR million 31 Dec. 2008	% of loan and guarantee portfolio
Non-banking corporate sector and housing corporations	18,074	14,910	21	63	0.3 %
Industry	4,021	3,158	27	15	0.4 %
Construction	1,388	1,312	6	10	0.7 %
Trade and catering	2,438	2,098	16	11	0.4 %
Property investment	4,185	3,375	24	15	0.4 %
Other companies	4,479	3,537	27	11	0.3 %
Housing corporations	1,563	1,430	9	1	0.1 %
Finance and insurance	16	55	-70	0	0.7 %
Public corporations and non-profit organisations	886	865	2	3	0.3 %
Households	33,876	30,593	11	122	0.4 %
Home mortgages	24,156	21,547	12	71	0.3 %
Foreign	1,175	809	45	15	1.3 %
Total	53,930	47,174	14	203	0.4 %

Market risks

OP-Pohjola Group has good liquidity, and funding operations have performed well despite the difficult market situation. Deposits account for about two-thirds of funding, this proportion remaining the same throughout the year thanks to strong increase in deposit accounts. OP-Pohjola Group's financial position was boosted during the year thanks to bonds issued by Pohjola Bank and OP Mortgage Bank.

The liquidity reserve maintained by OP-Pohjola Group and Pohjola Bank plc amounted to EUR 9.8 billion (5.7) on 31 December 2008. The liquidity reserves plus items included in OP-Pohjola Group's balance sheet comprise the liquidity reserve eligible for central bank refinancing, which can be used to cover OP-Pohjola Group's wholesale funding maturities for approximately 24 months.

The risk limit measure for the Group's banking operations' funding risk was the cumulatively calculated ratio of the difference of maturing receivables and liabilities to the balance sheet total in periods of a maximum of one, three and five years. At the end of the year, the key ratios for the financial risk were substantially better than the risk limits. In addition, the Group monitored the share of deposit funding within total assets and the product breakdown of deposits using specific indicators.

In the risk limit system, the interest risk indicator has been defined as the effect of a 1.0 percentage point interest rate increase on economic capital, in proportion to the interest rate risk position's current value. The market risk control of the risk limit system also includes the insurance business. On 31 December 2007, the interest rate risk indicator value was 0.6% (0.7). OP-Pohjola Group's interest risk must remain within its risk limits, ± 10%. The Group's biggest interest rate risks are those related to retail banking's banking book, and investments in non-life and life insurance. The banking interest rate risk is derived from the banking book and Pohjola Bank's trading portfolio.

On 31 December 2008, the market value of OP-Pohjola Group's publicly quoted shares and mutual fund units totalled EUR 380 million (1,128). Share and mutual fund investments were 20% of the maximum interest rate risk. The indicator for currency risk is the ratio of the overall net currency position to economic capital. The interest rate risk was about a quarter of the maximum interest rate risk.

Property holdings tied up in banking operations decreased further, at year-end totalling EUR 1.0 billion, down by EUR 19 million year-on-year. The market value of property investment made by the insurance companies stood at EUR 275 million (276), and the property risk was less than half of its maximum. The relative proportion of investments in real estate by insurance companies depends on the investment markets and trends.The Group mainly invests in targets that can be held for a long period.

Non-life Insurance
On 31 December 2008, Non-life Insurance solvency capital stood at EUR 608 million (613), accounting for 66% (72) of insurance premium revenue. The financial market turbulence reduced the fair value of investment reflected in lower solvency. In order to enhance its solvency, Pohjola Insurance Ltd issued a EUR 50 million perpetual capital bond to OP-Pohjola Group Central Cooperative, and Pohjola Bank plc capitalised non-life insurers by a total of EUR 65 million. Moody's upgraded credit rating for Pohjola Insurance Ltd, Pohjola's subsidiary engaged in non-life insurance operations, from A2 to A1. According to Moody's, this change reflects the successful integration of Pohjola Insurance with Pohjola Bank.

The reinsurance of Non-life Insurance is managed on a centralised basis. Retention in risk-specific reinsurance is a maximum of EUR 5 million and that in catastrophe reinsurance EUR 5 million. The capacity of catastrophe insurance covering loss accumulation stands at EUR 80 million.

Normal fluctuations in business operations are reflected in changes in earnings and shareholders' equity. The number and size of claims vary annually. The year-on-year variation in earnings generated by the insurance business is, to a large extent, explained by the claims incurred due to major losses. In Non-life Insurance, the first quarter saw 204 (229) major or medium-sized losses, with their claims incurred retained for own account totalling EUR 84 million (101).

A large part of Non-life Insurance contract liabilities consists of annuities affected by estimated mortality, the inflation rate and the discount rate used. A one-year increase in the average life expectancy increases technical provisions by about EUR 29 million (29).

The life insurance investment assets came to EUR 2.4 billion (2.5) at the end of 2008. The largest asset class consisted of bonds, which accounted for 70% (69) of investment assets. The average credit rating of the Non-life Insurance fixed-income portfolio is S&P's AA– (AA-). 94% (93) of the fixed-income portfolio was in the 'investment grade'. Equities and venture-capital investments accounted for 8% (16) of the entire investment portfolio, property for 6% (5) and alternative investments for 5% (7). The total net foreign currency exposure of non-life insurance was slightly over 2% (1) of investment assets. Sharply falling equity prices and widening credit spreads affected Non-life Insurance investment income, with the related return at fair value standing at –7.0% (4.8).

On 31 December 2008, the average maturity of the fixed-income portfolio was 4.3 years (3.8) and the current interest rate 5.3% (4.8). Discounted insurance contract liabilities of EUR 1,268 million (1,244), with a duration of 11.9 years (11.7), were discounted using a 3.5% interest rate (3.5), while the remaining insurance contract liabilities, EUR 848 million (773), were undiscounted, with a duration of 2.2 years (2.0).

Life Insurance

Owing to the instability of investment markets, it was decided that the solvency margin was increased in 2008. OP Life Assurance Company Ltd carried out two share issues worth a total of EUR 260 million with which OP-Pohjola Group's good risk-bearing capacity was allocated to life insurance operations.

The most significant risks in life insurance operations are associated with investments. Specific risk management instructions and operating policies have been laid down for the risk management of investment operations. An investment plan is made annually to determine the financial targets and to set quantitative and qualitative limits.

The life insurance investment assets came to EUR 3.9 billion (4.2) at the end of 2008. Fixed-income instruments accounted for 73% (64) of the investment assets, with a significant part of the fixed-income investments in fixed income funds. 83% (82) of bonds were in the 'investment grade'. The average credit rating of a fixed-income portfolio is A+ (AA-) and the average duration 4.2 years (5.4), with equities accounting for 5% (17) of all the investment assets, property for 6% (5) and alternative investments for 16% (14).

Investment asset losses were –12.0% (profits of 2.6%). Return on equity investments was affected by the bearish equity market, and consequently the percentage of equity in investment assets was reduced during the autumn. Fixed-income investments suffered as a result of interest rates that kept going up until the last quarter, and wider credit spreads following market instability. The life insurance total net foreign currency exposure was slightly over 3% (6) of investment assets.

Pension entities

The investment operations of OP-Pohjola Group's pension entities (OP Bank Group Pension Fund and OP Bank Group Pension Foundation) involve market risks. The 2008 financial crisis has also impaired the risk-bearing capacity of pension entities, and therefore portfolios have been adapted to the new situation. The pension entities are not consolidated into OP-Pohjola Group's financial statements.

Operational risks and trials

Financial losses caused by operational risks were small.

The key factor in OP-Pohjola Group's compliance activities is to ensure that the principles of good corporate governance are followed in all business operations. The operating procedures and organisation related to compliance activities were improved in 2008. Another important item on the agenda was to introduce procedures to conform with new legislation against money laundering and terrorism. The Group was also getting ready for the Payment Services Act that will enter into force in late 2009 and ratify the Directive on payment services in the internal market.

The dispute over the redemption price of Pohjola Group plc shares continues in the court of appeal. Based on the District Court's decision, the pre-share redemption price of EUR 13.35 remained the same as previously bid by Pohjola Bank plc. The special representative of Pohjola Group plc's minority shareholders and some individual minority shareholders have appealed against the Helsinki District Court's decision on the shares' redemption price. Pohjola Bank plc has also appealed against the legal expenses sentenced to be paid by the adverse parties, interest confirmed on the redemption price and some matters related to legal proceedings.

Credit ratings

Of the international credit rating agencies, Fitch Ratings provides a rating for both OP-Pohjola Group and its central bank, Pohjola Bank plc. OP-Pohjola Group's financial position also has a considerable impact on credit ratings issued for Pohjola Bank plc alone.

The credit ratings are as follows:

Rating agency	*Short-term debt*	*Long-term debt*
Fitch Rating (OP-Pohjola Group and Pohjola Bank plc)	F1+	AA-
Standard & Poor's (Pohjola Bank)	A-1+	AA-
Moody's (Pohjola Bank)	P-1	Aa1

All of the credit rating agencies have confirmed a stable rating outlook for Pohjola Bank.

OP-POHJOLA GROUP'S LONG-TERM FINANCIAL TARGETS

OP-Pohjola Group's business strategy adopted in June 2006 describes the Group’s long-term financial targets for risk-bearing capacity, profitability, risk appetite and efficiency.

Due to the fall in financial instruments' market values, OP-Pohjola Group did not reach its long-term profitability target. The cost/income efficiency weakened from last year's 49% to 54%. The values for risk-bearing capacity and risk appetite were higher than the target levels.

Long-term performance indicators

	Indicator	**Target**	**31 Dec 2008**	**31 Dec 2007**
Risk-bearing capacity	Non-current capital resources/ economic capital	Min. 1.0	1.06	1.14
	Indicator	**Target**	**2008**	**2007**
Profitability	Return on economic capital	Min. 17%	8.0%	22.5%
Risk appetite	Impairment losses on receivables/loan and guarantee portfolio	Max. 0.25%	0.11%	0.03%
Efficiency (Banking and Investment Services)	Cost/income	Max. 50%	54%	49%

CHANGES IN OP-POHJOLA GROUP'S STRUCTURE

OP-Pohjola Group's consolidated financial statements include 227 member cooperative banks, OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Karunan Osuuspankki merged with Sauvon Osuuspankki on 31 October 2008. In addition, the member banks Joensuun Osuuspankki and Kontiolahden Osuuspankki merged on 31 December 2008 to establish a new member bank, Joensuun Seudun Osuuspankki. Kuusjoen Osuuspankki, Kiikalan Rekijoen Osuuspankki, Kiskon Osuuspankki, Perniön Osuuspankki and Salon Seudun Osuuspankki have decided to create Salon Osuuspankki through a combination merger. In another combination merger, Lieksan Osuuspankki, Nurmeksen Osuuspankki and Valtimon Osuuspankki will become Pielisen Osuuspankki. The planned date for the last two mergers to be entered in the trade register is 30 April 2009.

In accordance with the agreement made between Pohjola Bank plc and Kesko Corporation on 21 December 2007, the share capital of K-Finance Ltd was transferred to Pohjola Bank plc 31 January 2008 and the company was renamed Pohjola Finance Ltd. The Boards of Directors of Pohjola Bank plc and Pohjola Finance Ltd have approved a plan whereby Pohjola Finance Ltd is expected to merge with its parent company by 31 September 2009.

As part of the agreement between OP-Pohjola Group Central Cooperative and TietoEnator on datacentre services, the former sold TietoEnator and Ilmarinen Mutual Pension Insurance Company 34% of its FD Finanssidata Oy shares in May. As a result, FD Finanssidata Oy is no longer consolidated in OP-Pohjola Group's financial statements as a subsidiary. This structural change has no material effect on the Group's result.

During the reporting period, Pohjola Insurance Ltd and a number of OP-Pohjola Group member cooperative banks have implemented a new operating model for banking and non-life insurance product sales to private customers. Pohjola Insurance's field staff for private customers (294 employees) joined the payroll of local cooperative banks on 1 October 2008.

On 22 August 2008, the Helsinki District Court issued its verdict in the redemption dispute between Pohjola Bank plc's and Pohjola Group plc's minority shareholders. The redemption price bid by Pohjola Bank plc for Pohjola Group plc's shares held by minority shareholders was EUR 13.35, which is the same as the redemption price offered by Pohjola Bank for them. This concerned some 2.1 per cent of the company's shares (about 3.4 million shares). The dispute over the shares has been submitted to the Court of Appeal.

OWNER-MEMBERS AND CUSTOMERS

The cooperative member banks had 1,255,000 owner-members at the end of December, or 53,000 more than a year earlier. Group member banks and Helsinki OP Bank plc, which operates in the Greater Helsinki area, had a total of 1,059,000 OP bonus customers at the end of December.

Loyal customer bonuses earned by OP bonus customers totalled EUR 132 million, up by 59% on the previous year, this growth stemming particularly from the nearly 40% increase in the value of accumulated bonuses since the beginning of 2008. As of May, bonus customers also began to receive bonuses for OP-Visa purchases. Bonuses earned by owner-members are stated in OP-Pohjola Group's income statement under 'Returns to owner-members'. OP bonus customers used a total of EUR 56 million (57) in bonuses for banking services during January-September, and since the autumn of 2007 bonuses can also have been used to pay for Pohjola's non-life insurance products. In January–December, bonuses worth EUR 17 million were used to pay for insurance premiums.

The entire OP-Pohjola Group had 4,143,000 customers in Finland at the end of December, or 56,000 more than a year earlier. There were 3,737,000 private customers, up by 43,000 year on year, and 406,000 corporate customers, up by 13,100. In addition, OP-Pohjola Group has approximately 200,000 non-life insurance customers in the Baltic countries. In the year to September, the number of joint banking and non-life insurance customers in Finland increased by 95,000 to 993,000 as a result of cross-selling.

On 31 December, the number of Pohjola's loyal customer households totalled 389,000, up by 34,400 year on year.

PERSONNEL AND INCENTIVE SYSTEM

On 31 December 2008, OP-Pohjola Group had a staff of 12,752, up by 281 year on year. About 94% of OP-Pohjola Group's personnel are members in the Group's Personnel Fund. A management incentive scheme is also in place within the Group.

CENTRAL COOPERATIVE'S CORPORATE GOVERNANCE

OP-Pohjola Group Central Cooperative is the central institution of the amalgamation of the cooperative banks, the parent company of OP-Pohjola Group Central Cooperative Consolidated and the company heading the financial and insurance conglomerate formed by OP-Pohjola Group. Acting as a development and service centre for OP-Pohjola Group and as a strategic owner institution, the Central Cooperative plays a pivotal role in developing and steering OP-Pohjola Group's business.

OP-Pohjola Group Central Cooperative's Annual Cooperative Meeting of 27 March 2008 re-elected the following members due to resign to the Cooperative's Supervisory Board for a term ending in 2011: Mr Jari Laaksonen, Managing Director; Mr Olli Lehtilä, Managing Director; Mr Juhani Leminen, Managing Director; and Ms Marita Marttila, Senior Nursing Officer. Jaakko Pehkonen, Professor, and Timo Parmasuo, Chairman of the Board of Directors, were appointed as new Supervisory Board members. In addition, the Meeting elected Mr Jussi Ruuhela, Managing Director, for the term ending in 2009. The Supervisory Board comprises 34 members.

At its first meeting following election, the Supervisory Board re-elected Mr Seppo Penttinen Chairman and Mr Paavo Haapakoski and Mr Jukka Hulkkonen Vice Chairmen.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, the auditor of OP-Pohjola Group Central Cooperative and OP-Pohjola Group for the financial year 2008.

As proposed by Central Cooperative's Executive Board, the Meeting decided to change the corporate name of OP Bank Group Central Cooperative to OP-Pohjola Group Central Cooperative. The new name was registered in the Trade Register on 21 April 2008.

Executive Chairman's contract

The Executive Chairman was paid EUR 862,510 in salary and performance bonus and EUR 33,261 in fringe benefits, or a total of EUR 895,771 in 2008. The Executive Chairman is involved in a long-term share-based reward system whereby he will receive 6,772 Pohjola Bank's Series A shares in 2009 and 15,849 in 2010. The number of shares determined for 2008 and allocated for 2011 have not been confirmed yet. The above numbers of shares are calculated gross numbers which will be reduced depending on the recipient's income withholding tax rate.

The Executive Chairman's pension age has been agreed at 62 years. His pension benefits are determined in accordance with pension legislation and OP-Pohjola Group's own pension plans. The period of notice for both the Executive Chairman and the employer is a maximum of 6 months. A regular salary will be paid to the Executive Chairman during a notice period added with a severance pay equivalent to a 12-month salary.

CAPITAL EXPENDITURE

The Central Cooperative, together with its subsidiaries, is responsible for developing OP-Pohjola Group's services. ICT investments and related specifications make up a significant portion of costs of developing these services. ICT procurement capitalised in the balance sheet totalled EUR 43 million. EUR 26 million allocated to banking and investment operations, EUR 11 million to non-life insurance operations and EUR 6 million to life insurance operations. Expenses of some EUR 16 million were during the report period caused by the integration of information systems between banking and insurance operations.

JOINT RESPONSIBILITY AND JOINT SECURITY

Under the Act on Cooperative Banks and Other Cooperative Credit Institutions, the amalgamation of the cooperative banks comprises the organisation's central institution (OP-Pohjola Group Central Cooperative), the Central Cooperative's member credit institutions and the companies belonging to their consolidation groups. This amalgamation is monitored on a consolidated basis.

Central Cooperative and its 231 member banks are ultimately responsible for each other's liabilities and commitments. Central Cooperative's members at the end of the reporting period comprised OP-Pohjola Group's 227 member banks as well as Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj. OP-Pohjola Group's insurance companies do not fall within the scope of joint responsibility.

Deposit banks belonging to OP-Pohjola Group, i.e. its member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Plc and OP-Kotipankki Oyj, are regarded as a single bank with respect to deposit protection. Under legislation governing the Investor Compensation Fund, OP-Pohjola Group is also considered a single entity for purposes of compensation protection.

EVENTS AFTER THE REPORTING PERIOD

OP-Pohjola Group, Nordea Bank Finland Plc and Sampo Bank plc provided funding to secure the repayment of deposits in Kaupthing Bank hf's Finnish branch that had run into financial difficulty. The financing for this scheme totalled some EUR 100 million, OP-Pohjola Group accounting for around 40% of it. This arrangement, which was approved by both the Icelandic and Finnish authorities, was concluded in January 2009 with no significant effect on the Group's result.

The Cabinet Committee on Economic Policy outlined measures on 27 January 2009 as part of a more extensive package to alleviate banks' capacity to ensure funding to households and businesses. The primary means include an option for State guarantee for banks' refinancing and an option for a subordinated loan, neither of which OP-Pohjola Group has so far decided to exercise.

In December 2008, OP-Pohjola Group Central Cooperative offered its member cooperative banks to subscribe to its supplementary cooperative capital. The subscription period ended on 2 February 2009, resulting in new capital totalling EUR 444 million.

The Board of Pohjola Bank, OP-Pohjola Group Central Cooperative's subsidiary, decided at its meeting on12 February 2009 to take measures to strengthen the company's capital base. Accordingly, this capital increase could be implemented through a rights issue in the spring 2009 of around EUR 300 million for the existing shareholders, subject to a Board authorisation issued by the Annual General Meeting. This would further increase Pohjola Bank's solid capital adequacy and improve Pohjola Bank capacity to its customer companies' funding in a situation where the funding is difficult to get and many foreign players have left the Finnish market. The three largest owners of Pohjola Bank have committed to subscribing shares in accordance with the subscription rights made available to them. The Central Cooperative has also guaranteed to subscribe any shares that may otherwise not be subscribed.

PROSPECTS FOR 2009

Our operating environment in 2008 was troubled by financial market swings, plummeting asset values and higher funding costs. The market rate began to fall sharply in late 2008, this trend still continuing in 2009.

It is exceptionally difficult to predict how the financial sector's operating environment will be affected in 2009. The financial market are still unstable and the investment environment's problems are forecast to continue. To make forecasts even more difficult, the repercussions of the financial crisis are only now being felt in the real economy.

Owing to heightening problems in the operating environment, the financial sector's growth rate is expected to slow down and credit losses to rise, and the interest rates are likely to remain low throughout 2009.

OP-Pohjola Group's profits for 2009 are very difficult to predict, but the Group's high capital adequacy ratio enables us to develop and increase our business in the long term despite the challenging times. Our strong capital adequacy will also act as a buffer against any rising credit losses.

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

OPERATIONS AND EARNINGS BY BUSINESS SEGMENT

OP-Pohjola Group's business segments are Banking and Investment Services, Non-life Insurance and Life Insurance. Non-segment operations are presented in 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies applied in its financial statements. Amortisation on intangible assets arising from the Pohjola acquisition is allocated to the business segments.

OP-Pohjola Group's business segment reporting was changed as of the second quarter of 2008: Pohjola Bank Group's asset management and central bank operations which used to be included in Banking and Investment Services will from now on be reported as part of the non-business-segment Other Operations. The comparison period figures for 2007 have been changed to correspond to the new segment division. The changes concern the Banking and Investment Services and Other Operations.

Companies within the Banking and Investment Services segment are the member banks, Helsinki OP Bank Plc, OP Kotipankki Oyj, OP Mortgage Bank, OP Fund Management Company Ltd, Pohjola Asset Management Limited, Pohjola Corporate Finance Ltd*, Pohjola Capital Partners Ltd**, as well as certain smaller companies supporting banking and investment services in their entirety. Pohjola Bank plc’s*** banking and asset management segments are also included in the Banking and Investment Services segment as are the operations of OP-Pohjola Group Mutual Insurance Company, because most of the company's business consists of credit insurance granted to the Group’s retail banks.

The Non-life Insurance segment encompasses the operations of OP-Pohjola Group's non-life insurance companies, i.e. Pohjola Insurance Ltd****, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

The Life Insurance segment comprises OP Life Assurance Company Ltd engaged in the Group's life and pension insurance business.

As a result of the new division into segments, Other Operations, which does not fall under any segment, grew in size. Pohjola Bank Group's central bank and asset management, which are now included under Other Operations, include the financial services group's EUR 10 billion liquidity reserve, Pohjola Bank Group's capital market asset management and the central bank operations offered to Group member banks by Pohjola Bank.

Other Operations already included operations that supported all business segments, particularly the operations of OP-Pohjola Group Central Cooperative and FD Finanssidata Oy (up to May 2008) and Pohjola's Group management. Costs of the services which Central Cooperative and FD provide for the business segments are allocated to the segments in the form of internal service charges. The allocation of own capital to the business segments is carried out through an internal bank under Other Operations, which means that any positive results in excess of the target level will be shown under Other Operations.

* OKO Corporate Finance Ltd until 29 February 2008
** OKO Venture Capital Ltd until 29 February 2008
*** OKO Bank Group until 29 February 2008
**** Pohjola Non-Life Insurance Company Ltd, until 29 February 2008

Summary of performance by business segment

EUR million	*Income*	*Expenses*	*Others items*	*Earnings/loss before tax 2008*	*Earnings/loss before tax 2007*
Banking and Investment Services	1,610	875	-202	532	722
Non-life Insurance	372	317	0	55	181
Life Insurance	-110	53	0	-162	129
Other Operations	322	337	-10	-24	-27
Eliminations	-360	-332	-1	-29	0
Total	**1,834**	**1,249**	**-213**	**372**	**1,005**

Banking and Investment Services

The banking and investment operating environment became more and more challenging towards the end of the financial period as a result of the heightening financial crisis. The fact that real economy is no longer growing and that interest rates are falling sharply will not make the operating environment any less challenging. Credit losses increased in 2008 but were nevertheless moderate. Mutual fund capital declined sharply, although credits and deposits continued to grow well. Customers' confidence for Finnish OP-Pohjola Group with high capital adequacy remained high, witnessed by an improvement in the Group's market position especially in the most critical stages of the financial crisis.

On 31 December, the Group's loan portfolio stood at EUR 51 billion (44.8), and the guarantee portfolio at EUR 2.7 billion (2.4). Loan portfolio grew by 13.9% (13.1). The market share of the loan portfolio grew by 1.0 percentage points to 32.1% over the previous year.

The portfolio of home mortgages at the end of December amounted to EUR 24.2 billion (21.5). During the report period, home mortgages increased by 12.1% (13.7). The December-end market share of home mortgages was 35.9%, up by 1.1 percentage points year on year.

The steady decrease of the average margin of home mortgages that had continued for years levelled off during the report period. The margins turned up in the latter half of the year. The margins are expected to spread even more. The percentage of fixed-rate home mortgages of all home mortgages remained low at 2.4% (0.7).

The financial services group's mortgage Bank, OP Mortgage Bank issued in May a EUR 1 billion covered bond, which will further improve OP-Pohjola Group's already strong competitiveness and position in the home mortgage market. Pohjola Bank issued long-term bonds worth EUR 1.4 billion during the financial period. However, although funding has been more difficult to obtain, the growth of OP-Pohjola Group's loan portfolio was never in danger of being jeopardised.

On 31 December, the consumer credit portfolio amounted to EUR 3.7 billion (3.3), showing a year-on-year increase of 10.7%.

On 31 December, the Group's corporate loan portfolio stood at EUR 14.1 billion (11.3), and the guarantee portfolio at EUR 2.6 billion (2.1). The corporate loan portfolio grew by 22% during the year. The increase in corporate loans is partly explained by the capital market crisis, which has increased the popularity of bank financing in proportion to companies' direct funding from the capital markets. The market share of corporate loans was 26.8% at the end of December, or up by 1.1 percentage points year on year.

On 31 December, deposits totalled EUR 34.5 billion (29.0), or 19% higher than the previous year. The growth took place mainly in investment deposits, which shot up by 36% to EUR 19 billion (14.0). The Group's market share of deposits was 33.8% on 31 December, or 1.5 percentage points higher year on year.

On 31 December, OP-Pohjola Group customers had 1.8 million (1.6) international OP-Visa, OP-Visa Electron, OP-Visa Debit and OP-MasterCards. By the end of December, over 567,000 cards had the K-Group's Plussa bonus point feature following the card cooperation started with the K-Group in 2007.

Capital invested in OP-Pohjola Group's mutual funds stood at EUR 9.3 billion (14.1) billion. The amount of capital fell with the market trends by 34.1% during the report period. On 31 December, OP-Pohjola Group held a 22.5% market share of the capital of mutual funds registered in Finland, up by 1.1 percentage year on year. Net subscriptions to OP-Pohjola Group's mutual funds were EUR 2.3 billion in the negative (+0.6).

On 31 December, assets managed by Pohjola Bank's asset management were worth EUR 25.3 billion (31.3), EUR 8.5 billion (13.1) of which was invested in OP-Pohjola Group's mutual funds. OP-Pohjola Group companies accounted for EUR 8.5 billion of assets managed by Pohjola Bank. OP-Pohjola Group companies account for EUR 6.1 billion of managed assets.

Assets managed in accordance with the OP-Private operating model totalled EUR 2.7 billion (2.9). Stockbroking for households totalled 570,695 trades during the reporting period, or down by 0.9% on the previous year.

Earnings and risk exposure
Banking and Investment Services reported earnings of EUR 532 million (722) before tax for January–December 2008, down by 26% year on year. A quarter of this change can be attributed to higher bonuses paid to customers, totalling EUR 132 million (83) in the report period. Without these higher payouts to OP bonus customers, the Banking and Investment Services result would have been less than 20 per cent smaller than a year ago.

Net interest income increased by 8.9% to EUR 1,121 million, while net commissions and fees fell by 2% to EUR 450 million. The net interest income increase mainly derives from business growth. Personnel costs rose by 10.2% and other expenses by 9.7%. The cost/income ratio stood at 54% (49).

Impairment losses on receivables came to EUR 48 million (13), increased by the EUR 7 million impairment loss caused by Lehman Brothers Holdings Inc that filed for bankruptcy. Otherwise the growth increase in impairment losses can be seen to reflect a turning point in real economy and a normal level of credit losses typical to bearish markets. The amount of impairment losses was still low in relation to the business volumes, and less than half of the risk level set by the Group itself.

The Group's non-performing and zero-interest receivables increased but remained at low levels, totalling EUR 203 million on 31 December 2008, up by 38% year on year. Non-performing and zero-interest loans are stated net of impairments of specific receivables and groups of receivables, which amounted to EUR 89 million (84). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.4, or slightly higher than a year ago (0.3).

Banking and Investment Services: key figures

EUR million	*2008*	*2007*	*Change, %*
Net interest income	1,121	1,030	8.9
Impairment losses on receivables	48	13	
Other income	489	610	-19.8
Personnel costs	381	346	10.2
Other expenses	494	450	9.7
Returns to owner-members and OP bonus customers	154	107	43.6
Earnings/loss before tax	**532**	**722**	**-26.3**

EUR million	*2008*	*2007*	*Change, %*
Home mortgages drawn down	7,041	7,226	-2.6
Corporate loans drawn down	8,271	6,797	21.7
Net subscriptions to mutual funds	-2,308	595	
No. of brokered property transactions	14,569	16,263	-10.4

EUR billion	*31 Dec 2008*	*31 Dec 2007*	*Change, %*
Loan portfolio			
Home mortgages	24	22	12.1
Other loans to households	10	9	7.3
Corporate loans	14	11	21.9
Other loans	3	3	15.4
Total	**51**	**45**	**13.8**
Guarantee portfolio	2.7	2.4	10.9
Deposits			
Total current and payment transfer			
Households	10	10	-1.5
Companies	4	3	16.1
Others	2	2	9.8
Total current and payment transfer	16	15	3.4
Investment deposits	19	14	35.8
Total deposits	**35**	**29**	**19.1**
Mutual funds			
Equity and hedge funds	2.1	4.2	-50.0
Balanced funds	1.3	2.1	-35.5
Long-term bond funds	4.0	3.9	2.4
Money market funds	1.9	4.0	-52.4
Total value of mutual funds	**9.3**	**14.1**	**-34.1**

Market share,%	*31 Dec 2008*	*31 Dec 2007*	Change, percentage points
Total loans	32.1	31.1	1.0
Home mortgages	35.9	34.8	1.1
Corporate loans	26.8	25.7	1.1
Total deposits	33.8	32.3	1.5
Capital invested in mutual funds	22.5	21.4	1.1
EUR million			
Non-performing and zero-interest receivables			Change, %
Households	122	92	32.7
Companies	62	52	19.5
Condominiums and others	19	3	
Total non-performing and zero-interest receivables	**203**	**147**	**37.8**
Non-performing and zero-interest receivables within loan and guarantee portfolio,%	0.4	0.3	0.06*

* Percentage point(s)

Non-life Insurance

The non-life insurance business improved well in 2008. On 31 December, the number of loyal customer households within the Non-life Insurance segment totalled 389,000, showing a year-on-year increase of 34,400 by comparably figures.

Insurance premium revenue rose by 8.6% to EUR 923 million (850). Growth remained strong within the Private Customers division because of closer cooperation between Group member banks and the non-life insurance operations, and because of the increase in the number of loyal customer households. Insurance premium revenue from Private Customers improved by 12% to EUR 380 million.

Within the Corporate Customers division, insurance premium revenue amounted to EUR 485 million, up by 5%. The increase of earnings in statutory accident insurance in the latter part of the period under review boosted growth. Premium revenue generated by the Baltic business increased by 4.2% to EUR 58 million (56).

In 2007, Pohjola Insurance become the market leader in non-life insurance with a 26.9% market share and we estimate that our position as Finland's leading non-life insurer was solidified further in 2008.

The integration of OP-Pohjola Group functions proceeded well in 2008 in terms of non-life insurance sales. Pohjola Insurance's field staff for private customers (294 employees) joined the payroll of cooperative banks on 1 October 2008.

Using OP bonuses earned through banking transactions to pay for insurance premiums has been possible since autumn of 2007. Bonuses worth EUR 18 million were used to pay for insurance premiums in 2008. Bonuses were used for the payment of 307,000 bills, with over 72,000 bills paid with bonuses alone.

Earnings and risk exposure

Non-life Insurance earnings before tax for the report period were EUR 55 million, or 70% lower than a year ago (181). In terms of balance on technical account, 2008 was better than 2007. Net investment income recognised under earnings came to EUR 59 million, or EUR 101 million higher year on year (160). Net investment losses at fair value came to EUR 166 million (income of EUR 121 million). Results for the same period a year ago included EUR 6 million in capital gains on the sale of the marine hull insurance business.

Insurance premium revenue totalled EUR 923 million (850) and indemnities EUR 591 million (536). The risk ratio stood at 63.4 (66.3). In particular, developments in the claims incurred due to severe traffic and industrial accidents were favourable. The number of major or medium-sized losses in excess of EUR 0.1 million (EUR 0.5 million in pension liabilities) totalled 204 (229), accounting for EUR 84 million (101) of total claims incurred. Another factor that contributed to higher indemnifications paid out was caused by the growing insurance portfolio.

Operating expenses and loss adjustment expenses showed controlled growth, totalling EUR 262 million (235). The cost ratio was 28.4 (27.5). The operating combined ratio stood at 91.5 (93.8) and reached the target level.

On 31 December, the investment portfolio of Non-life Insurance totalled EUR 2.4 billion (2.5), with bonds and bond funds accounting for 82% (71) and equities 8% (16).

The average remaining maturity of the fixed-income portfolio was 6.6 (5.4) years and the duration 4.3 years (3.8). Due to unfavourable developments in the equity market, return on investment at fair value stood at –7.0% (4.8).

Non-life Insurance: key figures

EUR million	*2008*	*2007*	*Change, %*
Insurance premium revenue	923	850	8.6
Insurance claims and benefits	591	536	10.2
Net investment income	59	160	-63.0
Unwinding of discount and other items included in net income	-40	-39	2.1
Net income from Non-life Insurance	**352**	**435**	**-19.1**
Other income	20	37	-44.9
Personnel costs	111	103	7.8
Other expenses	206	188	9.4
Earnings/loss before tax	**55**	**181**	**-69.6**
Gross change in fair value reserve	-226	-39	
Earnings/loss before tax at fair value	**-171**	**142**	**-157.3**

EUR million	2008	2007	Change, %
Insurance premium revenue			
Private Customers	380	345	10.1
Corporate Customers	485	449	8.0
Baltic States	58	56	4.2
Total insurance premium revenue	**923**	**850**	**8.6**
EUR billion	*31 Dec 2008*	*31 Dec 2007*	*Change, %*
Insurance contract liabilities			
Discounted insurance contract liabilities	1.3	1.3	1.1
Other insurance contract liabilities	0.8	0.8	11.2
Total	**2.1**	**2.0**	**4.9**
Investment portfolio			
Bonds and bond funds	1.7	1.7	-1.8
Money market instruments	0.3	0.1	-
Equities and equity funds	0.2	0.4	-54.1
Real property investment *)	0.1	0.1	5.2
Alternative investments	0.1	0.2	-40.7
Total	**2.4**	**2.5**	**-3.8**

*) Includes real estate funds

Life Insurance

The operating environment in 2008 and particularly in the second half was unfavourable for the life insurance sector. Negative developments in the investment market thwarted life insurance companies' investment activities and weakened demand for unit-linked products. Premiums written in the domestic life insurance market were 6.8% lower than a year ago, mainly due to a fall in premiums written in endowment insurance policies.

Year on year, OP-Pohjola Group's premiums written in life and pension insurance decreased by 10% to EUR 717 million (794). The market share of corporate loans was 29.4% at the end of December, or down by 1.4 percentage points year on year. Premiums written in endowment insurance declined by 28%, and the premiums written of pension policies increased by 28%. Premiums written from personal pension plans were at the same level as the year before. Premiums written in unit-linked policies accounted for 55.2% of those written in endowment insurance and personal pension insurance.

Life insurance claims paid totalled EUR 643 million (507), of which surrenders accounted for EUR 332 million (204). EUR 49 million in pensions (37) was paid out in the review period.

OP-Pohjola Group's market share of insurance savings through life and pension insurance policies increased by 0.5 percentage points to 19.4% since year-end 2007. Unit-linked policies accounted for 30% (41) of insurance savings in life and pension insurance.

Earnings and risk exposure

Life Insurance recorded pre-tax losses of EUR 162 million (earnings of EUR 129 million). The fair value reserve change before tax stood at EUR –403 million (–132). Net losses from Life Insurance were EUR 126 million (income of EUR 177 million). Net losses from investment assets other than those covering unit-linked insurance stood at EUR 94 million (income of EUR 206 million). The provision worth EUR 10 million for future supplementary benefits made at the end of 2007 was reversed during the financial period.

Personnel costs decreased to EUR 5 million (7) and other expenses by 11% to EUR 48 million (53). Other expenses include EUR 26 million (27) in commissions paid to the sales network.

On 31 December, total insurance contract liabilities within OP-Pohjola Group's life insurance operations stood at EUR 5.3 billion (6.0), down by 10.4% year on year. Interest-bearing contract liabilities accounted for 70.5% and unit-linked 29.5% of the total liabilities.

Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 3.9 billion (4.2). The investment environment was difficult in 2008 and therefore investments at fair value recorded a loss of 12.0% (income of 2.6%).

Owing to the instability of investment markets, it was decided that the solvency margin was increased in 2008. In May, OP Life Assurance Company Ltd carried out two share issues worth a total of EUR 260 million. OP-Pohjola Group Central Cooperative is prepared to improve the solvency of OP Life Assurance Company Ltd by means of new equity investments.

Life Insurance: key figures

EUR million	*2008*	*2007*	*Change, %*
Premiums written, IFRS	717	794	-9.8
Unit-linked	299	451	-33.8
Other	418	343	21.9
Net investment income	-802	303	-364.7
Unit-linked	-708	97	-831.6
Other	-94	206	-145.5
Change in insurance contract liabilities	-590	409	-244.3
Unit-linked	-758	282	-368.8
Other	168	127	32.6
Claims incurred	643	507	26.7
Other items	12	-4	-413.0
Net income from Life Insurance	**-126**	**177**	**-170.8**
Other income	16	12	33.1
Personnel costs	5	7	-27.9
Other expenses	48	53	-11.0
Earnings/loss before tax	**-162**	**129**	**-226.0**
Gross change in fair value reserve	-403	-132	204.9
Earnings/loss before tax at fair value	**-565**	**-3**	

EUR million	*2008*	*2007*	*Change, %*
Premiums written			
Endowment insurance	382	530	-28.0
Pension insurance	279	218	27.9
Term life insurance	73	50	45.2
Other	34	61	-44.7
Total premiums written	**767**	**859**	**-10.7**
of which unit-linked	317	462	-31.4
Market share of premiums written in life and pension insurance,%	29.4	30.8	-1.4*
EUR billion	*31 Dec 2008*	*31 Dec 2007*	*Change, %*
Insurance savings			
Endowment insurance	3.7	4.3	-13.4
Pension insurance	1.5	1.6	-1.2
Capital redemption contracts	0.1	0.2	-43.3
Total insurance savings	**5.4**	**6.0**	**-11.1**
of which unit-linked	1.6	2.4	-32.2
Investment portfolio			
Bonds and bond funds	2.3	2.6	-13.2
Money market instruments	0.6	0.1	
Equities and equity funds	0.2	0.7	-71.2

Real property investment **)	0.3	0.3	14.8
Alternative investments	0.5	0.5	-2.3
Total investment portfolio	**3.9**	**4.2**	**-8.1**
Market share of insurance savings in life and pension insurance,%	19.4	19.9,	-0.5

* Percentage points
** Includes real estate funds

Other Operations

Other Operations' pre-tax result for 2008 was EUR 3 million better than last year, ending in a loss of EUR 24 million (loss of EUR 27 million). The financial crisis continued to disrupt the result made by Other Operations. Other Operations accounted for EUR 62 (-54) million of liquidity reserve impairment losses, and Other Operations' result was eroded by EUR 9 million impairments of receivables related to bond issued by Lehman Brothers Holdings Inc., and a EUR 3 million credit loss recognised on guarantee receivables. Impairment losses on receivables were EUR 10 million in the negative.

The net interest income was EUR 39 million (14) and net investment income EUR 10 million (26). Most of the other income in Other Operations came from within the Group as internal service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 100 million (96) were personnel costs and EUR 236 million (217) other costs. Earnings were burdened by the liquidated damages ruled by the Arbitral Tribunal concerning the shareholder agreement dispute over Nooa Savings Bank Ltd. This affected other costs by EUR 10 million.

Other Operations: key figures

EUR million	*2008*	*2007*	*Change, %*
Net trading income	-61	-52	15.6
Other income	383	339	12.9
Expenses	337	313	7.4
Impairment losses on receivables	10	0	
Earnings/loss before tax	**-24**	**-27**	**-10.7**
EUR billion	*31 Dec 2008*	*31 Dec 2007*	*Change, %*
Receivables from financial institutions	6.3	5.0	27.1
Financial assets held for trading	2.1	3.4	-36.4
Investment assets	2.5	1.8	39.5
Liabilities to financial institutions	3.4	2.5	34.9
Debt securities issued to the public	17.1	13.2	29.6

LEGAL STRUCTURE OF THE AMALGAMATION OF THE COOPERATIVE BANKS AND OP-POHJOLA GROUP

Amalgamation of the cooperative banks and OP-Pohjola Group
The amalgamation of the cooperative banks is formed by OP-Pohjola Group Central Cooperative, the commercial bank that acts as the central financial institution of the cooperative banks (Pohjola Bank plc), other member credit institutions of the central institution, the companies belonging to the consolidation groups of the central institution and the member credit institutions as well as credit and financial institutions and service companies in which one or more of the above-mentioned entities alone or jointly hold a total of more than half of the voting rights. Under law the amalgamation of the cooperative banks is monitored on a consolidated basis, and the central institution and its member credit institutions are ultimately responsible for each other’s liabilities and commitments.

The amalgamation of the cooperative banks does not form a corporate group, as referred to in the Accounting Act, or a consolidation group, as referred to in the Credit Institutions Act. In Finland, the amalgamation is a unique financial entity governed under the Act on Cooperative Banks and Other Cooperative Credit Institutions.

OP-Pohjola Group is comprised of the amalgamation of the cooperative banks and those companies in which entities belonging to the amalgamation hold more than half of the total votes. The extent of OP-Pohjola Group differs from that of the amalgamation of the cooperative banks in that OP-Pohjola Group subsumes companies other than credit and financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate.

Pohjola Bank, OP-Pohjola Group's central financial institution, is both a subsidiary of the central institution and also its member. The chairman of the Central Cooperative's Executive Board also acts as the chairman of Pohjola Bank's Board of Directors.

Consolidated supervision of the amalgamation of the cooperative banks
Under the Cooperative Banks Act, the amalgamation of the cooperative banks is monitored on a consolidated basis in respect of capital adequacy, liquidity and customer risks. The central institution is responsible for issuing instructions to its member credit institutions concerning their internal control and risk management, their procedures for ensuring liquidity and capital adequacy as well as for the observance of harmonised accounting policies in the preparation of the amalgamation's consolidated financial statements. The central institution also has an obligation to monitor the operations of its member credit institutions and their consolidation groups. The obligation to issue guidelines and exercise supervision nevertheless does not give the central institution the power to dictate the course of the member credit institutions' business operations. Each member credit institution carries on its business independently within the scope of its own resources.

An institution belonging to the amalgamation of the cooperative banks may not, in the course of its activities, take on a risk of such magnitude that it constitutes a material danger to the capital adequacy or liquidity of the institution or the amalgamation as a whole. The Central Cooperative must have risk management systems that are adequate in respect of the operations of the entire amalgamation, and an individual credit institution must have similar systems covering its own operations. The risk management principles applied to the amalgamation of the cooperative banks are included in OP-Pohjola Group's capital adequacy and risk management principles which are described in more detail in other parts of the Annual Review and in OP-Pohjola Group's IFRS Financial Statements.

The liquidity of the central institution and the credit institutions belonging to the amalgamation must be safeguarded in accordance with Chapter 5 of the Credit Institutions Act.

In calculating customer risks and the minimum amount of capital resources, the amalgamation of the cooperative banks is likened to a credit institution. The legal provisions covering the maximum amounts of individual customer entities for the amalgamation of the cooperative banks are the same in content as those for a credit institution's consolidation group. The maximum amount of an individual customer risk undertaken is nevertheless limited to a smaller amount than that of an individual credit institution or its consolidation group. The maximum amount of an individual customer risk is limited to 20% of the amalgamation's own funds, whereas for credit institutions and their consolidation groups the maximum amount of a customer risk is 25%. The total amount of large customer risks can be a maximum of 500% of the amalgamation's own funds, i.e. 300 percentage points smaller than for credit institutions and their consolidation groups.

The capital adequacy ratio calculated for the amalgamation of the cooperative banks must be at least 8%. Should the amalgamation's capital resources fall below 8%, the Finnish Financial Supervisory Authority will set a specified period within which the minimum level of capital resources specified in the relevant Act must be reached. If the capital adequacy is not restored within the fixed period, the Ministry of Finance, acting upon a proposal of the Financial Supervisory Authority, can order the amalgamation of the cooperative banks to be dissolved. The Financial Supervisory Authority also has the right to decide on dissolution of the amalgamation of the cooperative banks in other situations in which the amalgamation does not fulfil the prescribed requirements of Chapter 2 of the Cooperative Banks Act even after the setting of a specified period.

Exemptions concerning member credit institutions
The central institution can grant to any member credit institution and its consolidation group permission to diverge from the limitation concerning an individual customer risk specified in the relevant Act. With permission of the central institution, an individual member credit institution can assume a risk of up to double the customer risk stipulated in the Credit Institutions Act. However, the maximum amount of major customer risks may not exceed 1,200%. For customer risks of up to EUR 250,000, the central institution can grant an exemption without prejudice to the above restriction.

The minimum amount of own funds required under the Act on Credit Institutions to ensure statutory capital adequacy is not applied as such to the central institution’s member credit institutions and their consolidation groups. If the capital adequacy of a member credit institution falls below the minimum level provided for in law, the central institution, acting in accordance with the guidelines prescribed by the Financial Supervisory Authority, sets a deadline for the carrying out of actions to raise the institution’s own funds to the statutory level.

A member credit institution does not bear the obligation of publishing an interim report in accordance with Section 157 of the Act on Credit Institutions.

Joining the amalgamation of the cooperative banks and withdrawal from its membership
Membership of the central institution can be applied for by cooperative banks, banks having the legal form of a limited company pursuant to the Cooperative Banks Act and the commercial bank acting as the central financial institution of the amalgamation of the cooperative banks as well as credit institutions in which said companies own, alone or jointly, more than half of the voting rights. Membership calls for changes in the statutes or Articles of Association as specified in the Cooperative Banks Act. Acceptance for membership calls for a two thirds majority of the votes cast at the Annual Cooperative Meeting or in the Representative Assembly of the bank or at a General Meeting of the shareholders.

A member credit institution has the right to withdraw from membership of the central institution provided that the capital adequacy calculated for the amalgamation of the cooperative banks remains at the statutory level also following the withdrawal. A member credit institution can also be expelled from membership of the central institution in accordance with the Cooperative Societies Act. The credit institution which has withdrawn or been expelled is responsible for the liabilities and commitments of another member credit institution or of the central institution if either is placed in liquidation during a period of five years from the balance sheet date following the withdrawal or expulsion. Such a credit institution is also liable to pay the extra contributions collected for the purpose of preventing another member credit institution of the central institution from being placed in liquidation.

Financial statements and audit of the amalgamation of the cooperative banks
The financial statements of the central institution and member credit institutions as well as their consolidation groups are combined to form the consolidated financial statements of the amalgamation of the cooperative banks pursuant, as appropriate, to the provisions and regulations in effect for the consolidated financial statements of a credit institution. The consolidated financial statements also include the financial statements of subsidiaries other than credit and financial institutions and service companies. The consolidated financial statements are referred to as OP-Pohjola Group's Financial Statements, because they represent a consolidation of the financial statements of all the significant companies belonging to OP-Pohjola Group. According to the Cooperative Banks Act, OP-Pohjola Group’s financial statements must be prepared in compliance with the International Financial Reporting Standards, as set out in the Accounting Act. The Financial Supervisory Authority has issued more detailed regulations on the preparation of OP-Pohjola Group’s financial statements. The accounting policies applied are presented in the notes to OP-Pohjola Group’s financial statements.

The central institution has a statutory obligation to issue instructions to the member credit institutions on observing uniform accounting policies in preparing OP-Pohjola Group's financial statements. The member credit institutions bear the obligation to provide the central institution with the information necessary for OP-Pohjola Group's consolidated financial statements. The central institution's auditors are given the right to obtain a copy of the documents relating to a member credit institution's audit for carrying out the audit of OP-Pohjola Group's financial statements.

The central institution's auditors audit OP-Pohjola Group's financial statements observing, as appropriate, the provisions of the Act on Credit Institutions. The financial statements are presented to, and passed out at, the Annual Cooperative Meeting of the central institution.

Supervision of the amalgamation of the cooperative banks
Under the Cooperative Banks Act, the amalgamation of the cooperative banks is supervised by the Financial Supervisory Authority and the central institution of the amalgamation of the cooperative banks. The central institution exercises oversight to ensure that its member credit institutions and the companies belonging to their consolidation groups operate in accordance with the laws, decrees, instructions and regulations issued by the authorities in respect of the financial markets as well as the instructions issued by the central institution and their own statutes and Articles of Association. A member credit institution and the companies belonging to its consolidation group are responsible for supplying the central institution with all the information and reports which it requires and are necessary to enable the central institution to carry out its monitoring duties.

The audit of the central institution and its member credit institutions is carried out by the Audit function, which reports to the chairman of the central institution's Executive Board. Its tasks include auditing the central institution's member credit institutions and their consolidation groups as well as the internal audit of the central institution and its subsidiaries. Additionally, the member credit institutions can have their own internal audit.

The Audit function ensures that the member credit institutions, including their consolidation groups, comply with the relevant Acts, decrees, instructions and regulations issued by the authorities, instructions of the central institution as well as their own statutes or Articles of Association and that they operate in a profitable and prudent manner. The Audit function also ensures that the administration and business operations of the member credit institutions and the companies belonging to their consolidation groups are handled appropriately and efficiently and that the monitoring systems for their risks are in line with the requirements of their operations. The audits are conducted in the manner required for effective supervision and in accordance with generally accepted internal auditing standards.

In accordance with the rules of procedure decided by the Supervisory Board, the Audit function has the authorisations according to Section 52 of the Cooperative Banks Act.

Joint responsibility and joint security within the amalgamation of the cooperative banks
The central institution and the member credit institutions are jointly and severally responsible for the debts of the central institution or a member credit institution which is in liquidation or in bankruptcy in the event that these debts cannot be paid from its funds. The liability is apportioned amongst the central institution and the member credit institutions in proportion to the total assets in the most recently adopted balance sheets.

If a member credit institution's own funds are depleted to such a low level owing to losses that the requirements, specified in the Cooperative Banks Act, for being placed in liquidation are fulfilled, the central institution has the right to collect from its member credit institutions extra contributions, on the grounds set forth in the central institution's statutes, in a maximum amount during the financial year of five thousandths of the member credit institutions' aggregate total assets in their most recently approved balance sheets for use in carrying out the support actions necessary to prevent the member credit institution from being placed in liquidation.

Protection afforded by the Deposit Guarantee Fund and the Investors' Compensation Fund
According to the legislation concerning the Deposit Guarantee Fund, the deposit banks belonging to the amalgamation of the cooperative banks are considered to constitute a single bank in respect of deposit protection. The assets of the Deposit Guarantee Fund are applied to compensate a

depositor's receivables from the deposit banks belonging to the amalgamation of the cooperative banks to a maximum of EUR 50,000.

Under legislation concerning the Investors' Compensation Fund, the amalgamation of the cooperative banks is also considered as a single bank for purposes of compensation protection. The Investors' Compensation Fund's assets may be used to compensate an investor's receivable from companies belonging to the amalgamation of the cooperative banks to a maximum of EUR 20,000.

Financial and insurance conglomerate
OP-Pohjola Group forms a financial and insurance conglomerate pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The amalgamation's central institution operates as the company at the head of the amalgamation pursuant to Section 3 of the Act on the Supervision of Financial and Insurance Conglomerates.

The Act stipulates a specific capital adequacy requirement for a financial and insurance conglomerate. OP-Pohjola Group's capital adequacy is stated as the amount of its capital resources in excess of the minimum capital requirement and as a ratio of the total amount of capital resources to the minimum amount of capital resources.

The Act furthermore sets out the maximum limits for customer risks of a financial and insurance conglomerate. An individual customer risk outside the conglomerate must not exceed 25% of the conglomerate's own funds, nor can the total amount of large customer risks exceed 800% of the conglomerate's own funds. Large customer risks are considered to be customer risks exceeding 10% of the conglomerate's own funds. Under the Act, the amalgamation's central institution must report to the coordinating regulatory authority the real-estate holdings and shareholdings of the financial and insurance conglomerate formed by OP-Pohjola Group as well as other information that is necessary in order to monitor concentrations of risks.

The body of norms governing financial statements under the Act on the Supervision of Financial and Insurance Conglomerates is not applied to OP-Pohjola Group pursuant to Section 30 of the Act, because the Group prepares financial statements in compliance with International Financial Reporting Standards (IFRS).

Amendment of legislation concerning the amalgamation of the cooperative banks
The Ministry of Finance began a project in 2007 to change the legislation governing the amalgamation of the cooperative banks and its member banks. The purpose is to clarify the supervision requirements concerning the financial position of the amalgamation of the cooperative banks and its member credit institutions and to ensure that the requirements are at the right level in relation to the risks of the amalgamation and its member credit institutions, bearing particular attention to the member credit institutions' joint responsibility and the amount of control vested in the amalgamation's central institution. The amendment process was still under way in the early part of 2009.

Key income statement and balance sheet items, and financial ratios 2004–2008

	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS
Key income statement items, EUR million						
Net interest income	783	772	794	883	1,048	1,189
Net income from Non-life Insurance	–	–	68	328	427	345
Net income from Life Insurance	–	51	67	110	172	–139
Net commissions and fees	284	314	340	401	430	419
Other income	203	151	158	238	177	9
Personnel costs	370	354	387	527	553	598
Other expenses	390	367	403	556	576	640
Impairments of receivables	7	7	6	9	13	58
Impairments of securities held as non-current assets	0	–	–	–	–	–
Returns to owner-members	–	48	53	69	107	154
Earnings before tax	504	511	579	800	1,005	372
Key balance-sheet items – Assets, EUR million						
Receivables from financial institutions	681	681	666	344	285	2,450
Receivables from customers	30,645	30,957	34,814	39,595	44,776	51,708
Non-life Insurance assets	–	–	2,740	2,761	2,750	2,670
Life Insurance assets	–	2,867	5,385	6,061	6,361	5,093
Financial assets at fair value through profit or loss and investment assets	4,448	4,831	5,492	6,229	6,761	5,754
Property, plant and equipment, and intangible assets	1,140	707	1,890	1,957	1,945	1,973
Other assets	1,315	1,417	1,857	2,588	2,838	6,097
Total assets	38,229	41,460	52,845	59,535	65,716	75,746
Key balance-sheet items – Liabilities and equity, EUR million						
Liabilities to financial institutions	1,181	1,184	2,025	1,088	949	693
Liabilities to customers	25,128	25,107	26,475	27,715	31,224	37,082
Debt securities issued to the public	6,325	6,325	8,891	13,500	14,074	18,164
Subordinated liabilities	524	1,314	1,596	1,660	1,613	1,874
Other liabilities	1,204	4,194	9,100	10,448	12,218	12,717
Equity capital and minority interest	3,867	3,337	4,757	5,124	5,638	5,215
Total liabilities	38,229	41,460	52,845	59,535	65,716	75,746
Key ratios, %						
Return on equity	10.5	12.0	11.2	12.1	13.7	4.1
Return on equity at fair value	–	–	13.5	11.4	10.9	-6.0
Return on assets	1.0	1.0	1.0	1.1	1.2	0.3
Equity ratio	9.9	8.0	9.0	8.6	8.6	6.9
Cost/income ratio	62	55	55	55	50	68
Capital adequacy ratio	15.8	15.5	14.6	14.3	13.8	12.7
Tier 1 ratio	14.4	14.1	13.1	12.7	12.6	12.6

The changes in the return on equity and equity ratio which were made in connection with the adoption of IFRS and which are greater than other key ratios have resulted to a significant extent from the change in the balance-sheet categorisation of the member banks' cooperative capital. In the Financial Statements prepared in accordance with Finnish Accounting Standards (FAS), cooperative capital is equity capital, but in the Financial Statements prepared in accordance with IFRS, cooperative capital was classified as a liability.

Calculation of key ratios

Return on equity, %

FAS:

$$\frac{\text{Operating profit/loss - taxes}}{\text{Equity capital + minority interest (average at the beginning and end of the year)}} \times 100$$

IFRS:

$$\frac{\text{Profit for the financial year}}{\text{Equity capital (average at the beginning and end of the year)}} \times 100$$

Return on equity at fair value, %

$$\frac{\text{Profit for the financial year + change in the fair value reserve less deferred taxes (difference between the beginning and end of the year)}}{\text{Equity capital (average at the beginning and end of the year)}} \times 100$$

Return on assets, %

FAS:

$$\frac{\text{Operating profit/loss - taxes}}{\text{Balance sheet total (average at the beginning and end of the year)}} \times 100$$

IFRS:

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

Equity ratio, %

FAS:

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets}} \times 100$$

IFRS:

$$\frac{\text{Equity capital}}{\text{Total assets}} \times 100$$

Cost/income ratio, %

FAS:

$$\frac{\text{Commission and fee expenses + administrative expenses + depreciation/amortisation + other operating expenses}}{\text{Net interest income + income from equity investments + commission and fee income + net income from securities and foreign exchange trading + other operating income}} \times 100$$

IFRS:

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

Capital adequacy ratio, %

$$\frac{\text{Tier I capital + Tier II capital + Tier 3 capital – allowances}}{\text{Risk-weighted assets}} \times 100$$

Tier I ratio, %

$$\frac{\text{Tier I capital}}{\text{Risk-weighted assets}} \times 100$$

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OP-POHJOLA GROUP INCOME STATEMENT

EUR million	Notes	2008	2007	Change, %
Interest income		4,853	3,630	34
Interest expenses		3,664	2,583	42
Net interest income before impairment losses	5	**1,189**	**1,048**	**13**
Impairment losses on receivables	6	58	13	
Net interest income after impairment losses		**1,131**	**1,035**	**9**
Net income from Non-life Insurance	7	345	427	-19
Net income from Life Insurance	8	-139	172	
Net commissions and fees	9	419	430	-3
Net trading income	10	-125	-30	
Net investment income	11	25	95	-73
Other operating income	12	108	109	-1
Personnel costs	13	598	553	8
Other administrative expenses	14	328	303	8
Other operating expenses	15	312	273	15
Returns to owner-members	16	154	107	44
Share of associates' profits/losses		1	3	-74
Earnings before tax		**372**	**1,005**	**-63**
Income tax expense	17	151	266	-43
Profit for the financial year		**221**	**738**	**-70**

Attributable to			
OP-Pohjola Group's owners	221	738	-70
Minority interest	0	0	52
Total	**221**	**738**	**-70**

Key figures and ratios	2008	2007
Return on equity, %	4.1	13.7
Return on equity at fair value, %	-6.0	10.9
Return on assets, %	0.31	1.18
Cost/income ratio, %	68	50
Average personnel	12,615	12,378
Full-time	11,464	11,226
Part-time	1,151	1,152

OP-POHJOLA GROUP BALANCE SHEET

EUR million	Notes	31 Dec. 2008	31 Dec. 2007	Change, %
Liquid assets	18	2,393	589	
Receivables from financial institutions	19	2,450	285	
Financial assets at fair value through profit or loss	20	3,313	4,791	-31
Derivative contracts	21	1,470	526	
Receivables from customers	22	51,708	44,776	15
Non-life Insurance assets	23	2,670	2,750	-3
Life Insurance assets	24	5,093	6,361	-20
Investment assets	25	2,441	1,970	24
Investment in associates	27	17	26	-35
Intangible assets	28	1,211	1,230	-2
Property, plant and equipment (PPE)	29	762	715	7
Other assets	30	1,814	1,579	15
Tax assets	31	403	117	
Total assets		**75,745**	**65,716**	**15**
Liabilities to financial institutions	32	693	949	-27
Financial liabilities at fair value through profit or loss	33	138	52	
Derivative contracts	34	1,565	554	
Liabilities to customers	35	37,082	31,224	19
Non-life Insurance liabilities	36	2,238	2,140	5
Life Insurance liabilities	37	5,413	6,099	-11
Debt securities issued to the public	38	18,164	14,074	29
Provisions and other liabilities	39	2,393	2,480	-4
Tax liabilities	40	971	893	9
Cooperative capital	41	570	571	0
Subordinated liabilities	42	1,304	1,042	25
Total liabilities		**70,531**	**60,078**	**17**
Equity capital				
Capital and reserves attributable to OP-Pohjola Group's owners				
Share and cooperative capital		362	359	1
Share issue account		-	-	
Translation differences		0	0	
Reserves		1,819	2,224	-18
Retained earnings		3,034	3,052	-1
Minority interest		**0**	**3**	**-96**
Total equity capital	43	**5,215**	**5,638**	**-8**
Total liabilities and equity capital		**75,746**	**65,716**	**15**

OP-POHJOLA GROUP CASH FLOW STATEMENT

EUR million	2008	2007
Cash flow from operating activities		
Profit for the financial year	221	738
Adjustments to profit for the financial year	747	817
Increase (-) or decrease (+) in operating assets	**-8,505**	**-6,684**
Receivables from financial institutions	30	112
Financial assets at fair value through profit or loss	-747	3
Derivative contracts	-89	-50
Receivables from customers	-6,135	-5,206
Non-life Insurance assets	-211	-21
Life Insurance assets	501	-319
Investment assets	-1,427	-694
Other assets	-428	-510
Increase (+) or decrease (-) in operating liabilities	**5,316**	**4,366**
Liabilities to financial institutions	-433	-139
Financial liabilities at fair value through profit or loss	86	52
Derivative contracts	104	50
Liabilities to customers	5,862	3,508
Non-life Insurance liabilities	68	0
Life Insurance liabilities	-106	30
Provisions and other liabilities	-266	865
Income tax paid	-21	-168
Dividends received	73	125
A. Net cash from operating activities	**-2,169**	**-805**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-209	-218
Decreases in held-to-maturity financial assets	69	231
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-35	-3
Disposal of subsidiaries, net of cash and cash equivalents disposed	14	13
Purchase of PPP and intangible assets	-106	-105
Proceeds from sale of PPE and intangible assets	1	22
B. Net cash used in investing activities	**-266**	**-59**
Cash flow from financing activities		
Increases in subordinated liabilities	439	233
Decreases in subordinated liabilities	-176	-252
Increases in debt securities issued to the public	47,716	34,618
Decreases in debt securities issued to the public	-43,611	-34,030
Increases in cooperative and share capital	176	216
Decrease in cooperative and share capital	-170	-224
Dividends paid and interest on cooperative capital	-101	-97
Returns to owner-members	0	-7
Other monetary increases in equity items	-	12
Other	-	-3
C. Net cash used in financing activities	**4,273**	**466**
Net change in cash and cash equivalents (A+B+C)	**1,838**	**-398**
Cash and cash equivalents at period-start	**700**	**1,098**
Cash and cash equivalents at period-end	**2,538**	**700**

EUR million	2008	2007
Interest received	**5,213**	**3,437**
Interest paid	**-3,402**	**-2,240**
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	52	22
Unrealised net earnings in Non-life Insurance	85	45
Unrealised net earnings in Life Insurance	229	408
Change in fair value for trading	17	64
Unrealised net gains on foreign exchange operations	-13	-48
Change in fair value of investment property	0	-22
Planned amortisation and depreciation	134	129
Share of associates' profits/losses	0	-2
Other	221	191
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-1	-1
Interest on cooperative capital	22	24
Other returns to owner-members	0	7
Total adjustments	**747**	**817**
Cash and cash equivalents		
Liquid assets	183	157
Receivables from financial institutions payable on demand	2,355	543
Total	**2,538**	**700**

STATEMENT OF CHANGES IN OP-POHJOLA GROUP EQUITY CAPITAL

	Attributable to OP-Pohjola Group's owners							
EUR million	Share and cooper-ative capital	Trans-lation differ-ences	Fair value reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2007	**344**	**0**	**144**	**2,151**	**2,483**	**5,122**	**2**	**5,124**
Available-for-sale financial assets								
Fair value gains and losses	-	-	-75	-	-	-75	-	-75
Amount transferred to income statement	-	-	-79	-	-	-79	-	-79
Translation differences	-	0	-	-	-	0	-	0
Net income recognised in equity	**-**	**0**	**-154**	**-**	**-**	**-154**	**-**	**-154**
Profit for the financial year	-	-	-	-	738	738	0	738
Total recognised income and expenses for the financial year	**-**	**0**	**-154**	**-**	**738**	**584**	**0**	**584**
Transfer of cooperative capital to equity capital	18	-	-	-	-	18	-	18
Profit distribution	-	-	-	-	-76	-76	-	-76
Transfers between reserves	-	-	-	82	-82	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	0	0	-	0
Other	-3	-	-	1	-11	-13	0	-12
Balance at 31 Dec. 2007	**359**	**0**	**-10**	**2,235**	**3,052**	**5,635**	**3**	**5,638**
Balance at 1 January 2008	**359**	**0**	**-10**	**2,235**	**3,052**	**5,635**	**3**	**5,638**
Available-for-sale financial assets								
Fair value gains and losses	-	-	-563	-	-	-563	-	-563
Amount transferred to income statement	-	-	18	-	-	18	-	18
Translation differences	-	0	-	-	-	0	-	0
Net income recognised in equity	**0**	**0**	**-545**	**0**	**0**	**-545**	**0**	**-545**
Profit for the financial year	-	-	-	-	221	221	0	221
Total recognised income and expenses for the financial year	**-**	**0**	**-545**	**-**	**221**	**-324**	**0**	**-324**
Transfer of cooperative capital to equity capital	7	-	-	-	-	7	-	7
Profit distribution	-	-	-	-	-77	-77	-	-77
Transfers between reserves	-	-	-	138	-138	0	-	0
Equity-settled share-based payment transactions	-	-	-	-	0	0	-	0
Other	-5	-	-	2	-24	-27	-2	-29
Balance at 31 Dec. 2008	**362**	**0**	**-556**	**2,375**	**3,034**	**5,215**	**0**	**5,215**

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NOTE 1. OP-Pohjola Group's IFRS Accounting policies

GENERAL INFORMATION

The amalgamation of cooperative banks engaging in banking and insurance operations in Finland (hereinafter OP-Pohjola Group) is a financial entity defined in the Act on Cooperative Banks and Other Cooperative Credit Institutions (hereinafter the Cooperative Banks Act). Within the Group, OP-Pohjola Group Central Cooperative (hereinafter Central Cooperative) and its member credit institutions are ultimately jointly and severally responsible for each other's liabilities and commitments. OP-Pohjola Group does not constitute a consolidated corporation, as defined in the Accounting Act, or a consolidation group, as defined in the Credit Institutions Act. Central Cooperative and its member cooperative banks do not have control over each other, as referred to in general consolidated accounting principles, and therefore OP-Pohjola Group has no designated parent company.

The Cooperative Banks Act requires Central Cooperative, as the central institution, to prepare consolidated financial statements for OP-Pohjola Group. Central Cooperative's Executive Board is responsible for preparing the financial statements in accordance with applicable regulations. The auditors of Central Cooperative audit OP-Pohjola Group's consolidated financial statements. In order to ensure uniformity in the accounting policies of entities within OP-Pohjola Group, Central Cooperative shall issue guidelines on the preparation of financial statements to its member credit institutions.

Central Cooperative is domiciled in Helsinki and the address of its registered office is Teollisuuskatu 1b, P.O. Box 308, FI-00101 Helsinki.

A copy of Pohjola's consolidated financial statements is available at www.op.fi or the Group's head office at the above address.

The Executive Board of Central Cooperative has approved these financial statements for issue on 12 February 2009.

BASIS OF PREPARATION

OP-Pohjola Group's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2008. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. OP-Pohjola Group's obligation to prepare its financial statements in accordance with IFRS is based on the Cooperative Banks Act. In addition to IFRS, OP-Pohjola Group applies paragraph 6, subsection 146, section 9 of the Credit Institutions Act to the preparation of its consolidated financial statements.

In 2009, OP-Pohjola Group adopted the following IFRSs and interpretations:
• IFRS 8 Operating Segments
• IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
• IFRIC 12 Service Concession Arrangements
• IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
• Commission Regulation (EC) No. 1004/2008 applying to amendments to IAS 39 and IFRS 7.

The adoption of IFRS 8 changed the content of segment reporting to align with reporting to the Group's management. The reclassification of financial instruments since 1 July 2008, as permitted by Commission Regulation (EC) No. 1004/2008 issued in October 2008, has had an effect on the presentation of the financial statements. 'Changes in presentation and financial asset classification' below provides more detailed information on these effects. Applying the new IFRIC interpretations did not have any material effect on the content of the financial statements.

OP-Pohjola Group's consolidated financial statements have been prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, derivative contracts, hedged items in fair value hedging and investment property measured at fair value.

The financial statements are presented in millions of euros.

According to the Cooperative Banks Act and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Central Cooperative's Executive Board must confirm any accounting policies which the International Financial Reporting Standards provide no guidance. Accordingly, Central Cooperative's Executive Board has confirmed a principle under which intra-Group holdings will be eliminated in a way deviating from general consolidation principles when forming OP Pohjola Group's parent company in terms of accounting technique. The section 'Consolidation principles' deals with the elimination of intra-Group holdings.

OP-Pohjola Group presents capital adequacy information under Pillar 3, in accordance with Standard 4.5 issued by the Financial Supervision Authority, as part of its financial statements and, to the applicable extent, the Report by the Board of Directors.

Use of estimates

The preparation of financial statements in conformity with IFRS requires the Group's management to make assessments and estimates and exercise its judgement in the process of applying the accounting policies. The section "Critical accounting estimates and judgements" provides more detailed information on applying accounting policies requiring management assessment and judgement.

PRESENTATION AND CHANGES IN FINANCIAL ASSET CLASSIFICATION

OP-Pohjola Group has reclassified some of the notes and bonds acquired to secure its investments and liquidity, with a view to providing a clearer picture of the actual purpose of investments and notes and bonds. This reclassification was enabled by Commission Regulation (EC) No. 1004/2008 of 15 October 2008 applying to IAS 39 and IFRS 7 and the Regulation is aimed at making it easier to reclassify certain financial instruments in rare circumstances. The underlying reason for adopting this Regulation lay in the financial turmoil, which is why reliable market prices were not available to all financial instruments. Companies have been allowed to reclassify certain financial instruments since 1 July 2008. Reclassifying financial instruments was based on their fair values on 1 July 2008.

The reclassification in IAS 39 enables the following transfers:

- From financial instruments to financial liabilities at fair value through profit or loss
  - Instruments that fall under the definition of loans and receivables
    - Loans and other receivables to the Group
    - Available-for-sale financial assets to the Group
  - Instruments that do not fall under the definition of loans and other receivables (notes and bonds),
    - Available-for-sale financial assets to the Group
    - Held-to-maturity investments to the Group.

Reclassification cannot be applied to derivative contracts or other contracts entered at fair value through profit or loss at inception.

OP-Pohjola Group, the reclassification was carried out as follows: notes and bonds were reclassified out of the financial assets held for trading category into the Loans and other receivables, Available-for-sale financial assets and Financial assets held to maturity categories. Investments containing embedded derivatives were transferred to available-for-sale financial assets, and other notes and bonds to loans and receivables. The reclassification had no effect on the results recorded for previous periods.

The notes and bonds, obtained to improve liquidity, were upon initial recognition classified as financial assets held for trading. With a view to providing clearer financial statements information, in the financial statements for 2007 these notes were reclassified as the Financial assets at fair value through profit or loss at inception category.

CONSOLIDATION PRINCIPLES

Technical parent company

For the purpose of consolidating OP-Pohjola Group, Central Cooperative, its member banks and Pohjola Bank plc are consolidated into a technical parent company. Within the technical parent company, intra-Group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated. Deviating from the acquisition cost method, Pohjola Bank shares held by the Central Cooperative and Group member banks are eliminated against Pohjola Bank's share capital to the extent of the share's par value, and the portion above or below par value is eliminated against the fair value reserve or retained earnings, depending on the measurement practices of the Group company that own the shares.

In the IFRS financial statements, OP-Pohjola Group's equity and cooperative capital consists of investments made in Pohjola Bank's share capital by shareholders outside OP-Pohjola Group, as well as of such cooperative contributions paid by members of OP-Pohjola Group member cooperative banks which the bank has an absolute right to refuse to redeem.

Subsidiaries, associates and joint ventures

OP-Pohjola Group's financial statements contains the financial statements of the technical parent company and companies it controls. Control over a company is achieved through the ownership of over half of the votes or by some other means. Control means the right to decide about another company's financial and business principles in order to gain a profit.

Associated companies, in which OP-Pohjola Group companies exercise significant influence, are accounted for using the equity method. Significant influence is generally achieved when the Group owns over 20% of the other company's votes or by some other means.

Mutual property companies are consolidated in the same way as assets under joint control, in accordance with IAS 31.

Intra-Group transactions, receivables, liabilities and profit distribution are eliminated in the preparation of the financial statements. Unrealised gains arising from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred.

Subsidiaries, associates or joint ventures acquired during the financial year are consolidated from the date on which control transfers to the Group or when the Group has achieved a level of significant influence. Similarly, subsidiaries, associates and joint ventures sold during the financial year are consolidated until control or significant influence discontinues. Acquired companies are consolidated using the purchase method. Since the IFRS transition date, 1 January 2004, goodwill has been calculated by deducting the fair value of the consolidated companies' identifiable net assets from the acquisition cost. Acquisition cost in excess of net assets is entered under goodwill. If the cost of acquisition is less than the fair value of the net assets of the company acquired, the difference is recognised directly in the income statement.

In accordance with the exemption included in IFRS 1, the method of calculating acquisition costs applying to companies acquired prior to the IFRS transition date of 1 January 2004 has not been changed to comply with IFRS but is in conformity with the Finnish Accounting Standards. For companies acquired prior to the transition date but consolidated only after the transition date, acquisition cost calculations have been made as of the transition date.

Minority interest

Profit for the financial year and equity capital are attributable to the equity holders of the technical parent company and minority interest.

The minority interest of the profit is presented in the income statement and the holding in capital resources in the balance sheet under capital resources.

Minority interest which includes OP-Pohjola Group's absolute liability to redeem minority shareholders' investments is treated as a debt instrument.

FOREIGN CURRENCY TRANSLATION

OP-Pohjola Group's financial statements are presented in euros, the currency used by the parent. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance sheet items into euros are recognised as foreign exchange gains or losses under "Net trading income" in the income statement.

The income statements of foreign subsidiaries, whose functional currency is other than the euro, are translated into euros using the average exchange rate for the financial year, while their balance sheets are translated into euros using the exchange rate quoted on the balance sheet date. The resulting exchange rate differences are recognised as translation differences under shareholders' equity. For foreign subsidiaries, translation differences arising from the use of the purchase method and from post-acquisition equity items are recognised in shareholders' equity. If a subsidiary is sold, any accumulated translation differences in shareholders' equity will be recognised as part of capital gain or loss in the income statement.

FINANCIAL INSTRUMENTS

Fair value determination

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of a financial instrument is determined using either prices quoted in an active market or the Company's own valuation techniques where no active market exists.

Markets are deemed to be active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis.

The valuation techniques used include recent arm’s length market transactions between knowledgeable, willing parties, the discounted cash flow method and comparison with corresponding instruments quoted on active markets. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of premature repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

Day 1 Profit/Loss

It is typical of non-liquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model, is recognised in the income statement. However, the non-recognised amount is recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market. The amount of these financial assets is insignificant in OP-Pohjola Group's balance sheet.

Impairment of financial assets

At the end of the financial year we assess if there is objective proof of any value decrease concerning financial assets recognised under other than fair value in the profit and loss statement.

The value of an item under financial assets has fallen if there is objective proof of such as a result of one or more events following the asset's original entry and this can be safely assumed to erode cash flows to be derived from it.

Objective evidence of financial asset impairment include breach of contract terms and conditions, loan reorganisation under terms and conditions that the creditor would not normally agree on, deterioration of the customer's financial situation, statutory loan reorganisation or bankruptcy. If share values fall significantly or for a long period below its acquisition cost, this is a sign of impairment.

Recognition of impairments has been discussed in more detail under the various financial instruments.

Securities sale and repurchase agreements

The purchase price of securities bought under 'resell conditions' binding on both parties is recognised as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is treated as interest income and accrued over the term of the agreement.

The selling price of securities sold under 'resell conditions' binding on both parties is recognised as a financial liability under the balance sheet item determined by the counterparty. The difference between the selling price and the repurchase price is treated as interest expenses and accrued over the term of the agreement. Securities sold under the repurchase obligation and the corresponding securities provided as maintenance margin are included in the original balance sheet item despite the agreement.

Classification and recognition

On the basis of their initial recognition, financial assets and liabilities are classified as financial assets and liabilities at fair value through profit or loss, loans and other receivables, investments held to maturity, available-for-sale financial assets and other financial liabilities, in accordance with their measurement practice.

The purchase and sale of financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised in the balance sheet on the transaction date, or the date on which the Company agrees to buy or sell the asset or liability in question. Notes and bonds classified as loans and other receivables are recognised as financial assets on the transaction date and loans granted on the date on which the customer draws down the loan.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets are derecognised when the contractual right to receive cash flows from the financial asset has expired or the Group has transferred all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancels or expires.

Financial assets and liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets and liabilities held for trading, derivative contracts held for trading and financial assets at fair value through profit or loss at inception.

Financial assets and liabilities held for trading and derivative contracts

Assets held for trading include notes and bonds, shares and participations acquired with a view to generating profits from short-term fluctuations in market prices. Derivatives are also treated as held for trading unless they are designated as derivatives for effective hedging or they are guarantee contract derivatives.

Financial assets and liabilities held for trading and derivative contracts are measured at fair value and any change in the fair value and any capital gains and losses, interest income and expenses as well as dividend income are recognised in the income statement.

Financial assets and liabilities at fair value through profit or loss at inception

Financial assets at fair value through profit or loss at inception include financial assets which are designated as at fair value through profit or loss upon their initial recognition. These financial assets are measured at fair value and any change in their fair value and any capital gains and losses, interest income and expenses as well as dividend income are recognised in the income statement.

Financial assets at fair value through profit or loss also include hybrid instruments in which the fair value of an embedded derivative cannot be determined separately, and investments in associates in insurance operations made by venture capital investors and/or investments in unit-linked insurance policies.

In accordance with the Group's risk management principles, the Group manages these investments and assesses their performance at fair value in order to receive a true and real-time picture of investment operations. Fair values are used in reports to the Group's management. Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that have been created by handing over money or services. Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented within this asset category. Not quoted in an active market, loans and other receivables are carried at cost.

Loans and other receivables are initially recognised at cost, which is the fair value of consideration given plus directly attributable transaction costs. Loan and other receivables are carried at amortised cost after their initial recognition.

Impairments of loans and other receivables are recognised on an individual or collective basis. Impairments are assessed and recognised on a collective basis provided the number of liabilities is significant. In other respects, impairment losses are assessed and recognised on a collective basis. Impairments are recognised as an allowance of loans in the balance sheet. Recognition of interest on the reduced amount continues after the recognition of impairment. For notes and bonds classified as loans and other receivables, the estimated difference between the carrying amount of the note/bond and a lower recoverable amount is recognised as an impairment loss in the income statement.

Impairments are recognised and impairment losses incurred only if there is objective evidence of a debtor's reduced solvency after the initial recognition of the receivable. A receivable is impaired if the present value of estimated future cash flows – including the fair value of collateral – is lower than the aggregate carrying amount of the loan and the related unpaid interest. Estimated future cash flows are discounted at the loan's original interest rate. If the loan carries a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the agreement. The difference between the carrying amount of the loan and a lower recoverable amount is recognised as an impairment loss in the income statement.

For the purpose of a collective assessment of impairment, receivables are grouped on the basis of similar credit risk characteristics. Impairment is recognised for a group of loans and receivables if there is objective evidence that debtors' ability to pay amounts due is uncertain. The impairment to be recognised is determined by average estimated future losses based on historical loss experience.

After the completion of all debt-collection measures, or otherwise based on the management's decision, the loan is derecognised. Following the derecognition, payments received are recognised as an adjustment to impairments of loans and receivables.

If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

Some notes and bonds under financial assets for trading were transferred to loans and receivables in connection with the reorganisation. The transfer was made to the fair value on 1 July 2008. The difference between the fair value of the notes and bonds and their value on the date of maturity is entered as interest income adjustment during the remaining maturity of the notes and bonds.

Notes and bonds were also transferred from available-for-sale financial assets to loans and receivables to the fair value on 1 July 2008. The valuation of these notes and bonds entered under fair value reserve is recognised in the income statement in the remaining maturity of the notes and bonds. When recognising the impairment of notes and bonds, any remaining amount in the fair value reserve is transferred in full to the income statement.

Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments that the company has the positive intention and ability to hold to maturity. These investments are carried at amortised cost after their initial recognition.

Impairments of investments held to maturity are reviewed on the basis of the same principles as those of loans and other receivables. The difference between the carrying amount of notes and bonds and a lower recoverable amount is recognised as an impairment loss in the income statement.

If investments included in the financial assets held to maturity category are sold before their maturity, all of these investments must be reclassified out of this category into the available-for-sale financial assets category, and the Group may not classify these securities into the financial assets held to maturity category for the subsequent two years. This rule can be deviated from if there is objective proof that the value of an investment held to maturity has fallen, in which case it will be transferred to available-for-sale financial assets and measured at fair value.

Notes and bonds under financial assets for trading were transferred in the process of reclassification to those held to maturity. The transfer was made to the fair value on 1 July 2008. The difference between the fair value of the notes and bonds and their value on the date of maturity is entered as interest income adjustment during the remaining maturity of the notes and bonds.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets, comprising notes and bonds, shares and participations.

At the time of their acquisition, available-for-sale financial assets are recognised at cost, which equals the fair value of the consideration paid plus transaction costs directly attributable to their acquisition. Available-for-sale financial assets are measured at fair value. Any changes in their fair value are recognised in the fair value reserve under equity, from where they are transferred to the income statement when the asset is derecognised or there is objective evidence of the impaired asset.

Objective proof in terms of available-for-sale financial assets includes, for notes and bonds, if the issuer's credit rating has fallen considerably, and for shares or holdings, a significant or long-term decrease in value below acquisition cost.

If a security's market value continues to fall following impairment recognition, the impairment loss will be recognised in the income statement.

If the fair value of impaired notes and bonds classified as available-for-sale financial assets increases subsequently and this increase can be objectively regarded as being related to an event after their impairment loss recognition, the impairment loss will be reversed and recorded in the income statement. If the fair value of an impaired share increases subsequently, this increase will be recognised in shareholders' equity.

Interest income related to available-for-sale financial assets are recognised in the income statement.

Notes and bonds under financial assets for trading were transferred under available-for-sale financial asset to the fair value on 1 July 2008. Value changes after the transfer date are recognised in the fair value reserve under shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents consist of cash and receivables from credit institutions repayable on demand.

Other financial liabilities

Other financial liabilities include financial liabilities other than those at fair value through profit or loss, comprising deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities. Other financial liabilities are recognised in the balance sheet on the settlement date and carried at amortised cost after initial recognition.

In the consolidated financial statements, key personnel's shareholdings in subsidiaries are classified as financial liabilities in conformity with IAS 32, under the terms and conditions of the shareholder agreements. The portion of dividends corresponding to financial liability is treated as interest expenses.

Derivative contracts

A derivative instrument represents a financial instrument or another contract whose value changes as a result of changes in specific interest rates, the price of financial instruments or commodities, foreign exchange rates, price or interest-rate indices, credit ratings, credit indices or other similar underlying instruments. At the time of entering into the contract, a derivative requires only minor initial net investment and will be settled on a predetermined future date.

Derivative contracts are categorised under hedging and held for trading, containing interest rate, currency, equity, commodity and credit derivatives, measured at fair value at all times. The difference between interest received and paid on non-hedging interest-rate swaps is recorded in interest income or expenses and the corresponding interest carried forward is recognised in other assets or other liabilities. Changes in the fair value of non-hedging derivatives are recorded under 'Net trading income'. Derivatives are carried as assets under 'Derivative contracts' when their fair value is positive and as liabilities under 'Derivative contracts' when their fair value is negative.

Embedded derivatives associated with structured bonds issued and loans with an interest-rate cap are separated from the host contract and measured at fair value, and changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments are recognised in interest income or expenses.

Hedge accounting

OP-Pohjola Group's Risk Management has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument. Hedge accounting is used to ensure that changes in the fair value of a hedging instrument offset the value of the target being protected or cash flow changes either in full or in part.

Contracts may not be accounted for in accordance with the hedge accounting rules if the relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard.

Currently, Pohjola Bank plc applies fair value hedges to hedge against interest rate equity and foreign currency risks, involving long-term fixed-rate liabilities (Bank's own issues), individual bond and loan portfolios, as well as individual loans. The Group uses forward exchange contracts and interest-rate and currency swaps as hedging instruments. Hedging against equity and foreign currency risks applies to Non-life Insurance's and Life Insurance's equity fund investments.

The relationship between hedging and hedged instruments is formally documented, containing information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of and during the hedge by comparing respective changes in the fair value of the hedging and hedged instrument. The hedge is considered effective if the changes in the fair value offset one another within a range of 80–125%.

In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recorded under 'Net investment income' (bonds included in available-for-sale financial assets) and 'Net interest income' (loans and own issues) in the income statement or 'Net investment income from Non-life and Life Insurance' (mutual fund investments included in available-for-sale financial assets).

INVESTMENT PROPERTY

Investment property is land and/or buildings or part thereof held to earn rental income or for capital appreciation. Property, a minor part of which is used by the owner company or its personnel, is also accounted for as investment property. However, a part of property used by the owner company or its personnel is not accounted for as investment property if the part can be sold separately. Investment property is shown as investment assets, non-life insurance assets or life insurance assets in OP-Pohjola Group's balance sheet.

Investment property is initially recognised at cost and subsequently carried at fair value. Any changes in fair value are recognised in net income from investment property of Non-life Insurance, Life Insurance or investment. The fair value of investment property is mainly based on its market value. The fair value of major property holdings is based on a valuation performed by an independent external appraiser while that of other property holdings is based on the independent external appraiser's valuation, income estimates based on market data or the management's estimate of the property's market value. The fair value of business, office and industrial premises is primarily determined using the income capitalisation approach. The income value determination is based on market return requirements. The fair value of residential buildings and land is primarily determined using the sales comparison approach.

INTANGIBLE ASSETS

Goodwill

Goodwill represents at the time of acquisition the excess of the cost of an acquisition over the fair value of the Op-Pohjola Group's share of the net identifiable assets, liabilities and contingent liabilities of an entity acquired after 1 January 2004. Goodwill on prior business combinations equals the carrying amount recorded under the previous accounting standards, the Finnish Accounting Standards (FAS), which has been used as deemed cost permitted by the exemption of IFRS 1. Goodwill on acquisition of subsidiaries is included in intangible assets and goodwill on acquisition of associates is included in investment in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units, which are either business segments or entities belonging to them.

Value of acquired insurance portfolio

An intangible asset corresponding to the value of an acquired insurance portfolio is recognised if the insurance portfolio is acquired directly from another insurance company or through the acquisition or a subsidiary. The fair value of acquired insurance policies is determined by estimating the present value of future cash flows on the basis of the insurance portfolio on the date of acquisition. Upon initial recognition, the fair value of acquired insurance policies is divided into two parts; a liability associated with insurance contracts measured in accordance with the applicable principles, and an intangible asset. Subsequent to the acquisition, the intangible asset is amortised on a straight-line basis over the estimated effective lives of the acquired contracts. The effective lives are reviewed annually and the value is amortised over 1–4 years for non-life insurance and 10 years for life insurance. An intangible asset is tested annually in connection with testing the adequacy of the liability associated with insurance contracts.

Deferred acquisition costs of insurance contracts

OP-Pohjola Group activates same fees and similar costs related to the acquisition of new insurance contracts or the renewal of existing contracts. The resulting intangible asset is amortised on a straight-line basis over the effective lives of the contracts. The amortisation period within non-life insurance is the insurance period and within life insurance five years. An intangible asset is tested annually in connection with testing the adequacy of the liability associated with insurance contracts.

Customer relationships

Identifiable customer relationships acquired through business combinations are measured at fair value upon acquisition. This intangible asset arising from customer relationships is amortised on a straight-line basis over the asset's estimated useful life. The estimated useful life of OP-Pohjola Group's acquired customer relationships is 5–13 years. The value of customer relationships is tested for impairment.

Brands

Identifiable brands acquired as part of business combinations are measured at fair value upon acquisition. The estimated useful lives of goodwill and brands are indefinite, since they will generate cash flows for an indefinable period. The value of brands is tested annually for impairment.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and any impairment losses. Depreciation is recognised as expenses over the course of the estimated economic life, which is 2–5 years for computer software and licences, and generally 5 years for other intangible assets. The useful lives of assets are reviewed on each balance sheet date and, if necessary, their value is tested for impairment.

Expenditure on the development of internally-generated intangibles (products and services) is capitalised starting from the time when the product or service is found to generate future economic benefits. The asset will be amortised from the time it is ready for use, mainly over 3–5 years. An asset not yet ready for use is tested annually for impairment.

TANGIBLE ASSETS

Property, plant and equipment (PPE) are measured at historical cost less accumulated depreciation and impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation. Expenses related to an asset arising after its original acquisition are capitalised at the asset's book value only if it is probable that it will produce greater economic benefit than initially estimated.

In accordance with the exemption permitted by IFRS 1 (First-time Adoption), FAS-compliant revaluations of land and property in own use were not cancelled during the IFRS transition on 1 January 2004 but were included in these assets' deemed cost.

The estimated useful lives are mainly as follows:

Buildings 30 to 50 years
Emergency power units and generators 15 years
Machinery and equipment 4 to 10 years
IT equipment 3 to 5 years
Cars, 5–6 years
Other tangible assets 5 to 10 years

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits.

Depreciation ceases when a PPE asset is classified as available for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Impairment of PPE and intangible assets

On each balance sheet date, the Group assesses whether there is any indication of an asset's impairment. If such indication exists, the amount recoverable from the asset will be estimated. Regardless of the existence of such indication, the recoverable amount is estimated for assets not yet available for use, goodwill and intangible assets with indefinite useful lives (brands). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its future recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) or value in use. The recoverable amount is primarily determined on the basis of the asset's net selling price, but if this is not possible, the asset's value in use must be determined. The asset's value in use equals the present value of future cash flows expected to be recoverable from the asset. The need for impairment of the annually tested assets stated above is always determined on the basis of value-in-use calculations.

If the asset's net selling price cannot be determined and the asset does not generate cash flows independent of other assets, the need for impairment will be determined through the cash-generating unit, or segment, to which the asset belongs. In such a case, the carrying amounts of the unit's assets are compared with the entire unit's recoverable amounts.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset may not exceed the carrying amount of the asset that would have been determined had no impairment loss been previously recognised. Impairment losses on goodwill may not be reversed under any circumstances.

LEASES

On the date of inception, leases (also when part of other arrangements) are classified as finance leases or operating leases according to the substance of the transaction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet, at an amount equal to the net investment in the lease. Finance income is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Assets leased under finance lease are recognised as property, plant and equipment and the corresponding finance lease liability is included in other liabilities. At the inception of the lease term, these leased assets are recorded as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments. Assets held under finance lease are depreciated over the shorter of the lease term or the life of the asset. Finance charges are recognised in interest expenses so as to produce a constant periodic rate of interest on the remaining balance of the liability. For sale and leaseback transactions, any excess of proceeds over the carrying amount is deferred and amortised over the lease term.

Assets leased out under operating lease are shown under property, plant and equipment and lease income is recognised on a straight-line basis over the lease term. Lease payments under other leases are recognised as expenses on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

Pension obligations

OP-Pohjola Group companies' employee pension cover is managed through payments to OP Bank Group Pension Fund or insurance companies. Some OP-Pohjola Group companies provide their employees with supplementary pension cover through OP Bank Group Pension Foundation or an insurance company.

OP-Pohjola Group has both defined benefit and defined contribution plans. With respect to funded disability and old-age pensions, pensions managed by OP Bank Group Pension Fund are classified as defined benefit plans. Pension plans managed by insurance companies may be either defined benefit or defined contribution plans. All of the plans managed by OP Bank Group Pension Foundation are defined benefit plans.

Expenses arising from pension plans are recognised under 'Personnel costs' in the income statement. Contributions under defined contribution plans are paid to the insurance company and recorded as expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans.

Defined benefit plans managed by insurance companies, OP Bank Group Pension Fund and OP Bank Group Pension Foundation are funded through payments based on actuarial calculations.

The asset recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

Defined benefit obligations are calculated separately for each plan using the projected unit credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

On the transition date of 1 January 2004, the Group applied the exemption permitted under IFRS 1, whereby it had no unrecognised actuarial gains or losses associated with defined benefit pension plans. Subsequent actuarial gains and losses are recognised in the income statement over the employees' expected average remaining working lives to the extent that they exceed 10% of the greater of the present value of the defined benefit obligation or the fair value of plan assets.

Share-based compensation

OP-Pohjola Group has a management incentive scheme in place, on the basis of which a person covered by the scheme may receive related compensation for services rendered during the vesting period partly in terms of Pohjola Bank plc shares and partly in cash.

Equity-settled share-based payments are measured at fair value on the grant date and recognised as expenses and an increase in shareholders' equity over the vesting period. Share-based compensation paid in cash and the corresponding liability are measured at fair value at the end of each period until the liability is settled. Both the share-based payment and cash-based compensation are charged to personnel costs.

INSURANCE ASSETS AND LIABILITIES

Classification of financial assets within insurance operations

The section 'Classification and recognition' under Financial Instruments and loans contains information on the classification of financial assets within insurance operations.

Classification of insurance contracts

Insurance contracts are contracts under which the insured accepts significant insurance risk from the policyholder. They are classified by contract or contract type. If several contracts are concluded simultaneously with a single counterparty or if contracts are otherwise interdependent, the significance of insurance risk is assessed collectively. As a general rule, financial guarantee contracts are treated as insurance contracts or, if the insurance risk transfer is not significant, as financial instruments at fair value through profit or loss.

Investment contracts are contracts which transfer financial risk with no significant insurance risk. Since capital redemption contracts do not involve insurance risk, they are classified as investment contracts.

Intra-Group insurance contracts within OP-Pohjola Group are eliminated, since they do not meet the criteria set for insurance contracts.

Principle of equity

With the exception of unit-linked insurance contracts, almost all life insurance contracts and some capital redemption contracts entitle to a discretionary share of surplus (customer bonus or other benefits), in addition to guaranteed benefits, which is likely to account for a significant portion of the total contractual benefits, but whose amount and timing is at the discretion of the Group under the contract. Some unit-linked policies include an option for a discretionary share of surplus and this option can be exercised by transferring insurance savings to an interest-bearing portion.

The distribution of surplus is based on the so-called principle of equity under the Insurance Companies Act, which requires that an equitable portion of the surplus generated by these contracts be refunded as bonuses to these policies, provided that the capital adequacy requirements do not prevent such a procedure. It is necessary to aim at continuity with respect to the level of bonuses. The principle of equity will nevertheless not entitle either the owners or policyholders to demand any funds as debt.

OP-Pohjola Group's life insurance companies adhere to the principle of equity. The application targets have been published in OP Life Assurance Company Ltd's financial statements and op.fi. Any additional benefits will be decided on by the Board of OP Life Assurance Company Ltd.

Insurance contract categories

Insurance contracts are divided into main categories based on differences in either the nature of the insured object or the contract terms and conditions, involving a material effect on the risk's nature. In addition, this division into categories takes account of differences in the duration of contract periods or the average length of the period between the occurrence of a loss event and the date of the fully-paid claim (speed of claims settlement).

Non-life insurance contracts

Short-term contracts

Short-term insurance contracts are usually valid for 12 months or a shorter period, but very seldom over 24 months. In particular, policies for private individuals, motor-vehicle policies and statutory workers' compensation policies are usually continuous annual policies. The main groups of non-life insurance contracts are as follows: statutory insurance contracts, other accident and health insurance contracts, cargo and hull insurance contracts, property and business interruption insurance contracts, and liability and legal expenses insurance contracts.

Long-term contracts

Long-term insurance contracts refer to contracts with an average minimum validity of two years, Long-term non-life insurance contracts include decennial (construction defects), perpetual property and guarantee insurance contracts.

Life insurance contracts

Life insurance contracts include single and regular life insurance contracts with a focus on savings; individual pension insurance contracts; group pension insurance contracts supplementing statutory pension cover; and term insurance policies issued mainly against death or disability. Savings under life and pension insurance can be entitled to a guaranteed technical interest and a discretionary share of surplus (DPF, non-linked), or they can be unit-linked. For the time being, group pension policies are mostly non-linked and entitled to DPF.

Measurement and recognition of insurance contracts

Non-life insurance contracts

Premiums are primarily recognised as revenue proportionally over the contract's period of validity. However, revenue recognition in decennial (construction defects) and perpetual insurance is based on the proportional distribution of insurance risk. The portion of premiums written for the post-balance sheet date is recognised as provision for unearned premiums in the balance sheet. If the provision for unearned premiums is not sufficient to cover future claims and expenses attributable to effective insurance contracts, a supplementary amount (provision for unexpired risks) corresponding to the difference is reserved in the provision for unearned premiums. Insurance premium tax and public charges collected on behalf of external parties, excluding commissions and credit loss on premiums, are deducted from premiums written.

Claims paid to customers and direct and indirect loss adjustment expenses incurred by the Group are charged to expenses on the basis of the date of loss occurrence. Claims unsettled on the balance sheet date for losses already occurred and their loss adjustment expenses – including losses occurred but not yet reported to the Group (IBNR) – are reserved in the provision for unpaid claims consisting of both claims reserved for individual cases and statistically reserved claims. The provision, included in the provision for unpaid claims, for loss adjustment expenses not yet realised for losses that have already occurred is based on estimated costs of loss adjustment.

Provision for unearned premiums for statutory decennial insurance and perpetual insurance and provision for unpaid claims for annuities are discounted based on a fixed discount rate applied by the Group. Determined in view of the underlying trend in interest rates, the discount rate may not exceed the expected return on the assets covering the liability or the level set by the authorities. An increase in insurance contract liabilities due to the passage of time (unwinding of discount) is shown in the income statement as a separate item in finance costs under Net income from Non-life Insurance.

Life insurance contracts

Premiums received are recognised in the income statement. Premium receivables are recognised only if the insurance cover is effective on the balance sheet date. Term insurance premiums are recognised as revenue proportionally over the premium payment period. Commissions or credit losses are not deducted from premiums written.

Benefits based on insurance contracts are charged to expenses in the income statement. Insurance contract liabilities are determined by calculating the capital value of future benefits, policy administration costs and future premiums, using actuarial assumptions related to compounding, mortality, disability and operating expenses. The liability is redetermined on every balance sheet date using assumptions related to rating of policies, including the discount rate. Any customer bonus decisions will result in the technical provisions being increased. Insurance contract liabilities for unit-linked policies are, however, measured at fair value such as the assets covering the liability.

Liability adequacy test on insurance contracts

On each balance sheet date, the Group tests for the adequacy of insurance contract liabilities in the balance sheet, using current estimates of future cash flows from insurance contracts. If the test shows that the carrying amount of insurance contract liabilities, less intangible assets related to capitalised policy acquisition costs, is inadequate, the deficiency is recognised in profit or loss primarily by performing an additional amortisation on intangible assets and secondarily by increasing insurance contract liabilities.

Reinsurance contracts

Reinsurance taken out by OP-Pohjola Group refers to an insurance contract which meets the classification requirements set for insurance contracts and under which the Group may be paid compensation by another insurer if the Group becomes liable to pay compensation on the basis of other insurance contracts (ceded reinsurance).

a. Non-life Insurance

Benefits received under reinsurance contracts held are included in 'Loans and other receivables' or receivables 'From reinsurance under Other assets', with the latter receivables corresponding to reinsurers' share of provision for unearned premiums and provision for unpaid claims of the insurance contracts reinsured by the Group. Items included in 'Loans and other receivables' are shorter-term receivables. Premiums unpaid to reinsurers are included in 'Accounts payable and other liabilities'.

Reinsurance assets are tested for impairment on each balance sheet date. If there is objective evidence that the Group may not receive all amounts to which it is entitled on the basis of the contract terms, the carrying amount of the reinsurance asset is reduced to correspond to the recoverable amount and the impairment loss is recognised in the income statement.

b. Life Insurance

Amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are recognised in the balance sheet separately.

Receivables and payables related to insurance contracts

Non-life Insurance premium receivables are recognised at the beginning of the insurance period when the right to the receivable is established. Life Insurance premium receivables are primarily recognised in connection with the closing of accounts. These receivables are mainly those from policyholders and only to a minor extent from insurance intermediaries. Prepaid insurance premiums are included in 'Accounts payable and other liabilities'.

Non-life Insurance receivables based on insurance contracts are tested for impairment on each balance sheet date. If there is objective evidence of an impaired receivable, its carrying amount is reduced through profit or loss. Both final impairments (credit losses) and impairments established statistically on the basis of the phase of collecting the charge are deducted from receivables.

Salvage and subrogation reimbursements

Damaged property that has come into the Group's possession is recorded to its fair value as an allowance for claims incurred and recognised under 'Other assets. Subrogation reimbursements are accounted for as an allowance for provision for unpaid claims for losses occurred. When the claim is settled, the receivable is recognised under 'Loans and other receivables'. The counter security of guarantee insurance is measured at fair value and the portion corresponding to provision for unpaid claims or to the claim paid is recognised in 'Loans and other receivables'. Receivable from the liable party will not be recognised until the payment is received or receipt of payment is otherwise certain in practice.

Coinsurance and pools

OP-Pohjola Group is involved in a few coinsurance arrangements with other reinsurers. Of coinsurance contracts, the Group treats only its share of the contract as insurance contracts and the Group's liability is limited to this share.

OP-Pohjola Group also underwrites shares of insurance contracts through pools, whose members are primarily responsible for their own proportionate share of the insurance risk. These shares are based on contracts confirmed annually. The Group treats as insurance contracts its own proportionate share of the direct insurance business managed by pools and of the reinsurance business from the pool to its members.

The pool's share of these insurance contracts is treated as reinsurance. In some pools, members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. OP-Pohjola Group recognises liabilities and receivables based on joint liability if joint liability is likely to materialise.

Investment contracts

Classification, measurement and recognition

The investment contracts of OP-Pohjola Group's insurance companies are the so-called capital redemption contracts.

Investment contracts with a DPF component or which can be exchanged for such contracts are, however, subject to the exemption permitted by IFRS 4. Therefore, capital redemption contracts are measured and presented in the same way as insurance contracts.

Investment contracts in the balance sheet are presented under financial liabilities.

Provision for joint guarantee system

Provision for the joint guarantee system is recognised in the same way as other provisions. The Finnish Workers' Compensation Insurance Act, Motor Liability Insurance Act and Patient Injury Act include provisions on joint liability on the basis of which insurance companies engaged in the business of the line of insurance concerned assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. Insurers have a statutory obligation to recognise a provision for the joint guarantee system in their balance sheets. The joint guarantee provision may be decreased or abolished only for the abovementioned reason or by transferring it to another insurance company in connection with an insurance portfolio transfer.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised for an obligation if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain.

Contingent liability is a potential liability that may be realised as a consequence of prior events if an uncertain event beyond the powers of OP-Pohjola Group actually takes place.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or a disposal group) is classified as held for sale if the amount corresponding to its carrying amount will be recovered principally through its sale rather than continuous use. It is measured at the lower of carrying amount and fair value less costs to sell. Such assets and the related liabilities are presented separately in the balance sheet.

A discontinued operation is a component of the Group's entity that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations. Income and expense items of discontinued operations are presented on a separate column in the income statement.

INCOME TAXES

Income tax expense shown in the income statement includes current tax, based on the taxable income of OP-Pohjola Group companies for 2007, and income tax for prior financial years and deferred tax expense or income.

Deferred tax liabilities are recognised for temporary taxable differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets are recognised for deductible temporary differences between the carrying amount of assets and liabilities and their tax base, and for losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The Group offsets deferred tax assets and liabilities by Group company. Deferred tax assets and liabilities resulting from consolidation are not offset. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date. If deferred tax originates from balance sheet items whose changes have no effect on the income statement, any change in deferred tax is recognised in equity, not in the income statement.

REVENUE RECOGNITION

Interest income and expenses are recognised on an accrual basis. Interest on receivables with non-settled, due payments is also recognised as revenue and this interest receivable is tested for impairment. The difference between the receivable's acquisition cost and its nominal value is allocated to interest income and that between the amount received and nominal value of the liability to interest expenses.

Commission income and expenses for services are recognised when the service is rendered. For one-off commissions covering several years that may have to be refunded at a later date, only the portion of their revenue related to the period is recognised.

Dividends are primarily recognised when they are approved by the General Meeting of Shareholders.

SEGMENT REPORTING

Financial information serves as the basis of defining operating segments, which the executive in charge monitors regularly.

OP-Pohjola Group reports segment-specific income statements and balance sheets for Banking and Investment Services, Non-life Insurance and Life Insurance. Non-segment operations are presented in 'Other Operations'. A business segment is a group of assets and operations engaged in providing products or services subject to risks and returns that differ from those of other business segments. OP-Pohjola Group's business segment reporting was changed as of the second quarter of 2008 as a result of organisational changes. Comparatives have been changed to align with the new operating model. Pohjola Bank Group's asset management and central bank operations which used to be included in Banking and Investment Services will from now on be reported as part of the non-business-segment Other Operations, as will be income, expenses, investment and capital not included in actual business operations.

A description of the operating segments and segment accounting policies can be found as part of segment information.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires making estimates and assumptions about the future and the future actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies.

Liabilities arising from insurance contracts involve several discretionary factors and uncertainty. With respect to Non-life Insurance, estimates are based on assumptions about the operating environment and on the actuarial analyses of the Group's own claims statistics. Liabilities arising from Life Insurance are established using calculation bases which are in compliance with Finnish regulations and based on the same future assumptions as the insurance rating. The Group monitors the appropriateness of future assumptions on an ongoing basis.

The values of insurance contracts, customer relationships and brands acquired through business combinations are based on estimates of eg future cash flows and the applicable discount rate,

Goodwill, assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows and the applicable discount rate.

Impairment tests of receivables are based on estimates of the amount recoverable from the receivable in the future. Cash flows are reviewed for each loan in the impairment test carried out individually for the receivable. Impairment losses on receivables recognised collectively are based on estimates of future losses based on historical data.

When testing the impairment of available-for-sale financial asset, we try to evaluate how permanent the impairment will be. The factors behind changes in fair value, that is, the issuer's financial standing, the market situation and other matters affecting the asset's fair value, among other things, must be evaluated in more detail in the assessment of permanence.

The asset recognised in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. This calculation uses actuarial assumptions for the future, involving the discount rate, the expected return on assets, future increases in pay and pension, the employee turnover rate and the inflation rate.

The measurement of investment property at fair value is partially based on the management's estimates of the market value of properties. Investment property is also measured using a calculation model based on the income capitalisation approach utilising estimates of future net yield on properties.

NEW STANDARDS AND INTERPRETATIONS

In 2009, OP-Pohjola Group will adopt the following standards and interpretations:

• Revised IAS 23 – Borrowing Costs
• IFRIC 13 Customer Loyalty Programmes
• Revised IAS 1 – Presentation of Financial Statements
• Revised IFRS 3 – Business Combinations
• Revised IAS 27 – Consolidated and Separate Financial Statements
• Amendments to IFRS 2 – Vesting Conditions and Cancellations
• IAS 32 Financial instruments: presentation and amendments of Financial Statements under IAS 1 (Puttable Financial Instruments and Obligations Arising on Liquidation)
• Improvements to IFRSs
• IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items
• IFRIC 15 Agreements for the Construction of Real Estate
• IFRIC 16 Hedges of a Net Investment in a Foreign Operation
• Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
• IFRIC 17 Distributions of Non-cash Assets to Owners

Applying the new IFRIC interpretations will not have any material effect on the content of the current financial statements. The adoption of IAS 1 will change the Group's presentation of financial statements.

NOTE 2. OP-Pohjola Group's Capital Adequacy and Risk Management Principles

The purpose of capital adequacy management is to secure OP-Pohjola Group's risk-bearing capacity and ensure the continuity of operations. Capital adequacy management has been integrated into business control and management,

The capital adequacy management process, internal control, risk management and good corporate governance are regulated by the Act on Credit Institutions and standards issued by the Finnish Financial Supervisory Authority. The operations of insurance companies that are part of OP-Pohjola Group are regulated by the Insurance Companies Act and instructions and guidelines issued by the Insurance Supervisory Authority. Under the Cooperative Banks Act, the entities that are part of the amalgamation of the cooperative banks are monitored on a consolidated basis for capital adequacy, liquidity and customer risks. OP-Pohjola Group is a financial and insurance conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. As of the beginning of 2009, the new financial and insurance sector's supervisor authority is the Financial Supervisory Authority, taking over most of the duties of the Finnish Financial Supervisory Authority's and Insurance Supervisory Authority's.

OP-Pohjola Group's capital adequacy and risk management principles are approved by the Central Cooperative's Supervisory Board. The principles determine the framework for capital adequacy management and the fulfilment of any related statutory and other obligations. They also determine how the Financial Supervisory Authority's guidelines are applied at OP-Pohjola Group level and in entities belonging to OP-Pohjola Group. OP-Pohjola Group's capital adequacy and risk management principles were approved by the Central Cooperative's Supervisory Board in June 2007.

General principles
OP-Pohjola Group's capital adequacy management consists of reliable management and the organisation of internal control and risk management, the latter carried out at OP-Pohjola Group level regardless of business area. The application of the independence principle is determined separately in the entities' own guidelines, taking into consideration the extent and nature of their business.

The Central Cooperative is responsible for OP-Pohjola Group's capital adequacy management and ensuring that any related systems are adequate and appropriate. Each OP-Pohjola Group company/institution is responsible for its own capital adequacy management. Owing to the joint responsibility prescribed by law, OP-Pohjola Group entities must be able to rely on all the entities to operate under the Group's principles of capital adequacy management, other guidelines issued by the Central Cooperative, and regulations and guidelines issued by the authorities.

Good corporate governance
Conformance with good corporate governance principles ensures that entities of OP-Pohjola Group are managed professionally and under sound and prudent business principles and that the entities in all business divisions operate reliably and with sufficient transparency.

OP-Pohjola Group entities approve the good corporate governance principles as part of their capital adequacy management principles. The Central Cooperative issues instructions to Group member banks on the application of Finnish Financial Supervisory Authority's standard on good corporate governance. Good corporate governance principles also include the recommendation of the Central Cooperative's Supervisory Board on corporate governance, which in turn is based on the equivalent recommendations issued by the OMX Nordic Exchange Helsinki.

Compliance with the principles of good corporate governance is very important and aims to ensure that all OP-Pohjola Group entities comply with applicable legislation, official instructions and regulations, guidelines related to market self-regulation and OP-Pohjola Group Central Cooperative's and the entities' internal principles and guidelines. Depending on the extent of each entity's business operations, compliance issues in OP-Pohjola Group entities is organised by designating each of the entities a part-time or full-time compliance officer or by setting up a compliance function.

Internal control

Internal control ensures that OP-Pohjola Group's targets and objectives are reached and that resources are used economically and efficiently. Implemented at all organisational levels, internal control is standard practice within OP-Pohjola Group.

Following up business objectives and targets is a key part of internal control in the Group. The Central Cooperative's Supervisory Board makes regular updates to OP-Pohjola Group's strategy, The strategy consists of long-term goals and performance indicators for the strategy period. The performance indicators, risk and control limit indicators and stress tests are the main sources of input for OP-Pohjola Group in setting targets and goals and monitoring them and rewarding for good results. The Central Cooperative checks regularly how successful OP-Pohjola Group's businesses have been in terms of their objectives and risks, and submit their reports to the management of OP-Pohjola Group' entities.

OP-Pohjola Group's strategic plan includes a separate capital plan and a proactive contingency plan for own funds. All OP-Pohjola Group entities also make result forecasts and capital plans to draw attention in good time to what consequences business decisions have on capital adequacy, profit development and success indicator values.

OP-Pohjola Group also makes overall estimates for risks affecting the Group's strategy, business and operating environment. The Central Cooperative’s Executive Board makes annual assessments on whether the estimates are to be adjusted and if so, the Board's proposals for action are carried out following approval by the Central Cooperative's Supervisory Board.

Risk Management

The purpose of risk management within OP-Pohjola Group is to identify threats and opportunities that impact the implementation of the Group’s strategy. The primary objective of risk management within OP-Pohjola Group is to secure the risk-bearing capacity of all entities belonging to the Group and to ensure that they do not take on excessive risk that might endanger the profitability, capital adequacy or continuity of the operations of an individual entity or the entire Group. Risk-taking is an essential part of banking and insurance operations,

and the risk management process consists of the identification, measurement and assessment of risks on the one hand, and risk limitation, reporting and supervision on the other. The qualitative and non-quantifiable risks threatening OP-Pohjola Group and its entities are limited by ensuring adherence to the Central Cooperative's general capital adequacy management instructions and operating procedures and instructions issued by the top management. OP-Pohjola Group's quantifiable risks are limited by means of a risk and supervision limit system that steers operations in member banks, Central Cooperative entities and throughout the Group.

All entities within OP-Pohjola Group have a set of written risk management instructions approved by the top management that have been adjusted according to the nature and extent of the business. OP-Pohjola Group is determined to develop risk management, its methods and information systems on the basis of its business needs, observing any changes in the operating environment and requirements set by official regulations.

Economic capital

OP-Pohjola Group's risk indicators will be developed by making use of economic capital models in assessing and measuring risks. The Group will adopt in stages operations steering indicators, and risk limit indicators based on economic capital.

Economic capital is OP-Pohjola Group's own calculated estimate on the amount of capital that is sufficient to cover the business risks. In 2008, economic capital was calculated in OP-Pohjola Group using two methods: as the year before, it was derived from requirements set by the authorities for banking and insurance operations, but alongside it, a new economic capital model for each type of risk was adopted, whereby the sufficient amount of economic capital is calculated not only to cover credit risk but also interest rate, equity, exchange rate and property risks; technical insurance risks; operational risks; funding risk; business risks; and risk caused by the operating environment.

Stress tests
Stress tests are used to evaluate how various exceptionally serious situations that may take place can affect OP-Pohjola Group. The tests can identify the biggest risks for the Group and to assess how vulnerable the Group's financial standing is in terms of these risks.

Sensitivity analyses are used as part of risk analysis for various risk types and the results are used to assess how changes in the basic premises and parameters would affect the risk model outcome and the risk position. Sensitivity analyses conducted at different shock levels give a concrete idea of the effects of different risks and the probability of losses of various sizes.

Scenario analyses are used especially to analyse the effects of risks caused by the operating environment. They are based on the current financial forecast in the strategy and derived from the current level of market variables and the Group's best estimate of which way things are going. In scenario analyses, this basic forecast is tested by the effects of various risks.

OP-POHJOLA GROUP'S RISK AND SUPERVISION LIMIT SYSTEM

The Central Cooperative’s Supervisory Board has determined risk limits for OP-Pohjola Group’s risk-bearing capacity (for the capital adequacy prescribed in the Act on Financial and Insurance Conglomerates) as well as for credit and market risks. The risk indicators are developed by making use of economic capital models to assess and measure risks.

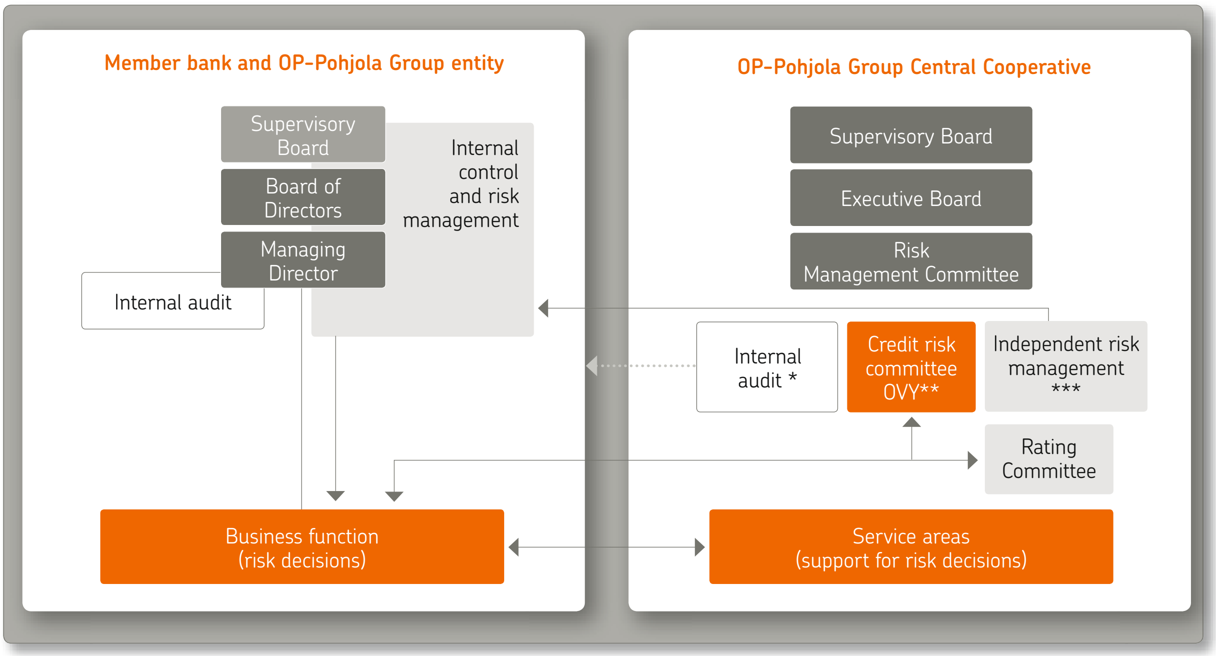
The Central Cooperative's Executive Board has set limits for risk-bearing capacity, profitability and different types of risks which the member cooperative banks and Helsinki OP Bank Plc must observe. The member banks and Helsinki OP Bank Plc use these limits to confirm their own risk limits, which are tighter than those set by the central institution. The coverage of the indicators and any needs for development are reviewed annually. The entities belonging to OP Bank Group Central Cooperative Consolidated confirm the risk limits for the main risks to their operations.

The member cooperative banks are controlled and supervised primarily on the basis of the risk limit system. Different degrees of bank-specific controls may be applicable to member banks if risk limits are exceeded. The member banks are rated according to intra-Group risk categories. The categorisation observes the number of times the risk limits have been exceeded, the severity of the breaches as well as conformance with risk management instructions. The Central Cooperative analyses the risk exposure and revises the risk categorisation regularly as part of the supervision process. The assessment of the risk exposure also includes stress tests.

ORGANISITION OF CAPITAL ADEQUACY MANAGEMENT AND RISK MANAGEMENT

OP-Pohjola Group Central Cooperative is responsible for Group-level capital adequacy management and for ensuring that the Group's risk management system is sufficient and kept up to date. The Central Cooperative issues Group entities with guidelines for ensuring risk management and ensures, through supervision, that the entities operate in accordance with official regulations, their own rules, guidelines issued by the Central Cooperative, OP-Pohjola Group’s internal procedures and procedures appropriate for customer relationships. Entities belonging to OP-Pohjola Group are responsible for their own capital adequacy management in accordance with the nature and extent of their operations. OP-Pohjola Group's capital adequacy management is organised as shown in the figure below.

OP-Pohjola Group's capital adequacy management



* Internal audit of Group member banks and the Central Cooperative
** OVY = OP Bank Group Mutual Insurance Company
*** Incl. centralised reporting

OP-Pohjola Group Central Cooperative
OP-Pohjola Group Central Cooperative's Supervisory Board approves the Group's strategy, which contains the main risk management policies. The Central Cooperative's Supervisory Board also confirms OP-Pohjola Group's capital adequacy management principles, business objectives, capital plan and risk limits concerning risk-bearing capacity and credit and market risks. The Supervisory Board follows regularly the business, risk-bearing capacity and risk situation of OP-Pohjola Group and OP-Pohjola Group Central Cooperative Consolidated.

At least once a year, the Executive Board of the Central Cooperative ensures that OP-Pohjola Group's strategy, risk limits, capital plan and proactive contingency plan for own funds are up to date. The Executive Board also ensures that the systems and procedures for capital adequacy management are sufficient and up to date and that any instructions concerning these are issued to OP-Pohjola Group entities. The Executive Board approves OP-Pohjola Group's risk management plan and general policies for capital adequacy management. The Executive Board reports to the Supervisory Board on changes in the business, risk-bearing capacity and risk situation of OP-Pohjola Group, the Central Cooperative and entities belonging to it, and the Group member banks.

The task of the Central Cooperative's Risk Management is to develop and implement integrated risk management at Group level. Risk Management reports on the risk-bearing capacity, risk exposure and implementation of risk management policies as well as supervises the operations of different entities within OP-Pohjola Group. It maintains, develops and prepares risk management principles for approval by the Central Cooperative's Executive Board and Supervisory Board and is responsible for maintaining and developing risk management systems and methods at Group level and for the entities.

OP-Pohjola Group's Risk Management Committee, which reports to the Central Cooperative's Executive Board, evaluates OP-Pohjola Group's ability to operate successfully in the long term. It coordinates the operation of the Central Cooperative's various risk management organisations and supervises adherence to OP-Pohjola Group's capital adequacy management policies. The Risk Management Committee makes proposals to the Central Committee's Executive Board concerning general principles of capital adequacy management. It also supervises that risk management aspects are sufficiently taken into consideration in business and business development.

The Credit Risk Committee, authorised by the Central Cooperative's Executive Board, handles any significant customer exposure and property investments at OP-Pohjola Group level. The member banks must have valid permission granted by the Credit Risk Committee if the customer risk of a customer entity already exceeds or is about the exceed 20% of the funds of the credit institution or its consolidation group. The Central Cooperative's Executive Board can set a more stringent limit than this for a member bank. A decision is required from the Credit Risk Committee when a cooperative bank's customer entity's exposure in OP-Pohjola Group exceeds five million euros, or when the bank wants to participate in a property project where the capital invested by OP-Pohjola Group is over EUR 5 million. In certain sectors that are susceptible to fluctuations, an exposure limit must be set to a member bank by the Credit Risk Committee if the customer entity's liabilities exceed EUR 3.5 million.

The Central Cooperative's Rating Committee always confirms the credit rating for member banks' medium-sized and large corporate customers. As to Pohjola Bank customers, this decision is nevertheless made by Pohjola Bank's Rating Committee. The proposals for medium-sized and large customers' credit ratings are made by experts from the Central Cooperative's Corporate Research Unit and Pohjola Bank's Credit Risk Unit. People involved in proposing credit ratings or deciding about them cannot make actual credit decisions.

OP Bank Group Mutual Insurance Company(OVY) analyses the sufficiency of the customer's debt-servicing ability and the solidity of collateral for customer entities that exceed a specific amount of liability. The processing of insurance decisions helps OVY receive detailed information on the risks of retail banking operations' largest customer entities and supports high-quality credit processes. The insurance decisions of OVY also guide bank-specific credit risk-taking.

The Central Cooperative's Audit function supports capital adequacy management by ensuring that OP-Pohjola Group entities operate in a profitable and secure manner, in accordance with official regulations, the Central Cooperative's guidelines and their own rules and Articles of Association, and that the risk supervision systems correspond to the operational requirements.

Member banks, insurance institutions and other subsidiaries of OP-Pohjola Group Central Cooperative Consolidated
The member banks, insurance institutions and other entities of OP-Pohjola Group Central Cooperative Consolidated apply the central institution's capital adequacy management principles as required by the nature and extent of their business. In member banks, the Supervisory Board approves the capital adequacy management principles and supervises the operation of the bank and the Group. In entities of the Central Cooperative, this is the responsibility of the Board of Directors or Executive Board acting as the Board. The management of the member banks and the Central Cooperative's entities are responsible for the implementation of capital adequacy management according to the principles and operating policies that have been agreed on, and report regularly on the entity's business, risk-bearing capacity and risk situation to the Board.

In the organisation of risk management, there are differences in respect of an entity's risk exposure, size and the type and extent of its operations. The biggest OP-Pohjola Group entities have a risk management function that is independent of operational decision making. In small and medium-sized member banks, the Managing Director is directly responsible for risk management. At the member banks, the independence of the assessment of risk management from business operations is generally realised so that the assessment of risk management is based on the reports produced by the Central Cooperative's risk management function, the bank risk categorisation carried out by the Central Cooperative as well as the assessments by the Central Cooperative's Audit function concerning the adequacy of the bank's risk management. Reports on major risks are produced centrally by the Central Cooperative. The Central Cooperative's Audit function also audits risk management.

Within Pohjola Group, Pohjola Bank's Board of Directors is the highest decision-making body in matters associated with risk management. The Board of Directors has elected from amongst its number a Risk Management Committee which has the duty of tracking and controlling risk exposure. The risk management executives, who report to the Risk Management Committee, coordinate and guide risk management principles and policies. The Risk Management Committee also receives reports from the Balance Sheet Management Executives, which coordinate and guide the use of Pohjola Group's capital resources. The Risk Management function, which is independent of actual risk-taking and business, develops and carries out risk management and capital adequacy management in Pohjola Group in cooperation with the financing and risk management functions. The principles of risk management and capital adequacy management within Pohjola Bank are described in more detail in Pohjola Bank's financial statements.

RISK MANAGEMENT IN OP-POHJOLA GROUP'S STRATEGY

OP-Pohjola Group's strategy process defines the major risk management policies and decides how the risk limit indicators will be developed. The strategy also defines the Group's targets for risk-bearing capacity and risk appetite.

In accordance with the Group's strategy confirmed in 2006, banks and other entities within OP-Pohjola Group aim to grow above the average market rate without compromising risk management. The factors taken into consideration in setting growth targets include growth prospects for each business division, their profitability performance and the effects on OP-Pohjola Group's risk exposure. Each entity is responsible for its own risk management, and independent operations are based on the member banks' own risk-bearing capacity and service ability.

Correctly dimensioned capital holds a key role both in banking and insurance operations, because the license requires fulfilment of capital adequacy requirements prescribed by law. The amount of capital impacts both return on equity and risk-bearing capacity. Good profitability in turn supports both targets. The indicator for success in terms of risk-bearing capacity has been set in the strategy as the ratio between non-current own funds and economic capital. The objective is that non-current capital resources are always greater than economic capital. The success indicator for profitability is return on economic capital, which is calculated as the ratio of profit, adjusted with OP bonuses, to the average economic capital. The target is to achieve return on economic capital of at least 17%.

OP-Pohjola Group is a moderate risk taker. The target in terms of risk appetite is that OP-Pohjola Group's net impairment losses on receivables do not exceed 0.25% of the loan and guarantee portfolio. Another target is that the amount of non-performing receivables may not exceed 1.2% of the loan and guarantee portfolio.

In banking operations the single most important risk is credit risk, although funding, interest rate, currency, equity and property risks are also involved.

In non-life insurance, the largest technical insurance risks pertain to risk selection and rating, to the acquisition of reinsurance cover, and to the sufficiency of insurance contract liabilities in addition to a major insurance business risk pertaining to investment assets' credit and market risks covering insurance contract liabilities.

In life insurance operations, the biggest risks have to do with the credit and market risk of investment assets used to cover the equity. The main technical insurance risks in life-insurance operations are mortality and the onset of disability.

STRATEGIC RISKS

Strategic risk refers to losses caused by a poorly chosen business strategy.

Strategic risk associated with the crucial focal points and development policies of OP-Pohjola Group's business operations is reduced by continuous planning, based on analyses and forecasts of customer needs, the development of different sectors and market areas, and the competition situation. The strategic policies are processed extensively within the Group before being confirmed.

OPERATIONAL RISKS

Operational risks refer to risks resulting from ineffective internal processes, individuals, systems or external events which may cause losses. Operational risks are qualitative and not linked to benefits expected from operations. Operational risks include legal but not strategic risk, Operational risks may also materialise in terms of loss of reputation.

The aim in operational risk management is to identify and evaluate potential and realised operational risks and to create operating procedures and a corporate culture to prevent any further risks. In some cases, it is not possible to prevent the effects of operational risk.

The probability of realisation of all operational risks in OP-Pohjola Group is reduced by maintaining and steadily improving internal supervision, security systems and the proper functioning of processes. The introduction of new products and services is preceded by their description, the planning of operating processes and instructions, and product approval. Contingency plans will be put in place in key business divisions in case of unexpected situations. Contingency arrangements under normal conditions form the foundation for preparation of emergencies. This preparation is based on the Emergency Powers Act and other instructions issued by the authorities. As to the most important identified risks, a decision is made on whether these risks are prepared for as such or whether attempts will be made to reduce them. Any damage that may result from major risks is reduced through sufficient insurance cover.

According to the division of tasks within OP-Pohjola Group, the Central Cooperative is responsible for the operation and continuity of OP-Pohjola Group's centralised operations and services. This means that the Central Cooperative must have in place sufficient systems and procedures to cater for the entire OP-Pohjola Group. OP-Pohjola Group entities are responsible for the management of their own operational risks as required by the nature and extent of their business.

CREDIT RISKS

Objectives and general principles of credit risk management

By credit risk we mean that a customer may not fulfil its credit obligations and that the guarantee is not enough to cover the bank's receivables. Credit risk is the most significant source of risk to OP-Pohjola Group, and special attention is therefore paid to the development of credit risk management and monitoring. The objective of credit risk management is to reduce the probability of loan losses even before a credit decision, and, on the other hand, to limit and prevent the actualisation of major risks associated with existing credit. Credit risk is managed through customer selection and the use of collateral. Risk concentration is to be avoided and risk limits are set to prevent any one customer exposure from exceeding 15% of the Group's own funds.

In the event of a moderate economic downturn, any consequences concerning credit risk exposure, credit losses and the capital requirement to cover credit risk will be assessed at least once a year.

Investments in non-life and life insurance operations also involve a credit risk. The insurance companies' credit risk is managed according to investment plans approved by the company boards by diversifying investments and limiting the proportion of weaker credit risk in the portfolio. Bonds are mainly invested in euro-denominated bonds issued by euro-area governments and credit institutions.

Credit risk management methods in banking operations

In banking, lending will primarily be carried out on the basis of the customer's sufficient and verified debt servicing ability. The starting point for credit risk management and the biggest strength of OP-Pohjola Group's member banks is their local and thorough understanding of their customers.

The debt servicing ability and credit risk associated with private customers are estimated on the basis of the credit rating of private customers' financing projects and the customers' solvency assessments.

Consumption norm tables are maintained to assess private customers' debt servicing ability, and before home mortgages are granted, we check the customers will be able to keep up with their payments even if the interest rates should rise. In order to ensure the debt servicing ability of customers, insurance policies covering repayment in unexpected situations are offered in connection with credit negotiations. The insurance payouts are linked to loan instalments and their remaining principal.

The debt servicing ability and credit risk associated with corporate customers are estimated on the basis of the credit rating of businesses, solvency assessments, financial statement analyses, corporate research and expert statements as well as sector-specific reviews and financing recommendations prepared by the Central Cooperative. Any foreseeable problems will be reacted to as early as possible. For example, if a customer's solvency is reduced, the credit decision will be made at a higher level.

In order to stabilise debt servicing costs upon a possible rise in the interest rate level, OP-Pohjola Group offers interest rate caps and fixed-rate mortgages in financing for households and for corporate loans.

The authorisation to grant credit at OP-Pohjola Group has been set in each member bank according to the amount of liability and the risk level.

The development of credit risks is monitored at least monthly at OP-Pohjola Group level, with a focus on the development and distribution of the loan portfolio, the development of payment schedule changes, overdue payments and non-performing receivables and the amount of receivables for which OVY loan portfolio insurance has been declined. Other things monitored regularly include changes in credit rating; risk-based pricing; and other reports describing the quality and structure of the credit portfolio. Credit given to OP-Pohjola Group's major customers from any member bank or Pohjola Bank has an upper limit which is supervised by the Central Cooperative.

Credit risks are continuously monitored at member bank level. The Central Cooperative provides the banks with centralised comparison information with other banks of the same size, in the same region and with respect to member banks' averages.

Measuring credit risks

The indicators used for the quantitative assessment of credit risk in OP-Pohjola Group are based on credit risk models that consider not only the credit rating but also the collateral and amount of liability. Credit risk models are used in OP-Pohjola Group, for example,

- to support credit and collateral decisions and pricing
- to decide the level at which credit decisions are made
- to set and follow up on credit portfolios' qualitative objectives
- for credit risk reporting
- for IRBA capital adequacy calculations (with reference to Pohjola Bank's corporate exposure)
- for the calculation of economic capital.

Credit rating and probability of insolvency

The purpose of credit rating is to put customers in different group according to the risk. A customer's credit rating is an estimate of the risk of some of the customer's exposures becoming non-performing receivables within 12 months or of the customer having serious payment defaults. This risk is measured in OP-Pohjola Group by means of probability of default, or PD, which is determined for each credit rating category. PD is the average probability of insolvency in a given credit rating category over a period of 12 months over the economic cycle. In other words, when the economy is thriving, the proportion of insolvent customers in a given credit rating category is lower than PD, and when economic trends are poor, higher than PD.

OP-Pohjola Group employs a number of different rating models for categorisation of liabilities, but an individual credit rating always has the same PD, which means that the categories determined by the models are comparable. Private individuals' credit is categorised under their own models both in the application stage and as part of the bank's credit procedure. The liabilities of medium-sized and large companies are categorised by what is known as the 'R' rating. The liabilities of small businesses are categorised using 'A' rating or an scoring system applicable to small businesses. Both the credit rating used by credit institutions and the PD model will be adopted in 2009.

If a customer is applying for new funding, a rating model for private customers' credit applications is used to evaluate the credit risk. The rating is based on information in the credit application and information available in OP-Pohjola Group's systems on the creditor's payment behaviour and transaction history. If the applicants are new customers to OP-Pohjola Group, only the information in the application is used. The credit rating comprises 16 categories.

A rating model for private customers' loan portfolio is applied to the credit of private customers entered in the balance sheet if any of the debtors has been a member of OP-Pohjola Group continuously for the last six months. The credit rating of loan portfolio based on the customer's payment behaviour or other transaction history is updated once a month. The categories are the same as with applications. An equivalent rating model is used for the rating of the smallest corporate customer (self-employed people and sole traders).

The 'R' credit rating of corporate customers is arrived at by means of a score system for key identifiers and qualitative factors. The score system is based on the combination of statistical analyses and expert opinions. The qualitative score is calculated by OP-Pohjola Group's corporate analyst and Pohjola Bank's credit risk manager. The qualitative factors are related to corporate management and the sector. The model also includes warning signals such as payment defaults that may reduce the rating. Group structures and the owner (such as companies owned by municipalities) may also affect the credit rating. 'R' credit proposals are made either in the Central Cooperative's Corporate Research Unit or Pohjola Bank's Credit Risk Unit. The rating is confirmed by either the Central Cooperative's or Pohjola Bank's Rating Committee, and the final credit rating may differ from the one obtained by means of the credit rating model.

The valuation of PD values by category in 'R' rating were derived from a partial 'R' rating only based on key indicators and from information on payment default entries for 2002–06. Since information on payment default entries was available only during the economic upturn, the Group analysed the required adjustment using credit loss and bankruptcy statistics until 1990 and time series of foreign banks' insolvency until 1990. The PD values within the categories also contain a statistical margin of error, which is the bigger the fewer the companies in each category.

Suomen Asiakastieto Oy's rating model, Rating Alfa, which it has been using since 1999, forms the basis of corporate customer's 'A' ratings. Variables in this statistical regression model many factors related to company history, ownership, executives in charge, financial statements and payment method. In order to ensure effectiveness and reliability, the statistical rating model has been supplemented by safety and condition clauses restricting the credit rating of a company if no financial statements are available. Score limits have been set for the scores deriving from Rating Alfa which Pohjola converts into OP-Pohjola Group's internal credit rating category. Group member banks or Pohjola Bank evaluate the correctness of the risk assessment made for every customer by 'A' rating and when necessary make a correction proposal to OP-Pohjola Group Central Cooperative's Corporate Research Unit or Pohjola Bank's Credit Risk Unit, who as experts may change the customer's credit ratings.

The score limits are set for 'A' rating in such a manner that the PD values within the categories correspond to the PD values within 'R' rating. The data used for this purpose was Rating Alfa scores and payment default entries for the companies from 2004 to 2007. An equivalent adjustment, due to the economic upturn, was made for actual payment defaults vis-à-vis the assessment of PD values within 'R' rating.

All corporate exposure is put into categories ranging from 1 to 12, insolvent customers falling under categories 11 or 12. In order to obtain a more detailed rating, categories 2 to 9 have been divided into two subcategories, bringing the total number of categories to 22. Customers' credit rating is reassessed at least once a year.

The table below shows the correlation between OP-Pohjola Group's credit rating categories for corporate exposure and the credit rating categories of international classification societies. The correlation is neither exact nor binding, but describes the Group's rating principles.

Correlation between OP-Pohjola Group's and Standars & Poor's (S&P) rating categories

S&P Rating	AA...AAA	AA-...BBB+	BB...BBB	B...B+	B-...CCC
OP-Pohjola rating	1–2	3–4	5–6	7–8	9–10

Loss given default and exposure at default

In OP-Pohjola Group's credit risk models, loss given default (LGD) is used to assess the financial loss (as part of the customer's total exposure) sustained by the bank should the customer become insolvent within a year. When assessing the probability of a customer becoming insolvent on the basis of the PD value corresponding to the credit rating, the share of credit loss expected within a year related to the customer's exposure can be estimated as PD and LGD multiplied. LGD has been assessed factoring in recession, because voluntary payment of matured payments and the value of collateral vary considerably with the financial swings. Financial loss is forecast to each customer as a direct percentage, which is used, for example, with minimum price recommendations for credit.

Predicting credit losses in real terms requires an assessment on the amount of the customer's liability when they became insolvent. OP-Pohjola Group's credit risk model tries to predict changes in the customer's exposure at default within the next 12 months. When you know the percentage of the customer's exposure that will result in a loss in the following twelve months, the real-term credit losses can be predicted by multiplying the percentage by EAD.

Use of credit risk models in capital adequacy measurement

The Finnish Financial Supervisory Authority has granted OP-Pohjola Group permission to phase in the Internal Ratings-based Approach (IRBA) in its capital adequacy measurement for credit risks. In September 2008, Pohjola began to apply this approach to equity investments at Group level and Pohjola Bank plc's corporate exposures. Other exposure classes will be transferred under IRBA within a transition period of three years.

Within the Internal Ratings-based Approach, the risk weight of each customer's exposure depends on the probability of default (PD) calculated using OP-Pohjola Group's internal credit risk models.. On the basis of IRBA, loss given default (LGD) and exposure at default (EAD) are calculated using models supplied by regulators.

Decision-making and assessment related to credit risk models

OP-Pohjola Group Central Cooperative's Executive Board decides on the adoption of and any significant changes in the credit risk models. The models are developed and maintained by the Business Control Methodology and Corporate Research units of OP-Pohjola Group Central Cooperative's Finance and Risk Management function, the units being independent of business operations.

The models are validated through a quality assurance carried out at least once a year in accordance with the validation instructions approved by OP-Pohjola Group's Risk Management Committee. Validation guidelines contain requirements for quality assurance that must be carried out when adopting the models. Validation uses statistical methods to test eg the model's sensitivity and the validity of risk parameter estimates (PD, LGD and EAD). The validation also involves qualitative assessment, such is analysis of user feedback, and peer group analysis. The results of validation and any recommendations for required measures are reported to the Risk Management Committee, which decides on any development measures on the basis of the validation.. The Business Control Methodology unit of the Central Cooperative is responsible for validation. The independence of the validation is ensured by allowing the Central Cooperative's Internal Audit to audit each validation.

The Central Cooperative's Internal Audit audits the credit risk models and their application and use thereof in OP-Pohjola Group Central Cooperative's companies as a matter of regular inspection. The internal audit of Group member banks will audit the use of credit risk models in member banks.

Reducing credit risks

In order to ensure the repayment of commitments, the exposure of Group member bank customers must primarily have collateral security. OP-Pohjola Group follows collateral approval procedures issued by the Central Cooperative's Executive Board concerning real estate, holdings entitling to thereof, deposits and securities and any other targets or guarantees. Adherence to these guidelines ensures that the collateral has been properly pledged, that the collateral is comprehensive and sufficient and that the collateral can be realised. OP-Pohjola Group follows uniform principles for collateral evaluation and evaluation of guarantees. Collateral is evaluated by an independent party and under a principle of conservative fair value.

In OP-Pohjola Group, developments in collateral values are monitored on a regular basis.. The value of collateral is re-assessed, for instance, when it has significantly changed or the client's financial standing has weakened substantially. The Group exercises special care in assessing the value of collateral, deemed as cyclical in nature, and their usability. With larger corporate customers, we also use covenants to ensure availability of information and an option to re-evaluate loan condition, guarantee requirements or pricing should the risks increase.

Maximum valuation percentages for each insurance line are confirmed annually by Central Cooperative's Executive Board.

In practice, the only entity taking foreign risk in banking and investment operations within OP-Pohjola Group is Pohjola Bank. Pohjola Bank's Board of Directors confirms country limits on the basis of international credit ratings and the bank's own analyses regarding the economic and political situation in different countries.

The member cooperative banks and Helsinki OP Bank Plc have a loan portfolio insurance policy with OP Bank Group Mutual Insurance Company (OVY) covering the loan portfolio and bank guarantees. The insurance reduces credit losses to individual member banks and phases losses over a number of years in the income statement. Insurance decisions are taken separately in respect of loans in excess of EUR 350,000 or which amount to more than 10% of the member bank's own funds. The limit is EUR 300,000 for banks whose credit risk Central Cooperative's Risk Management unit considers to be elevated.

Risk connected with credit insurance operations is limited by means of a screening of liabilities based on OP-Pohjola Group's credit and collateral instructions: the commitments for a customer entity can be rejected outside the scope of the insurance if the risks associated with debt servicing ability or collateral are excessively large. The separate processing of insurance decisions provides detailed information on the loans, debt servicing ability and collateral of the largest retail banking customers for use by OP-Pohjola Group Central Cooperative's risk management. Insurance processing is a significant part of credit risk management within OP-Pohjola Group. Credit insurance operations represent about 90% of OVY's technical provisions and premiums written, and are part of the Group's internal credit risk management and loss-balancing procedure. OVY also offers OP-Pohjola Group's entities loan, collateral, liability and security insurance.

OP-Pohjola Group has not acted as an initiator or manager of securitisation transactions but has invested in conventional securitised assets issued through a special purpose company. It has had no credit derivatives related to securitisation. In calculating the total amount of the risk-weighted assets of securitisation positions, the Group has used the Standardised Approach to credit risk when the securitisation position belongs to the exposure category to which the Standardised Approach is applied. For positions to which the Internal Ratings-based Approach is applied, Pohjola has used an assessment model based on credit rating.

The Group applies credit ratings by Moody's, Fitch and Standard & Poor's to securitisation positions. Credit ratings issued by the one and the same credit rating agency apply to positions within various tranches of the same securitisation transaction. If two selected credit rating agencies have issued credit ratings pertaining to a securitisation position, the lower rating will apply. If more than two selected credit rating agencies have issued credit ratings pertaining to a securitisation position, the two highest ratings will apply. If the two highest ratings differ from one another, the lower rating will apply.

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MARKET RISKS

Market risks within OP-Pohjola Group include the liquidity and interest rate risks on all balance-sheet items and off-balance-sheet items, as well as currency, equity price and property risks. The crucial task of market risk management is to identify and evaluate the market risks included in business operations, limit them to an acceptable level, and report on them regularly and efficiently. This ensures that changes in market prices or other external market factors will not hamper the long-term profitability or capital adequacy of any individual entity within the Group or of OP-Pohjola Group in its entirety.

Responsibility for the taking of market risks is for the most part diversified. The taking of market risks by individual OP-Pohjola Group entities is controlled and limited by OP-Pohjola Group's capital adequacy management principles and risk limit system, and the Central Cooperative's risk management guidelines. The Board of Directors of each entity has defined the objectives of market risk management, the principles of risk-taking and the organisation of market risk management.

In managing the interest rate risk of the loan and deposit portfolio in banking operations, the aim is to secure a sufficient net interest income in different interest rate change situations. In respect of trading and investment portfolios, the objective is to safeguard the annual return and the trend in the market value of the portfolio.

In accordance with the division of tasks within the banking operations, the member banks and Helsinki OP Bank focus on retail banking. Their active trading in the money and capital markets is restricted by a recommendation given by OP-Pohjola Group Central Cooperative specifying that the value of a bank-specific trading portfolio may not exceed 5% of the aggregate amount of total assets, plus off-balance-sheet commitments.

Member banks carry out most of their money market and derivatives operations with Pohjola Bank.

As the central bank of OP-Pohjola Group, Pohjola Bank is responsible for the Group's liquidity, payment transfers, currency risks, long-term funding and international banking relationships, and bears responsibility for maintaining a joint, centralised liquidity reserve. Pohjola Bank's taking of market risks is controlled by the company's principles of capital adequacy management and overall risk policy, as well as risk policies specific to each type of market risk that determine the allowed maximum risk amounts, the principles applicable to the structure and diversification of the exposure, as well as the targets for risk and return. Pohjola Bank's market risk management is discussed in more detail in Pohjola Bank's financial statements.

In non-life and life insurance operations, the market risk is composed of the price, interest rate and currency risk. Changes in interest rates have an effect on the value of insurance contract liabilities. Changes in the value of insurance contract liabilities are not recognised in the financial statements. Changes in share prices, interest rates and foreign exchange rates have an effect on the value of investment assets. In insurance operations, investments are assets covering insurance contract liabilities and equity.

Achieving long-term return targets through investment requires controlled risk-taking. The boards of life insurance companies confirm separate instructions and operating policies related to the risk management of individual investments. Annual investment plans determining the desired risk and profit level which are confirmed by the Board of Directors of the Group's entities are very important. The mix, range, and benchmark index for investment property as well as other limitations on investments are also determined in the investment plans.

Allocation of investment assets takes into account the requirements for security, return and liquidity set by the nature of the insurance contract liabilities and the risk-bearing capacity. For this reason, investments are diversified into different asset classes and investment instruments geographically and by industry. Sensitivity analyses are carried out concerning the exposure of the investment asset with a focus on share prices, interest rates and property values. A sensitivity analysis of the credit risk is also typically carried out.

In non-life insurance, the model applied to investment risks management is based on classification in accordance with the nature of investment instruments, taking into account the expected return and the mix of the investment classes, as well as the correlation between the categories.. In life insurance operations, the risk level of investment assets is monitored by means of the realised standard deviation of returns.

The extent and frequency of market risk reporting in OP-Pohjola Group entities vary by the nature of their business. The monitoring and reporting of market risks within Pohjola Bank is carried out on a daily basis, partially in real-time, and in other entities regular reports are provided to management monthly, but monitoring is carried out daily if necessary. The Central Cooperative's

Risk Management provide market risk reports for the member banks, and reports to the Central Cooperative’s management on the development of the balance sheet structure and market risks of the entire OP-Pohjola Group.

Banking operations’ property and equity risks are evaluated with stress tests. In addition, different funding risk scenarios and related recovery plans are made.

Liquidity risk
Liquidity risks involve structural funding risk and funding liquidity risk. Structural funding risk refers to uncertainty related to long-term lending, arising from the refinancing risk due to the structure of financing. OP-Pohjola Group's structural funding risk arises mainly from the difference between long-term lending inherent in retail banking and the maturity of deposit funding largely dependent on customer behaviour. Funding liquidity risk refers to the risk that a bank will not be able to meet its current and future cash flow and collateral needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition.

The sources of liquidity risks include risks arising from balance sheet structure and changes in customer behaviour as well as risks associated with the economic environment. The actualisation of other business risks or reputational risks might also result in the realisation of liquidity risk.

OP-Pohjola Group's liquidity refers to the Group's Banking Operations' ability to meet its daily payment obligations without risking the business continuity, profitability or capital adequacy of the Group or a Group entity.. The aim of liquidity management is to secure the availability of funding to the financial services group's Banking Operations in a cost-effective way and in all circumstances.

OP-Pohjola Group's liquidity management tools include the proactive planning of the funding structure, the consistent structure of risk limits and credit facility pertaining to the Group and its entities, daily liquidity planning and management, the monitoring of the liquidity status and well-balanced liquidity reserves. In case of market disruptions, the Group will act according to its liquidity contingency plan (contingency and action plan to be in control of a market disruption). The internal central banking services provided by Pohjola Bank support the Group's liquidity management.

The liquidity reserve is used to ensure that the financial services group's Banking will be able to continue operating normally if funding arriving at maturity cannot be renewed. Pohjola Bank may make liquid funding available for use by the Group by selling notes and bonds included in the liquidity reserve or using as collateral notes and bonds or other assets eligible as collateral for central bank refinancing. OP-Pohjola Group seeks to secure its liquidity for a minimum of the next 12 months, based on its liquidity reserve and other measures according to its liquidity contingency plan, from the date on which wholesale funding sources become unavailable, without any effects on the extent of customer business.

Deposits from the general public and wholesale funding form the basis of the Group's funding. The need for wholesale funding is determined on the basis of the difference of growth between the loan portfolio and total deposits. The Group's wholesale funding is based on the proactive planning of the refinancing structure and on the risk limit indicator set for the asset/liability structure. In order to secure funding on an ongoing basis, the Group will utilise various financial instruments in a versatile way while diversifying the sources of funding by geographic region, market and investor.

Each Group entity's surplus of refinancing and deposits will be channelled for use by the Group through either Pohjola Bank's fixed-income instruments or accounts at market prices with a view to avoiding an excessive increase in the Group's wholesale funding.

The monitoring of OP-Pohjola Group's liquidity status is based on threshold levels defined on the basis of market conditions and the Group's funding performance. For each of those levels, the Group has specified control and monitoring practices which become more rigorous when moving up to the next level.

The Central Cooperative’s Executive Board is responsible for the management of OP-Pohjola Group's liquidity risks. The Executive Board annually confirms the liquidity strategy providing guidelines for OP-Pohjola Group's liquidity management, and risk and control limits, deriving from the risk limits set for Group member banks by the Supervisory Board, which put constraints on Group entities' taking of structural funding and liquidity risks. The Executive Board monitors the liquidity position of OP-Pohjola Group and its entities on a regular basis and takes any corrective measures if required and decide on changes in the threshold levels pertaining to liquidity management.

Each OP-Pohjola Group entity is responsible for its liquidity management within the framework of OP-Pohjola Group Central Coooperative's guidelines.

As the financial services group's central bank, Pohjola Bank is tasked with securing the liquidity of the entire Group and each Group member bank or Group entity. The Group's daily liquidity management refers to managing liquidity of the Group's companies engaged in banking operations. Any changes in their liquidity position will change Pohjola Bank's external liquidity position. Pohjola Bank is responsible for balancing liquidity either in money and capital markets or, ultimately, through its account with the Bank of Finland.

Pohjola Bank is in charge of the Group's liquidity reserve management and wholesale funding but not funding based on residential mortgage-backed securities for which OP Mortgage Bank plc is responsible.

Companies engaged in insurance operations are primarily responsible for managing their liquidity. The companies' liquidity requirements are considered in the allocation of investment portfolio.

Monitoring of liquidity risks and reporting applying to Group entities vary from real-time to quarterly practices, depending on the nature of their business. Depending on the entity or reporting level, reporting practices may vary from daily cash flow monitoring (liquidity) to long-term refinancing structure monitoring and forecasting (refinancing risk). Monitoring and reporting practices correspond to the threshold level required by the prevailing liquidity status. OP-Pohjola Group reports regularly on the Group's and its entities' liquidity position to OP-Pohjola Group Central Cooperative's Executive Board and on a Group entity's liquidity position to the entity's Board of Directors.

During the annual review of its liquidity strategy and as part of its liquidity management process, OP-Pohjola Group tests the effects of threats and future scenarios related to structural funding risk and liquidity risk on the Group's liquidity, financial performance and capital adequacy.

Interest rate risk

By interest rate risk we refer to the uncertainty caused by changes in interest rate to a bank's result and profitability. Interest rate risk is considered a price risk concerning marketable securities portfolios and a repricing risks related to the banking book. As market rates change, the price risk is realised as a change in the market value of securities portfolios. A repricing risk is resulted when the investment's and acquisition's interest-rate bases and interest review period are different. As interest rates change, a repricing risk is realised as a change in the current value of interest rate exposure and interest income risk, which measures the effect of interest rate changes on the accruing net interest income.

OP-Pohjola Group's biggest interest rate risks are those related to retail banking's banking book, and investments in non-life and life insurance..

The banking interest rate risk is derived from the banking book and Pohjola Bank's trading portfolio. The interest rate risk of items not in the trading book is by nature related to the structural funding position. In banking operations, the calculation of interest rate risk includes all interest-bearing balance-sheet items and any interest-bearing off-balance-sheet items. The interest rate risk is evaluated on the basis of a static balance sheet (run-off basis).

When determining the interest rate risk, items sensitive to changes in interest rates are divided according to interest rate review and maturity for the purpose of cash flow analysis.. The future interest cash flows of floating-rate items are calculated on the current interest rate curve using the forward method based on the interest rate information of the agreement. When the assessment is made, the estimated re-pricing delays in administrative interest rates are observed. The effects of changes in the interest rate level are assessed in relation to the value of the bank's risk exposure. The interest rate risk of Pohjola Bank's trading portfolio is evaluated under the same principles as that of items not included in the trading book; that is, the interest rate risk is assessed on its own.

Customer behaviour also impacts the realisation of the interest rate risk in lending, as well as in the acquisition of deposits. When determining the interest rate risk of banking operations, the impact of customer behaviour is also observed by assessing the average re-pricing delay based on the historical development of the deposit portfolio in proportion to market interest rate changes. The delay in reviewing administrative interest rates has been modelled on the basis of interest rate history, whereas premature repayment of credit has not been modelled at all. The predicted maturing dates of deposits payable upon request as of 1 January 2009 will be extended on the basis of expert assessment relying on the historical material.

In banking, management of interest-rate risks is primarily based on the range of borrowing and lending products provided and the terms and conditions offered. Group member banks may protect against interest rate risk in their balance sheet by means of an alternative method as approved within the Group. In retail banking, interest rate derivatives are also used in customer business and banks' own investment operations falling with small trading books. Pohjola Bank uses derivatives in trading and hedging against interest rate risk.

The interest rate risk measurement methods and frequency of follow-up in Group institutions vary on the basis and nature of their operations. The risk limit measure for the Group's interest rate risk used is the effect of a rise of 1.0 percentage point in market interest rates on the present value of the risk exposure in relation to economic capital.. In addition to this interest rate risk monitoring, which is the same throughout the Group, Pohjola Bank also uses the VaR method. Interest income risk is followed by evaluating the effect of interest rate changes on the net interest income during the following twelve months. As part of regular interest rate risk measurements and reporting, stress tests are carried out to evaluate the effects of various interest rate changes on the current value of the interest rate risk position.

The interest rate risk follow-up and reporting frequencies vary from real-time portfolio-specific interest rate risk monitoring to daily and monthly monitoring.

In non-life and life insurance operations, an interest rate risk is created when changes in the interest rate affect the value of investment assets and the cash-flows of technical provisions.. The value of technical provisions are not recognised in the financial statements. Interest rate risk is monitored by means of modified duration in relation to the duration of the benchmark portfolio. The indicator corresponds to the interest rate risk's risk limit indicator, because it yields a relative 1.0 percentage point value change, whereas the Group's indicator measures the value change in absolute terms. The market risk of investments is controlled by limiting the amount and duration of fixed-income investments in the investment allocation. The interest-rate-risk limit has been set for an interest rate risk position formed by investment assets and technical provisions. Market risks related to insurance companies' investments and the interest rate sensitivity of technical provisions are analysed by means of the VaR method.

The most significant interest rate risk related to the insurance contract liabilities in life insurance operations is the ratio between the technical interest rate and customer bonus requirement for interest-bearing insurance (binding income promise) and the return on investment assets covering insurance contract liabilities.. The technical interest rate is at the same time the discount rate applied to liabilities.

Currency risk

Currency risk refers in banking to the risk to the bank's earnings or change in market value due to changes in exchange rates. Open foreign exchange exposure arises when there is a difference between receivables and liabilities in the same currency. Currency risk within OP-Pohjola Group banks is concentrated in Pohjola Bank, and the foreign exchange exposure of an individual member bank is practically limited to travel exchange cash.

Currency exposure is measured as the ratio of the total net foreign currency exposure to economic capital, as defined in the standard issued by the Financial Supervisory Authority.

In non-life and life insurance, currency risk is created as a result of changes to investment asset value caused by currency changes. Currency risk is managed by diversifying the investment allocation and by means of hedging currency derivatives. . There may be open foreign currency positions in non-life and life insurance, but a maximum limit has been set for them in the investment plan. The risk management of non-life insurance also factors in the interest rate risk caused by technical provisions. The life insurance technical provisions do not contain items in foreign currencies..

Equity risk

Equity risk refers to the risk to earnings and risk of changes in market value arising from changes in the market values of publicly quoted equities and other similar instruments. The equity risk related to investments is managed by diversifying investment allocations and by means of derivatives. In order to obtain efficient diversification in terms of geography, sector, currency and individual companies, equity investments have been made through domestic and foreign funds. In investment operations, equity risk is managed by diversifying the investment allocation. Within OP-Pohjola Group, the risk limit measure for equity risk is the market value of publicly quoted equities, mutual fund units or other similar instruments in proportion to economic capital.

Real estate risk

The objective of property exposure management is to recognise, evaluate, limit and monitor the impairment risk, earnings risk and risk of damage associated with property holdings. In order to reduce risks associated with property holdings and improve the earnings level, member banks have confirmed principles and management systems for the management of property exposure. In non-life and life insurance, the principles of property risk management have been laid down in the investment plan. The amount and earnings level of the member banks' and OP-Pohjola Group's property holdings are monitored at least quarterly.

USE OF DERIVATIVES IN RISK MANAGEMENT

Within OP-Pohjola Group, it is Pohjola Bank that mostly uses derivatives; it regularly uses interest rate and currency derivatives both for trading and hedging purposes. In addition, Pohjola Bank uses equity, equity index and credit derivatives to a small extent.. Pohjola Bank applies hedge accounting in accordance with IFRS 39, using generally applicable risk management indicators to assess the efficiency of hedging.

OP-Pohjola Group applies the fair value hedging model in hedge accounting of the interest rate risk in banking and the currency risk in insurance operations.

Group member banks do not use derivative contracts for external trading. Member banks engage very little in derivatives business, limiting themselves only to hedging customer businesses' interest income or to financial hedging of net interest income. A few member banks have hedged individual fixed-interest customer credit by means of interest rate swaps under hedge accounting principles. Interest rate risks related to interest-rate cap and interest rate corridor credit are always hedged with opposite options. Some member banks have protected their net interest income interest rate floor contracts under the principle of financial protection. Pohjola Bank is always the counterparty in derivative contract. Long-term investment involve embedded derivatives, but they are not set apart from the main contracts, because the investment is valued as a combination to fair value.

In non-life and life insurance, derivatives are used for market risk management.. The principles of the use of derivatives are annually defined in the companies' investment plans. Interest rate and equity derivatives may be used either to hedge or increase the risk level of the portfolio within defined limits. Currency derivatives may be used only for hedging purposes. Embedded derivatives are used in their long-term investments, but these have generally not been separated as the instruments are measured through profit or loss at inception category in the financial statements. Direct credit risk derivatives have not been used. Derivative contracts may be signed on regulated markets or with a counterparty whose long-term rating is at least A3 (Moody's) or A– (Standard & Poor's).

TECHNICAL INSURANCE RISKS

Non-life Insurance

The insurance business is based on taking and managing risks. The largest technical insurance risks pertain to risk selection and rating, to the acquisition of reinsurance cover, and to the sufficiency of insurance contract liabilities. The insurance contract liabilities risk is particularly associated with insurance lines characterised by a long claims-settlement period.

Non-life Insurance has a probability model for the assessment of insurance and investment risks. By means of the model, an optimal structure for investment allocation, insurance portfolio and solvency is evaluated, so as to maximise the return on capital. The model is also used to define a target area for solvency.

As regards insurance risks, the model takes account of the different nature of insurance lines and the extent of reinsurance.

With an insurance contract, the policyholder transfers the insurance risk to the insurer. The insurance risk of an individual non-life insurance contract is composed of two elements. The first one is the occurrence of one or more loss events coverable under the contract. The second one is the size of the coverable loss. Both the number of coverable losses and the size of each loss are random. The insurance terms and conditions require the occurrence of a coverable loss to be unpredictable. On the other hand, the size of a loss sustained by the insured object generally depends heavily, for instance, on the cause of the loss and on the circumstances at the time of loss as well as on the details of the occurrence. In addition, one insurance contract may cover objects whose nature and value vary.

The insurance portfolio comprises a very large number of non-life insurance contracts. Because of the large size of the insurance portfolio, the expected number of claims is also great. If there is no connection between the loss events, the law of large numbers in probability calculation provides that the larger the number of insurance risks in the portfolio, the smaller the relative variation in claims expenditure.

Since the lack of correlation between insurance risks is never complete in real life, the insurer's claims risk in proportion to the size of the insurance portfolio never totally disappears, no matter how large the insurance portfolio. The remaining risk due to this correlation between insurance risks is called non-diversifiable risk. Non-diversifiable risks usually relate to changes in external operating environment, such as variations in the economic cycle, which have a systematic effect on the incidence and size of loss in certain groups of insurance contracts. Inflation, for instance, can have an increasing effect on the size of loss simultaneously in a large part of the insurance portfolio. Changes in the population's general mortality rate would, in turn, be reflected in the whole annuity portfolio in statutory insurance lines. A non-diversifiable risk can sometimes also relate to yet unknown and latent risks of loss in a large number of insurance contracts. Among these are asbestos claims, which are the most well-known example from the near past.

An accumulation of loss due to natural catastrophes or large catastrophes caused by human activity constitutes a specific risk type. In such a case, one catastrophic event may in practice give rise to simultaneously payable claims for a large number of insured risks at high amounts. The resulting total claims expenditure may be extremely large. However, this risk can be diversified because Non-life Insurance of OP-Pohjola Group operates in an area where the risk of natural catastrophes is considered fairly low and the Group can acquire protection against the risk through reinsurance.

The role of risk selection and rating is emphasised in operational models. The Group has set limits for the size and extent of risk for each insurance line and risk concentration. A data warehouse and analysis applications supporting this have been taken into use. Insurance terms and conditions are a vital tool in controlling risks. In addition, customer or insurance line specific risk analyses are performed to limit risks.

The reinsurance principles and the maximum risk per claim retained for own account are annually approved by the Board of Directors of Pohjola Bank. In practice, the Group keeps this amount lower if this is justifiable considering the price level of reinsurance cover. The Group aims to take account of local risk concentrations in EML (Estimated Maximum Loss) estimates for property risks and through EML breakthrough cover included in reinsurance cover. The Group has protected against catastrophe accumulation losses through an extensive catastrophe reinsurance cover.

The level of reinsurance protection has an impact on the need of solvency capital. Only companies with a sufficiently high credit rating are accepted as reinsurers. Moreover, maximum limits have been confirmed for the amounts of risk that can be ceded to any one reinsurer. These limits depend on the nature of the risk involved and on the company's solvency. The Group has mainly placed its reinsurance agreements with companies with at least 'A' rating in accordance with Standard & Poor's.

The Group monitors the adequacy of technical provisions on an annual basis. The evaluation of insurance contract liabilities always involves uncertainties which may be due, for instance, to the prediction of the claims trend, delays in verifying losses, cost inflation, legislative amendments and general economic development.

Life Insurance

The main technical insurance risks in life-insurance operations are mortality and the onset of disability. The risk in term insurance is high mortality, but for annuities and pure endowment policies, the risk is lower-than-assumed mortality. Risks are managed by defining the premiums collected on policies as being cover-providing, by keeping risk selection instructions up to date, building up the equalisation provision and transferring risks to a reinsurer.

Because premium rating may only be changed under exceptional circumstances after insurance has been granted, unfavourable fluctuation in rating must be provided for. The materialisation of assumptions is tracked systematically and, if needed, the rating is adjusted or insurance contract liabilities are strengthened.

The range of life insurance products mainly includes products intended for long-term savings, which contain only a minor technical risk.

Operating expense risk can also be considered a technical insurance risk. The risk is realised if actual operating expenses exceed the cost assumptions applied in rating. The means of managing this are cost discipline and adequate premium rating.

The possibility for surrender creates a risk for life insurance companies: if long-term assets are withdrawn prematurely, the earnings base is reduced. In conjunction with surrenders, the insurance company may have to liquidate its investments in a poor market situation, or may not be able to amortise accelerated operating expenses by the time of the surrender.

The surrender risk is managed by means of a suitable product structure and through contract terms and sanctions. Savings insurance and capital redemption contracts are susceptible to surrenders, while surrender of pension policies is only possible under exceptional circumstances.

NOTE 3. Business operations acquired during the financial year

Based on an agreement signed by Pohjola Bank plc and Kesko Corporation on 21 December 2007, Pohjola Bank plc bought all of the shares of K-Finance Ltd, for around EUR 30 million, of which goodwill accounted for roughly EUR 13 million. On 31 January 2008, Pohjola Bank plc became the owner of all of K-Finance Ltd shares and the company was renamed Pohjola Finance Ltd. The Boards of Directors of Pohjola Bank plc and Pohjola Finance Ltd have approved a plan, whereby Pohjola Finance Ltd will merge with its parent company by the end of September 2009. This merger is aimed at simplifying the Group's corporate structure, streamlining operations and reducing administrative costs. Since the transaction represents a subsidiary merger, no merger consideration will be paid.

EUR Million		**Fair values used in consolidation**	**Carrying amounts before consolidation**
Property, plant and equipment		6	6
Intangible assets		0	0
Financial assets		186	186
Pension assets		0	0
Deferred tax assets		0	0
Other assets		5	5
Cash and cash equivalents		4	4
Total assets		201	201
Financial liabilities		180	180
Deferred tax liabilities		0	0
Accounts payable and other liabilities		2	2
Total liabilities		182	182
Net assets		19	19
Holding in net assets acquired	100 %	19	
Acquisition cost		31	
Goodwill*		13	
Purchase price paid in cash		31	
Cash and cash equivalents of acquired subsidiary		4	
Cash flow impact		27	

*A more detailed specification of goodwill can be found in Note 28

NOTE 4. Available-for-sale assets

OP-Pohjola Group does not have available-for-sale assets in its balance sheet.

NOTES TO THE INCOME STATEMENT

NOTE 5. Net interest income	2008	2007
Interest income		
Receivables from financial institutions	73	53
Receivables from customers		
Loans	2,689	2,066
Finance lease receivables	33	20
Impaired loans and other commitments	1	1
Notes and bonds		
Held for trading	135	95
At fair value through profit or loss	111	112
Available for sale	117	43
Held to maturity	18	7
Derivative contracts		
Hedge accounting	-61	9
Other	1,725	1,216
Other interest income	11	8
Total	**4,853**	**3,630**
Interest expenses		
Liabilities to financial institutions	86	37
Financial liabilities at fair value through profit or loss	19	0
Liabilities to customers	1,010	657
Notes and bonds issued to the public	844	632
Subordinated liabilities		
Subordinated loans	11	8
Other	43	42
Derivative contracts		
Hedge accounting	-84	8
Other	1,729	1,190
Other interest expenses	7	8
Total	**3,664**	**2,583**
Net interest income	**1,189**	**1,048**

Hedging instruments in hedge accounting showed net earnings of EUR 30.9 million (a loss of 2.4) and net losses from hedged contracts came to EUR 30.9 million (earnings of 2.4).

NOTE 6. Impairment losses on receivables	2008	2007
Receivables eliminated as loan and guarantee losses	29	12
Recoveries of eliminated receivables	-6	-9
Increase in impairment losses	44	29
Reversal of impairment losses	-17	-22
Group-specific impairment losses	8	4
Impairment losses on interest receivables	-	-
Insurance claims and benefits	0	0
Total	**58**	**13**

NOTE 7. Net income from Non-life Insurance	2008	2007
Insurance premium revenue		
Premiums written	991	944
Change in provision for unearned premiums	-24	-43
Gross insurance premium revenue	966	901
Reinsurers' share	-43	-51
Total	923	850
Net investment income	53	153
Claims incurred		
Claims paid (excl. loss adjustment expenses)	602	556
Change in provision for unpaid claims	30	-10
Gross total claims incurred	632	546
Reinsurers' share	-41	-10
Total	591	536
Other Non-life Insurance items	40	39
Net income from Non-life Insurance	**345**	**427**

Insurance premium revenue and insurance premiums ceded to reinsurers

Short-term insurance contracts		
Premiums written	988	938
Change in provision for unearned premiums	-26	-40
Change in provision for unexpired risks	1	-2
Long-term insurance contracts		
Premiums written	3	5
Change in provision for unearned premiums	1	-1
Gross insurance premium revenue	**966**	**901**
Reinsurers’ share of short-term insurance contracts		
Premiums written	-42	-48
Change in provision for unearned premiums	1	-2
Reinsurers’ share of long-term insurance contracts		
Premiums written	0	0
Change in provision for unearned premiums	-2	0
Total reinsurers' share	-43	-51
Net insurance premium revenue	**923**	**850**
Total premiums written	991	944
Total change in provision for unearned premiums	-24	-43
Total insurance premium revenue	**966**	**901**

Net investment income from Non-life Insurance

Loans and other receivables		
Interest income	9	3
Interest expenses	-1	-1
Capital gains and losses	-	-
Impairment losses	-	-
Loans and other receivables total	8	2

Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	0
Derivatives	-	-
Other	1	-2
Total	1	-1
Capital gains and losses		
Notes and bonds	-	-
Shares and participations	-	-
Derivatives	-10	13
Other	0	0
Total	-10	13
Fair value gains and losses		
Notes and bonds	-3	0
Shares and participations	0	0
Derivatives	1	0
Other	-	-
Total	-3	0
Total net income from financial assets recognised at fair value through profit or loss	-12	12
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	61	67
Other income and expenses	0	0
Capital gains and losses	-2	-12
Transferred from fair value reserve during the financial year	-14	-27
Impairment losses and their reversal	-	-
Total	45	28
Shares and participations		
Dividends	26	61
Other income and expenses	-1	0
Capital gains and losses	-25	-10
Transferred from fair value reserve during the financial year	18	61
Impairment losses	-17	-5
Total	2	106
Total net income from available-for-sale financial assets	48	134
Net income from investment property		
Rental income	9	6
Capital gains and losses	2	3
Gains on fair value measurement	3	2
Maintenance charges and expenses	-5	-6
Other	-1	0
Total net income from investment property	9	5
Total net investment income from Non-life Insurance	**53**	**153**

Unwinding of discount, Non-life Insurance

The increase in the discounted insurance contract liabilities in Non-life Insurance (Note 36) due to passage of time (unwinding of discount) totals EUR 39 million (37 million). Unwinding of discount is computed monthly using the discount rate for the end of the previous month and the insurance liabilities at the beginning of the current month. The discount rate was 3.7% from 31 December 2003 to 30 November 2004, 3.5% from 1 December 2004 to 30 November 2005, 3.3% from 1 December 2005 to 30.11.2007 and 3.5% from 1 December 2007 to 31 December 2008.

NOTE 8. Net income from Life Insurance	2008	2007
Premiums written	745	809
Insurance premiums ceded to reinsurers	-28	-15
Net investment income	-816	297
Claims incurred		
Benefits paid	645	507
Change in provision for unpaid claims	47	40
Reinsurers' share	-3	0
Other	-	-
Change in insurance contract liabilities		
Change in life insurance provision	-602	373
Reinsurers' share	-25	-12
Other	-22	11
Total net income from Life Insurance operations	**-139**	**172**

The EUR 10 million customer bonus liability contained in the insurance contract liabilities in the beginning of the year has been cancelled.

Premiums written in Life Insurance

Premiums written from insurance contracts		
Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Savings insurance	181	177
Personal pension insurance	58	57
Group pension insurance	122	63
Term insurance		
Personal insurance	71	41
Supplementary group insurance	2	9
Employees' group life insurance	12	11
Total term insurance	85	61
Total	447	358
Premiums written from unit-linked insurance contracts		
Savings insurance	201	353
Personal pension insurance	94	95
Group pension insurance	4	3
Total	299	451
Total	**745**	**809**
Premiums written from investment contracts		
Premiums written from investment contracts with entitlement to discretionary portion of surplus		
Capital redemption contracts	3	38
Premiums written from investment contracts without entitlement to discretionary portion of surplus		
Capital redemption contracts	-	-
Premiums written from unit-linked investment contracts		
Capital redemption contracts	18	11
Total	**21**	**49**
Total direct insurance	**767**	**859**
Assumed reinsurance	0	0
Total premiums written	**767**	**859**

Regular premiums from insurance contracts	418	484
Regular premiums from investment contracts	0	1
Single premiums from insurance contracts	328	325
Single premiums from investment contracts	21	48
Total	**767**	**859**

Net investment income from Life Insurance

Loans and other receivables		
Interest income	-4	-2
Capital gains and losses	-	-
Impairment losses	-	-
Loans and other receivables total	-4	-2
Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	0
Other	-	-
Total	0	0
Capital gains and losses		
Notes and bonds	-9	-
Shares and participations	-	-
Other	-52	27
Total	-61	27
Fair value gains and losses		
Notes and bonds	-100	0
Shares and participations	-	0
Derivatives	18	2
Other	-	-
Total	-82	2
Dividend income	-	-
Total net income from financial assets recognised at fair value through profit or loss	-143	29
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	49	62
Capital gains and losses	23	-12
Transferred from fair value reserve during the financial year	-33	-15
Impairment losses and their reversal	-6	-25
Total	32	11
Shares and participations		
Dividends	34	40
Other income	11	-12
Capital gains and losses	-51	52
Transferred from fair value reserve during the financial year	30	72
Impairment losses	-21	-
Total	3	153
Total net income from available-for-sale financial assets	36	164
Net income from investment property		
Rental income	11	10
Capital gains and losses	0	0
Gains on fair value measurement	0	10
Maintenance charges and expenses	-6	-5
from which rental income is not accumulated	0	0
Other	-1	-6
Total net income from investment property	4	10

Assets serving as cover for unit-linked policies		
Shares and participations		
Capital gains and losses	-30	126
Fair value gains and losses	-697	-52
Other	19	23
Total	-708	97
Exchange rate gains (losses)	**0**	**0**
Total net income from investment operations	**-816**	**297**

Benefits paid in Life Insurance

Benefits paid from insurance contracts		
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	192	175
Death benefits	70	63
Surrenders	142	95
Total	405	334
Personal pension insurance		
Annuities	29	22
Death benefits	1	1
Surrenders	1	2
Total	32	25
Group pension insurance		
Annuities	17	14
Lump-sum benefits	1	1
Surrenders	3	1
Total	21	15
Term insurance		
Personal insurance	8	5
Supplementary group insurance	0	5
Employees' group life insurance	8	8
Total	17	17
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	14	16
Death benefits	19	14
Surrenders	132	81
Total	166	111
Personal pension insurance		
Annuities	2	2
Death benefits	1	1
Surrenders	1	3
Total	4	5
Group pension insurance		
Annuities	0	0
Death benefits	-	-
Surrenders	0	-
Total	0	0
Total benefits paid from insurance contracts	**645**	**507**

Benefits paid from investment contracts		
Benefits paid from investment contracts entitling to discretionary portion of surplus		
Capital redemption contracts		
Maturities	37	28
Surrenders	40	17
Total	77	46
Benefits paid from investment contracts not entitling to discretionary portion of surplus		
Capital redemption contracts		
Maturities	-	-
Surrenders	-	-
Total	-	-
Benefits paid from unit-linked investment contracts		
Maturities	1	1
Surrenders	7	4
Total	8	5
Total benefits paid from investment contracts	**85**	**51**
Total direct insurance	**730**	**558**
Assumed reinsurance	-	0
Total benefits paid in Life Insurance	**730**	**558**

NOTE 9. Net commissions and fees	**2008**	**2007**
Commissions and fees		
Lending	102	103
Deposits	5	6
Payment transfers	121	112
Securities brokerage	20	27
Securities issuance	4	7
Mutual fund brokerage	67	95
Asset management and legal services	51	53
Insurance brokerage	48	49
Guarantees	14	11
Other	46	39
Total	**480**	**502**
Commission expenses		
Payment transfers	16	21
Securities	6	5
Other	39	46
Total	**61**	**72**
Net commissions and fees	**419**	**430**

The item Other commission expenses includes EUR 9 million (EUR 12 million) of commissions paid for asset management and legal assignments and EUR 29 million (EUR 34 million) of other commissions paid.

Bonuses to Helsinki OP Bank Plc's customers previously presented under 'Other commission expenses' have been moved under 'Returns to owner-members'. Comparatives have been changed correspondingly.

NOTE 10. Net trading income	2008	2007
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	2	-8
Shares and participations	-2	6
Derivatives	-26	3
Other	-	-
Total	-27	0
Fair value gains and losses		
Notes and bonds	15	3
Shares and participations	-19	-5
Derivatives	-11	24
Other	-	-
Total	-16	21
Dividend income from assets held for trading	1	1
Assets and liabilities recognised at fair value through profit or loss		
Capital gains and losses		
Notes and bonds	-16	0
Shares and participations	-	-
Derivatives	0	0
Other	-	-
Total	-16	0
Fair value gains and losses		
Notes and bonds	-66	-68
Shares and participations	-	-
Derivatives	0	0
Other	-	-
Total	-66	-68
Dividend income from assets recognised at fair value through profit or loss	-	-
Net income from foreign exchange operations		
Exchange-rate differences	22	49
Other	-24	-33
Total	-1	16
Total net trading income	**-125**	**-30**

NOTE 11. Net investment income	2008	2007
Available-for-sale financial assets		
Notes and bonds and loans acquired		
Capital gains and losses	2	-3
of which those amortised at cost	-	-
Transferred from fair value reserve during the financial year	-4	-2
Impairment losses and their reversal	-3	-
Total	-5	-5
Shares and participations		
Capital gains and losses	-1	12
of which those measured at cost	0	0
Transferred from fair value reserve during the financial year	0	19
Impairment losses	-4	-
Total	-5	30
Dividend income	12	24
Total net income from available-for-sale financial assets	3	50
Held-to-maturity notes and bonds		
Impairment losses and their reversal	-	-

Net income from investment property		
Rental income	49	53
Capital gains and losses	4	3
Gains on fair value measurement	-3	18
Maintenance charges and expenses	-29	-33
from which rental income is not accumulated	1	1
Other	1	4
Net income from investment property total	22	45
Total net investment income	**25**	**95**

NOTE 12. Other operating income	**2008**	**2007**
Rental income from property in Group use	11	10
Capital gains on property in Group use	1	2
Insurance claims and benefits	0	0
Other	96	97
Total	**108**	**109**

The item Other operating income includes EUR 1 million (EUR 3 million) of other income from Non-life Insurance EUR 20 million (EUR 13 million) of rental income from leasing objects, EUR 8 million (EUR 8 million) of ADP income, EUR 16 million (EUR 16 million) of income from credit risk management and EUR 51 million (EUR 57 million) of other operating income.

NOTE 13. Personnel costs	**2008**	**2007**
Wages and salaries	512	482
Share-based payments	0	0
Pension costs		
Defined contribution plans	62	52
Defined benefit plans	-7	-12
Other personnel related costs	31	31
Total personnel costs	**598**	**553**

NOTE 14. Other administrative expenses	**2008**	**2007**
Office expenses	47	48
IT expenses	110	86
Telecommunications	38	38
Marketing	61	63
Research and development	7	12
Other administrative expenses	64	57
Total other administrative expenses	**328**	**303**

NOTE 15. Other operating expenses	2008	2007
Rental expenses	2	1
Expenses for property in Group use	74	76
Capital losses on property in Group use	0	1
Depreciation and amortisation		
Buildings	11	11
Machinery and equipment	22	24
Intangible assets	28	26
Intangible assets related to company acquisition	42	48
Other	26	18
Total	130	128
Impairments		
Property in Group use	1	1
Goodwill	-	-
Other	3	0
Total	4	1
Contribution to the Deposit Protection Fund	15	17
Other	87	49
Total other operating expenses	**312**	**273**

The item Other in Other operating expenses includes EUR 13 million (EUR 10 million) in supervision, inspection and membership fees, EUR 9 million (EUR 7 million) in insurance and security expenses, EUR 11 million (EUR 13 million) in other expenses of Non-life Insurance and EUR 55 million (EUR 18 million) in other operating expenses.

Audit fees paid to auditors total EUR 2.7 million, whereas assignments as referred to in Section 1, Sub-paragraph 1(2) of the Auditing Act were EUR 0 million, fees for legal counselling EUR 0 million and fees for other services EUR 0 million.

NOTE 16. Returns to owner-members	2008	2007
Bonuses	132	83
Interest on cooperative capital	22	24
Total returns to owner-members	**154**	**107**

Returns to owner-members include interest on cooperative capital payable to the members of OP-Pohjola Group member cooperative banks for the financial year and bonuses earned by owner-members due to their regular use of banking services as loyal customers in the financial year.

Bonuses to Helsinki OP Bank Plc's customers previously presented under 'Other commission expenses' have been moved under 'Returns to owner-members'. Comparatives have been changed correspondingly.

NOTE 17. Income tax	2008	2007
Current tax	92	160
Tax for previous financial year	2	3
Deferred tax	57	104
Income tax expense	**151**	**266**
Corporate income tax rate	26	26

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Earnings before tax	372	1,005
Tax calculated at a tax rate of 26%	97	261
Tax for previous financial years	2	3
Income not subject to tax	-3	-5
Expenses not deductible for tax purposes	10	11
Re-evaluation of unused losses	42	-2
Effect of tax adjustments	-	-1
Other items	3	-1
Tax expense	**151**	**266**

NOTES TO ASSETS

NOTE 18. Liquid assets	31 Dec. 2008	31 Dec. 2007
Cash	135	143
Deposits with central banks repayable on demand		
Overnight deposits	1,943	-
Pohjola Bank's minimum reserve deposit	228	150
Other	87	296
Total liquid assets	**2,393**	**589**

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and debt securities with a maximum maturity of two years. The reserve base does not include deposits from other parties subject to the minimum reserve obligation. The reserve deposit is currently 2 per cent of the reserve base. Credit institutions within OP-Pohjola Group place a reserve deposit with Pohjola Bank plc, which acts as an intermediary authorised by OP-Pohjola Group credit institutions and is responsible for OP-Pohjola Group's obligation to place a deposit with the Bank of Finland.

NOTE 19. Receivables from financial institutions	31 Dec. 2008	31 Dec. 2007
Deposits with central banks		
Other than repayable on demand	-	-
Receivables from financial institutions		
Deposits		
Repayable on demand	97	96
Other	6	6
Total	103	103
Loans and other receivables		
Repayable on demand	-	-
Other	2,347	182
Total	2,347	182
Total	2,450	285
Impairment losses	-	-
Total receivables from financial institutions	**2,450**	**285**

NOTE 20. Financial assets at fair value through profit or loss	31 Dec. 2008	31 Dec. 2007
Financial assets held for trading		
Government notes and bonds	761	282
Certificate of deposits and commercial papers	2,191	1,581
Debentures	36	8
Bonds	221	338
Other notes and bonds	16	32
Shares and participations	45	69
Loans acquired and other receivables	-	-
Total	3,270	2,310

Financial assets at fair value through profit or loss at inception		
Government notes and bonds	-	56
Certificate of deposits and commercial papers	-	-
Debentures	-	53
Bonds	43	2,372
Other notes and bonds	-	0
Shares and participations	-	-
Loans acquired and other receivables	-	-
Total	43	2,481
Total financial assets at fair value through profit or loss	**3,313**	**4,791**

Notes and bonds at fair value through profit or loss and shares and participations by quotation and issuer

Financial assets held for trading	**31 Dec. 2008**		**31 Dec. 2007**	
EUR million	**Notes and bonds**	**Shares and participations**	**Notes and bonds**	**Shares and participations**
Quoted				
From public corporations	619	-	287	-
From others	453	45	566	69
Other				
From public corporations	58	-	151	-
From others	2,095	-	1,237	-
Total	**3,225**	**45**	**2,241**	**69**

Financial assets at fair value through profit or loss at inception	**31 Dec. 2008**		**31 Dec. 2007**	
EUR million	**Notes and bonds**	**Shares and participations**	**Notes and bonds**	**Shares and participations**
Quoted				
From public corporations	-	-	56	-
From others	43	-	2,425	-
Other				
From public corporations	-	-	-	-
From others	-	-	-	-
Total	**43**	**-**	**2,481**	**-**
Total financial assets at fair value through profit or loss	**3,268**	**45**	**4,721**	**69**

NOTE 21. Derivative contracts	**31 Dec. 2008**	**31 Dec. 2007**
Held for trading		
Interest rate derivatives	1,150	412
Currency derivatives	85	6
Equity and index derivatives	67	59
Credit derivatives	4	0
Other	2	-
Total	1,307	479
Derivatives recognised at fair value through profit or loss		
Interest rate derivatives	46	0
Currency derivatives	-	-
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	46	0

Hedging derivative contracts - fair value hedging		
Interest rate derivatives	105	41
Currency derivatives	11	7
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	117	48
Total derivative contracts	**1,470**	**526**

The balance sheet item includes positive changes in fair value of derivative contracts as well as premiums paid.

NOTE 22. Receivables from customers	31 Dec. 2008	31 Dec. 2007
Loans to the public and public corporations	45,195	40,635
Notes and obonds	735	-
Finance lease receivables	593	452
Loans acquired and other receivables	5,323	3,807
Total	51,846	44,895
Impairment losses	-137	-118
Total receivables from customers	**51,708**	**44,776**

Changes in impairment losses on loans and guarantee receivables in receivables from customers and financial institutions

EUR million	Loans	Notes and bonds	Bank guarantee recei-vables	Interest recei-vables	Total
Impairment losses 1 January 2008	117	-	4	-2	118
Increases in receivable-specific impairment losses	39	9	0	-1	48
Increases in impairment losses by receivable group	8	-	0	-	8
Reversal of receivable-specific impairment losses	-21	-	-1	0	-22
Loans and guarantee receivables derecognised from the balance sheet, for a which receivable-specific impairment loss was recognised	-15	-	-	-	-15
Exchange rate difference adjustments	-	-	-	-	-
Impairment losses 31 December 2008	128	9	3	-3	137
Impairment losses 1 January 2007	121	-	4	-1	124
Increases in receivable-specific impairment losses	28	-	0	0	29
Increases in impairment losses by receivable group	4	-	-	0	4
Reversal of receivable-specific impairment losses	-22	-	0	0	-22
Loans and guarantee receivables derecognised from the balance sheet, for a which receivable-specific impairment loss was recognised	-14	-	-	-1	-15
Exchange rate difference adjustments	-	-	-	-	-
Impairment losses 31 December 2007	117	-	4	-2	118

Finance lease receivables

Pohjola Bank plc within OP-Pohjola Group leases transport equipment and industrial machinery and equipment through finance leases.

EUR million	31 Dec. 2008	31 Dec. 2007
Maturity of finance leases		
Not later than one year	188	171
1-5 years	339	253
Over 5 years	220	133
Gross investment in finance leases	746	558
Unearned finance income (-)	-153	-106
Present value of minimum lease payments	**593**	**452**
Present value of minimum lease payment receivables		
Not later than one year	162	151
1-5 years	282	218
Over 5 years	150	83
Total	**593**	**452**
Unguaranteed residual value due to the lessor	-	-
Variable rent recognised as revenue during the financial year	-	-
Adjustment recognised under minimum rent receivables	-	-
Gross increase in the financial period	**352**	**206**

NOTE 23. Non-life Insurance assets	31 Dec. 2008	31 Dec. 2007
Investments		
Loans and other receivables	418	57
Equities	318	894
Property	81	85
Notes and bonds	1,075	1,387
Derivative contracts		
Currency derivatives	3	0
Other	419	1
Total	2,315	2,425
Other assets		
Prepayments and accrued income	33	28
Other		
From direct insurance	218	210
From reinsurance	100	74
Cash in hand and at bank	4	12
Total	355	325
Total Non-life Insurance assets	**2,670**	**2,750**

Non-life Insurance investments	31 Dec. 2008	31 Dec. 2007
Loans and other receivables		
Loans	418	57
Deposits with ceding undertakings	1	1
Total	419	58
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	6	1
Equities	-	-
Derivative contracts		
Currency derivatives	3	0
Interest rate derivatives	-	-
Equity derivatives	-	-
Total derivatives	3	0
Total financial assets recognised at fair value through profit or loss	9	2
Available-for-sale financial assets		
Notes and bonds	1,069	1,386
Shares and participations	318	444
Other participations	419	450
Total	1,806	2,280
Investment property		
Land and water areas	11	11
Buildings	71	74
Total	81	85
Total Non-life Insurance investments	**2,315**	**2,425**

Breakdown of Non-life Insurance notes and bonds recognised through profit or loss, shares and participations and derivatives by quotation and issuer.

	31 Dec. 2008			31 Dec. 2007		
EUR million	Notes and bonds	Shares and participations	Derivative contracts	Notes and bonds	Shares and participations	Derivative contracts
Quoted						
From public corporations	-	-	-	-	-	-
From others	6	-	-	1	-	-
Other						
From public corporations	-	-	-	-	-	-
From others	-	-	3	-	-	0
Total	**6**	**-**	**3**	**1**	**-**	**0**

Available-for-sale financial assets of Non-life Insurance, 31 December 2008

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total*
Quoted						
From public corporations	659	-	659	-	-	-
From others	392	-	392	626	-	626
Other						
From public corporations	5	-	5	-	-	-
From others	14	-	14	111	0	111
Total	**1,069**	**-**	**1,069**	**737**	**-**	**737**
Impairment losses for the financial year	-	-	-	17	-	17

The available-for-sale financial assets of Non-life Insurance include EUR 14 million (EUR 1 million) in pledged items. The items mainly consist of notes and bonds in collateral for derivatives trading.

* Available-for-sale shares and participations include EUR 318 million (444) in equities and mutual funds with equity risk and EUR 419 million (450) in other participations. Other participations consist mainly of units in bond, money market, convertible bond, commodities and hedge funds.

Available-for-sale financial assets of Non-life Insurance, 31 December 2007

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	**At fair value**	**At amortised cost**	**Total**	**At fair value**	**At cost**	**Total**
Quoted						
From public corporations	577	-	577	-	-	-
From others	799	-	799	775	-	775
Other						
From public corporations	1	-	1	-	-	-
From others	10	-	10	120	-	120
Total	**1,386**	**-**	**1,386**	**894**	**-**	**894**
Impairment losses for the financial year	-	-	-	5	-	5

Changes in Non-life Insurance investment property	**2008**	**2007**
Acquisition cost 1 January	83	55
Increase	0	27
Decrease	-5	-5
Transfers between items	-3	6
Acquisition cost 31 December	75	83
Accumulated changes in fair value 1 January	2	1
Changes in fair value during financial year	3	2
Decrease	-	-1
Other changes	-	-
Accumulated changes in fair value 31 December	6	2
Carrying amount 31 December	81	85

The Group had no construction and repair obligations regarding investment property during the past two financial years.

NOTE 24. Life Insurance assets	**31 Dec. 2008**	**31 Dec. 2007**
Investments		
Loans and other receivables	422	16
Equities and shares	2,259	2,525
Investment property	123	121
Notes and bonds	550	1,263
Other	0	1
Total	3,354	3,926
Investments serving as cover for unit-linked policies		
Shares and participations	1,614	2,374
Other assets		
Prepayments and accrued income	23	36
Other		
Direct insurance operations	20	9
Reinsurance operations	38	14
Cash in hand and at bank	44	2
Total	125	61
Total Life Insurance assets	**5,093**	**6,361**

Life Insurance investments	31 Dec. 2008	31 Dec. 2007
Loans and other receivables		
Loans	422	16
Deposits with ceding undertakings	-	-
Other receivables	-	-
Total	422	16
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	167	3
Shares and participations	-	-
Derivative contracts		
Currency derivatives	0	1
Interest rate derivatives	-	-
Equity derivatives	-	-
Total derivatives	0	1
Total financial assets held for trading	167	4
Available-for-sale financial assets		
Notes and bonds	383	1,260
Shares and participations	2,259	2,525
Total	2,642	3,785
Investment property		
Land and water areas	16	16
Buildings	107	105
Total	123	121
Total investments	**3,354**	**3,926**

Breakdown of Life Insurance notes and bonds recognised at fair value through profit or loss and shares and participations by quotation and issuer

	31 Dec. 2008		31 Dec. 2007	
EUR million	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From public corporations	-	-	-	-
From others	167	-	3	-
Other				
From public corporations	-	-	-	-
From others	-	-	-	-
Total	**167**	**-**	**3**	**-**
Impairment losses for the financial year	100	-	-	-

Available-for-sale financial assets of Life Insurance, 31 December 2008

EUR million	Available-for-sale notes and bonds At fair value	At amortised cost	Total	Available-for-sale shares and participations At fair value	At cost	Total
Quoted						
From public corporations	177	-	177	-	-	-
From others	206	-	206	2,259		2,259
Other						
From public corporations	-	-	-	-	-	-
From others	1	-	1	-	-	-
Total	**383**	**-**	**383**	**2,259**	**-**	**2,259**
Impairment losses for the financial year	6	-	6	21	-	21

Available-for-sale financial assets of Life Insurance, 31 December 2007

EUR million	Available-for-sale notes and bonds At fair value	At amortised cost	Total	Available-for-sale shares and participations At fair value	At cost	Total
Quoted						
From public corporations	387	-	387	-	-	-
From others	868	-	868	2,357		2,357
Other						
From public corporations	-	-	-	-	-	-
From others	6	-	6	168	-	168
Total	**1,260**	**-**	**1,260**	**2,525**	**-**	**2,525**
Impairment losses for the financial year	25	-	25	-	-	-

Changes in Life Insurance investment property	**2008**	**2007**
Acquisition cost 1 January	88	80
Increase	7	17
Decrease	-5	-5
Transfers between items	-	-5
Acquisition cost 31 December	89	88
Accumulated changes in fair value 1 January	33	23
Changes in fair value during financial year	0	10
Decrease	-	-
Other changes	-	-
Accumulated changes in fair value 31 December	33	33
Carrying amount	123	121

NOTE 25. Investment assets	**31 Dec. 2008**	**31 Dec. 2007**
Available-for-sale financial assets		
Notes and bonds	450	979
Shares and participations	326	379
Loans acquired	-	-
Total	776	1,358
Held-to-maturity investments	1,198	116
Investment property		
Land and water areas	45	46
Buildings	422	450
Total	467	496
Total investment assets	**2,441**	**1,970**

Held-to-maturity investments include other bonds issued by the government totalling EUR 13 million (EUR 20 million), bonds totalling EUR 1 180 million (EUR 92 million), and other notes and bonds totalling EUR 4 million (EUR 4 million). Investment property contain property used as collateral worth EUR 7 million (EUR 7 million).

Available-for-sale financial assets and held-to-maturity investments, 31 December 2008

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
EUR million	**At fair value**	**At amortised cost**	**Total**	**At fair value**	**At cost**	**Total**	**Held-to-maturity invest-ments**
Quoted							
From public corporations	41	-	41	-	-	-	2
From others	186	-	186	235	-	235	1,110
Other							
From public corporations	1	-	-	-	-	-	-
From others	222	-	222		70	90	86
Total	**450**	**-**	**450**	**255**	**70**	**326**	**1,198**
Impairment losses for the financial y	3	-	3	4	-	4	-

Available-for-sale financial assets include EUR 12 million (EUR 60 million) in subordinated publicly-quoted notes and bonds from others.

Available-for-sale financial assets and held-to-maturity investments, 31 December 2007

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
EUR million	**At fair value**	**At amortised cost**	**Total**	**At fair value**	**At cost**	**Total**	**Held-to-maturity invest-ments**
Quoted							
From public corporations	84	-	84	-	-	-	2
From others	873	-	873	304	-	304	92
Other							
From public corporations	-	-	-	-	-	-	-
From others	22	0	22	-	75	75	22
Total	**979**	**0**	**979**	**304**	**75**	**379**	**116**
Impairment losses for the financial y	-	-	-	-	-	-	-

Changes in investment property	**2008**	**2007**
Acquisition cost 1 Jan.	444	463
Business operations acquired	-	-
Increases	28	27
Decreases	-40	-47
Transfers between items	-1	1
Acquisition cost 31 Dec.	431	444
Accumulated changes in fair value	52	41
Changes in fair value during the financial y	-4	20
Decreases	-12	-7
Other changes	0	-2
Accumulated changes in fair value 31 Dec.	36	52
Carrying amount 31 Dec.	467	496

Increases in investment property include EUR 8 million (EUR 7 million) in capitalised expenses recognised after the acquisition. Depreciation, impairment losses and their reversals under PPE are charged to Other operating expenses. Changes in the fair value of investment property are recognised under Net investment income.

OP-Pohjola Group companies own investment properties which are governed by restrictions on the transfer and selling price, under the legislation on State-subsidised housing. The fair value of such properties was EUR 2 million (EUR 3 million). OP-Pohjola Group companies had EUR 34 million in construction and repair obligations concerning their investment properties (EUR 9 million).

Within Pohjola Group, Pohjola Bank primarily offers passenger cars through operating leases. A breakdown of investment property and tangible assets leased out under operating lease can be found in Note 51.

NOTE 26. Reclassified notes and bonds

In the latter half of 2008, Pohjola Group reclassified notes and bonds due to inactive markets caused by the financial crisis. In practice, determining fair values reliably has become impossible. Previously, almost EUR 4.6 billion in notes and bonds at fair value was classified as those carried at amortised cost.

Banking and Group functions

Notes and bonds were reclassified using fair values on 1 July 2008, on the basis of which new purchase prices were determined for the reclassified notes and bonds.

The table below shows reclassifications using carrying amounts on 1 July 2008.

EUR million	Before reclassification	After reclassification: Loans and other receivables	Held-to-maturity invest-ments	Available-for-sale financial assets
Financial assets at fair value through profit or loss	2,222	1,226	942	54
Available-for-sale financial assets	1,602	1,602	-	-
Total	**3,824**	**2,828**	**942**	**54**

The table below shows the carrying amounts and fair values of the reclassified notes and bonds on 31 December 2008.

EUR million, 31 Dec 2008	Carrying amount	Fair value	Effective interest rate, %	Impair-ments arising from credit risk
Loans and other receivables	2,842	2,719	5.2	10
Investments held to maturity	946	864	4.5	-
Available-for-sale financial assets	55	55	5.1	-
Total	**3,842**	**3,638**		

The effect of the reclassification on earnings before tax was EUR 125 million and on the fair value reserve before tax EUR 31.6 million. The price difference of notes and bonds recognised in the income statement totalled EUR 16.6 million. In 2007, notes and bonds of EUR –46.7 million were recognised in earnings before tax and the fair value reserve before tax showed EUR –5.7 million.

If notes and bonds were not reclassified and had been measured using fair values available in the inactive market, profit before tax for 2008 would have been EUR 183 million lower. The fair value reserve before tax would have been EUR 25 million smaller.

The Group used derivatives to hedge against interest-rate risks, applying hedge accounting since 1 October 2008.

Non-life Insurance

Notes and bonds were reclassified using fair values on 1 July 2008, on the basis of which new purchase prices were determined for the reclassified notes and bonds.

The table below shows reclassifications using carrying amounts on 1 July 2008.

	Before reclassification	After reclassification		
EUR million		Loans and other receivables	Held-to-maturity invest-ments	Available-for-sale financial assets
Available-for-sale financial assets	361	361	-	-
Total	**361**	**361**	**-**	**-**

The table below shows the carrying amounts and fair values of the reclassified notes and bonds on 31 December 2008.

EUR million, 31 Dec 2008	Carrying amount	Fair value	Effective interest rate, %	Impair-ments arising from credit risk
Loans and other receivables	361	337	6.9	-
Total	**361**	**337**		

The effect of the reclassification on earnings before tax was EUR 0 million and on the fair value reserve before tax EUR 19 million. The price difference of notes and bonds recognised in the income statement totalled EUR 0.07 million. In 2007, notes and bonds of EUR–0 million were recognised in earnings before tax and the fair value reserve before tax showed EUR–10 million.

If notes and bonds were not reclassified and had been measured using fair values available in the inactive market, profit before tax for 2008 would have been EUR 0 million lower. The fair value reserve would have been EUR 24 million smaller.

Life Insurance

Notes and bonds were reclassified using fair values on 1 July 2008, on the basis of which new purchase prices were determined for the reclassified notes and bonds.

The table below shows reclassifications using carrying amounts on 1 July 2008.

	Before reclassification	After reclassification		
EUR million		Loans and other receivables	Held-to-maturity invest-ments	Available-for-sale financial assets
Available-for-sale financial assets	411	411	-	-
Total	**411**	**411**	**-**	**-**

The table below shows the carrying amounts and fair values of the reclassified notes and bonds on 31 December 2008.

EUR million, 31 Dec 2008	Carrying amount	Fair value	Effective interest rate, %	Impair-ments arising from credit risk
Loans and other receivables	409	383	5.6	-2
Total	**409**	**383**		**-2**

The effect of the reclassification on earnings before tax was EUR 0 million and on the fair value reserve before tax EUR 26.3 million. The price difference of notes and bonds recognised in the income statement totalled EUR–1.2 million. In 2007, notes and bonds of EUR–0 million were recognised in earnings before tax and the fair value reserve before tax showed EUR–13.2 million.

If notes and bonds were not reclassified and had been measured using fair values available in the inactive market, profit before tax for 2008 would have been EUR 0 million lower. The fair value reserve before tax would have been EUR 25.5 million smaller.

NOTE 27. Investment in associates	31 Dec. 2008	31 Dec. 2007
Investment 1 January	26	35
Share of profits for the financial year	1	3
Dividends	-1	-1
Impairment losses	-11	-5
Changes in Group structure	2	-7
Investment 31 December	17	26

NOTE 28. Intangible assets

			2008		
Changes in intangible assets	**Goodwill**	**Brands**	**Customer relationships related to insurance contracts and policy acquisition costs**	**Other intangible assets**	**Total**
Acquisition cost 1 January	620	179	361	363	1,523
Business operations acquired	-	-	-	-	-
Increases*	13	-	-	50	63
Decreases	-3	-	-	-13	-16
Transfers between items	-	-	-	-6	-6
Acquisition cost 31 December	630	179	361	394	1,565
Acc. amortisation and impairments 1 January	-	-	-64	-229	-294
Amortisation during the financial year	-	-	-30	-40	-70
Impairments during the financial year	-	-3	-3	-	-3
Reversal of impairments during the financial year	-	-	-	-	-
Decreases	-	-	-	13	13
Other changes	-	-	-	-	-
Acc. amortisation and impairments 31 December	-	-3	-94	-256	-353
Carrying amount 31 December	630	176	267	138	1,211

* Internal development work accounts for EUR 5 million (EUR 6 million). Other intangible assets include computer software to the carrying amount of EUR 97 million (EUR 102 million) and EUR 37 million (EUR 30 million) in computer software under development. Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

			2007		
Changes in intangible assets	**Goodwill**	**Brands**	**Customer relationships related to insurance contracts and policy acquisition costs**	**Other intangible assets**	**Total**
Acquisition cost 1 January	608	179	361	332	1,480
Business operations acquired	-	-	-	-	-
Increases*	16	-	-	46	62
Decreases	-4	-	-	-15	-19
Transfers between items	-	-	-	0	0
Acquisition cost 31 December	620	179	361	363	1,523
Acc. amortisation and impairments 1 January	-	-	-35	-190	-225
Amortisation for the period	-	-	-30	-46	-76
Impairments for the period	-	-	-	0	0
Reversal of impairments during the financial year	-	-	-	-	-
Decreases	-	-	-	7	7
Other changes	-	-	-	-	-
Accumulated amortisation and impairments 31 December	-	-	-64	-229	-294
Carrying amount 31 December	620	179	297	134	1,230

Intangible assets with indefinite economic lives

EUR million	**31 Dec. 2008**	**31 Dec. 2007**
Goodwill	630	620
Brands	176	179
Total	**807**	**800**

The economic lives of goodwill and brands acquired through business combinations are estimated to be indefinite, since they affect the accrual of cash flows for an indefinable period.

Other most significant intangible assets

	31 Dec. 2008	**31 Dec. 2007**
EUR million	**Carrying amount, EUR million**	**Carrying amount, EUR million**
Customer relationships	235	260
Insurance contracts	32	36
Software	97	102
Software under development	37	30

Goodwill was acquired as part of the acquisition of Pohjola Group plc's business operations in 2005 and as part of the acquisition of Pohjola Finance Ltd (formerly K-Finance Ltd) in 2008. Brands, customer relationships and a significant part of computer software were acquired as part of the acquisition of Non-life Insurance operations. The 2 May 2007 decision by the Arbitral Tribunal, appointed by the Central Chamber of Commerce, increased goodwill in 2007 arising from the acquisition of Pohjola Group plc's business, whereas the decision issued by the Helsinki District Court on 22 August 2008 decreased goodwill. More detailed information on the acquisition of Pohjola Finance can be found in Note 3.

Goodwill impairment test

EUR million	31 Dec. 2008	31 Dec. 2007
Non-life Insurance	390	392
Asset management	97	97
Mutual funds	71	71
Life Insurance	49	50
Systems service business	10	10
Finance company services	13	-
Total	630	620

Testing goodwill for impairment

Goodwill of Pohjola Group originates entirely from the acquisition of the business operations of Pohjola Group plc and Pohjola Finance Ltd and the medical expenses insurance portfolio purchased from OP Life Assurance Company Ltd. Goodwill was determined by the so-called Purchase Price Allocation process (PPA). The resulting goodwill was allocated to the cash-generating units (CGUs), which are either business segments or entities included in them. The impairment testing of goodwill was carried out in accordance with IAS 36 on those CGUs for which acquisition cost calculations in accordance with PPA were made, i.e. Non-life Insurance, Asset Management, mutual fund,systems service (Systeemipalvelu) and finance company services.

The value of the CGUs of the OP Bank Group was, for the goodwill testing, determined by the 'Excess Returns' method. Accordingly, the profits for the current and future periods were reduced by the return requirement on equity capital. Any excess return was discounted by a discount rate corresponding to the return rate on equity capital in order to determine the present value of cash flows.

For the systems service business and finance company services, the testing period was set at 5 years in accordance with IAS 36. For other business areas, the testing period was determined to be the entire period of PPA amortisation increased by one year free of PPA amortisation.

The forecasts used in cash flow calculations are based on 2009–2011 strategy figures and post-strategy-period expectations derived from them regarding business developments. Growth in cash flows for post-forecast periods ranged from 2 to 6%.

The discount rate used in the calculations was the market-based equity cost, which is in line with the applied value determination methods (i.e. through cash flows, only the value of equity belonging to investors was determined and the value was discounted by using the return requirement rate on shareholders' equity).The discount rate used in the calculations before tax (i.e. IFRS WACC) varied from 11% to 13%.

The impairment testing of goodwill did not lead to recognition of impairment losses.

A sensitivity analysis was carried out separately on each CGU on the basis of essential parameters of each CGU. Major parameters by CGU are:

Non-life Insurance used the same key parameters as a year ago: the discount rate, combined ratio and net investment income ratio. The results of the sensitivity analysis did not change significantly over the previous year. An around 3-percentage point growth in combined ratio and an around 20% decrease in net investment income ratio throughout the testing period, with one changed parameter and other parameters remaining unchanged, would entail an impairment risk.

Life Insurance key parameters were the discount rate, growth in operating expenses and the margin of investment. The results of the sensitivity analysis have changed significantly from last year, owing mainly to the poor investment performance in 2008. A 3-percentage point decrease in operating expenses and a 5% decrease in margin of investment throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk.

Asset Management key parameters were the discount rate and growth in asset under management and expenses. The results of the sensitivity analysis did not change significantly over the previous year. Zero growth in assets under management throughout the testing period and an around 100% increase in expenses, with other parameters remaining unchanged, would entail an impairment risk.

Mutual funds' key parameters were the discount rate, growth in mutual fund capital and in fixed-nature expenses. The results of the sensitivity analysis have changed significantly from last year, owing to general fund market changes in 2008. An impairment risk would be resulted if the fund capital growth slowed down by about 3% and fixed-nature expenses increased by 12%, with other parameters remaining unchanged.

Systems service business' key parameters were the the discount rate, an increase in service income and operating margin. The results of the sensitivity analysis did not change significantly over the previous year. An around 40% decrease in service income and a fall of the operating margin to zero throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk.

The Group tested goodwill of finance company services for the first time in 2008. A 20-percentage point smaller growth in the loan portfolio and a decrease of profit margins of approx. 2 percentage points throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk.

Impairment testing of brands

OP-Pohjola Group's brands originate entirely from the acquisition of Pohjola Group plc's business operations. Impairment testing was carried out separately for the Pohjola, Eurooppalainen, A-Vakuutus (A-Insurance) and Seesam brands, in accordance with IAS 36.

The value of the brands was determined by using the 'Relief from Royalty' method, with their values was determined as royalty savings accrued in the future from owning the brands, discounted to the present. The discount rate used in the calculations was the market-based equity cost defined for Non-life Insurance, plus an asset-specific risk premium. In testing, the same premium and the corresponding royalty percentages were applied as during previous years and in the 2005 PPA procedure.

For brands, the testing period was set at 5 years, as per IAS 36. For the Seesam brand, the testing period used was 7 years because of the different nature of the Baltic market. The forecasts used in cash flow calculations are based on 2009–2011 strategy figures and post-strategy-period expectations derived from them regarding business developments. A 2% rate of expected inflation was used as growth in cash flows for periods after the forecast period.

As a result of testing brands for any impairment, an impairment charge of EUR 3 million was recognised in 2008 related to the Seesam brand included in Non-life Insurance.

Impairment testing of other essential intangible assets

OP-Pohjola Group's customer relationships, insurance contracts and a major part of computer software were acquired as part of the acquisition of Pohjola Group plc's business operations. Intangible assets originating from customer relationships, insurance contracts and computer software are charged to expenses using straight-line amortisation over their estimated economic lives. No indications of the need for impairment recognition have been discovered.

NOTE 29. Property, plant and equipment	**31 Dec. 2008**	**31 Dec. 2007**
Property in Group use		
Land and water areas	58	58
Buildings	531	511
Machinery and equipment	57	63
Other tangible assets	21	20
Leased-out assets	95	63
Total property, plant and equipment	**762**	**715**
of which construction in progress	5	4

Changes in property, plant and equipment (PPE), and investment property	Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
			2008		
Acquisition cost 1 January	684	385	33	81	1,183
Business operations acquired	-	-	-	-	-
Increases	38	21	2	59	120
Decreases	-3	-46	0	-19	-69
Transfers between items	6	1	0	-	7
Acquisition cost 31 December	724	361	35	121	1,242
Accumulated depreciation and impairments 1 January	-115	-322	-13	-18	-468
Depreciation for the financial year	-20	-22	-1	-19	-62
Impairments for the financial year	-3	-	-	-	-3
Reversal of impairments during the financial year	3	-	-	-	3
Decreases	1	40	0	10	51
Other changes	-1	0	0	-	-1
Accumulated depreciation and impairments 31 December	-135	-303	-15	-27	-480
Carrying amount 31 December	589	57	21	95	762

Changes in property, plant and equipment (PPE), and investment property	Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
			2007		
Acquisition cost 1 January	669	372	31	59	1,131
Business operations acquired	-	0	-	-	0
Increases	33	24	2	37	96
Decreases	-13	-13	-1	-15	-41
Transfers between items	-5	2	0	-	-3
Acquisition cost 31 December	684	385	33	81	1,183
1 January	-97	-309	-12	-11	-429
Depreciation for the financial year	-18	-24	-1	-12	-56
Impairments for the financial year	-1	-	-	-	-1
Reversal of impairments during the financial year	1	-	-	-	1
Decreases	2	10	0	6	18
Other changes	-1	0	0	-	0
31 December	-115	-322	-13	-18	-468
Carrying amount 31 December	569	63	20	63	715

Assets taken on lease under finance lease contract

EUR Million	31 Dec. 2008	31 Dec. 2007
Investment property	11	11
Property in Group use	-	-
Other	-	-
Total	**11**	**11**

Future minimum lease payments and their present value

EUR million	2008 Minimum lease payments	2008 Present value	2007 Minimum lease payments	2007 Present value
No later than 1 year	1	-	1	-
Later than 1 year and no later than 5 years	13	11	14	11
Later than 5 years	-	-	-	-
Total	**14**	**11**	**15**	**11**

EUR million	31 Dec. 2008	31 Dec. 2007
Changing lease payments charged to expenses during the financial year	1	0
Expected future minimum lease payments under non-cancellable subleases	1	2

Kiinteistö Oy Hämeenkivi, sold by Tampereen Seudun Osuuspankki, a member cooperative bank, to the Local Government Pensions Institution and leased back from it, has been treated as a sale and leaseback contract.

NOTE 30. Other assets	31 Dec. 2008	31 Dec. 2007
Payment transfer receivables	10	89
Pension assets	408	376
Accrued income and prepaid expenses		
Interest	841	664
Other accrued income and prepaid expenses	23	38
Other	532	411
Total	**1,814**	**1,579**

The Other item of Other assets includes EUR 16 million (EUR 234 million) of accounts receivable for securities, EUR 46 million (EUR 21 million) of derivative receivables and EUR 470 million (EUR 156 million) of other assets.

Defined benefit pension plans

OP-Pohjola Bank Group has funded assets of its pension schemes through OP-Pohjola Group Pension Fund, OP-Pohjola Group Pension Foundation and insurance companies. Schemes related to supplementary pensions as well as the TEL (Employees' Pensions Act) funded old age and disability pension schemes managed by the Pension Fund, are treated as defined benefit plans. Contributions to the TEL pay-as-you-go system are treated as defined contribution plans.

Balance sheet values of defined benefit pension plans	31 Dec. 2008	31 Dec. 2007
Fair value of assets	1,148	1,386
Present value of funded obligations (-)	-989	-1,125
Present value of unfunded obligations	-4	-4
Unrecognised actuarial gains (+) and losses (-)	241	108
Net receivable	396	365
Assets and liabilities recognised in the balance sheet		
Assets	408	376
Liabilities	-12	-11
Net assets	**396**	**365**

Plan assets include		
Pohjola Bank plc shares	34	46
Securities issued by companies included in OP-Pohjola Bank Group	120	11
Other receivables from companies included in OP-Pohjola Bank Group	23	28
Properties used by OP-Pohjola Bank Group	13	-
Total	190	85

Defined benefit pension costs in the income statement		
Current service cost	25	21
Interest cost	55	47
Expected return on plan assets	-88	-81
Actuarial gains and losses	2	-
Transfer from TEL pooling liability	-	-
Past service costs	-	-
Effect of curtailment of plans or settlements	0	-
Total defined benefit pension costs in income statement	**-7**	**-12**
Actual return on plan assets	**-210**	**32**

The expected long-term return on plan assets within the pension schemes is based on the market return on high-grade corporate bonds plus risk premium.

Changes in present value of obligation	31 Dec. 2008	31 Dec. 2007
Present value of obligation 1 January	**1,129**	**1,008**
Current service cost	25	21
Interest cost	55	47
Actuarial gains and losses	-163	77
Exchange rate differences	-	-
Benefits paid	-41	-36
Past service cost	-	-
Business combinations	-	-
Curtailment of plan	-	-
Settlement of obligation	-1	-
Return on TyEL interest rate difference and growth in old-age pension liabilities (net)	1	10
Change in division ratio	-14	1
Present value of obligation 31 December	**992**	**1,129**

Changes in fair value of assets	31 Dec. 2008	31 Dec. 2007
Fair value of assets 1 January	**1,386**	**1,359**
Expected return on plan assets	88	81
Actuarial gains and losses	-299	-49
Employer contributions	28	14
Benefits paid	-41	-31
Settlement of obligation	-1	-
Return on TyEL interest rate difference and growth in old-age pension liabilities (net)	1	10
Change in division ratio	-15	2
Fair value of assets 31 December	**1,148**	**1,386**

Contributions payable to the defined benefit plan in 2008 are estimated at EUR 25 million.

Proportion of most important asset groups of total fair value of plan assets, %	31 Dec. 2008	31 Dec. 2007
Shares and participations	19	32
Notes and bonds	42	38
Property	25	20
Other assets	14	10
Total	**100**	**100**

Principal actuarial assumptions used	2008	2007
Discount rate, %	5.00	5.00
Expected long-term return on plan assets, %	5.28-7.90	5.35-6.72
Assumed future salary increase, %	3.50	3.50
Future pension increases, %	2.00-2.40	2.00-2.70
Turnover rate, %	0.00-3.00	0.00-3.00
Inflation, %	2.00	2.00
Average remaining service time in years	1.0-16.0	1.0-16.0

Surplus of defined benefit pension plans and experience adjustments	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005
Present value of obligation	992	1,129	1,008	942
Fair value of assets	0	-1,386	-1,359	-1,349
Surplus or deficit	**-156**	**-257**	**-351**	**-407**
Experience adjustment on liabilities	-52	25	32	0
Experience adjustments on assets	-299	-16	22	57

NOTE 31. Tax assets

	31 Dec. 2008	31 Dec. 2007
Income tax assets	62	19
Deferred tax assets	341	98
Total tax assets	**403**	**117**

Deferred tax assets	31 Dec. 2008	31 Dec. 2007
Due to available-for-sale financial assets	161	39
Due to depreciation and impairments	1	19
Due to provisions and impairments on loans	27	34
Due to consolidated eliminations	10	10
Due to losses related to taxation	123	2
Due to other items	27	7
Set-off against deferred tax liabilities	-7	-13
Total	**341**	**98**

Deferred tax liabilities	31 Dec. 2008	31 Dec. 2007
Due to appropriations	483	438
Due to available-for-sale financial assets	-39	41
Due to equalisation provision	98	88
Defined benefit pension plans	105	97
Due to fair value measurement of insurance companies' investments	181	42
Fair value measurement of investment property	32	36
Allocation of price of corporate acquisitions	112	121
Due to consolidated eliminations	-7	3
Due to other items	2	4
Set-off against deferred tax assets	-5	-13
Total	**963**	**856**

Net deferred tax asset (+)/liability (-)	**-622**	**-758**

Changes in deferred taxes	**31 Dec. 2008**	**31 Dec. 2007**
Deferred tax assets/liabilities 1 January	-758	-721
Recognised in the income statement		
Elimination of capital gains on securities of companies acquired	3	11
Effect of losses	121	-9
Provisions and impairments on receivables	2	-3
Appropriations	-45	-54
Amortisation/depreciation and impairments	8	-1
Equalisation provision	-10	-12
Valuation of investments	-134	-29
Other	-3	-6
Recognised in the balance sheet		
Available-for-sale financial assets		
Changes in fair value	201	43
Transfers to the income statement	6	11
Other	-14	13
Total deferred tax assets 31 December	**-622**	**-758**
Income tax assets	**54**	**-18**
Total tax assets	**-568**	**-776**

Tax losses for which a deferred tax asset was not recognised came to EUR 46 million (EUR 1 million) at the end of 2008. The losses will expire before 2018.

The avoir fiscal tax credit not recognised in the balance sheet of Central Cooperative totalled EUR 8 million (EUR 8 million) at the end of 2008.

A deferred tax liability has not been recognised for the EUR 22 million (EUR 17 million) of undistributed profits of the Baltic subsidiaries, since the assets have been permanently invested in these countries.

NOTES TO LIABILITIES AND EQUITY CAPITAL

NOTE 32. Liabilities to financial institutions	31 Dec. 2008	31 Dec. 2007
Liabilities to central banks	101	110
Liabilities to financial institutions		
Repayable on demand		
Deposits	10	11
Other liabilities	0	0
Due and ordered for collection from other banks	-	-
Total	10	11
Other than repayable on demand		
Deposits	520	737
Other liabilities	62	91
Repo liabilities	-	-
Total	582	828
Total liabilities to financial institutions and central banks	**693**	**949**

NOTE 33. Financial liabilities at fair value through profit or loss	31 Dec. 2008	31 Dec. 2007
Financial liabilities held for trading		
Repo liabilities	131	-
Short selling of securities	8	52
Other	-	-
Total financial liabilities at fair value through profit or loss	**138**	**52**

NOTE 34. Derivative contracts	31 Dec. 2008	31 Dec. 2007
Held for trading		
Interest rate derivatives	1,180	483
Currency derivatives	82	7
Equity and index derivatives	46	6
Credit derivatives	21	1
Other	2	-
Total	1,329	497
Derivatives recognised at fair value through profit or loss		
Interest rate derivatives	107	0
Currency derivatives	-	-
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	107	0
Hedging derivative contracts - fair value hedging		
Interest rate derivatives	116	44
Currency derivatives	13	13
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	129	57
Total derivative contracts	**1,565**	**554**

The balance sheet item includes negative changes in value of derivative contracts as well as premiums received.

NOTE 35. Liabilities to customers	31 Dec. 2008	31 Dec. 2007
Deposits		
Repayable on demand		
Private	17,117	15,698
Companies and public corporations	6,340	5,386
Total	23,456	21,084
Other		
Private	8,907	6,827
Companies and public corporations	2,169	1,090
Total	11,076	7,917
Total deposits	34,533	29,001
Other financial liabilities		
Repayable on demand		
Private	0	1
Companies and public corporations	16	13
Total	16	14
Other		
Private	3	3
Companies and public corporations	2,530	2,206
Total	2,533	2,209
Total other financial liabilities	2,550	2,222
Total liabilities to customers	**37,082**	**31,224**

NOTE 36. Non-life Insurance liabilities	31 Dec. 2008	31 Dec. 2007
Insurance contract liabilities	2,115	2,017
Provision for joint guarantee system	39	38
Direct insurance liabilities	74	71
Reinsurance liabilities	9	15
Other Non-life Insurance liabilities	-	0
Total Non-life Insurance liabilities	**2,238**	**2,140**

Non-life Insurance contract liabilities and reinsurers' share

	31 Dec. 2008			31 Dec. 2007		
EUR million	Gross	Rein-surers' share	Net	Gross	Rein-surers' share	Net
Provision for unpaid claims for annuities	1,026	-3	1,029	1010	-	1010
Other provisions by case	160	-57	103	136	-34	102
Special provision for occupational diseases	37	0	37	41	-	41
Collective liability (IBNR)	494	-5	489	463	-5	458
Reserved loss adjustment expenses	53	0	53	50	-	50
Provision for unearned premiums	344	-21	323	315	-22	293
Provision for unexpired risks	1	0	1	2	-	2
Total Non-life Insurance contract liabilities	**2,115**	**-87**	**2,028**	**2,017**	**-61**	**1,956**

Changes in insurance contract liabilities and reinsurance contract receivables

EUR million	31 Dec. 2008 Gross	Reinsurers' share	Net	31 Dec. 2007 Gross	Reinsurers' share	Net
Provision for unpaid claims						
Provision for known unpaid claims	1,236	-34	1,202	1,219	-45	1,174
Collective liability (IBNR)	463	-5	458	464	-6	458
Liability/reinsurers' share 1 January	1,699	-39	1,660	1,683	-51	1,632
Claims paid in financial year	-654	14	-640	-603	14	-588
Change in liability/receivable	684	-41	643	593	-10	583
Current period claims	707	-50	656	665	-3	661
Increase(decrease) from previous financial years	-23	9	-13	-27	-6	-33
Change in discount rate	-	-	-	-28	0	-28
Other change in reserving basis	-	-	-	-17	0	-17
Unwinding of discount	41	-	41	38	0	38
Liabilities related to assets sold	1	-	1	-12	7	-5
Foreign exchange gains (losses)	-1	-	-1	-	-	-
Liability/reinsurers' share 31 December	1,770	-66	1,704	1,699	-39	1,660
Case-specific provision for unpaid claims	1,276	-61	1,215	1,236	-34	1,202
Collective liability (IBNR)	494	-5	489	463	-5	458
Liability/reinsurers' share 31 December	1,770	-66	1,704	1,699	-39	1,660
Provision for unearned premiums						
Liability/reinsurers' share 1 January	315	-22	293	285	-31	254
Increase	319	-4	315	264	-9	255
Decrease	-294	5	-289	-226	11	-215
Foreign exchange gains (losses)	0	-	0	-	-	-
Change in reserving basis	-	-	-	-1	0	-1
Unwinding of discount	-	-	-	4	7	4
Reversals related to assets sold	2	-	2	-12	0	-5
Foreign exchange gains (losses)	1	-	1	1	0	1
Liability/reinsurers' share 31 December	344	-21	323	315	-22	293
Provision for unexpired risks						
Liability/reinsurers' share 1 January	2	-	-	-	-	-
Increase	-	-	-	2	-	2
Decrease	-1	-	-	-	-	-
Liability/reinsurers' share 31 December	1	-	-	2	-	2
Total Non-life Insurance contract liabilities	**2,115**	**-87**	**2,028**	**2,017**	**-61**	**1,956**

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at the year-end. The provision for unexpired risks relates to the so-called Affinity insurance policies, serving as extended warranty for home appliances, which would remain undersized without the provision for unexpired risks.

Valuation of Non-life Insurance contract liabilities

a) Methods and assumptions used

The amount of liability has been estimated in such a way that it is, in reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been performed by estimating an expected value for the liability and, after that, by determining a safety loading based on the degree of uncertainty related to the liability.

For corporate insurance contracts, the provision for unearned premiums has been determined by contract in accordance with the pro rata parte temporis rule. The same rule has also been applied to private customers' insurance contracts, but this has been technically carried out by using factors derived statistically from the Group's own insurance portfolio and tied to insurance premium revenue.

The provision for unpaid claims for annuities corresponds to the discounted present value of cash flow of compensation for loss of income payable as continuous annuity. The discount rate is determined taking account of the current interest rate, security required by law and the upper limit of the discount rate set by the authorities. On 31 December 2008, the discount rate used was 3.5% (31 Dec 2007: 3.5%). The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current trend of an increase in life expectancy to continue.

The provision for unpaid claims includes asbestos liabilities, most of which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis carried out in 2001, which takes account of to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. Trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

The valuation of collective liability is based on different statistical methods: Bornhuetter-Ferguson, Chain Ladder, Hovinen, PPCI and the average payment method. When applying these methods, other selections must also be made, in addition to the selection of method, such as deciding on how many occurrence years' statistics the methods will be applied.

Bornhuetter-Ferguson
The Bornhuetter-Ferguson (BF) method is based on the assumption that, in each development year, a certain portion of claims is paid of the measure of exposure of the occurrence year. This measure of exposure can, for instance, be the number of policy years or insurance premium revenue adjusted by the loss ratio assumption. BF reacts slowly to changes in the development triangle of claims. In addition, BF is sensitive to the selection of the measure of exposure.

Chain Ladder
In the Chain Ladder (CL) method, the total claims expenditure for each occurrence year is determined by annual development factors. A development factor describes the relation between the successive development years in the cumulative claims development triangle. CL is sensitive to the observations in the first development years.

Hovinen
In the Hovinen method, the collective liability is based on the weighted average of the evaluations provided by the BF and CL methods. The Hovinen method takes account of how much information has accumulated on the occurrence year to date and, accordingly, weights the estimate obtained on liability between BF and CL.

PPCI
The PPCI (Payments per Claim Incurred) method corresponds to the BF method but the risk measure is the number of claims occurred. Use of the PPCI method requires that the estimates of the number of claims be known by occurrence year.

Average payment
The average payment method (AP) corresponds to the BF method, but the claims paid in the development year are assumed to be comparable with the number of losses detected in the development year concerned. Use of the AP method requires that the numbers of detected claims for previous development years be known. In addition, estimates of future detected claims must be available. The AP method is effective in insurance lines where the cash flows of paid claims have a long maturity, because in such case it is possible to stabilise the average payment and concentrate on the development of the number of paid claims.

In the valuation of collective liability, the largest risks relate to
- estimating the future rate of inflation (excl. indemnities for loss of income payable on the basis of statutory insurance)
- adjustment of changes due to changed compensation practices and legislation in the development triangle of claims (i.e. whether history provides a correct picture of the future)
- adequacy of historical information over dozens of years.

When evaluating the amount of collective liability, the development triangles of claims have been adjusted for inflation. For historical data, the rate of inflation has been estimated at 3% and, for future medical expenses benefits, at 4%, and elsewhere at 2%. Of the collective liability, only the liability for annuities has been discounted.

When evaluating the collective liability, the Group's portfolio of non-life insurance contracts has been divided into 41 classes based on the risks involved and the maturity of the cash flow of paid claims. In each class, the collective liability has been evaluated using the five above-mentioned statistical methods. Of these evaluations, the one which is best suited for the class concerned is chosen. The choice has been based on how well the model would have forecasted previous years' developments. Another basis for the choice has been the sensitivity of the estimations provided by the method to the number of statistical years used. A 2 to 10% safety loading has been added to the expected value given by the selected method. At the Group level, the safety loading is 6.4% of the amount of the collective liability. The safety loading is impacted by the nature of historical data, the sensitivity of the value to the number of history years and the spread of the estimates given by the different methods.

In the valuation of the collective liability, the Group has taken account of the fact that historical data do not in all circumstances provide any information at all regarding the foreseeable future. In such cases, attempts have been made to estimate safely the behaviour of the distribution of cash flows from paid claims in areas from where there are no observations and which are in a distant future (over 15 years).

When estimating the collective liability for medical expenses and rehabilitation expenses benefits in statutory workers' compensation and motor liability insurance, the Group has taken account of the fact that claims paid for losses occurred more than 10 years ago are financed through the pay-as-you-go system.

b) Changes in assumptions and methods

No changes were made in 2008 to the definition of contract liabilities.

Effect of changes in methods and assumptions on amount of liability	**2008**	**2007**
EUR million (increase +/decrease - in liability)		
Change in discount rate	-	-29
Change in reserving basis of collective liability	-	-17
Adjustment to calculation of unearned premium provision	-	4
Total	**-**	**-42**

d) Claims development

The claims triangle compares the actual claims incurred with previous estimates. The triangles describing claims development have been drawn up by occurrence year.

With the exception of long-term liabilities, claims development for the gross business is presented over a period of five years. The claims triangle does not monitor the shares of pools and the trends in the rights of recourse related to statutory workers' compensation insurance. The capital values of confirmed pensions were recognised as if they had been paid to the amount confirmed. As to the long-term liabilities, that is, confirmed pensions and asbestos damage, information on the sufficiency of contract liability has been presented.

Claims triangles, gross business (EUR million)

Occurrence year	**2004**	**2005**	**2006**	**2007**	**2008**	**Total**
Estimated total claims expenditure						
At end of occurrence year	523	540	603	638	707	3,010
1 year later	528	540	611	633	-	-
2 years later	521	535	591	-	-	-
3 years later	515	529	-	-	-	-
4 years later	518	-	-	-	-	-

Occurrence year	2004	2005	2006	2007	2008	Total
Current estimate of accumulated claims expenditure	518	529	591	633	707	2,977
Accumulated claims paid	-473	-478	-495	-484	-344	-2,273
Provision for unpaid claims for 2004-2008	45	51	96	148	363	703
Provision for unpaid claims for previous years						270

Development of asbestos claims (EUR million)

Financial year	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving basis*	Adequacy
2004	39	32	-3	-4	2	-3
2005	35	32	-3	1	1	2
2006	32	33	-3	-1	-	-1
2007	28	33	-4	0	-1	-1
2008	28	34	-3	-4	-	-4

* Changes in mortality basis and discount rate between 2005 and 2008.

Development of annuities confirmed as final (EUR million)

Financial year	Year-start	Year-end	New annuity capital	Annuities paid	Changes in reserving basis*	Adequacy
2006	681	731	77	26	-	1
2007	731	745	60	28	-15	3
2008	745	766	55	30	-	4

* Effect of changes in the discount rate on final annuity capital.

Claims triangles, net business (EUR million)

Occurrence year	2004	2005	2006	2007	2008	Total
Estimated total claims expenditure						
At end of occurrence year	504	511	580	621	656	2,873
1 year later	510	519	593	623	-	-
2 years later	503	509	575	-	-	-
3 years later	500	509	-	-	-	-
4 years later	499	-	-	-	-	-
Current estimate of accumulated claims expenditure	499	509	575	623	656	2,863
Accumulated claims paid	-457	-464	-479	-480	-343	-2,223
Provision for unpaid claims for 2005-2008	499	509	575	623	656	2,863
Provision for unpaid claims for previous years						267

Provision for joint guarantee system

Special legislation regarding statutory lines of insurance includes provisions on joint liability on the basis of which insurance companies engaged in the business of these lines of insurance assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. The uncovered part is financed by collecting annually a contribution to the guarantee scheme from insurance companies which grant policies in these lines of insurance, in proportion to premiums written in said lines of insurance. The companies may, for their part, collect the incremental expenses due to this contribution when charging premiums from their customers, in the manner prescribed by the authorities, but not in excess of 2% of annual premiums written.

When the joint guarantee system was adopted in the past, companies collected the joint guarantee provision in the form of insurance premiums in their balance sheets, in accordance with the legislation and official regulations governing joint guarantee. This provision corresponds to the contribution for the guarantee scheme collected in advance and meant to remove the company's liquidity risk in a case where claims uncovered by another company in liquidation or bankruptcy fall due faster than it would be possible to collect the contribution for the claims in the form of premiums.

The amount of the joint guarantee provision is increased annually by using a 3.5% interest rate, but in such a way that the amount does not, because of the interest, account for more than 3% of the gross insurance liabilities of the line concerned. The joint guarantee provision cannot be decreased or abolished for a reason other than financing the joint guarantee contribution. For the joint guarantee system, a joint guarantee amount is included in the provisions but no other provision, because there are no signs of a situation in which the company covered by the joint guarantee system is about to go into liquidation or bankruptcy, or have been placed into liquidation or declared bankrupt.

Claims administration contracts

On 31 December 2008, liabilities related to claims administration contracts totalled EUR 47 million (48).

Claims administration contracts are contracts which are not insurance contracts, but on the basis of which claims are paid on behalf of another party. Among these contracts, the most important are captive arrangements in which the insured risk is reinsured with a captive company belonging to the same Group of companies with the customer; index increases in annuities of statutory workers' compensation, motor liability and patient insurance policies; certain other increases in benefits; and medical treatment indemnities payable over ten years after the occurrence of the accident; as well as public sector patient insurance.

NOTE 37. Life Insurance liabilities	**31 Dec. 2008**	**31 Dec. 2007**
Insurance contract liabilities	3,748	3,605
Insurance contract liabilities for unit-linked insurance policies	1,571	2,333
Other liabilities		
Accrued expenses and deferred income	4	1
Other		
Direct insurance operations	1	1
Reinsurance operations	2	2
Other	86	156
Total	93	161
Total Life Insurance liabilities	**5,413**	**6,099**

Changes in Insurance contract liabilities

Insurance contract liabilities	1 Jan. 2008	Growth in liability arising from insurance premiums	Dis-charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2008
Insurance contracts with entitlement to discretionary portion of surplus	3,526	380	-461	136	-44	121	3,658
Insurance contracts without entitlement to discretionary portion of surplus	47	67	-5	0	-19	-1	90
Unit-linked insurance contracts	2,333	299	-171	-711	-20	-158	1,571
Investment contracts with entitlement to discretionary portion of surplus	106	3	-68	2	0	0	43
Investment contracts without entitlement to discretionary portion of surplus	10	-	-4	0	0	-3	4
Unit-linked contracts	35	19	-8	-11	0	0	34
Provision for unexpired risks and provision for future supplementary benefits	32	-	-	-	-	-32	-
Total direct insurance	6,089	767	-716	-583	-83	-73	5,401
Total net insurance contract liabilities	**6,089**	**767**	**-716**	**-583**	**-83**	**-73**	**5,401**

Insurance contract liabilities	1 Jan. 2007						31 Dec. 2007
Insurance contracts with entitlement to discretionary portion of surplus	3,373	321	-377	160	-47	96	3,526
Insurance contracts without entitlement to discretionary portion of surplus	22	37	0	1	-12	-	47
Unit-linked insurance contracts	2,048	451	-112	73	-26	-101	2,333
Investment contracts with entitlement to discretionary portion of surplus	88	38	-25	3	0	3	106
Investment contracts without entitlement to discretionary portion of surplus	19	-	-9	1	0	0	10
Unit-linked contracts	33	10	-5	1	0	-3	35
Provision for unexpired risks and provision for future supplementary benefits	59	-	-	-	-	-27	32
Total direct insurance	5,642	857	-529	238	-86	-32	6,089
Provision for unexpired risks and provision for future supplementary benefits	**5,642**	**857**	**-529**	**238**	**-86**	**-32**	**6,089**

Benefits based on insurance contracts are charged to expenses in the income statement. Insurance contract liabilities are determined by calculating the capital value of future benefits, policy administration costs and future premiums, using actuarial assumptions related to compounding, mortality, disability and operating expenses. The liability is redetermined on every balance sheet date using assumptions related to rating of policies, including the discount rate. The change in future cash flows due to declared customer bonuses has been taken into consideration when calculating the insurance contract liabilities. Insurance contract liabilities for unit-linked policies are, however, measured at fair value such as the assets covering the liability.

Amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are recognised in the balance sheet separately.

In practice, insurance contract liabilities for savings-type policies are determined on the basis of insurance savings at the time of determination. For risk-type policies, the pro rata rule applies. The supplementary provision used in previous years is no longer applied.

Calculated with the current method, the contract liability will not change along with the interest rate. This will probably be changed with the second phase of the IFRS.

Analysis of the life insurance business show that the technical provisions are sufficient concerning mortality. The same applied to permanent disability insurance.

NOTE 38. Debt securities issued to the public

EUR million	Average interest rate %	31 Dec. 2008	Average interest rate %	31 Dec. 2007
Bonds	3.80	7,901	4.61	8,249
Other				
Certificates of deposit	4.61	5,505	4.65	3,182
Commercial paper holdings	3.28	4,817	4.63	2,677
Money market debt securities	-	-	-	-
Other	0.42	188	1.22	109
Included in own portfolio in trading (–)*		-247		-143
Total debt securities issued to the public		**18,164**		**14,074**

*Own bonds held by OP Pohjola Group have been set off against liabilities.

Most significant issues in 2008	Nominal amount	Interest rate
OP Mortgage Bank		
OP Mortgage Bank Covered Bond 1/2008	1,000	Fixed 4.88%
Pohjola Bank plc		
Pohjola Bank Plc ("OKO BANK") Issue of EUR 1.000,000,000 Floating Rate Instruments August 2010	1,000	EUB3M + 45bp
Pohjola Plc ("Pohjola Bank"or the"Issuer" Issue of EUR 50,000,000 Floating Rate Notes due 10 March 2011 (The "Notes")	50	EUB3M + 30bp
Pohjola Bank plc ("Pohjola Bank"or the"Issuer" Issue of EUR 50,000,000 Fixed Rate Instruments due 14 July 2010 (the "Instruments")	50	Fixed 5.58%

NOTE 39. Provisions and other liabilities	31 Dec. 2008	31 Dec. 2007
Provisions	2	2
Other liabilities		
Payment transfer liabilities	381	655
Accrued expenses		
Interest payable	1,101	839
Other accrued expenses	316	247
Other	594	736
Total	2,391	2,478
Total provisions and other liabilities	**2,393**	**2,480**

Other' under Other liabilities includes EUR 22 million (288) in accounts payable on securities, EUR 12 million (11) in pension liabilities, EUR 263 million (228) in liabilities for derivative contracts and EUR 296 million (209) in other accounts payable.

Changes in provisions

	Onerous contracts	Other provisions	Total
1 Jan. 2008	1	2	2
Increase in provisions	0	-	0
Provisions used	-1	0	-1
Reversal of unused provisions	-	-	-
31 Dec. 2008	0	1	2

Onerous contracts

OP-Pohjola Group companies have non-cancellable lease contracts on facilities they can no longer utilise in their operations. They have been able to sub-leased some of the facilities, but the rental income from the leases does not cover rental expenses. The provision for onerous contracts fully covers the net loss from these contracts and the rental liability of other contracts.

NOTE 40. Tax liabilities	31 Dec. 2008	31 Dec. 2007
Income tax liabilities	7	37
Deferred tax liabilities	963	856
Total tax liabilities	**971**	**893**

NOTE 41. Cooperative capital	31 Dec. 2008	31 Dec. 2007
Cooperative capital	4	5
Supplementary cooperative capital	566	566
Total cooperative capital	**570**	**571**
of which cancelled cooperative capital	81	79

Cooperative capital and supplementary cooperative capital included in equity in the national financial statements of OP-Pohjola Group member cooperative banks are classified as liability in IFRS financial statements, as member banks do not have an absolute right to refuse to return the capital to members.

Cooperative capital is returned to members in a year from the end of the financial period during which the related demand was made. Supplementary cooperative capital is returned in six months from the end of the financial period during which the related demand was made.

In 2006–2007, regulations on member banks' cooperative capital were amended in such a way that member banks have the right to refuse to return cooperative capital to their members. Owing to this amendment, EUR 7 million (18) in member banks' cooperative capital has been transferred from liabilities to equity.

NOTE 42. Subordinated liabilities

	Average interest rate %	31 Dec. 2008	Average interest rate %	31 Dec. 2007
Subordinated loans	4.77	221	4.87	204
Other				
Perpetual loans	4.96	255	5.13	286
Debentures	3.67	828	4.34	553
Other	-	-	-	-
Total subordinated liabilities		**1,304**		**1,042**

Main terms and conditions of the subordinated loans are as follows:

Innovative instruments included in Tier 1

1) Perpetual bond of 10 billion Japanese yen (equivalent of EUR 79 million)
This is a perpetual loan (a loan without a due date) carrying a fixed interest rate of 4.23% until 18 June 2034 and subsequently a variable 6-month Yen Libor + 1.58%. Interest will be annually payable on 18 June and 18 December. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014 and can be annually repaid after 2014 on the interest due date on 18 June or 18 December. The loan's entire principal must be repaid in one instalment.

2) Perpetual bond of EUR 50 million
This is a perpetual loan without interest-rate step-ups but with an 8% interest-rate cap. The loan was issued on 31 March 2005 and its interest was 6.5% in the first year and thereafter CMS ten years + 0.1%. Interest payments are made annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2010, subject to authorisation by the Financial Supervision Authority. The loan's entire principal must be repaid in one instalment.

3) Perpetual bond of EUR 60 million
This perpetual loan carries a variable interest rate based on 3-month Euribor + 0.65% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and thereafter on the interest due dates. After 2015, the loan carries a variable interest rate based on 3-month Euribor +1.65% (step up). The entire loan principal must be repaid in one instalment.

4) Perpetual bond of EUR 40 million
This perpetual loan carries a variable interest rate based on 3-month Euribor + 1.25% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 October 2010, subject to authorisation by the Financial Supervision Authority, and thereafter on the interest due dates. The entire loan principal must be repaid in one instalment.

Loans 1 and 3 are included in hybrid instruments.

The Group has used derivatives to hedge against interest-rate and exchange-rate risks, and the financial statements include EUR –1,6 million (-17.8) in change in fair value recognised for hedging.

Perpetual loans and debentures

1) A perpetual loan of EUR 50 million which can be called in at the earliest on 19 June 2007, subject to authorisation by the Financial Supervision Authority. A fixed 6% interest is paid on the loan semiannually.
2) A perpetual loan of EUR150 million which can be called in at the earliest on 30 November 2012, subject to authorisation by the Financial Supervision Authority. A fixed 3.875% interest is paid on the loan annually.
3) A debenture loan of EUR 70 million which can be called in at the earliest on 30 November 2010, subject to authorisation by the Financial Supervision Authority. A fixed 3.5% interest is paid on the loan annually.
4) A debenture loan of EUR 150 million which can be called in at the earliest on 21 March 2011, subject to authorisation by the Financial Supervision Authority. The loan carries an interest based on 3-month Euribor + 17.5 bps.
5) A debenture loan of USD 325 million which can be called in at the earliest on13 September 2011, subject to authorisation by the Financial Supervision Authority. The loan carries an interest based on 3-month USD Libor + 20 bps.
6) A debenture loan of EUR 170 million, which can be called in at the earliest in 2013, subject to authorisation by the Financial Supervision Authority. The loan carries a variable interest based on 3-month Euribor + 1.90% until 2013, and after that 3-month Euribor + 1.50%.
7) A debenture loan of EUR 100 million, which can be called in at the earliest in 2013, subject to authorisation by the Financial Supervision Authority. The loan carries a variable interest based on 12-month Euribor + 2.25% until 2013.
6) A perpetual loan of 10 EUR million carrying fixed interest rate of 7.0 until 27 October 2009.

Loans 1–7 were issued in international capital markets.

Fixed-rate debentures issued in Finland totalled EUR 34.1 million (25.1) on 31 December 2008.

Other subordinated loans

Subordinated loan of EUR 10 million, date of issue 20 September 2001.
This is a perpetual subordinated loan carrying a fixed interest rate of 6.15% until 17 September 2011. For the first ten years, interest will be payable annually on 17 September. After that, it will be paid semiannually on 17 March and 17 September The issuer has the right to call in the loan for the first time on 17 September 2011.

OP-Pohjola Group companies have issued a total of EUR 255 million (286) in perpetual loans and a total of EUR 828 million (553) in debenture loans, a total of EUR 1, 081 million (813) of these loans being included in Tier II capital and EUR 47 million in Tier 3 capital (–). The issuer's right to call in a debenture loan is always subject to authorisation by the Financial Supervision Authority.

43. Equity capital	**31 Dec. 2008**	**31 Dec. 2007**
Capital and reserves attributable to OP-Pohjola Group owners		
Share and cooperative capital (incl. share issue)	362	359
Reserves		
Restricted reserves		
Share premium account	515	513
Reserve fund	781	770
Reserves according to the Articles of Association/regulations	-	-
Fair value reserve		
Cash flow hedge	-	-
Translation differences	-	-
Measurement at fair value	-556	-10
Other restricted reserves	1	1
Non-restricted reserves		
Paid-up non-restricted equity reserve	-	-
Other non-restricted reserves	1,077	951
Retained earnings		
Profit (loss) for previous financial years	2,813	2,313
Profit (loss) for the financial year	221	738
Capital and reserves attributable to OP-Pohjola Group owners	**5,215**	**5,635**
Minority interest	**0**	**3**
Total equity capital	**5,215**	**5,638**

Share capital and shares
OP-Pohjola Group’s share capital consists of investments made in Pohjola Bank’s Series A shares by shareholders external to the banking group. These shareholders may hold only Pohjola Bank’s Series A shares quoted on the NASDAQ OMX Helsinki. The shares have no nominal value. The stated value of each share is EUR 2.10 (not an exact figure).

Changes in shareholdings of external shareholders

	Number of shares (1,000)
1 Jan. 2007	**116,583**
Exercise of stock options	-
Equity trades with external parties	-1,437
31 Dec. 2007	**115,146**
Exercise of stock options	-
Equity trades with external parties	-2,319
31 Dec. 2008	**112,827**

Cooperative capital
Cooperative capital, included in OP-Pohjola Group's equity capital, comprises such cooperative contributions paid by members of OP-Pohjola Group member cooperative banks which the member banks have the absolute right to refuse to return.

Reserves

Share premium account
The share premium account was formed during the validity of regulations in force before 1 September 2006. Items entered in the share premium account include amounts exceeding the nominal value paid for shares in a rights issue; amounts paid for share subscriptions based on stock options and convertible bonds; capital gains on disposal of treasury shares; the amount of the reduction of share capital which is not used to cover confirmed loss, is not transferred to a reserve to be used in accordance with a decision by the General Meeting of Shareholders or is not distributed to shareholders; payouts on unsubscribed shares that must be paid when a limited liability company is established; any payouts to the company resulting from shares that have been sold because the shareholder has not included the shares in the book-entry system; and payment received for a share that was not claimed at the capitalisation issue.

The share premium account may be lowered in compliance with the regulations governing the reduction of share capital and may be used to increase the share capital. Since 1 September 2006, it has no longer been possible to increase the share premium account.

Reserve fund
The reserve fund consists of profits transferred to it during previous periods and of the portion transferred to it from member cooperative banks' revaluation reserves and loan loss provisions. The reserve fund may be used to cover losses for which non-restricted equity capital is not sufficient. The reserve fund may also be used to raise the share capital and it can be lowered in the same way as the share capital. In cooperative financial institutions, the reserve fund can only be used to cover losses. In a limited liability company, it has not been possible to increase the reserve fund since 1 September 2006.

Other restricted reserves
These reserves consist of retained earnings based on the Articles of Association or other rules describing their purpose.

Translation differences
Translation differences include translation differences arising from the conversion of foreign subsidiaries' financial statements.

Fair value reserve
The fair value reserve includes the change in the fair value of available-for-sale financial assets. Items included in the reserve will be realised in the income statement when an available-for-sale financial asset is disposed of.

Other non-restricted reserves
These reserves consist of retained earnings based on the Articles of Association or other rules, or decisions taken by the General Meeting, Representatives' Meeting, or Cooperative Meeting.

Retained earnings
Retained earnings also contain untaxed reserves (voluntary provisions and accelerated depreciation) included in the separate financial statements of Group companies, and the equalisation provision of insurance companies, which have been recognised in retained earnings less deferred tax in the IFRS financial statements.

OTHER NOTES TO THE BALANCE SHEET

NOTE 44. Notes and bonds eligible for central bank refinancing	31 Dec. 2008	31 Dec. 2007
Financial assets at fair value through profit or loss	2,981	3,580
Available for sale		
Measured at fair value	66	81
Measured at cost	-	-
Held to maturity	1,059	18
Total notes and bonds eligible for central bank refinancing	**4,105**	**3,679**

Only Pohjola Bank plc within OP-Pohjola Group is eligible for central bank refinancing.

NOTE 45. Subordinated notes and bonds	31 Dec. 2008	31 Dec. 2007
Publicly quoted		
From public corporations	9	-
From others	26	61
Total	35	61
Other		
From public corporations	-	-
From others	1	-
Total	1	-
Total included financial assets at fair value through profit or loss	**36**	**61**
Investment assets		
Publicly quoted		
From public corporations	-	-
From others	12	60
Total	12	60
Other		
From public corporations	-	-
From others	26	40
Total	26	40
Total included in investment assets	**37**	**100**

NOTE 46. Collateral given — 31 Dec. 2008 — 31 Dec. 2007

EUR million	31 Dec. 2008 Balance sheet value	31 Dec. 2007 Balance sheet value
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	4,135	2,633
Others	400	123
Total	4,536	2,756
Given on behalf of associates		
Mortgages	-	-
Pledges	-	-
Others	-	-
Total	-	-

Given on behalf of others		
Mortgages	-	-
Pledges	-	-
Others	-	-
Total	-	-
Total collateral given		
Mortgages	1	1
Pledges	4,135	2,633
Others	400	123
Total	**4,536**	**2,756**
Total collateralised liabilities	614	564

Growth in pledges was due to growth in collateral required for the maintenance of liquidity.

NOTE 47. Financial collateral held

Within OP-Pohjola Group, Pohjola Bank has received collateral, in accordance with the Financial Collateral Act, which it may resell or repledge.

Fair value of collateral received		
Notes and bonds	-	-
Equities	-	-
Other	125	95
Total	**125**	**95**

The credit risk arising from derivatives is mitigated through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In this collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 125 million (94.7) on the balance sheet date. The Group had no securities received as collateral on the balance sheet date.

NOTE 48. Fair value and balance sheet value of financial assets and liabilities

	2008		2007	
EUR million	**Fair value**	**Balance sheet value**	**Fair value**	**Balance sheet value**
Financial assets				
Liquid assets	2,393	2,393	589	589
Financial assets at fair through profit or loss				
Financial assets held for trading				
Notes and bonds				
Measured at fair value	3,225	3,225	2,241	2,241
Measured at cost	-	-	-	-
Total notes and bonds	3,225	3,225	2,241	2,241
Equities				
Measured at fair value	45	45	69	69
Measured at cost	0	0	-	-
Total equities	45	45	69	69

Financial assets at fair value through profit or loss at inception				
Notes and bonds				
Measured at fair value	43	43	2,481	2,481
Measured at cost	-	-	-	-
Total notes and bonds	43	43	2,481	2,481
Equities				
Measured at fair value	-	-	-	-
Measured at cost	-	-	-	-
Total equities	-	-	-	-
Derivative contracts				
Measured at fair value	1,545	1,470	526	526
Measured at cost*	-	-	-	-
Receivables from financial institutions	2,403	2,450	285	285
Receivables from customers	51,633	51,708	44,776	44,776
Investment assets				
Available-for-sale financial assets				
Notes and bonds				
Measured at fair value	450	450	979	979
Measured at cost	-	-	0	0
Total notes and bonds	450	450	979	979
Equities				
Measured at fair value	255	255	304	304
Measured at cost	70	70	75	75
Total equities	326	326	379	379
Other				
Measured at fair value	-	-	-	-
Measured at cost	-	-	-	-
Held-to-maturity financial assets				
Notes and bonds	1,119	1,198	116	116
Financial liabilities				
Liabilities to financial institutions	693	693	949	949
Financial liabilities at fair value through profit or loss				
Short sold securities	138	138	52	52
Derivative contracts				
Measured at fair value	1,764	1,565	554	554
Measured at cost*	-	-	-	-
Liabilities to customers	37,082	37,082	31,224	31,224
Debt securities issued to the public				
Hedged	3,263	3,263	2,782	2,782
Unhedged	14,902	14,902	11,292	11,292
Total	18,164	18,164	14,074	14,074
Subordinated liabilities				
Hedged	888	888	669	669
Unhedged	416	416	373	373
Total	1,304	1,304	1,042	1,042

* Unquoted equity instrument as the underlying asset

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

NOTE 49. Off-balance-sheet commitments	31 Dec. 2008	31 Dec. 2007
Guarantees	1,180	613
Other guarantee liabilities	1,777	1,785
Pledges	1	1
Loan commitments	7,397	7,708
Commitments related to short-term trade transactions	177	171
Other	485	568
Total off-balance-sheet commitments	**11,018**	**10,847**

NOTE 49. Contingent liabilities and assets

Insurance companies belonging to OP-Pohjola Group underwrite insurance policies through pools. Pool members are primarily responsible for their own proportionate share of the risk. Proportionate shares are based on contracts confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. Group insurance companies recognise liabilities and receivables based on joint liability if joint liability is likely to materialise.

On 22 August 2008, the Helsinki District Court issued its verdict in the redemption dispute between Pohjola Bank plc's and Pohjola Group plc's minority shareholders, confirming the redemption price of one Pohjola Group plc share at EUR 13.35. This concerned some 2.1% of the company's shares (about 3.4 million shares). The redemption dispute has been submitted to the Court of Appeal, for the special representative of Pohjola Group plc's minority shareholders and some individual minority shareholders have appealed against the Helsinki District Court's decision. Pohjola Bank plc has also appealed against this decision, pertaining to legal expenses sentenced to be paid by the adverse parties, interest confirmed on the redemption price and some matters related to legal proceedings. The legal process began with an Arbitral Tribunal in 2006 once the Bank had acquired over 90% of Pohjola Group plc shares. The redemption price bid by Pohjola Bank plc for Pohjola Group plc shares held by minority shareholders was EUR 13.35. In May 2007, the Arbitral Tribunal set the redemption price at EUR 14.35.

Pohjola Bank plc has a receivable of EUR 2 million from a private customer, confirmed by the Supreme Court. Owing to this customer's solvency, no major amounts can be expected.

The tax agent has filed a complaint of the deferral of the dissolution loss for 2003–2005 taxation, arising from the dissolution of Pohjola Hallintopalvelu Oyj. The Board of Adjustment of the Tax Office for Major Corporations has rejected claims for correction applying to this deferral of the dissolution loss. In its ruling issued on 12 February 2008, the Helsinki Administrative Court dismissed the tax agent's appeal with respect to the years 2003 and 2004. The tax agent's petition for leave of appeal and the appeal are pending at the Supreme Administrative Court. With respect the year 2005, the case is on hand at the Helsinki Administrative Court and the process is not expected to have any financial implications.

NOTE 51. Operating leases

OP-Pohjola Group as Lessee

Some OP-Pohjola Group companies have leased the office premises they use. The term of these leases varies between one and ten years and they usually include the option of extending the lease after the original date of termination. OP-Pohjola Group companies have subleased some of their premises. In addition, some companies have leased motor vehicles and office equipment. Other operating expenses include EUR 22 million (22) in rental expenses.

Future minimum lease payments under non-cancellable operating leases

EUR Million	31 Dec. 2008	31 Dec. 2007
No later than 1 year	13	13
Later than 1 year and no later than 5 years	37	40
Later than 5 years	13	20
Total	**63**	**74**
Expected future minimum lease payments from non-cancellable subleases	56	17

OP-Pohjola Group as Lessor

OP-Pohjola Group companies have leased out investment properties they own, which generated lease income of EUR 69 million (69) in 2008. In addition, the Group has primarily leased out passenger cars, which generated lease income of EUR 23 million (16).

Future minimum lease payments receivable under non-cancellable operating leases

EUR Million	31 Dec. 2008	31 Dec. 2007
No later than 1 year	60	51
Later than 1 year and no later than 5 years	119	95
Later than 5 years	26	48
Total	**204**	**194**

NOTE 52. Asset management

Within OP-Pohjola Group, Pohjola Asset Management Limited runs asset management business and provides institutional customers and wealthy private individuals with discretionary and consultative portfolio management services. Pohjola Asset Management Limited is responsible for the financial management of most of OP Fund Management Company's mutual funds.

Pohjola Asset Management Ltd's discretionary asset management portfolio on 31 December 2008 totalled EUR 20.2 billion and consultative asset management portfolio EUR 3.2 billion.

NOTE 53. Derivative contracts

Derivatives held for trading 31 December 2008

	Nominal values/residual maturity				Fair values		Potential
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	future exposure
Interest rate derivatives							
Interest rate swaps	19,093	22,597	7,241	48,932	847	727	1,067
Forward rate agreements	50	-	-	50	0	-	0
OTC interest rate options							
Call and caps							
Purchased	2,576	6,439	1,362	10,378	87	16	136
Written	1,048	2,762	1,071	4,881	0	53	-
Put and floors							
Purchased	1,157	2,125	643	3,925	89	1	108
Written	607	2,213	574	3,394	0	55	-
Total OTC interest rate derivatives	24,532	36,136	10,891	71,559	1,024	853	1,311

Interest rate futures	4,213	3,774	-	7,987	24	6	-
Interest rate options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total exchange traded derivatives	4,213	3,774	-	7,987	24	6	-
Total interest rate derivatives	28,745	39,910	10,891	79,547	1,048	859	1,311
Currency derivatives							
Forward exchange agreements	9,590	319	285	10,193	291	344	424
Interest rate and currency swaps	0	-	490	490	19	19	56
Currency options							
Call							
Purchased	571	-	-	571	40	-	46
Written	568	0	-	569	-	44	-
Put							
Purchased	620	0	-	620	34	-	40
Written	526	-	-	526	-	27	-
Total OTC currency derivatives	11,875	319	775	12,969	384	434	566
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	11,875	319	775	12,969	384	434	566
Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	23	524	-	547	20	-	64
Written	-	-	-	-	-	-	-
Put							
Purchased	-	1	-	1	0	-	0
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	23	525	-	548	21	-	64
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total exchange traded derivatives	-	-	-	-	-	-	-
Total equity and index derivatives	23	525	-	548	21	-	64
Credit derivatives							
Credit default swaps	188	179	-	367	4	21	10
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	188	179	-	367	4	-21	10

Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	16	-	16	1	-	2
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total other OTC derivatives	-	16	-	16	1	-	2
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	-	16	-	16	1	-	2
Total derivatives held for trading	**-**	**40,950**	**11,666**	**93,446**	**1,457**	**1,313**	**1,952**

Derivatives held for trading 31 December 2007

	Nominal values/residual maturity				**Fair values**		**Potential future**
EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**exposure**
Interest rate derivatives							
Interest rate swaps	20,238	17,894	5,027	43,158	220	208	382
Forward rate agreements	2,250	-	-	2,250	0	0	0
OTC interest rate options							
Call and caps							
Purchased	1,750	5,562	1,403	8,714	132	0	181
Written	1,487	2,606	900	4,993	0	50	-
Put and floors							
Purchased	3,834	1,497	316	5,647	12	5	24
Written	1,066	1,384	224	2,674	-	4	-
Total OTC interest rate derivatives	30,624	28,942	7,870	67,437	364	267	587
Interest rate futures	3,926	3,301	-	7,227	2	2	-
Interest rate options							
Call							
Purchased	1,000	-	-	1,000	-	0	-
Written	5,349	-	-	5,349	0	0	-
Put							
Purchased	1,000	-	-	1,000	0	-	-
Written	500	-	-	500	-	0	-
Total exchange traded derivatives	11,775	3,301	-	15,076	2	2	-
Total interest rate derivatives	42,400	32,243	7,870	82,513	367	269	587
Currency derivatives							
Forward exchange agreements	7,625	126	298	8,049	53	88	160
Interest rate and currency swaps	23	0	430	453	16	15	48
Currency options							
Call							
Purchased	164	-	-	164	3	-	5
Written	235	-	-	235	-	4	-
Put							
Purchased	137	-	-	137	1	-	2
Written	210	-	-	210	-	1	-
Total OTC currency derivatives	8,394	126	728	9,248	73	109	215
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	8,394	126	728	9,248	73	109	215

Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	14	263	58	334	51	-	79
Written	-	-	-	-	-	-	-
Put							
Purchased	-	1	-	1	0	-	0
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	14	264	58	335	51	-	79
Equity futures	73	-	-	73	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total exchange traded derivatives	73	-	-	73	-	-	-
Total equity and index derivatives	87	264	58	408	51	-	79
Credit derivatives							
Credit default swaps	71	125	-	196	0	1	1
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	71	125	-	196	0	1	1
Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	6	-	6	2	-	2
Written	-	-	-	-	-	-	-
Put							
Purchased	8	0	-	8	-	-	0
Written	-	-	-	-	-	-	-
Total other OTC derivatives	8	6	-	14	2	-	2
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	8	6	-	14	2	-	2
Total derivatives held for trading	**50,960**	**32,765**	**8,656**	**92,380**	**493**	**379**	**885**

Derivative contracts held for hedging purposes - fair value hedging 31 December 2008

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	1,258	1,936	493	3,686	43	105	60
Forward rate agreements	-	-	-	-	-	-	-
OTC interest rate options							
Call and caps							
Purchased	-	0	-	0	0	-	0
Written	173	3,667	483	4,323	0	42	-
Put and floors							
Purchased	1	57	25	83	2	-	3
Written	-	200	-	200	-	1	-
Total OTC interest rate derivatives	1,432	5,860	1,000	8,292	46	148	63
Interest rate futures	-	-	-	-	-	-	-
Interest rate options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total exchange traded derivatives	-	-	-	-	-	-	-
Total interest rate derivatives	1,432	5,860	1,000	8,292	46	148	63
Currency derivatives							
Forward exchange agreements	-	-	-	-	-	-	-
Interest rate and currency swaps	665	809	263	1,737	39	300	106
Currency options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC currency derivatives	665	809	263	1,737	39	300	106
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	665	809	263	1,737	39	300	106
Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-

Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	-	-	-	-	-	-	-
Equity futures	104	-	-	104	-	2	-
Equity index futures	-	-	-	-	-	-	-
Total exchange traded derivatives	104	-	-	104	-	2	-
Total equity and index derivatives	104	-	-	104	-	2	-
Credit derivatives							
Credit default swaps	-	-	-	-	-	-	-
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	-	-	-	-	-	-	-
Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total other OTC derivatives	-	-	-	-	-	-	-
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	-	-	-	-	-	-	-
hedging	**2,202**	**6,669**	**1,262**	**10,133**	**85**	**450**	**169**

Derivative contracts held for hedging – fair value hedging 31 December 2007

EUR million	Nominal values/residual maturity <1 year	1–5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	1,990	1,244	298	3,533	19	21	30
Forward rate agreements	-	-	-	-	-	-	-
OTC interest rate options							
Call and caps							
Purchased	-	-	-	-	-	-	-
Written	26	2,901	622	3,549	0	38	-
Put and floors							
Purchased	-	16	6	22	0	0	0
Written	-	-	-	-	-	-	-
Total OTC interest rate derivatives	2,017	4,161	926	7,104	19	59	30
Interest rate futures	-	-	-	-	-	-	-
Interest rate options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-

Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total exchange traded derivatives	-	-	-	-	-	-	-
Total interest rate derivatives	2,017	4,161	926	7,104	19	59	30
Currency derivatives							
Forward exchange agreements	-	-	-	-	-	-	-
Interest rate and currency swaps	372	1,524	267	2,163	4	233	104
Currency options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC currency derivatives	372	1,524	267	2,163	4	233	104
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	372	1,524	267	2,163	4	233	104
Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	-	-	-	-	-	-	-
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total exchange traded derivatives	-	-	-	-	-	-	-
Total equity and index derivatives	-	-	-	-	-	-	-

Credit derivatives							
Credit default swaps	-	-	-	-	-	-	-
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	-	-	-	-	-	-	-
Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total other OTC derivatives	-	-	-	-	-	-	-
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	-	-	-	-	-	-	-
Total derivatives held for hedging	**2,389**	**5,685**	**1,193**	**9,267**	**23**	**292**	**134**

Derivative contracts at fair value through profit or loss at inception on 31 December 2008

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Currency derivatives							
Forward exchange agreements	94	-	-	94	3	1	2
Total currency derivatives	**94**	**-**	**-**	**94**	**3**	**1**	**2**

Total derivatives 31 December 2008

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives	30,177	45,771	11,891	87,839	1,093	1,006	1,374
Currency derivatives	12,540	1,128	1,037	14,705	423	734	672
Equity and index-linked derivatives	127	525	-	652	21	2	64
Credit derivatives	188	179	-	367	4	-21	10
Other derivatives	94	16	-	110	4	1	4
Total derivatives	**43,126**	**47,620**	**12,928**	**103,673**	**1,545**	**1,722**	**2,123**

Total derivatives 31 December 2007

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives	44,416	36,405	8,797	89,617	386	328	617
Currency derivatives	8,766	1,650	995	11,411	77	341	319
Equity and index-linked derivatives	87	264	58	408	51	-	79
Credit derivatives	71	125	-	196	0	1	1
Other derivatives	8	6	-	14	2	-	2
Total derivatives	**53,348**	**38,450**	**9,849**	**101,647**	**516**	**670**	**1,019**

OTHER NOTES

NOTE 54. Holdings in other companies

Changes in subsidiaries and associates during the financial year

In connection with the parent company's adoption of a new name on 1 March 2008, Pohjola Non-Life Insurance Company was renamed Pohjola Insurance Ltd, OKO Corporate Finance Ltd was renamed Pohjola Corporate Finance Ltd and OKO Venture Capital Ltd was renamed Pohjola Capital Partners Ltd.

In May 2008, Pohjola Private Equity Funds Ltd established a subsidiary, SMF I Fund Ltd, which acts as Selected Mezzanine Funds I Ky's general partner.

The acquisition of K-Finance Ltd, a Kesko Corporation subsidiary, on 21 December 2007 was finalised on 31 January 2008 following regulatory approval. K-Finance Ltd changed its name to Pohjola Finance Ltd on 1 April 2008.

The sale of OKO Capital East Ltd's subsidiary ZAO OKO Capital Vostok on 21 December 2007 was finalised on 12 March 2008.

As part of the agreement between OP-Pohjola Group Central Cooperative and TietoEnator on datacentre services, the former sold TietoEnator and Ilmarinen Mutual Pension Insurance Company 34% of its FD Finanssidata Oy shares in May. As a result, FD Finanssidata Oy is no longer consolidated in OP-Pohjola Group's financial statements as a subsidiary. This structural change has no material effect on the Group's result.

OP-Pohjola Group companies

Company	Domicile/home country	Shareholding, %	Votes, %
227 member cooperative banks*			
OP-Pohjola Group Central Cooperative	Helsinki	100.0	100.0
Pohjola Bank plc	Helsinki	44.5	70.2
Helsinki OP Bank Plc	Helsinki	100.0	100.0
OP-Kotipankki Oyj	Helsinki	100.0	100.0
OP Mortgage Bank	Helsinki	100.0	100.0
OP Fund Management Company Ltd	Helsinki	100.0	100.0
OP Life Assurance Company Ltd	Helsinki	100.0	100.0
Helsingin Seudun OP-Kiinteistökeskus Ltd	Helsinki	100.0	100.0
OP IT Procurement Ltd	Helsinki	100.0	100.0
OP Bank Group Mutual Insurance Company	Helsinki	100.0	100.0
Pohjola Group companies :			
Pohjola Capital PartnersLtd	Helsinki	65.0	65.0
OKO Capital East Ltd	Helsinki	70.0	70.0
Pohjola Asset Management Limited	Helsinki	90.0	90.0
Pohjola Corporate Finance Ltd	Helsinki	64.0	64.0
Pohjola Insurance Ltd	Helsinki	100.0	100.0
A-Insurance Ltd	Helsinki	100.0	100.0
Seesam International Insurance Company Ltd	Estonia	100.0	100.0
Joint Stock Insurance Company "Seesam Latvia"	Latvia	100.0	100.0
Joint Stock Insurance Company "Seesam Lithuania"	Lithuania	100.0	100.0
Eurooppalainen Insurance Company Ltd	Helsinki	100.0	100.0
Pohjola Property Management Ltd	Helsinki	100.0	100.0
Real Estate Fund	Helsinki	100.0	100.0
Pohjola IT Procurement Ltd	Helsinki	100.0	100.0
Conventum Venture Finance Ltd.	Helsinki	100.0	100.0
Kaivokadun PL-hallinto Ltd	Helsinki	100.0	100.0
Pohjola Private Equity Funds Ltd	Helsinki	67.0	67.0
SPEF I Ltd	Helsinki	100.0	100.0
SMF I Rahasto Ltd	Helsinki	100.0	100.0
Pohjola Finance Ltd	Helsinki	100.0	100.0
Pohjola Finance Estonia AS	Estonia	100.0	100.0

***OP-Pohjola Group member cooperative banks**

Name	Balance sheet 2008, EUR million	Capital adequacy, %	Managing Director 31 Dec. 2007
Akaan Seudun Osuuspankki	122	35.0	Heikki Teräväinen
Alajärven Op	192	27.9	Jari Leivo
Alastaron Op	48	22.3	Petri Antila
Alavieskan Op	46	23.0	Antero Alahautala
Alavuden Seudun Op	149	17.9	Jussi Ruuhela
Andb För Åland	199	14.4	Håkan Clemes
Andb Raseborg	280	13.7	Lars Björklöf
Artjärven Op	38	25.8	Reijo Hurskainen
Askolan Op	74	29.7	Irja Mäittälä
Auran Op	77	20.8	Sauli Nuolemo
Elimäen Op	200	19.4	Pertti Olander
Enon Op	98	23.4	J. Reimasto-Heiskanen
Etelä-Karjalan Op	922	26.1	Risto Kiljunen
Etelä-Pohjanmaan Op	677	16.6	Markku Perälä
Etelä-Päijänteen Op	120	17.7	Jari Laaksonen
Etelä-Savon Op	621	16.9	Kari Manninen
Euran Op	101	19.8	Lenni Kankaanpää
Forssan Seudun Op	271	17.6	Jouni Hautala
Haapajärven Op	98	15.3	Kari Ahola
Haapamäen Seudun Op	47	34.2	Kaarina Koski
Haapaveden Op	95	22.0	Timo Suhonen
Hailuodon Op	31	27.8	Veijo Nissilä
Halsuan Op	24	25.8	Tapio Jokela
Haminan Seudun Op	203	32.0	Markku Vanhala
Harjavallan Op	112	32.6	Jarmo Tuovinen
Hartolan Op	52	27.4	Tuulikki Kyyhkynen
Hauhon Op	42	32.3	Timo Metsola
Haukivuoren Op	49	22.5	Seppo Laurila
Heinäveden Op	59	35.2	Jukka Tuomisto
Himangan Op	59	13.7	Kalevi Humalajoki
Hinnerjoen Op	21	40.1	Kaija Marttala
Hirvensalmen Op	37	24.4	Sakari Kangas
Honkilahden Op	29	36.3	Olavi Juhola
Huhtamon Op	15	31.9	Päivikki Järvinen
Huittisten Op	116	29.6	Olli Näsi
Humppilan Op	52	25.4	Jari Salokangas
Hämeenlinnan Seudun Op	611	16.8	Olli Liusjärvi
Iisalmen Op	287	16.4	Olli Tarkkanen
Ikaalisten Op	82	20.4	Antero Sorri
Ilomantsin Op	82	27.6	Raija Tahvanainen
Östnylands Andb	253	10.5	Arto Nurmi-Aro
Janakkalan Op	285	32.7	Vesa Lehikoinen
Joensuun Op	495	16.4	Antti Heliövaara
Jokioisten Op	87	24.7	Vesa Rantanen
Juuan Op	97	24.2	Tuomo Mustonen
Juvan Op	121	28.5	Risto Rouhiainen
Jämsän Seudun Op	202	29.8	Heikki Rosti
Kainuun Op	344	23.8	Seppo Rytivaara

Kalajoen Op	149	17.0	Pertti Sarkkinen
Kalkkisten Op	15	29.7	Heikki Leppähaara
Kangasalan Op	210	16.4	Veikko Poranen
Kangasniemen Op	124	30.0	Leo Pakkanen
Kannuksen Op	73	16.0	Juha Lundström
Karjalan Op	27	24.0	Pentti Laaksonen
Karkun Op	17	34.5	Kaarina Sacklén
Karvian Op	51	20.4	Antti Suomijärvi
Kaustisen Op	67	14.8	Asko Ahonen
Keikyän Op	28	26.7	Heikki Nelimarkka
Kemin Seudun Op	228	27.7	Pertti Stöckel
Kerimäen Op	54	30.0	Jarmo Kaivonurmi
Keski-Suomen Op	1,631	14.2	Keijo Manner
Keski-Uudenmaan Op	1,085	24.1	Leif Laine
Kestilän Op	33	29.2	Hans Aikio
Kesälahden Op	53	36.7	Ari Noponen
Kihniön Op	28	22.9	P. Haapa-aho Vehniä
Kiihtelysvaaran Op	76	19.8	Pasi Leppänen
Kiikalan Rekijoen Op	25	24.2	Eero Lahti
Kiikoisten Op	25	31.5	Harri Vehkalahti
Kiskon Op	41	17.0	Pekka Anttonen
Kiteen Seudun Op	241	22.6	Ari Karhapää
Kiukaisten Op	28	27.6	Jari Valonen
Koillis-Savon Op	150	21.9	Asko Imppola
Koitin-Pertunmaan Op	57	23.9	Unto Aikasalo
Kokemäen Op	120	29.0	Jari Luukkanen
Kokkolan Op	518	12.9	Aatto Ainali
Korpilahden Op	72	26.8	Kyösti Myller
Korsnäs Andb	59	39.5	Jan-Erik Westerdahl
Kotkan Seudun Op	339	18.2	Pentti Leisti
Kouvolan Seudun Op	460	18.1	Marjo Partio
Kronoby Andb	100	24.8	Sten-Ole Nybäck
Kuhmalahden Op	24	30.1	Risto Mattila
Kuhmoisten Op	41	20.2	Heikki Vilppala
Kuhmon Op	134	32.7	Erkki Airaksinen
Kuopion Op	806	15.7	Jaakko Ojanperä
Kuortaneen Op	50	21.6	Markku Jaatinen
Kurun Op	43	22.9	Marja-Leena Siuro
Kuusamon Op	152	18.8	Kari Kivelä
Kuusjoen Op	26	34.6	Eero Kaskela
Kymijoen Op	132	25.7	Pekka Raivisto
Kärkölän Op	57	24.6	Petri Hokkanen
Kärsämäen Op	42	15.4	Mikko Ruusunen
Käylän Op	21	32.7	Kaisa Kurtti
Köyliön Op	64	20.7	Jorma Pohjus
Lapin Op	63	22.9	Eero Laiho
Lappo Andb	7	21.1	Torsten Nordberg
Lehtimäen Op	37	15.3	Veli-Jussi Haapala
Lemin Op	55	19.9	Eero Innanen
Leppävirran Op	131	27.0	Ilkka Martikainen
Lieksan Op	179	34.5	vt. Mikko Vepsäläinen
Limingan Op	67	17.4	Maria Alahuhta
Liperin Op	144	21.6	Jalo Lehtovaara
Loimaan Seudun Op	208	25.1	Juha Pullinen
Lokalahden Op	31	28.3	Irma Sirén
Lopen Op	101	24.9	Keijo Bragge

Lounais-Suomen Op	178	20.7	Vesa Viitaniemi
Luhangan Op	39	20.8	Pekka Pietilä
Luopioisten Op	28	23.9	Esa Jokinen
Luumäen Op	76	31.7	Eero Kettunen
Luvian Op	57	18.4	Jyrki Suoja
Länsi-Suomen Op	1,666	24.3	Jukka Ramstedt
Länsi-Uudenmaan Op	668	13.3	Jarmo Viitanen
Maaningan Op	73	28.6	Ari Väänänen
Marttilan Op	66	34.5	Matti Vahalahti
Maskun Op	97	13.2	Jarmo Nurmi
Mellilän Seudun Op	28	35.6	Jouko Rinne
Merimaskun Op	26	26.8	Mikko Seppänen
Metsämaan Op	24	29.9	Jussi Nieminen
Miehikkälän Op	44	33.3	Kalevi Salonen
Mouhijärven Op	53	18.0	Rainer Sillanpää
Mynämäen Op	114	30.6	Kimmo Ranta
Myrskylän Op	18	25.4	Jorma Rouhiainen
Mäntsälän Op	155	20.6	Heikki Kananen
Mäntän Seudun Op	186	21.9	Erkki Lauronen
Nagu Andb	33	19.6	Johan Broos
Nakkilan Op	101	33.9	Jussi Kuvaja
Niinijoen Op	29	41.2	Jouni Tammelin
Nilsiän Op	120	46.1	Seppo Pääkkö
Nivalan Op	139	11.5	Markku Niskala
Nousiaisten Op	160	24.6	Ville Aakula
Nurmeksen Op	119	20.3	Mikko Vepsäläinen
Op Kantrisalo	84	23.0	Bo Hellen
Orimattilan Op	158	25.2	Veli-Matti Onnela
Oripään Op	44	16.6	Jouko Rekolainen
Oriveden Seudun Op	139	22.8	Pertti Pyykkö
Oulaisten Op	147	25.0	Jari Anttila
Oulun Op	1,758	15.5	Timo Levo
Outokummun Op	92	27.5	Eero Eskelinen
Paattisten Op	74	28.8	Eero Koskinen
Paltamon Op	50	30.3	Jorma Niemi
Parikkalan Op	96	25.2	Tuomo Liukka
Parkanon Op	84	24.1	Ari Heinonen
Pedersörenejdens Andb	299	15.9	Ulf Löf
Perhon Op	56	20.6	Pekka Pajula
Perniön Op	76	28.4	Risto Lehtinen
Peräseinäjoen Op	77	32.7	Juha Mäki
Pieksämäen Seudun Op	200	14.1	Seppo Vanninen
Pielaveden Op	73	22.5	Jouni Karhinen
Pihtiputaan Op	49	21.7	Vesa Isosalo
Pohjolan Op	684	15.6	Markku Salomaa
Polvijärven Op	90	22.2	Juhani Leminen
Porvoon Op	507	13.4	Pertti Hellqvist
Posion Op	84	37.1	Vesa Jurmu
Pudasjärven Op	134	33.7	Teuvo Perätalo
Pukkilan Op	52	26.6	Ari Talkara
Pulkkilan Op	31	35.2	Eero Keskitalo
Punkalaitumen Op	77	37.7	Tapio Laine
Puolangan Op	61	22.6	Jouni Ahokumpu
Purmo Andb	28	19.6	Stig-Göran Jansson
Pyhäjärven Op	89	24.7	Matti Martikainen
Päijät-Hämeen Op	859	11.1	Timo Laine

Pälkäneen Op	57	25.9	Jari Linjala
Pöytyän Op	72	21.3	Tuomo Jokinen
Raahen Seudun Op	259	25.7	Ari Pohjola
Rantasalmen Op	113	23.8	Vesa Auvinen
Rantsilan Op	39	23.2	Ismo Välijärvi
Rautalammin Op	55	27.1	Esko-P. Markkanen
Riihimäen Seudun Op	263	25.6	Seppo Runsamo
Riistaveden Op	75	17.4	Pauli Kröger
Ruoveden Op	113	12.4	Alpo Porila
Ruukin Op	87	29.9	Kalle Arvio
Rymättylän Op	48	23.0	Antero Nikki
Rääkkylän Op	61	19.2	Olli Koivula
Sallan Op	52	22.6	Veikko Nissi
Salon Seudun Op	566	17.9	Jukka Hulkkonen
Sauvon Op	55	30.2	Pertti Peura
Savitaipaleen Op	77	34.6	Martti Valtonen
Savonlinnan Op	381	27.6	Merja Auvinen
Sideby Andb	13	30.6	Johan Ingves
Siikajoen Op	33	29.1	Raija Fingerroos
Simpeleen Op	54	29.0	Kalevi Lehti
Somerniemen Op	22	21.3	Pertti Kujala
Someron Op	127	22.2	Pertti Purola
Sonkajärven Op	79	26.9	Esko Nissinen
Sotkamon Op	98	29.1	Juhajouni Karttunen
Sulkavan Op	46	23.8	Kari Haverinen
Suomussalmen Op	91	22.1	Timo Polo
Suonenjoen Op	84	24.7	Antti Hult
Sysmän Op	85	31.5	Heikki Kuurne
Säkylän Op	60	28.8	Henrik Vase
Taivalkosken Op	46	22.8	Riitta-Liisa Ahokumpu
Taivassalon Op	40	16.1	Jari Katila
Tampereen Seudun Op	1,882	13.2	Olli Lehtilä
Tarvasjoen Op	43	23.8	Esa Hentula
Tervolan Op	55	32.7	Hannu Neuvonen
Tervon Op	35	35.1	Seppo Vehniäinen
Toholammin Op	76	18.7	Leena Kälviä
Tornion Op	197	18.4	Pentti Alaperä
Turun Seudun Op	1,929	14.1	Risto Korpela
Tuupovaaran Op	45	35.0	Aune Parviainen
Tyrnävän Op	67	17.0	Eero Ylilauri
Ullavan Op	27	26.9	Maire Joentakanen
Urjalan Op	107	24.5	Janne Nuutinen
Utajärven Op	132	24.0	Raimo Tuovinen
Uukuniemen Op	11	42.5	Pauli Loikkanen
Vasa Andb	521	19.9	Ulf Nylund
Vakka-Suomen Op	309	18.0	Juha-Pekka Nieminen
Valkeakosken Op	156	20.9	Juha Luomala
Valtimon Op	48	19.3	Heikki Myller
Vammalan Seudun Op	187	14.3	Jyrki Rantala
Vampulan Op	53	21.3	Kari Hänti
Varkauden Op	199	19.6	Pekka Vilhunen
Varpaisjärven Op	68	25.1	Seppo Riekkinen
Vehmersalmen Op	44	32.3	Heikki Väisäinen
Vesannon Op	47	29.5	Esa Keränen
Vetelin Op	25	24.4	Jarmo Lehojärvi
Vetelin Ylipään Op	26	28.0	Jari Siirilä

Vihannin Op	95	26.5	Olavi Rasi
Vimpelin Op	57	22.7	Simo Ilomäki
Virolahden Op	57	24.7	Jyrki Gerlander
Virtain Op	129	26.6	Ari Kakkori
Ylitornion Op	73	26.7	Heikki Eteläaho
Ylivieskan Op	152	12.5	Jarmo Somero
Yläneen Op	55	29.5	Heikki Eskola
Ypäjän Op	55	26.9	Kirsi-Marja Hiidensalo
Ähtärin Op	51	14.8	Esko Kokkila
Östra Korsholms Andb	6	28.4	Jussi Lahti
Övermark Andb	24	18.8	Mårten Vikberg

Associated companies

Holdings in associated companies in 2008

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
Realinvest Oy	Helsinki	21	0	0	1	25.3
Finanssidata Oy	Helsinki	14	10	41	0	36.0
Automatia Pankkiautomaatit Oy	Helsinki	386	363	61	3	33.3
Autovahinkokeskus Oy	Espoo	7	2	6	1	27.8
Vahinkopalvelu Oy	Loppi	1	0	3	0	46.7
Total		429	375	111	5	

The Group's associated companies are unquoted companies.

Holdings in associated companies in 2007

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
Realinvest Oy	Helsinki	65	0	12	2	25.3
Automatia Pankkiautomaatit Oy	Helsinki	364	337	64	4	33.3
Autovahinkokeskus Oy	Espoo	6	2	4	0	27.8
Vahinkopalvelu Oy	Loppi	1	1	3	0	46.7
Total		436	340	83	6	

The Group's associated companies are unquoted companies.

Joint ventures

Joint ventures included in the consolidated financial statements in 2008

Name	Domicile	Sector	Holding
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy Säterinkatu 6	Espoo	Property holding and management	100.0
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Property holding and management	41.7
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0
Kiinteistö Oy Biocity	Turku	Property holding and management	30.5
Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	49.5
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0

Companies owned by Pohjola Insurance Ltd:			Pohjola's holding %
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0

The consolidated financial statements include the share of assets and related liabilities under joint control.

Joint ventures included in the consolidated financial statements in 2007

Name	Domicile	Sector	Holding
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy Säterinkatu 6	Espoo	Property holding and management	100.0
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0
Kiinteistö Oy Pekurinkulma	Oulu	Property holding and management	100.0
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Property holding and management	41.7
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0
Kiinteistö Oy Biocity	Turku	Property holding and management	30.5
Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	49,5.9
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0

Companies owned by Pohjola Insurance Ltd:			Pohjola's holding %
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0

NOTE 55. Related-party transactions

OP Bank Group's related parties:

OP-Pohjola Group's subsidiary and associated companies are listed in Note 54.
The Group's administrative personnel comprise OP-Pohjola Group's Executive Chairman (Chairman of the Executive Board), President of OP-Pohjola Group Central Cooperative, members and deputy members of the Executive and Supervisory Boards, and their close family members. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

With respect to loans granted to the management, OP-Pohjola Group applies standard loan terms and conditions. Loans are tied to generally used reference rates.

Related-party transactions 2008

	Associates	Admini-strative personnel	Others
Loans	147	3	-
Other receivables	0	0	0
Deposits	6	11	36
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	1	0	1
Insurance premium revenue	0	0	0
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-

Impairment losses on loans	-	-	-
Impairment losses on loans at year-end	-	-	-
Off-balance-sheet commitments			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	0	-
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	4	-
Performance-based pay	-	-	-
Related-party holdings			
Number of stock options	-	-	-
Number of shares	-	99,587	3,680,793
Number of participations	-	5,512	-

Related-party transactions 2007

	Associates	Administrative personnel	Others
Loans	120	4	-
Other receivables	0	0	0
Deposits	30	7	92
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	-	0	-
Insurance premium revenue	0	0	0
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairment losses on loans	-	-	-
Impairment losses on loans at year-end	-	-	-
Off-balance-sheet commitments			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	0	-
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	4	-
Performance-based pay	-	-	-
Related-party holdings			
Number of stock options	-	-	-
Number of shares	-	86,064	3,680,793
Number of participations	-	4,537	-

NOTE 56. Long-term incentive schemes

Personnel fund

In 2007, a total of 283 OP-Pohjola Group companies 94% of all staff, were included in the OP Bank Group Personnel Fund established in 2004. In 2008, roughly EUR 5 million (8.4) of bonuses transferred to the Fund was charged to personnel costs.

Payment of OP-Pohjola Group Central Cooperative (excl. Pohjola Group) profit-based bonuses to OP-Pohjola Group Personnel Fund in 2008 were based on the following targets:

OP-Pohjola Group's return on economic capital, in terms of percentage and change in the Group's loyal customers, both weighted 50%. If the targets set for the performance indicators are achieved 100%, profit-based bonuses for 2008 to be transferred to the Fund account for 3% of the combined salaries and wages earned by the Fund's members.

The corresponding criteria in Pohjola Group are:

Pohjola Group's financial year EPS, weighted 50%; change in the number of Pohjola Insurance Ltd's loyal customer households, weighted 25%; change in the number of OP-Pohjola Group's loyal customers, weighted 25%. If the targets set for the performance indicators are achieved 100%, profit-based bonuses for 2008 to be transferred to the Fund account for 3% of the combined salaries and wages earned by the Fund's members.

The criteria for profit-based bonuses in Group member banks are:
the member bank's return on economic capital and the change in the number of loyal customers in the member bank itself and in OP-Pohjola Group in total.

In 2008, OP-Pohjola Group's companies paid EUR 5.0 million as profit-based bonuses to OP-Pohjola Group Personnel Fund for 2007.

Long-term management incentive scheme

The management's long-term incentive scheme comprises selected people at management level. Depending on how well they have achieved certain annual targets, they are entitled to a bonus, subject to withholding tax, similar to monthly salary.

The bonus will be paid in two years' time following the end of the vesting period in the form of Pohjola Bank shares. Bonuses under the scheme that was valid in 2005 (with lower bonuses) were paid in May 2008.

NOTE 57. Events after the balance sheet date

As proposed by the Board of Directors, OKO Bank plc's Extraordinary General Meeting on 9 October 2007 decided to change the Company's business name and alter Articles 1 and 2 of the Articles of Association. The new business name of the Parent Company and the Group, effective as of 1 March 2008, is Pohjola Bank plc and Pohjola Bank Group, respectively.

The Board of Pohjola Bank, OP-Pohjola Group Central Cooperative's subsidiary, decided at its meeting on12 February 2009 to take measures to strengthen the company's capital base. Accordingly, this capital increase could be implemented through a rights issue in the spring 2009 of around EUR 300 million for the existing shareholders, subject to a Board authorisation issued by the Annual General Meeting. This would further increase Pohjola Bank's solid capital adequacy and improve Pohjola Bank capacity to its customer companies' funding in a situation where the funding is difficult to get and many foreign players have left the Finnish market. The three largest owners of Pohjola Bank have committed to subscribing shares in accordance with the subscription rights made available to them. The Central Cooperative has also guaranteed to subscribe any shares that would otherwise not be subscribed.

NOTE 58. Segment reporting

Segment information
OP-Pohjola Group's business segments comprise Banking and Investment Services, Non-life Insurance and Life Insurance. Other operations not included in the business segments are presented under 'Other operations'. OP-Pohjola Group has no geographical segments.

OP-Pohjola Group's business segment reporting was changed as of the second quarter of 2008: Pohjola Bank Group's asset management and central bank operations which used to be included in Banking and Investment Services will from now on be reported as part of the non-business-segment Other Operations. The comparison period figures for 2007 have been changed to correspond to the new segment division. The changes concern the Banking and Investment Services and Other Operations.

The companies under Banking and Investment Services are the Group member cooperative banks, Helsinki OP Bank Plc, OP-Kotipankki Oyj, OP Mortgage Bank, OP Fund Management, Pohjola Asset Management Ltd, Pohjola Corporate Finance Ltd, Pohjola Capital Partners Ltd and some smaller companies supporting banking and investment services in their entirety. Pohjola Group's Banking and Asset Management segments are also included under Banking and Investment Services. The operations of OP Bank Group Mutual Insurance Company's are also included under Banking and Investment Services, because the majority of the company's business consists of credit insurance to retail banks.

Net interest income is the most significant income component generated by Banking and Investment Services. Income also comes from commissions and fees, and investments. Expenses arise mainly from personnel and other administrative costs, from the network of offices and from returns to owner-members. The most significant risk category pertains to credit risks but business also involves investment risks and operational risks.

The Life Insurance segment comprises OP Life Assurance Company Ltd engaged in the Group's life and pension insurance business.

Income generated by the life insurance companies is based on the difference between insurance premium revenue and benefits paid and changes in insurance contract liabilities, and net investment income. The most significant risk involved in the life insurance business is the investment risk. The most significant insurance risks pertain to mortality and disability.

The Non-life Insurance segment encompasses the operations of OP-Pohjola Group's non-life insurance companies, i.e. Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

Non-life insurance products include non-life insurance policies sold to corporate and private customers. Income generated by Non-life Insurance derives mainly from premiums written and investment income. The most significant risks in Non-life Insurance pertain to insurance risks and investment risks.

The operations remaining outside the business segments consist of the Group administration of Central Cooperative, FD Finanssidata Oy (FD), OP IT Procurement Ltd and Pohjola Group. Expenses for services rendered by the Central Cooperative, OP IT Procurement and FD to support the business areas are allocated to these business areas as internal service charges based on rates approved by the Executive Board of Central Cooperative.

Other Operations already included operations that supported all business segments, particularly the operations of OP-Pohjola Group Central Cooperative and FD Finanssidata Oy (up to May 2008) and Pohjola's Group management. Costs of the services which Central Cooperative and FD provide for the business segments are allocated to the segments in the form of internal service charges. The internal service charges are based on the service price list approved by the Central Cooperative's Executive Board.

Segment accounting policies

Segment reporting conforms to the accounting policies applied to OP-Pohjola Group financial statements. Income, expenses, assets and liabilities, which are considered to relate directly to and be reasonably allocable to the business lines, are allocated to the business lines. Income, expenses, investments and capital, which have not been allocated to the business lines, and Group eliminations between the business lines are reported under the column 'Other operations and eliminations'. OP-Pohjola Group's internal income from equity-based investments has been eliminated.

Equity allocated to retail banking operations accounts for 9% of the risk-weighted commitments required by the Credit Institutions Act and equity allocated to Pohjola Bank's banking and investment services operations for 7% of the risk-weighted commitments. The unallocated part of equity is assigned to 'Other operations' outside the business lines.

Income statement and balance sheet by segment in 2008

EUR Million	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP-Pohjola Group
Interest income	4,770	-	-	82	4,853
Interest expenses	3,650	11	-	3	3,664
Net interest income before impairment losses	**1,121**	**11**	**-**	**79**	**1,189**
Impairment losses on receivables	48	-	-	10	58
Net interest income after impairment losses	**1,072**	**11**	**-**	**69**	**1,131**
Net income from Non-life Insurance	-	352	-	-7	345
Net income from Life Insurance	-	-	-125	-14	-139
Net commissions and fees	450	5	-	-36	419
Net trading income	-50	-	-1	-74	-125
Net investment income	23	-	-	3	25
Other operating income	66	15	16	11	108
Personnel costs	381	111	5	101	598
Other administrative expenses	309	93	15	-90	328
Other operating expenses	185	101	32	-6	312
Returns to owner-members	154	-	-	-	154
Share of associates' profits/losses	0	0	-	0	1
Earning before tax	**532**	**55**	**-162**	**-53**	**372**
Income tax expense					151
Profit for the financial year					**221**

Balance sheet 31 Dec. 2008	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP-Pohjola Group
Liquid assets	138	-	-	2,255	2,393
Receivables from financial institutions	3,480	-	-	-1,030	2,450
Financial assets at fair value through profit or loss	1,225	-	-	2,088	3,313
Derivative contracts	1,587	-	-	-116	1,470
Receivables from customers	51,256	-	-	453	51,708
Non-life Insurance assets	-	2,798	-	-127	2,670
Life Insurance assets	-	-	5,588	-495	5,093
Investment assets	2,099	0	-	342	2,441
Investment in associates	7	2	-	8	17
Intangible assets	218	826	97	69	1,211
Property, plant and equipment	633	24	6	99	762
Other assets	1,272	4	5	534	1,814
Tax assets	83	75	209	36	403
Total assets	**61,997**	**3,729**	**5,905**	**4,115**	**75,746**
Liabilities to financial institutions	4,651	0	-	-3,958	693
Financial liabilities at fair value through profit or loss	138	-	-	0	138
Derivative contracts	1,119	-	-	446	1,565
Liabilities to customers	34,780	-	-	2,303	37,082
Non-life Insurance liabilities	-	2,238	-	-	2,238
Life Insurance liabilities	-	-	5,438	-25	5,413
Debt securities issued to the public	1,723	-	-	16,441	18,164
Provisions and other liabilities	1,871	52	1	468	2,393
Tax liabilities	452	220	138	161	971
Cooperative capital	745	-	-	-175	570
Subordinated liabilities	331	50	91	832	1,304
Total liabilities	**45,810**	**2,560**	**5,668**	**16,492**	**70,531**
Equity capital					**5,215**

Income statement and balance sheet by segment in 2007

EUR Million	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP-Pohjola Group
Interest income	3,599	-	-	31	3,630
Interest expenses	2,570	7	-	6	2,583
Net interest income before impairment losses	**1,030**	**7**	**-**	**25**	**1,048**
Impairment losses on receivables	13	-	-	-	13
Net interest income after impairment losses	**1,016**	**7**	**-**	**25**	**1,035**
Net income from Non-life Insurance	-	435	-	-8	427
Net income from Life Insurance	-	-	177	-6	172
Net commissions and fees	459	6	-	-35	430
Net trading income	22	-	-	-52	-30
Net investment income	72	-	-	23	95
Other operating income	56	30	12	11	109
Personnel costs	346	103	7	96	553
Other administrative expenses	279	104	17	-97	303
Other operating expenses	171	77	36	-11	273
Returns to owner-members	107	-	-	-	107
Share of associates' profits/losses	0	0	-	2	3
Earning before tax	**722**	**181**	**129**	**-27**	**1,005**
Income tax expense					266
Profit for the financial year					**738**

Balance sheet 31 Dec. 2007	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP-Pohjola Group
Liquid assets	146	-	-	444	589
Receivables from financial institutions	2,188	-	-	-1,903	285
Financial assets at fair value through profit or loss	1,481	-	-	3,309	4,791
Derivative contracts	557	-	-	-31	526
Receivables from customers	44,748	-	-	28	44,776
Non-life Insurance assets	-	2,842	-	-93	2,750
Life Insurance assets	-	-	6,644	-283	6,361
Investment assets	2,176	0	-	-206	1,970
Investment in associates	8	2	-	16	26
Intangible assets	206	853	96	75	1,230
Property, plant and equipment	590	19	0	106	715
Other assets	1,448	2	2	127	1,579
Tax assets	51	6	38	23	117
Total assets	**53,599**	**3,724**	**6,779**	**1,613**	**65,716**
Liabilities to financial institutions	5,251	0	-	-4,302	949
Financial liabilities at fair value through profit or loss	52	-	-	-	52
Derivative contracts	404	-	-	150	554
Liabilities to customers	29,157	-	-	2,067	31,224
Non-life Insurance liabilities	-	2,140	-	-	2,140
Life Insurance liabilities	-	-	6,130	-31	6,099
Debt securities issued to the public	998	-	-	13,076	14,074
Provisions and other liabilities	2,112	100	1	267	2,480
Tax liabilities	435	232	77	150	893
Cooperative capital	739	-	-	-168	571
Subordinated liabilities	342	-	91	610	1,042
Total liabilities	**39,490**	**2,472**	**6,298**	**11,817**	**60,078**
Equity capital					**5,638**

NOTE 59. New standards and interpretations

IAS 23 (revised) Borrowing costs (valid as of 1 January 2009 or financial year beginning after that). Revision of the standard pertains to the recognition of borrowing costs, which are directly caused by the acquisition, construction or manufacture of an asset that fulfils the conditions. These costs form part of the asset's acquisition costs.

IFRIC 13 Customer Loyalty Programmes (valid as of 1 July 2009 or financial year beginning after that). This interpretion addresses accounting by companies which grant loyalty award credits to customers who buy their products or services. It provides guidelines for the measurement and recognition of these credits.

IAS 1 (revised) Presentation of Financial Statements (valid as of 1 January 2009 or financial year beginning after that). The revised standard shows how the statement of comprehensive income capital resources should be presented.

IFRS 3 (revised) Business Combinations (valid as of 1 July 2009 or financial year beginning after that). The standard revision concern convergence, and its scope is expanded to include mutual entities.

IAS 27 (revised) Consolidated and Separate Financial Statements (valid as of 1 July 2009 or financial year beginning after that). The standard provides accounting guidelines for situations where ownership percentage to a subsidiary changes. The crucial thing concerning recognition practices is whether the company remains in control of the subsidiary.

Amendments to IFRS 2 - Vesting Conditions and Cancellations (valid as of 1 January 2009 or financial year beginning after that). The standard clarifies the recognition practices and the scope of application in accordance with IFRS 2.

IAS 32 Financial instruments: presentation and amendments of Financial Statements under IAS 1 - Puttable Financial Instruments and Obligations Arising on Liquidation (valid as of 1 January 2009 or financial year beginning after that). The amendment of the standard provides guidelines for the categorisation of debt instruments into capital resources.

Improvements to IFRSs (valid as of 1 January 2009 or financial year beginning after that). Minor changes to the standard, affecting presentation, recognition and valuation practices.

IAS 39 Financial instruments: Recognition and Measurement, amendment - Eligible Hedged Items (valid as of 1 July 2009 or financial year beginning after that). Amendments to the standard clarify IAS 39 guidelines on the hedged contract's unilateral and inflation risk.

IFRIC 15 Agreements for the Construction of Real Estate (valid as of 1 January 2009 or financial year beginning after that). The interpretation clarifies revenue practices and timing related to real estate construction.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (valid as of 1 October 2008 or financial year beginning after that). The interpretation will clarify the accounting procedures of the protection of foreign net investments in consolidated financial statements.

Amendments to IFRS 1 and IAS 27 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (valid as of 1 January 2009 or financial year beginning after that). The standard provides guidelines on the original valuation of companies controlled by the parent company in the consolidated financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners (valid as of 1 July 2009 or financial year beginning after that). The interpretation provides guidelines on the accounting procedures concerning other assets than cash distributed to owners as dividend.

NOTES TO RISK MANAGEMENT

Note 2 deals with risk management and capital adequacy management principles. Information on risk exposure by Banking and Investment Services can be found in Notes 62–98, that by Non-life Insurance in Notes 99–110 and that by Life Insurance in Notes 111–117.

NOTE 60. OP-Pohjola Group's risk limit system based on OP 2006 business strategy, and values of risk indicators

Central Cooperative's Supervisory Board confirms risk limits for OP-Pohjola Group's risk-bearing capacity, profitability and credit and market risks. These limits are used to control the Group's risk-taking. OP-Pohjola Group's valid risk limit system is based on the business strategy confirmed in 2006.

Indicator	Risk limit	31 Dec. 2008	31 Dec. 2007
Risk-bearing capacity and profitability			
OP-Pohjola Group risk limits			
Capital adequacy ratio, (Act on the Supervision of Financial and Insurance Conglomerates)	1.20	1.40	1.52
Credit risks, %			
Largest single customer risk / capital resources	15.0	7.1	7.0
Total of large customer risks / capital resources	100.0	0.0	0.0
Segment risk[1]	18.0	14.6	-
Banking		12	-
Non-life Insurance		14.6	-
Life Insurance		12.8	-
Non-performing loans/loan and guarantee portfolio	2.0	0.4	0.3
Market risks, %			
Funding risk, cumulative funding position/total assets of banking			
≤12 months	-50	-39.4	-39.7
≤ 3 years	-40	-29.8	-27.3
≤ 5 years	-30	-20.3	-20.2
Liquidity reserve/total assets of banking	6	14.5	10.3
Interest rate risk/economic capital [2]	+/-10	0.6	0.7
Currency risk/economic capital [3]	20	4.2	8.7
Equity market risk /economic capital [4]	50	9.0	30.0
Capital invested in properties / economic capital	70	30	34.1

[1] Banking and investment: The biggest sector's receivables and commitments / corporate sector's receivables and commitments Insurance companies: The biggest corporate sector's market value/value of corporate investments (direct investments)

[2] Effect of 100 basis point increase in the interest rate on present value of future cash flows

[3] Total net currency position as per Finnish Financial Supervision Authority standard 106.12

[4] Market value

NOTE 61. OP-Pohjola Group's risk-bearing capacity

Note 2, OP-Pohjola Group's Capital Adequacy and Risk Management Principles, provides a description of goals, key principles and process related to capital management. OP-Pohjola Group and all companies providing banking and investment services fulfil all capital adequacy requirements set by regulatory authorities.

Own funds and capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 Dec. 2008	31 Dec. 2007
OP-Pohjola Group's equity capital	5,215	5,638
Business-segment-specific items	1,873	1,607
Goodwill and intangible assets	-1,106	-1,116
Equalisation provision	-481	-256
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate’s capital resources	-619	-728
Conglomerate's capital resources, total	4,882	5,145
Regulatory capital requirement for credit institutions	3,115	3,037
Regulatory capital requirement for insurance operations	361	355
Minimum amount of conglomerate's capital resources	3,476	3,392
Conglomerate's capital adequacy	**1,406**	**1,753**
Conglomerate's capital adequacy ratio (capital resources/minimum regulatory capital)	**1.40**	**1.52**

As referred to in the Act on the Supervision of Financial and Insurance Conglomerates, OP-Pohjola Group is a conglomerate for which a capital adequacy ratio is calculated, as provided by the Act.

Risk-bearing capacity and profitability

The indicator of OP-Pohjola Group's risk-bearing capacity is the capital adequacy ratio, as defined in the Act on the Supervisions of Financial and Insurance Conglomerates, proportioned to the minimum requirement for capital adequacy (capital adequacy ratio in accordance with the Act on the Supervision of Financial and Insurance Conglomerates RAVA). On 31 December 2008, OP-Pohjola Group's capital resources were EUR 710 million above the Group's own requirement and EUR 1,406 million above the limit required by law. A year earlier, the corresponding figures were EUR 1,074 million and EUR 1,753 million. The high risk-bearing capacity acts as a buffer against unexpected losses and paves the way for business growth.

Risk exposure by Banking and Investment Services

NOTE 62. Financial assets and impairment losses recognised on them for the financial year

	31 Dec. 2008		31 Dec. 2007	
	Balance sheet value	Impairment losses	Balance sheet value	Impairment losses
Liquid assets	2,393	-	589	-
Receivables from financial institutions	2,450	-	285	-
Financial assets at fair value through profit or loss				
Notes and bonds	3,268	-	4,721	-
Shares and participations	45	-	69	-
Other	-	-	-	-
Derivative contracts				
Held for trading	1,307	-	479	-
Hedging	117	-	48	-
Recognised at fair value through profit or loss	46	-	0	-

Loans and other receivables				
Loans granted	51,109	135	44,295	115
Finance lease receivables	593	-	452	-
Repo contracts	-	-	-	-
Bank guarantee receivables	6	3	2	3
Other receivables	0	-	26	-
Available-for-sale financial assets				
Notes and bonds	450	-	979	-
Shares and participations	326	-	379	-
Other	-	-	-	-
Held-to-maturity investments				
Notes and bonds	1,198	-	116	-
Off-balance-sheet commitments				
Bank guarantees	2,957	-	2,398	-
Total financial assets	**66,265**	**137**	**54,840**	**118**

NOTE 63. Exposure

	Finland			Other countries		
31 Dec. 2008	**Balance sheet value**	**Impair-ments**	**Accrued interest**	**Balance sheet value**	**Impair-ments**	**Accrued interest**
Financial assets						
Receivables from financial institutions	44	-	0	2,406	-	29
Receivables from customers	50,037	128	277	1,078	10	5
Finance leases	593	-	-	0	-	-
Notes and bonds	3,195	-	18	1,721	-	16
Other	28	-	-	426	-	-
Total	**53,897**	**128**	**294**	**5,631**	**10**	**50**
Off-balance-sheet commitments						
Unused standby credit facilities	7,321	-	-	75	-	-
Guarantees and letters of credit	2,690	-	-	444	-	-
Derivative contracts	307	-	-	1,214	-	-
Other	144	-	-	343	-	-
Total	**10,463**	**-**	**-**	**2,076**	**-**	**-**
Total exposure	**64,360**	**128**	**294**	**7,707**	**10**	**50**

	Finland			Other countries		
31 Dec. 2007	**Balance sheet value**	**Impair-ments**	**Accrued interest**	**Balance sheet value**	**Impair-ments**	**Accrued interest**
Financial assets						
Receivables from financial institutions	23	-	0	262	-	2
Receivables from customers	43,736	118	253	588	0	3
Finance leases	452	-	-	0	-	-
Notes and bonds	2,941	-	24	2,876	-	26
Other	11	-	-	118	-	-
Total	**47,162**	**118**	**277**	**3,844**	**0**	**30**
Off-balance-sheet commitments						
Unused standby credit facilities	7,637	-	-	72	-	-
Guarantees and letters of credit	2,230	-	-	333	-	-
Derivative contracts	65	-	-	456	-	-
Other	169	-	-	407	-	-
Total	**10,101**	**-**	**-**	**1,267**	**-**	**-**
Total exposure	**57,263**	**118**	**277**	**5,112**	**0**	**30**

Positive market value was recognised for derivative contracts.

NOTE 64. Exposure by sector

	Balance sheet values		Off-balance-sheet		
31 Dec. 2008	**Domestic**	**Foreign**	**Domestic**	**Foreign**	**Total**
Non-banking corporate sector	16,316	548	6,890	400	24,155
Financial institutions and insurance companies	2,459	4,783	183	1,673	9,098
Households	34,011	39	3,118	2	37,171
Non-profit organisations	431	0	55	-	486
Public corporations	974	311	217	-	1,502
Total	**54,191**	**5,681**	**10,463**	**2,076**	**72,411**
31 Dec. 2007					
Non-banking corporate sector	13,766	419	6,529	294	21,008
Financial institutions and insurance companies	1,665	3,315	242	972	6,194
Households	30,690	12	3,129	1	33,833
Non-profit organisations	398	0	48	-	446
Public corporations	920	128	152	-	1,201
Total	**47,439**	**3,875**	**10,101**	**1,267**	**62,682**

NOTE 65. Receivables from credit institutions and customers, and doubtful receivables

31 Dec. 2008	**Not impaired (gross)**	**Impaired (gross)**	**Total**	**Total impair-ments**	**Balance sheet value**
Receivables					
Receivables from financial institutions	2,450	-	2,450	-	2,450
Receivables from customers	51,070	182	51,253	137	51,115
Bank guarantee receivables	6	3	9	3	6
Finance leases	593	-	593	-	593
Overdrafts	1	-	1	-	1
Total	**54,115**	**182**	**54,297**	**137**	**54,160**
Receivables by sector					
Non-banking corporate sector	16,300	106	16,406	71	16,336
Financial institutions and insurance companies	3,047	35	3,081	9	3,072
Households	33,906	40	33,946	57	33,890
Non-profit organisations	426	2	428	1	427
Public corporations	435	-	435	-	435
Total	**54,115**	**182**	**54,297**	**137**	**54,160**

31 Dec. 2007	**Not impaired (gross)**	**Impaired (gross)**	**Total**	**Total impair-ments**	**Balance sheet value**
Receivables					
Receivables from financial institutions	285	-	285	-	285
Receivables from customers	44,305	138	44,442	118	44,324
Bank guarantee receivables	2	3	5	3	2
Finance leases	452	-	452	-	452
Overdrafts	10	-	10	-	10
Total	**45,052**	**138**	**45,190**	**118**	**45,071**

Receivables by sector					
Non-banking corporate sector	13,106	100	13,206	68	13,138
Financial institutions and insurance companies	507	-	507	-	507
Households	30,588	36	30,624	50	30,574
Non-profit organisations	393	1	395	0	394
Public corporations	458	-	458	-	458
Total	**45,052**	**138**	**45,190**	**118**	**45,071**

		Doubtful receivables			
31 Dec. 2008	**Not impaired (gross)**	**Impaired (gross)**	**Total**	**Arrears**	**Impairments**
Doubtful receivables					
Receivables from financial institutions	0	-	0	-	-
Receivables from customers	332	182	515	201	137
Bank guarantee receivables	6	3	9	4	3
Finance leases	1	-	1	1	-
Overdrafts	1	-	1	0	-
Total	**335**	**182**	**517**	**202**	**137**
Doubtful receivables by sector					
Non-banking corporate sector	88	106	194	93	71
Financial institutions and insurance companies	5	35	39	0	9
Households	227	40	267	108	57
Non-profit organisations	2	2	4	1	1
Public corporations	13	-	13	0	-
Total	**335**	**182**	**517**	**202**	**137**

		Doubtful receivables			
31 Dec. 2007	**Not impaired (gross)**	**Impaired (gross)**	**Total**	**Arrears**	**Impairments**
Doubtful receivables					
Receivables from financial institutions	0	-	0	-	-
Receivables from customers	362	138	500	161	118
Bank guarantee receivables	2	3	5	5	3
Finance leases	1	-	1	1	-
Overdrafts	10	-	10	0	-
Total	**373**	**138**	**511**	**162**	**118**
Doubtful receivables by sector					
Non-banking corporate sector	124	100	224	76	68
Financial institutions and insurance companies	8	-	8	0	-
Households	219	36	255	85	50
Non-profit organisations	13	1	14	2	0
Public corporations	9	-	9	0	-
Total	**373**	**138**	**511**	**162**	**118**

31 Dec. 2008	**Portfolio**	**Impair-ments**	**Balance sheet value**
Doubtful receivables			
Non-performing	285	87	197
Zero-interest	7	1	6
Underpriced	112	5	108
Other	113	44	69
Total	**517**	**137**	**380**

31 Dec. 2007	Portfolio	Impair-ments	Balance sheet value
Doubtful receivables			
Non-performing	219	80	138
Zero-interest	10	4	7
Underpriced	212	6	207
Other	69	29	41
Total	**511**	**118**	**392**

31 Dec. 2008	30–90 days	90–180 days	Over 180 days.	Total
Matured receivables, not impaired	427	96	114	638

NOTE 66. Impairment losses on receivables	31 Dec. 2008	31 Dec. 2007
Impairment losses on receivables	73	39
Reversal of impairment losses	-17	-20
Payments on eliminated receivables	-6	-9
Net change in group-specific impairment losses	8	4
Total	**58**	**13**
Impairments (net) as a percentage of the loan and guarantee portfolio	0.11	0.02

OP-Pohjola Bank Group's objective is that in the long term impairment losses on receivables will not exceed 0.25% of the loan and guarantee portfolio per year.

NOTE 67. Private customer exposure by credit category

	31 Dec. 2007	
Category	Net exposure	%
A	14,869	40.0
B	11,066	29.8
C	4,381	11.8
D	2,172	5.8
E	1,040	2.8
F	350	0.9
	3,293	8.9
Total	**37,171**	**100.0**

NOTE 68. Corporate exposure by sector

31 Dec. 2008	Net exposure Balance sheet	Off-balance sheet	Total	Percentage-distribution
Trade	2,030	813	2,843	11.8
Services	1,724	552	2,275	9.4
Metal industry	960	1,294	2,255	9.3
Lease and management of other real property	1,836	351	2,187	9.1
Housing corporations	1,584	397	1,982	8.2
Construction	888	963	1,851	7.7
Lease and management of flats	1,579	78	1,656	6.9
Other industry	974	641	1,615	6.7
Other sectors	1,298	307	1,605	6.6
Transport and traffic	873	520	1,394	5.8
Forest industry	851	372	1,223	5.1
Energy production	577	482	1,059	4.4
Food industry	490	229	719	3.0
Property investment	648	49	697	2.9
Telecommunications and electronics	278	172	450	1.9
Communications and publishing	274	70	344	1.4
Total	**16,865**	**7,290**	**24,155**	**100.0**

31 Dec. 2007	Net exposure Balance sheet	Off-balance sheet	Total	Percentage-distribution
Trade	1,755	850	2,605	12.4
Metal industry	936	1,105	2,041	9.7
Services	1,456	407	1,863	8.9
Construction	814	986	1,801	8.6
Housing corporations	1,433	305	1,738	8.3
Lease and management of other real property	1,399	258	1,656	7.9
Lease and management of flats	1,414	146	1,560	7.4
Other sectors	1,226	221	1,447	6.9
Transport and traffic	678	500	1,179	5.6
Forest industry	736	417	1,153	5.5
Other industry	618	504	1,121	5.3
Energy production	438	451	888	4.2
Food industry	394	279	673	3.2
Property investment	520	84	604	2.9
Telecommunications and electronics	216	237	453	2.2
Communications and publishing	154	74	228	1.1
Total	**14,185**	**6,824**	**21,008**	**100.0**

NOTE 69. Corporate exposure by rating category

Rating	31 Dec. 2008 Net exposure	%
1–2	719	3.0
3–4	5,143	21.3
5–6	10,066	41.7
7–8	5,666	23.5
9–10	1,348	5.6
11–12	305	1.3
Non-rated	907	3.8
Total	**24,155**	**100.0**

NOTE 70. Corporate exposure by the amount of customer's exposure

31 Dec. 2008

Amount of exposure, EUR million	Finland	Other countries	Total	%
0–1	5,643	141	5,784	23.9
1–10	4,827	251	5,078	21.0
10–50	4,381	493	4,873	20.2
50–100	3,211	64	3,275	13.6
Over 100	5,145	-	5,145	21.3
Total	**23,206**	**948**	**24,155**	**100.0**

31 Dec. 2007

Amount of exposure, EUR million	Finland	Other countries	Total	%
0–1	5,251	68	5,318	25.3
1–10	4,498	223	4,721	22.5
10–50	3,907	360	4,267	20.3
50–100	2,557	63	2,619	12.5
Over 100	4,082	-	4,082	19.4
Total	**20,295**	**713**	**21,008**	**100.0**

NOTE 71. Secondary country risk by country risk category (excl. Finland)

		31 Dec. 2008		31 Dec. 2007	
Country risk	**equivalen t**	Net exposure	%	Net exposure	%
Category 1	Aaa	6,950	89.9	4,595	89.8
Category 2	Aa1–A3	366	4.7	215	4.2
Category 3	Baa1–Baa3	189	2.4	189	3.7
Category 4	Ba1–B3	218	2.8	108	2.1
Category 5	Caa1–C	7	0.1	7	0.1
Total		**7,729**	**100.0**	**5,115**	**100.0**

Category 2 (excl. Finland) takes account of the transfer of contract-related, real risks to another country through agreements or otherwise. The risk may transfer on the basis of an agreement, or a guarantee in most cases, or otherwise, such as transferring receivables from a company's branch office to the country where the company is headquartered.

NOTE 72. Risk limit of credit risk in banking operations

OP-Pohjola Group has diversified its loan and guarantee portfolio. At the end of 2007, the Group's largest single counterparty-related customer risk accounted for 7.1% (7.0) of OP-Pohjola Group's capital resources. OP-Pohjola Group's risk limit for this incidator is 15%. Real property operations represent the largest amount of OP-Pohjola Group's banking receivables and commitments, amounting to EUR 2.7 billion, or 12.0% of capital resources. OP-Pohjola Group has set its internal industry risk limit at 18% of capital resources. Industry risk monitoring is based on industry grouping confirmed in OP-Pohjola Group's risk management.

At the end of 2008, OP-Pohjola Group had a total of EUR 203 million in non-performing and zero-interest loans, or 38% more than a year ago. Non-performing and zero-interest loans are stated net of impairments of EUR 89 million (84) on specific receivables and groups of receivables. The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.4% at the end of the year, or 0.1 percentage points higher than in 2007 and 1.6 percentage points smaller than the risk limit defined for the ratio. Impairments of receivables remained at a low level, with their gross amount totalling EUR 81 million (42) in 2008, accounting for 0.15% of the loan and guarantee portfolio.

NOTE 73. Structure of OP-Pohjola Group funding

	31 Dec. 2008	%	31 Dec. 2007	%
Liabilities to financial institutions	693	1.1	949	1.7
Financial liabilities at fair value through profit or loss	138	0.2	52	0.1
Liabilities to customers				
Deposits	34,533	52.7	29,001	51.8
Other	2,550	3.9	2,222	4.0
Debt securities issued to the public				
Certificates of deposit, commercial papers and ECPs	10,263	15.7	5,825	10.4
Bonds	7,901	12.1	8,249	14.7
Other liabilities	2,393	3.6	2,480	4.4
Subordinated liabilities	1,304	2.0	1,042	1.9
Cooperative capital	570	0.9	571	1.0
Equity capital	5,215	8.0	5,638	10.1
Total	**65,559**	**100.0**	**56,029**	**100.0**

NOTE 74. Maturity of financial assets and liabilities by residual maturity

31 Dec. 2008	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	2,393	-	-	-	-	2,393
Financial assets at fair value through profit or loss						
Notes and bonds	1,318	984	592	191	184	3,268
Receivables from financial institutions	262	319	1,499	370	0	2,450
Receivables from customers	3,553	4,970	16,239	11,056	15,892	51,708
Investment assets						
Available-for-sale notes and bonds	14	57	214	154	11	450
Held-to-maturity notes and bonds	12	154	809	218	5	1,198
Total financial assets	**7,552**	**6,484**	**19,351**	**11,988**	**16,092**	**61,467**
Transfer of financial assets held for trading	-1,318	-984	-592	-191	-184	
to less-than-3-months category	3,268					
Total financial assets in internal reporting	**9,501**	**5,501**	**18,760**	**11,798**	**15,908**	**61,467**

Financial liabilities						
Liabilities to financial institutions	680	0	-	13	0	693
Financial liabilities at fair value through profit or loss	138	-	-	-	-	138
Liabilities to customers	29,961	6,099	425	332	265	37,082
Debt securities issued to the public	8,270	3,754	5,889	252	-	18,164
Subordinated liabilities	-	29	1,034	146	95	1,304
Total financial liabilities	**39,049**	**9,882**	**7,347**	**743**	**360**	**57,381**
Transfer of private customers' deposit repayable on demand from the less-than-3-months category to the	-17,117	17,117				
Total financial liabilities in internal reporting						
Off-balance-sheet commitments	**7,434**	**95**	**38**	**-**	**-**	**7,567**

31 Dec. 2007	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	589	-	-	-	-	589
Financial assets at fair value through profit or loss						
Notes and bonds	1,077	772	1,905	968	0	4,721
Receivables from financial institutions	148	101	34	2	0	285
Receivables from customers	2,513	4,213	13,856	9,329	14,865	44,776
Investment assets						
Available-for-sale notes and bonds	44	153	575	200	7	979
Held-to-maturity notes and bonds	0	35	63	7	12	116
Total financial assets	**4,371**	**5,272**	**16,432**	**10,506**	**14,885**	**51,467**
Transfer of financial assets at fair value through profit or loss to the less-than-3-months category	-1,077 4,721	-772	-1,905	-968	0	
Total financial assets in internal reporting	**8,016**	**4,501**	**14,527**	**9,538**	**14,885**	**51,467**
Financial liabilities						
Liabilities to financial institutions	934	1	-	13	0	949
Financial liabilities at fair value through profit or loss	52	-	-	-	-	52
Liabilities to customers	26,245	3,477	926	272	303	31,224
Debt securities issued to the public	5,831	2,073	5,902	269	-	14,074
Subordinated liabilities	-	0	819	128	96	1,042
Total financial liabilities	**33,062**	**5,551**	**7,647**	**681**	**399**	**47,340**
Transfer of private customers' deposit repayable on demand from the less-than-3-months category to the	-15,699	15,699				
Total financial liabilities in internal reporting	**17,363**	**21,250**	**7,647**	**681**	**399**	**47,340**
Off-balance-sheet commitments	**7,774**	**81**	**17**	**-**	**-**	**7,871**

* includes letters of credit and unused standby credit facilities

NOTE 75. Funding risk

OP-Pohjola Group has good liquidity, and funding operations have on the whole performed well despite the difficult market situation. Deposits account for about two-thirds of funding, this proportion remaining the same throughout the year thanks to strong increase in deposit accounts. OP-Pohjola Group's financial position was boosted during the year thanks to bonds issued by Pohjola Bank and OP Mortgage Bank

The liquidity reserve maintained by OP-Pohjola Group and Pohjola Bank plc amounted to EUR 9.8 billion (5.7) on 31 December 2008. The liquidity reserves plus items included in OP-Pohjola Group's balance sheet comprise the liquidity reserve eligible for central bank refinancing, which can be used to cover OP-Pohjola Group's wholesale funding maturities for approximately 24 months.

The risk limit measure for the Group’s banking operations' funding risk was the cumulatively calculated ratio of the difference of maturing receivables and liabilities to the balance sheet total in periods of a maximum of one, three and five years. At the end of the year, the key ratios for the financial risk were substantially better than the risk limits. In addition, the Group monitored the share of deposit funding within total assets and the product breakdown of deposits using specific indicators.

NOTE 76. Maturities of financial assets and liabilities by maturity or repricing

31 Dec. 2008	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	Over 5 years	Total
Financial assets							
Liquid assets	2,393	-	-	-	-	-	2,393
Financial assets at fair value through profit or loss							
Notes and bonds	175	1,453	989	32	267	352	3,268
Receivables from financial institutions	540	1,061	116	127	381	225	2,450
Receivables from customers	24,074	9,645	15,444	490	1,154	902	51,708
Available-for-sale financial assets							
Notes and bonds	19	121	71	62	82	96	450
Held-to-maturity financial assets							
Notes and bonds	476	500	15	55	134	18	1,198
Total financial assets	**27,676**	**12,780**	**16,634**	**766**	**2,017**	**1,594**	**61,467**
Financial liabilities							
Liabilities to financial institutions	642	38	13	-	0	0	693
Financial liabilities at fair value through profit or loss	138	-	-	-	-	-	138
Liabilities to customers	27,611	3,096	6,005	308	25	37	37,082
Debt securities issued to the public	4,373	8,668	2,665	904	1,333	222	18,164
Subordinated liabilities	-	464	172	105	483	79	1,304
Total financial liabilities	**32,765**	**12,265**	**8,856**	**1,317**	**1,841**	**338**	**57,381**

31 Dec. 2007	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	Over 5 years	Total
Financial assets							
Liquid assets	589	-	-	-	-	-	589
Financial assets at fair value through profit or loss							
Notes and bonds	760	2,266	833	183	337	342	4,721
Receivables from financial institutions	123	46	102	0	1	13	285
Receivables from customers	18,448	7,421	16,350	469	1,036	1,052	44,776
Available-for-sale financial assets							
Notes and bonds	177	262	169	37	219	115	979
Held-to-maturity financial assets							
Notes and bonds	-	7	40	12	38	19	116
Total financial assets	**20,097**	**10,003**	**17,493**	**701**	**1,631**	**1,542**	**51,467**
Financial liabilities							
Liabilities to financial institutions	856	78	14	-	-	0	949
Financial liabilities at fair value through profit or loss	52	-	-	-	-	-	52
Liabilities to customers	24,491	2,503	3,363	767	66	33	31,224
Debt securities issued to the public	2,944	7,805	1,534	322	1,218	252	14,074
Subordinated liabilities	0	453	50	30	449	61	1,042
Total financial liabilities	**28,343**	**10,839**	**4,961**	**1,119**	**1,733**	**346**	**47,340**

NOTE 77. Sensitivity analysis of market risk

EUR million	Risk parameter	Change	31 Dec. 2008	31 Dec. 2007
Interest rate risk	Interest rate	1 percentage point	66	111
Currency risk	Market value	10 percentage points	3	-1
Volatility risk				
Interest rate volatility	Volatility	20 percentage point	1	2
Currency volatility	Volatility	10 percentage points	2	1
Credit risk premium*	Credit risk margin	0.1 percentage point	4	11
Price risk				
Equity portfolio	Market value	20 percentage point	16	22
Private equity funds	Market value	20 percentage point	13	11
Property risk	Market value	10 percentage points	98	100

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.

NOTE 78. Interest rate risk

In the risk limit system, the interest risk indicator has been defined as the effect of a 1.0 percentage point interest rate increase on economic capital, in proportion to the interest rate risk position's current value. The market risk control of the risk limit system also includes the insurance business. On 31 December 2007 it stood at 0.6% (0.7). OP-Pohjola Group's interest risk must remain within its risk limits, ± 10%. The Group's biggest interest rate risks are those related to retail banking's banking book, and investments in non-life and life insurance. The banking interest rate risk is derived from the banking book and Pohjola Bank's trading portfolio.

NOTE 79. Currency risk

OP-Pohjola Group's indicator for currency risk is the ratio of the overall net currency position to economic capital. The interest rate risk was about a quarter of the maximum interest rate risk.

NOTE 80. Equity risk

On 31 December 2008, the market value of OP-Pohjola Group’s publicly quoted shares and mutual fund units totalled EUR 380 million (1,128). Share and mutual fund investments were 20% of the maximum interest rate risk.

NOTE 81. Property risk

Property holdings tied up in banking operations decreased further, At year-end, property holdings tied up in banking operations was EUR 1.0 billion, down by EUR 19 million year-on-year. The market value of property investment made by the insurance companies stood at EUR 275 million (276) and the property risk was less than half of its maximum.

NOTE 82. Derivatives business

Credit risk arising from derivative contracts is defined as a credit equivalent based on the daily market valuation of derivative contracts.

The sizes of customer limits are defined as follows:
Forward exchange agreements and currency options: capital x 10% x estimated validity period
Interest rate swaps: capital x 0.7% x estimated validity period
Cap and Floor contracts: capital x 0.5% x estimated validity period.

Credit risk arising from bank counterparties is through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides cash or securities in security for the receivable. Matching between counterparties are performed on a daily basis.

The Group confirms corporate counterparty exposure limits once a year when it also checks the status of collateral applying to limits for derivatives.

If S & P had downgraded Pohjola's credit rating from AA- to A, an additional collateral of EUR 17 million would have been required on 31 December 2008.

OP-Pohjola Group's derivative contracts are specified in Note 53.

NOTE 83. Capital resources

EUR million	2008
Tier 1 capital	
Paid-up equity capital	361
Other equity items	-
Cooperative capital, not included in equity capital	570
Fair value reserve	-
Other reserves	2,326
Retained earnings	1,708
Minority interest	0
Profit for the financial year	396
Hybrid capital	224
Voluntary provisions	1,243
Tier 1 capital before deductions	**6,827**
Proposed distribution of dividends	-24
Unrealised gains included in profit for the financial year	-
Intangible assets	-285
Excess funding of pension liability and change in fair value of investment property	-359
Equalisation provision	-
Deductions from Tier 1 capital	-1,275
Other deductions	-
Net Tier 1 capital	**4,884**
Tier 2 capital	**0**
Fair value reserve	-84
Other Tier 2 capital	1,081
Deductions from Tier 2 capital	-997
Net Tier 2 capital	**-**
Tier 3 capital	**47**
Total capital	**4,931**
Deductions from Tier 1 and 2 capital	**-2,271**
Investment in insurance companies, financial institutions and other companies	-2,165
Shorfall of expected losses over impairments	-106
Credit transactions (securities trading)	-
Investment in securitised assets	-

The capital resources have been deducted with investments in OP-Pohjola Group's insurance companies and financial institutions. We have also deducted as investments in financial institutions over 10% investments in private equity funds, excluding such funds managed by Pohjola Capital Partners Ltd. The Financial Supervisory Authority has given Pohjola Capital Partners Ltd special permission to deduct these funds from their capital resources.

NOTE 84. Minimum capital requirement

31 Dec. 2008, EUR million	Capital requirement	Risk-weighted assets*
Credit and counterparty risk	**2,832**	**35,398**
Central government and central banks, Standardised Approach	2	22
Credit institutions, Standardised Approach	99	1,243
Corporate	1,240	15,495
Under Foundation Internal Risk-Based Approach	699	8,739
Under Standardised Approach	540	6,756
Retail, Standardised Approach	1,290	16,120
Secured by real estates	669	8,360
Renewable	-	-
Other	621	7,761
Equity investments	104	1,303
PD/LGD method	-	-
Private equity investments	-	-
Listed equity investments	-	-
Other	-	0
Basic Indicator Approach	104	1,303
Private equity investments	17	215
Listed equity investments	11	135
Other	76	953
Securitisation positions	8	98
Other	89	1,116
Market risks	**47**	**583**
Trading book	47	583
Position risk	47	583
Settlement/delivery risk	-	-
All activities	0	0
Foreign exchange risk (incl. gold)	-	-
Commodity risk	-	-
Operational risk	**221**	**2,765**
Capital requirement during transition period	**-**	**-**
Total	**3,100**	**38,746**

*Risk-weighted assets = Capital requirement / 0.08

Capital requirement for counterparty risk amounts to EUR 41 million.

It is possible to use various methods to measure capital adequacy requirement for equity investments. In PD/LGD method, investments' risk-weighted amount is calculated using risk parameters of the probability of default (PD) and loss given default (LGD). According to the capital adequacy framework, minimum values have been set for these parameters. Accordig to the Basic Indicator Approach, investments' risk-weighted amount derives from multiplying each investment by the risk-weight determined by the type of investment.

NOTE 85. Capital ratios

Capital adaquacy, EUR million	31 Dec. 2008
Total regulatory capital	4,931
Total minimum capital requirement	3,100
Capital excess (+) / shortfall (-)	1,831
Tier 1 ratio, %	12.6
Total capital ratio, %	12.7

NOTE 86. Total exposures by exposure class

31 Dec. 2008, EUR million	On-balance sheet exposures	Off-balance sheet exposures	Derivatives exposures	Securitisation exposures	Gross exposures
Central government and central banks	3,217	177	27	-	3,420
Credit institutions	4,678	6,333	1,917	-	12,929
Corporate	17,383	8,826	394	-	26,602
FIRB Approach	10,072	7,437	394	-	17,902
Standardised Approach	7,311	1,389	0	-	8,700
Retail	34,355	3,567	1	-	37,923
Corporate	1,900	266	1	-	2,167
Private	32,455	3,301	0	-	35,756
Equity investments	355	63	-	-	417
Securitisation positions	-	-	-	846	846
Other	1,116	-	-	-	1,116
Total	**61,103**	**18,966**	**2,339**	**846**	**83,254**

Since the Group adopted exposure categories under the FIRB approach in September 2008, the amount of average exposures cannot be calculated.

NOTE 87. Exposure split by geographic region and exposure class

31 Dec. 2008, EUR million	Central government and central banks	Credit institutions	Corporate	Retail	Equity investments	Securitation positions	Other
Finland	3,316	7,406	25,325	37,536	391	-	1,116
Other Nordic countries	-	832	316	40	1	-	0
Baltic States	-	19	144	9	15	-	-
Rest of EU	95	3,927	675	56	11	769	0
Rest of Europe	-	286	72	11	0	5	-
USA	-	295	7	13	0	-	-
Asia	-	115	55	6	0	-	-
Ohter	9	50	9	251	0	72	0
Total exposure	**3,420**	**12,929**	**26,602**	**37,923**	**417**	**846**	**1,116**

NOTE 88. Exposure split by residual maturity and exposure class

31 Dec. 2008, EUR million	< 3 months	3–12 months	1–5 yrs	5–10 yrs	> 10 yrs	Total
Central government and central banks	2,798	31	264	225	102	3,420
Credit institutions	4,597	2,641	4,515	1,064	112	12,929
Corporate	6,419	3,161	6,747	4,915	5,361	26,602
IRB Approach	5,093	2,670	5,145	2,979	2,016	17,902
Standardised Approach	1,325	491	1,602	1,936	3,345	8,700
Retail	3,378	681	4,834	5,395	23,636	37,923
Corporate	344	94	969	433	326	2,167
Private	3,034	586	3,864	4,962	23,309	35,756
Equity investments	-	-	-	-	-	417
Securitisation positions	20	31	474	321	0	846
Other	470	8	55	584	-	1,116
Total	**17,681**	**6,553**	**16,889**	**12,503**	**29,211**	**83,254**

NOTE 89. Past due and impaired exposures by exposure class

31 Dec. 2008, EUR million	Past due loans	Impaired loans	Total	Individu-ally assessed	Collecti-vely assessed	Total
Central government and central banks	1	-	1	-	-	-
Credit institutions	-	-	-	9	-	9
Corporate	213	97	310	64	33	96
IRB Approach	130	30	160	18	6	24
Standardised Approach	83	67	149	46	27	73
Retail	212	45	257	35	-	35
Corporate	36	12	47	10	-	10
Private	176	33	209	25	-	25
Equity investments	-	2	2	1	-	1
Securitisation positions	-	-	-	-	-	-
Other	0	-	0	-	-	-
Total	**426**	**144**	**570**	**109**	**33**	**142**

Matured liabilities are liabilities in the standard method, the interest or capital are over 90 days overdue. In the FIRB method, matured liabilities are categorised under insolvent customers.

NOTE 90. Corporate exposures by sector

31 Dec. 2008, EUR million	Exposure	RWA	Capital requirement
Other sectors	4,936	3,608	289
Trade	3,367	1,844	148
Metal industry	2,767	1,237	99
Services	2,728	1,682	135
Constructions	2,182	1,191	95
Lease and management of other real property	2,147	1,482	119
Other industry	2,030	1,212	97
Transport and traffic	1,718	1,019	82
Lease and management of flats	1,492	470	38
Forest industry	1,269	1,193	95
Energy production	1,136	270	22
Food industry	766	448	36
Property investment	725	356	29
Housing coorporations	616	191	15
Telecommunications and electronics	531	320	26
Communications and publishing	360	184	15
Total	**28,769**	**16,708**	**1,337**

Corporate exposures by sector also include corporate customers with retail exposures.

NOTE 91. Past due and impaired exposures by sector

31 Dec. 2008, EUR million	Contactual	Past due loans	Impaired loans	Indivi- dually assessed	Collecti- vely assessed
Other industry	67	64	14	11	-
Services	35	29	20	10	-
Forest industry	24	22	6	5	-
Lease and management of other real property	21	13	12	7	-
Trade	19	15	11	8	-
Food industry	16	16	11	5	-
Constructions	16	14	5	4	-
Other sectors	16	14	7	5	33
Transport and traffic	11	10	3	3	-
Telecommunications and electronics	10	9	3	3	-
Metal industry	4	4	3	2	-
Communications and publishing	3	3	1	1	-
Lease and management of flats	1	1	1	1	-
Housing corporations	0	0	-	-	-
Energy production	0	0	0	0	-
Property investment	0	0	-	-	-
Total	**244**	**213**	**97**	**64**	**33**

NOTE 92. Past due and impaired exposures by geographic region

31 Dec. 2008, EUR million	Past due loans	Impaired loans	Indivi- dually assessed	Collecti- vely assessed
Finland	422	143	99	33
Other Nordic countries	2	0	0	-
Baltic States	0	0	0	-
Rest of EU	2	0	9	-
Rest of Europe	0	-	-	-
USA	0	-	-	-
Asia	0	-	-	-
Other	0	-	0	-
Total	**426**	**144**	**109**	**33**

NOTE 93. Exposures by credit rating before and after credit risk mitigation

Risk weight %, 31 Dec. 2008, EUR million	Exposure before credit risk mitigation	Exposure after credit risk mitigation	RWA
0	10,411	10,411	-
10	680	680	68
20	4,841	4,727	905
35	24,866	24,866	8,605
50	129	122	31
75	13,780	12,661	7,614
100	9,151	8,583	7,735
150	145	134	201
350	-	-	-
1250	-	-	-
Other risk weight	-	-	-
Total	**64,003**	**62,184**	**25,158**

In its capital adequacy measurement for credit risk under the Standardised Approach to determine the exposure's risk weight, OP-Pohjola Group applies credit ratings by Moody's Investors Service or Fitch Ratings to receivables from central governments and central banks and corporations. External credit assessment determines the receivable's credit rating category. In the capital adequacy requirement for receivables, the risk weight is determined by the credit rating category.

The risk weight of international development banks' receivables may also be determined on the basis of other than credit rating based on external credit assessment. If the risk weight is affected by external credit assesssment, credit ratings issued by the aforementioned rating agencies will also apply to the risk weighting of international development banks' receivables in capital adequacy measurement.

For a receivable in capital adequacy measurement, the security-specific credit rating of the issue programme or arrangement to which the receivable belongs must be used. If such a rating is not available, the issuer's general credit rating will be used, provided that it is available.

NOTE 94. Corporate exposures by (FIRB) rating category and PD grade

31 Dec. 2008

Rating category	Exposure, EUR million	Average PD, %	Average risk weight, %	RWA	Minimum capital require-ment
1 - 2	548	0.0	14.6	61	5
3 - 4	5,911	0.1	32.2	1,275	102
5 - 6	7,810	0.6	69.4	3,887	311
7 - 8	2,922	2.8	122.6	2,763	221
9 - 10	423	16.6	202.9	574	46
11 - 12	130	100.0	-	-	-
Non-rated	157	4.9	155.4	179	14
Total	**17,902**	**1.9**	**67.5**	**8,739**	**699**

The Internal Ratings Based Approach was used for Pohjola Bank plc's corporate exposures.

NOTE 95. Expected loss and impairments

Expected loss and impairments, loss for 2008, EUR million	EL	Impairments
Corporate exposures	48	24
Equity investments	1	-
Total	**49**	**24**

The table above shows the expected loss calculated using OP-Pohjola Group's internal models. The PD method is practically the same as used in capital adequacy measurement but the LGD method generates considerably smaller loss estimates than the LDG method under the Internal Ratings Based Approach. The expected loss is an estimate of average annual losses arising from credit risk. With the exception of the last few months of the year, 2008 was characterised by a favourable credit cycle, i.e. recognised impairments were considerably lower than the expected loss, as expected.

NOTE 96. Equity investments, BIA

31 Dec. 2008, EUR million	Exposure	RWA	Minimum capital require-ment
Private equity investments, risk weight 190%	113	215	17
Listed equity investments, 290%	47	135	11
Other, risk weight 370%	258	953	76
Total	**417**	**1,303**	**104**

NOTE 97. Collateral used in capital adequacy calculation

31 Dec. 2008, EUR million	Exposure	Guarantees	Financial collateral	Other collateral
Central government and central banks	3,420	-	-	-
Credit institutions	12,929	109	-	-
Corporate	26,602	1,688	145	1,230
FIRB Approach	17,902	1,321	39	281
Standardised Approach	8,700	367	106	949
Retail	37,923	966	154	24,013
Secured by real estates	24,013	-	-	24,013
Renewable	-	-	-	-
Bought	-	-	-	-
Other	13,910	966	154	-
Equity investments	417	-	-	-
BIA	417	-	-	-
PD/LGD method	-	-	-	-
Securitisation positions	846	-	-	-
Other	1,116	-	-	-
Total	**83,254**	**2,762**	**299**	**25,242**

The following real securities under the capital adequacy framework were used in capital adequacy measurement: residential buildings and shares entitling their holders to the possession of a flat, deposits and stocks (equities). Deposits and stocks are financial collateral, as referred to in the framework, and alternative methods are available for their accounting treatment. OP-Pohjola Group applies the so-called comprehensive method to financial collateral, using volatility adjustments ordered by the relevant regulator.

In the capital adequacy measurement for credit risks, only eligible guarantors as referred to in the capital adequacy framework may be used. In capital adequacy measurement, the Group utilised guarantees issued by the Finnish State and other states, as well as those issued by municipalities and banks. Guarantees issued by banks or credit derivatives were not used. Offsetting balance-sheet or off-balance-sheet items were not applied in capital adequacy.

Residential buildings acting as guarantee and shares entitling their holders to the possession of a flat constitute the largest collateral type used in capital adequacy. The effect of other real securities on the capital adequacy of credit risks is much less significant. Collateral which has been used has come from a number of sources, the largest single one being the State of Finland.

NOTE 98. Counterparty risk, type of contract

Capital adequacy requirement due to counterparty risk may arise from items related to financing operations and the trading book. Capital adequacy requirement due to counterparty risk is calculated, for example, on OTC derivatives and sale and repurchase agreements.

Note 53 presents counterparty risks associated with OTC derivatives. The exposure value of sale and repurchase agreements amounted to EUR 3.1 million.

Risk exposure of Non-life Insurance

LIITE 99. Risk-bearing capacity

On 31 December 2008, Non-life Insurance solvency capital came to EUR 608 million (613) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 66% (72). Thanks to dividend distribution decisions made at the end of 2008 and the repayment of Pohjola Insurance Ltd's subordinated loan, the capitalisation of non-life insurance operations was brought closer to the 70 per cent target level. The Board has confirmed credit rating A as the target for Non-life Insurance. Credit rating issued by Standard & Poor's for Pohjola Insurance is A+ (December 2008).

Non-life Insurance must fulfil all capital adequacy requirements set by regulatory authorities mainly at company level. All non-life insurance companies are governed by the same requirement set for their minimum solvency margin based on EU directives. In addition, Finnish legislation lays down capital adequacy requirements for Finnish insurance companies.

The risk-bearing capacity describes the proportion of a company's solvency capital to various income statement and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to endure the insurance risk. Solvency capital proportioned with technical provisions describes the company's ability to endure evaluation risk concerning technical provisions, while solvency capital proportioned to the investment portfolio describes ability to endure investment risks.

	31 Dec. 2008		31 Dec. 2007	
	EUR million	Risk-bearing capacity, %	EUR million	Risk-bearing capacity, %
Solvency capital	608		613	
Claims incurred*	643	95	583	105
Insurance premium revenue*	923	66**	850	72**
Insurance contract liabilities*	2,028	30	1,956	31
Investment portfolio	2,415	25	2,511	24

* Reinsurers' share (net business) deducted

** Solvency ratio

NOTE 100. Sensitivity analysis

The table below shows the effect of various risk parameters on profit and solvency capital:

Risk parameter	Total in 2008, EUR million	Change in risk parameter	Effect on profit/solvency, EUR million	Effect on combined ratio
Insurance portfolio or insurance premium rever	923	Up by 1%	9	Up by 1 percentage poir
Claims incurred	-643	Up by 1%	- 6	Down by 1 percentage point
Major loss in exceess of EUR million	-	1 major loss	-5	Down by 1 percentage point
Personnel costs	-111	Up by 8%	- 9	Down by 1 percentage point
Expenses by function *	-254	Up by 4%	- 10	Down by 1 percentage point

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

NOTE 101. Premiums written and sums insured by class

Premiums written by EML* class in corporate property insurance

The degree of risk in property insurance can be evaluated by dividing risks into classes by their EML* amounts. The table below shows premiums written calculated for each risk class.

EUR million	5–20	20–50	50–100	100–300
2008	9	11	7	4
2007	8	11	6	4

*EML = Estimated Maximum Loss per object of insurance

Division of premiums written by TSI* class in corporate liability insurance

The degree of risk in liability insurance can be evaluated by dividing risks into classes by their TSI* amounts. The table below shows premiums written calculated for each risk class.

EUR million	2–4	4–10	10–30	30–90
2008	3	6	9	2
2007	2	6	5	4

*TSI = Total Sum Insured

Sums insured in guarantee and decennial insurance

The sum insured of insurance contracts depicts the volume of guarantee and decennial insurance (construction defects insurance). The gross and net amounts of the sum insured are itemised by contract type in the table below. The liability period of decennial insurance is 10 years.

	Gross		Net*	
EUR million	**2008**	**2007**	**2008**	**2007**
Contract guarantees	46	62	46	62
Loan guarantees	27	43	27	43
Other	8	9	7	8
Guarantee insurance	**81**	**114**	**80**	**113**
Decennial insurance	**1,763**	**1,522**	**1,536**	**1,311**

* For insurance company's own account after reinsurers' share but before counter guarantee

NOTE 102. Trend in major losses

Number of detected major losses by year of detection for 2004–2008

Non-life Insurance monitors carefully claims expenditure arising from major losses. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, monitoring the claims expenditure arising from major losses helps to detect any changes in risks or risk selection. In this analysis, major losses are those whose gross amount exceeds EUR 2 million. Most major losses occur in property and business interruption insurance. In statutory policies, the risk of major loss is small relative to the large volume of the line of business.

Gross amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2004	-	-	1	1	-	1
2005	1	-	3	6	-	-
2006	1	-	1	11	-	-
2007	2	-	-	6	4	-
2008	-	-	1	3	3	-
				Total claims, EUR millio		208
Gross amount, total claims, EUR million 2004–2008	**13**	**-**	**18**	**145**	**18**	**13**

Net amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2004	-	-	-	1	-	-
2005	1	-	-	6	-	-
2006	1	-	-	10	-	-
2007	1	-	-	5	3	-
2008	-	-	1	3	3	-
				Total claims, EUR millio		118
Net amount, total claims, EUR million 2004–2008	**9**	**-**	**2**	**91**	**16**	**-**

NOTE 103. Insurance profitability

Trends in insurance premium revenue (gross and net) and combined ratio (net)

Insurance premium revenue describes the volume of an insurance class, enabling the evaluation of the importance of the insurance class in relation to the whole portfolio. Similarly, the combined ratio (CR) is used to evaluate fluctuations in the results of the insurance class and the profitability of the class. The combined ratio is presented separately adjusted for one-off items relating to previous insurance periods.

2008, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	369	363	86 %	86 %
Other accident and health	101	101	95 %	95 %
Hull and cargo	197	197	98 %	98 %
Property and business interruption	235	208	87 %	87 %
Liability and legal expenses	61	53	112 %	112 %
Long-term	4	2	174 %	174 %
Total	**966**	**923**	**92 %**	**92 %**

2007, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	361	356	85 %	92 %
Other accident and health	78	77	89 %	104 %
Hull and cargo	193	187	97 %	96 %
Property and business interruption	209	179	90 %	89 %
Liability and legal expenses	56	48	102 %	103 %
Long-term	4	4	56 %	56 %
Total	**900**	**850**	**90 %**	**94 %**

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net). Amortisation on intangible rights has not been taken into account.

** One-off changes affecting the balance on technical account have been eliminated.

NOTE 104. Sensitivity analysis of insurance contract liabilities and information on the nature of insurance contract liabilities

Non-life Insurance	Portfolio at fair value, EUR million 31 Dec. 2008	Risk parameter	Change	Effect on solvency capital, EUR million 31 Dec. 2008	31 Dec. 2007
Collective liability	494	Inflation	0.25 percentage points	-3	-2
Discounted insurance contract liabilities	1,268	Life expectancy	1 year	-29	-29
Discounted insurance contract liabilities	1,268	Discount rate	-0.1 percentage point	-15	-15

Information on the nature of liabilities	2008	2007
Net insurance contract liabilities (EUR million)		
Latent occupational diseases	40	41
Other	1,988	1,915
Total (before transfers)	2,028	1,956
Duration of debt (years)		
Discounted insurance contract liabilities	11.9	11.7
Undiscounted insurance contract liabilities	2.4	2.2
Total	8.3	8.3
Discounted net debt (EUR million)		
Provision for known unpaid claims for annuities	1,023	1,010
Collective liability (IBNR)	205	201
Provision for unearned premiums	34	33
Total	1,262	1,244

NOTE 105. Insurance contract liabilities by estimated maturity

31 Dec. 2008	0–1 yr	1–5 yrs	5–10 yrs	10–15yrs	over 15 yrs	Total
Provision for unearned premiums*	231	67	16	3	6	324
Provision for unpaid claims						
Undiscounted	273	119	58	13	13	476
Discounted	82	297	268	200	381	1,228
Total insurance contract liabilities	**586**	**482**	**343**	**216**	**400**	**2,028**

* Includes EUR 34 million in discounted provision

31 Dec. 2007	0–1 yr	1–5 yrs	5–10 yrs	10–15yrs	over 15 yrs	Total
Provision for unearned premiums*	211	61	15	3	6	296
Provision for unpaid claims						
Undiscounted	258	114	53	12	12	449
Discounted	82	298	272	193	367	1,211
Total insurance contract liabilities	**551**	**473**	**340**	**208**	**384**	**1,956**

* Includes EUR 31 million in discounted provision

NOTE 106. Risk exposure of insurance investments

	31 Dec. 2008		31 Dec. 2007	
Allocation of investment portfolio	**Fair value, EUR million***	**%**	**Fair value, EUR million***	**%**
Money market total	**279**	**12**	**51**	**2**
Money market instruments and deposits**	174	7	51	2
Derivatives***	105	4	-	-
Total bonds and bond funds	**1,690**	**70**	**1,722**	**69**
Governments	688	28	686	27
Inflation-linked bonds	67	3	-	-
Investment Grade	773	32	882	35
Emerging markets and High Yield	152	6	155	6
Structured Investments	10	0	-	-
Total equities	**190**	**8**	**413**	**16**
Finland	58	2	97	4
Developed markets	127	5	172	7
Emerging markets	17	1	30	1
Unlisted equities	7	0	6	0
Private equity investments	85	4	108	4
Equity derivatives	-105	-4	-	-
Total alternative investments	**111**	**5**	**188**	**7**
Hedge funds	67	3	91	4
Commodities	10	0	23	1
Convertible bonds	35	1	73	3
Total property investment	**145**	**6**	**138**	**5**
Direct property investment	106	4	101	4
Indirect property investment	39	2	36	1
Total	**2,415**	**100**	**2,511**	**100**

* Includes accrued interest income
**Includes notes and bonds recategorised under loans and receivables related to financial receivables, settlement receivables and liabilities and market value of derivatives EUR 0.6 million (3.3).
*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents)

NOTE 107. Sensitivity analysis of investment risks

The table below shows the sensitivity of investment risks by investment category. The discount rate sensitivity analysis related to the calculation of insurance contract liabilities is presented in notes dealing with insurance contract liabilities. Effects of changes in investment and insurance contract liabilities offset one another.

				Effect on solvency capital, EUR Million	
Non-life Insurance, EUR milli	Portfolio at fair value, 31 Dec. 2008	Risk parameter	Change	31 Dec. 2008	31 Dec. 2007
Bonds and bond funds *	1,899	Interest rate	1 percentage point	82	69
Equities **	164	Market value	20 percentage points	33	78
Venture capital funds and unlisted shares	92	Market value	20 percentage points	18	23
Commodities	10	Market value	20 percentage points	2	5
Real property	145	Market value	10 percentage points	15	14
Currency	60	Value of currency	20 percentage points	12	20
Credit risk premium ***	1,143	Credit risk margin	0.1 percentage points	3	4
Derivatives****	-	Volatility	20 percentage points	-	-

* Include money market investments, convertible bonds and interest-rate derivatives

** Include hedge funds and equity derivatives

*** Includes bonds, convertible bonds and money market investments, excluding government bonds issued by developed countries

**** 20 percentage points in equity derivatives, 10 percentage points in interest rate derivatives and 5 percentage points in currency derivatives

NOTE 108. Interest-rate risk

The market risk arising from changes in interest rates is monitored by classifying investments by instrument, in accordance with duration. The table below does not indicate the balancing effect which the insurance contract liabilities have on the interest-rate risk, because only some of the insurance contract liabilities have been discounted using an administrative interest rate (Note 36)

Fair value by duration or repricing date, EUR million*	31 Dec. 2008	31 Dec. 2007
0–1 year	500	428
>1–3 years	379	378
>3–5 years	338	435
>5–7 years	140	183
>7–10 years	212	293
>10 years	296	125
Total	**1,865**	**1,843**
Modified duration	4.3	3.8
Effective interest rate, %	5.3	4.8

* Includes money market investments and deposits, bonds, convertible bonds and bond funds

NOTE 109. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2008	31 Dec. 2007
USD	8	42
SEK	3	-6
JPY	2	12
GBP	-3	3
EEK, LVL, LTL**	-39	-33
Other	6	5
Total*	**60**	**101**

*The currency exposure was 2,5% (4.0) of the investment portfolio. It is calculated as the sum total of individual currencies' intrinsic values.

** ERM2 currencies.

NOTE 110. Counterparty risk

	31 Dec. 2008		31 Dec. 2007	
Credit rating distribution, EUR million	**Investment***	**Insurance****	**Investment***	**Insurance****
AAA	607	3	613	0
AA	386	29	270	16
A	556	28	600	21
BBB	206	0	170	0
BB+ or lower	92	-	98	-
Internal rating	18	27	19	29
Total	**1865**	**87**	**1769**	**67**

* Includes money market investments, deposits and bonds and bond funds.

** Includes the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

Risk exposure of Life Insurance

NOTE 111. Information on the nature of insurance contract liabilities and their sensitivity analysis

Risk-bearing capacity of life insurance operations

Following a financially difficult year, the life insurance company's solvency margin stood at EUR 232 million on 31 December 2008, down from EUR 431 million year on year. The minimum solvency margin is EUR 189 million (190).

Life insurance companies must fulfil the capital adequacy requirements prescribed by law. The solvency capital must be higher than the minimum amount prescribed in EU directives. Furthermore, Finnish legislation requires that a capital adequacy assessment compliant with Solvency II, which is currently under preparation, be observed. These calculations have already been made in 2008.

Life insurance risk-bearing capacity is measured in terms of solvency ratio, which is the ratio between solvency margin and equalisation provision on the one hand and technical provisions on the other. The solvency ratio should remain between 9 and 11 per cent. The ratio between unrestricted solvency capital and the amount of risk from investment operations is also monitored. Measured by any meter, capital adequacy weakened in 2008, but we have had sufficient buffers to bring about corrective measures.

Insurance and capital redemption portfolio in Life Insurance

	Technical rate of interest	Number of insureds or contracts	Exposure on 31 December 2008	Average duration in years*
Life Insurance/Savings				
Technical rate of interest 4.5%	4.50%	5,134	85	9.5
Technical rate of interest 3.5%	3.50%	74,214	1,435	10.6
Technical rate of interest 2.5%	2.50%	128,256	968	10.6
Technical rate of interest 1.5%	1.50%	1,961	4	7.9
Unit-linked		incl. above	1,179	
Total		209,565	3,671	
Individual pension insurance			Until the beginning of pension entitlement	
Technical rate of interest 4.5%	4.50%	15,789	271	4.8
Technical rate of interest 3.5%	3.50%	54,078	372	7.7
Technical rate of interest 2.5%	2.50%	111,053	120	13.2
Technical rate of interest 1.5%	1.50%	2,978	0	11.0
Unit-linked		incl. above	383	
Total		183,898	1,146	
Group pension insurance				
Supplementary employee pension	3.50%	21,000	376	N.A
Technical rate of interest 3.5 %	3.50%	226	3	6.6
Technical rate of interest 2.5 %	2.50%	1,153	4	8.9
Technical rate of interest 1.5%	1.50%	524	2	7.3
Unit-linked		incl. above	10	
Total		22,903	395	
Term insurance contracts				
Individual contracts	-	172,274	75	N.A
Group contracts	-	6,697	24	N.A
Total		178,971	99	
Capital redemption contracts				
Technical rate of interest 4.5%	4.50%	-	-	
Technical rate of interest 3.5%	3.50%	96	18	2.3
Technical rate of interest 2.5%	2.50%	121	25	2.2
Pohjola Tuotto		419	4	0.8
Unit-linked		incl. above	34	
Total		636	81	9.8
Other items in underwriting reserves/ insurance contract liabilities		-	30	
Total		**595,973**	**5,392**	

Susceptibility of life insurance liabilities to changes in calculation principles

The table above presents the breakdown of the maturities of life insurance technical provisions and pension start dates as they were registered in the insurance systems. However, it is likely that benefit policy assets are paid to the policyholders or beneficiaries much earlier, and pension assets somewhat later than directly indicated by the start dates in the agreements.

As to the benefit policies, death benefits are paid before the formal due date, and more and more savings are surrendered before maturity. This is based on the assumption that policies have been sold for very long periods, although many policyholders intend to withdraw the savings before they mature, often at retirement. The majority of insurance savings are benefit policies.

As to individual pension plans, the experience is that many policyholders take out their pension later than initially intended. Taking out the pension later, or actually setting the pension period when taking out the policy, has direct tax implications. The trend in tax changes indicates that people will take out their pension later and later in the future. Owing to tax reasons, pension insurance policies cannot be surrendered (with very few exceptions) before the agreed retirement date. The insurance savings are paid to the policyholder without linking the capital value of benefits, i.e. the technical provisions at the time, to the payment date, whether earlier or later than originally intended.

The technical provisions are calculated by means of a technical interest discount, with the market rates having no effect on the amount of unit-linked technical provisions. Unit-linked technical provisions are nevertheless presented at market value.

If the mortality figures give reason to assume that the technical provisions arrived at with the current calculation principles are insufficient, the technical provisions are adjusted accordingly. In life insurance, the mortality and longevity provisions actually cancel each other out, which means that if the mortality assumption is adjusted, the amount of liability is not significantly affected.

NOTE 112. Claims charged to expenses due to insurance contract liabilities

31 Dec. 2008	0–1	1–5	5–10	10–15	Over 15	Total
Interest-bearing insurance savings	338	1,052	610	436	1,303	**3,739**
Unit-linked insurance savings	45	197	329	183	818	**1,571**
Interest-bearing investment contracts	12	30	3	-	-	**45**
Unit-linked investment contracts	4	15	15	-	-	**34**
Other insurance contract liabilities	-	-	-	-	-	**33**
Total	**399**	**1,295**	**956**	**618**	**2,121**	**5,422**

31 Dec. 2007	0–1	1–5	5–10	10–15	Over 15	Total
Interest-bearing insurance savings	305	935	531	329	1,066	**3,166**
Unit-linked insurance savings	57	342	492	263	1,085	**2,239**
Interest-bearing investment contracts	60	69	5	0	0	**134**
Unit-linked investment contracts	7	18	9	1	0	**35**
Other insurance contract liabilities	-	-	-	-	-	**516**
Yhteensä	**429**	**1,364**	**1,037**	**593**	**2,151**	**6,090**

NOTE 113. Investment risks

Allocation of investment property	31 Dec. 2008 Fair value, EUR million	%	31 Dec. 2007 Fair value, EUR million	%
Fixed-income investments [1]				
Bonds	933	24	1,260	30
Other money market instruments*	547	14	85	2
Mutual funds	1,335	35	1,328	32
Shares and participations				
Equities and mutual funds	201	5	718	17
Alternative investments [2]	622	16	587	14
Properties [3]	216	6	214	5
Total	**3,855**	**100**	**4,192**	**100**

[1] Contains accrued interest and notes and bonds recategorised under loans and receivables related to financial receivables

[2] incl. investments in hedge funds, capital investments and funds investing in unquoted property companies

[3] only direct investments in properties

* Includes the effect of equity futures

NOTE 114. Sensitivity analysis of investment property

	Portfolio at fair values, EUR MIllion	Risk parameter	Change	Effect on solvency margin, EUR Million
Bonds and bond funds	2,580	Interest rate	1 percentage point	109
Equities	823	Market value	10 percentage point	82
Properties	216	Market value	15 percentage point	32

NOTE 115. Interest-rate risk

Fair value by duration or repricing date, EUR million	31 Dec. 2008	31 Dec. 2007
0–1 year	595	309
>1–5 years	788	889
>5–10 years	716	957
>10–20 years	244	382
>20 years	237	208
Total	**2,580**	**2,746**
Modified duration	4.2	5.4
Average interest rate, %	5.8	4.9

NOTE 116. Credit risk

Credit rating distribution, EUR million	31 Dec. 2008	31 Dec. 2007
AAA	844	1,004
AA	594	430
A	536	613
BBB	172	199
BB+ or lower	344	465
Not Rated	89	34
Total *	**2,580**	**2,746**

* Includes money-market investments and deposits, bonds and bond funds.

NOTE 117. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2008	31 Dec. 2007
USD	85	206
SEK	3	11
JPY	26	37
GBP	8	14
Other	-	-
Total	**121**	**268**
Total net currency exposure		

The currency exposure was 3.1% (6.4) of the investment portfolio.

STATEMENT CONCERNING THE FINANCIAL STATEMENTS

We have adopted the Report of the Executive Board and the consolidated Financial Statements of the Amalgamation of the Cooperative Banks (OP-Pohjola Group) specified in the Act on Cooperative Banks and other Cooperative Credit Institutions for the financial year 1 January to 31 December 2008. The report and the Financial Statements are presented to, and passed out at, the General Meeting of OP-Pohjola Group Central Cooperative.

Helsinki, 24 February 2009

Executive Board of OP-Pohjola Group Central Cooperative

Reijo Karhinen Tony Vepsäläinen

Erkki Böös Harri Luhtala

Harri Nummela Heikki Vitie

AUDITORS' REPORT

To the members of OP-Pohjola Group Central Cooperative

We have audited the consolidated financial statements and the report of the Executive Board for the financial year 1 January–31 December 2008 of the amalgamation of the cooperative banks (the OP-Pohjola Group) pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements.

The Responsibility of the Executive Board and the President of OP-Pohjola Group Central Cooperative
The Executive Board and the President of OP-Pohjola Group Central Cooperative, which is OP-Pohjola Group's central institution, are responsible for the preparation of the consolidated financial statements and the report of the Executive Board and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in a manner explained in more detail in the notes to the financial statements, as well as for the fair presentation of the report of the Executive Board in accordance with laws and regulations governing the preparation of the report of the Board of Directors in Finland.

Auditor's Responsibility
Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the consolidated financial statements and on the report of the Executive Board based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the report of the Executive Board are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Executive Board. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as evaluating the overall presentation of the consolidated financial statements and the report of Executive Board. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the Group's member institutions, and auditors' reports and other related reporting submitted by their auditors.

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

Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of OP-Pohjola Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Report of the Executive Board
In our opinion, the report of the Executive Board gives a true and fair view of OP-Pohjola Group's financial performance and financial position in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland. The information in the report of the Executive Board is consistent with the information in the consolidated financial statements.

Helsinki, 26 February 2009

KPMG OY AB

Sixten Nyman
Authorised Public Accountant

OP-Pohjola. Life with benefits.