Pohjola Bank plc Report by the Board of Directors and Financial Statements 2015

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Report by the Board of Directors for 2015

- Consolidated earnings before tax were EUR 652 million (584) and consolidated earnings before tax at fair value amounted to EUR 511 million (663). The return on equity was 14.8% (14.3).
- The Common Equity Tier 1 (CET1) ratio was 14.1% (12.4) as against the target of 15%.
- Earnings reported by Banking improved by 10% to EUR 334 million (303). The loan portfolio grew in the year to December by 10% to EUR 16.4 billion (14.9). Earnings included EUR 29 million (25) in impairment loss on receivables.
- Non-life Insurance earnings rose by 19% to EUR 267 million (223). Operating combined ratio was 87.3 (89.4). Return on investments at fair value was 2.3% (6.7).
- Other Operations earnings improved by 14% to EUR 23 million (20). Liquidity and access to funding remained good.
- Wealth Management earnings amounted to EUR 28 million (38). Assets under management increased in the year to December by 9%, totalling EUR 47 billion (43).
- In the partial demerger of Pohjola Bank plc, wealth management, card and property management operations presented as discontinued operations were transferred to OP Cooperative on 30 December 2015.
- Outlook for 2016: Consolidated earnings before tax for 2016 are expected to be lower than earnings from continuing operations in 2015. For more detailed information on the outlook, see “Outlook for 2016” below.

Earnings before tax, € million	Q1–4/2015	Q1–4/2014	Change, %
Banking	334	303	10
Non-life Insurance	267	223	19
Other Operations	23	20	14
Wealth Management	28	38	-26
Group total	**652**	**584**	**12**
Change in fair value reserve	-141	79	
Earnings before tax at fair value	**511**	**663**	**-23**
Equity per share, €	11.38	10.38	
Average personnel	2,446	2,563	

The above figures describe Pohjola Group as a whole without the division into continuing and discontinued operations. Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2014 are used as comparatives.

Financial targets	Q1–4/2015	Q1–4/2014	Target
Return on equity, %	14.8	14.3	13
Common Equity Tier 1 (CET1) ratio, % *	14.1	12.4	15
Operating cost/income ratio by Banking, %	27	33	< 35
Operating combined ratio by Non-life Insurance, % **	87.3	89.4	< 92
Operating expense ratio by Non-life Insurance, %	17.7	18.4	18
Non-life Insurance solvency ratio (under Solvency II framework), % ***	139.3	117.3	120
Operating cost/income ratio by Wealth Management, %	58	42	< 45
Total expenses in 2015 at the same level as at the end of 2012	491	531	514****
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors’ level	2	2	2
Dividend payout ratio at least 50%, provided that CET 1 ratio is at least 15%. Dividend payout ratio is 30% until CET1 ratio of 15% has been achieved.	30*****	30	≥ 50 (30)

* Operating ratios exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.
** The comparative figure has been adjusted to correspond to the change in the discount rate applied since the beginning of 2015
*** Excluding the effect of transitional provisions.
**** The expense target for 2012 has been adjusted to correspond to the change in the accounting policies applied as of 1 January 2015 (see Note 1. Accounting policies).
***** Board proposal

Operating environment

World economic growth remained sluggish in 2015 when growth in emerging economies stumbled. Commodity prices fell and the inflation rate decelerated on a global scale. The euro-area economy picked up, growing at a moderate rate.

The European Central Bank (ECB) intensified its accommodative monetary policy measures as the inflation rate decelerated. In March, the ECB began buying government bonds, resulting in pushing the short-term market interest rates negative. In December, the ECB announced new measures. It cut the deposit rate and extended the bond buying programme until March 2017. Market interest rates continued to decrease slightly.

The Finnish economic picture remained grim. Total output remained stagnant and unemployment increased. Capital expenditure was down and exports continued its downward trend. On the positive side, household spending rose. Construction picked up towards the year end. The housing market became slightly livelier but home prices decreased by less than one per cent.

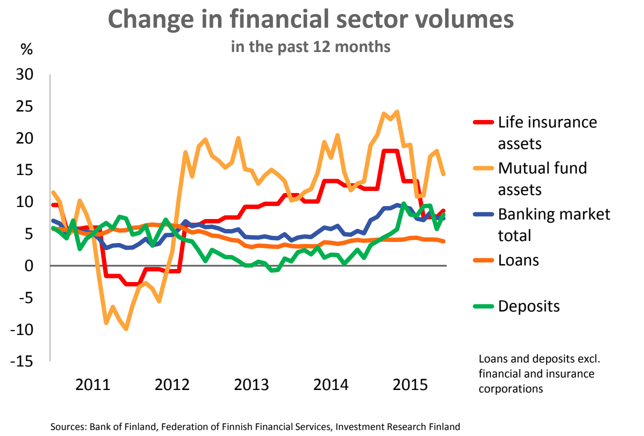
The world economy is expected to continue to grow at a rate below the long-term average. The euro-area economy should continue to grow at a moderate pace. The Euribor rates are expected to remain lower than at the end of 2015. In Finland, household spending and a recovery in fixed investments are anticipated to maintain some economic growth.

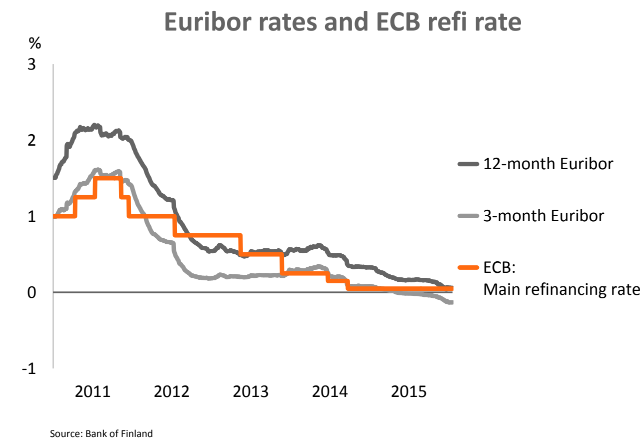
During the financial year, new home loans drawn down were about ten per cent higher than a year ago. At the same time, the growth rate of total consumer home loan volumes increased to almost three per cent and the average loan term for new home loans lengthened to slightly less than 19 years. The total volume of corporate and housing corporation loans increased by six per cent. A slightly positive mood for demand for loans is expected to continue.

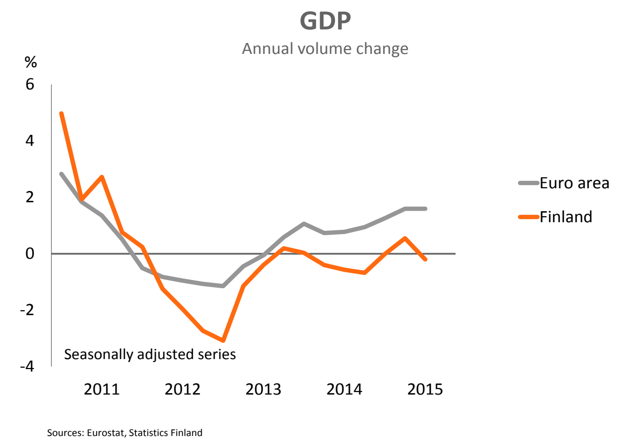
The total volume of deposits showed growth throughout the year, aided by growth in deposits by corporations and public-sector-entities, whereas growth in total household deposits was weaker. The total term-deposit volume continued to decline as a result of extremely low interest rates.

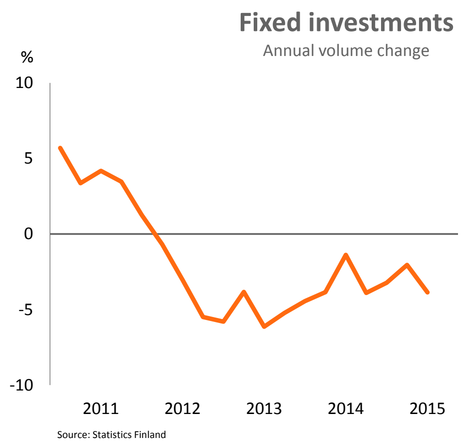
Domestic mutual fund assets and insurance savings climbed notably thanks to favourable market developments and greater net asset inflows. Some 70 per cent of the growth in mutual fund assets came from net asset inflows.

According to the statistics by the Federation of Finnish Financial Services, non-life insurance premiums written were 2.1 per cent lower than in the previous year. Claims paid out decreased by 3.1 per cent.









Consolidated earnings analysis

€ million	Q1–4/2015	Q1–4/2014**	Change, %
Continuing operations *			
Net interest income			
Corporate and Baltic Banking	276	255	8
Markets	-3	28	
Other	-53	-26	
Total	220	257	-14
Net commissions and fees	37	52	-29
Net trading income	105	77	35
Net investment income	75	64	17
Net income from Non-life Insurance			
Insurance operations	511	466	10
Investment operations	178	173	3
Other items	-43	-46	-6
Total	646	593	9
Other operating income	30	30	-1
Total income	**1,111**	**1,073**	**4**
Personnel costs	155	163	-5
ICT costs	92	94	-2
Depreciation and amortisation	49	52	-6
Other expenses	161	191	-16
Total expenses	**457**	**500**	**-9**
Earnings before impairment loss on receivables	**654**	**574**	**14**
Impairment loss on receivables	29	25	14
Earnings of continuing operations before tax	**625**	**548**	**14**
Discontinued operations *			
Wealth Management net income			
Net commissions and fees	54	64	-16
Share of associates' profit/loss	1	1	-2
Wealth Management other income and expenses, net	-29	-30	-3
Earnings of discontinued operations before tax	**26**	**36**	**-26**
Total earnings before tax	**652**	**584**	**12**
Change in fair value reserve	-141	79	
Earnings before tax at fair value	**511**	**663**	**-23**

* In the partial demerger of Pohjola Bank plc on 30 December 2015, wealth management, card and property management operations were transferred to OP Cooperative.
** Comparatives have been restated to correspond to the change in the accounting policies applied as of 1 January 2015 (see Note 1. Accounting policies).

January–December earnings

Consolidated earnings before tax grew by EUR 68 million to EUR 652 million (584). Including discontinued operations, total income was up by 3%, while total expenses fell by 8%. Impairment losses on receivables totalled EUR 29 million (25).

The fair value reserve before tax declined by EUR 141 million year on year, amounting to EUR 150 million on 31 December 2015. Earnings before tax at fair value were EUR 511 million (663).

Continuing operations

Earnings of continuing operations before tax were EUR 625 million (548). The earnings improvement mainly came from higher Non-life Insurance net income and lower expenses.

Net interest income fell by 14% due mainly to lower net interest income from Other Operations. Combined net interest income from Corporate Banking and Baltic Banking grew by 8%. The loan portfolio grew by 10% to EUR 16.4 billion in the year to December. The average margin on the corporate loan portfolio decreased by six basis points during the financial period, to 1.38% (1.44). In Other Operations, net interest income was reduced by persistently low interest rates, narrowing credit spreads on purchased bonds and the Group's preparation for tighter liquidity regulation.

Net commissions and fees decreased to EUR 37 million (52), due to lower commission income from lending and higher commission expenses in Non-life Insurance. A year ago, a credit limit granted to OP Cooperative relating to financing for the bid for Pohjola shares added to net commissions and fees.

Net trading income increased as a result of higher net income from derivatives trading in the Markets division.

Net investment income improved year on year, to EUR 75 million (64). Capital gains on notes and bonds amounted to EUR 29 million (11) and capital gains on shares to EUR 14 million (13). Dividend income totalling EUR 26 million (43) mainly came from OP Financial Group entities.

Net income from Non-life Insurance grew year on year by 9%, to EUR 646 million (593). Insurance premium revenue increased by 7% and claims incurred by 5%. The reduction in the discount rate for pension liabilities increased claims incurred by EUR 62 million (62). Investment income recognised in the income statement rose by 3%. Investment income included EUR 100 million (114) in net capital gains and EUR 9 million (2) in impairment loss on investments. Return on investments at fair value was 2.3% (6.7).

Other operating income amounted to EUR 30 million, remaining at the previous year's level.

Total expenses decreased by EUR 43 million to EUR 457 million (500). Personnel costs fell by EUR 8 million year on year. A year ago, other expenses were increased by EUR 20 million in the bank levy and statutory contributions to the Deposit Guarantee Fund but, excluding these, expenses decreased by approximately 5%.

Discontinued operations

Earnings of discontinued operations before tax decreased, totalling EUR 26 million (36). Net commissions and fees amounted to EUR 54 million (64). A decrease in performance-based management fees in Wealth Management lowered commission income.

In the partial demerger of Pohjola Bank plc, wealth management, card and property management operations presented as discontinued operations were transferred to OP Cooperative on 30 December 2015.

Risk management

The purpose of risk management is to identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by controlling that risks taken are proportional to risk-bearing capacity.

Pohjola Group’s most significant risks include credit risk, market risk, liquidity risk and underwriting risk. Strategic and operational risks, such as changes in the operating environment, competition or customer behaviour, are inherently related to all Group business lines.

A description of the risk management principles can be found in Note 2 “Pohjola Group’s Risk Management and Capital Adequacy Management Principles”.

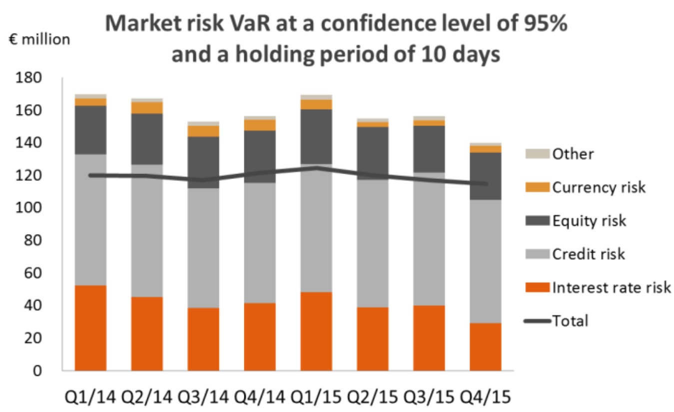
Group risk exposure

Major risks related to the Group’s business are associated with developments in the overall economic environment and capital markets.

The strong risk-bearing capacity and moderate target risk exposure level helped to maintain the Group's credit risk exposure stable in a situation where the economic environment remained challenging.

The Group’s funding and liquidity position remained strong and the Group had good access to funding.

The Group's market risk exposure was stable during the financial year. The Value-at-Risk (VaR) indicator measuring market risks was EUR 115 million (121) on 31 December 2015. VaR includes the non-life insurance company's total assets, the trading operations of Banking, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



Risk exposure by Banking

Within Banking, key risks are associated with credit risk arising from customer business, and market risks.

Credit risk exposure remained stable, at a moderate risk level. Doubtful receivables decreased to EUR 184 million

(257). Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Impairment losses on receivables remained low, accounting for 0.15% of the loan and guarantee portfolio.

Total exposure in Banking increased by EUR 3.1 billion to EUR 30.0 billion. The ratio of the exposure of the highest rating categories (1–5.5) to total exposure, excluding households, was 71% (73). The proportion of rating categories 11–12 was 0.6% (0.9).

Corporate customer (including housing corporations) exposures represented 78% (79) of total Banking exposures. Of corporate customer exposures, the investment-grade exposure accounted for 69% (68) and the exposure of the lowest two rating categories amounted to EUR 162 million (234) or 0.7% (1.1) of the total corporate exposure.

Total exposure by counterparty

EUR billion	31 Dec. 2015	31 Dec. 2014	Change
Companies and housing corporations	23.3	21.3	2.0
Financial and insurance institutions	2.3	2.7	-0.4
OP Financial Group	0.2	0.2	0.0
Households	1.3	1.2	0.1
Public-sector entities	2.8	1.3	1.5
Non-profit organisations	0.1	0.2	0.0
Total	**30.0**	**26.9**	**3.1**

Total exposure by rating category*, EUR billion

Rating category	31 Dec. 2015	31 Dec. 2014	Change
1.0–2.0	3.5	2.7	0.8
2.5–5.5	16.8	16.0	0.8
6.0–7.0	4.5	4.3	0.2
7.5–9.0	3.5	2.4	1.1
9.5–10.0	0.2	0.1	0.1
11.0–12.0	0.2	0.2	-0.1
Total	**28.7**	**25.7**	**3.0**

*) excl. private customers

Large corporate customer exposure refers to exposure which, after allowances and other recognition of credit risk mitigation, exceeds 10% of the capital base covering customer risk. On 31 December 2015, the amount of large corporate customer exposures totalled EUR 0.5 billion (0.4), while Pohjola's capital base covering the Group's large customer exposure was EUR 4.4 billion (3.6).

In the Companies and housing associations sector, exposure by industry remained highly diversified. The most significant industries included Energy 12.6% (11.0), Trade 10.4% (10.7) and Renting and Operating of Residential Real Estate representing 9.7% (9.9). A total of 43% of exposures within Renting and Operating of Residential Real Estate were guaranteed by general government.

Baltic Banking exposures grew to EUR 1.6 billion (1.2), accounting for 5.4% (4.3) of total Banking exposures.

Risk exposure by Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates.

No significant changes took place in Non-life Insurance's underwriting risks. Non-life Insurance's most significant market risk is associated with higher insurance liability value and capital requirement resulting from lower market interest rates. Despite volatile long-term market interest rates, the solvency position under Solvency II was clearly stronger on 31 December 2015 than a year ago. On 31 December 2015, the investment risk level (VaR with 95% confidence) was slightly lower than on 31 December 2014. In its investment portfolio, Pohjola has reduced equity risk and credit risk. Pohjola has moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. Pohjola has also used interest rate derivatives to hedge against interest rate risk associated with insurance liability.

The reinsurance of Non-life Insurance is managed on a centralised basis. Retention in both risk-specific reinsurance and catastrophe reinsurance is a maximum of EUR 5 million. The capacity of catastrophe reinsurance covering loss accumulation amounted to EUR 165 million. In addition, retention in large claims under the short-tail insurance products had an annual aggregate protection with a capacity of EUR 15 million in 2015. This protection will be brought into use when an annual claims expenditure arising from large claims is higher than usual.

The number and size of claims vary annually. The year-on-year variation in earnings generated by the underwriting business is, to a large extent, explained by the claims incurred resulting from large claims.

A large part of insurance liabilities consists of annuities affected by estimated mortality and the discount rate used. Estimated mortality is based on the mortality model commonly used by Finnish insurers, which assumes the current trend of an increase in life expectancy to continue. This model was last updated in 2011.

The insurance liability duration is 12.4 years (12.7). Discounted insurance liabilities of EUR 1,768 million (1,658), using a discount rate of 2.22% (2.50). The Group uses interest rate derivatives to hedge against some of the interest rate risk associated with insurance liabilities. The positive difference between the fair value and carrying amount of these interest rate derivatives, EUR 0.3 million (12), were included in the insurance liability and excluded from the statement of solvency margin as extraordinary items. The remaining insurance liabilities, EUR 1,051 million (974), were undiscounted, with a duration of 2.1 years (2.1).

Risk exposure by Other Operations

Major risks related to Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The market risk is highest in notes and bonds included in the liquidity buffer.

Although investments in the liquidity buffer increased, the market risk in proportion to the position size (VaR with 95% confidence) decreased during the financial year as a result of allocation changes.

OP Financial Group secures its liquidity through a liquidity buffer maintained by Pohjola and consisting mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

OP Financial Group's member cooperative banks and OP Cooperative with its subsidiaries form a significant customer group for Pohjola Bank plc acting as the Group's central financial institution. OP Financial Group's exposures (excl. Pohjola Group) accounted for 19% of total exposures. These exposures decreased by EUR 0.3 billion, or around 2%, in the year to December. All of their exposure was investment-grade exposure.

Total exposure by rating category*, € billion

Rating category	31 Dec. 2015	31 Dec. 2014	Change
1.0–2.0	26.5	19.2	7.3
2.5–5.5	4.3	3.3	1.0
6.0–7.0	0.0	0.1	-0.1
7.5–9.0	0.4	0.1	0.3
9.5–10.0	0.0	0.0	0.0
Total	**31.2**	**22.7**	**8.5**

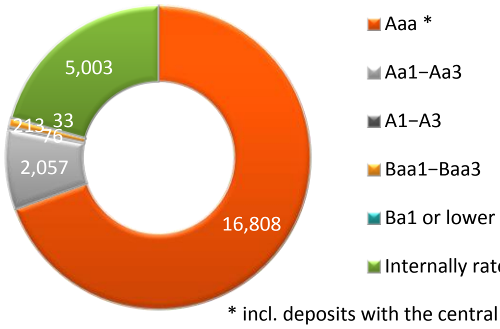
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 60% during the fourth quarter of 2015 and at least 100% from the beginning of 2018. OP Financial Group's LCR ratio, calculated in accordance with the European Commission Liquidity Delegated Act, was 116% on 31 December 2015.

Liquidity buffer

€ billion	31 Dec. 2015	31 Dec. 2014	Change, %
Deposits with central banks	8.5	3.8	
Notes and bonds eligible as collateral	10.6	7.8	35
Corporate loans eligible as collateral	4.3	4.3	0
Total	**23.4**	**15.9**	**47**
Receivables ineligible as collateral	0.8	0.7	19
Liquidity buffer at market value	**24.2**	**16.6**	**46**
Collateral haircut	-1.2	-1.1	12
Liquidity buffer at collateral value	**23.0**	**15.5**	**48**

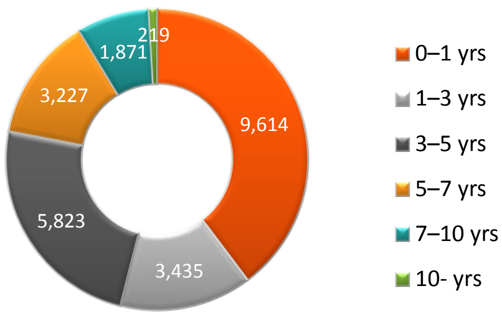
The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral. The notes and bonds included in the liquidity buffer are based on mark-to-market valuations.

Financial assets included in the liquidity buffer by credit rating on 31 December 2015, € million



* incl. deposits with the central bank

Financial assets included in the liquidity buffer by maturity on 31 December 2015, € million

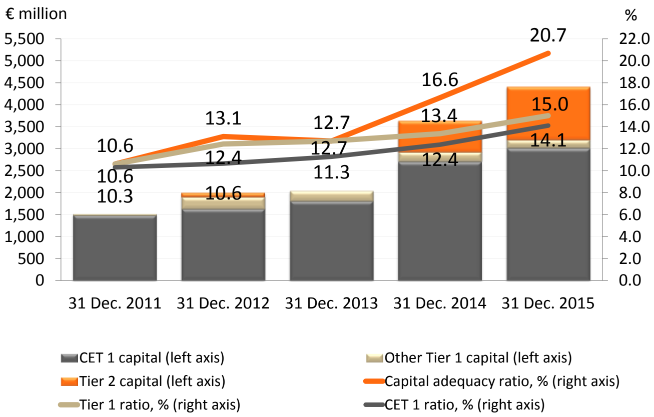


Operational risks

The Group expects its operational risks to be moderate although outsourced services, among other things, still involve increased risk. During 2015, OP Financial Group improved its capabilities to prevent the detrimental effects of denial-of-service attacks and successfully managed to prevent the effects. Materialised operational risks resulted in EUR 1 million (3) in costs in 2015.

Group's capital adequacy

Capital base and capital adequacy

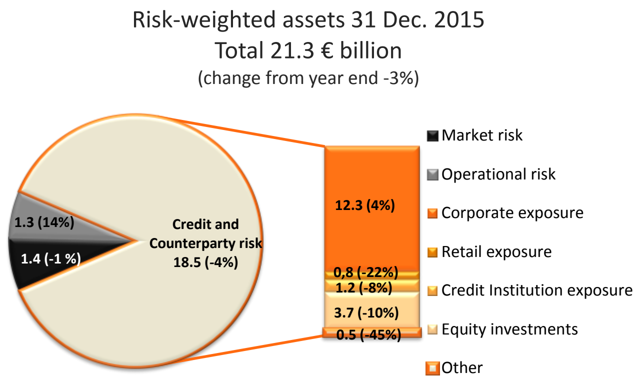


Pohjola Group's CET1 ratio was 14.1% (12.4) on 31 December 2015. In the first quarter, Pohjola Group adopted updated probabilities of default (PD) according to permission from the supervisor. This adoption improved the CET1 ratio by about 0.7 percentage points. Pohjola Group's minimum CET1 target is 15% by the end of 2016.

As a credit institution, Pohjola's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the CET1 ratio to 7%.

The CET1 capital increased by EUR 301 million to EUR 3.0 billion because of strong Banking earnings performance.

On 31 December 2015, risk-weighted assets totalled EUR 21.3 million (21.8), or 2.5% lower than on 31 December 2014. The updated PD values for corporate exposure reduced risk-weighted assets by around 5%. The average risk weights of other major exposure classes decreased slightly. Of the risk-weighted assets, EUR 3.7 billion included intra-Group insurance holdings.



Pohjola Group belongs to OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates.

In October 2015, as part of OP Financial Group, Pohjola received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets, according to the previous practise. The method applied to insurance holdings leads to a risk weight of approximately 280%. However, the ECB has the option of cancelling the permission as part of the harmonisation of supervisory options. Pohjola's CET1 ratio would decrease by approximately 2.5 percentage points if the special permission were cancelled and Pohjola transferred to the deduction treatment of insurance holdings. Such a change in treatment would not, however, have any effect on Pohjola's real risk-bearing capacity.

The requirements for capital buffers implemented through national legislation will add to capital requirements further. As of the beginning of 2016, OP Financial Group as an Other Systemically Important Institution needs to comply with the O-SII buffer of 2%, but it does not apply to Pohjola. In September 2015, the Financial Supervisory Authority decided not for the time being to impose a countercyclical capital buffer requirement on banks, but began preparations for setting higher risk weights on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis.

The ECB has imposed on OP Financial Group a discretionary capital buffer requirement as part of the supervisory review and evaluation process (SREP). Taking into account of the discretionary buffer, the requirement for OP Financial Group's CET1 ratio is 9.75%. In view of OP Financial Group's strong capital base (CET1 ratio at 19.5%) and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for OP Financial Group's or Pohjola's capital adequacy position or business. To OP Financial Group's knowledge, the ECB has imposed on all banks under its supervision a comparable discretionary capital buffer requirement based on the comprehensive assessment uniformly applied to banks.

Solvency II regulatory changes

The solvency regulations of the insurance sector changed in early 2016 and are not included in statutory audit in accordance with the Insurance Companies Act that entered into force on 1 January 2016. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe. The requirements will increase capital requirements and, on the other hand, increase the capital base.

Non-life Insurance capital base and solvency ratio *) under Solvency II

€ million	31 Dec. 2015	31 Dec. 2014	Target
Tier 1	837	754	
Tier 2	134	50	
Capital base (Solvency II)	972	804	
Solvency capital requirement (SCR)	698	685	
Solvency ratio (Solvency II), % *	139	117	120

* Excluding the effects of transitional provisions.

Capital base and capital adequacy

Pohjola has presented its capital base and capital adequacy in accordance with the EU capital requirement regulation and directive (EU 575/2013).

€ million	**31.12.2015**	**31.12.2014**
Equity capital	3 741	3 408
Excluding the effect of insurance companies on equity capital (equity capital and Group eliminations)	-365	-183
Fair value reserve, cash flow hedge	-11	-17
Common Equity Tier 1 (CET1) before deductions	**3 364**	**3 209**
Intangible assets	-73	-195
Excess funding of pension liability and valuation adjustments	-20	-1
Planned profit distribution / profit distribution as proposed by the Board	-155	-141
Unrealised gains under transitional provisions		-50
Impairment loss – shortfall of expected losses	-115	-122
Common Equity Tier 1 (CET1)	**3 001**	**2 700**
Subordinated loans to which transitional provision applies	192	219
Additional Tier 1 capital (AT1)	**192**	**219**
Tier 1 capital (T1)	**3 193**	**2 919**
Debenture loans	1 207	663
Unrealised gains under transitional provisions		50
Tier 2 Capital (T2)	**1 207**	**713**
Total capital	**4 400**	**3 633**
Risk-weighted assets		
Credit and counterparty risk		
Central government and central bank exposure	23	26
Credit Institution exposure	1 200	1 305
Corporate exposure	12 301	11 831
Retail exposure	785	1 010
Equity investments *	3 730	4 132
Other**	506	931
Market risk	1 450	1 467
Operational risk	1 297	1 137
Total	**21 292**	**21 839**
Key ratios, %		
Common Equity Tier 1 (CET1) capital ratio	14,1	12,4
Tier 1 ratio	15,0	13,4
Capital adequacy ratio	20,7	16,6
Ratios without the effects of transitional provisions, %		
Common Equity Tier 1 (CET1) capital ratio	14,1	12,4
Tier 1 ratio	14,1	13,4
Capital adequacy ratio	19,8	16,6
Basel I floor, EUR million		
Capital base	4 400	3 633
Basel I capital requirements floor	1 583	1 441
Buffer to Basel I floor	2 817	2 192

*) The risk weight of equity investments includes EUR 3.7 billion in insurance holdings within OP Financial Group.
** EUR 31 million of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.
The Group has applied transitional provisions regarding old capital instruments to subordinated loans. A total of 70% of the amounts outstanding on 31 December 2012 are included in the capital base. Unrealised valuations are included in CET1 capital. Negative unrealised valuations a year ago were included in CET1 capital and positive unrealised valuations in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

Credit ratings

Pohjola Bank plc's credit ratings on 31 December 2015

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	Negative	AA-	Negative
Moody's	P-1	Stable	Aa3	Stable

Pohjola Insurance Ltd's financial strength ratings on 31 December 2015

Rating agency	Rating	Outlook
Standard & Poor's	A+	Negative
Moody's	A3	Stable

Pohjola Bank plc and Pohjola Insurance Ltd have credit ratings affirmed by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd. When assessing Pohjola Bank plc's credit rating, credit rating agencies take account of the entire OP Financial Group's financial position.

The credit ratings of OP Financial Group and Pohjola Bank plc did not change in 2015. Pohjola Insurance Ltd's financial strength rating was downgraded by one notch in the fourth quarter.

In November 2015, OP Financial Group and Pohjola Bank plc decided to stop requesting credit ratings from Fitch Ratings and terminated the credit rating agreement as of 31 December 2015. On 6 January 2016, Fitch affirmed and removed OP Financial Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1.

On 2 December 2015, Standard & Poor's affirmed Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ while keeping the outlook negative. On the same date, S&P downgraded Pohjola Insurance Ltd's credit rating by one notch from AA- to A+, while keeping the outlook negative. The underlying reason for the downgrade was S&P's decision to withdraw sovereign support from factors that improve ratings.

Moody's affirmed, on 29 June 2015, Pohjola Bank plc's long-term debt rating at Aa3 and short-term debt rating at P-1 and, on 15 May 2015, Pohjola Insurance Ltd's rating at A3. The outlook for both companies were kept stable.

Pohjola's efficiency-enhancement programme

The efficiency-enhancement programme launched within Pohjola Group in late 2012 was aimed at achieving annual cost savings of around EUR 50 million by the end of 2015.

The efficiency-enhancement programme within the whole OP Cooperative, in turn, sought annual cost savings of EUR 150 million by the end of 2015.
These targets were achieved as planned.

As its financial target, Pohjola Group aimed to keep its total expenses at the end of 2015 at the levels recorded at the end of 2012. The Group achieved this target. Total expenses amounted to EUR 491 million, while the target was EUR 514 million.

Financial performance by business segment

Pohjola Group's business segments are Banking, Non-life Insurance, and Wealth Management (formerly Asset Management). Wealth Management has been reported as discontinued operation until 30 December 2015, when it was transferred to OP Cooperative in Pohjola Bank plc's partial demerger. Non-segment operations are presented under “Other Operations” (formerly Group Functions).

Continuing operations

Banking

- Earnings before tax increased by 10% to EUR 334 million (303) year on year.
- The loan portfolio increased by 10% from its 2014-end level to EUR 16.4 billion (14.9).
- The average margin on the corporate loan portfolio decreased in January–December by 6 basis points to 1.38%.
- Impairment loss on receivables totalled EUR 29 million (25), accounting for 0.15% of the loan and guarantee portfolio.
- The operating cost/income ratio improved to 27% (33).

Banking: key figures and ratios

€ million	**Q1–4/2015**	**Q1–4/2014**	**Change, %**
Net interest income			
Corporate and Baltic Banking	276	255	8
Markets	-3	28	
Total	273	283	-3
Net commissions and fees	99	103	-4
Net trading income	110	84	30
Other income	18	18	-2
Total income	**500**	**488**	**2**
Expenses			
Personnel costs	51	55	-7
ICT costs	36	34	6
Depreciation and amortisation	11	14	-21
Other expenses	38	57	-33
Total expenses	**137**	**160**	**-14**
Earnings before impairment loss on receivables	**363**	**328**	**11**
Impairment loss on receivables	29	25	14
Earnings before tax	**334**	**303**	**10**
Earnings before tax at fair value	334	301	11
Loan portfolio, € billion	16.4	14.9	10
Guarantee portfolio, € billion	2.3	2.7	-15
Risk-weighted assets, € billion	16.0	16.0	0
Margin on corporate loan portfolio, %	1.38	1.44	
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.98	1.45	
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.15	0.14	
Operating cost/income ratio, %	27	33	
Personnel	603	616	

January–December earnings

Banking earnings before tax rose by 10% to EUR 334 million (303). Total income increased by 2% while total expenses fell by 14%. In Corporate Banking and Baltic Banking, net interest income rose by 8%. In total, Banking's net interest income decreased by 3% due to lower net interest income from the Markets division.

The loan portfolio increased by 10% from its 2014-end level to EUR 16.4 billion. The average margin on the corporate loan portfolio decreased by 6 basis points in January–December, being 1.38% on 31 December 2015.

Net loan losses and impairment losses within Banking amounted to EUR 29 million (25), accounting for 0.15% (0.14) of the loan and guarantee portfolio. Final write-offs on loans totalled EUR 37 million (35) and impairment losses EUR 31 million (40). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 40 million (49).

The guarantee portfolio decreased in the year to December, totalling EUR 2.3 billion (2.7). Committed standby credit facilities amounted to EUR 3.9 billion (3.2).

Net trading income increased as a result of higher net income from derivatives trading in the Markets division.

Net commissions and fees reported by Banking decreased by 4% to EUR 99 million (103) as a result of lower commission and fees from lending.

Total expenses fell by 14% to EUR 137 million. A year ago, other operating expenses were increased by a bank levy of EUR 18 million. Excluding the bank levy, expenses reduced by 4%.

Personnel costs decreased by 7% to EUR 51 million.

ICT costs and ICT depreciation and amortisation increased by a total of EUR 3 million.

Earnings before tax by division

€ million	Q1–4/2015	Q1–4/2014	Change, %
Corporate Banking	246	220	12
Markets	83	82	1
Baltic Banking	5	0	
Total	**334**	**303**	**10**

In April, OP Financial Group announced a new single financing process model for companies that need both bank loan and risk financing but are not ready to abandon their current ownership. This financing package is targeted at companies with net sales of EUR 10–50 million.

Non-life Insurance

- Earnings before tax amounted to EUR 267 million (223). Earnings before tax at fair value were EUR 175 million (272).
- Insurance premium revenue increased by 7% (5).
- The balance on technical account improved. The operating combined ratio was 87.3% (89.4*) and operating expense ratio 17.7% (18.4). The combined ratio was 88.8% (91.0).
- Return on investments at fair value was 2.3% (6.7).

Non-life Insurance: key figures and ratios

€ million	Q1–4/2015	Q1–4/2014	Change, %
Insurance premium revenue	1,396	1,310	7
Claims incurred	-972	-930	4
Operating expenses	-247	-242	2
Amortisation adjustment of intangible assets	-21	-21	0
Balance on technical account	**156**	**117**	**42**
Net investment income	172	171	0
Other income and expenses	-61	-66	-3
Earnings before tax	**267**	**223**	**19**
Change in fair value reserve	-92	49	
Earnings before tax at fair value	**175**	**272**	**-44**
Combined ratio, %	88.8	91.0	
Operating combined ratio, % *	87.3	89.4	
Operating loss ratio, % *	69.6	71.0	
Operating expense ratio, %	17.7	18.4	
Operating risk ratio, % *	64.2	65.0	
Operating cost ratio, %	23.1	24.4	
Return on investments at fair value, %	2.3	6.7	
Solvency ratio, %	70.4	75.4	
Solvency ratio (Solvency II), % **	139.3	117.3	
Large claims incurred retained for own account	-60	-79	
Changes in claims for previous years (run off result)	32	27	
Personnel	1,660	1,766	

* The ratio for the corresponding period a year ago has been changed to correspond to the treatment of change of the discount rate applied since the beginning of 2015.
** The figure is shown without the effect of transitional provisions.

Insurance premium revenue from Private Customers continued to grow. Insurance premium revenue from Corporate Customers increased, too, in spite of the recession. Insurance sales increased slightly year on year. Claims expenditure developed favourably due to the mild winter and a lower number of large claims than in the previous year.

OP Financial Group's market share of non-life insurance premiums written in 2014 was 31.5% (30.3). Measured by this market share, OP Financial Group is clearly Finland's largest non-life insurer.

The number of premier customer households increased in the year to December by 22,000 to 677,000 (655,000), of which up to 76% (75) also use OP Financial Group member banks as their main bank. Group member cooperative banks' and Helsinki OP Bank's customers used OP bonuses that they had earned through the use of banking and insurance services, to pay 2,023,000 insurance bills (1,912,000) with 273,000 (255,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 101 million (95).

Developing claims services further has been one of the Non-life Insurance priorities. In particular, Non-life Insurance has developed its electronic services in both online and mobile services. The financial year saw the launch of a new loss report service on OP-mobile. Over up to 50% of loss reports are filed online and over up to 75% of loss reports on personal injuries under voluntary insurance are filed online.

Using electronic services in managing non-life policies and claims has increased considerably. During the last 12 months, the number of customers receiving their insurance-related mail electronically has risen to over 554,000 (365,000).

January–December earnings

Earnings before tax rose to EUR 267 million (223). The balance on technical account was good. Net investment income recognised in the income statement amounted to EUR 172 million (171), remaining at the previous year's level. Earnings before tax at fair value amounted to EUR 175 million (272).

At the beginning of the financial year, OP Financial Group changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate for pension liabilities as one continuously updated variable of an accounting estimate. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 62 million (62). According to the new valuation model, a change in the discount rate also affects the calculation of operating ratios. The operating ratios for the corresponding period a year ago have been changed accordingly. The changed discount rate weakened the operating combined ratio by 4.5 percentage points (4.7).

The operating combined ratio was 87.3% (89.4). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue

€ million	Q1–4/2015	Q1–4/2014	Change, %
Private Customers	730	687	6.3
Corporate Customers	609	568	7.3
Baltics	56	55	1.6
Total	**1,396**	**1,310**	**6.5**

Claims incurred, excluding the reduction in the discount rate, increased by 5% on a year earlier. Developments in large claims were favourable. Claims incurred arising from new large claims were lower than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 70 (82) in January–December, with their claims incurred retained for own account totalling EUR 60 million (79). However, the change in provisions for unpaid claims under statutory pension increased year on year, being EUR 16 million (12) between January and December.

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 32 million (27). The operating loss ratio was 69.6% (71.0). The operating risk ratio excluding indirect loss adjustment expenses was 64.2% (65.0).

Operating expenses grew by 2%, being EUR 5 million higher than a year ago, due to higher sales commissions and portfolio management fees. The operating expense ratio was 17.7% (18.4). The operating cost ratio (including indirect loss adjustment expenses) was 23.1% (24.4).

Operating balance on technical account and combined ratio (CR)

	2015		2014	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	140	80.9	126	81.6
Corporate Customers	32	94.7	7	98.8
Baltics	5	90.9	6	90.0
Total	**177**	**87.3**	**139**	**89.4**

Private Customer profitability remained good as a result of continued growth in premium revenue. Claims developments among Corporate Customers were more favourable than a year ago. The reduced discount rate is reflected in Corporate Customer profitability in particular. In Baltics, profitability weakened slightly because of large claims.

Investment

Return on investments at fair value totalled EUR 74 million (236), or 2.3% (6.7). The return on investments was positive because of higher stock market prices. Net investment income recognised in the income statement amounted to EUR 172 million (171).

Investment portfolio by asset class

%	31 Dec. 2015	31 Dec. 2014
Bonds and bond funds	77	73
Alternative investments	1	1
Equities	7	7
Private equity	3	3
Real property	10	11
Money markets	3	5
Total	**100**	**100**

On 31 December 2015, the Non-life Insurance investment portfolio totalled EUR 3,687 million (3,522). The fixed-income portfolio by credit rating remained healthy, considering that investments within the “investment-grade” category accounted for 93% (94), and 63% (71) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.7 years (4.5) and the duration 5.2 years (4.3).

The running yield for direct bond investments averaged 1.76% (1.94) at the end of December 2015.

Other Operations

- Earnings before tax amounted to EUR 23 million (20). These included EUR 26 million (7) in capital gains on notes and bonds and EUR 26 million (43) in dividend income.
- Earnings before tax at fair value were EUR –28 million. A year ago, earnings before tax amounted to EUR 53 million.
- Liquidity and access to funding remained good.

Other Operations: key figures and ratios

€ million	**Q1–4/2015**	**Q1–4/2014**	**Change, %**
Net interest income	-30	-3	
Net commissions and fees	-3	4	
Net trading income	1	-8	
Net investment income	66	55	20
Other income	9	9	9
Total income	**43**	**56**	**-24**
Personnel costs	3	6	-52
Other expenses	17	30	-44
Total expenses	**20**	**36**	**-45**
Earnings before impairment loss on receivables	**23**	**20**	**14**
Impairment loss on receivables	0		
Earnings before tax	**23**	**20**	**14**
Change in fair value reserve	-51	33	
Earnings before tax at fair value	**-28**	**53**	
Liquidity buffer, € billion	24.2	16.6	46
Risk-weighted assets, € billion	5.2	5.7	
Receivables and liabilities from/to OP Financial Group member banks, net position, € billion	3.7	3.8	-2
Personnel	32	33	-4

January–December earnings

Other Operations' earnings before tax amounted to EUR 23 million, or EUR 3 million higher than a year ago. Earnings before tax at fair value were EUR –28 million, or EUR 81 million lower than a year ago. A year ago, the ECB's stimulus narrowed credit spreads, improving the fair value reserve.

Net interest income was reduced by persistently low interest rates, narrowing credit spreads on purchased bonds and the Group's preparation for tighter liquidity regulation.

A year ago, a credit limit granted to OP Cooperative relating to financing for the bid for Pohjola shares added to net commissions and fees.

Net investment income included EUR 26 million (7) in capital gains on notes and bonds, EUR 26 million (43) in dividend income and EUR 4 million (7) in income recognised from mutual fund investments.

Personnel costs decreased due to restructuring. A year ago, other expenses were increased by EUR 2 million in the bank levy and EUR 2 million of advisory fees related to the public voluntary bid for Pohjola shares.

Pohjola's access to funding remained good. In January–December, Pohjola issued long-term bonds worth EUR 4.3 billion in total, with senior bonds representing EUR 3.7 billion and Tier 2 capital notes EUR 0.5 billion. In March, Pohjola issued a senior bond of EUR 1 billion in the international capital market, with a maturity of seven years. In May, Pohjola issued two GBP-denominated bonds: the first bond issued was worth GBP 400 million (EUR 558 million), with a maturity of seven years, while the second bond was worth GBP 300 million (EUR 419 million), with a maturity of three years. In November, Pohjola issued two Samurai bonds in the Japanese market, totalling JPY 30 billion (EUR 228 million).

On 31 December 2015, the average margin of senior wholesale funding was 41 basis points (39). Pohjola specified the calculation principle for the average wholesale funding margin. This increased the December-end margin by three basis points as against the former calculation method. The comparative data has not been adjusted.

Financial performance by business segment – Discontinued operations

Wealth Management

- Earnings before tax amounted to EUR 28 million (38). The decrease in earnings was due to lower performance-based management fees.
- Assets under management increased by 9% in the year to December, totalling EUR 47 billion (43) on 31 December 2015.
- In the partial demerger of Pohjola Bank plc, wealth management and property management operations presented as discontinued operations were transferred to OP Cooperative on 30 December 2015.

Wealth Management: key figures and ratios

€ million	Q1–4/2015	Q1–4/2014	Change, %
Net commissions and fees	54	64	-16
Other income	5	4	25
Total income	**60**	**67**	**-12**
Personnel costs	15	14	7
Other expenses	19	17	12
Total expenses	**34**	**31**	**6**
Share of associate's profit/loss	1	1	0
Earnings before tax	**28**	**38**	**-26**
Earnings before tax at fair value	28	38	-26
Assets under management, € billion	47.1	43.3	9
Operating cost/income ratio, %	58	42	
Personnel	103	88	-2

January–December earnings

Earnings before tax amounted to EUR 28 million (38). The decrease in earnings was due to lower performance-based management fees. Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

The operating cost/income ratio was 58% (42).

Assets under management

€ billion	30 Dec. 2015	31 Dec.2014
Institutional clients	23	24
OP Mutual Funds	17	14
Private	7	6
Total	**47**	**43**

Assets under management by asset class

%	31 Dec. 2015	31 Dec. 2014
Money market investments	9	14
Notes and bonds	35	36
Equities	35	36
Other	21	14
Total	**100**	**100**

Assets under management increased during the financial year by 9%, amounting to EUR 47.1 billion (43.3) on 31 December 2015. This increase was based on improved market values.

Personnel and remuneration

On 31 December 2015, the Group had a staff of 2,295, or 208 less than on 31 December 2014. Excluding the discontinued operations, the reduction in headcount was 119.

Personnel by segment

	31 Dec. 2015	31 Dec. 2014
Banking	603	616
Non-life Insurance	1,660	1,766
Wealth Management	-	88
Other Operations	32	33
Total	**2,295**	**2,503**

The scheme for variable remuneration within OP Financial Group and Pohjola consists of short-term, company-specific incentives and OP Financial Group-wide long-term incentives. More detailed information on remuneration can be found in the Note 84 to the Financial Statements.

Capital expenditure

Capital expenditure for 2015 totalled EUR 40 million (28), Banking accounting for EUR 13 million (10), Non-life Insurance for EUR 26 million (14) and Other Operations for one million (2) euros. Capital expenditure mainly came from ICT investments.

Corporate social responsibility

Corporate social responsibility (CSR) is an integral part of Pohjola's business and, according to the strategy, is further developed as part of OP Financial Group's CSR programme.

More information about OP Financial Group's CSR programme can be found in OP's 2015 report and OP Financial Group's CSR GRI Corporate Social Responsibility Data report which comprise the CSR report in accordance with the GRI G4 framework.

Management

The management system of OP Financial Group is founded on the following three business segments: Banking, Non-life Insurance, and Wealth Management. Pohjola is managed as part of the Group's management system.

The Annual General Meeting re-elected Reijo Karhinen, President and Group Executive Chairman, Chairman of Pohjola Bank plc's Board of Directors, and Tony Vepsäläinen, Executive Vice President, Operations, Harri Luhtala, CFO, and Erik Palmén, CRO, Board members.

Jouko Pölönen acts as Pohjola Bank plc's President and CEO.

Pohjola Bank plc's Corporate Governance Statement can be found on the company's website at www.pohjola.com.

Decisions by the Annual General Meeting

Pohjola Bank plc's Annual General Meeting of 19 March 2015
adopted the Financial Statements for 2014, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.43 per share, totalling EUR 137 million.

The Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor with Raija-Leena Hankonen, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Group restructuring

In line with the previously published plan, Pohjola Bank plc's Extraordinary General Meeting adopted the demerger plan on 22 October 2015. In the partial demerger, wealth management, card and property management operations were transferred to OP Cooperative. The execution date of the partial demerger was 30 December 2015 and it was implemented at carrying amounts. As a result, the assets and liabilities and other items of the Wealth Management segment have been presented as of 30 June 2014 separately in the balance sheet as assets and liabilities classified as held for distribution to owners and in the income statement as discontinued operations, in accordance with IFRS 5.

Pohjola Group is still making plans for restructuring under which the Non-life Insurance segment would be transferred from Pohjola Group to direct ownership of OP Cooperative. In addition, the option of separating central banking operations (Group Treasury) into a subsidiary wholly owned by OP Cooperative is being assessed. The specific manner or schedule to implement these changes have not yet been decided.

The operating model of Group Treasury has been revised as of 1 January 2016. Accordingly, the division of tasks between Markets and Group Treasury are changed. Fixed income and FX trading as well as the Bonds department currently operating under the Markets division in Pohjola Bank plc's Banking segment are transferred to OP Financial Group's Asset and Liability Management and Group Treasury which is part of Other Opertions segment. Going forward, Markets will focus on supporting OP Financial Group's member banks in sales of market risk products. The new division of tasks will have minor impacts on the internal distribution of profit within OP Financial Group.

In connection with the public voluntary bid for Pohjola shares in February 2014, OP Financial Group announced a plan to combine Pohjola Bank plc and Helsinki OP Bank Ltd. However, the Group abandoned this plan. According to the new plan, Helsinki OP Bank Ltd will be converted from a limited liability company to a cooperative bank during 2016.

Pohjola Bank plc will be renamed OP Corporate Bank plc in the spring of 2016. Omasairaala Oy will be renamed Pohjola

Health Ltd in the summer of 2016 when the Tampere hospital unit is opened.

Businesses in the Helsinki Metropolitan Area will continue to operate under the shared management. From the customer's perspective, the Group aims to provide a uniform OP financial services offering encompassing all banking, non-life insurance and wealth management products and services.

Representative offices and branches abroad

Pohjola Bank plc runs a representative office in St. Petersburg and has branches in Estonia, Latvia and Lithuania. In addition, it has subsidiaries in Estonia, Latvia and Lithuania engaged in finance-company operations. Non-life insurance business in Estonia is conducted by a subsidiary with a branch in both Latvia and Lithuania.

Arbitral award in the squeeze-out procedure regarding minority shareholders

On 20 February 2015, the Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce issued its award regarding the squeeze-out of Pohjola's minority shareholders. Based on the award, the squeeze-out price was EUR 16.13 per share which equals the price offered by OP Cooperative for Pohjola shares in the public voluntary bid. The arbitration award was not appealed, i.e. the squeeze-out price based on the award was final.

Request for clarification from the Finnish Competition and Consumer Authority

On 14 December 2015, OP Financial Group received a request for clarification from the Finnish Competition and Consumer Authority, based on If P&C Insurance Company Ltd's request submitted to the authorities. The authorities are investigating OP Financial Group's market position in retail banking services and the pricing of non-life insurance products.

Due to the request, OP Financial Group entities have for the time being refrained from representation in the Federation of Finnish Financial Services, except for labour market issues.

Joint and several liability

Pohjola Bank plc is a member of the central cooperative (OP Cooperative) of the amalgamation, as referred to in the Act on the Amalgamation of Deposit Banks, and belongs to said amalgamation.

Pohjola Bank plc, OP Cooperative as the central cooperative of the amalgamation, other companies belonging to the central cooperative's consolidation group, the central cooperative's member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights form the amalgamation. Pohjola Group insurance companies are not members of the aforementioned amalgamation.

The member credit institutions within the amalgamation (178 Group member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Ltd, OP Mortgage Bank, OP Card Company Plc and OP-Process Services Ltd) and the central cooperative are jointly and severally liable for each other's debts. A creditor who has not received payment of an overdue amount (principal debt) may demand payment from the central institution when the principal debt falls due. In such a case, the central cooperative must produce a statement referred to in said Act, showing the amount of liability apportioned to each member credit institution. This liability between the credit institutions is determined in proportion to the total assets shown in their most recently adopted balance sheets.

The member credit institutions, including Pohjola Bank plc, are obliged to participate in any necessary support measures aimed at preventing another member credit institution from going into liquidation, and to pay a debt for another member credit institution as referred to in Section 5 of the Act on the Amalgamation of Deposit Banks.

Furthermore, upon default of the central cooperative, a member credit institution has unlimited refinancing liability for the central cooperative's debts as laid down in the Co-operatives Act.

The central cooperative supervises its member credit institutions as specified in the Act on the Amalgamation of Deposit Banks, confirms the operating principles referred to in Section 5 of said Act with which it must comply, and issues instructions to the member credit institutions on capital adequacy and risk management, good corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with uniform accounting policies in the preparation of the amalgamation's consolidated financial statements.

Protection afforded by the Deposit Guarantee Fund and the Investors' Compensation Fund

By virtue of the law governing the Deposit Guarantee Fund, deposit banks as members of the amalgamation of cooperative banks (Group member cooperative banks, Pohjola Bank plc and Helsinki OP Bank Ltd) are regarded as a single bank with respect to deposit guarantee. The Deposit Guarantee Fund reimburses a maximum of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the amalgamation of cooperative banks.

Pohjola Bank plc belongs to the Investors' Compensation Fund. The Fund reimburses a maximum of EUR 20,000 to an individual investor with receivables. The member credit institutions belonging to the amalgamation of the cooperative banks are considered to constitute a single credit institution in respect of investors' compensation. The Fund does not cover losses incurred due to changes in the prices of securities or to wrong investment decisions.
The Fund safeguards only retail investors' claims.

The Financial Stability Board under the Ministry of Finance is in charge of deposit guarantee.

Outlook for 2016

The world economy is expected to grow at a rate below the average. Economic growth in the euro area is anticipated to remain moderate. Finnish economic growth has been modest for a long time now. Weak export demand, eroding price competitiveness and slow reform of economic structures are threatening to make the Finnish economic growth rate clearly lag behind the euro area for several years. Implementing the structural reforms may tighten the political situation, which may, for its part, threaten the recovery of the domestic market. The current exceptional world economic situation with low interest rates and quantitative easing measures by central banks will also cause major uncertainty to the future economic development.

The weak Finnish economy will keep long-term growth expectations low in the financial sector. Low interest rates will erode banks' net interest income and weaken insurance institutions' investment income. Then again, low interest rates support customers' loan repayment capacity that has remained stable despite the prolonged period of slow growth. Capital adequacy and profitability in the financial sector have come to play an ever-increasing role because of the unstable operating environment and the tighter regulatory framework.

Pohjola Group's consolidated earnings before tax in 2016 are expected to be lower than earnings from continuing operations before tax in 2015. The most significant uncertainties affecting earnings in 2016 relate to the rate of business growth, impairment loss on receivables, developments in bond and capital markets, the effect of large claims on claims expenditure and to the discount rate applied to insurance liabilities.

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

Events after the balance sheet date

On 11 January 2016, Pohjola Bank plc announced it would redeem its EUR 60 million hybrid bond with perpetual maturity issued in November 2005. The hybrid bond will be redeemed early, according to the bond terms and conditions, on the interest payment date of 28 February 2016.

This redemption will have no effects on Pohjola Group's or OP Financial Group's capital adequacy.

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

On 31 December 2015, the shareholders' equity of Pohjola Bank plc totalled EUR 2,142,463,023.27, of which EUR 1,002,273,342.01 represented distributable equity.

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

	EUR
Profit for 2015	224,795,637.71
Retained earnings	446,096,867.24
Reserve for invested non-restricted equity	307,931,364.75
Other non-restricted reserves	23,449,472.31
Total	**1,002,273,342.01**

The Board of Directors proposes that the company's distributable funds be distributed to shareholders as a dividend of EUR 0.48 per share, i.e. EUR 153,384,679.20. Accordingly, EUR 848,888,662.81 remains in the company's distributable equity.

The company's financial position has not undergone any material changes since the end of the financial year 2015. The company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

Financial indicators and share-related figures and ratios

	2011	2012	2013	2014	2015
Return on equity (ROE), %	9.2	11.2	14.4	14.3	14.8
Return on equity at fair value (ROE), %	3.1	23.3	14.1	16.0	11.5
Return on assets (ROA), %	0.6	0.7	1.0	1.0	1.0
Equity ratio, %	5.6	6.2	7.2	6.7	6.3
Average personnel	3,189	3,421	2,632	2,563	2,446
Cost/income ratio, %	62	57	53	47	42

Share-related figures and ratios	2011	2012	2013	2014	2015
Equity per share, €	7.22	8.67	9.54	10.38	11.38
Dividend per share, €*	0.40	0.45	0.66	0.43	0.48
Dividend payout ratio, %*,	59.9	50.9	50.0	30.0	30.0
Number of shares (all)					
Year average	319,551,415	319,551,415	319,551,415	319,551,415	319,551,415
Year end	319,551,415	319,551,415	319,551,415	319,551,415	319,551,415

*) Board proposal 2015

OP Cooperative owns all Pohjola Bank plc's shares.

Formulas for key figures and ratios

Return on equity (ROE), %
Profit for the period / Equity (average of the beginning and end of period) x 100

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

Return on assets (ROA), %
Profit for the period / Average balance sheet total (average of the beginning and end of the period) x 100

Equity ratio, %
Equity / Balance sheet total x 100

Cost/income ratio, %
Personnel costs + Other administrative expenses + Other operating expenses /
(Net interest income + net income from Non-life Insurance + net commissions and fees + net trading income + net investment income+ other operating income + share of associates' profit) x 100

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

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

Dividend payout ratio, %
Dividend per share / Earnings per share x 100

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

Capital adequacy ratio, %
Total capital / Total risk-weighted assets x 100

Tier 1 ratio, %
Total Tier 1 capital / Total risk-weighted assets x 100

Common Equity Tier 1 ratio, % (CET1)*)
Common Equity Tier 1 (CET1)/Total risk exposure amount x 100

*) Common Equity Tier 1 capital (CET1) as defined in Article 26 of EU Regulation 575/2013 and total risk exposure amount as defined in Article 92.

Key ratios for Non-life Insurance

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

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

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

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

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

Solvency ratio (Solvency II), %*)
Capital base/Solvency capital requirement (SCR) x 100

*) According to the Solvency II framework

Operating key ratios

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

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

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

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

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

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

Values used in calculating the ratios

EUR million	2015	2014
Non-life Insurance		
Non-life Insurance net assets	1,717	1,661
Net tax liabilities for the period	-10	-18
Own subordinated loans	135	50
Deferred tax to be realised in the near future and other items deducted from the solvency margin of the companies	-165	0
Intangible assets	-695	-704

Consolidated financial statements, IFRS

Financial statements

Consolidated income statement

EUR million	Note	2015	2014
Continuing operations			
Net interest income	4	220	257
Impairment of receivables	5	29	25
Net interest income after impairments		**191**	**231**
Net income from Non-life Insurance	6	646	593
Net commissions and fees	7	37	52
Net trading income	8	105	77
Net investment income	9	75	64
Other operating income	10	29	30
Total income		**1,082**	**1,048**
Personnel costs	11	155	163
ICT costs		92	94
Depreciation/amortisation	12	49	52
Other expenses	13	161	191
Total expenses		**457**	**500**
Share of associates' profits/losses accounted for using the equity method		0	0
Earnings before tax		**625**	**548**
Income tax expense	14	120	107
Results of continuing operations		**505**	**441**
Discontinued operations			
Results of discontinued operations	15	22	29
Profit for the period		**527**	**470**
Attributable to:			
Attributable to owners of the Parent		517	461
Attributable to non-controlling interest		10	9
Profit for the period		**527**	**470**

Consolidated statement of comprehensive income

EUR million	Note	2015	2014
Profit for the period		**527**	**470**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	35	64	-50
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value	38	-135	73
Cash flow hedge	38	-7	7
Translation differences		0	0
Income tax on other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	35	-13	10
Items that may be reclassified to profit or loss			
Measurement at fair value	38	27	-14
Cash flow hedge	38	1	-1
Total comprehensive income for the period		**466**	**493**
Attributable to:			
Total comprehensive income attributable to owners of the Parent		458	484
Total comprehensive income attributable to non-controlling interest		8	9
Total comprehensive income for the period		**466**	**493**
Comprehensive income attributable to owners of the parent is divided as follows:			
Continuing operations		436	455
Discontinued operations		22	28
Total		**458**	**484**

Consolidated balance sheet

EUR million	Note	31 Dec. 2015	31 Dec. 2014
Liquid assets	16	8,465	3,774
Receivables from financial institutions	17	9,678	10,257
Financial assets at fair value through profit or loss	18		
Financial assets held for trading		852	360
Financial assets at fair value through profit or loss at inception		0	0
Derivative contracts	19	5,727	5,946
Receivables from customers	20	17,183	15,513
Non-life Insurance assets	21	4,124	3,854
Investment assets	22	11,419	8,112
Investment accounted for using the equity method	24	16	2
Intangible assets	25	781	786
Property, plant and equipment (PPE)	26	58	72
Other assets	27	1,317	1,789
Tax assets	28	35	34
Total		**59,655**	**50,498**
Assets classified as held for distribution to owners	15		205
Total assets		**59,655**	**50,703**

EUR million	Note	31 Dec. 2015	31 Dec. 2014
Liabilities to financial institutions	29	5,209	5,241
Financial liabilities at fair value through profit or loss	30		
Financial liabilities held for trading		0	4
Derivative contracts	31	5,646	5,889
Liabilities to customers	32	17,549	11,442
Non-life Insurance liabilities	33	3,160	2,972
Debt securities issued to the public	34	19,475	17,587
Provisions and other liabilities	35	2,766	2,479
Tax liabilities	36	370	391
Subordinated liabilities	37	1,737	1,084
Total		**55,914**	**47,090**
Liabilities associated with assets classified held as distribution to owners	15		205
Total liabilities		**55,914**	**47,295**
Shareholders' equity	38		
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Reserves		1,213	1,324
Retained earnings		1,996	1,564
Non-controlling interest	82	**105**	**92**
Total shareholders' equity		**3,741**	**3,408**
Total liabilities and shareholder's equity		**59,655**	**50,703**

Consolidated statement of changes in equity

	Attributable to owners of Pohjola Group						
EUR million	**Share capital**	**Fair value reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan. 2014	**428**	**168**	**1,093**	**1,358**	**3,047**	**103**	**3,150**
Total comprehensive income for the period		63		421	484	9	493
Profit for the period				461	461	9	470
Other comprehensive income		63		-40	23	0	23
Profit distribution				-212	-212		-212
EUR 0.67 per Series A share				-169	-169		-169
EUR 0.64 per Series K share				-43	-43		-43
Other			0	-2	-2	-20	-22
Balance at 31 December 2014	**428**	**231**	**1,093**	**1,564**	**3,316**	**92**	**3,408**

	Attributable to owners of Pohjola Group						
EUR million	**Share capital**	**Fair value reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan. 2015	**428**	**231**	**1,093**	**1,564**	**3,316**	**92**	**3,408**
Total comprehensive income for the period		-111		569	458	8	466
Profit for the period				517	517	10	527
Other comprehensive income		-111		52	-60	-2	-62
Profit distribution				-137	-137		-137
Other			0	0	0	5	4
Balance at 31 December 2015	**428**	**120**	**1,093**	**1,996**	**3,637**	**105**	**3,741**

Consolidated cash flow statement incl. discontinued operations

EUR million	2015	2014
Cash flow from operating activities		
Profit for the period	517	461
Adjustments to profit for the period	200	97
Increase (-) or decrease (+) in operating assets	**-4,281**	**-2,133**
Receivables from financial institutions	428	-494
Financial asset at fair value through profit or loss	156	405
Derivative contracts	9	63
Receivables from customers	-1,531	-1,008
Non-life Insurance assets	-351	-232
Investment assets	-3,499	-281
Other assets	506	-584
Increase (+) or decrease (-) in operating liabilities	**6,492**	**2,323**
Liabilities to financial institutions	-22	447
Financial liabilities at fair value through profit or loss	-4	0
Derivative contracts	-7	70
Liabilities to customers	6,107	1,259
Non-life Insurance liabilities	71	149
Provisions and other liabilities	347	396
Income tax paid	-133	-92
Dividends received	54	63
A. Net cash from operating activities	**2,850**	**719**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-20	-10
Decreases in held-to-maturity financial assets	70	69
Acquisition of subsidiaries and associates, net of cash acquired	-13	0
Disposal of subsidiaries and associates, net of cash disposed	11	
Purchase of PPE and intangible assets	-40	-28
Proceeds from sale of PPE and intangible assets	4	3
B. Net cash used in investing activities	**11**	**34**
Cash flow from financing activities		
Increases in subordinated liabilities	1,327	
Decreases in subordinated liabilities	-700	
Increases in debt securities issued to the public	27,342	34,709
Decreases in debt securities issued to the public	-26,196	-33,616
Dividends paid	-137	-212
C. Net cash provided by (used in) financing activities	**1,636**	**881**
Net increase/decrease in cash and cash equivalents (A+B+C)	**4,497**	**1,634**
Cash and cash equivalents at year-start	**4,306**	**2,672**
Cash and cash equivalents at year-end	**8,803**	**4,306**
Interest received	**1,786**	**2,000**
Interest paid	**-1,580**	**-1,722**

EUR million		
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	30	26
Unrealised net earnings in Non-life Insurance	73	50
Change in fair value for trading	21	160
Unrealised net gains on foreign exchange operations	-117	79
Change in fair value for investment assets	101	2
Planned amortisation/depreciation	52	55
Share of associates' profits	0	0
Other	39	-275
Total adjustments	**200**	**97**
Cash and cash equivalents		
Liquid assets*	8,469	3,815
Receivables from financial institutions payable on demand	334	491
Total	**8,803**	**4,306**

* Of which EUR 5 million (41) consists of Non-life Insurance cash and cash equivalents.

Segment information

The segment analysis has been prepared in accordance with IFRS 8 Operating Segments. Financial information serves as the basis of this standard, which the executive in charge monitors regularly. Defining segments and presentation are based on management reporting.

Pohjola Group is organised into three business segments – Banking, Non-life Insurance and Wealth Management – and the Other Operations which together constitute the Group's operating segments. The Board of Directors is the Group's chief operating decision maker, who allocates resources to the reportable segments and assesses their performance.

In line with the previously published plan, Pohjola Bank plc's Extraordinary General Meeting adopted the demerger plan on 22 October 2015. In the partial demerger, wealth management, card and property management operations were transferred to OP Cooperative. The execution date of the partial demerger was 30 December 2015 and it was implemented at carrying amounts. As a result, the assets and liabilities and other items of the Wealth Management segment have been presented as of 30 June 2014 separately in the balance sheet as assets and liabilities classified as held for distribution to owners and in the income statement as discontinued operations, in accordance with IFRS 5.

Segment accounting policies

Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Income, expenses, assets and liabilities which are considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to the business segments are reported under the Other Operations. Inter-segment Group eliminations are reported under the "Eliminations" column. Intra-Group transfer prices are based on market prices. The acquisition costs of intangible and PPE assets are presented as investments. The number of employees in each segment is presented as the number of employees at the end of the period.

Capitalisation of Banking, Wealth Management and the Other Operations is based on OP Financial Group's capital adequacy measurement under the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to Banking in such a way that the CET 1 ratio is 18% (11%). Capital has been allocated to Insurance operations in such a way that Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's
internal interest amounts paid by the segment concerned.

Banking

Pohjola's Banking provides corporate and institutional customers with solutions for their financing and financial management needs. Banking consists of the following divisions: Corporate Banking, Markets and Baltic Banking.

Corporate Banking provides corporate and institutional customers with financing and cash management services and financing services for foreign trade, and grants loans and guarantees as well as leasing and factoring services. Its income derives mainly from lending margins and commissions and fees resulting from the arrangement of financing and the management of payment transactions.

The Markets division's services range from the arrangement of debt issues, corporate finance services and custody, equity, foreign exchange, money market and derivative products to investment research. The division executes both its clients' and the Bank's orders in international financial markets and is also an active player in international derivatives markets, the government bond market in the euro area and corporate bond markets. Its income derives from net commissions and fees and income from trading.

The operating model of Group Treasury has been revised as of 1 January 2016. Accordingly, the division of tasks between Markets and Group Treasury are changed. Fixed income and FX trading as well as the Bonds department currently operating under the Markets division in Pohjola Bank plc's Banking segment are transferred to OP Financial Group's Asset and Liability Management and Group Treasury which is part of Other Operations segment. Going forward, Markets will focus on supporting OP Financial Group's member banks in sales of market risk products. The new division of tasks will have minor impacts on the internal distribution of profit within OP Financial Group.

Baltic Banking provides finance-company products in Estonia, Latvia and Lithuania. Pohjola has established itself in Estonia, Latvia and Lithuania through its own branch offices.

Non-life Insurance

The following three Group companies conduct Non-life Insurance business in Finland: Pohjola Insurance Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. Non-life insurance business in Estonia is conducted by Seesam Insurance AS with a branch in both Latvia and Lithuania. On 30 October 2014, Pohjola Health Ltd merged with Pohjola Insurance Ltd.

The Non-life Insurance segment also includes Omasairaala Oy which started its business in early 2013.

The range of Non-life Insurance products includes non-life policies for corporate and private customers. In addition, the domestic service network provides corporate customers with OP Financial Group's life and pension policies and Ilmarinen Mutual Pension Insurance Company's employment pension policies while being in charge of customer service for Suomi Mutual Life Assurance Company and Ilmarinen. Furthermore, commissions and fees come from managing certain statutory charges and from risk management services.

Non-life Insurance pre-tax earnings consist of the balance on technical account, investment income and other income and expenses. The balance on technical account refers to insurance premium revenue less claims incurred and operating expenses. The most important profitability indicator is the combined ratio showing the proportion of claims incurred and operating expenses to insurance premium revenue. With respect to investment operations, Non-life Insurance is tasked with investing assets covering insurance liabilities and equity in a safe and profitable way conducting a policy of sufficient risk diversification.

Wealth Management

The Wealth Management business line comprises Pohjola Asset Management Ltd, Pohjola Asset Management Execution Services Ltd, Pohjola Property Management Ltd and the associated company Access Capital Partners Group SA. Pohjola Asset Management Ltd provides Finnish institutional clients and wealthy private individuals with discretionary and advisory investment management services. Furthermore, the portfolio management of OP Fund Management Company Ltd’s mutual funds is mainly centralised within Pohjola Asset Management. In addition to its own portfolio management, Pohjola Asset Management has some 30 international partners boasting a wide range of funds for the needs of both institutional and private clients. Pohjola Property Management Ltd focuses on real property investment in Finland and on the selection of real estate funds in international markets. The division’s income comes mainly from management commissions and fees.

Other Operations

Other Operations supports Group's and its business segments financing including both Group Treasury and the liquidity buffer.

It is responsible for the management of financing and liquidity for OP Financial Group’s retail banks and Pohjola Group, as well as for OP Financial Group’s wholesale funding. Income, expenses, investments and capital which have not been allocated to the business segments are reported under the Other Operations. Group taxes are allocated to the Other Operations in their entirety.

Eliminations

Inter-segment eliminations are presented under the “Eliminations” column.

Segment information

Segment capitalisation is based on OP Financial Group's capital adequancy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to Banking in such a way that the CET 1 ratio is 18% (11%). Capital has been allocated to Insurance operations in such a way that Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

	Continuing operations			Discon-tinued operations		
Q1-4 earnings 2015, EUR million	**Banking**	**Other operations**	**Non-life Insurance**	**Wealth Manage-ment**	**Elimi-nations**	**Group total**
Net interest income						
Corporate Banking and Baltic Banking	276					276
Markets	-3					-3
Other operations		-30	-22	2	-2	-53
Total	273	-30	-22	2	-2	220
- of which internal net income before tax	-27	45	-20	2		
Net commissions and fees	99	-3	-55	54	-4	91
Net trading income	110	1	0	0	-5	105
Net investment income	6	66		0	3	75
Net income from Non-life Insurance						
From insurance operations			511		0	511
From investment operations			172		7	178
From other items			-43			-43
Total			639		7	646
Other operating income	12	9	7	5	1	35
Total income	**500**	**43**	**568**	**60**	**-2**	**1,170**
Personnel costs	51	3	101	15	0	171
ICT costs	36	6	48	4	1	96
Amortisation on intangible assets related to company acquisitions			21	2		23
Other depreciation/amortisation and impairments	11	1	16	1		29
Other expenses	38	10	115	12	-3	172
Total expenses	**137**	**20**	**302**	**34**	**-2**	**491**
Earnings/loss before impairment of receivables	**363**	**23**	**266**	**27**	**0**	**679**
Impairments of receivables	29	0	0			29
Share of associates' profits/losses			0	1	0	2
Earnings before tax	**334**	**23**	**267**	**28**	**0**	**652**
Change in fair value reserve	0	-51	-92		2	-141
Gains/(losses) arising from remeasurement of defined benefit plans	49	7	8			64
Total comprehensive income for the period, before tax	**383**	**-21**	**183**	**28**	**2**	**575**

Q1-4 earnings 2014, EUR million	Banking	Continuing operations Other operations	Non-life Insurance	Discon-tinued operations Wealth Manage-ment	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	255					255
Markets	28					28
Other operations		-3	-26	2	1	-26
Total	283	-3	-26	2	1	257
- of which internal net income before tax	-24	46	-24	2		
Net commissions and fees	103	4	-47	64	-8	116
Net trading income	84	-8	0	0	1	77
Net investment income	5	55		0	4	64
Net income from Non-life Insurance						
From insurance operations			466		0	466
From investment operations			171		2	173
From other items			-46			-46
Total			591		2	593
Other operating income	13	9	9	1	-1	31
Total income	**488**	**56**	**528**	**67**	**-1**	**1,139**
Personnel costs	55	6	102	14	0	177
ICT costs	34	5	53	3	1	97
Amortisation on intangible assets related to company acquisitions			21	2		24
Other depreciation/amortisation and impairments	14	1	16	1		31
Other expenses	57	24	112	11	-2	202
Total expenses	**160**	**36**	**305**	**31**	**-1**	**531**
Earnings/loss before impairment of receivables	**328**	**20**	**223**	**36**	**0**	**608**
Impairments of receivables	25					25
Share of associates' profits/losses			0	1	0	2
Earnings before tax	**303**	**20**	**223**	**38**	**0**	**584**
Change in fair value reserve	-1	33	49	0	-1	79
Gains/(losses) arising from remeasurement of defined benefit plans	-42	-5	-2	0		-50
Total comprehensive income for the period, before tax	**259**	**48**	**270**	**37**	**-1**	**613**

Balance sheet 31 December 2015, EUR million	Banking	Other operations	Non-life Insurance	For distri-bution to owners **Wealth Manage-ment**	Elimi-nations	Group total
Receivables from customers	16,677	801			-294	17,183
Receivables from credit institutions	336	17,831	6		-30	18,143
Financial assets at fair value through profit or loss	849	3				852
Non-life Insurance assets			4,319		-195	4,124
Investment assets	668	10,736	16		0	11,419
Investments in associates			16			16
Other assets	6,243	939	751		-15	7,918
Total assets	**24,772**	**30,310**	**5,107**		**-534**	**59,655**
Liabilities to customers	11,628	6,043			-121	17,549
Liabilities to credit institutions	1,305	4,199			-294	5,209
Non-life Insurance liabilities			3,171		-11	3,160
Debt securities issued to the public	2,159	17,351			-35	19,475
Subordinated liabilities	11	1,591	135			1,737
Other liabilities	6,827	1,903	83		-30	8,783
Total liabilities	**21,929**	**31,087**	**3,389**		**-491**	**55,914**
Equity						**3,741**
Average personnel	603	32	1,660			2295
Capital expenditure, EUR million	13	1	26			40

Balance sheet 31 December 2014, EUR million	Banking	Other operations	Non-life Insurance	For distri-bution to owners **Wealth Manage-ment**	Elimi-nations	Group total
Receivables from customers	15,222	537			-246	15,513
Receivables from credit institutions	483	13,566	5	7	-24	14,037
Financial assets at fair value through profit or loss	373	-13				360
Non-life Insurance assets			4,150		-297	3,854
Investment assets	553	7,581	16	9	-9	8,151
Investments in associates			2	27		29
Other assets	6,335	1,721	732	136	-165	8,759
Total assets	**22,968**	**23,392**	**4,905**	**180**	**-741**	**50,703**
Liabilities to customers	8,434	3,233			-226	11,442
Liabilities to credit institutions	609	4,878			-246	5,241
Non-life Insurance liabilities			3,116		-144	2,972
Debt securities issued to the public	1,672	16,157			-46	17,782
Subordinated liabilities	-20	1,054	50			1,084
Other liabilities	7,043	1,685	79	10	-44	8,773
Total liabilities	**17,738**	**27,007**	**3,245**	**10**	**-705**	**47,295**
Equity						**3,408**
Average personnel	616	33	1,766	88		2,503
Capital expenditure, EUR million	10	2	14	2		28

Notes to the consolidated financial statements

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Other notes to the balance sheet

Notes to contingent liabilities and derivatives

Other notes

Note 1. Pohjola Group's Accounting Policies

General

Pohjola is Finland's leading non-life insurer and institutional asset manager and ranks among the leading corporate banks. Pohjola has a well-established and broad customer base consisting of companies and institutions to which it provides an extensive range of banking, non-life insurance and wealth management services. In addition, Pohjola provides private customers with non-life insurance and wealth management products and services. Pohjola also acts as the central bank for OP Financial Group's cooperative banks.

OP Cooperative implemented a public voluntary bid announced in February 2014. OP Cooperative was entered as the only shareholder in Pohjola Bank plc's shareholder register on 7 October 2014. Pohjola Bank plc Series A shares were delisted from NASDAQ OMX Helsinki on 30 September 2014.

Pohjola had the following four operating segments during the financial year: Banking, Non-life Insurance, Wealth Management (formerly Asset Management), and Other Operations (formerly Group Functions). Banking provides corporate and institutional customers with financing, investment and payment transaction solutions on an international scale. Non-life Insurance provides corporate and private customers with non-life insurance products covering both statutory and voluntary policies. Wealth Management is in charge of managing the assets of OP Financial Group's largest institutional and private customers. In addition, the portfolio management of OP mutual funds is centralised within Wealth Management. In addition to these three business segments, the financial results of Central Banking and Treasury and administrative functions are presented under the Other Operations segment.

As a result of the implementation of the bid made by OP Cooperative, Pohjola Group underwent restructuring whereby wealth management and card and property management operations were transferred to a new company established in OP Financial Group through a partial demerger on 30 December 2015. As a result, the Wealth Management segment has been reported, according to IFRS 5, as discontinued operations in the income statement and as assets and liabilities classified as held for distribution to owners in the balance sheet. Banking, Non-Life Insurance and Other Operations are reported as continuing operations in the income statement.

Pohjola Bank plc belongs to OP Financial Group, which consists of 178 cooperative banks and their central cooperative, OP Cooperative with its subsidiaries. OP Financial Group's member credit institutions comprise Pohjola, Helsinki OP Bank Plc, OP Card Company Plc, OP Mortgage Bank and OP Cooperative's member cooperative banks.

In accordance with the Act on the Amalgamation of Deposit banks, the member credit institutions, Pohjola included, and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. If a member credit institution's own capital is depleted to such a low level owing to losses that the criteria, specified in the Act, for being placed in liquidation are fulfilled, OP Cooperative has the right to collect from its member credit institutions extra contributions on the basis of the combined balance sheets previously adopted.

Pohjola is domiciled in Helsinki and the street address of its registered office is Teollisuuskatu 1, FI-00510 Helsinki, Finland, and the postal address of its registered office is P.O. Box 308, FI-00013 Pohjola, Finland. A copy of Pohjola's consolidated financial statements is available at www.pohjola.com or the Company's registered office.

Pohjola Bank plc's parent company is OP Cooperative and Pohjola's consolidated accounts are included in its consolidated financial statements.

Copies of the financial statements of OP Cooperative are available at the following address: Gebhardinaukio 1, FI-00510 HELSINKI, Finland. OP Financial Group's financial statements are available at www.op.fi or at the company's office at Gebhardinaukio 1, 00510 Helsinki.

The Board of Directors approved the consolidated financial statements for issue on 4 February 2016.

1 Basis of preparation

These consolidated 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 2015. 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. Pohjola's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

In 2015, Pohjola adopted the following standards and interpretations:

- IAS 19 Employee Benefits amendment to Defined Benefit Plans: Employee Contributions. These changes have clarified accounting treatment when a defined benefit pension plan requires the employees or third parties to contribute. These standard changes have no effect on OP Financial Group's financial statements.
- Annual improvements to IFRS for cycles 2010–2012 and 2011–2013 (applicable mainly to accounting periods beginning on or after 1 July 2014.) Minor amendments are annually made to standards through the Annual Improvements process. The effects of the amendments vary by standard but they are not significant.

Pohjola Group’s consolidated financial statements were prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, hedged items in fair value hedging (for hedged risk), derivative contracts and investment property.

The financial statements are presented in millions of euro.

Pohjola Group presents Pillar 3 capital adequacy information, consistent with EU Regulation No. 575/2013 of the European Parliament and of the Council, as part of its financial statements. Pohjola Group presents its capital base, total minimum capital requirement, key capital adequacy ratios as well as derivative contracts and counterparty risk.

2 Use of estimates

The preparation of the financial statements in conformity with IFRS requires the Group's management to make judgements, estimates and assumptions in the application of the accounting policies. Section 1.6 “Critical accounting estimates and judgements” provides more detailed information on applying accounting policies requiring management assessment and judgement.

3 Consolidation principles

The Consolidated Financial Statements contain the parent company Pohjola Bank plc and any subsidiaries that the parent company controls. Pohjola Group has control over an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including structured entities). Most of the subsidiaries are wholly owned by the Group, which means that control is based on votes.

Pohjola both acts as investor and manages various mutual funds in order to gain investment income and various commissions. Funds that have been classified as structured entities have been consolidated into the Group's financial statements when the Group's control is not based on votes but the control of significant operations, exposure to varying income from the fund, and organising the fund's management. Changes in control concerning various fund investments consolidated into the Group are monitored quarterly. When estimating the amount of control, the Group takes into account the investor's power to direct relevant activities over an investee and the investor's exposure to varying returns.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that fund are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

Intra-Group shareholding has been eliminated using the acquisition method. The consideration transferred and the acquiree’s identifiable assets acquired and liabilities assumed are measured at fair value at the time of acquisition. Acquisition cost in excess of net assets is presented under goodwill. If the acquisition cost is lower than the fair value of net assets, the difference is recognised in profit and loss.

Acquisition-related costs are expensed as incurred. Any contingent consideration is measured at fair value and classified as a liability or equity. Contingent consideration classified as a liability is measured at fair value in the income statement on the balance sheet date.

Associated companies, in which Pohjola holds 20–50% of voting shares and over which Pohjola exercises significant influence but not control, are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. If the Group's share of losses in an associate exceeds its interest in the associate, the investment is entered in the balance sheet at zero value, and further losses exceeding the carrying amount are not recognised unless the Group is committed to fulfil the obligations of associates.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement in which the Group has rights to the arrangement's net assets, while in a joint operation the Group has both rights to assets and obligations for the liabilities relating to the arrangement. Property companies are incorporated into Pohjola Group's financial statements as joint operations by consolidating the proportionate share of the Group's holding of the property company's assets and liabilities.

Subsidiaries, associates or joint arrangements acquired during the financial year are consolidated from the date on which control or significant influence is transferred to the Group while those that have been sold are de-consolidated from the date on which control or significant influence ceases.

Intra-Group transactions, receivables, liabilities and profit distribution are eliminated in the preparation of the consolidated financial statements.

3.1 Non-controlling interests

Profit for the financial year attributable to the owners of the parent and non-controlling interests is presented in the income statement, and total comprehensive income attributable to the owners of the parent and non-controlling interests is presented in the statement of comprehensive income.

Profit shown in the income statement and the statement of comprehensive income is also attributed to non-controlling interests in the event that their share, as a result, would become negative. Non-controlling interests are presented as part of equity capital in the balance sheet. If the investee's equity does not fulfil the equity classification criteria under IAS 32, the non-controlling parties' share of the net assets is presented as liability.

Non-controlling interests in an acquiree are measured either at fair value or as the proportionate share of net assets of the acquiree. The valuation principle applied is determined separately for each acquiree.

4 Assets and liabilities classified as held for distribution to owners and discontinued operations

Assets (or a group of items to be distributed) and related liabilities are classified to be distributed to owners if they have been decided to transfer them at carrying amount within OP Financial Group as a result of structural arrangements. The conditions for classification of asset distributable to owners is considered to have been fulfilled when the transfer is highly probable and the asset (or group of items to be distributed) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the transfer and the transfer is expected to be completed within one year from the date of classification.

A discontinued operation is a part of the Group which has been classified to be distributed to owners and which fulfils one of the following conditions:
1. It represents a separate major line of business.
2. It is part of a single coordinated plan concerning the transfer of a key business segment.

The earnings of discontinued operations are presented as a separate line item in the income statement and the statement of comprehensive income. Assets distributed to owners (or group of items to be distributed) and any liabilities related to them are presented in the balance sheet separately from other items.

If it is found out later that the criteria for an asset (or a group of assets) classified as held for distribution to owners are no longer fulfilled, the asset (or group assets) is reclassified to continuing operations and measured according to the applicable IFRS standards.

5 Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional and presentation currency of 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 in other comprehensive income. For foreign subsidiaries, translation differences arising from the use of the acquisition method and from post-acquisition equity items are recognised in other comprehensive income. If a subsidiary is sold, any accumulated translation differences will be recognised as part of capital gain or loss in the income statement.

6 Financial instruments

6.1 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is determined using either prices quoted in an active market or the Group’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 current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

It is typical of illiquid 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 that uses market prices, is recognised in the income statement over the term of the agreement or a shorter period taking account of the product's structure and counterparty. However, the non-recognised amount will be 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 illiquid financial assets is insignificant in the balance sheet.

6.2 Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset other than that carried at fair value through profit or loss is impaired.

A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- a significant decline in the issuer's financial results, credit rating, balance sheet, payment status or business plans, and unfavourable changes in the issuer's economic and operating environment;
- a bona fide bid for the same or similar investment from the market below acquisition value;
- events or circumstances that significantly weaken the issuer's business opportunities on a going concern basis, such as negative cash flows resulting from operations, insufficient capital and shortage of working capital;
- a debtor's bankruptcy or other reorganisation becomes probable;
- a debtor's breach of contract;
- a concession granted to the debtor;
- impairment recognised earlier; and
- the disappearance of an active market for a financial asset.

In addition, a significant or prolonged decline in the equity instrument's fair value below its cost constitutes objective evidence of impairment.

A more detailed description of recognition of impairment losses can be found under the various financial instruments below.

6.3 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 repurchase price is treated as interest expenses and accrued over the term of the agreement.

6.4 Classification and recognition of financial instruments

Upon initial recognition, financial assets and liabilities are classified as follows: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired.

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 Group agrees to buy or sell the asset or liability in question. Notes and bonds classified as loans and 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 in the balance sheet if Pohjola currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis. OTC interest rate derivatives for central counterparty clearing are offset in the balance sheet, which are cleared in the daily clearing process with London Clearing House.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

6.4.1 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 at fair value through profit or loss are initially recognised at fair value and transaction costs are charged to expenses. A subsequent change in fair value as well as capital gains and losses, interest income and expenses, and dividend income are recognised in the item by their nature in the income statement.

6.4.1.1 Financial assets and liabilities held for trading and derivative contracts held for trading

Assets held for trading include notes and bonds, and shares and participations acquired with a view to generating profits from short-term fluctuations in market prices. Liabilities held for trading refer to the obligation to deliver securities which have been sold but which have not been owned at the time of selling (short selling). Derivatives are also treated as held for trading unless they are designated as derivatives for effective hedging or they are guarantee contract derivatives.

6.4.1.2 Financial assets 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.

Bonds, which the Group, in accordance with its risk management principles, manages and assesses their performance at fair value in order to receive a true and real-time picture of investment operations, are defined as those recognised at fair value through profit or loss at inception. Reporting to the Group's management is based on fair values.

Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

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.

6.4.2 Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented within this asset class. These financial assets are shown as receivables from customers, from credit and financial institutions or as Non-life Insurance assets in the consolidated balance sheet.

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

Impairment losses on loans and receivables are recognised on an individual or collective basis. Impairments will be assessed on an individual basis if the debtor’s total exposure is significant. In other respects, impairments are assessed on a collective basis.

Impairment is recognised and impairment losses incurred and there is objective evidence that the receivable cannot be recovered in full. The receivable has impaired if its present value of the estimated future cash flows – collateral included – 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 effective 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. Impairment loss recognised in profit or loss equals the difference between the carrying amount of the loan and the lower present value of future cash flows.

Impairment assessment is a two-phase process. Impairment is assessed individually for loans and receivables. If it is not necessary to assess impairment for financial assets included in loans and receivables on an individual basis, they will be assessed collectively for impairment. Collectively assessed impairment includes losses incurred but not yet reported, which cannot yet be allocated to a certain loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital. The model is derived from the expected credit loss model used in capital adequacy measurement, adjusted to correspond to the requirements under IFRS. Through-the-cycle component and the official minimum capital adequacy requirements have been eliminated from the PD and LGD estimates used in the economic capital requirement model so that they better reflect the point in time approach and the current economic cycle. In the model, the so-called emergence period is used to measure the identification of a loss event. The emergence period is based on OP Financial Group's impairment assessment process by customer segment from the loss event to testing a loan for impairment on an individual basis. In addition, the receivables in the model are grouped into customer segments on the basis of similar credit risk characteristics. Collectively assessed impairment is measured by customer segment on the basis of the expected loss and the measurement also takes account of the emergence period and the discounted present values of collateral.

If the contractual payment terms of a loan are modified, the reason for such modification and the severity class are documented using an internally defined scale. Loans may also be modified for reasons related to the management of customer relationships, not to the financial difficulties of the customer. Such modifications do not affect loan impairment assessment. In some cases, the Group may, due to the customer's financial difficulties, modify the loan terms and conditions, such as in terms of repayment holiday for a limited period or another loan modification, which are aimed at securing the customer's repayment capacity and limiting credit risk associated with liabilities. Such renegotiated loans are reported as doubtful receivables. Modifications in the contractual payment terms that are due to the customer's financial difficulties are forbearance measures and together with other criteria reduce the customer's credit rating and thereby increase collective impairment allowance. In addition, they will also have an effect on the loan being assessed on an individual basis for impairment. If the customer has adhered to the new payment terms and no impairment allowance has been recognised for the customer's exposure, it will be removed from doubtful debt classification after two years. Modifications in payment terms are subject to regular monitoring and reporting to the management as an indicator anticipating customer solvency.

Loans and receivables are categorised in the notes to evaluate the credit quality also on the basis of how the debtor is estimated to be able to fulfil its payment obligations. A loan is categorised as non-performing if payments are more than 90 days past due, if the customer has been rated in the Group's internal 12-grade rating system in the weakest two categories (11 or 12) or if an individual impairment loss has been recognised. In all other cases the loan is reported under "performing" category.

Both individual and collective impairment loss is recorded in a separate allowance account to reduce the carrying amount of receivables in the balance sheet. Impairment losses on loans are presented in the income statement in a separate line item "Impairment losses on receivables". Recognition of interest on the impaired amount continues after the recognition of impairment.

The loan is derecognised after the completion of debt-collection measures if the loan terms are substantially modified (such as refinancing). Following the derecognition, payments received are recognised as an adjustment to impairment losses on receivables. If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

6.4.3 Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value to which transaction costs are added. These investments are subsequently carried at amortised cost after their initial recognition, using the effective interest method.

Impairment of investments held to maturity is reviewed on the basis of the same principles as that of loans and receivables. The difference between the carrying amount of notes and bonds and a lower present value of future cash flows is recognised as an impairment loss in the income statement.

Investments included in the financial assets held to maturity category are sold before their maturity only in exceptional cases mentioned in IAS 39.

6.4.4 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets but which may be sold before their maturity, 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 subsequently measured at fair value. Any changes in their fair value are recognised in other comprehensive income, from where they are transferred to the income statement when the asset is derecognised or there is objective evidence that the asset is impaired.

In the case of available-for-sale financial assets, for example, a significant downgrade of the credit rating of the issuer of bonds and notes, or a significant or prolonged decline in the equity instrument's fair value below its cost, constitutes objective evidence. If an equity instrument'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 equity instrument increases subsequently, this increase will be recognised in other comprehensive income.

Interest income related to available-for-sale financial assets is recognised under "Net interest income" in the income statement and dividends under "Net investment income". For Non-life Insurance, both items are recognised under "Net income from Non-life Insurance".

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest income over the estimated residual term to maturity, using the effective interest method.

6.5 Cash and cash equivalents

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

6.6 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.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest expenses over the estimated residual term to maturity, using the effective interest method.

6.7 Derivative contracts

Derivative contracts are classified as hedging derivative contracts and derivative contracts held for trading, containing interest rate, currency, equity, commodity and credit derivatives. Derivatives are measured at fair value at all times.

The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are netted and shown as a net change in cash and cash equivalents. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

The 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.

In accordance with the hedging principles, the Group can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Cash flow hedging refers to hedging against changes in future cash flows and fair value hedging refers to hedging against changes in the fair value of the hedged asset.

Contracts are not accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard. The Group’s parent company, Pohjola Bank plc, also concludes derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

6.7.1 Derivatives held for trading

The difference between interest received and paid on interest-rate swaps held for trading 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 derivatives held for trading are recorded under "Net trading income" or "Net income from Non-life Insurance". Derivatives are carried as assets under "Derivative contracts" when their fair value is positive and as liabilities under "Derivative contracts" or "Non-life Insurance liabilities" when their fair value is negative.

Embedded derivatives associated with structured bonds issued are separated from the host contract and measured at fair value in the balance sheet, and changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments are recognised in "Net interest income".

6.8 Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item.

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 the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging and hedged instrument. The hedge is considered highly effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80–125%.

6.8.1 Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (Pohjola’s own issues), individual bond and loan portfolios, as well as individual loans. Pohjola 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 equity fund investments.

Changes in the fair value of derivative contracts that are documented as hedging the fair value and are highly effective hedges are recognised in the income statement. Hedged assets and liabilities are also measured at fair value during the period for which the hedge is designated, and any fair value changes are recognised through profit or loss.

In fair value hedge accounting, changes in the fair value of the hedged item and hedging instrument are recorded under "Net interest income", with the exception of changes in the fair value of mutual fund investments included in Non-life Insurance's available-for-sale financial assets and that of instruments hedging them, which are recognised in "Net income from Non-life Insurance".

6.8.2 Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedging is used to hedge the future interest flows of the loans defined on the basis of reference interest rate linkage. Interest rate swaps are mainly used as hedging instruments.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffective portion of changes in the fair value is recognised immediately in profit or loss. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

7 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 or Non-life Insurance assets in the consolidated balance sheet.

Investment property is initially recognised at cost which includes transaction costs. It is subsequently carried at fair value. Investment property under construction is also measured at fair value only if the fair value can be determined reliably. Any changes in the fair value are recognised in "Net income from Non-life Insurance" or "Net investment income".

If no comparable market data is available on the actual transaction prices of the property comparable with the property under review, the Group uses the income approach and internal methods based on property-specific net income to determine the fair value of commercial, office and industrial premises. Pohjola Group uses both OP Financial Group's internal and external information in the income approach. A property's net income comprises the difference between rental income and maintenance charges and it is based on income under current leases or, if no lease is in force, on average market rents. Expenses deducted from income are mainly based on actual expenses. Assumption of underutilisation of the property is also taken into account in the calculation. For the income approach, Pohjola obtains information on market rental and cost levels from sources outside OP Financial Group, in addition to its own expertise. The return requirements for investment property holdings are determined on the basis of the property's purpose of use, location and condition/modernness and are based on market data provided by KTI Property Information Ltd.

The fair value of residential buildings and land areas is primarily determined using the market approach, based on information on the actual transaction prices of similar properties and on OP Financial Group's internal expertise. In the fair value of undeveloped plots, Pohjola has taken account of the planning and market situation at the time of appraisal. The fair value of major property holdings is based on valuation reports drawn up by Authorised Property Valuers. External valuers use a cash flow analysis as the basis for their appraisal.

8 Intangible assets

8.1 Goodwill

For business combinations on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree and the previous holding exceed the Group's share of the fair value of the acquired assets and assumed liabilities.

For acquisitions before the above date, goodwill represents at the time of acquisition the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of an acquiree.

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

8.2 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 Pohjola Group's acquired customer relationships is 10–13 years.

8.3 Brands

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

8.4 Deferred acquisition costs of insurance contracts

Foreign subsidiaries defer costs associated with the acquisition of new insurance contracts or with the renewal of existing contracts. The resulting intangible asset is amortised on a straight-line basis over the effective lives of the contracts, which is a policy period. An intangible asset is assessed annually for impairment in connection with testing the adequacy of the liability associated with insurance contracts.

8.5 Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and any impairment losses. These assets are amortised over their estimated useful lives, which is 2–10 years for computer software and licences and 5 years in general 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 computer software or assets is presented as an intangible asset when their amount can be reliably determined and they will generate future economic benefits. The asset will be amortised from the time it is ready for use, mainly over 3–10 years. An asset that is not yet ready for use is tested annually for impairment.

9 Property, plant and equipment

Property, plant and equipment (PPE) assets are carried at cost less accumulated depreciation and any impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation.

Subsequent expenditures are capitalised at the asset’s carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated.

The estimated useful lives are mainly as follows:

Buildings	20–50 years
Machinery and equipment	3–10 years
IT equipment	3–5 years
Cars	5–6 years
Other PPE assets	3–10 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.

9.1 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 discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to 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 the business segment or its company, 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 loss on goodwill may not be reversed under any circumstances.

10 Leases

Whether a lease is classified as a finance lease or an operating lease depends on 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. Lease classification is performed at the inception of the lease.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet, to the amount equal to the net investment in the lease. Finance income from the lease 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.

Assets leased out under operating lease are shown under property, plant and equipment and are depreciated on a straight-line basis over the lease term. Lease income is presented under "Other operating income" and is recognised on straight-line basis over the lease term. Lease payments for leased assets under operating lease are recognised as expenses in "Other operating expenses" on a straight-line basis over the lease term.

11 Employee benefits

11.1 Pension benefits

Statutory pension cover for Pohjola Group companies' employees is arranged through pension insurance taken out with OP Bank Group Pension Fund. Some Pohjola Group companies provide their employees with supplementary pension cover through OP Bank Group Pension Foundation or an insurance company.

With respect to funded disability and old-age pensions, pensions managed by OP Bank Group Pension Fund are 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 charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans. Changing or curtailing defined benefit pension plans is recognised through profit or loss at the time of occurrence.

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 liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets.

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.

Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods.

11.2 Long-term incentive scheme

The Group has short-term and long-term management incentive schemes in place, on the basis of which the person covered by the schemes may receive the related compensation for services rendered during each performance period fully in cash or as a reward settled as a combination of cash and a debenture loan issued by OP. The maximum amount of the incentive scheme is calculated on the grant date and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs and the corresponding adjustment is made in deferred expenses.

12 Insurance assets and liabilities

12.1 Classification of assets and liabilities within insurance business

The section “Classification and recognition” under Financial Instruments contains information on the classification of financial assets and liabilities within Non-life Insurance.

12.2 Classification of insurance contracts issued by insurers

An insurance contract is a contract which transfers significant insurance risk from the policyholder to the insurer, as defined in IFRS 4. Other contracts which the insurance company may issue under its licence represent investment contracts. If a contract does not involve any significant insurance risk on the balance sheet date but the policyholder has the right to change the contract in such a way that the contract transfers significant insurance risk to the insurer, the contract is classified as an insurance contract. Almost all of the contracts issued by non-life insurers are insurance contracts.

Insurance contracts are classified into risk groups in such a way that the risks of contracts are homogeneous in each group. This classification into categories takes account of the insured object and differences in the duration of contracts or the average length of the period between the occurrence of a loss event and the date of the fully-paid claim (claim settlement period).

The main insurance contract categories are short-term non-life contracts and long-term contracts.

Short-term policies usually have a policy term of 12 months or less, very rarely over 24 months. In particular, policies for private individuals, motor-vehicle policies and statutory workers' compensation policies are usually automatically renewable annual policies that are treated as short-term contracts.

Long-term non-life insurance contracts refer to contracts with an average minimum policy term of two years. These include perpetual insurance policies and decennial insurance policies under the Housing Transactions Act.

Descriptions of insurance contracts can be found in the section "Risk Management Principles", Insurance operations.

12.3 Recognition and measurement of insurance contracts issued by insurers

Contracts are recognised when an insurer's obligation to pay out the related claim begins following the occurrence of an insurance event.

Insurance contracts are measured and accounted for in accordance with IFRS 4 – Insurance Contracts. Investment contracts are measured in accordance with IAS 39.

Liabilities of contracts issued by insurers and measured under IFRS 4 are calculated mainly in accordance with national accounting standards. However, equalisation provisions are not included in these liabilities but are included in equity capital.

The liabilities comprise provisions for unearned premiums and claims liability. Non-life provisions for unearned premiums equal the liabilities arising from claims and other expenses expected for the remaining coverage periods of the recognised policies. Provision for unpaid claims arises from reported and non-reported claims incurred and from their claims and settlement expenses paid in the future.

12.3.1. Measurement of insurance contracts issued by non-life insurers

Premiums are primarily recognised as revenue over the term of the contract. However, revenue recognition in decennial and perpetual insurance policies is based on the distribution of underwriting risk. In these policies, the portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet and recognised as premium revenue relative to risk over the policy term.

Claims paid out and direct and indirect claim settlement expenses are charged to claims incurred on the basis of the date of loss occurrence. Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims 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 the future settlement of expenses is based on estimated costs.

Provision for unearned premiums for decennial insurance and perpetual insurance policies and insurance liability related to annuities are discounted. The general trend for the interest rate is taken into account in determining the discount rate. Change in the discount rate of the insurance liability for annuities is taken into account as one continuously updated variable of an accounting estimate. 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 liabilities due to the passage of time (unwinding of discount) is shown in the income statement as a separate item within "Other Non-life Insurance items" under "Net income from Non-life Insurance". Non-life Insurance's interest rate risk associated with insurance liability is reduced by entering into interest rate derivative contracts that are recognised at fair value through profit or loss. The value of derivatives is included in the insurance liability, because any benefit from the derivatives is used for the cash flows payable from the contracts.

12.4 Liability adequacy test on insurance contracts

On each balance sheet date, Pohjola Group tests for the adequacy of 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 liabilities, less intangible assets related to capitalised policy acquisition costs, is inadequate, the deficiency is recognised in profit or loss primarily by recording an additional amortisation on intangible assets and secondarily by increasing liabilities.

12.5 Premiums written

Premiums written included in net income from insurance operations in the income statement are a consideration of the insurance coverage that began during the period.

Insurance premium tax, but not commissions and credit loss on insurance premium receivables, is deducted from premiums written.

Insurance premiums based on non-life insurance contracts are recognised as premiums written when the insurance period begins.

12.5.1 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. These receivables are mainly those from policyholders and only to a minor extent from insurance intermediaries. Prepaid insurance premiums are included in "Direct insurance liabilities" under Non-life Insurance 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 impairment losses (loan losses) and impairment losses established statistically on the basis of the phase of collecting the charge are deducted from receivables.

12.6 Salvage and subrogation reimbursements

Subrogation reimbursements and damaged property that has come into possession are recognised at fair value under "Non-life Insurance assets" in the balance sheet when the claim is settled.

12.7 Reinsurance contracts

Reinsurance taken out by the 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).

Assets based on reinsurance contracts 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.

Non-life insurance benefits received under reinsurance contracts held are included in “Loans and 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 receivables” are shorter-term receivables. Premiums unpaid to reinsurers are included in "Reinsurance liabilities" under Non-life Insurance liabilities.

12.8 Coinsurance and pools

The 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.

The Group also underwrites shares of insurance contracts through pools, whose members are primarily responsible for their own proportionate share of the underwriting 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. The Group recognises liabilities and receivables based on joint liability if joint liability is likely to materialise.

13 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.

A contingent liability is a possible obligation arising from past events, whose existence will be confirmed only by the realisation of an uncertain future event beyond the Group's control. A present obligation which probably does not require fulfilment of payment obligation or the amount of which cannot be defined reliably is also considered as contingent liability. A contingent liability is presented as a note.

14 Income tax and deferred tax

Income tax expense shown in the income statement includes current tax, based on the taxable income of Pohjola Group companies for the financial year, and income tax for prior financial years and deferred tax expense or income. Taxes are recognised in the profit and loss except when they are directly linked to items entered into equity or other items in other comprehensive income. In such a case, the tax is recognised in the items in question. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the companies operate and generate taxable income.

Deferred tax liabilities are recognised for all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets are calculated on tax-deductible temporary differences between the carrying amount and taxable value included in the financial statements, and on 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 greatest temporary differences in the Group are measurement of investments at fair value, and elimination of equalisation provision within non-life insurance.

The Group offsets deferred tax assets and liabilities by company. Deferred tax assets and liabilities resulting from consolidation are not offset. Deferred tax assets and liabilities are measured at the tax rate that is 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.

15 Revenue recognition

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. 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 recognised as interest income and that between the amount received and nominal value of the liability in interest expenses.

Commission income and expenses for services are recognised when the service is rendered. One-off commissions covering several years and including a possible subsequent refund obligation are recognised only to the amount related to the period.

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

Income and expense items in the income statement are presented separately without offsetting them unless there is a justified reason for offsetting them in order to give a true and fair view.

Summary of presentation of income statement items:

Net interest income	Received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging, commissions and fees regarded as compensation for risk associated with a financial instrument and taken by the bank and are deemed to be an integral part of the financial instrument’s effective interest
Net income from Non-life Insurance	Premiums written, change in insurance liability, investment income and expenses (interest, dividends, realised capital gains and losses, impairment losses) and claims paid
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net trading income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends
Net investment income	Realised capital gains and losses on available-for-sale financial assets, impairment losses, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income, central banking service fee
Personnel costs	Wages and salaries, pension costs, share-based payments, social expenses
Other administrative expenses	Office expenses, ICT costs, other administrative expenses
Other operating expenses	Financial authority contributions and fees, depreciation/amortisation, rents and other expenses

16 Financial authority contributions and fees

The Finnish deposit guarantee scheme and related legislation changed on 1 January 2015. The former Deposit Guarantee Fund took charge of deposit guarantee until the end of 2014 and a new authority, the Financial Stability Board, has been in charge of deposit guarantee since the beginning of 2015. The Board is tasked with managing the new Financial Stability Fund which comprises a resolution fund funded through stability contributions and a deposit insurance fund (the new deposit guarantee fund) financed through deposit guarantee contributions. The financial authority contributions and fees are recognised under other operating expenses.

16.1 Stability contribution

Stability contributions are charged in 2015 in such a way that their combined amount accounts for 0.1% of the eligible deposits under the scheme in Finland on 31 July 2015. Credit institutions pay stability contributions to the EU's Single Resolution Fund administered by the EU's Single Resolution Board (SRB). In 2015, each bank's stability contributions are credited in the same proportion as it previously paid bank levy (the Act on Temporary Bank Levy was in force during 2013–2014). The stability contribution has no effect on Pohjola in 2015 in terms of expenses. In 2014, Pohjola recognised the bank levy under other operating expenses.

16.2 Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund will determine the contribution for OP Financial Group but will charge the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution has no effect on Pohjola in 2015 in terms of expenses.

16.3 Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

16.4 Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

16.5 European Central Bank's supervisory fee

OP Financial Group, Pohjola included, is supervised by the European Central Bank (ECB). The ECB supervisory fee is determined based on the bank's importance and risk profile.

17 Segment reporting

Financial information, which the executive in charge monitors regularly, serves as the basis of defining operating segments. The reportable operating segments are Banking, Non-life Insurance, Wealth Management, and Other Operations.

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

18 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 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. An especially higher degree of management judgement is required for determining the discount rate and estimating claims expenditure arising from the already occurred loss events. Information on uncertainties included in assumptions related to insurance contracts and their effects can be found in Notes 33 and 76.

When estimating the control over structured entities, the Group takes into account the investor's power to direct investee's relevant activities and the exposure or right to variable returns from its involvement with the investee. Discretion is exercised when estimating power to direct relevant activities and variable returns. The emergence of control is evaluated in more detail when the investment accounts for 10–20% of the investee's net assets and returns. The investee is consolidated as a subsidiary at the latest when the Group's share of the variable returns exceeds 37% and there is a link between the power and the returns.

The values of insurance contracts, customer relationships and brands acquired through business combinations are based on estimates of e.g. future cash flows and the applicable discount rate. Information on the effects of these assumptions and estimates can be found in Note 25.

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. Information on the effects of these assumptions and estimates can be found in Note 25.

Impairment tests for receivables are carried out on an individual or collective basis. An impairment test carried out on an individual basis is based on the management's estimate of the expected future cash flows of the individual loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital, in which expected future losses are adjusted by means of the emergence period so that the Group can assess the amount of losses incurred on the balance sheet date but not yet reported. In such a case, the management's judgement is required to determine the length of the emergence period.

Available-for-sale financial assets, notes and bonds included in loans and receivables, and investments held to maturity must be tested for impairment on each balance sheet date. If there is objective evidence of an impaired asset, the impairment loss will be recognised in the income statement. Verifying objective evidence involves management judgement. Impairment loss on an equity instrument must also be recognised if there is a significant or prolonged decline in the fair value. Defining objective evidence is a two-step approach where at first instruments that exceed certain indicators are regularly listed and put under closer review. The Group continuously assesses such instruments under review for impairment. Impairment loss will be recognised at the latest when the maximum limits with respect to the 12-month with respect to the prolonged criteria or the significant criterion of 30%.

The management must assess when markets for financial instruments are not active. The management must also assess whether an individual financial instrument is actively traded and whether the price obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, management judgement is required to select the applicable valuation technique. Whenever market observable input data is not available for outputs produced by valuation techniques, the management must evaluate how much other information will be used.

The present value of pension obligations depends on several factors determined by using several assumptions. The discount rate, future increases in salaries and pension benefits and the inflation rate are the assumptions used to determine net costs (or income) arising from pensions. Changes in actuarial assumptions affect the carrying amount of pension obligations. This is presented in more detail in Note 35.

The measurement of investment property at fair value is partially based on the management's estimates of the market value of property holdings. Investment property is also measured using a calculation model based on the income capitalisation approach utilising estimates of future net yield on property holdings. This is presented in more detail in Note 74.

19 New standards and interpretations

The IASB (International Accounting Standards Board) has also issued the following significant future IFRS amendments.

- IFRS 9 Financial Instruments and amendments to it (effective for accounting periods beginning on or after 1 January 2018). The new standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and measurement of financial assets and includes a new expected loan losses model for the assessment of financial asset impairments, which increases the current impairment loss based on incurred losses. The classification and measurement of financial liabilities correspond to a large extent to the existing IAS 39 requirements. The hedge accounting types remain unchanged. A larger number of risk positions can be included in hedge accounting, and the hedge accounting principles have been aligned with risk management. Pohjola is currently evaluating the effects of the standard.
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018). The new standard is not applied to the recognition of financial instruments or insurance policies, and mainly concerns various commissions and fees. The standard contains 5-stage guidelines for revenue recognition, and replaces the current IAS 18. The revenue is recognised over a period or at a specific time, and the key criterion is transfer of control. The standard will also increase the number of notes to be disclosed. Pohjola is currently evaluating any effects the standard may have.
- Disclosure Initiative: Amendment to IAS 1 is aimed at enhancing the understandability of financial statements by focusing on presenting relevant items.

These amendments to standards have not yet been adopted by the EU.

Note 2. Pohjola Group's risk and capital adequacy management principles

Pohjola's core values, strategic goals and financial targets form the basis for risk management and capital adequacy management. The purpose of risk management is to identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by controlling that risks taken are proportional to risk-bearing capacity.

Pohjola adopts a policy of moderate risk-taking and its business operations are based on a reasoned risk/return approach. Pohjola applies integrated risk management aimed at identifying, assessing and mitigating all significant business-related risks to an acceptable level.

OP Financial Group's risk policy controls Pohjola Group's risk-taking. In the risk policy, the central cooperative's Executive Board confirms annually risk-management principles, actions, objectives and restrictions that the Group's business segments and entities must follow to implement the principles agreed on in the strategy. In addition, Non-life Insurance is guided by risk policies applied to private and corporate customers, reinsurance principles, investment plans and the policy governing hedging against interest rate risk associated with insurance liabilities.

1. General principles of risk and capital adequacy management

Risk and capital adequacy management forms part of internal control. Its purpose is to ensure Pohjola Group's risk-bearing capacity and liquidity and, thereby, ensure continued operations.

Risk-bearing capacity is made up of effective risk management that is proportionate to the extent and complexity of operations and of adequate capital resources based on profitable business operations. Capital adequacy management is based on a proactive approach based on the Group's business strategy and plans. Well-balanced risk-taking, the capital structure, strong earnings power and proactive risk management secure Pohjola Group's risk-bearing capacity. Risk and capital adequacy management has been integrated as an integral part of the Group's business and management.

Pohjola Group adheres to the risk and capital adequacy management principles adopted by OP Cooperative's Supervisory Board. The principles provide guidelines on how OP Financial Group and its entities organise their risk management and internal capital adequacy assessment (ICAAP) process.

1.1 Risk identification, assessment, measurement and mitigation

The risk management and ICAAP process consists of the continuous identification and assessment of risks associated with business and the operating environment. Before the Group launches any products or services or adopts new operating models or systems, it assesses their risks using procedures as laid down by the Central Cooperative's Risk Management.

Quantifiable risks are mitigated by means of limits set by the central cooperative's Executive Board for capital adequacy and significant risks. The limits ensure that Pohjola Group does not take excessive risks to endanger its own or OP Financial Group's capital adequacy, profitability, liquidity and continued operations.

Pohjola Group assesses its capital base in relation to the economic capital requirement and the existing and expected minimum regulatory capital requirements and the requirement for the capital conservation buffer. Such assessment also makes use of the results of stress tests.

The central cooperative's independent Risk Management monitors the development of Pohjola Group's and its subsidiaries' risk exposure and risk-bearing capacity. It provides regular reports on its observations and assessments to Pohjola Bank plc's Board of Directors, OP Cooperative's Executive Board and the Supervisory Board's Risk Management Committee.

1.2 Economic capital requirement

The economic capital requirement is OP Financial Group's own estimate of the amount of capital sufficient to cover any annual losses with a 99.97% probability that may arise from risks associated with business and the operating environment. Economic capital is calculated using models for each risk type, the results of which are combined taking account of correlations between the risk types and the resulting diversification benefits.

Economic capital is divided into quantitative and qualitative, or assessable, risks. Quantitative risks include credit risk, Banking interest rate, equity and property, market risk associated with the liquidity buffer, and market and underwriting risks associated with insurance operations. The assessable risks are divided into operational risks and other risks. ‘Other risks’ include any major risks that have not been taken into consideration in any other risk-specific models related to economic capital. These risks are typically caused by external factors, such as changes in competition or the market situation or regulatory measures. About a third of Pohjola Group's economic capital requirement consists of credit risks and about a fifth of market risks associated with insurance operations.

In the model for economic capital, the Group assesses several risk types on a more extensive basis than required by the authorities. Such risk types include banking interest rate risk, insurance market risks and other risks, in particular. The key difference in the measurement of economic capital for credit risks is related to concentration risk. Moreover, the measurement of economic capital differs from capital adequacy measurement in that many risk types are calculated separately in terms of economic capital, while in capital adequacy calculations they are included in the capital requirement.

Indicators based on the economic capital requirement are used, for example, in target and limit indicators, as the basis of loan pricing and insurance rating and in capital planning when defining the capital conservation buffer.

1.3 Capital planning

The purpose of capital planning is to proactively ensure an adequate capital base even in exceptional circumstances, and business continuity. A capital plan consists, for example, of quantitative and qualitative targets set for capital adequacy, a contingency plan, and capital adequacy monitoring and control procedures per threshold level.

Capital adequacy management places emphasis on profitability and effective capital management. Pohjola Bank plc's parent company, OP Cooperative, is responsible for capital management on a coordinated basis.

2. Organisation of risk management

Pohjola's operations are being managed in accordance with OP Financial Group central cooperative consolidated's management system through Banking and Non-life Insurance business segments. Operations related, among other things, to asset management transferred to the central cooperative as a result of the 2015-end partial demerger.

Pohjola's Board of Directors decides on the goals and organisation of risk management and capital adequacy management, confirms the risk and capital adequacy management principles, risk policy, investment plans and the main principles governing risk management in line with the principles adopted by the central cooperative's Executive Board.

In addition, the Board of Directors supervises and monitors the implementation of risk management and capital adequacy management. The Board ensures the adequacy of risk management systems, confirms business goals, assesses the need for the Group’s and Group companies’ capital buffers, confirms capital plans and a proactive contingency plan for the capital base, and decides on principles for ensuring that the company and its consolidation group operate in compliance with external regulation and internal instructions (compliance). It also decides on reporting procedures which senior management uses to monitor the Group’s and its subsidiaries’ business, risk-bearing capacity and risk status.
The Board assesses the appropriateness, extent and reliability of Pohjola Group’s capital adequacy management on a holistic basis at least once a year.

The Board also approves the Group’s decision-making system and confirms the description of the Underwriting Executives’ duties and appointments. In the aforementioned tasks, the Board of Directors acts in line with principles adopted by the central cooperative Executive Board.

The Board supervises the scope and performance of the company’s risk management systems and the quantity and quality of the company’s and its consolidation group’s capital base, developments in their financial performance, risk exposure and compliance with the risk policy, credit limits and other instructions. The Board also supervises the company to ensure that risk management is in conformity with laws and regulations and instructions issued by the central cooperative.

The Underwriting Executives make decisions within their authorisations concerning underwriting decisions, annual pricing, reinsurance and other major issues on granting insurance contracts. The Underwriting Executives report to the Board of Directors of Pohjola Insurance Ltd.

Pohjola's President and CEO takes charge of the overall control of the company in such a way that the company as a whole achieves its profit, risk-bearing capacity and other targets and goals by following shared strategies and policies.

Pohjola Group's business lines must bear primary responsibility for their risk-taking, financial performance and compliance with the principles of internal control and risk management and capital adequacy management. The business lines have the right to make decisions on risk-taking within the approved decision-making powers, exposure limits and credit limits.

The central cooperative is in charge of the OP Financial Group level risk and capital adequacy management.

OP Financial Group's Risk Management is a function independent of business that provide guidelines for, controls and supervises the overall risk management of the Group and its entities, and analyses their risk exposure. Risk management focuses on preventive work, preparation and proactive analysis of risk exposure. The objective is to secure the Group's and its entities' sufficient risk-bearing capacity and to ensure that any business risks taken does not threaten profitability, capital adequacy, liquidity, business continuity and the achievement of strategic targets.

Pohjola Group's risk and capital adequacy management duties have been centralised within the parent company, OP Cooperative.

OP Financial Group's Internal Audit function is tasked with assisting Pohjola's Board of Directors and the company's senior management in controlling, supervising and assuring operations by carrying out operational audits. Internal audit is based on an independent and objective assessment, assurance and consulting activities. It supports the management in their efforts to achieve objectives by providing a systematic, disciplined approach to assessing and upgrading the efficiency of the organisation's risk management, control and management and governance processes, with the focus on the identification of risk factors and the assessment of the performance of internal control.

3. Pohjola Group's risks

The table below presents Pohjola Group's most significant risks. The paragraphs below the table describe the nature of the risks and how they can be managed.

Strategic risks	Risk caused by changes in the competitive environment, slow reaction to changes, poor choice of strategy or poor strategy implementation.
Operational risks	Risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor.
Compliance risk	Risks caused by non-compliance with external regulations, internal policies and appropriate procedures and ethical principles governing customer relationships.
Reputational risk	Risk of deterioration of reputation or trust caused by negative publicity or realisation of some risk.
Credit risk	Credit risk refers to a risk of the counterparty not being able to fulfil its obligations.
Market risk	Market risk arises from structural market risk associated with the balance sheet as well as market risk associated with trading and long-term investment.
Liquidity risk	Liquidity risk and structural funding risk
Non-life Insurance risks	Risk of loss or damage and provision risk

4. Strategic risk and business risks

Strategic risks and business risks arise from competition, internal pressures or market forces which result in unexpected fluctuations in volumes, margins or costs, thus affecting the volatility of earnings and the achievement of long-term business goals. Strategic and business risks may also arise from opting for a wrong strategy and from mismanagement and inadequate monitoring or from slow reaction to changes in the operating environment.

4.1 Management of strategic and business risks

The management of strategic and business risks is aimed at creating a corporate culture with a risk-preventive approach. Risk management is based on systematic planning, diligence and continuity throughout business operations. Pohjola prevents the materialisation of risks by developing processes enabling the Group to identify and assess potential risks better and more efficiently manage measures taken to control risks.

4.2 Methods of the management of strategic and business risks, and their measurement

The Group manages strategic risks through continuous planning based on analyses and forecasts of developments in market areas, of competition and future customer needs. The Group monitors strategic risks by business line/division and they are subject to regular reporting.

The Group monitors and assesses risks and their significance annually in connection with updating its business strategies and plans. At the same time, it also evaluates changes in the operating environment and competition and their effect on the implementation of the strategy, and links the identified risk factors to the planned strategic initiatives.

5 Management of operational risks

Operational risk management ensures that operations have been organised appropriately and that risks do not result in unforeseeable financial losses or other negative consequences, such as loss of reputation. The Group is continually maintaining and enhancing a corporate culture that takes a positive approach to operational risk management and internal control.

The Group has not set a risk limit for operational risks in terms of risk-taking, but the target level for risk management is moderate. The key area of operational risk management involves identifying and assessing risks and assessing the effectiveness and adequacy of risk control and management tools. Risk identification also involves paying attention to the illegal use of the banking system (e.g. money laundering and terrorism financing) as well as regulatory compliance-related risks. Before any new business models (including outsourcing) are carried out or products or services are launched, their risks are assessed as laid down by the central cooperative's Risk Management. All OP Financial Group products offered to customers and operating models in use have been approved at OP Financial Group level. Risks that may disrupt business continuity are prepared against by means of business continuity planning in key business divisions. Business continuity planning also forms the basis for preparation against emergency conditions referred to in the Emergency Powers Act. Business continuity plans are tested according to testing plans that have been made.

In its operational risk management, Pohjola adheres to a uniform OP Financial Group level, system-supported operating model. Business units assess operational risks, involving identifying and assessing their risks and defining and monitoring measures designed to reduce them. Each month, the business units report events above a certain threshold through the operational risk reporting and management system. In the report, the business lines describe reasons for the loss event and measures taken to prevent similar losses.

The Group and its companies assess the level of operational risks and risk-mitigating management tools on a regular basis or immediately whenever necessary, using standardised methods. Reports issued by Internal Audit and ensuring the flow of sufficient information also form an important part of operational risk management.

The coordination, monitoring and reporting related to the identification and assessment of Pohjola Group's operational risks are carried out by the central cooperative's Risk Management.

5.1 Monitoring and reporting operational risks

For reporting purposes, operational risks are divided into different categories. Identified and materialised risks are reported to the executive management.

6. Compliance risks

Compliance risk forms part of operational risk. Compliance activities are aimed at ensuring that all Group entities comply with laws, official instructions and regulations, self-regulation of markets, and internal guidelines, policies and instructions of OP Financial Group and the entities. Compliance also ensures that customer relationship management complies with appropriate and ethically sound principles and practices.

Materialisation of compliance risk may result not only in financial loss but also other adverse consequences, such as sanctions. Such sanctions may include a corporate fine and separate administrative fines for violation of obligations, and public warnings and reprimands. Compliance risk may also materialise in terms of loss or deterioration of reputation or trust.

Responsibility for regulatory compliance and its controls within Group entities rests with the senior and line management and all supervisors and managers. Everyone employed by the Group is also responsible for his/her own part for compliance with regulations.

Guidelines, advice and support concerning compliance within OP Financial Group are the responsibility of Risk Management that is independent of the central cooperative. The central cooperative consolidated entities, just like Pohjola Group, have centralised compliance functions within Risk Management.

6.1 Compliance risk management tools

Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Compliance risk management tools include monitoring legislative developments, providing the organisation concerned with guidelines, training and consultation in respect of observing practices based on regulation as well as supervising the regulatory compliance with procedures applied within the organisation.

6.2 Compliance risk monitoring and reporting

Compliance risks are identified, assessed and reported regularly according to the operational risk management model as part of the assessment of operational risks. The Compliance function reports regularly on its observations to the senior and executive management.

7. Reputational risk

Reputational risk is managed proactively and in the long term by complying with regulation, good practices of the financial sector and OP Financial Group's Code of Business Ethics and by emphasising transparency of operations and communications. Pohjola Group adheres to international financial, social and environmental responsibility principles and international commitments.

Reputational risks are reported regularly to the management of the Group's parent company and subsidiaries. Any threat to imminent reputational risk will be reported immediately.

8. Risk management: Banking
8.1 Credit risk management

Credit risk refers to a risk of loss arising from the inability of the bank's counterparties to meet their obligations. Credit risk also includes country risks and settlement risks, the former representing a credit risk associated with foreign receivables by country and the latter relating to the clearing and settlement process involving the risk of losing a receivable being settled.

Credit risk management aims to restrict losses due to credit risks arising from customer exposure to an acceptable level whilst seeking to optimise the risk/return ratio.

OP Financial Group's risk policy is used to control credit risk exposure. The credit risk policy defines, for example, the target risk exposure level, risk-taking principles and restrictions as well as the principles governing customer selection, collateral and financial covenants, with a view to ensuring a sufficiently diversified loan portfolio in order to avoid excessive risk concentrations by country, customer sector, industry, credit rating, group of connected clients or time period.

The day-to-day credit approval process and its effectiveness as well as credit rating (credit standing assessment) play a key role in the management of credit risks. OP Financial Group's rating system is not so far used extensively in Baltic Banking. For lending purposes, Pohjola makes use of credit status reports provided by selected agencies in each country. Pohjola confirms an exposure limit for customers with exposures of over EUR 5 million (the maximum of customer-specific exposures and insufficient collateral).

Limits set for the loan portfolio quality and concentrations, among other things, are used to ensure the sufficient diversification of the loan portfolio. The Group also reduces credit risks by actively managing customer relationships and determining customer-specific collateral and financial covenant policies.

To manage country risks, Pohjola Group determines country limits for different countries which help to monitor, control and prevent the Group's country risk concentrations. It also mitigates credit risks by using netting agreements and exchange-traded products in derivatives trading.

Risks associated with credit institutions are diversified by credit rating, issuer and product. In addition, in order to ensure the liquidity of negotiable fixed-income investments, the Group has determined minimum sizes for issues in which it can invest.

In settlement risk management, it is vital to ensure the reliability of counterparties. The Group mitigates settlement risks by concluding standard agreements and using only reliable clearing centres.

Written guidelines are in place governing the use and assessment of collateral and valuation percentages for each type of collateral. The Group monitors developments in collateral values on a regular basis. Pohjola Group re-assesses the value of collateral, for instance, when the value has significantly changed or the customer's financial standing has weakened substantially. The Group exercises special care in assessing the value of collateral deemed as cyclical in nature, and its usability.

8.2 Credit risk models

OP Financial Group uses credit risk models for Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Credit risk models

Probability of loan defaults within 12 months	=	Probability of default (PD), %
Estimate of the loss caused by a loan default	=	Loss given default (LGD), %
Estimate of the sum the customer would owe the bank in case of default	=	Exposure at default (EAD), €

The Group makes extensive use of credit risk models in measuring and managing credit risk, such as in

- lending and pricing;
- specifying financing decision-making powers;
- setting and monitoring the loan portfolio’s qualitative targets;
- credit risk reporting;
- capital adequacy measurement using the Internal Ratings Based Approach (IRBA);
- measuring economic capital requirement and expected loss; and
- the measurement of impairment losses on a collective basis.

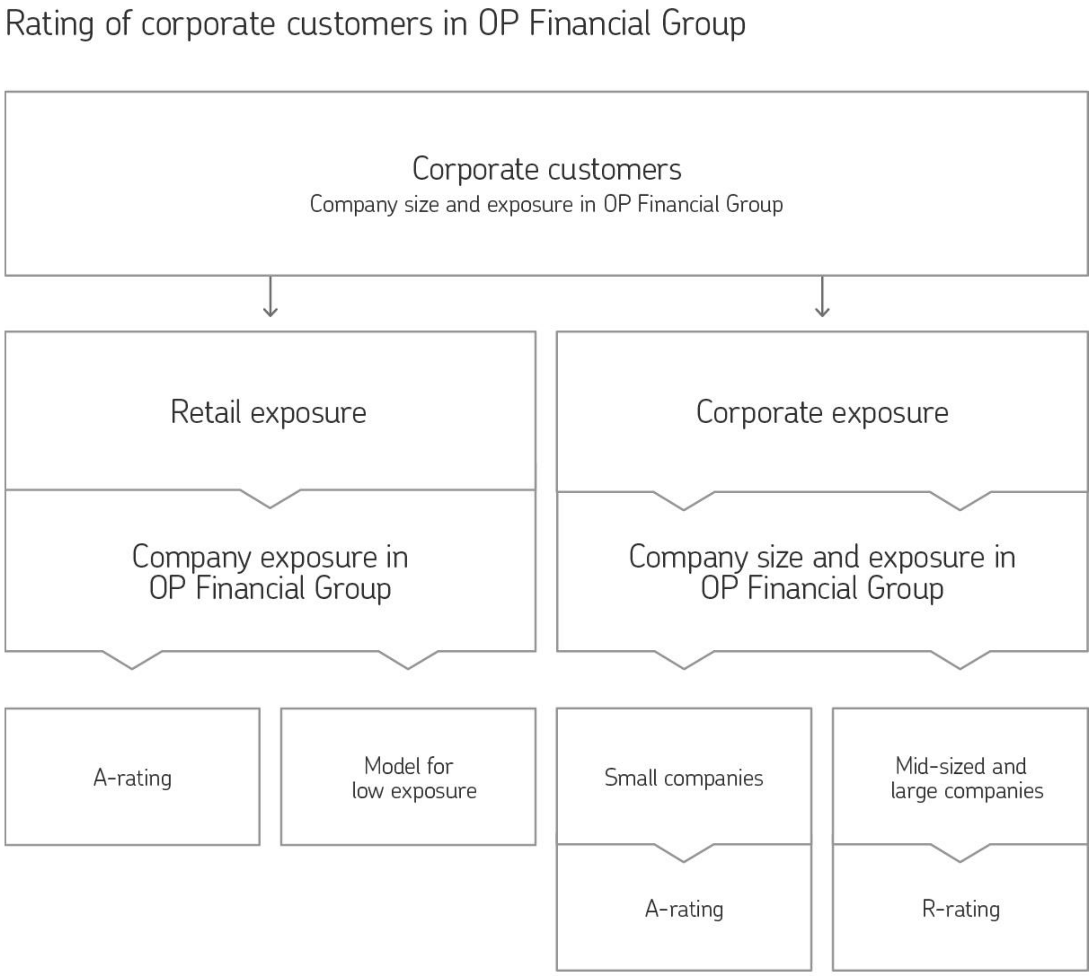
8.2.1 Credit rating and probability of default

The purpose of credit rating is to group customers (agreements in the case of private customers) by borrower grade based on probability of default. Default means that some of the customer’s exposures becomes a receivable to OP Financial Group that is over 90 days past due or some other more severe payment default. Probability of default, or PD, is the average proportion of default events estimated for each borrower grade during one year over the economic cycle. When the economy is thriving, the actual proportion of defaulted customers in a given borrower grade is lower than the estimated PD, and when economic trends are poor, higher than the estimated PD.

8.2.2 Assessing corporate customers' probability of default

Pohjola assesses the probability of default of its corporate customers using OP Financial Group's internal 20-level credit rating system on a scale of 1.0–12.0, with 11–12 borrower grades representing defaulting customers

Rating of corporate customers in OP Financial Group



The R rating for mid-size and large corporate customers is based on the company's financial indicators and qualitative background data on the basis of which a statistical model generates a proposal for rating. An expert familiar with the customer will make a rating proposal on the basis of what is suggested by the model and of any other information available. Any changes and uncertainties relating to the future outlook will be regarded as warning signs and exceptions to the rating provided by the model. Based on the expert’s proposal, a decision on the customer’s borrower grade will be made at least once a year. The model currently used in ‘R’ rating was adopted at the beginning of 2008 and is annually validated according to the IRB requirements.

Suomen Asiakastieto Oy’s rating model, Rating Alfa, forms the basis of small corporate customers’ A ratings. The rating Alfa variables include information on payment default and payment practices of the company or its persons in charge, key indicators based on financial statements and the customer's basic data. Scores provided by Rating Alfa have been described (calibrated) into OP Financial Group’s internal credit ratings. The model has been used since the beginning of 2008 and was last partly updated in 2012.

Low exposure corporate customers are rated using a rating model for low exposures. The rating model is an automated rating model calculated on a monthly basis that is created on the basis of the customer's basic data, transaction data and payment behaviour data. The rating model for low exposures was adopted in 2009 and updated in 2012.

Borrower grades generated by the corporate rating models are comparable because, irrespective of the model, each borrower grade is subject to the same probability of default. In deriving probability of default, the Group has used recent years’ actual payment default data, long-term loan loss data and bankruptcy statistics and the cyclical nature of the model. The need for updating probabilities of default for each category is assessed annually.

The table below shows OP Financial Group's credit ratings for corporate customers and Standard & Poor's (S&P) equivalent.

S&P Rating	AAA…AA-	A+…A-	BBB+…BBB-	BB+…BB-	B+…B-	CCC+…C
OP Financial Group	1,0–2,5	3,0–4,0	4,5–5,5	6,0–7,0	7,5–8,5	9,0–10,0

8.2.3 Assessing a credit institution's probability of default

Credit institution exposure is divided into 20 categories, such as corporate customer exposure, ranging from 1.0 to 12.0, with defaulted customers falling into categories 11–12.

A specific L rating model is used to assess the probability of default of credit institutions as counterparties, the structure of which corresponds to the R rating model.

The statistical model as the basis of the credit rating is based on financial indicators in financial statements and on qualitative background data. Such rating can be revised by an expert with warning signs and, in many cases, rating is also affected by the parent company's support to the banking group and by the Sovereign Ceiling rule whereby the counterparty cannot be better than the country concerned in terms of creditworthiness. The Group decides on credit institution ratings at least once a year. The L credit rating model was adopted in 2009 and last updated in 2012.

The table below shows OP Financial Group's credit ratings for credit institutions and Standard & Poor's (S&P) equivalent.

S&P Rating	AAA...AA+	AA...BBB+	BBB...BBB-	BB+...BB-	B+...B	B-...CCC
OP Financial Group	1.0–2.0	2.5–4.5	5.0	5.5–7.0	7.5–8.0	8.5–10.0

8.2.4 Assessing private customers' probability of default

Pohjola Group uses OP Financial Group's 16-level scale of A–F to assess the probability of default for private customer agreements, with F representing defaulting borrowers.

The Group assesses monthly all private customer agreements' PD using a loan portfolio rating model. The loan portfolio rating is based on a customer's basic data, payment behaviour and other transaction history data. The scores calculated on the basis of this data determine the borrower grade. Average PDs have been calculated for each borrower grade for a period of 12 months. The loan portfolio rating model is used for credit risk assessment and capital requirement calculation.

Pohjola's private customer exposures are categorised, before any loan portfolio rating model, mainly using the application-stage rating model for finance company products, with updated versions being adopted in spring 2014. The rating based on the application stage supports the loan approval process, credit risk assessment and the pricing of new loans.

8.2.5 Country rating

Pohjola examines country risks on the basis of external credit ratings.

8.2.6 Loss given default (LGD) and exposure at default (EAD)

In addition to the models used for assessing probability of default, Pohjola Group uses models for predicting loss given default (LGD) and exposure at default (EAD) to measure credit risk. Exposure at default, or EAD, refers to the estimated amount of the bank's receivable from the customer at default. In the calculation of EAD, a Conversion Factor (CF) is used to assess the utilised exposures that describes how much of off-balance-sheet exposures have been assessed to be utilised at the time of default. Loss Given Default, or LGD, is an estimate of a financial loss incurred by the bank, as a share of EAD, if the customer defaults.

8.3 Decision-making

The central cooperative consolidated decision-making guidelines governing Banking exposures describe the decision-making system for the central cooperative consolidated Banking exposures. Decision-making bodies and decision-makers make decisions on exposures within the framework of OP Financial Group's risk policy, limits and exposure limits confirmed by OP Financial Group's Credit Risk Committee as well as instructions and adopted decision-making powers. Depending on the borrower grade, exposure amount and the amount of insufficient collateral concerning a group of connected clients, decisions on exposures are made by the central cooperative consolidated's Banking Senior Credit Committee, Credit Committee and two authorised persons together. Decisions on credit for private customers are based on OP Financial Group's internal credit rating applicable to private customers using an automatic credit-decision system.

8.4 Measuring and monitoring credit risk

Pohjola measures credit risk on a customer-specific basis in terms of total exposure and the amount of insufficient collateral. Other credit risk indicators include the ratio of doubtful receivables and past due loan repayments to the loan and guarantee portfolio, as well as the ratio of impairment losses to the loan and guarantee portfolio.

The credit risk associated with a loan portfolio is also measured by the amount of expected loss and its development in relation to the loan and guarantee portfolio. Customer monitoring consists of an annual analysis of financial statements and interim reports, and continuous monitoring of the customer's payment behaviour and business. Pohjola Group monitors continuously customer credit record, past due payments and non-performing loans on the basis of information obtained from both OP Financial Group's internal monitoring service, as well as from external services.

Customers whose financial status performance, credit risk and payment behaviour justify a more detailed review are subject to special control. In this context, the Group also analyses the need to change the customer's credit rating, the probability of a loan loss and the need to recognise an impairment loss. This often means that the credit approval decision is made by a higher-level decision-making body.

8.5 Decision-making and assessment related to credit risk models

OP Financial Group's Risk Management Committee decides on the adoption of and any significant changes in the credit risk models. These decisions are based on the general principles governing credit ratings and the validation of credit risk models approved by the central cooperative's Executive Board. The models are developed and maintained by OP Financial Group's Risk Management, independent of business lines/divisions.

The effectiveness of the credit rating process and credit risk models is subject to regular monitoring and supervision. Risk Management collects continuous feedback from the business lines/divisions on the effectiveness of the credit rating process and models related to credit risk parameters. On a monthly basis, it monitors the models that automatically create a credit rating category. The purpose of this monitoring is to follow changes in the loan portfolio and lending while ensuring the effectiveness of the rating process.

In addition, the Group assures the quality of the models at least once a year in accordance with the validation instructions approved by OP Financial Group's Risk Management Committee. The set of the validation instructions contains requirements for quality assurance carried out when adopting a model. Validation uses statistical methods to test, for example, the model's sensitivity and the validity of risk parameter estimates (PD, LGD and EAD). Validation also involves qualitative assessment, such as an analysis of user feedback, and a peer group analysis. The results of validation and any recommendations for required measures are reported to the Risk Management Committee, which decides on any improvements on the basis of the validation.

OP Financial Group's Internal Audit performs audits to ensure the independence of validation. It also inspects the credit risk models and their use in the central cooperative's companies and member cooperative banks as part of its regular auditing.

8.6 Use of credit risk models in capital adequacy measurement

Pohjola Group applies the Foundations Internal Ratings Based Approach (FIRBA) to measure capital adequacy requirement for credit risk on corporate and credit institution exposures. In FIRBA, an estimate of probability of default (PD) generated by OP Financial Group's internal credit risk models affects the capital adequacy requirement for credit risk associated with the customer. Standard estimates issued by the authorities are used for LGD and CF.

The Group uses FIRBA to calculate the capital requirement for credit risk on retail exposures, in which the capital requirement is affected by the PD, LGD and EAD values of OP Financial Group's internal credit risk models. The Group uses the Standardised Approach (SA) for government and central bank exposures and for some other exposure categories (like those of the Baltic countries). As a rule, a simple model applies to equity investments. The PD/LGD method applies to OP Financial Group's strategic investments, where the PD values are based on internal models and LGD values on standard estimates.

8.7 Securitised assets

Pohjola has not acted as an originator or manager of securitisation transactions but has invested in asset-backed securities. Credit derivatives are not connected to asset-backed securities within Banking. In calculating the total amount of the risk-weighted assets of securitisation exposures, the Group has used IRBA to credit risk when the securitisation exposure belongs to the exposure category to which the assessment model based on credit rating is applied.

Pohjola Group applies credit ratings affirmed by Moody's, Fitch and Standard & Poor's to securitised exposures. If two selected credit rating agencies have affirmed credit ratings pertaining to a securitisation transaction, the lower rating will apply. If more than two selected credit rating agencies have affirmed credit ratings pertaining to a securitisation transaction, the two highest ratings will apply. If the two highest ratings differ from one another, the lower rating will apply.

9. Liquidity risk management

Liquidity risk comprises funding liquidity risk and structural funding risk. Liquidity risk refers to a situation in which an OP Financial Group entity cannot meet its payment obligations without difficulty. Structural funding risk refers to refinancing risk resulting from a maturity difference between long-term lending and short-term borrowing.

Liquidity risk management is based on OP Financial Group's risk policy and approved risk limits. The central cooperative's Executive Board approves the qualitative targets set for the liquidity buffer, a funding plan, a business continuity and contingency funding plan in the case of threat scenarios. The business continuity and contingency plan contains a control model for liquidity for various threshold levels, funding sources and a contingency funding plan for liquidity management at operational level.

OP Financial Group manages liquidity by means of proactive planning of funding structures, the Group's risk limits and limits, control limits and target levels derived for Group entities. The Group's liquidity management tools also include the monitoring of the liquidity status and well-balanced liquidity buffer, planning and management of daily liquidity and funding, as well as effective control of the Group's liquidity status. Funding liquidity management is governed by the regulations governing the minimum reserve and marginal lending facility systems by the European Central Bank.

OP Financial Group ensures its liquidity by means of a liquidity buffer and funding sources under the contingency plan for twelve months in the event that both money and capital markets were to close and deposit funding was to decrease moderately. The liquidity buffer has the size required for the time to implement the contingency plan in a liquidity crisis. Liquid funding may be made available by selling notes and bonds in the liquidity buffer or using them as collateral. The liquidity buffer consists mainly of deposits with the central bank and receivables eligible as collateral for central bank refinancing.

As OP Financial Group's central bank, Pohjola Bank plc is tasked with securing the liquidity of the entire Group and each Group member cooperative bank or Group entity. The Group's daily liquidity management refers to managing liquidity of the Group's companies engaged in banking. The liquidity of OP Financial Group's insurance and pension institutions transfers through bank accounts to the Group's overall liquidity. Any changes in their liquidity position will change Pohjola's liquidity position. The liquidity reserve of Banking within the entire OP Financial Group is managed at the Group's central bank.

The Group's funding planning is based on the proactive planning of the funding structure and on the risk limits set for the liquidity risk. Deposits from the general public and wholesale funding form the basis of OP Financial Group's funding. The Group plans its wholesale funding on the basis of deposit funding and an increase in lending. In order to secure access to funding, Pohjola Group uses a diverse range of financial instruments while diversifying the sources of funding by maturity, geography, market and investor. Any surplus deposits with member banks are mainly channelled to the central cooperative consolidated accounts or instruments it has issued in order not to increase OP Financial Group's wholesale funding unnecessarily. Pohjola manages on a centralised basis the Group's wholesale funding in the form of senior bonds and equity capital, while OP Mortgage Bank manages funding based on covered bonds.

OP Cooperative's Executive Board is responsible for OP Cooperative's liquidity risk management, and controls liquidity management using various threshold levels. In cases of market disruption, liquidity management relies on the business continuity and contingency plan. Each entity within OP Financial Group controls its liquidity management within the framework of control limits issued by the central cooperative and guidelines and of account, deposit and loan terms and conditions.

Other Operations is responsible, on a centralised basis, for Pohjola's liquidity risk and funding liquidity risk management, long-term funding as well as the maintenance of liquidity portfolios.

Key sources of funding include issues of CDs and bonds/notes, deposits from other banks and OP Financial Group member cooperative banks, deposits from the public and shareholders' equity. Pohjola's credit rating contributes to the access to and price of funding in international money and capital markets.

9.1 Monitoring and reporting liquidity risks

Pohjola Group's risk limits for liquidity risk have been set for net cash flows by maturity, which guide the structural funding risk. The risk indicator for the structural funding risk indicates the maximum portion of the net cash flows in Pohjola Group's balance sheet that may have a maturity within different time periods. The Group monitors long-term funding maturity using a maturity distribution, for which it has set limits. It monitors structural funding risk on a monthly basis.

In addition, OP Financial Group applies a risk limit for the Liquidity Coverage Ratio (LCR) based on CRD IV/CRR and the EU Commission Delegated Act on Liquidity Coverage Ratio Requirement. Furthermore, the Group also monitors Group-level liquidity risk in scenarios based on liquidity stress testing. The funding liquidity risk indicators show for how long the liquidity buffer will cover the known and predictable net cash flows payable daily outside the Group and any unexpected liquidity stress scenario. Pohjola monitors liquidity risk on a daily basis.

10. Market risk management

Market risks in this section refer to Banking's and the Other Operations' exposure to market risks. Section "Risk Management of Non-life Insurance" below deals with market risks associated with investment operations by Non-life Insurance subsidiaries.

Market risks include the effects caused by changes in market prices (interest rates, foreign exchange rates, equity prices and credit spreads) or by implicit volatilities on the bank's financial performance. Market risks may have a direct effect on earnings or the effect may span several financial years. The recognition of the effects on earnings depends on how a vulnerable asset or derivative instrument is accounted for. Market liquidity has an effect on the formation of market prices. If markets lack sufficient depth or cease to function in a regular manner due to a disruption, market risks also arise due to the lack of market liquidity. In general, a decrease in market liquidity leads to weaker financial results due to higher liquidity premiums included in market prices.

Market risk management aims to limit risks arising from the volatility of on- and off-balance-sheet items to an acceptable level and to promote healthy financial performance by optimising the risk/return ratio.

Both trading and the banking book involve market risks. Trading aims to benefit from market price changes in the short term by actively taking market risks. The effects on earnings of the market risks taken in trading are mainly immediately reflected in changes in the fair value of assets and derivatives.

The banking book consists of the loan and deposit portfolio and domestic and foreign wholesale funding and derivative contracts hedging the abovementioned items. Liquidity buffers and other investment assets are also included in the banking book. The management of market risks associated with the banking book has the aim of hedging the Group's net financial income against interest rate fluctuations and the value change of investment assets against credit spreads. No currency risks are taken in the management of the banking book.

Pohjola restricts its market risk exposure by means OP Financial Group's risk policy that sets targets for limits and limits for banking, insurance and trading operations. The guidelines on the risk policy application describe the methods applied in market risk measurement and lower-lever risk limits. In addition, the policy specifies those authorised to take open market risks and presents other restrictions with respect to taking market risks. The risk policy must be updated at least once a year.

In addition to implementing its risk policy, Pohjola limits its liquidity portfolio's market risk exposure based on an investment plan for its liquidity portfolio, which specifies the basic asset allocation of investments (tactical asset allocation) within certain ranges. The liquidity portfolio mainly comprises deposits with central banks and notes and bonds eligible as collateral for central bank refinancing. Pohjola's Board of Directors annually adopts an investment plan according to the principles issued by the central cooperative's Executive Board.

Risk Management and the Middle Offices of the Markets division and Asset Management monitor and report market risks and their outcome to the business lines/divisions and executive management. The principles and indicators used in managing market risks involved in trading and the banking book are largely the same.

10.1 Measuring, monitoring and reporting market risks

Pohjola uses the indicators and metrics shown in the table below to monitor market risks:

Type of risk	Risk metric	Performance indicator	Frequency
Interest rate risk/trading portfolios	As part of VaR metric	Change in market value	Daily
Interest rate risk/banking book	As part of VaR metric	Change in market value, net financial income	Daily
Credit spread risk	As part of VaR metric	Change in market value	Daily
Currency risk	As part of VaR metric	Change in market value	Daily
Price risk of structured products and securitised investments	As part of VaR metric (liquid investments) or separate VaR metric (illiquid investments)	Change in market value	Daily (liquid investments) or monthly (illiquid investments)
Commodity risk	Separate VaR metric, as part of VaR metric	Change in market value	Daily
Equity risk	As part of VaR metric	Change in market value	Daily
Volatility risk	Effect of 1 pp or 1 basis point volatility change on the present value of exposure	Change in market value	Daily

Pohjola mitigates its total market risk exposure by means of the Value-at-Risk limit (VaR) allocate to business divisions covering all key market risk exposures.

Market risk exposures requiring VaR limits are defined by using long-term, over-the-cycle volatility and correlation estimates. VaR for the liquidity buffer has been calculated for a one-month holding period at a 95% confidence level and that for other exposures for a one-month holding period at a 99% confidence level.

In addition to the VaR limit, specific VaR limits have been set for commodity derivatives and repurchased index-linked bonds issued by Pohjola Bank plc. Pohjola mitigates market risks associated with equity and private equity investments and the vega risk of option positions using limits based on sensitivity indicators. Nominal amount limits are used to mitigate market risk associated with underwriting commitments issued.

In addition to the VaR limits that mitigate risk exposure under an average economic situation, Pohjola monitors market risks using dynamic VaR metrics sensitive to market movements. Furthermore, Pohjola applies risk factor sensitivity indicators for exposure and stress test scenarios. The risk measurement methods supplement with each other.

10.2 Interest rate risk

Interest rate risks arise from differences between the maturities of on- and off-balance-sheet items, interest rate reset dates or the bases of interest rates. In trading, interest rate risks materialise when market rates change as a result of changes in the market value of securities and derivative contracts. Interest rate risks exposed by the banking book translate into a change in net financial income, those by notes and bonds at fair value through profit or loss, included in the liquidity buffer, into a change in fair values shown in the income statement and those by available-for-sale notes and bonds into a change in fair value reserve under equity.

The Group measures and reports interest rate risks exposed by trading and the banking book on a daily basis using the same benchmarks and principles governing limits set for the risks. The interest rate risk of both trading and the banking book is included in the VaR metric. In addition, Pohjola uses a specific tool to estimate the sensitivity of the accumulated net financial income to interest rate movements. Only specifically designated units may take interest rate risks within the set limits.

10.3 Credit spread risk

Credit spread risk refers to a position’s negative change in the market value, arising from changes in the pricing of credit risk premiums and liquidity risk premiums in the market. The credit spread risk exposure is defined for notes and bonds used in trading and those in the banking book. Consequently, the price risk of notes and bonds are divided into interest rate risk and credit spread risk components.

Pohjola daily measures and set limits for credit spread risks as part of the VaR limit.

10.4 Currency risk

Currency risks arise if there is a gap between assets and liabilities denominated in the same currency. Currency risk management is carried out in the context of trading. Pohjola sets a limit for currency risk as part of the VaR limit. Foreign currency exposures are subject to daily reporting.

10.5 Price risk associated with structured products and securitised assets

Pohjola follows the price risk of structured assets using a separate VaR metric, and the price risk of securitised bonds and notes as part of the VaR metric. Investments in securitised assets are included in long-term investment assets.

The market risk of structured products and securitised assets are included in the VaR limit. The risk of liquid investments and illiquid investments is subject to daily and monthly reporting, respectively.

10.6 Commodity risk

Commodity risk arises from uncovered commodity derivative position. The Group takes commodity risk, for example, through electricity, oil and metal derivatives.

Commodity exposures are subject to daily reporting.

10.7 Equity risk

Equity risk arises from equity and private equity investments. Equity investments include shares held for trading and long-term ownership.

The risk policy specifies the principles regulating the composition of the equity portfolio and the selection of investments.

Treasury is responsible for the management of the equity portfolio for available-for-sale investments. Pohjola sets limits for equity risks as part of the VaR limit on daily basis.

Nominal amount limits are used to mitigate equity risk associated with underwriting commitments issued.

10.8 Volatility risk

Volatility risks arise from uncovered option exposure. Interest rate, currency and commodity options create volatility risk.

Interest rate, foreign currency and commodity volatility risks are subject to daily reporting.

10.9 Real estate risk

Real estate risks refer to risks associated with fair value changes in and returns on property holdings.

The risk policy specifies the principles regulating the composition of the real estate portfolio and the selection of investments. The Group makes annually value estimates and action plans for each property holding.

10.10 Derivatives business

Pohjola uses interest rate and currency derivatives actively and equity, equity index and credit derivatives to a lesser extent. Notes to the financial statements provide detailed information on the underlying values and credit equivalents. Derivatives are used for trading and hedging purposes as part of total exposure management. The Group monitors derivative risks as part of the total exposure in trading and the banking book using the same benchmarks as for balance sheet exposure.

Counterparty risk involved in the derivatives business is monitored using credit equivalents determined on the basis of the repurchase cost of contracts (market value) and product-specific future credit risk factors. Credit risk arising from derivatives is reduced by entering into a master agreement for derivative contracts and through collateral securities received under the Credit Support Annex (CSA) agreement. Counterparty risk is also limited by means of central counterparty clearing.

The purpose of hedging loans and debt issues against interest rate risks is to lock the margin, or the interest rate difference between the hedged and hedging item. Hedge effectiveness is assessed by the ratio between the interest rate risk figures and market values of the hedged and hedging items.

Additional earnings components related to the issued index-linked bonds are hedged using derivative structures. The hedging derivatives are equity, equity index, currency, interest rate, commodity and credit derivatives.

11. Risk management: Non-life Insurance

11.1 Risks of insurance operations

The insurance business is based on taking and managing risks. The largest risks pertain to risk selection and pricing, the acquisition of reinsurance cover, and the adequacy of insurance liabilities. The risk inherent in insurance liabilities lies mainly in insurance lines characterised by a long claims settlement period. In addition to underwriting risks, a significant insurance business risk consists of the investment risk related to the assets covering insurance liabilities.

11.2 Underwriting risks

Underwriting risks associated with Non-life Insurance comprise risk of loss or damage, and provision risk.

Risk of loss or damage occurs when there are an above-average number of losses or they are exceptionally large. This results in assets covering technical provisions differing due to expected higher claims incurred. Provision risk arises when the claims incurred due to already-occurred losses are higher than anticipated on the balance sheet date. The uncertainty related to the timing of claims paid out also has an effect on the amount of provision for unpaid claims. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty relates to the assessment of unknown losses.

The majority of claims expenditure in statutory lines of insurance for bodily injuries consists of compensation for loss of income and for medical care. In addition to accidental injuries, statutory workers' compensation insurance covers occupational diseases, which tend to develop slowly. For this reason, major uncertainty is involved in assessing claims incurred in the case of occupational diseases.

It is typical of the statutory lines of insurance that the period from the date of the occurrence of loss until the date on which the claim is fully paid is often long. Such underwriting business generates a long-term cash flow, on the evaluation of which the mortality of beneficiaries, medical-cost inflation and return to work have the greatest impact. With respect to statutory workers' compensation insurance and motor liability insurance, the insurance company is not, however, liable for the index increments of compensation for loss of income nor for any medical expenses that are paid for over ten years after the accident's occurrence. These are financed through the pay-as-you-go system. The pay-as-you-go system is a scheme based on special laws governing each statutory line of insurance. Under this system, the financing of benefits, the so-called pay-as-you-go benefits, specified in these laws, has been arranged through the pay-as-you-go system. The pay-as-you-go system does not generate any financial benefit or harm to the insurance company that would lead to changes in equity.

Individual claims are usually small in voluntary accident and health insurance. The largest claims may arise from catastrophes with a large number of injured people. Medical-cost inflation has a major impact on projecting cash flows in medical expenses insurance, with respect to illnesses for which compensation is paid for a long time. Rapid progress in medicine and rising pharmaceuticals costs increase medical-cost inflation. Developments in public healthcare will also affect future cash flows. If tax-funded public healthcare services decline, people will increasingly start paying for their medical care through medical expenses insurance.

In motor vehicle and cargo insurance, weather conditions have the greatest effect on the number and size of claims. Claims expenditure is therefore larger during the winter than during the summer. The greatest risks within cargo insurance are associated with risk concentrations caused by sea transport and trading stock. In addition, weather conditions, such as storms and floods, and snow and icy roads during the winter relating to motor vehicle insurance may involve accumulation risks covering a geographically large region.

The largest single risks within property and business interruption insurance include fire, natural phenomenon and breakage risks exposed by companies' production facilities and buildings, and the related business interruption risks. Households' individual property risks are small and the related individual claims have no material effect on the Non-life Insurance earnings. The majority of claims expenditure for households is due to leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic region. However, studies have suggested that there are indications of a change in climatic conditions in our operating region at least in the long term. The projected temperature increase will probably be reflected in changes in summer and winter conditions and, for instance, in higher precipitation and wind speeds.

Laws and legal practice governing the liability to pay damages have a major impact on the number and size of liability claims. For private individuals, claims have a minor effect on earnings. In addition, private individuals' risks account for a minor share of the total risk within the class. The majority of corporate liability policies consist of product liability and commercial general liability policies. Liability insurance is characterised by losses being revealed and settled slowly, especially in respect of product liability insurance in North America.

Decennial insurance and perpetual insurance are long-term contracts. Decennial insurance is a statutory policy where a loss event requires both a construction defect and the builder's default. The underwriting of perpetual insurance was terminated in the 1970s and their sums insured and associated risks are small due to low inflation. The policyholders consist mainly of private individuals.

A specific risk type consists of a claim accumulation generated by natural catastrophes or large catastrophes caused by human activity. 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.

Unidentified background factors may also affect underwriting risks. Examples from recent history include cases of occupational diseases caused by exposure to asbestos dust, and the effect of higher life expectancy than predicted on the pension portfolio of statutory insurance.

11.2.1 Underwriting risk management

The most important tasks within underwriting risk management relate to risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance liabilities. The highest underwriting risk decision-making body is the Underwriting (UW) Management tasked with managing Non-life Insurance underwriting risks. The Underwriting Executives make underwriting decisions within the framework of powers confirmed by the boards of directors of the insurance companies, and report its decisions to these boards.

Decisions on customer and insurance object selection and risk pricing are made according to the UW Guidelines. The UW Executives approve risks with the most significant effect and the most demanding risks while decisions on smaller risks, depending on the size and severity of the risk, require decisions made jointly by several underwriters or managers. For basic insurance lines, decisions are made on a system-supported basis and customers and the objects of insurance are selected within the powers determined by instructions specifically approved.

11.2.2 Risk selection and pricing

Operating models highlight the role of risk selection and pricing. The Group has set limits for the size and extent of risk for each insurance line and risk concentration. Non-life Insurance has a centralised data warehouse and analysis applications in place to support risk selection and pricing. Insurance terms and conditions play a substantial role in risk mitigation. In addition, the Group performs risk analyses on a customer or insurance line specific basis to mitigate risks.

11.2.3 Reinsurance

The reinsurance principles and the maximum risk per claim retained for own account are annually adopted by the boards of directors of the insurance companies, in accordance with the principles of the central cooperative's Executive Board. In practice, the Group's own retention levels can be kept lower than the maximum retention levels adopted by the board of directors, if the reinsurance pricing supports this. Retention in both risk-specific reinsurance and catastrophe reinsurance is a maximum of EUR 5 million. Reinsurance has an effect on the solvency capital requirement. Only reinsurance companies with a sufficiently high financial strength rating are accepted as reinsurers. The reinsurer's counterparty risk is managed by means of reinsurance diversification limits.

11.2.4 Risk concentrations

The Group takes account of local risk concentrations in EML (Estimated Maximum Loss) estimates for property and business interruption risks and through EML breakthrough cover included in reinsurance cover. Our operating region has no major risk of earthquakes. With respect to risks associated with other natural disasters, such as storms and floods, Finland is a stable area. However, the Group has protected against catastrophe accumulation losses through an extensive catastrophe reinsurance cover whose size has been dimensioned to correspond to the calculated size of a catastrophe loss occurring once every 200 years. The catastrophe accumulation cover applies to property damage and personal injuries.

11.2.5 Evaluation of insurance liabilities

The Group monitors the adequacy of insurance liabilities on an annual basis. Insurance liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. The cash flows comprise claims paid out and loss adjustment expenses.

The amount of insurance liabilities has been estimated securely in such a way that it would be sufficient to fulfil the obligations arising from insurance contracts. This has been performed by estimating an expected value for the insurance liability and then by determining a safety loading based on the degree of uncertainty related to the liability.

The evaluation of insurance 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. Every three years, an external actuary performs for Non-life Insurance an analysis of the appropriateness of the calculation bases and the amount of insurance liabilities.

The provision for unpaid claims for annuities consists mainly of annuities of statutory insurance lines. Discounting is used in the computation of the provision for unpaid claims for annuities and the discount rate used is of great significance for the provision. Due to low interest rates, Non-life Insurance reduces the discount rate on a controlled basis.

11.3 Investment risks

In insurance business, investments comprise assets covering insurance liabilities and shareholders' equity. The objective of investment (investment portfolio + hedging insurance liabilities) is to generate a stable return to the owner after the value change of insurance liabilities at an acceptable risk level considering the structure of the insurance liabilities and solvency targets.

The most significant investment risks pertain to market, credit and liquidity risks which can materialise in terms of lower-than-expected return on investment assets or of impaired investments. The Group mitigates investment risks by diversifying investments as efficiently as possible by asset class, counterparty, sector, geographical area, and by ensuring that the investment portfolio is as liquid as possible.

In Non-life Insurance, investment operations are based on investment plans and investment authorisations, confirmed annually by the Board of Directors, which specify the basic asset allocation and range of investments by asset class, the organisation of investment, risk limits as well as decision-making powers and authorisations.

The basic weighting of investments by asset class forms the key investment-management tool. In its determination, Pohjola takes account of the operating environment and prospects, investment risks in relation to the expected return, requirements set by insurance liabilities, requirements set by the authorities, rating targets and risk appetite.

Non-life Insurance applies the Asset/Liability Management (ALM) model used to determine the basic weighting. As a result of fluctuations in asset values and active investing, the Group occasionally deviates from the basic weighting within defined limits.

Investment operations are subject to monthly reporting to the Executive Committee, Risk Management and the non-life insurance companies' boards of directors. These reports specify the amount invested, recorded income by asset class and recorded income based on benchmark indices, as well as risk metrics.

Risk Management monitors daily the set risk limits set in the investment plan, key risk limits including allocation limits, VaR limits, interest rate, yield curve and currency limits, counterparty credit-rating limits and diversification limits.

11.3.1 Market risk

Market risk consists of price, interest rate and currency risks. Changes in equity prices, interest rates, foreign exchange rates, prices of commodities and real properties have an effect on the value of, and annual income from, investment assets. The relation between the investment risk and the solvency capital of Non-life Insurance is assessed by means of an internal ALM model and the sensitivity analysis of the market risk.

The maximum weighting of asset classes involving price risks, such as equities, alternative investments and real property, is subject to limits. The Group also manages investment risks by diversifying investments across various instruments, by region and by industry.

11.3.2 Interest rate risk

The Group uses VaR and sensitivity analyses, in addition to modified duration, to monitor interest rate risk associated with insurance liabilities and derivatives and fixed-income portfolios that hedge insurance liabilities. The investment plan sets a range for the modified duration of fixed-income portfolios proportioned to the modified duration of a benchmark portfolio. Yield curve risk has been separately restricted using limits based on a partial duration review. In determining the interest rate risk limit, Non-life Insurance has taken account of the effect of interest rate risk arising from the discounting of insurance liabilities. The company's strategy is to fully hedge against the market-based interest rate risk associated with insurance liabilities up to 30 years.

11.3.3 Currency risk

In the management of currency risks, Non-life Insurance takes account of the currency risk arising from both investments and insurance operations. Currency risks exposed by Non-life Insurance arise mainly from foreign equity investments. The investment plan specifies a limit set for currency risks and presents principles of hedging against currency risks by asset class. The Group is active in changing the degree of hedging within the risk limit according to the current market view.

11.3.4 Use of derivatives

For the management of market risk, the Group also uses derivatives. The investment plan defines the principles of their use every year. Interest rate, equity and credit derivatives may be used both for hedging purposes and for increasing the risk level of the portfolio, within defined limits. Currency derivatives may be used for hedging purposes only. Derivative contracts may be signed on regulated markets or with a counterparty whose long-term rating is adequate.

11.3.5 Credit risk

Credit risks associated with investment arise from the issuer's credit risk and the counterparty risk associated with derivative contracts. The Group manages credit risks by diversifying the portfolio and limiting the proportion of weaker credit risk in the portfolio. The investment plan specifies limitations regarding credit ratings and maximum investments regarding any single counterparty. The Group performs an internal credit risk assessment of non-rated issuers, on the basis of which it can make an investment decision.

11.3.6 Liquidity risk

In the investment plan, the Group annually assesses the liquidity status and takes account of its liquidity requirements when building up the investment portfolio. Active insurance operations show a surplus in terms of liquidity, since premiums written are collected before payment of compensation. Whenever necessary, the money market portfolio serves as the primary liquidity buffer. Investments in equities and notes/bonds consist mainly of quoted and liquid instruments.

Note 3. Change in accounting policy

Amortisation of the effect of a reduction in the discount rate

OP Financial Group has changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. Previously, the discount rate was subject to quarterly assessment in which case the effect of the change deteriorated the comparability between reporting periods. As a result of the change, OP has since 1 January 2015 assessed changes in the discount rate on a monthly basis and their effects on financial results are spread evenly over the financial year thereby providing more reliable and relevant information on the Group's financial results in accordance with IFRS 4.22. Because this concerns a change in the accounting estimate, no comparatives have been restated.

Presentation of Non-life Insurance commission income and expenses

The presentation of the consolidated financial statements has changed as of the beginning of 2015 with respect to certain sales and reinsurance commissions related to Non-life Insurance. Previously, items presented under "Other operating income" have been, according to its nature, transferred to be presented under "Net commission income" In addition, impairment loss related to non-life insurance has been transferred to "Net income from Non-life Insurance". These changes will harmonise accounting for commissions and fees related to non-life insurance operations in OP Financial Group and give a more accurate picture of the nature of the items. The changes will have no impact on earnings and segment reporting. OP has applied the changes retrospectively, providing more reliable and relevant information on the Group's financial results. In addition, Pohjola Group has restated its target for expenses to correspond to the changed accounting policy.

Effect on the consolidated income statement for 1 Jan. - 31 Dec. 2014

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Net interest income	257	257	
Impairment of receivables	25	25	
Net interest income after impairments	**231**	**231**	
Net income from Non-life insurance	597	593	-4
Net commissions and fees	114	52	-62
Net trading income	77	77	
Net investment income	64	64	
Other operating income	32	30	-2
Total income	**1,116**	**1,048**	**-68**
Personnel costs	163	163	
ICT costs	94	94	
Depreciation/amortisation	52	52	
Other expenses	258	191	-68
Total expenses	**567**	**500**	**-68**
Share of associates' profits/losses accounted for using the equity method	0	0	
Earnings before tax	**548**	**548**	
Income tax expense	107	107	
Results of continuing operations	**441**	**441**	
Results of discontinued operations	29	29	
Profit for the period	**470**	**470**	
Attributable to:			
Owners of the parent	461	461	
Non-controlling interests	9	9	
Total	**470**	**470**	

Critical accounting estimates and judgements

Collective assessment for impairment
OP Financial Group has used an updated model for collective assessment for impairment since May 2015. The model is still based on the statistical model used in the measurement of the economic capital requirement. Through-the-cycle component has been eliminated from the PD and LGD estimates used in the economic capital requirement model to better reflect the point in time approach and current economic cycle. The model has changed measurement method for the identification of loss event that is calculated by means of the so-called emergence period in the new model (the calculation was previously based on past loss experience). In addition, the receivables have been grouped more accurately on the basis of shared similar credit risk characteristics in the new model. This model update did not cause any substantial change to the collective impairment loss amount.

Impairment loss on equity instruments
Pohjola Group has revised the previous determination of impairment loss on equity instruments as of 1 May 2015. Impairment loss will be recognised at the latest when the maximum limits specified for each instrument are exceeded with respect to the prolonged criteria of 12 months or the significant criteria of 30 % (previously: an average of 18 months and 40 %, respectively). This change increased slightly impairment loss on equity instruments in the first half.

NOTES TO THE INCOME STATEMENT

Note 4. Net interest income

EUR million	2015	2014
Interest income		
Receivables from credit institutions	46	68
Receivables from customers	305	319
Loans	285	294
Finance lease receivables	19	24
Impaired loans and other commitments	0	1
Notes and bonds	150	166
Held for trading	11	14
At fair value through profit or loss	0	0
Available for sale	136	142
Held to maturity	0	1
Loans and receivables	3	8
Derivative contracts	1,222	1,369
Held for trading	1,331	1,471
Fair value hedge	-120	-114
Cash flow hedge	11	12
Ineffective portion of cash flow hedge	0	-1
Other	9	12
Total	**1,732**	**1,933**
Interest expenses		
Liabilities to credit institutions	56	59
Financial liabilities at fair value through profit or loss	0	0
Liabilities to customers	16	26
Debt securities issued to the public	215	247
Subordinated liabilities	50	45
Subordinated loans	9	8
Other	41	37
Derivative contracts	1,171	1,288
Held for trading	1,318	1,428
Cash flow hedge	-147	-140
Other	4	9
Total	**1,512**	**1,675**
Net interest income before fair value adjustment under hedge accounting	**220**	**259**
Hedging derivatives	-21	-185
Value changes of hedged items	21	183
Total net interest income	**220**	**257**

Note 5. Impairment loss on receivables

EUR million	2015	2014
Receivables written off as loan or guarantee losses	37	35
Recoveries of receivables written off	-1	-1
Increase in impairment losses on individually assessed receivables	33	35
Decrease in impairment losses on individually assessed receivables	-38	-48
Collectively assessed impairment losses	-2	5
Total	**29**	**25**

Note 6. Net income from Non-life Insurance

EUR million	2015	2014
Insurance premium revenue		
Premiums written	1,453	1,393
Change in provision for unearned premiums	-8	-29
Gross insurance premium revenue	1,445	1,364
Reinsurers' share	-50	-54
Total	1,396	1,310
Net investment income	178	173
Claims incurred		
Claims paid (excl. loss adjustment expenses)	-804	-828
Change in provision for unpaid claims**	-114	-61
Gross total claims incurred	-919	-889
Reinsurers' share	34	44
Total	-885	-845
Other Non-life Insurance items	-43	-46
Net income from Non-life Insurance	**646**	**593**

Insurance premium revenue and insurance premiums ceded to reinsurers		
Short-term insurance contracts		
Premiums written	1,448	1,390
Change in provision for unearned premiums	-12	-31
Long-term insurance contracts		
Premiums written	5	3
Change in provision for unearned premiums	4	2
Gross insurance premium revenue	**1,445**	**1,364**

Reinsurers' shares of short-term insurance contracts		
Premiums written	-45	-54
Change in provision for unearned premiums	1	1
Reinsurers' share of long-term insurance contracts		
Premiums written	-3	-1
Change in provision for unearned premiums	-3	0
Total reinsurers´ share	-50	-54
Net insurance premium revenue	**1,396**	**1,310**

Net investment income from Non-life Insurance

Loans and receivables		
Interest income	5	5
Interest expenses	-1	-1
Capital gains and losses		0
Fair value gains and losses	0	1
Impairments	0	
Total	**3**	**5**

Net income from financial assets recognised at fair value through profit or loss

Interest income		
Notes and bonds	0	0
Derivatives	0	0
Capital gains and losses		
Notes and bonds	-1	
Derivatives	-1	-22
Fair value gains and losses		
Notes and bonds		1
Derivatives	7	-2
Total	**6**	**-24**

Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	43	51
Capital gains and losses	-5	35
Transferred from fair value reserve during financial year	21	25
Fair value gains and losses	2	1
Impairments	-1	0
Total	60	112
Shares and participations		
Dividends	27	18
Other income and expenses	2	3
Capital gains and losses	24	13
Transferred from fair value reserve during financial year	61	41
Fair value gains and losses	-3	-1
Impairments	-8	-2
Total	104	72
Total	**163**	**184**

Net income from investment property		
Rental income	17	17
Capital gains and losses	0	0
Value changes from fair value measurement	0	2
Maintenance charges and expenses	-9	-10
Other	-1	-1
Total	**6**	**8**
Total net investment income from Non-life Insurance	**178**	**173**

Unwinding of discount, Non-life Insurance

The increase in the discounted insurance liabilities of Non-life Insurance due to the passage of time (Note 33) (unwinding of discount) totals EUR 38 million (41). Unwinding of discount is computed monthly applying the discount rate at the end of the previous month and the insurance liabilities at the beginning of the current month. On 31 December, the discount rate was 2.25% (2.5%) for losses occurred before 2015 and 1.5% for losses occured in 2015.

** The item includes EUR 62 million (62) as a result of the changed discount rate for insurance liabilities.

Note 7. Net commissions and fees

EUR million	2015	2014
Commissions and fees		
Lending	43	53
Deposits	0	0
Payment transfers	31	36
Securities brokerage	21	22
Mutual fund brokerage	0	0
Securities issuance	11	10
Asset management and legal services	7	1
Insurance operations	15	18
Guarantees	13	15
Other	5	5
Total	**146**	**160**
Commission expenses		
Payment transfers	15	20
Securities brokerage	8	8
Securities issuance	2	3
Asset management and legal services	4	3
Insurance operations	69	63
Other	11	9
Total	**109**	**108**
Net commissions and fees	**37**	**52**

Note 8. Net trading income

EUR million	2015	2014
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	-8	4
Shares and participations	0	0
Derivatives	136	35
Total	128	39
Fair value gains and losses		
Notes and bonds	-5	2
Shares and participations	0	
Derivatives	-58	10
Total	-63	12
Assets and liabilities at fair value through profit or loss		
Capital gains and losses		
Notes and bonds		0
Total		0
Fair value gains and losses		
Notes and bonds		-1
Total		-1
Net income from foreign exchange operations		
Currency exchange	0	-78
Other	39	106
Total	**105**	**77**

Note 9. Net investment income

EUR million	2015	2014
Available-for-sale financial assets		
Notes and bonds		
Capital gains and losses	31	11
Transferred from fair value reserve during the financial year	-2	0
Shares and participations		
Capital gains and losses	6	5
Transferred from fair value reserve during the financial year	9	9
Impairments	0	-1
Dividend income	26	43
Total available-for-sale financial assets	69	67
Financial assets carried at amortised cost		
Loans and receivables		
Capital gains and losses	-2	-1
Total financial assets carried at amortised cost	-2	-1
Investment property		
Rental income	6	6
Capital gains and losses		0
Gains and losses from fair value measurement	6	-2
Maintenance charges and expenses	-4	-5
Other	0	0
Total investment property	8	-2
Total net investment income	**75**	**64**

Note 10. Other operating income

EUR million	2015	2014
Rental income from property in own use	0	0
Capital gains on property in own use	0	0
Central banking service fees	8	8
Realisation of repossessed items		0
Rental income from assets rented under operating lease	4	6
Other	17	16
Total	**29**	**30**

Note 11. Personnel costs

EUR million	2015	2014
Wages and salaries	111	116
Variable remuneration	14	15
Pension costs	22	24
Defined contribution plans	19	19
Defined benefit plans	2	4
Other social expenses	8	9
Total	**155**	**163**

Note 12. Depreciation and amortisation

EUR million	2015	2014
Depreciation and amortisation		
Buildings	4	3
Machinery and equipment	1	1
Intangible assets related to business combinations	21	21
Other intangible assets	21	21
Leased out assets	2	5
Other	0	0
Total	49	52
Impairment loss		
Property in own use	0	0
Total	0	0
Total	**49**	**52**

Note 13. Other expenses

EUR million	2015	2014
Other administrative expenses		
External services	42	47
Telecommunication expenses	9	9
Marketing expenses	7	6
Corporate social responsibility expenses	1	1
Other administrative expenses	40	41
Total	100	104
Rental expenses	1	2
Expenses for property and business premises in own use	26	24
Capital losses on property in own use		0
Expenses for realisation of repossessed items	1	1
Bank levy		20
Other**	33	39
Total	**161**	**191**

* The item includes EUR 348,000 (321,000) in audit fees paid to auditors, EUR 179,000 (119,000) in fees for assignments as referred to in sub-paragraph 2, paragraph 1, section 1 of the Auditing Act, EUR 30,000 (20,000) in fees for tax consultation and EUR 161,000 (181,000) in fees for other services.

Note 14. Income tax

EUR million	2015	2014
Current tax	92	105
Tax for previous financial years	0	24
Deferred tax	28	-21
Income tax expense	**120**	**107**
Corporate income tax rate	20.0	20.0

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

Earnings before tax	625	548
Tax calculated at a tax rate of 20.0%	125	110
Tax for previous financial years	0	24
Income not subject to tax	-10	-25
Expenses not deductible for tax purposes	4	10
Re-evaluation of unrecognised tax losses	0	-1
Tax adjustments	1	-9
Other items	1	-1
Tax expense	**120**	**107**

Note 15. Assets and liabilities classified as held for distribution to owners and discontinued operations

As a result of OP Cooperative's execution of the public voluntary bid for Pohjola Bank plc shares, Pohjola Group is planning to make structural changes. According to the plan, the partial demerger involved the transfer of wealth management, card and property management operations to a new company owned by OP Cooperative. The execution date of the partial demerger was 30 December 2015 and it was implemented at carrying amounts. As a result, the assets and liabilities and other items of the Wealth Management segment have been presented as of 30 June 2014 separately in the balance sheet as assets and liabilities classified as held for distribution to owners and in the income statement as discontinued operations, in accordance with IFRS 5.

a) Results of discontinued operations

Wealth Management

EUR million	2015	2014
Net commissions and fees	54	64
Share of associates' profits/losses accounted for using the equity method	1	1
Other income and expenses	-29	-30
Earnings before tax	**26**	**36**
Taxes	4	7
Results of discontinued operations for the period	**22**	**29**
Share of parent company owners of discontinued operations	22	29
Total	**22**	**29**

b) Assets classified as held for distribution to owners and associated liabilities

Wealth Management segment assets

EUR million	2015	2014
Receivables from credit institutions		7
Investment assets		0
Investment accounted for using the equity method*		27
Intangible assets		102
Property, plant and equipment (PPE)		0
Other assets		30
Total Wealth Management segment assets		**167**

* In 2014, the Wealth Management segment had one significant associated company, Access Capital Partners Group S.A., with Note 29 of OP Financial Group's 2015 financial statements presenting specified information on the company.

In 2014, intangible assets include EUR 97 million in goodwill and EUR 5 million in other intangible assets.

Other holdings

Other assets classified as held for distribution to owners		**39**
Total assets classified as held for distribution to owners		**205**

Wealth Management segment liabilities

EUR million	2015	2014
Provisions and other liabilities		10
Total Wealth Management segment liabilities		**10**
Other liabilities for transfer		
Liabilities allocated in demerger		**195**
Total liabilities associated with assets classified as held for distribution to owners		**205**

Shareholder's equity associated with assets classified as held for distribution to owners

EUR million	2015	2014
Fair value reserve		0
Retained earnings		0
Total		**0**

NOTES TO THE BALANCE SHEET

Note 16. Cash and cash equivalents

EUR million	31 Dec. 2015	31 Dec. 2014
Cash	2	1
Deposits with central banks repayable on demand		
Pohjola Bank's minimum reserve deposit	590	537
Cheque account	7,873	3,236
Total cash and cash equivalents	**8,465**	**3,774**

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 1% of the reserve base. Credit institutions within OP Financial Group place a reserve deposit with Pohjola Bank plc, which acts as an intermediary authorised by OP Financial Group credit institutions and is responsible for OP Financial Group's obligation to place a deposit with the European Central Bank.

Note 17. Receivables from credit institutions

EUR million	31 Dec. 2015	31 Dec. 2014
Receivables from credit institutions		
Deposits		
Repayable on demand	334	484
Other	53	
Total	387	484
of which receivables from credit institutions due in less than 3 months	387	484
Loans and receivables		
Repayable on demand		
From other credit institutions	0	
Total	0	
Other		
From OP Financial Group entities	9,048	9,323
From other credit institutions	245	449
Total	9,292	9,772
Impairments		
From other credit institutions	-1	
Total	-1	
Total receivables from credit institutions	**9,678**	**10,257**

Receivables from credit institutions include subordinated receivables	42	42

Note 18. Financial assets at fair value through profit or loss

EUR million	31 Dec. 2015	31 Dec. 2014
Financial assets held for trading		
Government notes and bonds	558	3
Certificates of deposit and commercial papers	82	29
Debentures	17	19
Bonds	190	308
Other notes and bonds	5	0
Shares and participations		0
Total	852	360
Financial assets at fair value through profit or loss at inception		
Bonds	0	0
Total	0	0
Total financial assets at fair value through profit or loss	**852**	**360**

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

	31 Dec. 2015		31 Dec. 2014	
Financial assets held for trading, EUR million	**Notes and bonds**	**Shares and partici- pations**	**Notes and bonds**	**Shares and partici- pations**
Quoted				
From public sector entities	558		3	
From others	191		310	
Other				
From public sector entities	82		29	
From others	21		18	0
Total	**852**		**360**	**0**

Financial assets at fair value through profit or loss at inception, EUR million	31 Dec. 2015 Notes and bonds	31 Dec. 2015 Shares and partici-pations	31 Dec. 2014 Notes and bonds	31 Dec. 2014 Shares and partici-pations
Other				
From others	0		0	
Total	**0**		**0**	
Total financial assets at fair value through profit or loss	**852**		**360**	**0**

Financial assets at fair value through profit or loss include EUR 648 million (205) in notes and bonds eligible for central bank refinancing and EUR 21 million (19) in subordinated publicly-quoted notes and bonds.

Note 19. Derivative contracts

EUR million	31 Dec. 2015	31 Dec. 2014
Held for trading		
Interest rate derivatives	4,046	4,867
Currency derivatives	1,257	652
Equity derivatives	29	62
Credit derivatives	2	2
Other	61	54
Total	5,395	5,637
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	161	216
Currency derivatives	166	83
Cash flow hedge		
Interest rate derivatives	5	10
Total	332	309
Total derivative contracts	**5,727**	**5,946**

Derivative contracts in the balance sheet include positive value changes and paid premiums.

Note 20. Receivables from customers

EUR million	31 Dec. 2015	31 Dec. 2014
Loans to the public and public sector entities	12,522	11,183
Notes and bonds	10	19
Finance lease receivables	1,166	1,162
Other receivables		
Other	3,726	3,401
Impairment losses on loans		
Based on credit risk	-243	-252
Impairment losses on notes and bonds		
Based on credit risk	3	
Total receivables from customers	**17,183**	**15,513**

Changes in impairments of loans and guarantees

EUR million	Loans	Notes and bonds	Bank guarantee receivables	Interest recei-vables	Total
Impairments 1 Jan. 2015	241	0	12	-1	252
Increase in impairments of individually assessed loans and receivables	34	-3	-2	-18	12
Change in impairments of collectively assessed loans and receivables	-3		0		-3
Reversal of impairments of loans and receivables individually assessed	-4			18	13
Loans and guarantee receivables derecognised from balance sheet,					
of which an individually assessed impairment was recognised	-34				-34
Impairments 31 Dec. 2015	234	-3	10	-1	240

EUR million	Loans	Notes and bonds	Bank guarantee receivables	Interest recei-vables	Total
Impairments 1 Jan. 2014	260	0	1	-3	259
Increase in impairments of individually assessed loans and receivables	27		10	-13	24
Change in impairments of collectively assessed loans and receivables	5				5
Reversal of impairments of loans and receivables individually assessed	-22			15	-7
Loans and guarantee receivables derecognised from balance sheet,					
of which an individually assessed impairment was recognised	-29				-29
Impairments 31 Dec. 2014	241	0	12	-1	252

Finance lease receivables

Pohjola Group mainly offers transport equipment and industrial machinery and equipment through finance leases.

EUR million	31 Dec. 2015	31 Dec. 2014
Maturity of finance leases		
Not later than one year	303	307
1–5 years	586	550
Over 5 years	352	393
Gross investment in finance leases	1,242	1,250
Unearned finance income (–)	-76	-88
Present value of minimum lease payments	1,166	1,162
Present value of minimum lease payment receivables		
Not later than one year	285	288
1–5 years	552	509
Over 5 years	328	365
Total	**1,166**	**1,162**
Gross increase during the financial year	**411**	**359**

Note 21. Non-life Insurance assets

EUR million	31 Dec. 2015	31 Dec. 2014
Investments		
Loans and receivables	24	15
Shares and participations	466	463
Investment property	170	161
Notes and bonds	2,580	2,330
Derivative contracts	9	12
Other participations	222	231
Total	3,470	3,211
Other assets		
Prepayments and accrued income	33	33
Other		
From direct insurance	436	404
From reinsurance	106	100
Cash in hand and at bank	5	41
Other receivables	73	66
Total	653	643
Total Non-life Insurance assets	**4,124**	**3,854**

Non-life Insurance investments		
Loans and receivables		
Loans and other receivables	23	14
Deposits with ceding undertakings	1	1
Total	24	15
Financial assets recognised at fair value through profit or loss		
Notes and bonds		7
Derivative contracts	9	12
Total	9	19
Available-for-sale financial assets		
Notes and bonds	2,580	2,323
Shares and participations	466	463
Other participations	222	231
Total	3,269	3,016
Investment property		
Land and water areas	24	23
Buildings	146	138
Total	170	161
Total Non-life Insurance investments	**3,470**	**3,211**

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

EUR million	31 Dec. 2015 Notes and bonds	Shares and partici-pations	Derivative contracts	31 Dec. 2014 Notes and bonds	Shares and parti-cipations	Derivative contracts
Quoted						
From others				7		
Other						
From others			9			12
Total			**9**	**7**		**12**

Available-for-sale financial assets of Non-life Insurance, 31 Dec. 2015, 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 sector entities	551		551			
From others	2,029		2,029	444		444
Other						
From others				245		245
Total	**2,580**		**2,580**	**689**		**689**
Impairment losses for the financial year	-1		-1	-8		-8

* Available-for-sale shares and participations include EUR 466 million (463) in equities and mutual funds with equity risk and EUR 222 million (231) in other participations. Other participations consist mainly of units in bond, money market, convertible bond, commodities, hedge funds and real estate funds.

The available-for-sale financial assets of Non-life Insurance include EUR 2 million (2) in pledged items, consisting mainly of collateral for derivatives trading.

Available-for-sale financial assets of Non-life Insurance, 31 Dec. 2014, 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 sector entities	503		503			
From others	1,819		1,819	435		435
Other						
From others	0		0	258		258
Total	**2,323**		**2,323**	**693**		**693**
Impairment losses for the financial year	0		0	-2		-2

Changes in Non-life Insurance investment property, EUR million	2015	2014
Acquisition cost 1 Jan.	138	133
Increase	11	11
Decrease	-3	-5
Transfers between items	0	0
Acquisition cost 31 Dec.	146	138
Accumulated changes in fair value 1 Jan.	22	19
Changes in fair value during financial year	0	2
Decrease	1	1
Accumulated changes in fair value 31 Dec.	23	22
Carrying amount 31 Dec.	**170**	**161**

Construction and repair obligations regarding investment property amounted to EUR 0 million (0). The fair value of investment property holdings includes the portion of debt.

An external authorised property appraiser (AKA) from Realia Group Oy has appraised 72%, or EUR 121 million, of Non-life Insurance investment property.

Note 22. Investment assets

EUR million	31 Dec. 2015	31 Dec. 2014
Available-for-sale financial assets		
Notes and bonds	11,134	7,782
Shares and participations	65	101
Total	11,200	7,882
Financial assets held to maturity		
Notes and bonds	94	144
Total	94	144
Investment property		
Land and water areas	13	5
Buildings	113	80
Total	125	85
Total investment assets	**11,419**	**8,112**

Investment property does not include real property received as collateral in 2015 and 2014.

Available-for-sale financial assets and held-to-maturity investments on 31 Dec. 2015

	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 investments
Quoted							
Eligible as collateral	10,548		10,548				70
Ineligible as collateral	423		423	0		0	25
Other							
From others	163		163	63	2	65	
Total	**11,134**		**11,134**	**64**	**2**	**65**	**94**
Impairment losses for the financial year				0		0	

Notes and bonds did not include subordinated notes and bonds. Investments in private equity funds, worth EUR 12 million (16), were measured at fair value. Fair value could not be determined reliably for investments measured at cost.

Available-for-sale financial assets and held-to-maturity investments on 31 Dec. 2014

	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 investments**
Quoted							
Eligible as collateral	7,302		7,302				130
Ineligible as collateral	398		398	7		7	14
Other							
From others	82		82	83	11	94	
Total	**7,782**		**7,782**	**90**	**11**	**101**	**144**
Impairment losses for the financial year				-1		-1	

Changes in investment property, EUR million	**2015**	**2014**
Acquisition cost 1 Jan	84	86
Increase	34	
Decrease		-2
Transfers between items		
Acquisition cost 31 Dec	117	84
Accumulated changes in fair value 1 Jan.	2	3
Changes in fair value during financial year	6	-2
Decrease		1
Accumulated changes in fair value 31 Dec	8	2
Carrying amount 31 Dec	125	85

Any changes in the fair value of investment property are recognised under 'Net investment income'. The fair value of investment property holdings includes the portion of debt.

Information on investment property leased out under operating lease can be found in Note 81.

An external authorised property appraiser (AKA) from Catella Property Oy has appraised investment property holdings.

Note 23. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds.

EUR million, 31 Dec. 2015	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	58	62	5.9	
Investments held to maturity	39	35	4.4	
Available-for-sale financial assets*				
Total	**97**	**96**		

EUR million, 31 Dec. 2014	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	231	245	5.5	
Investments held to maturity	59	56	4.3	
Available-for-sale financial assets	45	45	4.2	
Total	**335**	**347**		

If notes and bonds were not reclassified and had been measured using fair values available in the market:

	2015		2014	
EUR million	**Income statement**	**Fair value reserve**	**Income statement**	**Fair value reserve**
Banking	-1		2	
Non-life Insurance	0	-1	0	0
Other operations	-2	-1	12	-1
Total	**-3**	**-2**	**13**	**-1**

Loans and receivables and held-to-maturity investments were reclassified in 2008. Available-for-sale financial assets were reclassified in 2012.

* Of the held-to-maturity investments, the Group sold Irish RMBS with a carrying amount of EUR 36 million in the third quarter of 2012, due to a probable local legislative amendment. In this connection, the Group reclassified EUR 38 million in Irish RMBS within held-to-maturity investments to available-for-sale financial assets. These RMBS were sold during the first quarter of 2015.

Interest accrued on reclassified notes and bonds in January–December totalled EUR 4 million (8). The price difference between the nominal value and acquisition value recognised in the income statement totalled EUR 1 million (2). Capital losses recognised on notes and bonds totalled EUR 5 million (1). The Group used derivatives to hedge against interest rate risks, applying hedge accounting from 1 October 2008. Positive mark-to-market valuations recognised on hedging derivative contracts amounted to EUR 1 million (3).

Note 24. Investment accounted for using the equity method

Amounts entered in the balance sheet:

EUR million	31 Dec. 2015	31 Dec. 2014
Associates	16	2
Total	16	2

Amounts entered in the income statement:

EUR million	2015	2014
Associates	0	0
Total	0	0

Investments in associates and joint ventures

Pohjola Group has two (1) associated companies as of 31 December 2015 which are not significant when reviewing one by one. Shareholding in Autovahinkokeskus Oy is 27.75% (27.75) and in Otso Infrastruktuuri I Ky 40%. Pohjola Group has no investments in joint ventures.

Pohjola Group's investments in associated have no quoted market price and no contingent liabilities are involved in them.

Summary of financial information on all individually material associates and joint ventures included in the consolidated financial statements

	Associates consolidated using equity method	
EUR million	2015	2014
Profit of continuing operations	0	0
Comprehensive income	0	0

Note 25. Intangible assets

Changes in intangible assets, EUR million	Goodwill	Brands	Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 Jan. 2015	422	179	301	243	1,146
Increases				38	38
Decreases				-1	-1
Transfers between items					
Acquisition cost 31 Dec. 2015	422	179	301	280	1,183
Accumulated amortisation and impairments 1 Jan. 2015		-7	-218	-136	-360
Amortisation during the financial year			-23	-22	-45
Decreases				3	3
Other changes				0	0
Accumulated amortisation and impairments 31 Dec. 2015		-7	-241	-155	-402
Carrying amount 31 Dec. 2015	422	172	61	126	781

Other intangible assets include computer software to the carrying amount of EUR 79 million and EUR 45 million in computer software under development.

Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

Changes in intangible assets, EUR million	Goodwill	Brands	Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 Jan. 2014	519	179	301	259	1,258
Increases				24	24
Decreases				-1	-1
Transfers to assets distributed to owners	-97			-39	-136
Transfers between items				0	0
Acquisition cost 31 Dec. 2014	422	179	301	243	1,146
Accumulated amortisation and impairments 1 Jan. 2014		-7	-194	-148	-349
Amortisation during the financial year			-24	-22	-45
Decreases				0	0
Depreciation on assets distributed to owners				33	33
Other changes				0	0
Accumulated amortisation and impairments 31 Dec. 2014		-7	-218	-136	-360
Carrying amount 31 Dec. 2014	422	172	84	107	786

Other intangible assets include computer software to the carrying amount of EUR 81 million and EUR 27 million in computer software under development.

Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

Intangible assets with indefinite economic lives, EUR million	31 Dec. 2015	31 Dec. 2014
Goodwill	422	422
Brands	172	172
Total	**595**	**595**

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.

	31 Dec. 2015		31 Dec. 2014	
Other most significant intangible assets	Carrying amount, EUR million	Remaining amortisation period	Carrying amount, EUR million	Remaining amortisation period
Customer relationships	61	1–4 yrs	84	1–4 yrs
Software	79	2–5 yrs	81	2–5 yrs
Software under development	45		27	

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. In 2011, goodwill increased as a result of the acquisition of Excenta Ltd, a strategic corporate wellness services provider. Brands and customer relationships were acquired as part of the acquisition of the Non-life Insurance operations.

Goodwill impairment test

Goodwill, EUR million	2015	2014
Non-life Insurance	410	410
Pohjola Asset Management Ltd*		97
Leasing and Factoring Services	13	13
Total	**422**	**519**

* Discontinued operation

Goodwill of Pohjola Group originates entirely from the acquisition of the business operations of Pohjola Group Plc, Pohjola Finance Ltd and Excenta Oy. Goodwill was determined by the so-called Purchase Price Allocation process (PPA). The resulting goodwill was allocated to the cash-generating units (CGUs), which were either business segments or entities included in them. 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 and finance company services.

For the purpose of goodwill testing, the value of the CGUs of Pohjola Group was determined by using the 'Excess Returns' method. Accordingly, profits for the current period and future periods were reduced by the return requirement set for shareholders' equity. Any excess return was discounted using a discount rate corresponding to the return requirement set for shareholders' equity in order to determine the present value of cash flows.

The testing period was determined to be five years under IAS 36, including residual values.

The forecasts used in cash flow statements are based on strategy figures for 2016–18, confirmed by Pohjola in 2012, and post-strategy-period expectations derived from them regarding business developments. Growth in cash flows for post-forecast periods ranges between 2 and 8%.

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 equity capital). The discount rate used in the calculations before tax (i.e. IFRS WACC) varied from 7.4 to 10.9%. In 2014, it varied from 6.7 to 11.3%. Pohjola increased the discount rate for Non-life Insurance by 0.2 percentage points and decreased that for finance company services by 0.4 percentage points to correspond to the discount rate based on market information.

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 key parameters of each CGU.

The discount rate, combined ratio and net investment return (%) were used as key parameters in Non-life Insurance's sensitivity analysis – the same as in the previous year. The results of the sensitivity analysis did not undergo any major changes over the previous year. A 7.5-percentage point increase in the discount rate, a 6.2-percentage point increase in the combined ratio and a 3.0-percentage point decrease in net investment return compared with forecasts throughout the testing period, with one tested parameter changing and other parameters remaining unchanged, would entail an impairment risk. In 2014, the results were as follows: a 8.4-percentage point increase in the discount rate, a 6.7-percentage point increase in the combined ratio and a 2.4-percentage point decrease in net investment return compared with forecasts throughout the testing period, would have entailed an impairment risk.

The discount rate, growth rate (%) of the loan portfolio and a growth rate (%) of expenses were used as key parameters in Leasing and Factoring Service's sensitivity analysis. The parameters used were the same as in the previous year. The results of the sensitivity analysis did not change significantly on a year earlier. A 18-percentage point increase in the discount rate, a 25-percentage point decrease in the loan portfolio and a 26-percentage point increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. In 2014, the results were as follows: a 11-percentage point increase in the discount rate, a 16-percentage point decrease in the loan portfolio and a 23-percentage point increase in expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

Impairment testing of brands

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. Accordingly, their value was determined to be 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. Pohjola increased the discount rate for Non-life Insurance by 0.2 percentage points to correspond to the discount rate based on market information. In addition, the same risk premium and the corresponding royalty percentages were applied in 2015 as in the PPA procedure and in previous years' tests.

The testing period of brands was mainly determined to be five years under IAS 36. The testing period of the Pohjola brand was determined to be an exceptional period of 15 years because the use of the brand will be extended to cover a completely new business that will grow in the next few years. The forecasts used in cash flow statements are based on strategy figures for 2016-18 updated for Non-life Insurance and post-strategy-period expectations derived from them regarding the business line's future developments. A 3% inflationary expectation was used as growth in cash flows for post-forecast periods.

In the autumn of 2014, OP Financial Group Central Cooperative's Supervisory Board decided to put Non-life Insurance together with Banking and Wealth Management under the OP brand. The Pohjola brand will be used mainly in the healthcare and wellbeing business and the closely related non-life products. As part of testing the Pohjola brand for impairment, the Group assessed the effect of the abovementioned change on the useful life and the length of the testing period, the discount rate, risk premium and royalty rate used in testing- As a result, the Group stated that the brand is in accordance with IAS 36, an intangible asset with indefinite useful life. Because the brand will be used in the new business that is expected to grow strongly in the initial stage, the testing period was extended to 15 years. The Group did not make any major changes in parameters because the new healthcare and wellbeing business is closely related to Non-life Insurance. In the testing of the brand, the Group took account of the cash flows comparable with the net sales of the businesses that will operate under the brand.

As a result of testing brands for any impairment, Pohjola did not recognise any impairment loss on brands in its financial statements 2015. An impairment loss of EUR 1 million related to the Seesam brand was recognised in the 2011 and EUR 3 million in the 2009 and 2008 financial statements.

Impairment testing of other essential intangible assets

Pohjola Group's customer relationships were acquired as part of the acquisition of the business operations of Pohjola Group plc. Intangible assets originating from customer relationships are charged to expenses using straight-line amortisation over their estimated economic lives, and no indications of the need for their impairment recognition have been discovered. Intangible assets originating from computer software used by Non-life Insurance and Asset Management were charged to expenses in full in prior financial years.

Note 26. Property, plant and equipment

EUR million	31 Dec. 2015	31 Dec. 2014
Property in own use		
Land and water areas	6	6
Buildings	40	43
Total	46	49
Machinery and equipment	2	3
Other tangible assets	4	3
Leased-out assets	7	17
Total property, plant and equipment	**58**	**72**
of which construction in progress		0

Changes in property, plant and equipment (PPE), EUR million	Property in own use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 Jan. 2015	60	37	3	36	136
Increases	1	0	3	0	4
Decreases	-1	0	-2	-20	-23
Transfers between items	0				0
Acquisition cost 31 Dec. 2015	60	37	4	17	118
Accumulated depreciation and impairments 1 Jan. 2015	-10	-34	0	-20	-64
Depreciation during the financial year	-4	-1	0	-4	-9
Impairments for the financial year	0				0
Reversals of impairments for the financial year	0				0
Decreases	0	0	0	14	14
Other changes	0				0
Accumulated depreciation and impairments 31 Dec. 2015	-14	-35	0	-10	-59
Carrying amount 31 Dec. 2015	46	2	4	7	58

Changes in property, plant and equipment (PPE), EUR million	Property in own use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 Jan. 2014	58	39	3	51	151
Increases	3	0	1	2	6
Decreases	-1	-1	-1	-17	-19
Transfers to assets distributed to owners		-1			-1
Transfers between items	0				0
Acquisition cost 31 Dec. 2014	60	37	3	36	136
Accumulated depreciation and impairments 1 Jan. 2014	-10	-35	0	-24	-69
Depreciation during the financial year	-1	-1	0	-8	-10
Impairments for the financial year	0				0
Reversals of impairments for the financial year	0				0
Decreases	0	0	0	12	13
Depreciation on assets distributed to owners		1			1
Other changes	0	0			0
Accumulated depreciation and impairments 31 Dec. 2014	-10	-34	0	-20	-64
Carrying amount 31 Dec. 2014	49	3	3	17	72

Depreciation, impairment losses and their reversals are charged to Other operating expenses.

Pohjola Group primarily offers passenger cars through operating leases. The Group has leased out office facilities it does not need and such facilities are classified as investment property in the financial statements.

A breakdown of PPE leased out under operating lease can be found in Note 81.

Note 27. Other assets

EUR million	31 Dec. 2015	31 Dec. 2014
Payment transfer receivables	10	7
Pension assets	7	
Accrued income and prepaid expenses		
Interest	138	134
Interest on derivatives receivables	449	508
Other accrued income and prepaid expenses	8	
Margin receivables related to derivative contracts	66	104
CSA collateral receivables from derivative contracts	508	862
Other	133	173
Total	**1,317**	**1,789**

The item Other includes eg EUR 30 million (29) in accounts receivable from securities.
Note 35 shows itemised pension plan assets.

Note 28. Tax assets

EUR million	31 Dec. 2015	31 Dec. 2014
Income tax assets	17	10
Deferred tax assets	18	24
Total tax assets	**35**	**34**

Breakdown of tax assets and liabilities, EUR million	31 Dec. 2015	31 Dec. 2014
Deferred tax assets		
Due to available-for-sale financial assets	0	0
Due to depreciation and impairment losses	0	0
Due to provisions and impairment losses on receivables	8	9
Due to timing difference of securities issued to the public	7	13
Due to defined-benefit pension plans	2	12
Due to consolidation of Group accounts	0	0
Due to other items	8	6
Set-off against deferred tax liabilities	-8	-18
Total	**18**	**24**
Deferred tax liabilities		
Due to appropriations	223	208
Due to available-for-sale financial assets	27	54
Due to cash flow hedging	3	4
Due to elimination of equalisation provision	46	43
Due to fair value measurement of investment	15	7
Due to allocation of sale price of business combinations	45	49
Due to defined benefit pension plans	3	0
Due to consolidation of Group accounts	2	
Due to other items	4	6
Set-off against deferred tax assets	-8	-18
Total	**360**	**354**

Changes in deferred taxes, EUR million	31 Dec. 2015	31 Dec. 2014
Deferred tax assets/liabilities 1 Jan.	-330	-347
Effect of changes in accounting policies		1
Deferred tax assets/liabilities 1 Jan.	-330	-346
Recognised on the income statement		
Effect of losses		0
Provisions and impairments on receivables	-2	10
Appropriations	-16	0
Elimination of equalisation provision	-3	7
Fair value changes in and sale of investments	-7	3
Depreciation/amortisation and impairments	5	4
Timing difference of securities issued to the public	-5	-5
Defined benefit pension plans	0	1
Other	0	2
Recognised in statement of comprehensive income		
Fair value reserve		
Fair value measurement	10	-30
Cash flow hedges	1	-1
Transfers to the income statement	16	16
Actuarial gains/losses on post-employment benefit obligations	-13	10
Other	0	
Total deferred tax assets/liabilities 31 Dec.	**-343**	**-330**
Income tax assets/liabilities	**7**	**-27**
Total tax assets/liabilities	**-335**	**-357**

Tax losses for which a deferred tax asset was not recognised came to EUR 0 million (1) at the end of 2015. The losses will expire before 2025.

A deferred tax liability has not been recognised for the EUR 41 million (38) of undistributed profits of the Baltic subsidiaries, since the assets have been permanently invested in these countries.

Note 29. Liabilities to credit institutions

EUR million	31 Dec. 2015	31 Dec. 2014
Liabilities to central banks*	12	250
Liabilities to credit institutions		
Repayable on demand		
Deposits		
With OP Financial Group entities	440	350
With other credit institutions	87	54
Other liabilities		
With OP Financial Group entities	611	494
Total	1,138	898
Other than repayable on demand		
Deposits		
With OP Financial Group entities	2,645	2,822
With other credit institutions	1,414	1,271
Total	4,060	4,094
Total liabilities to credit institutions and central banks	**5,209**	**5,241**

* Deposits from non-euro-area central banks

Note 30. Financial liabilities at fair value through profit or loss

EUR million	31 Dec. 2015	31 Dec. 2014
Financial liabilities held for trading		
Short selling of securities		4
Total financial liabilities at fair value through profit or loss		**4**

Note 31. Derivative contracts

EUR million	31 Dec. 2015	31 Dec. 2014
Held for trading		
Interest rate derivatives	4,103	4,752
Currency derivatives	1,136	686
Equity and index derivatives	14	25
Credit derivatives	0	
Other	57	52
Total	5,310	5,516
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	336	373
Cash flow hedge		
Interest rate derivatives	0	0
Total	336	373
Total derivative contracts	**5,646**	**5,889**

The derivative contracts balance-sheet item includes negative changes in fair value and premiums received.

Note 32. Liabilities to customers

EUR million	31 Dec. 2015	31 Dec. 2014
Deposits		
Repayable on demand		
Private	68	63
Companies and public sector entities	11,225	7,437
Total	11,293	7,500
Other		
Private		
Companies and public sector entities	102	1,680
Total	102	1,680
Other financial liabilities		
Repayable on demand		
Private	9	8
Total	9	8
Other		
Companies and public sector entities	6,146	2,254
Total	6,146	2,254
Total liabilities to customers	**17,549**	**11,442**

Note 33. Non-life Insurance liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Insurance liabilities	2,917	2,737
Direct insurance liabilities	211	203
Reinsurance liabilities	7	9
Derivative contracts	4	2
Other	20	21
Total Non-life Insurance liabilities	**3,160**	**2,972**

Non-life Insurance contract liabilities and reinsurers' share

	31 Dec. 2015			31 Dec. 2014		
EUR million	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims for annuities	1,386	-7	1,379	1,316	-7	1,308
Other provisions by case	180	-59	121	188	-65	124
Special provision for occupational diseases	19		19	22		22
Collective liability (IBNR)	707	-21	685	612	-7	605
Reserved loss adjustment expenses	65		65	63		63
Provision for unearned premiums	560	-11	550	523	-13	511
Interest rate hedge for insurance liabilities	0		0	12		12
Total Non-life Insurance insurance liabilities	**2,917**	**-98**	**2,819**	**2,737**	**-92**	**2,645**

Changes in insurance liabilities arising from insurance contracts and in receivables arising from reinsurance contracts

	2015			2014		
EUR million	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision for unpaid claims						
Provision for unpaid claims 1 Jan.	2,213	-79	2,134	2,100	-65	2,035
Claims paid in financial year	-891	25	-866	-913	29	-884
Change in liability/receivable	1,005	-34	972	974	-44	930
Current period claims	960	-19	942	931	-34	897
Increase (decrease) from previous financial years	-17	-15	-32	-16	-10	-27
Change in discount rate	62		62	60		60
Unwinding of discount	38		38	40		40
Value change in interest rate hedges	-12		-12	12		12
Acquired business operations	3		3			
Foreign exchange gains (losses)	0		0	0	0	0
Provision for unpaid claims 31 Dec.	2,357	-87	2,269	2,213	-79	2,134
Provision for unearned premiums						
Provision for unearned premiums 1 Jan.	523	-13	511	493	-12	481
Increase	499	-11	488	483	-13	470
Decrease	-491	13	-478	-456	12	-444
Change in discount rate				2		2
Acquired business operations	28		28			
Unwinding of discount	1		1	1		1
Provision for unearned premiums 31 Dec.	560	-11	550	523	-13	511
Total Non-life Insurance insurance liabilities	**2,917**	**-99**	**2,819**	**2,737**	**-92**	**2,645**

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at the year-end.

Determination of insurance liabilities arising from non-life insurance contracts

a) Methods and assumptions used
The amount of insurance 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 insurance liability and, after that, by determining a safety margin based on the degree of uncertainty related to the liability.

The provision for unearned premiums arising from insurance contracts has mainly been determined in accordance with the pro rata parte temporis rule for each contract.

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 maximum discount rate set by the authorities and expected reasonable return on assets covering insurance liabilities. On 31 December 2015, the discount rate used was 2.25% for losses occured before 2015 and 1.5% for losses occured in 2015 (31 Dec. 2014: 2.5%). 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 which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis 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.

Determining collective liability is based on different statistical methods: Bornhuetter-Ferguson, Cape Cod and Chain Ladder. When applying these methods, other selections must also be made, in addition to the selection of the 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.

Cape Cod
The Cape Cod method corresponds to the BF method in such a way that the portion of claims paid out in a development year relative to the measure of exposure is evened out between the occurrence years. In the traditional Cape Cod method, the claims' proportion of the measure of exposure is the same evened constant for all occurrence years. In the generalised Cape Cod method, the claims' proportion of the measure of exposure for the year of occurrence is evened out on the basis of the observations made in the occurrence year and close to the occurrence year.

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.

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.

Of the collective liability, only the liability for annuities has been discounted.

For the assessment of collective liability, the Group's non-life insurance portfolio is divided into several categories by risk and eg maturity of the cash flow applying to compensation paid. In each category, collective liability is first calculated using each statistical method stated above, and the method that best suits the category under review is chosen. The selection criteria used includes how well the model would have predicted developments in prior years of occurrence and the sensitivity of the estimate generated by the model with respect to the number of statistical years used. The safety margin of 2−10% is added to the expected value generated by the selected model. The safety margin is determined by the uncertainty associated with future cash flows and duration, as well as the quality of historical data.

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 claims paid for losses occurred more than 10 years ago are financed through the pay-as-you-go system.

b) Changes in assumptions

As a result of a reduction in the lower discount rate, the provision for unpaid claims for annuities rose by EUR 62 million (62).

Effect of changes in methods and assumptions on amount of liability	2015	2014
EUR million (increase +/decrease - in liability)		
Change in discount rate	62	62
Total	**62**	**62**

c) 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 ten 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 value of finalised annuities is treated as if the annuities had been paid equalling the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed as final and asbestos-related claims, information on the adequacy of insurance liabilities is provided.

Claims triangles, gross business, EUR million

Occurrence year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimated total claims expenditure											
0*	603	638	707	666	738	784	815	903	931	976	7,761
n+1	611	633	693	633	746	751	802	879	905		
n+2	591	627	691	640	744	752	805	861			
n+3	594	622	689	641	743	757	821				
n+4	594	622	704	651	750	771					
n+5	587	647	726	653	760						
n+6	587	657	734	659							
n+7	591	661	741								
n+8	594	664									
n+9	599										
Current estimate of total claims expenditure											
	599	664	741	659	760	771	821	861	905	976	7,758
Accumulated claims paid											
	-576	-638	-698	-606	-707	-694	-735	-755	-726	-494	-6,627
Provision for unpaid claims for 2006−2015	**23**	**27**	**43**	**54**	**54**	**78**	**86**	**106**	**179**	**482**	**1,130**
Provision for unpaid claims for previous years											141

* = at the end of the occurrence year

Development of claims due to latent occupational diseases, EUR million

Financial year	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving basis*	Adequacy
2006	43	40	-4	-3		-3
2007	41	40	-4	-2	-1	-2
2008	40	41	-4	-4	3	-2
2009	42	43	-4	-8	4	-4
2010	38	44	-3	0		0
2011	35	50	-3	-6	5	-2
2012	32	53	-4	-4	2	-1
2013	28	53	-4	-1	1	0
2014	22	53	-4	-2	2	0
2015	19	54	-4	-2	2	-1

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
2009	763**	771	42	32		2
2010	771	794	60	34		3
2011	794	895	66	35	77	7
2012	895	940	66	34	31	18
2013	940	965	51	37	23	12
2014	965	1,010	54	40	36	5
2015	1,010	1,046	53	44	30	2

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

** A small amount of healthcare and senior housing provisions was eliminated from 2009 figures.

Claims triangles, net business, EUR million

Occurrence year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimated total claims expenditure											
0*	580	621	656	649	693	721	796	861	897	957	7,433
n+1	593	623	656	620	707	697	782	829	868		
n+2	575	619	658	629	705	710	786	819			
n+3	577	615	656	629	705	714	804				
n+4	577	615	670	633	712	727					
n+5	569	624	684	633	721						
n+6	569	634	691	635							
n+7	573	637	698								
n+8	576	640									
n+9	572										
Current estimate of total claims expenditure											
	572	640	698	635	721	727	804	819	868	957	7,440
Accumulated claims paid											
	-549	-614	-658	-596	-669	-655	-720	-721	-716	-494	-6,392
Provision for unpaid claims for 2006−2015	**23**	**26**	**40**	**39**	**52**	**72**	**84**	**98**	**151**	**464**	**1,048**
Provision for unpaid claims for previous years											141

* = at the end of the occurrence year

Change in claims incurred based on loss events for prior financial years

Claims incurred based on loss events for prior financial years increased by EUR 15 million (36). The change in technical interest, EUR 62 million (62), added to claims incurred. Change in claims incurred based on loss events for prior financial years describes the adequacy of insurance liabilities, which on average is positive due to the security of insurance liabilities.

Claims administration contracts

On 31 December 2015, liabilities related to claims administration contracts totalled EUR 169 million (152).

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 34. Debt securities issued to the public

EUR million	Average interest rate, %	31 Dec. 2015	Average interest rate, %	31 Dec. 2014
Bonds	1.41	13,065	1.57	10,808
Liabilities allocated to assets for distribution to owners as part of demerger				-195
Other				
Certificates of deposit	0.02	248	0.14	828
Commercial papers	0.50	6,290	0.37	6,198
Other			1.71	14
Included in own portfolio in trading (–)*		-128		-66
Total debt securities issued to the public		**19,475**		**17,587**

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

Long-term loans and interest rate bases	Nominal amount	Interest rate	Maturity
Pohjola Bank plc Issue of EUR 500,000,000 3.125 per cent. Instruments due 12 January 2016 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	Fixed 3.125 %	12 Jan. 2016
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of NOK 1,000,000,000 Fixed Rate Notes Due 15 February 2016 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	104.1	Fixed 4.185 %	15 Feb. 2016
Pohjola Bank Plc Japanese Yen Bonds JPY 21,100,000,000 - First Series (2013)	161.0	Fixed 0.519%	24 June 2016
Pohjola Bank plc Issue of JPY 5,000,000,000 Fixed Rate Instruments under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	38.1	Fixed 0.835 %	26 Sept. 2016
Pohjola Bank plc Issue of EUR 750,000,000 Floating Rate Instruments due 3 March 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	EUB3M + 0.350%	3 March 2017
Pohjola Bank plc Issue of EUR 750,000,000 2.625 per cent. Instruments due 20 March 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 2.625 %	20 March 2017
Pohjola Bank plc Issue of EUR 60,000,000 Floating Rate Instruments due 30 May 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	60.0	EUB3M + 0.900%	30 May 2017
Pohjola Bank Plc Japanese Yen Bonds JPY 17,600,000,000 - Third Series (2014)	134.3	Fixed 0.303%	16 June 2017
Pohjola Bank plc Issue of EUR 750,000,000 3.00 per cent. Instruments due 8 September 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 3.000 %	8 Sept. 2017
Pohjola Bank plc Issue of JPY 2,000,000,000 Floating Rate Instruments due 28 March 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	15.3	JPL3M + 0.200%	28 March 2018
Pohjola Bank plc Issue of EUR 500,000,000 1.25 per cent. Instruments due 14 May 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	Fixed 1.250%	14 May 2018
Pohjola Bank plc Issue of GBP 300,000,000 Floating Rate Instruments due May 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	408.7	GBL3M + 0.450 %	21 May 2018

Pohjola Bank Plc Japanese Yen Bonds JPY 6,900,000,000 - Second Series (2013)	52.6	Fixed 0.698%	26 June 2018
Pohjola Bank Plc Japanese Yen Floating Rate Bonds JPY 2,000,000,000 - Second Series (2013)	15.3	JPL3M + 0.270%	26 June 2018
Pohjola Bank plc Issue of EUR 750,000,000 1.750 per cent. Instruments due 29 August 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 1.750%	29 Aug. 2018
Pohjola Bank plc Issue of EUR 10,000,000 Floating Rate Instruments due 20 September 2018 under the EUR 20,000,000,0000 Programme for the Issuance of Debt Instruments	10.0	EUB3M + 0.390%	20 Sept. 2018
Pohjola Bank plc Issue of EUR 20,000,000 1.50 per cent. Fixed Rate Notes due 16 November 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	20.0	Fixed 1.500%	16 Nov. 2018
Pohjola Bank plc Issue of EUR 750,000,000 1.125 per cent. Instruments due 17 June 2019 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 1.125%	17 June 2019
Pohjola Bank Plc Japanese Yen Bonds JPY 42,400,000,000 - Fourth Series (2014)	323.5	Fixed 0.434 %	18 June 2019
Pohjola Bank plc Issue of AUD 20,000,000 3.925 per cent Fixed Rate Notes due 27 June 2019 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	13.4	Fixed 3.925 %	27 June 2019
Pohjola Bank plc Issue of SEK 750,000,000 Floating Rate Note due September 2019 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	81.6	SES3M + 0.520 %	16 Sept. 2019
Pohjola Bank plc Issue of EUR 300,000,000 Floating Rate Instruments due 11 March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	300.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 50,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 150,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	150.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 30,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 50,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank Plc Issue of EUR 25,000,000 Floating rate instruments due March 2020. Under the EUR 20,000,000,000 Programme for the issuance of debt instruments.	25.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc, issue of EUR 25,000,000 Floating Rate Instruments due March 2020, under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
Pohjola Bank plc Issue of HKD 850,000,000 Floating Rate Note due May 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	100.7	Fixed 2.140%	27 May 2020

Pohjola Bank plc Issue of HKD 214,000,000 Floating Rate Note due September 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.4	Fixed 2.160%	18 Sept. 2020
Pohjola Bank plc issue of GBP 10 000 000 floating rate instruments due 13 November 2020 under EUR 20,000,000,000 programme for the Issuance of debt instruments	13.6	GBL3M + 0.850 %	13 Nov. 2020
Pohjola Bank plc Issue of EUR 10,000,000 1.965 per cent. Instruments due 19 November 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	Fixed 1.965 %	19 Nov 2020
Pohjola Bank Plc Japanese Yen Bonds JPY 28,500,000,000 - Third Series (2015)	217.4	Fixed 0.325 %	27 Nov. 2020
Pohjola Bank Plc Japanese Yen Floating Rate Bonds JPY 1,500,000,000 - Third Series (2015)	11.4	JPL3M + 0.160 %	27 Nov 2020
Pohjola Bank plc Issue of JPY 8,000,000,000 Fixed Rate Instruments due December 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	61.0	Fixed 1.405 %	3 Dec. 2020
Pohjola Bank plc Issue of EUR 750,000,000 2 per cent. Instruments due 3 March 2021 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 2.000%	3 March 2021
Pohjola Bank plc Issue of CHF 300,000,000 1.000 per cent. Instruments due 14 July 2021 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	276.9	Fixed 1.000%	14 July 2021
Pohjola Bank plc Issue of EUR 60,000,000 3.75 per cent. Instruments due 1 March 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	60.0	Fixed 3.750 %	1 March 2022
Pohjola Bank plc. Issue of EUR 1,000,000,000 0.75 per cent. Instruments due March 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1,000.0	Fixed 0.750 %	3 March 2022
Pohjola Bank plc Issue of GBP 400,000,000 2.500 per cent. Instruments due 20 May 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	545.0	Fixed 2.500 %	20 May 2022
Pohjola Bank plc Issue of EUR 57,000,000 1.07 per cent. Notes due 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	57.0	Fixed 1.070 %	12 May 2025
Pohjola Bank plc Issue of HKD 1,270,000,000 Floating Rate Note due September 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	150.5	Fixed 3.001 %	4 Sept. 2025
Pohjola Bank plc Issue of EUR 50,000,000 3.086 per cent. Instruments due 23 August 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	Fixed 3.086 %	23 Aug. 2027
Pohjola Bank plc Issue of EUR 25,000,000 1.00 per cent. Notes due 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	Fixed 1.000 %	8 Oct. 2017
Pohjola Bank plc Issue of NOK 200,000,000 3.80 per cent. Instruments due 27 May 2029 under the EUR 20,000,000,000 Programme for Debt Instruments	20.8	Fixed 3.800%	27 May 2029
Pohjola Bank plc Issue of EUR 30,000,000 1.70 per cent. Notes due 2030 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 1.700 %	21 Aug. 2030
Pohjola Bank plc Issue of EUR 50,000,000 2.045 per cent. Instruments due 18 November 2030 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	Fixed 2.045 %	18 Nov. 2030
Pohjola Bank plc Issue of EUR 30,000,000 3.068 per cent. Instruments due 21 March 2034 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 3.068 %	21 March 2034
Pohjola Bank plc Issue of EUR 30,000,000 Fixed Rate Notes due 2034 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 3.015 %	31 March 2034

Pohjola Bank plc Issue of EUR 40,000,000 Fixed Rate Notes due 2034 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	40.0	Fixed 3.000 %	11 April 2034
Pohjola Bank plc Issue of EUR 40,000,000 1.40 cent. Instruments due 16 March 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	40.0	Fixed 1.400 %	16 March 2035
Pohjola Bank plc Issue of EUR 30,000,000 2.155 per cent. Instruments due 20 November 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 2.155 %	20 Nov. 2035
Pohjola Bank plc issue of JPY 2,500,000,000 1.30 per cent. Instruments due 27 November 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	19.1	Fixed 1.300 %	27 Nov. 2035

The interest rate is the rate according to the issue currency. The euro equivalents are calculated using the average rate of the European Central Bank on the balance sheet date. The nominal amount of structured bonds issued by Pohjola Bank plc was EUR 1,252 million (1,303). The bonds' interest rate is determined on the basis of interest, equity, equity index or similar underlying instruments. Any possible additional return on the bonds to the investor is hedged using a corresponding derivative structure.

Note 35. Provisions and other liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Provisions	0	0
Other liabilities		
Payment transfer liabilities	974	819
Accrued expenses		
Interest payable	152	152
Interest payable on derivatives	444	513
Other accrued expenses	59	56
Pension liabilities	11	68
Margin liabilities related to derivative contracts	0	0
CSA collateral receivables from derivative contracts	1,030	722
Other	96	148
Total provisions and other liabilities	**2,766**	**2,479**

The item Other under Other liabilities includes EUR 35 million (29) in accounts payable on securities.

Changes in provisions

EUR million	Reorganisation	Total
1 Jan. 2015	0	0
Increase in provisions	0	0
Provisions used	0	0
31 Dec. 2015	**0**	**0**

Changes in provisions

EUR million	Reorganisation	Total
1 Jan. 2014	1	1
Provisions used	-1	-1
31 Dec. 2014	**0**	**0**

Defined benefit pension plans

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

OP Bank Group Pension Fund

In 2015, OP Bank Group Pension Fund managed statutory pension insurance for the employees of Pohjola Group employers as the Fund's members. On 31 December 2015, statutory pension insurance policies that were outside of the Group were transferred from the insurance company to OP Bank Group Pension Fund. After the transfer, all OP Financial Group's statutory pension policies are managed by OP Bank Group Pension Fund. The effect of the transfer, EUR 6.0 million, was recognised in the income statement.

The statutory pension scheme under TyEL (Employees' Pensions Act) provides pension benefits based on the years of employment and earnings as prescribed in the Act. Benefits under the employees pension scheme until the end of 2016 comprise old-age pension, part-time pension, disability pension, survivor's pension and rehabilitation benefits. The retirement age of the old-age pension under TyEL is 63–68 years. In 2015, the Finnish parliament passed an amended TyEL law that will enter into force at the beginning of 2017. The law will change benefits, replace part-time pension with partial early-age pension and includes a new benefit for the years-of-service pension. This legislative amendment has been taken into account in calculation and its effect, EUR –1.3 million, has been recognised in the income statement. The effect of the change in transferred contracts is included in the effect of the transfer on earnings.

The TyEL pension scheme is based on a system that is partly a funded system and partly a pay-as-you go system. A pension insurance institution, which has insured each employment, manages funding for each employee. The funded portion of the pension benefits disbursed annually by the Pension Fund accounts for an average of a quarter.

The Pension Fund aims to manage statutory pension insurance in such a way that the level of contributions will remain steady year after year and be below the average contribution level of the employees pension scheme. The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the actual average investment return under the pension scheme. If such a risk materialises in several consecutive years, this would result in increasing the level of insurance contributions.

The most significant actuarial risks of OP Bank Group Pension Fund are associated with interest rate and market risks, future increases in pension benefits and systematically increasing life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Under the Employee Benefit Funds Act, the Pension Fund shall invest its assets securely and profitably and in view of its liquidity. The Pension Fund must cover the insurance liability arising from pension obligations. When covering the insurance liability, the Pension Fund must consider what type of insurance business it conducts and, accordingly, must ensure the security of, return on and cashability of its assets and that they are appropriately versatile and properly diversified. The Employee Benefit Funds Act specifies in greater detail the assets and commitments with which the insurance liability must cover. As prescribed by law, the Pension Fund has a specific solvency limit which is must cover through its solvency capital.

Responsible for investment, the Board of Trustees of the Pension Fund approves the Pension Fund's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Fund's risk-bearing capacity.

OP Bank Group Pension Foundation

OP-Bank Group Pension Foundation manages supplementary pension cover for employees provided by the employers within Pohjola Group. The purpose of the Pension Foundation is to grant old-age and disability pension benefits and sickness benefits to employees covered by the Pension Foundation activities, and survivors' pension benefits to their beneficiaries, and burial grant. In addition, the Pension Foundation may grant said employees benefits related to rehabilitation. Given that providing supplementary pension is voluntary, not all employers belonging to the Pension Fund belong automatically to the Pension Foundation. Supplementary pension cover provided by the Pension Foundation is fully funded.

The Pension Foundation covers every employee who has reached the age of 20 years and who has been employed, as specified by TyEL, for two consecutive years by the employer within the Pension Foundation and whose employment has begun before 1 July 1991. The salary/wage serving as the basis for the calculation of pension refers to pensionable pay based on one and the same employment and calculated under the Finnish Employees' Pensions Act, TEL, in force until 31 December 2006. The retirement age of those covered by the Pension Foundation varies from 60 to 65 years, depending on the personnel group to which the employee belongs under the Pension Foundation rules.

The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the target set for the minimum return. If such a risk materialises in several consecutive years, this would result in charging contributions.

The most significant actuarial risks of OP Bank Group Pension Foundation are associated with interest rate and market risks, systematically increasing life expectancy and inflation risk. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Responsible for investment, the Board of Trustees of the Pension Foundation approves the Foundation's investment plan related to its assets. A pension institution’s chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Foundation’s risk-bearing capacity.

Balance sheet value of defined benefit plans, EUR million	**Defined benefit obligations**		**Fair value of pension assets**		**Net liabilities (assets)**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Opening balance 1 Jan.	**267**	**186**	**-199**	**-171**	**68**	**15**
Defined benefit pension costs recognised						
Current service cost	6	4			6	4
Interest expense (income)	5	6	-4	-6	1	0
Effect of plan curtailment and fulfilment of obligation or previous service cost	89	0	-94		-5	0
Administrative expenses			0	0	0	0
Total	**100**	**10**	**-98**	**-6**	**2**	**4**
Losses (gains) recognised in other comprehensive income arising from remeasurement						
Actuarial losses (gains) arising from changes in economic expectations	-58	64			-58	64
Actuarial losses (gains) arising from changes in demographic expectations						
Return on TyEL interest rate difference and growth in old-age pension liabilities (net)	1	1	-1	-1		
Experience adjustments	4	12			4	12
Return on plan assets, excluding amount (–) of net defined benefit liability (asset)			-9	-26	-9	-26
Total	**-54**	**77**	**-10**	**-27**	**-64**	**50**
Other						
Employer contributions			-2	-1	-2	-1
Benefits paid	-7	-6	7	6		
Total	**-7**	**-6**	**5**	**5**	**-2**	**-1**
Closing balance 31 Dec.	**307**	**267**	**-302**	**-199**	**5**	**68**

Liabilities and assets recognised in the balance sheet, EUR million	31 Dec. 2015	31 Dec. 2014*
Net liabilities/assets (Pension Foundation)	-7	3
Net liabilities/assets (Pension Fund)		46
Net liabilities/assets (Other pension plans)	11	20
Total net liabilities/assets	**5**	**68**

*) The figures include EUR 42 thousand in defined benefit pension costs of the portion of Pohjola Asset Management as discontinued operations, EUR 183 thousand in losses (profits) arising from the remeasurement that were recognised in other comprehensive income and EUR 596 thousand in pension liabilities recognised in the balance sheet.

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Shares and participations	7	0	8	15
Notes and bonds	17	32	3	52
Real property			21	21
Mutual funds	105	0	59	164
Structured investment vehicles			1	1
Derivatives	0			0
Other assets	22	1		23
Total	**151**	**33**	**91**	**275**

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Shares and participations	4	2	4	10
Notes and bonds	17	28	1	46
Real property			14	14
Mutual funds	59		32	90
Structured investment vehicles			1	1
Derivatives	0			0
Other assets	11	1		12
Total	**91**	**31**	**52**	**173**

The fair value of Level 1 assets is determined on the basis of the quotes in markets.

The fair value of Level 2 assets means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data.

The fair value Level 3 assets is determined using a pricing model whose input parameters involve uncertainty.

Proportion of the most significant assets of total fair value of plan assets, %	31 Dec. 2015	31 Dec. 2014
Shares and participations	5	6
Financial sector	0	
Forest	1	3
Real estate	2	0
Other	2	3
Notes and bonds	19	26
Government bonds	1	1
Other	18	25
Real property	7	8
Mutual funds	60	52
Equity funds	32	33
Bond funds	14	8
Real estate funds	8	5
Hedge funds	6	7
Derivatives	0	0
Interest rate derivatives	0	0
Currency derivatives		0
Other		0
Structured investment vehicles	0	1
Other	8	7
Total	**100**	**100**

Pension plan assets include, EUR million	31 Dec. 2015	31 Dec. 2014
Securities issued by OP Financial Group companies	3	3
Other receivables from OP Financial Group companies	26	15
Real property in Pohjola Group’s use		1
Total	**30**	**19**

Contributions payable under the defined benefit pension plan in 2016 are estimated at EUR 3 million.

The duration of the defined benefit pension obligation in the Pension Fund on 31 December 2015 was 19.4 years and in the Pension Foundation 13.8 years.

Key actuarial assumptions used, 31 Dec. 2015	Pension Fund	Pension Foun-dation	Other
Discount rate, %	2.3	2.1	2.4
Future pay increase assumption, %	1.6	1.6	1.6
Future pension increases, %	1	1.2	1.2
Turnover rate, %	3.0	0.5	
Inflation rate, %	1.1	1.1	1.1
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

Key actuarial assumptions used, 31 Dec. 2014	Pension Fund	Pension Foun-dation	Other
Discount rate, %	2.0	1.8	1.9
Future pay increase assumption, %	2.5	2.5	2.5
Future pension increases, %	2.1	2.0	2.0−2.1
Turnover rate, %	3.0	0.5	
Inflation rate, %	2.0	2.0	2.0
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
Sensitivity analysis of key actuarial assumptions, 31 Dec. 2015	EUR million	%	EUR million	%
Discount rate				
0.5 pp increase	-19	-8.4	-3	-6.2
0.5 pp decrease	22	9.7	3	6.9
Pension increases				
0.5 pp increase	21	9.3	3	6.2
0.5 pp decrease	-19	-8.5	-3	-5.9
Mortality				
1-year increase in life expectancy	7	3.1	1	2.7
1-year decrease in life expectancy	-7	-3.0	-1	-2.7

Sensitivity analysis of key actuarial assumptions, 31 Dec. 2014	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
	EUR million	%	EUR million	%
Discount rate				
0.5 pp increase	-17	-10.3	-4	-6.8
0.5 pp decrease	20	12.2	4	7.7
Pension increases				
0.5 pp increase	19	11.4	4	6.9
0.5 pp decrease	-17	-10.3	-4	-6.4
Mortality				
1-year increase in life expectancy	7	3.9	2	3
1-year decrease in life expectancy	-6	-3.8	-2	-2.9

Note 36. Tax liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Income tax liabilities	10	37
Deferred tax liabilities	360	354
Total tax liabilities	**370**	**391**

A specification of deferred tax liabilities can be found in Note 28.

Note 37. Subordinated liabilities

	Average interest rate, %	31 Dec. 2015, EUR million	Average interest rate, %	31 Dec. 2014, EUR million
Subordinated loans	2.53	407	2.55	315
Other				
Debentures	3.37	1,330	5.39	769
Total subordinated liabilities		**1,737**		**1,084**

Hybrid bonds/subordinated loans

Hybrid bonds included in Tier 1

1 Subordinated loan of 10 billion Japanese yen (equivalent of EUR 76 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% (step up). 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 Subordinated loan 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 rate for the first year was 6.5% and thereafter CMS 10 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 on the interest due date as of 11 April 2010 at the earliest, subject to authorisation by the supervisory authority. The loan's entire principal must be repaid in one instalment.

3 Hybrid bond of EUR 60 million

This perpetual bond 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 supervisory 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. Pohjola Bank plc will redeem early the loan on the interest payment date of 28 February 2016, according to the loan terms and conditions.

4 Subordinated loan 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. Subject to authorisation by the supervisory authority, the loan may be called in on the due date of interest payment of 30 November 2010. The entire loan principal must be repaid in one instalment.

5 Hybrid bond of EUR 50 million
Perpetual bond of EUR 50 million, issued on 17 June 2008, carries a variable interest rate based on 3-month Euribor + 3.05%, payable on a quarterly basis on 17 March, 17 June, 17 September and 17 December. If interest cannot be paid for a given interest period, the obligation to pay interest will lapse. Subject to authorisation by the supervisory suthority, the bond may be called in at the earliest on 17 June 2013 and thereafter on the due dates of interest payment. The entire loan principal must be repaid in one instalment.

6 Pohjola Insurance Ltd's capital bond
Pohjola Insurance Ltd's perpetual capital bond of EUR 50 million. Issued on 17 June 2008, the bond carries a variable interest rate based on 3-month Euribor + 3.20%, payable on a quarterly basis. Interest which cannot be paid on the interest payment date and interest which Pohjola Insurance Ltd could not have paid for previous interest payment dates constitute 'Unpaid interest'. Interest will accrue on unpaid interest in accordance with the interest rate applicable to the bonds and this additional interest accrued until each interest payment date will be added to unpaid interest on the interest payment date in question. The issuer agrees not to distribute dividends or other profit or to buy back own shares until unpaid interest has been paid in its entirety. The bond may be called in at the earliest in 2013 and its principal can be paid back only if the statutory terms and conditions are fulfilled. The bond will not be taken into account in the capital adequacy measurement under the Act on Credit Institutions but can be fully utilised in the capital adequacy measurement of the insurance company.

Debentures

1 A debenture loan of CHF 100 million (euro equivalent 92 million), which is a ten-year bullet loan, will mature on 14 July 2021. The loan carries a fixed interest rate of 3.375% p.a.

2 A debenture loan of EUR 100 million, which is a ten-year bullet loan, will mature on 14 September 2021. The loan carries a fixed interest rate of 5.25% p.a.

3 A debenture loan of EUR 500 million, which is a 10-year bullet loan, will mature on 28 February 2022. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 5.75% p.a.

4 Debenture loan of JPY 10 billion (euro equivalent 76 million), which is a ten-year bullet loan, will mature on 3 July 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to the JPY Libor + 0.735%.

5 Debenture loan of SEK 3,500 million (euro equivalent 381 million), which is a ten-year non-call 5 loan. The loan may be called in on 25 August 2020, matures on 25 August 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to Stibor + 1.60% .

6 Debenture loan of 100 million euros, which is a 10-year bullet loan, will mature on 25 September 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 2.405% p.a.

Loans 1–6 were issued in international capital markets.

In addition, Pohjola Bank plc issued on 13 April 2015 a fixed debenture loan of EUR 0.4 million related to OP Financial Group management remuneration.

Pohjola Bank plc has no breaches of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR 1 million recognised for the price difference of the loans (0). The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Note 38. Shareholders’ equity

EUR million	31 Dec. 2015	31 Dec. 2014
Capital and reserves attributable to owners of the Parent		
Share capital	**428**	**428**
Reserves		
Restricted reserves		
Share premium account	519	519
Reserve fund	204	204
Fair value reserve		
From fair value measurement		
Notes and bonds	32	102
Shares and participations	77	112
From cash flow hedging	11	17
Other restricted reserves	1	1
Non-restricted reserves		
Reserve for Invested non-restricted equity	298	298
Other non-restricted reserves	72	72
Retained earnings		
Profit (loss) for previous periods	1,478	1,104
Profit (loss) for the period	517	461
Capital and reserves attributable to owners of the Parent	**3,637**	**3,316**
Non-controlling interest	**105**	**92**
Total shareholders’ equity	**3,741**	**3,408**

Share capital and shares

As a result of the completion of OP Cooperative's public voluntary bid for Pohjola Bank plc, the shares of Pohjola Bank plc were removed from the book-entry system on 28 November 2014, and Series A and K shares were combined into a single share class. The number of shares remained unchanged, 319,551,415. The shares have no nominal value and their stated value (not an exact figure) is 1.34 euros per share. All of the shares issued have been paid in full.

Proposed distribution of dividend

The Board proposes to the Annual General Meeting that a dividend of EUR 0.48 be distributed per share, totalling EUR 153 million.

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 stated value paid for shares in a rights issue and amounts exceeding the stated value of a share and paid for share subscription based on stock options.

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. The amount of the subscription price exceeding the stated value of shares subscribed in September and November 2006, based on stock options, was entered in the share premium account, because the General Meeting had made the decision on issuing stock options before the entry into force of the new Companies Act. Otherwise, it has no longer been possible to increase the share premium account since 1 September 2006.

Reserve fund

The reserve fund consists of profits transferred to it during previous periods and the loan loss provisions transferred to it in 1990. The reserve fund may be used to cover losses for which the non-restricted equity is not sufficient. The reserve fund may also be used to increase the share capital and it may be reduced in the same way as the share capital. Since 1 September 2006, it has no longer been possible to increase the reserve fund.

Fair value reserve

The fair value reserve includes the change in the fair value of available-for-sale financial assets. Items included in this reserve will be derecognised and recorded in the income statement when an available-for-sale financial asset is disposed of or is subject to impairment. The reserve also includes the net fair value change of interest rate derivatives as cash flow hedges verified as effective and adjusted for deferred tax. Fair value changes are included in the income statement in the period when hedged cash flows affect net income.

Fair value reserve after income tax

	Available-for-sale financial assets			
EUR million	**Notes and bonds**	**Shares, partici-pations and mutual funds**	**Cash flow hedging**	**Total**
Opening balance 1 Jan. 2015	102	112	17	231
Fair value changes	-88	36	4	-48
Transfers to net interest income			-11	-11
Capital gains transferred to income statement		-88		-88
Impairment loss transferred to income statement		8		8
Deferred tax	18	9	1	28
Closing balance 31 December 2015	**32**	**77**	**11**	**120**

EUR million	Available-for-sale financial assets Notes and bonds	Shares, partici-pations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2014	44	113	11	168
Fair value changes	73	77	18	168
Transfers to net interest income			-12	-12
Capital gains transferred to income statement		-78		-78
Impairment loss transferred to income statement		0		0
Deferred tax	-15	0	-1	-16
Closing balance 31 December 2014	**102**	**112**	**17**	**231**

Fair value reserve after tax is as follows:	
Continuing operations	231
Discontinued operations	0
Total	**231**

The fair value reserve before tax totalled EUR 150 million (288) and the related deferred tax liability EUR 30 million (57). On 31 December, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 107 million (149) and negative mark-to-market valuations EUR 12 million (9). In January-December, impairment losses recognised through profit or loss in the fair value reserve totalled EUR 9 million (1), of which equity instruments accounted for EUR 8 million (0).

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

Other restricted reserves

These reserves consist of retained earnings based on the Articles of Association or rules which describe their purpose.

Reserve for Invested non-restricted equity

Capital raised through the rights offering in 2009 was entered in the reserve for invested non-restricted equity.

Other non-restricted reserves

These reserves consist of retained earnings based on decisions by the General Meeting.

Retained earnings

Retained earnings also contain untaxed reserves (voluntary provisions and accelerated depreciation) included in the statutory financial statements of Group companies, and the equalisation provision and actuarial gains/losses of insurance companies, which have been recognised in retained earnings less deferred tax in the IFRS financial statements.

NOTES TO RISK MANAGEMENT

Note 2 covers risk management and capital adequacy management principles. Notes 40–56 present the risk exposure within Banking and Other Operations, Pohjola Group's capital adequacy information is disclosed as part of OP Financial Group's financial statements. Pohjola Group's capital base, minimum capital requirements, derivative contracts and counterparty risk are presented in Notes 57–60 and Non-life Insurance risk exposure in Notes 61–72.

Note 39. Pohjola Group's exposure split by geographic region and exposure class

The majority of Pohjola Group's country exposure is in EU countries. The exposures cover all balance-sheet and off-balance-sheet items and are based on values used in capital adequacy.

Exposure split by geographic region 31 Dec. 2015, EUR million

Geographic region	Exposure to central governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity investments*	Collateralised notes and bonds**	Other	Total
Finland	11,250	7,652	24,771	2,147	549	519	56	46,944
Baltic countries	71	0	1,291	6	0			1,368
Other Nordic countries	56	494	609	37	8	1,469		2,673
Germany	2,256	218	48	87	12	861		3,483
France	339	386	81	63	28	926	1	1,824
GIIPS countries***	16	21	75	3	23	38		176
Other EU countries	2,628	1,074	418	226	245****	1,061	7	5,659
Rest of Europe		165	49	30	14	82		341
USA	16	141	53	172	84		2	468
Russia		26	16	0	2			44
Asia		190	75	19	25			309
Other countries	32	52	57	16	156****	1,031		1,343
Total	**16,662**	**10,418**	**27,544**	**2,808**	**1,146**	**5,987**	**67**	**64,633**

* Also include €54 million in bond funds.

** Consist of RMBS, ABS and Covered Bond investments.

*** Exposures to Spain totalled EUR 29 million and to Italy EUR 22 million.

**** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Exposure split by geographic region 31 Dec. 2014, EUR million

Geographic region	Exposure to central governments and central banks	Expo-sures to credit insti-tutions	Exposures to corporates	Retail exposures	Equity investments*	Collate-ralised notes and bonds**	Other	Total
Finland	5,273	18,349	23,759	1,968	279	461	25	50,114
Baltic countries	189	2	775	4	0			971
Other Nordic countries	0	483	504	23	4	1,165	0	2,180
Germany	1,569	182	32	106	4	424		2,316
France	220	494	58	39	22	894		1,726
GIIPS countries***	15	23	126	1	16	362		544
Other EU countries	1,256	1,190	263	192	220****	639	2	3,763
Rest of Europe		157	57	14	5	87		320
USA		194	61	81	48			385
Russia		79	37	0	1			117
Asia		381	74	15	24			494
Other countries	1	64	12	28	204****	515		824
Total	**8,524**	**21,598**	**25,759**	**2,472**	**828**	**4,547**	**28**	**63,755**

* Also include €160 million in bond funds.

** Consist of RMBS, ABS and Covered Bond investments.

*** Exposures to Spain totalled EUR 148 million and to Italy EUR 142 million.

**** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Risk exposure by Banking and Other Operations

The classification by Statistics Finland is used in these notes, deviating partly from the classification used in the risk exposure section presented in the Report by the Board of Directors.

Note 40. Impairment loss recognised on financial assets

EUR million	31 Dec. 2015	31 Dec. 2014
Derivative contracts		
Held for trading	0	2
Loans and receivables		
Loans granted	30	15
Guarantee receivables	-1	10
Available-for-sale financial assets		
Shares and participations	0	1
Total	**29**	**28**

Note 41. Exposure

31 Dec. 2015, EUR million	Finland Balance sheet value	Finland Impairments	Finland Accrued interest	Other countries Balance sheet value	Other countries Impairments	Other countries Accrued interest
Assets						
Receivables from credit institutions	9,352	0	8	327	-1	4
Receivables from customers	14,295	227	46	1,723	16	2
Finance leases	1,144			22		
Notes and bonds	1,453		20	10,627		59
Other	158			438		
Total	**26,403**	**227**	**74**	**13,136**	**15**	**65**
Off-balance-sheet commitments						
Unused standby credit facilities	5,154			591		
Guarantees and letters of credit	1,905			435		
Derivative contracts	1,069			4,979		
Other	149			245		
Total	**8,277**			**6,250**		
Total exposure	**34,680**	**227**	**74**	**19,386**	**15**	**65**

31 Dec. 2014, EUR million	Finland Balance sheet value	Finland Impairments	Finland Accrued interest	Other countries Balance sheet value	Other countries Impairments	Other countries Accrued interest
Assets						
Receivables from credit institutions	9,638		10	618		4
Receivables from customers	13,107	238	41	1,244	14	1
Finance leases	1,136			26		
Notes and bonds	1,210		17	7,076		68
Other	114			879		
Total	**25,205**	**238**	**68**	**9,843**	**14**	**73**
Off-balance-sheet commitments						
Unused standby credit facilities	3,822			543		
Guarantees and letters of credit	2,139			610		
Derivative contracts	1,230			5,138		
Other	87			249		
Total	**7,278**			**6,540**		
Total exposure	**32,484**	**238**	**68**	**16,383**	**14**	**73**

The tables show the recognised positive market value of derivative contracts.

Note 42. Exposure by sector

31 Dec. 2015, EUR million	Balance sheet values Finnish	Foreign	Off-balance-sheet Finnish	Foreign	Total
Non-banking corporate sector	13,529	2,003	6,330	874	22,737
Financial institutions and insurance companies	10,785	6,014	1,031	5,222	23,051
Households	1,319	25	270	0	1,614
Non-profit organisations	207	131	38		376
Public sector entities	636	5,029	608	154	6,427
Total	**26,476**	**13,201**	**8,277**	**6,250**	**54,205**

31 Dec. 2014, EUR million	Balance sheet values Finnish	Foreign	Off-balance-sheet Finnish	Foreign	Total
Non-banking corporate sector	12,595	1,191	6,241	697	20,723
Financial institutions and insurance companies	10,924	5,492	264	5,675	22,354
Households	1,202	22	247	0	1,471
Non-profit organisations	176	210	8		394
Public sector entities	378	3,003	518	167	4,066
Total	**25,274**	**9,916**	**7,278**	**6,540**	**49,008**

The balance sheet values are carrying amounts including impairments and accrued interest income.

Note 43. Receivables from credit institutions and customers, and doubtful receivables

31 Dec. 2015, EUR million	Not impaired (gross)	Impaired (gross)	Total	Impair-ments	Balance sheet value
Receivables from credit institutions and customers					
Receivables from credit institutions	9,680		9,680	1	9,678
Receivables from customers, of which	16,008	252	16,261	243	16,018
Bank guarantee receivables	0	10	10	10	0
Finance leases	1,166		1,166		1,166
Overdrafts					
Total	**26,854**	**252**	**27,106**	**244**	**26,862**
Receivables from credit institutions and customers by sector					
Non-banking corporate sector	14,385	252	14,637	235	14,402
Financial institutions and insurance companies	10,567		10,567	2	10,565
Households	1,351		1,351	7	1,344
Non-profit organisations	207	0	207	0	207
Public sector entities	344		344	0	344
Total	**26,854**	**252**	**27,106**	**244**	**26,862**

31 Dec. 2014, EUR million*	Not impaired (gross)	Impaired (gross)	Total	Impair-ments	Balance sheet value
Receivables from credit institutions and customers					
Receivables from credit institutions	10,257		10,257		10,257
Receivables from customers, of which	14,338	266	14,603	252	14,351
Bank guarantee receivables	0	12	12	12	1
Finance leases	1,162		1,162		1,162
Overdrafts					
Total	**25,756**	**266**	**26,022**	**252**	**25,770**
Receivables from credit institutions and customers by sector					
Non-banking corporate sector	12,661	265	12,926	242	12,683
Financial institutions and insurance companies	11,341		11,341		11,341
Households	1,233		1,233	9	1,223
Non-profit organisations	177	0	177	0	177
Public sector entities	345		345		345
Total	**25,756**	**266**	**26,022**	**252**	**25,770**

Collectively assessed impairments on receivables are allocated to Non-banking Corporate Sector. Their amount came to EUR 20 million (22).

					Impairments	
31 Dec. 2015, EUR million	Not impaired (gross)	Impaired (gross)	Total	Arrears	Indi-vidually assessed	Collectively assessed
Doubtful receivables						
Receivables from credit institutions						1
Receivables from customers, of which	153	252	406	109	224	19
Bank guarantee receivables	0	10	10		10	0
Finance leases	3		3	0		
Total	**156**	**252**	**409**	**109**	**224**	**20**
Doubtful receivables by sector						
Non-banking corporate sector	146	252	398	105	224	11
Financial institutions and insurance companies				0		2
Households	9		9	4		7
Non-profit organisations	1	0	2	0	0	0
Public sector entities				0		0
Total	**156**	**252**	**409**	**109**	**224**	**20**

31 Dec. 2014, EUR million	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impairments Indi-vidually assessed	Collectively assessed
Doubtful receivables						
Receivables from customers, of which	221	266	487	102	230	22
Bank guarantee receivables	0	12	12		12	
Finance leases				0		
Total	**221**	**266**	**487**	**102**	**230**	**22**
Doubtful receivables by sector						
Non-banking corporate sector	209	265	474	98	230	13
Financial institutions and insurance companies	0		0			
Households	11		11	4		9
Non-profit organisations	1	0	2	0	0	
Public sector entities				0		
Total	**221**	**266**	**487**	**102**	**230**	**22**

Doubtful receivables

31 Dec. 2015, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
Over 90 days past due		111	111	93	17
Classified as defaulted		242	242	128	113
Forborne loans:					
Renegotiated	47	9	56	3	54
Total	**47**	**362**	**409**	**224**	**184**

Doubtful receivables

31 Dec. 2014, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
Over 90 days past due		158	158	118	40
Classified as defaulted		245	245	107	138
Forborne loans:					
Renegotiated	61	23	84	5	79
Total	**61**	**426**	**487**	**230**	**257**

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest two credit ratings (11-12) are reported as defaulted. Forborne receivables include receivables that have been renegotiated due to the customer's financial difficulties. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6-12 months. Underpriced and zero-interest receivables previously reported under doubtful receivables have been removed from the definition of forborne loans.

Key ratio, %	2015	2014
Exposures individually assessed for impairment, % of doubtful receivables	54.9 %	47.3 %

Past due but not impaired financial assets by maturity

	Days				
31 Dec. 2015, EUR million	Less than 30	30–90	Over 90–180	Over 180	Total
Past due but not impaired loans and receivables	215	37	21	6	280

	Days				
31 Dec. 2014, EUR million	Less than 30	30–90	Over 90–180	Over 180	Total
Past due but not impaired loans and receivables	228	33	20	25	305

Note 44. Credit losses and impairments

Credit losses and impairments

EUR million	2009	2010	2011	2012	2013	2014	2015
Gross credit losses and impairments	155	156	132	97	82	75	69
Reversals	-26	-52	-71	-40	-45	-49	-40
Net credit losses and impairments	129	104	60	57	37	25	29

In 2015, credit and guarantee losses and impairments accounted for 0.15% (0.14) of the credit and guarantee portfolio.

Note 45. Corporate exposure by sector

Net exposure, 31 Dec. 2015	Balance sheet, EUR million	Off-balance-sheet, EUR million	Total, EUR million	Percentage distribution
Energy	1,338	1,437	2,776	12.2
Renting and operation of residential real estate	2,005	314	2,319	10.2
Trade	1,810	346	2,156	9.5
Operating of other real estate	1,632	381	2,013	8.9
Manufacture of machinery and equipment (incl. maintenance)	816	893	1,709	7.5
Transportation and storage	1,092	231	1,323	5.8
Financial and insurance activities	1,211	89	1,299	5.7
Construction	587	610	1,198	5.3
Services	879	299	1,178	5.2
Forest industry	675	428	1,103	4.9
Agriculture, forestry and fishing	624	205	829	3.6
Food industry	483	282	765	3.4
Information and communication	436	314	750	3.3
Manufacture of chemicals and chemical products	327	403	729	3.2
Buying and selling of own real estate	425	264	688	3.0
Metal industry	315	278	593	2.6
Other sectors	368	140	508	2.2
Other manufacturing	242	122	365	1.6
Water supply and waste management	189	113	302	1.3
Mining and quarrying	78	55	133	0.6
Public administration and defence (incl. compulsory social security)	1		1	0.0
Activities of extraterritorial organisations and bodies	0	0	0	0.0
Total	**15,533**	**7,204**	**22,737**	**100.0**

Net exposure, 31 Dec. 2014	Balance sheet, EUR million	Off-balance-sheet, EUR million	Total, EUR million	Percentage distribution
Renting and operation of residential real estate	2,106	173	2,280	11.0
Energy	941	1,118	2,059	9.9
Trade	1,653	376	2,028	9.8
Operating of other real estate	1,242	302	1,545	7.5
Manufacture of machinery and equipment (incl. maintenance)	751	847	1,597	7.7
Transportation and storage	1,049	365	1,414	6.8
Construction	544	693	1,237	6.0
Services	818	359	1,177	5.7
Financial and insurance activities	877	109	986	4.8
Forest industry	666	306	972	4.7
Buying and selling of own real estate	639	312	951	4.6
Food industry	460	320	779	3.8
Information and communication	408	367	774	3.7
Agriculture, forestry and fishing	605	115	720	3.5
Manufacture of chemicals and chemical products	243	397	640	3.1
Metal industry	268	351	619	3.0
Other manufacturing	179	127	306	1.5
Water supply and waste management	152	103	254	1.2
Other sectors	102	94	196	0.9
Mining and quarrying	86	55	141	0.7
Public administration and defence (incl. compulsory social security)	0	50	50	0.2
Activities of extraterritorial organisations and bodies		0	0	0.0
Total	**13,785**	**6,938**	**20,723**	**100.0**

Note 46. Corporate exposure by rating category

	31 Dec. 2015		31 Dec. 2014	
Rating	Net exposure, EUR million	%	exposure, EUR million	%
1.0–2.0	1,797	7.9	1,176	5.7
2.5–5.0	11,820	52.0	11,036	53.3
5.5–7.0	6,492	28.6	6,079	29.3
7.5–8.5	2,189	9.6	1,946	9.4
9.0–10.0	291	1.3	259	1.2
11.0–12.0	148	0.7	228	1.1
Total	**22,737**	**100.0**	**20,723**	**100.0**

Note 47. Corporate exposure by the amount of customer's exposure

Amount of net exposure, 31 Dec. 2015, EUR million	Finland	Other countries	Total	%
0–1	1,019	265	1,283	5.6
1–10	2,553	465	3,018	13.3
10–50	4,575	1,039	5,614	24.7
50–100	4,430	754	5,184	22.8
Over 100	7,282	354	7,636	33.6
Total	**19,860**	**2,877**	**22,737**	**100.0**

Amount of net exposure, 31 Dec. 2014, EUR million	Finland	Other countries	Total	%
0–1	1,025	249	1,274	6.1
1–10	2,504	388	2,892	14.0
10–50	4,258	821	5,079	24.5
50–100	4,304	430	4,733	22.8
Over 100	6,745		6,745	32.5
Total	**18,835**	**1,888**	**20,723**	**100.0**

Note 48. Liabilities of financial institutions and insurance companies by rating category

	31 Dec. 2015		31 Dec. 2014	
Rating	Net exposure, EUR million	%	Net exposure, EUR million	%
1.0–2.0	22,508	80.0	12,574	56.5
2.5–5.5	5,457	19.4	9,089	40.8
6.0–7.0	60	0.2	444	2.0
7.5–8.5	112	0.4	151	0.7
9.0–10.0	7	0.0	14	0.1
Total	**28,145**	**100.0**	**22,273**	**100.0**

Pohjola has rated its financial institution and insurance company customers based on the rating methods used in OP Financial Group's capital adequacy measurement. Exposures based on international credit rating agencies' credit rating categories are shown in OP Financial Group's equivalent rating categories in the table.

Note 49. Collateral received by type of collateral

EUR million	31 Dec. 2015	%	31 Dec. 2014	%
Public-sector guarantees	2,354	29.4	2,249	28.9
Object of financing as collateral	2,057	25.7	2,011	25.8
Property or lease mortgage on office or industrial property	1,824	22.8	1,692	21.7
Shares and participations, other	544	6.8	595	7.6
Shares in housing corporations, and housing associations and property companies in residential use	390	4.9	428	5.5
Property or lease mortgage on residential property	254	3.2	288	3.7
Business mortgage	198	2.5	202	2.6
Factoring	174	2.2	153	2.0
Bank guarantee	118	1.5	94	1.2
Other collateral	82	1.0	76	1.0
Total	**7,997**	**100.0**	**7,789**	**100.0**

Received collateral by type of collateral has been calculated on the basis of the values of collateral held by the bank allocated to liabilities. The collateral's fair value is used as the basis for calculating the collateral value which is derived from the fair value on the basis of valuation percentages, based on conservative estimates, by type of collateral.

Note 50. Funding structure

EUR million	31 Dec. 2015	%	31 Dec. 2014	%
Liabilities to credit institutions	5,209	10.3	5,241	12.7
Financial liabilities at fair value through profit or loss			4	0.0
Liabilities to customers				
Deposits	11,395	22.6	9,180	22.3
Other	6,155	12.2	2,262	5.5
Debt securities issued to the public				
Certificates of deposit and ECPs	6,538	13.0	7,026	17.0
Bonds	12,937	25.6	10,561	25.6
Other liabilities	2,766	5.5	2,479	6.0
Subordinated liabilities	1,737	3.4	1,084	2.6
Shareholders' equity	3,741	7.4	3,408	8.3
Total	**50,478**	**100.0**	**41,246**	**100.0**

Note 51. Maturity of assets and liabilities by residual term to maturity

31 Dec. 2015, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	8,465					8,465
Financial assets at fair value through profit or loss						
Notes and bonds	126	19	682	23	2	852
Receivables from credit institutions	3,731	1,889	3,698	337	23	9,678
Receivables from customers	4,001	2,097	8,376	1,328	1,381	17,183
Available-for-sale financial assets						
Notes and bonds	111	174	6,439	4,411		11,134
Held-to-maturity financial assets						
Notes and bonds		10	59	26		94
Total assets	**16,433**	**4,188**	**19,255**	**6,125**	**1,407**	**47,407**
Liabilities to credit institutions	3,283	345	1,355	226		5,209
Financial liabilities at fair value through profit or loss						
Liabilities to customers	15,729	1,274	261	207	78	17,549
Debt securities issued to the public	6,522	2,188	7,261	3,139	365	19,475
Subordinated liabilities	60	216	506	870	85	1,737
Total liabilities	**25,594**	**4,024**	**9,384**	**4,442**	**527**	**43,971**
Guarantees	18	242	453	5	47	765
Other guarantee liabilities	154	341	370	16	522	1,402
Loan commitments	5,745					5,745
Commitments related to short-term trade transactions	80	67	26			173
Other	258	1	2	133		394
Total off-balance-sheet commitments	**6,256**	**651**	**850**	**153**	**568**	**8,480**

31 Dec. 2014, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	3,774					3,774
Financial assets at fair value through profit or loss						
Notes and bonds	29	56	211	62	1	360
Receivables from credit institutions	5,181	809	3,709	536	22	10,257
Receivables from customers	2,919	1,850	7,858	1,382	1,504	15,513
Available-for-sale financial assets						
Notes and bonds	193	447	3,050	4,068	24	7,782
Held-to-maturity financial assets						
Notes and bonds	50	36	36	22		144
Total assets	**12,145**	**3,198**	**14,865**	**6,070**	**1,552**	**37,829**
Liabilities to credit institutions	2,637	592	1,781	232		5,241
Financial liabilities at fair value through profit or loss	4					4
Liabilities to customers	10,159	784	205	265	30	11,442
Debt securities issued to the public	5,199	4,174	6,666	1,375	172	17,587
Subordinated liabilities		150	201	733		1,084
Total liabilities	**17,998**	**5,701**	**8,852**	**2,605**	**202**	**35,359**
Guarantees	24	213	598	1	38	874
Other guarantee liabilities	220	339	383	37	599	1,578
Loan commitments	4,365					4,365
Commitments related to short-term trade transactions	72	170	56			297
Other	259	1	2	74		336
Total off-balance-sheet commitments	**4,939**	**723**	**1,039**	**112**	**637**	**7,450**

Financial assets at fair value through profit or loss consist of notes and bonds which may be sold anytime. Notes and bonds included in available-for-sale financial assets may be sold whenever necessary. Notes and bonds included in financial assets at fair value through profit or loss and those included in available-for-sale financial assets are, however, presented within the sub-category determined on the basis of the remaining term to maturity in the table. Nominal amounts of debt are presented under categories by maturity. Financial liabilities held for trading are presented under the shortest maturity category. In its financial risk management, Pohjola Group uses forward exchange contracts and interest-rate and currency swaps. Since their net effect on the financial risk in euro countervalue is insignificant, they are not specifically presented.

Debt repayable on demand, included in the shortest maturity category, totalled EUR 12.4 billion (8.4).

Note 52. Liquidity buffer

Liquidity buffer by maturity and credit rating on 31 December 2015, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Pro-portion, %
Aaa*	8,622	1,370	3,573	2,263	980		16,808	69.5
Aa1−Aa3	1	354	668	447	588		2,057	8.5
A1−A3		21	39	2	14	0	76	0.3
Baa1−Baa3	85	13	49	50	13	2	213	0.9
Ba1 or lower		3	29	0	1	0	33	0.1
Internally rated**	906	1,675	1,465	465	276	216	5,003	20.7
Total	**9,614**	**3,435**	**5,823**	**3,227**	**1,871**	**219**	**24,189**	**100.0**

* incl. deposits with the central bank

** PD </= 0.40%

The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.5 years.

Note 53. Maturities of assets and liabilities by maturity or repricing

31 Dec. 2015, EUR million	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Cash and cash equivalents	8,465						8,465
Financial assets at fair value through profit or loss							
Notes and bonds	109	64	29	103	524	23	852
Receivables from credit institutions	3,225	2,864	2,509	618	359	104	9,678
Receivables from customers	5,388	6,560	2,842	188	1,319	886	17,183
Available-for-sale financial assets							
Notes and bonds	402	358	174	400	5,498	4,303	11,134
Held-to-maturity financial assets							
Notes and bonds	42	22	10		20		94
Total assets	**17,632**	**9,868**	**5,563**	**1,309**	**7,720**	**5,316**	**47,407**
Liabilities to credit institutions	2,619	1,284	401	284	426	196	5,209
Financial liabilities at fair value through profit or loss							
Liabilities to customers	14,023	2,212	1,274		40		17,549
Debt securities issued to the public	3,002	6,501	2,597	1,767	2,978	2,630	19,475
Subordinated liabilities	**76**	661	127		80	794	1,737
Total liabilities	**19,719**	**10,658**	**4,399**	**2,051**	**3,524**	**3,620**	**43,971**

Debt repayable on demand totalled EUR 12.4 billion, consisting mainly of public deposits.

31 Dec. 2014, EUR million*	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Cash and cash equivalents	3,774						3,774
Financial assets at fair value through profit or loss							
Notes and bonds	6	115	47	15	114	62	360
Receivables from credit institutions	4,849	2,561	1,870	375	479	122	10,257
Receivables from customers	6,049	5,573	1,919	169	976	828	15,513
Available-for-sale financial assets							
Notes and bonds	277	287	279	511	2,382	4,046	7,782
Held-to-maturity financial assets							
Notes and bonds	95	39		10			144
Total assets	**15,050**	**8,576**	**4,115**	**1,080**	**3,950**	**5,059**	**37,829**
Liabilities to credit institutions	2,338	1,198	673	237	633	162	5,241
Financial liabilities at fair value through profit or loss	4						4
Liabilities to customers	8,835	1,794	772			40	11,442
Debt securities issued to the public	1,625	5,714	3,395	994	4,603	1,255	17,587
Subordinated liabilities		200	50	65		769	1,084
Total liabilities	**12,803**	**8,907**	**4,890**	**1,296**	**5,236**	**2,226**	**35,359**

Debt repayable on demand totalled EUR 8.4 billion, consisting mainly of public deposits.

Note 54. Sensitivity analysis of market risk

On 31 December 2015, market risks accounted for 6.8% (6.8) of the risk-weighted assets.

			31 Dec. 2015		31 Dec. 2014	
EUR million	Risk parameter	Change	Effect on results	Effect on sharehol-ders' equity	Effect on results	Effect on sharehol-ders' equity
Interest-rate risk	Interest rate	1 pp	19		18	
Currency risk	Market value	10%	7		7	
Volatility risk						
Interest rate volatility	Volatility	10 basis points	2		1	
Currency volatility	Volatility	10 pps	1		1	
Credit risk premium*	Credit spread	0.1 pp	2	51	1	36
Price risk						
Equity portfolio	Market value	10%		0		0
Private equity funds	Market value	10%	0	1	1	2
Real estate risk	Market value	10%	3		3	

Note 55. Equity risk

On 31 December 2015, the market value of equity and private equity funds totalled EUR 18 million (24), of which the equity portfolio accounted for EUR 0 million (1) and the private equity funds including their investment commitments EUR 18 million (23). The year-end equity portfolio was divided into two sectors: information technology 51% (89) and telecommunication services 49% (11).

Investments in private equity funds totalled EUR 12 million (16) and binding unexecuted investment commitments EUR 5 million (7).

Note 56. Real estate risk

On 31 December 2015, capital invested in property holdings amounted to EUR 128 million (88), with properties in own use representing EUR 3 million (3).

In 2015, the Group obtained an external appraisal's estimates of the fair value of property holdings, on the basis of which their combined fair value corresponds to capital tied to the property holdings. It is estimated that real estate risks are low.

Note 22 and Note 26 (Property in own use) provide detailed information on changes in investment property during the financial year.

Notes 57–60 disclose a summary of information on the capital adequacy of the consolidation group, as specified in the Capital Requirements Regulation of the European Parliament and of the Council (Pillar III disclosures). Given that this information is based on the consolidated capital adequacy, it is not directly comparable with other information disclosed on Pohjola Group. Complete Pillar III information can be found in OP Financial Group's financial statements.

The consolidation group that forms the basis of Pohjola Bank plc's capital adequacy comprises Pohjola Group companies excluding insurance companies and their subsidiaries Information for 2014 includes discontinued operations.

Pohjola has applied the Internal Ratings Based Approach (IRBA) to retail, credit institution and corporate exposures and equity investments. The Standardised Approach (SA) is used for other exposure categories.

Note 57. Capital base

The Group has presented its capital base and capital adequacy of 31 December 2015 in accordance with the EU capital requirements regulation and directive (EU 575/2013) (CRR).

EUR million	**31 Dec. 2015**	**31 Dec. 2014**
Shareholders' equity	3,741	3,408
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	-365	-183
Fair value reserve, cash flow hedging	-11	-17
Common Equity Tier 1 (CET1) before deductions	**3,364**	**3,209**
Intangible assets	-73	-195
Excess funding of pension liability, valuation adjustments and indirect holdings	-20	-1
Dividend distribution proposed by Board of Directors	-155	-141
Unrealised gains under transitional provisions		-50
Shortfall of impairments – expected losses	-115	-122
Common Equity Tier 1 (CET1)	**3,001**	**2,700**
Subordinated loans to which transitional provisions applies	192	219
Additional Tier 1 capital (AT1)	**192**	**219**
Tier 1 capital (T1)	**3,193**	**2,919**
Debenture loans	1,207	663
Unrealised gains under transitional provisions		50
Tier 2 capital (T2)	**1,207**	**713**
Total capital base	**4,400**	**3,633**

Pohjola has applied transitional provisions regarding old capital instruments to subordinated loans. A total of 70% of the amounts outstanding on 31 December 2012 are included in the capital base.

Unrealised valuations are included in CET1 capital. Negative unrealised valuations a year ago were included in CET1 capital and positive unrealised valuations in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

Note 58. Minimum capital requirement

Pohjola has applied the Internal Ratings Based Approach (IRBA) to retail, credit institution and corporate exposures and equity investments. The Standardised Approach (SA) is used for other exposure categories. Investments in Pohjola Group's insurance companies have been deducted from the capital base. Pohjola has used the Foundation Internal Ratings Based Approach (FIRBA) to measure capital requirement for corporate and credit institution exposures. This approach uses internal credit ratings to determine a customer's probability of default (PD), whereas loss given default (LDG) and credit conversion factor (CF) are standard estimates supplied by the authorities. Pohjola has used the Internal Ratings Based Approach (IRBA) to measure capital requirement for retail exposures. This approach uses internal credit ratings to determine a customer's PD, and LGD and CF are estimated internally.

It is possible to use various methods to measure capital adequacy requirement for equity investments. In the PD/LGD method, investments' risk-weighted exposure is calculated using PD, based on internal credit rating, and the official LGD. According to the Simple Risk Weight Approach, investments' risk-weighted exposure amount derives from multiplying each investment by the risk-weight determined by the type of investment.

Pohjola has used the Standardised Approach to measure capital requirement for operational risks.

	31 Dec. 2015		31 Dec. 2014	
EUR million	**Capital require-ment***	**Risk-weighted assets**	**Capital require-ment***	**Risk-weighted assets**
Credit and counterparty risk	**1,452**	**18,155**	**1,506**	**18,829**
Standardised Approach (SA)	**142**	**1,778**	**102**	**1,271**
Exposures to central government and central banks	0	1	1	11
Exposures to regional government or local authorities	0	6	1	15
Exposures to public sector entities and public institutions	1	17		
Exposures to institutions	4	53	5	61
Exposures to corporates	126	1,575	83	1,043
Retail exposures	6	75	6	72
Other items	4	51	6	69
Internal Ratings Based Approach (IRB)	**1,310**	**16,377**	**1,405**	**17,559**
Exposures to institutions	92	1,147	100	1,245
Exposures to corporates	858	10,725	863	10,788
Retail exposures	57	710	75	938
Exposures secured by mortgages on immovable property	0	1	0	1
Other retail exposures	57	709	75	936
Equity investments	298	3,730	331	4,132
PD/LGD method	295	3,688	326	4,072
Basic Indicator Approach	3	41	5	61
Private equity investments	3	34	4	49
Listed equity investments	0	1	0	4
Other	1	7	1	8
Securitisation positions	4	46	35	436
Other non-credit obligations	1	19	2	21

Market risk (Standardised Approach)	**116**	**1,450**	**117**	**1,467**
Notes and bonds	113	1,412	106	1,327
Equities	1	10	0	5
Foreign currency			7	90
Commodities	2	27	4	45
Operational risk	**104**	**1,297**	**91**	**1,137**
Risk associated with exposure value adjustment	**31**	**390**	**32**	**405**
Total risk	**1,703**	**21,292**	**1,747**	**21,839**

* Capital requirement = Risk-weighted assets * 0.08

The risk weight of equity investments includes EUR 3.7 billion in insurance holdings within OP Financial Group. OP Financial Group has permission to treat insurance holdings within the conglomerate as risk-weighted assets according to the PD/LGD method.

EUR 31 million of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

Capital requirement for counterparty risk amounts to EUR 55 million (59).

Note 59. Capital ratios

	31 Dec. 2015	31 Dec. 2014
Ratios, %		
CET1 ratio	14.1	12.4
Tier 1 ratio	15.0	13.4
Capital adequacy ratio	20.7	16.6
Rations without the effects of transitional provisions, %		
CET1 ratio	14.1	12.6
Tier 1 ratio	14.1	12.6
Capital adequacy ratio	19.8	15.6
Basel I floor, EUR million		
Capital base	4,400	3,633
Basel I capital requirements floor	1,583	1,441
Capital buffer for Basel I floor	2,817	2,192

Note 60. Derivative contracts and counterparty risk

Credit risk arising from derivative contracts is defined as a credit equivalent based on the daily market valuation of derivative contracts.

The size of customer limits are defined on the basis of assets included in derivative contracts and the estimated validity of the contracts.

Counterparty risk associated with derivative contracts arises from receivables which OP Financial Group may have from its counterparties in case they default. OP Financial Group measures counterparty risk using a fair value model, whereby the value of liability comprises the contract market value and the expected potential future exposure.

OP Financial Group manages counterparty risks associated with derivative contracts through master agreements enabling netting related to bankruptcies, through collateral and optional early termination. With respect to master agreements, there exist written statements issued by an external legal expert of the legal validity of netting in each derivative counterparty's national legislation. OP Financial Group uses netting for counterparty exposure arising from derivative contracts in both capital adequacy measurement and the monitoring of credit risk limits. With respect to credit institutions as counterparties, the Group also always uses a collateral annex to derivative master agreements, in which case the received collateral reduces counterparty risk. Derivative contracts are also increasingly novated to a central counterparty.

The Group confirms corporate counterparty exposure limits once a year and in this connection also checks the status of collateral applying to the limits for derivative transactions.

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.

If S&P had downgraded OP Financial Group's credit rating from AA– to A on 31 December 2015, an additional collateral worth EUR 8 million would have been required. If the credit rating had been downgraded in 2014, additional collateral of EUR 4 million would have been required.

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.

Counterparty risk contract types, 31 Dec. 2015, EUR million	**Gross exposure**	**Benefits from netting**	**Present netted credit risk**	**Collateral held**	**Net credit risk**
Derivative contracts	8,838	5,221	3,617	1,030	2,587
Interest rate derivatives	5,813	3,583	2,230	490	1,739
Currency derivatives	2,824	1,601	1,223	504	718
Equity and index derivatives	94	38	56	35	22
Other	108		108	1	107
Total	**8,838**	**5,221**	**3,617**	**1,030**	**2,587**

Counterparty risk contract types, 31 Dec. 2014, EUR million	Gross exposure	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts	8,733	5,415	3,318	722	2,596
Interest rate derivatives	6,423	4,146	2,277	445	1,831
Currency derivatives	2,063	1,189	874	261	613
Equity and index derivatives	147	80	68	16	52
Other	100		100		100
Total	**8,733**	**5,415**	**3,318**	**722**	**2,596**

Note 79 presents the positive gross fair value of contracts.

Risk exposure by Non-life Insurance

Note 61. Risk-bearing capacity

On 31 December 2015, the solvency capital of Non-life Insurance amounted to EUR 983 million (988) and the solvency ratio stood at 70% (75). The financial strength rating of Pohjola Insurance affirmed by Standard & Poor's is A+. The Board of Directors has confirmed A as the targeted rating.

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 also 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 cope with underwriting risks. Solvency capital proportioned to insurance liabilities describes the company's ability to cope with risks related to the estimation of insurance liabilities. Similarly, solvency capital proportioned to the investment portfolio describes the company's ability to cope with the risks related to investments.

	31 Dec. 2015		31 Dec. 2014	
	EUR million	Risk-bearing capacity, %	EUR million	Risk-bearing capacity, %
Solvency capital	983		988	
Claims incurred*	972	101	930	106
Insurance premium revenue*	1,396	70**	1,310	75**
Insurance liabilities*	2,819	35	2,645	37
Investment portfolio	3,686	27	3,534	28

* Reinsurers' share (net business) deducted

** Solvency ratio

Note 62. Sensitivity analysis of Non-life insurance

The table below shows the effect of various risk parameters on profit and solvency capital

Risk parameter	Total in 2015, EUR million	Change in risk parameter	Effect on share-holders' equity, EUR million	Effect on combined ratio
Insurance portfolio or insurance premium revenue*	1,396	Up by 1%	14	Up by 0.9 pps
Claims incurred*	972	Up by 1%	-10	Down by 0.7 pps
Large claim, over EUR 5 million		1 loss	-5	Down by 0.4 pps
Personnel costs*	101	Up by 8%	-8	Down by 0.6 pps
Expenses by function*/**	323	Up by 4%	-13	Down by 0.9 pps
Inflation for collective liability	685	Up by 0.25 pps	-5	Down by 0.3 pps
Life expectancy for discounted insurance liabilities	1,768	Up 1 year	-41	Down by 2.9 pps
Discount rate for discounted insurance liabilities	1,768	Down by 0.1 pp	-22	Down by 1.6 pps

* Moving 12-month

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

Note 63. 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
2015	14	14	11	12
2014	14	14	11	11

* EML = Estimated Maximum Loss per object of insurance

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
2015	3	4	6	5
2014	3	6	7	3

* TSI = Total Sum Insured

Sums insured in decennial insurance

The sum insured of insurance contracts depicts the volume of decennial insurance (construction defects insurance). The gross and net amounts of the sum insured are itemised in the table below. The liability period of decennial insurance is 10 years.

	Gross		Net*	
EUR million	**2015**	**2014**	**2015**	**2014**
Decennial insurance	2,209	2,249	2,209	2,249

* For insurance company's own account after reinsurers' share but before counter guarantee

Note 64. Trend in large claims

Number of detected large claims by year of detection for 2011–15

Non-life Insurance monitors carefully claims expenditure arising from large claims. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, monitoring the claims expenditure arising from large claims helps to detect any changes in risks or risk selection. In this analysis, large claims are those whose gross amount exceeds EUR 2 million. Most large claims occur in property and business interruption insurance. In statutory policies, the risk of large claim is small relative to the large volume of the line of business.

Gross amount **Number of claims exceeding EUR 2 million**	**Statutory lines**	**Other accident and health**	**Hull and cargo**	**Property and business interruption**	**Liability and legal expenses**	**Long term**
2011				5		1
2012	3			7	1	
2013	4			6	1	
2014	6			8	1	
2015	1			6	0	
				Total claims, EUR million	211	
Gross amount, total claims, EUR million						
2011−15	**31**			**140**	**32**	**8**

Net amount **Number of claims exceeding EUR 2 million**	**Statutory lines**	**Other accident and health**	**Hull and cargo**	**Property and business interruption**	**Liability and legal expenses**	**Long term**
2011				4		1
2012	3			6	1	
2013	4			6	1	
2014	6			7		
2015	1			6	0.1	
				Total claims, EUR million	137	
Net amount, total claims, EUR million						
2011−15	**30**			**93**	**11**	**3**

Note 65. 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.

2015, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	482	480	100 %	100 %
Other accident and health	199	198	83 %	83 %
Hull and cargo	298	295	80 %	80 %
Property and business interruption	374	338	82 %	82 %
Liability and legal expenses	84	77	76 %	76 %
Long-term	9	8	2 %	2 %
Total	**1,445**	**1,396**	**87 %**	**87 %**

2014, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	457	455	96 %	82 %
Other accident and health	180	180	86 %	86 %
Hull and cargo	287	285	81 %	81 %
Property and business interruption	353	312	89 %	89 %
Liability and legal expenses	83	76	97 %	97 %
Long-term	5	4	1 %	1 %
Total	**1,364**	**1,310**	**89 %**	**85 %**

* 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 is excluded from the calculation.

** One-off changes affecting the balance on technical account have been eliminated.

Note 66. Information on the nature of insurance liabilities

Information on the nature of liabilities	2015	2014
Net liabilities due to insurance contracts (EUR million)		
Latent occupational diseases	20	22
Other	2,799	2,622
Total (before transfers)	**2,819**	**2,645**
Duration of debt (years)		
Discounted insurance liabilities	13.2	12.7
Undiscounted insurance liabilities	2.1	2.1
Total	**9.1**	**9.0**
Discounted net debt (EUR million)		
Known provision for claims for annuities	1,379	1,308
Collective liability	328	313
Provision for unearned premiums	61	38
Total	**1,768**	**1,658**

Note 67. Insurance liabilities by estimated maturity

31 Dec. 2015, EUR million	0–1 yr	1–5 yrs	5–10 yrs	10–15 yrs	Over 15 yrs	Total
Provision for unearned premiums*	400	113	21	6	9	550
Provision for unpaid claims						
Undiscounted	291	203	54	10	4	562
Discounted	97	442	338	259	572	1,707
Total insurance liabilities**	**788**	**757**	**413**	**275**	**585**	**2,819**

* Includes EUR 62 million in discounted liability.

**Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

31 Dec. 2014, EUR million	0–1 yr	1–5 yrs	5–10 yrs	10–15 yrs	Over 15 yrs	Total
Provision for unearned premiums*	371	107	19	5	9	511
Provision for unpaid claims						
Undiscounted	261	180	48	9	3	501
Discounted	95	431	325	246	523	1,621
Total insurance liabilities**	**727**	**717**	**392**	**261**	**536**	**2,633**

* Includes EUR 38 million in discounted liability.

**Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

Note 68. Risk exposure of insurance investments

Allocation of investment portfolio	31 Dec. 2015 Fair value, EUR million*	%	31 Dec. 2014 Fair value, EUR million*	%
Money market total	91	2	173	5
Money market instruments and deposits**	61	2	173	5
Derivative instruments***	31	1	-1	0
Total bonds and bond funds	2,825	77	2,557	73
Governments	580	16	507	14
Inflation-indexed bonds	45	1	46	1
Investment Grade	1,931	52	1,779	51
Emerging markets and High Yield	206	6	200	6
Structured investments****	64	2	24	1
Total equities	374	10	373	11
Finland	67	2	67	2
Developed markets	171	5	143	4
Emerging markets	39	1	43	1
Fixed assets and unlisted equities	3	0	3	0
Private equity investments	127	3	117	3
Equity derivatives***	-33	-1	0	0
Total alternative investments	31	1	35	1
Hedge funds	28	1	23	1
Commodities	3	0	4	0
Convertible bonds			7	0
Total property investments	366	10	386	11
Direct property investments	214	6	230	7
Indirect property investments	151	4	156	4
Total	**3,687**	**100**	**3,522**	**100**

* Includes accrued interest income

** Includes settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents)

**** Include covered bonds, loan funds and illiquid bonds

Note 69. 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 liabilities is presented in Note 62. Effects of changes in investments and insurance liabilities offset one another.

	Portfolio at fair value, EUR million			Effect on solvency capital, EUR million	
Non-life Insurance	**31 Dec. 2015**	**Risk parameter**	**Change**	**31 Dec. 2015**	**31 Dec. 2014**
Bonds and bond funds*	2,759	Interest rate	1 pp	146	101
Equities**	272	Market value	10%	27	28
Capital investments and unquoted equities	130	Market value	10%	13	12
Commodities	3	Market value	10%	0	0
Real property	366	Market value	10%	37	39
Currency	322	Currency value	10%	32	16
Credit risk premium***	2,651	Credit spread	0.1 pp	14	11
Derivatives		Volatility	10 pps	1	0

* Include money-market investments, convertible bonds and interest-rate derivatives

** Include hedge funds and equity derivatives

*** Includes bonds and convertible bonds and money-market investments, excluding government bonds issued by developed countries

Note 70. 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 liabilities have on the interest-rate risk, because only some insurance liabilities have been discounted using an administrative interest rate (Note 33).

Fair value by duration or repricing date, EUR million*	**31 Dec. 2015**	**31 Dec. 2014**
0–1 year	158	332
>1–3 years	411	618
>3–5 years	948	699
>5–7 years	746	700
>7–10 years	246	281
>10 years	292	70
Total	**2,800**	**2,700**
Modified duration	5.2	4.3
Effective interest rate, %	1.5	1.1

* Includes money-market investments and deposits, bonds, convertible bonds and bond funds.

Fixed-income portfolio by maturity and credit rating on 31 Dec. 2015*, EUR million

Year(s)	**0–1**	**1–3**	**3–5**	**5–7**	**7–10**	**10–**	**Total**	**Pro-portion, %**
Aaa	13	41	277	140	84	201	756	27.0
Aa1−Aa3	52	39	78	118	23	21	331	11.8
A1−A3	24	124	265	150	70	39	671	24.0
Baa1−Baa3	25	139	282	312	59	19	836	29.9
Ba1 or lower	43	68	32	26	9	4	181	6.5
Internally rated	1	0	15			7	24	0.9
Total	**158**	**411**	**948**	**746**	**246**	**292**	**2,800**	**100.0**

* Excludes credit derivatives.

The maturity is presented until the end of the term to maturity. If the paper includes a call option, the maturity is presented until the first possible Call date.

The average credit rating of the Non-life Insurance fixed-income portfolio is Moody's A3.

The term to maturity of the Non-life Insurance fixed-income portfolio averages 5.7 years (calculated on the basis of the call date and the maturity date).

Note 71. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2015	31 Dec. 2014
USD	121	40
SEK	55	5
JPY	17	1
GBP	78	21
Other	51	89
Total*	**322**	**157**

* The currency exposure was 8.7% (4.4) of the investment portfolio. It is calculated as the sum total of individual currencies' intrinsic values.

Note 72. Counterparty risk

	31 Dec. 2015		31 Dec. 2014	
Credit rating, consistent with Moody's, EUR million	Invest-ment*	Insu-rance**	Invest-ment*	Insu-rance**
Aaa	756		698	
Aa1−Aa3	331	18	445	14
A1−A3	671	34	786	38
Baa1−Baa3	836	0	600	0
Ba1 or lower	181		170	
Internally rated	24	47	1	41
Total	**2,800**	**99**	**2,700**	**93**

* Include money-market investments and deposits, bonds and bond funds

** Includes the reinsurers' share of insurance liabilities, and receivables from reinsurers

OTHER NOTES TO THE BALANCE SHEET

Note 73. Classification of financial assets and liabilities

Assets 31 Dec. 2015, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss	Available for sale	Hedging derivatives	Carrying amount total
Cash and balances with central banks	8,465					8,465
Receivables from credit institutions and central banks	9,678					9,678
Derivative contracts			5,395		332	5,727
Receivables from customers	17,183					17,183
Non-life Insurance assets	677		178	3,269		4,124
Notes and bonds		94	852	11,134		12,081
Shares and participations				65		65
Other financial assets	1,294					1,294
Financial assets	**37,297**	**94**	**6,425**	**14,468**	**332**	**58,617**
Other than financial instruments						1,038
Total	**37,297**	**94**	**6,425**	**14,468**	**332**	**59,655**

Assets 31 Dec. 2014, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss	Available for sale	Hedging derivatives	Carrying amount total
Cash and balances with central banks	3,774					3,774
Receivables from credit institutions and central banks	10,257					10,257
Derivative contracts			5,637		309	5,946
Receivables from customers	15,513					15,513
Non-life Insurance assets	658		180	3,016		3,854
Notes and bonds		144	360	7,781		8,285
Shares and participations			0	101		101
Other financial assets	1,783					1,783
Financial assets	**31,984**	**144**	**6,178**	**10,898**	**309**	**49,513**
Other than financial instruments						985
Total	**31,984**	**144**	**6,178**	**10,898**	**309**	**50,498**

Liabilities 31 Dec. 2015, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		5,209		5,209
Financial liabilities held for trading (excl. derivatives)				
Derivative contracts	5,310		336	5,646
Liabilities to customers		17,549		17,549
Non-life Insurance liabilities	4	3,156		3,160
Debt instruments issued to the public		19,475		19,475
Subordinated liabilities		1,737		1,737
Other financial liabilities		2,639		2,639
Financial liabilities	**5,314**	**49,766**	**336**	**55,416**
Other than financial liabilities				497
Total	**5,314**	**49,766**	**336**	**55,914**

Liabilities 31 Dec. 2014, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		5,241		5,241
Financial liabilities held for trading (excl. derivatives)	4			4
Derivative contracts	5,516		373	5,889
Liabilities to customers		11,442		11,442
Non-life Insurance liabilities	2	2,970		2,972
Debt instruments issued to the public		17,587		17,587
Subordinated liabilities		1,084		1,084
Other financial liabilities		2,257		2,257
Financial liabilities	**5,522**	**40,582**	**373**	**46,478**
Other than financial liabilities				612
Total	**5,522**	**40,582**	**373**	**47,090**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December 2015, the fair value of these debt instrument was EUR 221 million (232) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 74. Recurring fair value measurements by valuation technique

Financial assets recognised at fair value on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	616	215	21	852
Non-life Insurance				
Derivative financial instruments				
Banking	2	5,548	177	5,727
Non-life Insurance	0	9		9
Available-for-sale				
Banking	9,208	1,699	293	11,200
Non-life Insurance	1,596	1,397	276	3,269
Total financial instruments	**11,421**	**8,868**	**767**	**21,056**
Investment property				
Banking			125	125
Non-life Insurance			170	170
Total Investment property			**295**	**295**
Total	**11,421**	**8,868**	**1,062**	**21,351**

Financial assets recognised at fair value on 31 Dec. 2014, EUR million*	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	183	178		360
Non-life Insurance		7		7
Derivative financial instruments				
Banking	7	5,737	202	5,946
Non-life Insurance	1	11		12
Available-for-sale				
Banking	5,899	1,968	15	7,882
Non-life Insurance	1,579	1,156	281	3,016
Total financial instruments	**7,668**	**9,057**	**499**	**17,224**
Investment property				
Banking			85	85
Non-life Insurance			161	161
Total Investment property			**246**	**246**
Total	**7,668**	**9,057**	**745**	**17,470**

Financial liabilities recognised at fair value on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking				
Derivative financial instruments				
Banking	35	5,476	135	5,646
Non-life Insurance	0	4		4
Total	**35**	**5,480**	**135**	**5,650**

Financial liabilities recognised at fair value on 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking		4		4
Derivative financial instruments				
Banking	57	5,703	130	5,889
Non-life Insurance	2	0		2
Total	**59**	**5,707**	**130**	**5,896**

Fair value measurement

Banking derivatives

Pohjola obtains the price of listed derivatives directly from markets. In the fair value measurement of OTC derivatives, Pohjola uses models and techniques commonly used in markets. These are needed, for instance, to create yield curves and currency conversion charts and volatility surfaces as well as for option valuation. The input data of these models can generally be derived from markets. In the fair value measurement of some contracts, however, Pohjola has to use models where input data cannot be observed in the market and therefore they must be assessed. Such contracts are included in Level 3.

Pohjola Bank's Middle Office is responsible for the fair value measurement of Banking derivatives and the quality and reliability of market data, valuation curves and volatility surfaces used in them, as part of its daily fair value measurement process, including the measurement of Level 3 hierarchy. Middle Office compares regularly at contract level valuation prices with valuations supplied by CSA counterparties and central counterparties and, whenever necessary, determine any possible significant valuation differences.

OP Financial Group's Risk Management Control is responsible for approval of new fair value measurement models and techniques and supervision of the fair value measurement process. Verifying fair values is based, for example, on valuation using alternative sources for market prices and other input data. In this verification process, valuation prices can be compared with prices supplied by CSA counterparties and central counterparties. In addition, it is possible to use valuation services provided by third parties.

The fair value measurement of OTC derivatives takes account of the credit risk of the parties to a transaction. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debit Valuation Adjustment (DVA). CVA and DVA valuation adjustments are calculated for each counterparty.

CVA and DVA adjustments are calculated by simulating the market values of derivatives and events of default based primarily on data obtained from markets. In assessing probabilities of default, the Group utilises market data through illiquid counterparties too by combining the counterparties with liquid market data.

Non-life Insurance's available-for-sale financial investments

The prices of securities are primarily obtained from market information sources and valued on a daily basis. Some securities are subject to less frequent pricing, such as once a month. In such a case, pricing is based on official valuations published by brokers, issuers or other market participants or their estimates. Such contracts are included in Level 3.

Fair value hierarchy

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions as well as exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, quoted debt instruments issued by issued by companies, governments and financial institutions which have not been included in Level 1, repo agreements, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity on the valuation date. This level includes the most complex OTC derivatives and derivatives with a long maturity for which the Group had to extrapolate the market data used in their value measurement, as well as certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

Valuation techniques whose input parameters involve uncertainty (Level 3)

Specification of financial assets and liabilities

	Recognised at fair value through profit or loss		Derivative financial instruments		Available-for-sale		
Financial assets, EUR million	**Banking**	**Non-life Insurance**	**Banking**	**Non-life Insurance**	**Banking**	**Non-life Insurance**	**Total assets**
Opening balance 1 Jan. 2015			202		15	281	499
Total gains/losses in profit or loss	21		-26			-42	-46
Total gains/losses in other comprehensive income					-3	17	15
Purchases					-1	82	81
Sales						-62	-62
Transfers into Level 3					281		281
Closing balance 31 Dec. 2015	**21**		**177**		**293**	**276**	**767**

Financial assets, EUR million	Recognised at fair value through profit or loss		Derivative financial instruments		Available-for-sale		
	Banking	Non-life Insurance	Banking	Non-life Insurance	Banking	Non-life Insurance	Total assets
Opening balance 1 Jan. 2014			212		21	214	446
Total gains/losses in profit or loss			-10		-2	6	-6
Total gains/losses in other comprehensive income					-3	38	35
Purchases						57	57
Sales						-34	-34
Closing balance 31 Dec. 2014			**202**		**15**	**281**	**499**

Financial liabilities, EUR million	Recognised at fair value through profit or loss		Derivative financial instruments		
	Banking	Non-life Insurance	Banking	Non-life Insurance	Total liabilities
Opening balance 1 Jan. 2015			130		130
Total gains/losses in profit or loss			5		5
Closing balance 31 Dec. 2015			**135**		**135**

Financial liabilities, EUR million	Recognised at fair value through profit or loss		Derivative financial instruments		
	Banking	Non-life Insurance	Banking	Non-life Insurance	Total liabilities
Opening balance 1 Jan. 2014			131		131
Total gains/losses in profit or loss			-1		-1
Closing balance 31 Dec. 2014			**130**		**130**

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2015

EUR million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held at year-end
Realised net gains (losses)	21		-42		-20
Unrealised net gains (losses)	-31			15	-16
Total net gains (losses)	**-10**		**-42**	**15**	**-37**

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2014

EUR million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held at year-end
Realised net gains (losses)			6		6
Unrealised net gains (losses)	-8	-2		35	24
Total net gains (losses)	**-8**	**-2**	**6**	**35**	**31**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by Pohjola, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

At the end of 2015, the Group specified the classification criteria by abandoning credit rating as one classification criteria and adopting a more accurate analysis and classification of observable market prices. As a result, quoted bonds issued by governments, companies and financial institutions worth EUR 1.4 billion transferred from Level 2 to Level 1 and bonds worth EUR 0.3 billion transferred from Level 2 to Level 3.

Sensitivity analysis of input parameters involving uncertainty 31 Dec. 2015

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss					
Structured investment vehicles	21	0	21	2.1	10 %
Derivatives					
Index-linked bond hedges and structured derivatives, and derivatives with a long-term maturity*	177	-135	42	5.6	13 %
Available-for-sale					
Illiquid investments	36		36	5.4	15 %
Private equity funds**	463		463	46.3	10 %
Real estate funds***	70		70	14.0	20 %
Investment property***	295		295	59.0	20 %

Sensitivity analysis of input parameters involving uncertainty 31 Dec. 2014

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Derivatives					
Index-linked bond hedges and structured derivatives*	202	-130	72	7.7	11 %
Available-for-sale					
Illiquid investments	92		92	13.7	15 %
Private equity funds**	156		156	15.6	10 %
Real estate funds***	49		49	9.8	20 %
Investment property***	246		246	49.2	20 %

* Following stress scenarios: the combined value change of volatility of shares (30%), dividends of shares (30%), credit risk premiums (30%) and significant correlation changes.

** The value of private equity funds depends mainly on the profit performance of portfolio companies and the PE ratios of similar listed companies. The Total Value to Paid-in (TVPI) multiple, which has changed an average 10%, is used to monitor the progress of the fair value of private equity funds.

*** In the valuation of real estate funds and investment property, Pohjola mainly uses the income approach whose main components are yield requirement and net rent. A +/– 1 percentage point change in the yield requirement leads on average to around 20% change in the fair value.

Note 75. Collateral given

Balance sheet value, EUR million	31 Dec. 2015	31 Dec. 2014
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	3	4
Other	528	981
Other collateral given		
Pledges*	3,969	6,273
Total	4,501	7,259
Total collateral given		
Mortgages	1	1
Pledges	3,972	6,277
Other	528	981
Total	**4,501**	**7,259**
Total collateralised liabilities	507	474

* Of which EUR 2,000 million in intraday settlement collateral.

Note 76. Financial collateral held

EUR million	31 Dec. 2015	31 Dec. 2014
Fair value of collateral received		
Other	1,030	722
Total	**1,030**	**722**

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 the collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 1,030 million on the balance sheet date (722). The Group had no securities received as collateral on the balance sheet date.

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 77. Off-balance-sheet commitments

EUR million	31 Dec. 2015	31 Dec. 2014
Guarantees	765	874
Other guarantee liabilities	1,402	1,578
Loan commitments	5,745	4,365
Commitments related to short-term trade transactions	173	297
Other	394	336
Total off-balance-sheet commitments	**8,480**	**7,450**

Note 78. Derivative contracts

Derivatives held for trading 31 Dec. 2015

	Nominal values/ residual term to maturity				Fair values*		Potential
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	future exposure
Interest rate derivatives							
Interest rate swaps	25,213	61,070	47,420	133,703	3,539	3,545	4,546
Cleared by the central counterparty	7,047	21,304	18,226	46,577	708	675	1,088
OTC interest rate options							
Call and caps							
Purchased	1,490	5,044	2,699	9,234	264	2	337
Written	1,230	5,713	3,550	10,493	1	250	7
Put and floors							
Purchased	3,800	2,825	2,308	8,933	182	4	251
Written	4,752	3,589	1,645	9,985	11	108	47
Total OTC interest rate derivatives	36,485	78,241	57,622	172,348	3,998	3,910	5,188
Interest rate futures	4,127	3,224		7,351	1	6	
Total exchange traded derivatives	4,127	3,224		7,351	1	6	
Total interest rate derivatives	40,612	81,465	57,622	179,699	3,999	3,915	5,188

Currency derivatives							
Forward exchange agreements	27,605	360	53	28,018	219	301	517
Interest rate and currency swaps	1,141	7,415	5,472	14,029	1,178	1,086	1,970
Currency options							
Call							
Purchased	233	13		246	4		7
Written	321	12		333		4	
Put							
Purchased	262	20		282	4		8
Written	224	22		246		4	
Total OTC currency derivatives	29,786	7,843	5,525	43,154	1,405	1,395	2,502
Total currency derivatives	29,786	7,843	5,525	43,154	1,405	1,395	2,502
Equity and index derivatives							
Equity options							
Call							
Purchased	243	5		248	13		28
Equity index options							
Call							
Purchased	6	1		7	1		2
Total OTC equity and index derivatives	249	6		256	14		30
Equity index futures	33			33	0		
Total exchange traded derivatives	33			33	0		
Total equity and index derivatives	282	6		288	15		30
Credit derivatives							
Credit default swaps	15	126	82	223	10	13	10
Total credit derivatives	15	126	82	223	10	13	10

Other							
Other swaps	110	698	14	822	80	30	157
Other options							
Call							
Purchased	27			27	0		3
Written	16			16		0	
Put							
Purchased	4			4	1		1
Written	4			4		1	
Total other OTC derivatives	162	698	14	874	81	31	161
Other forward agreements and futures	46	35		81	2	31	1
Total other derivatives	208	733	14	955	83	62	162
Total derivatives held for trading	**70,903**	**90,173**	**63,243**	**224,319**	**5,512**	**5,385**	**7,893**

Derivatives held for trading 31 Dec. 2014

	Nominal values/ residual term to maturity				Fair values*		Potential future
EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**exposure**
Interest rate derivatives							
Interest rate swaps	24,618	71,169	39,382	135,169	4,113	4,144	5,037
Cleared by the central counterparty	4,207	21,163	11,936	37,305	697	665	980
OTC interest rate options							
Call and caps							
Purchased	3,731	4,555	2,441	10,727	398	2	464
Written	2,669	4,022	3,617	10,308		360	6
Put and floors							
Purchased	5,480	4,505	2,506	12,492	195	8	275
Written	5,903	5,787	1,812	13,503	7	102	51
Total OTC interest rate derivatives	42,402	90,039	49,759	182,200	4,713	4,617	5,833
Interest rate futures	12,461	4,602		17,063	3	14	
Interest rate options							
Call							
Written	500			500		0	
Put							
Purchased	2,000			2,000		0	
Total exchange traded derivatives	14,961	4,602		19,563	3	15	
Total interest rate derivatives	57,363	94,641	49,759	201,763	4,716	4,632	5,833

Currency derivatives							
Forward exchange agreements	13,535	307	65	13,908	276	168	432
Interest rate and currency swaps	360	7,728	5,164	13,252	669	697	1,447
Currency options							
Call							
Purchased	188	17		205	4		7
Written	226	17		243		5	
Put							
Purchased	496	8		504	11		17
Written	426	9		436		8	
Total OTC currency derivatives	15,233	8,086	5,229	28,548	961	878	1,903
Total currency derivatives	15,233	8,086	5,229	28,548	961	878	1,903
Equity and index derivatives							
Equity options							
Call							
Purchased	266	271		537	35	0	73
Equity index options							
Call							
Purchased		9		9	2		3
Written		2		2		0	
Put							
Purchased		2		2	0		0
Written		2		2		0	
Total OTC equity and index derivatives	266	285		551	37	1	76
Total equity and index derivatives	266	285		551	37	1	76
Credit derivatives							
Credit default swaps	9	73	102	184	12	5	12
Total credit derivatives	9	73	102	184	12	5	12
Other							
Other swaps	70	794	56	920	67	29	153
Other options							
Call							
Purchased	17	11		28	0		3
Written	17			17		0	
Put							
Purchased	10			10	2		3
Written	10			10		2	
Total other OTC derivatives	123	805	56	984	69	31	159
Other forward agreements and futures	109	70	0	179	4	36	0
Total other derivatives	233	874	56	1,163	73	67	160
Total derivatives held for trading	**73,103**	**103,959**	**55,146**	**232,209**	**5,800**	**5,582**	**7,984**

Derivative contracts for hedging purposes – fair value hedge 31 Dec. 2015

EUR million	Nominal values/ residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	1,894	12,609	7,543	22,045	404	418	580
Cleared by the central counterparty	564	5,203	6,438	12,206	170	189	292
Total OTC interest rate derivatives	1,894	12,609	7,543	22,045	404	418	580
Total interest rate derivatives	1,894	12,609	7,543	22,045	404	418	580
Currency derivatives							
Interest rate and currency swaps	1,414	1,926	1,181	4,520	123	85	322
Total OTC currency derivatives	1,414	1,926	1,181	4,520	123	85	322
Total currency derivatives	1,414	1,926	1,181	4,520	123	85	322
Total derivative contracts, fair value hedge	**3,307**	**14,535**	**8,723**	**26,565**	**527**	**503**	**902**

Derivative contracts for hedging purposes – cash flow hedge 31 Dec. 2015

EUR million	Nominal values/ residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	200	500		700	17		20
Cleared by the central counterparty	100	300		400	11		13
Total OTC interest rate derivatives	200	500		700	17		20
Total interest rate derivatives	200	500		700	17		20
Total derivative contracts, cash flow hedge	**200**	**500**		**700**	**17**		**20**
Total derivative contracts held for hedging	**3,507**	**15,035**	**8,723**	**27,265**	**545**	**503**	**922**

Derivative contracts for hedging purposes – fair value hedge 31 Dec. 2014

EUR million	Nominal values/ residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	1,597	10,671	5,754	18,022	473	564	612
Cleared by the central counterparty	163	2,964	3,072	6,199	165	202	226
Total OTC interest rate derivatives	1,597	10,671	5,754	18,022	473	564	612
Total interest rate derivatives	1,597	10,671	5,754	18,022	473	564	612
Currency derivatives							
Interest rate and currency swaps	1,044	942	410	2,396	75	97	163
Total OTC currency derivatives	1,044	942	410	2,396	75	97	163
Total currency derivatives	1,044	942	410	2,396	75	97	163
Total derivative contracts, fair value hedge	**2,642**	**11,613**	**6,163**	**20,418**	**548**	**661**	**776**

Derivative contracts for hedging purposes – cash flow hedge 31 Dec. 2014

EUR million	Nominal values/ residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	200	700		900	26		29
Cleared by the central counterparty		400		400	14		16
Total OTC interest rate derivatives	200	700		900	26		29
Total interest rate derivatives	200	700		900	26		29
Total derivative contracts, cash flow hedge	**200**	**700**		**900**	**26**		**29**
Total derivative contracts held for hedging	**2,842**	**12,313**	**6,163**	**21,318**	**574**	**661**	**805**

Total derivative contracts 31 Dec. 2015

EUR million	Nominal values/ residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities	Potential future exposure
Interest rate derivatives	42,705	94,574	65,165	202,445	4,421	4,333	5,788
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863	1,394
Currency derivatives	31,199	9,769	6,706	47,674	1,529	1,480	2,825
Equity and index-linked derivatives	282	6		288	15		30
Credit derivatives	15	126	82	223	10	13	10
Other derivatives	208	733	14	955	83	62	162
Total derivatives	**74,410**	**105,208**	**71,966**	**251,584**	**6,057**	**5,888**	**8,815**

Total derivative contracts 31 Dec. 2014

EUR million	Nominal values/ residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities	Potential future exposure
Interest rate derivatives	59,160	106,012	55,513	220,684	5,215	5,196	6,475
Cleared by the central counterparty	4,370	24,526	15,008	43,904	876	867	1,222
Currency derivatives	16,277	9,028	5,639	30,944	1,036	975	2,066
Equity and index-linked derivatives	266	285		551	37	1	76
Credit derivatives	9	73	102	184	12	5	12
Other derivatives	233	874	56	1,163	73	67	160
Total derivatives	**75,945**	**116,272**	**61,310**	**253,527**	**6,374**	**6,243**	**8,788**

* Fair values include accrued interest which is shown under other assets or provisions and other liabilities. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Interest rate derivatives for central counterparty clearing are offset in the balance sheet. Note 79 below presents the effects of netting. Other derivative contracts are presented on a gross basis in the balance sheet. In capital adequacy measurement, Pohjola Group also applies netting of derivatives. Note 60 above presents the effects of netting. Netting would reduce the credit equivalent of Pohjola Bank plc's derivative contracts by EUR 6,248 million (6,233).

Note 79. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

31 Dec. 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Banking derivatives	6,597	-870	5,727	-3,444	-1,030	1,253
Non-life Insurance derivatives	9		9	-3		6
Total derivatives	**6,606**	**-870**	**5,735**	**-3,446**	**-1,030**	**1,259**

31 Dec. 2014, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Banking derivatives	6,817	-871	5,946	-4,008	-722	1,216
Non-life Insurance derivatives	12		12	-1		11
Total derivatives	**6,829**	**-871**	**5,958**	**-4,009**	**-722**	**1,227**

Financial liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

31 Dec. 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Banking derivatives	6,486	-840	5,646	-3,444	-1,061	1,141
Non-life Insurance derivatives	4		4	-3		1
Total derivatives	**6,490**	**-840**	**5,650**	**-3,446**	**-1,061**	**1,143**

31 Dec. 2014, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Financial liabilities***	Collateral given	Net amount
Banking derivatives	6,751	-862	5,889	-4,008	-862	1,019
Non-life Insurance derivatives	2		2	-1		2
Total derivatives	**6,753**	**-862**	**5,892**	**-4,009**	**-862**	**1,020**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling 22 (9) million euros.

** Fair values excluding accrued interest.

*** It is Pohjola Bank plc's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

In February 2013, Pohjola Bank plc adopted central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or Pohjola Bank plc or the Master Agreement of the Federation of Finnish Financial Services will apply to derivative transactions between Pohjola Bank plc and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Note 80. Contingent liabilities and assets

Insurance companies belonging to the 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.

Note 81. Operating leases

Pohjola Group as Lessee

Some Group companies have leased the 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. The Group has subleased some of its premises. In addition, some Group companies have leased motor vehicles and office equipment. Rental expenses of EUR 23 million (21) due to the abovementioned items were recognised under Other operating expenses.

Future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec. 2015	31 Dec. 2014
No later than 1 year	3	7
Later than 1 year and no later than 5 years	1	4
Later than 5 years	0	0
Total	**5**	**11**
Expected future minimum lease payments from non-cancellable subleases		5

Pohjola Group as Lessor

Pohjola Group companies have leased out investment properties they own, which generated lease income of EUR 24 million (23).

Future minimum lease payments receivable under non-cancellable operating leases

EUR million	31 Dec. 2015	31 Dec. 2014
No later than 1 year	19	28
Later than 1 year and no later than 5 years	44	49
Later than 5 years	44	34
Total	**107**	**111**

Note 82. Ownership interests in subsidiaries, structured entities and joint operations

Changes occurred in subsidiaries and structured entities during the financial year

According to the previously announced plan, Pohjola Bank plc's extraordinary general meeting adopted the demerger plan on 22 October 2015. In the partial demerger, the following Pohjola Group subsidiaries transferred to OP Cooperative: Pohjola Asset Management Ltd, PAM USA Funds Ltd, Pohjola Asset Management Execution Services Ltd, Pohjola Property Management Ltd, Pohjola Asuntorahasto I GP Oy, Suomi Toimitilakiinteistöt GP Oy, Real Estate Debt and Secondaries GP Oy, Real Estate Fund Finland Oy, Real Estate Fund Finland III GP Oy and Real Estate Fund of Funds Finland Oy.

Material subsidiaries included in the consolidated financial statements in 2015

Material subsidiaries include companies whose business is subject to licence and other major companies relevant to business operations. All major consolidated subsidiaries are wholly owned and accordingly they have no material non-controlling interests.

Company	Domicile	% of share-holding	% of votes	consolidation group with respect to capital adequacy
A-Insurance Ltd	Helsinki	100	100	
Omasairaala Oy	Helsinki	100	100	
Pohjola Finance Estonia AS	Estonia	100	100	x
Pohjola Finance SIA	Latvia	100	100	x
Pohjola Insurance Ltd	Helsinki	100	100	
Seesam Insurance AS	Estonia	100	100	
UAB Pohjola Finance	Lithuania	100	100	x
Eurooppalainen Insurance Company Ltd	Helsinki	100	100	

The number of other subsidiaries included in the consolidated financial statements was 2, in addition to major subsidiaries.

Material subsidiaries included in the consolidated financial statements in 2014

Company	Domicile	% of share-holding	% of votes	consolidation group with respect to capital adequacy
A-Insurance Ltd	Helsinki	100	100	
Omasairaala Oy	Helsinki	100	100	
Pohjola Finance Estonia AS	Estonia	100	100	x
Pohjola Finance SIA	Latvia	100	100	x
Pohjola Property Management Ltd*	Helsinki	100	100	
Pohjola Insurance Ltd	Helsinki	100	100	
Pohjola Asset Management Ltd*	Helsinki	100	100	x
Seesam Insurance AS	Estonia	100	100	
UAB Pohjola Finance	Lithuania	100	100	x
Eurooppalainen Insurance Company Ltd	Helsinki	100	100	

The number of other subsidiaries included in the consolidated financial statements was 10, in addition to major subsidiaries.

* Discontinued operation

Structured entities included in the consolidated financial statements

Pohjola Group acts as an investor in various mutual funds in order to gain investment income. The consolidated financial statements of Pohjola Group include the accounts of two (2) real estate funds. These funds that have been classified as structured entities because Pohjola Group's control is not based on votes but the control of significant operations, exposure to variable returns from the fund, and organising the fund's management. These funds also involve non-controlling interests.

The table below shows companies with non-controlling interests.

Name	Place of business	Main line of business	Interest, % 2015	Interest, % 2014	Non-controlling interests, %
Real Estate Funds of Funds II Ky	Helsinki	Real estate fund	22.2	22.2	77.8
Real Estate Fund Finland III Ky	Helsinki	Real estate fund	33.3	33.3	66.7

Pohjola Group companies have no agreements on giving financial support to structured entities included in the consolidated financial statements. Such support was not given during the financial year.

Summary of financial information on subsidiaries with a significant proportion of non-controlling interests

The table below presents a summary of financial information on subsidiaries with a significant proportion of non-controlling interests. The financial information corresponds to the figures presented in the financial statements of the subsidiaries to which, for example, fair value adjustments have been made to correspond to Pohjola Group's accounting policies. The figures below are before the elimination of internal transactions.

Balance sheet in summary	Real Estate Funds of Funds II Ky		Real Estate Fund Finland III Ky	
EUR million	2015	2014	2015	2014
Cash and cash equivalents	2	6	2	2
Investments	51	65	89	53
Total assets	**53**	**72**	**91**	**55**
Financial liabilities				
Total liabilities				
Net assets (100%)	**53**	**72**	**91**	**55**
Accrued share of non-controlling interests	41	55	64	37
Statement of comprehensive income in summary				
Net sales	8	11	5	5
Profit or loss of continuing operations after tax	8	10	6	1
Other comprehensive income	-3	1		
Comprehensive income (100%)	**5**	**11**	**6**	**1**
Comprehensive income attributable to non-controlling interests	4	8	4	1
Share of profit paid to non-controlling interests	5	5	3	4

Cash flows in summary				
Net cash flow from operating activities	-1	-1	-9	2
Net cash flow from investing activities	20	27	-26	2
Net cash flow from financing activities	-24	-20	35	-7
Net change in cash flows	**-4**	**6**	**0**	**-2**
Cash and cash equivalents at year start	6	0	2	5
Cash and cash equivalents at year end	2	6	2	2

Joint operations

A total of 45 (43) property companies are incorporated into Pohjola Group's financial statements as joint operations by consolidating the proportionate share of Pohjola Group's holding of the property company's assets. Classification into joint operations has been made according to the nature of the business although Pohjola Group has control over some of the property companies. The shares of the property companies entitle to the occupancy of certain apartments some of which are in Pohjola Group's own use. These apartments are included in property, plant and equipment in the balance sheet, shown in Note 26. Each shareholder of the mutual property company is responsible for its/his/her share of the company's loans. The rest of the property companies are investment property included in Notes 21 and 22.

Summary of the effect of consolidation of joint operations on the balance sheet

EUR million	31 Dec. 2015	31 Dec. 2014
Land	27	27
Buildings	252	247
Total assets	278	273

Most significant joint operations included in the consolidated financial statements in 2015

Name	Domicile	% of shareholding
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	100
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Kiinteistö Oy STC Viinikkala	Helsinki	100
Kiinteistö Oy Vantaan Kisällintie 13	Helsinki	100
Tikkurilan Kauppatalo Oy	Helsinki	53.7
Kiinteistö Oy Grand Cargo Terminal 1	Vantaa	100
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	100
Kiinteistö Oy Tampereen Ratinankaari	Tampere	100
Kiinteistö Oy Vuosaaren Pohjoinen Ostoskeskus	Helsinki	100
Kiinteistö Oy Kanta-Sarvis I	Helsinki	50
Kiinteistö Oy Koskitammi	Tampere	100

Most significant joint operations included in the consolidated financial statements in 2014

Name	Domicile	% of shareholding
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	100
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Kiinteistö Oy STC Viinikkala	Helsinki	100
Kiinteistö Oy Vantaan Kisällintie 13	Helsinki	100
Tikkurilan Kauppatalo Oy	Helsinki	53.7
Kiinteistö Oy Grand Cargo Terminal 1	Vantaa	100
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	100
Kiinteistö Oy Tampereen Ratinankaari	Tampere	100
Kiinteistö Oy Vuosaaren Pohjoinen Ostoskeskus	Helsinki	100

The consolidated financial statements include the share of assets and related liabilities under joint control.

Interests in unconsolidated structured entities

OP Fund Management Company Ltd within OP Financial Group manages OP Mutual Funds. OP Fund Management Company Ltd uses Pohjola Asset Management Ltd as the portfolio manager for many of the mutual funds it manages. In addition, Pohjola Property Management Ltd within OP Financial Group manages several real estate funds. In many funds, the fund management company controls significant operations by making investment decisions in accordance with the fund rules. OP Financial Group companies have no interests in the funds managed by the abovementioned companies that would significantly expose OP Financial Group to the variable returns on the investment and would thereby cause a consolidation obligation.

Pohjola Group's investments in OP Mutual Funds and the funds of Pohjola Property Management Ltd have been recognised in Non-life Insurance assets and investment property in the balance sheet. Pohjola Group's risk of loss is limited to the investment's balance sheet value.

EUR million	2015	2014
Non-life Insurance assets	216	294
Total investments in mutual funds	216	294

Note 83. Related-party transactions

Pohjola Group's related parties comprise its parent company OP Financial Group Central Cooperative, subsidiaries consolidated into the Group, associates and administrative personnel and other related-party entities. The list of Pohjola Group's associates can be found in Note 24. Pohjola Group's administrative personnel comprises Pohjola Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP Financial Group Central Cooperative Consolidated.

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

Related-party transactions in 2015

EUR million	Parent company	Associates	Adminis-trative personnel	Others*
Loans				2,562
Other receivables	11			120
Deposits	834			614
Other liabilities	1			336
Interest income	0	0		123
Interest expenses	3			185
Dividend income	0			16
Net income from Non-life Insurance				3
Net commissions and fees	0	0		18
Net trading income				70
Other operating income	0			6
Operating expenses	13			117
Contingent liabilities and derivatives				
Off-balance-sheet commitments				
Guarantees				83
Other guarantee liabilities				7
Derivative contracts				
Nominal values				19,981
Credit equivalents				200
Salaries, other short-term benefits and performance-based pay				
Salaries, other short-term benefits and performance-based pay			1	
Related-party holdings				
Number of shares	319,551,415			

Related-party transactions in 2014

EUR million	Parent company	Associates	Adminis-trative personnel	Others*
Loans		2		2,535
Other receivables	11			207
Deposits	191	0		800
Other liabilities	0			461
Interest income	0	0		205
Interest expenses	3			290
Dividend income	0			14
Net income from Non-life Insurance				4
Net commissions and fees	7	0		17
Net trading income				-108
Other operating income	0			8
Operating expenses	16			150
Contingent liabilities and derivatives				
Off-balance-sheet commitments				
Guarantees				79
Other guarantee liabilities				7
Derivative contracts				
Nominal values		2		20,227
Credit equivalents		0		154
Salaries, other short-term benefits and performance-based pay				
Salaries, other short-term benefits and performance-based pay			1	
Related-party holdings				
Number of shares	319,551,415			

* Other related-party entities include OP Bank Group Pension Fund, OP Bank Group Pension Foundation and their sister companies within OP Cooperative Consolidated.

Board member fees 2015

In 2015, the members of the Board of Directors did not receive from Pohjola Group subsidiaries any monthly fees or attendance allowances or share-based bonuses.

Salaries and performance-based bonuses paid to the President and CEO and his deputy in the financial year ending 31 December 2015 were as follows:

Jouko Pölönen, President and CEO EUR 674,931*

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the company must pay the President and CEO severance pay equalling his 6-month total salary, in addition to compensation for loss of office, if the company dismisses him or he has to resign or terminate the contract due to a reason attributable to the company. In case the executive contract terminates due to reasons attributable to the company, the President and CEO will be entitled to bonuses under the short- and long-term remuneration schemes for the year of contract termination, provided that the schemes' performance criteria and the criteria for payment under the schemes' terms and conditions are fulfilled and his executive contract has been effective throughout the performance year. In addition, the President and CEO belongs to the long-term management incentive schemes for 2011–2013 and 2014–2016, under which bonuses will be paid from 2015 until 2017 and 2018–2020, respectively. The President and CEO has unlimited company car benefit.

* The amount includes EUR 11,200 in performance-based bonuses deferred for prior years and EUR 131,907 in bonuses paid under the long-term remuneration scheme. Payment of deferred amounts requires a Board decision. Detailed information on the deferral procedure can be found in Note 84 below.

Pension obligations regarding President and CEO and Board members

The President and CEO is covered by TyEL (the Finnish Employees Pensions Act) which provides pension benefits based on the years of employment and earnings as prescribed in the Act. The retirement age is 63–68 years, depending on his choice. A retirement age of 63 years applies to the President and CEO under the executive contract. The supplementary pension plan for the President and CEO has been arranged through OP Life Assurance Company Ltd. No pension obligations apply to Board members. This also applies to former Board members. More detailed information on Pohjola Group's pension plan can be found in Note 35 Provisions and other liabilities.

	Pension costs under TyEL plan*		**IFRS expense of voluntary supplementary pension**	
EUR 1,000	**2015**	**2014**	**2015**	**2014**
Jouko Pölönen, President and CEO	86	60		

* IFRS expense has been used for the portion of the TyEL defined benefit plan and the equalisation portion of an employee's contribution less the employee's portion of the contribution has been used for the defined contribution plan.

Note 84. Variable remuneration

Personnel fund

On 26 October 2004, Pohjola Bank plc joined OP Personnel Fund. On 31 December 2015, the Fund had some 1,719 Pohjola Group employees. The Personnel Fund covers all those not included in the management incentive scheme or Baltic operations.

Payment of profit-based bonuses to OP Personnel Fund in 2015 was based on the achievement of the following targets: OP Financial Group's EBT and CET1, both having a weight of 30%, and growth in the number of loyal customers with a weight of 40%. Profit-based bonuses for 2015 transferred to the Fund account for about 5.3% (4.2%) of the combined salaries and wages earned by the Fund's members. The bonuses recognised in 2015 totalled EUR 5.3 million (2.9).

Long-term management incentive schemes

Pohjola belongs to the long-term incentive scheme within OP Financial Group, which has OP Financial Group level targets. These targets conform to those of OP Personnel Fund for all of the Group's personnel.

OP Financial Group's variable remuneration principles take account of the Group's risk exposure and risk management methods. The performance indicator targets have been set at a level that does not encourage excessive risk-taking. Long-term variable remuneration is based on reaching OP Financial Group's targets, whereas short-term variable remuneration is based on how an individual Group company or business unit reaches its targets. The maximum amount of remuneration is limited in all schemes.

Long-term scheme

Pohjola belongs to the long-term incentive scheme within OP Financial Group, which has OP Financial Group level targets. These targets conform to those of OP Personnel Fund for all of the Group's personnel.

Pohjola Bank plc's directors and designated persons in key positions are included in the long-term management share-based incentive scheme whom the Supervisory Board of OP Cooperative has appointed. The 2011–13 scheme covered a total of 39 (52) persons and the 2014–16 39 (42) persons.

The bonus is determined by the management position. If the set targets are annually achieved at 100%, the management and key employees will be entitled to a bonus equalling their regular 2–12-month salary subject to PAYE tax.

The scheme consists of consecutive three-year performance periods, the first of which is 1 January 2011–31 December 2013. The bonus for the 2011–13 performance period will be paid after a deferral period in three equal instalments by the end of each June in 2015–17. The second performance period is 1 January 2014–31 December 2016 and the bonuses will be paid after a deferral period in three equal instalments by the end of June in 2018–20.

The target bonus was determined at the beginning of the 2011–13 scheme, i.e. the maximum remuneration in terms of Pohjola Bank plc Series A shares. This target bonus for the 2011–13 performance period was 1.2 million shares which would be partly based on cash-settled payments (the amount of tax withheld) and equity-settled payments. OP Cooperative executed a public voluntary bid for all Series A and K shares issued by Pohjola Bank plc and not held by OP Cooperative. As a result, the bonus payout for the performance period of 2011–13 applies the scheme's condition under which bonuses will be fully paid in cash if any of Pohjola's shareholders has the right, under Chapter 18, Section 1 of the Limited Liability Companies Act, to redeem (right of squeeze-out) the shares on the grounds that the shareholder has more than 90% of the company's shares and of the votes conferred by the shares. Bonuses that were to be paid as a combination of Pohjola's series A shares and cash will be paid in cash in 2015, 2016 and 2017 according to the original payout schedule. The bonus was converted into cash by multiplying the number of shares by the redemption price.

Provided that the targets are achieved at the maximum levels set for them for the 2014–16 scheme, those included in the scheme have the opportunity to receive annually a bonus equalling their 2–8-month regular salary subject to PAYE tax. The bonus amount depends on the achievement of the target after the performance period and will be paid in three equal instalments in 2018–20. Bonuses that may be paid under the scheme will be paid in terms of debentures issued by OP. The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. An amount paid in cash will be deducted from the bonus to cover related taxes and fiscal charges.

The Supervisory Board of OP Cooperative shall determine the performance metrics for the scheme and targets set for them separately for each performance period. The targets for the 2011–2013 scheme were based on the following criteria:

- Growth in the number of customers using OP as the main bank and insurer
- Change in the market share of corporate customer business
- Return on economic capital

In setting targets for the 2014–16 scheme, OP has taken account of the Capital Requirements Directive IV (CRD IV) of the European Parliament and of the Council, which will limit the maximum variable remuneration to the amount of a person's annual fixed remuneration. The targets for the 2014–16 are based on the following criteria:

- OP Financial Group's EBT
- OP Financial Group's CET1
- Growth in the number of customers using OP as their main bank and insurer

Bonuses will be paid to their beneficiaries provided that OP Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates is 1.3 or higher on the bonus payout date and that the person within the scheme is employed by OP Financial Group up to the payout date.

In the 2011–2013 scheme, shares were accounted for as equity-settled payments in Pohjola Group. Due to the change in the method of payment under the scheme, the scheme's accounting treatment was changed in 2014 to correspond to treatment of employee benefits specified in IAS 19. Expenses for both schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses. A liability recognised under the scheme amounted to EUR 7.1 million (5.6) on 31 December 2015.

OP Cooperative's Supervisory Board manages the long-term scheme and supervises compliance with it. The Supervisory Board may exercise discretion to change the terms and conditions of the scheme and postpone bonus payments for compelling reasons.

Short-term incentive schemes

In short-term schemes, the performance period is one calendar year and the bonus is primarily paid in cash. The short-term incentive schemes are based on performance and other business targets specified for each business unit, covering all Pohjola Group's staff.

Expenses for the schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses.

Deferral of variable remuneration

The payment of variable remuneration has been prescribed in the Act on Credit Institutions (610/2014). If a person is categorised on the basis of his duties as belonging to a group that may cause considerable risk (identified staff) to his company, the company may defer the payment of variable remuneration over three years under certain conditions.

Identified staff in Pohjola Group include managing directors and other key management personnel, other people with a major impact on the company's risk exposure, Internal Control and other designated persons or special groups.

The deferment of variable remuneration payment applies to identified staff if their variable remuneration for a 12-month performance period exceeds EUR 50,000 – the maximum recommended by the Financial Supervisory Authority – or two months' fixed gross salary above this amount. The remuneration of the identified staff is reviewed up to the EUR 50,000 deferment limit as a whole, considering both long- and short-term remuneration.

If the euro maximum for deferral is exceeded, some bonus is paid immediately, while the rest is deferred and the deferred bonus will be paid in equal instalments within the next three years. In such a case of deferral, any short-term scheme bonuses are always paid half in cash and half as debenture loans issued by OP.

Expenses recognised for variable remuneration*

EUR million	2015	2014
Personnel fund	5	3
Short-term schemes	10	14
Long-term schemes		
Scheme for 2011−13	1	1
Scheme for 2014−16	1	1
Total	**17**	**18**

* Excl. social expenses

The figures in the table above includes expenses relating to discontinued operations of 3 million euro (3).

Financial Statements

Income statement

EUR million	2015	2014
Interest income	1 687	1 903
Net lease income	25	27
Interest expenses	-1 514	-1 680
Net interest income	**198**	**249**
Income from equity investments	48	237
From subsidiaries	28	195
From affiliates	14	3
From other companies	5	38
Commissions and fees	136	152
Commission expenses	-40	-46
Net income from securities and foreign exchange trading	133	83
Net income from securities trading	67	47
Net income from foreign exchange trading	66	36
Net income from available-for-sale financial assets	41	13
Net income from hedge accounting	-1	-2
Net income from investment property	1	-1
Other operating income	21	21
Administrative expenses	-126	-137
Personnel costs	-56	-62
Wages and salaries	-46	-51
Social expenses	-10	-11
Pension costs	-7	-8
Other social expenses	-2	-3
Other administrative expenses	-70	-75
Depreciation/amortisation and write-downs on tangible and intangible assets	-10	-11
Other operating expenses	-21	-46
Impairment losses on loans and other commitments	-30	-25
Operating profit	**350**	**486**
Appropriations	-79	-3
Income taxes	-46	-58
Taxes for the financial year	-39	-41
Taxes for previous financial years	0	-23
Change in deferred taxes	-7	6
Profit from operations after taxes	**225**	**425**
Profit for the financial year	**225**	**425**

Balance sheet

Assets

EUR million	31 Dec. 2015	31 Dec. 2014
Cash and cash equivalents	8 465	3 774
Notes and bonds eligible for refinancing with central banks	11 295	7 825
Treasury bills		
Other	11 295	7 825
Receivables from credit institutions	9 647	10 066
Repayable on demand	332	481
Other	9 315	9 584
Receivables from the public and public sector entities	16 055	14 393
Repayable on demand		
Other	16 055	14 393
Lease assets	1 150	1 152
Notes and bonds	942	714
From public sector entities	82	29
From other	860	685
Shares and participations	10	63
Shares and participations in affiliates	0	32
Shares and participations in subsidiaries	1 035	1 250
Derivative contracts	4 543	5 395
Intangible assets	54	51
Tangible assets	15	15
Investment property and shares and participations in investment property	9	9
Other property and shares and participations in property companies	3	3
Other tangible assets	4	3
Other assets	1 896	1 879
Deferred income and advances paid	612	659
Deferred tax assets	10	8
Total assets	**55 729**	**47 274**

Liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Liabilities		
Liabilities to credit institutions	5 209	5 241
Central banks	12	250
Credit institutions	5 197	4 991
Repayable on demand	1 138	898
Other	4 060	4 094
Liabilities to the public and public sector entities	17 670	11 668
Deposits	11 516	9 406
Repayable on demand	11 414	7 726
Other	102	1 680
Other liabilities	6 155	2 262
Repayable on demand	9	8
Other	6 146	2 254
Debt securities issued to the public	19 638	17 980
Bonds	13 100	10 941
Other	6 538	7 040
Derivative contracts and other liabilities held for trading	4 532	5 268
Other liabilities	3 190	2 317
Other liabilities	3 190	2 317
Statutory provisions	0	0
Deferred expenses and advances received	633	727
Subordinated liabilities	1 602	948
Subordinated loans	272	265
Other	1 330	683
Total liabilities	**52 475**	**44 150**
Appropriations	**1 111**	**1 032**
Depreciation difference	145	141
Voluntary provisions	966	891
Shareholders' equity		
Share capital or cooperative capital	428	428
Share capital	428	428
Share premium account	524	524
Other restricted reserves	188	225
Reserve fund	164	164
Fair value reserve	25	61
Cash flow hedging	12	17
Fair value measurement	13	44
Non-restricted reserves	331	331
Reserve for invested non-restricted equity	308	308
Other reserves	23	23
Retained earnings	446	159
Profit for the financial year	225	425
Total shareholders' equity	**2 142**	**2 092**
Total liabilities and shareholders' equity	**55 729**	**47 274**
Off-balance-sheet commitments	**8 349**	**7 379**
Commitments given to a third party on behalf of customers	2 341	2 749
Guarantees and pledges	2 167	2 451
Other	173	297
Irrevocable commitments given on behalf of customers	6 009	4 630
Securities repurchase commitments	5	7
Other	6 003	4 622

Cash flow statement

EUR million	31 Dec. 2015	31 Dec. 2014
Cash flow from operating activities		
Profit for the financial year	225	425
Adjustments to profit for the financial year	94	-222
Increase (-) or decrease (+) in operating assets	**-3 698**	**-1 685**
Notes and bonds eligible for refinancing with central banks	-3 410	-200
Receivables from financial institutions	268	-528
Receivables from the public and public sector entities	-1 522	-1 000
Lease assets	0	6
Notes and bonds	-200	399
Shares and participations	19	6
Derivative contracts	646	31
Investment property		1
Other assets	500	-398
Increase (+) or decrease (-) in operating liabilities	**6 310**	**2 136**
Liabilities to credit institutions and central banks	-22	447
Liabilities to the public and public sector entities	6 003	1 325
Derivative contracts and other liabilities held for trading	-17	32
Other liabilities	346	332
Income tax paid	-65	-54
Dividends received	178	107
A. Net cash from operating activities	**2 931**	**708**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	20	-10
Decreases in held-to-maturity financial assets	-83	69
Acquisition of subsidiaries and associates	0	0
Disposal of subsidiaries and associates	85	0
Purchase of tangible and intangible assets	-14	-12
Proceeds from sale of tangible and intangible assets	0	0
B. Net cash used in investing activities	**8**	**47**
Cash flow from financing activities		
Increases in subordinated liabilities	1 242	0
Decreases in subordinated liabilities	-700	0
Increases in debt securities issued to the public	27 342	34 663
Decreases in debt securities issued to the public	-26 145	-33 616
Dividends paid	-137	-212
Other monetary decreases in equity items	0	0
C. Net cash used in financing activities	**1 602**	**835**
Cash and cash equivalents transferred due to combination	**4 541**	**1 589**
Cash and cash equivalents at year-start	**4 255**	**2 666**
Cash and cash equivalents at year-end	**8 796**	**4 255**
Interest received	**1 636**	**1 974**
Interest paid	**-1 471**	**-1 726**

Adjustments to profit for the financial year		
Non-cash items		
Change in fair value for trading	23	169
Unrealised net gains on foreign exchange operations	-117	79
Change in fair value of investment assets	-5	-454
Depreciation/amortisation, change in depreciation/amortisation difference and voluntary provisions	89	9
Impairment losses on receivables	31	26
Other	74	-50
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	0	0
Capital losses, share of cash flow from investing activities		0
Gains/losses on merger, portion of cash flow from investing activities	0	
Total adjustments	**94**	**-222**

Cash and cash equivalents		
Liquid assets	8 465	3 774
Receivables from credit institutions payable on demand	332	481
Total	**8 796**	**4 255**

Parent Company's (Pohjola Bank plc) Accounting Policies

Introduction

Pohjola Bank plc is a Finnish credit institution whose businesses comprise Corporate Banking, Markets, Group Treasury and Wealth Management. In addition, the company includes Other Operations involving administrative functions.

Pohjola Bank plc (hereinafter Pohjola or the company) is part of OP Financial Group which currently consists of 178 independent cooperative banks and their central cooperative, OP Cooperative, and other member credit institutions. OP Financial Group's member credit institutions comprise Pohjola, Helsinki OP Bank Ltd, OP Card Company Plc, OP Mortgage Bank and OP Cooperative's member cooperative banks.

OP Cooperative implemented a public voluntary bid announced in February 2014. OP Cooperative was entered as the only shareholder in Pohjola Bank plc's shareholder register on 7 October 2014. Pohjola Bank plc Series A shares were delisted from NASDAQ OMX Helsinki on 30 September 2014.

Pohjola Bank plc's parent company is OP Cooperative and Pohjola's consolidated accounts are included in its consolidated financial statements. Copies of the financial statements of OP Cooperative are available at the following address: Teollisuuskatu 1, FI-00510 Helsinki, Finland. OP Financial Group's financial statements are available at www.op.fi or at the company's office at Teollisuuskatu 1, 00510 Helsinki. The accounts of Pohjola Bank plc are also consolidated into those of Pohjola Group. Copies of Pohjola's consolidated financial statements are available at www.pohjola.com or the company's registered office, Teollisuuskatu 1, FI-00510 Helsinki, Finland.

In accordance with the Act on the Amalgamation of Deposit banks, the member credit institutions, Pohjola included, and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. If a member credit institution's own capital is depleted to such a low level owing to losses that the criteria, specified in the Act, for being placed in liquidation are fulfilled, OP Cooperative has the right to collect from its member credit institutions extra contributions on the basis of the combined balance sheets previously adopted.

Pohjola is domiciled in Helsinki and the street address of its registered office is Teollisuuskatu 1, FI-00510 Helsinki, Finland, and the postal address of its registered office is P.O. Box 308, FI-00013 Pohjola, Finland.

Basis of preparation

Pohjola Bank plc's financial statements based on national regulation are prepared and presented according to the Act on Credit Institutions, the Ministry of Finance Decree on the Financial Statements and Consolidated Financial Statements of a Credit Institution and Investment Firm, the Accounting Act and the set of the Financial Supervisory Authority's regulations and guidelines governing financial sector accounting, financial statements and the report by the board of directors. In addition, the central cooperative of the amalgamation of cooperative banks, OP Cooperative, issues instructions for compliance with unified accounting principles and the preparation of the financial statements.

Pohjola Bank plc's financial statements are presented in millions of euros and were prepared at historical cost, with the exception of financial assets at fair value through profit or loss, available-for-sale financial assets, hedged items in fair value hedging (for hedged risk) and derivative instruments measured at fair value.

The preparation of financial statements requires the management to make assessments and estimates and exercise its judgement in the process of applying the accounting policies.

Foreign currency translation

Pohjola Bank plc's financial statements are prepared in euros, which is the presentation currency. 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 income from foreign exchange trading" in the income statement.

Financial instruments

Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

The fair value of financial instruments 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 current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

It is typical of illiquid 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 that uses market prices, is recognised in the income statement over the term of the agreement or a shorter period taking account of the product's structure and counterparty. However, the non-recognised amount will be 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 illiquid financial assets is insignificant in the balance sheet.

Impairment of financial assets

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset other than that carried at fair value through profit or loss is impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- a significant decline in the issuer's financial results, credit rating, balance sheet, payment status or business plans, and unfavourable changes in the issuer's economic and operating environment;
- a bona fide bid for the same or similar investment from the market below acquisition value;
- events or circumstances that significantly weaken the issuer's business opportunities on a going concern basis, such as negative cash flows resulting from operations, insufficient capital and shortage of working capital;
- a debtor's bankruptcy or other reorganisation becomes probable;
- a debtor's breach of contract;
- a concession granted to the debtor;
- impairment recognised earlier;
- the disappearance of an active market for a financial asset

In addition, a significant or prolonged decline in the equity instrument's fair value below its cost constitutes objective evidence of impairment.

A more detailed description of recognition of impairment losses can be found under the various financial instruments below.

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 repurchase price is treated as interest expenses and accrued over the term of the agreement.

Classification and recognition of financial instruments

Upon initial recognition, financial assets and liabilities are classified as follows: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. 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 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 in the balance sheet if Pohjola currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis. OTC interest rate derivatives for central counterparty clearing are offset in the balance sheet, which are cleared in the daily clearing process with London Clearing House.

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Financial assets and liabilities held for trading

Financial assets at fair value through profit or loss are subdivided into financial assets held for trading and financial assets at fair value through profit or loss at inception. Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

All financial assets and liabilities that are expected to generate short-term profits arising from fluctuations in interest rates, prices and quotations or in which an embedded derivative contract cannot be separated from the host contract are classified as held for trading. Liabilities held for trading refer to the obligation to deliver securities which have been sold but which have not been owned at the time of selling (short selling).

Financial assets and liabilities held for trading include derivatives other than those used for hedging purposes.

Financial assets and liabilities held for trading are recognised at fair value in the balance sheet, and subsequent changes in the fair value are recognised under “Net income from securities trading” in the income statement.

Financial assets 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.

Bonds, which the Group, in accordance with its risk management principles, manages and assesses their performance at fair value in order to receive a true and real-time picture of investment operations, are defined as those recognised at fair value through profit or loss at inception. Reporting to the Group's management is based on fair values.

Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

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. These financial assets are measured at fair value in the balance sheet, and any subsequent changes in the fair value are recognised under “Net income from securities trading” in the income statement.

Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

Impairment losses on loans and receivables are recognised on an individual or collective basis. Impairment will be assessed on an individual basis if the debtor’s total exposure is significant. In other respects, impairment is assessed on a collective basis.

Impairment is recognised and impairment losses incurred if there is objective evidence that the receivable cannot be recovered in full. The receivable has impaired if its present value of the estimated future cash flows – collateral included – 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 effective 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. Impairment loss recognised in profit or loss equals the difference between the carrying amount of the loan and the lower present value of future cash flows.

Impairment assessment is a two-phase process. Impairment is assessed individually for loans and receivables. If it is not necessary to assess impairment for financial assets included in loans and receivables on an individual basis, they will be assessed collectively for impairment. Losses incurred but not yet reported, which cannot yet be allocated to a certain loan, are recognised as collectively assessed impairment. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital. Through-the-cycle component and the official minimum capital adequacy requirements have been eliminated from the PD and LGD estimates used in the economic capital requirement model so that they better reflect the point in time approach and the current economic cycle. In the model, the so-called emergence period is used to measure the identification of a loss event. The emergence period is based on OP Financial Group's impairment assessment process by customer segment from the loss event to testing a loan for impairment on an individual basis. In addition, the receivables in the model are grouped into customer segments on the basis of similar credit risk characteristics.

Collectively assessed impairment is measured by customer segment on the basis of the expected loss and the measurement also takes account of the emergence period and the discounted present values of collateral.

If the contractual payment terms of a loan are modified, the reason for such modification and the severity class are documented using an internally defined scale. Loans may also be modified for reasons related to the management of customer relationships, not to the financial difficulties of the customer. Such modifications do not affect loan impairment recognition. In some cases, the company may, due to the customer's financial difficulties, modify the loan terms and conditions, such as in terms of repayment holiday for a limited period or another loan modification, which are aimed at securing the customer's repayment capacity and limiting credit risk associated with liabilities. Such renegotiated loans are reported as doubtful receivables. Modifications in the contractual payment terms that are due to the customer's financial difficulties are forbearance measures and together with other criteria reduce the customer's credit rating and thereby increase collective impairment allowance. In addition, they will also have an effect on the loan being assessed on an individual basis for impairment. If the customer has adhered to the new payment terms and no impairment allowance has been recognised for the customer's exposure, it will be removed from doubtful debt classification after two years. Modifications in payment terms are subject to regular monitoring and reporting to the management as an indicator anticipating customers' payment capacity.

Both individual and collective impairment loss is recorded in a separate allowance account to reduce the carrying amount of receivables in the balance sheet. Impairment losses are presented in the income statement under "Impairment losses on receivables". Recognition of interest on the impaired amount continues after the recognition of impairment.

The loan is derecognised after the completion of debt-collection measures if the loan terms are substantially modified (such as refinancing). Following the derecognition, payments received are recognised as an adjustment to impairment losses on receivables. If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in 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. Held-to-maturity investments are initially recognised at fair value to which transaction costs are added. These investments are subsequently carried at amortised cost after their initial recognition, using the effective interest method.

Impairment of investments held to maturity is reviewed on the basis of the same principles as that of loans and receivables. The difference between the carrying amount of notes and bonds and a lower present value of future cash flows is recognised as an impairment loss in the income statement.

Investments included in the financial assets held to maturity category are sold before their maturity only in exceptional cases mentioned in IAS 39.

Impairment of investments held to maturity is reviewed on the basis of the same principles.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets but which may be sold before their maturity, 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 subsequently measured at fair value.

If the fair value cannot be determined reliably, shares and participations necessary for operations and other unquoted shares and participations are measured at cost. Any changes in their fair value are recognised in the "Fair value reserve" under shareholders' equity, from where they, including any capital gain or loss, are transferred to "Net income from available-for-sale financial assets" in the income statement when the asset is derecognised or impaired. Interest income and dividends are recorded in the income statement.

In the case of available-for-sale financial assets, for example, a significant downgrade of the credit rating of the issuer of bonds and notes, or a significant or prolonged decline in the equity instrument's fair value below its cost, constitutes objective evidence.

If an equity instrument'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 equity instrument increases subsequently, this increase will be recognised in equity.

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

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest income over the estimated residual term to maturity, using the effective interest method.

Participating interests, and shares and holdings in Group companies

Participating interests, and shares and holdings and other equity investments in Group companies are recognised at cost or, if the item's value on the balance sheet date is found to be lower than the acquisition cost due to impairment, at cost less impairment loss.

Impairment losses are recognised under “Impairment losses on other financial assets” in the income statement.

Cash and cash equivalents

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

Other assets

Other assets comprise receivables repayable on demand arising from payment transfers, receivables in various clearing accounts, marginal account receivables related to derivative contracts and all other receivables that cannot be presented under any other suitable balance sheet item, such as various accounts receivable and rental receivables.

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.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest expenses over the estimated residual term to maturity, using the effective interest method.

Other liabilities

Other liabilities consist mainly of payment transfer liabilities, accounts payable and liabilities related to securities trading.

Derivative contracts

Derivatives are divided into hedging and non-hedging contracts. Both hedging and non-hedging derivatives are recognised at fair value in the balance sheet. Accrued interest on non-hedging interest rate swaps is recognised in interest income and interest carried forward corresponding to them in deferred income and deferred expenses. Changes in the fair value of non-hedging interest-rate, loan, currency, equity and commodity derivatives are recognised under “Net income from securities trading” in the income statement. Positive fair value changes and premiums paid for derivative contracts are recognised as assets under “Derivative contracts” while negative fair value changes and premiums received from derivative contracts are recognised under “Derivative contracts and other liabilities held for trading”.

The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are netted and shown as a net change in cash and cash equivalents. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

The 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.

In accordance with the hedging principles, the Group’s Parent Company, Pohjola Bank plc, can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Cash flow hedging refers to hedging against changes in future cash flows and fair value hedging refers to hedging against changes in the fair value of the hedged asset.

Pohjola Bank plc enters into derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

Embedded derivatives associated with structured bonds issued are separated from the host contract and measured at fair value in the balance sheet, and changes in their fair value and derivatives designated as their hedging instruments are recognised in "Net interest income".

Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item. The relationship between hedging and hedged instruments is formally documented, containing information on risk management principles, the hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging and hedged instrument. The hedge is considered highly effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80–125%.

Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (Pohjola's own issues), individual bond and loan portfolios, as well as individual loans. Pohjola uses forward exchange contracts and interest-rate and currency swaps as hedging instruments.

Changes in the fair value of derivative contracts that are documented as hedging the fair value and are highly effective hedges are recognised in the income statement. Hedged assets and liabilities are also measured at fair value during the period for which the hedge is designated, and any fair value changes are recognised through profit or loss. In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recorded under "Net interest income".

Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedging is used to hedge the future interest flows of the loans defined on the basis of reference interest rate linkage. Interest rate swaps are mainly used as hedging instruments.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffective portion of changes in the fair value is recognised immediately in profit or loss. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

Lease assets

Leased out assets and lease assets' advance payments are recognised at non-depreciated cost and presented under "Lease assets" in the balance sheet. As a rule, lease assets are depreciated according to the annuity depreciation method.

Lease income from leased out assets based on lease contracts less planned depreciation on the lease assets are recognised under "Net lease income". In addition, the item includes impairment losses on lease assets, capital gains and losses on the disposal of lease assets, commissions charged from customers and other income and expenses directly attributable to lease contracts. Other income and expenses due to leases are included in the income statement item that corresponds to the nature of the income or expense item.

Intangible assets

Intangible assets are stated at cost less amortisation and write-downs. These assets are amortised over their estimated useful lives, which is 2–10 years for computer software and licences and 5 years in general for other intangible assets. The useful lives of assets are reviewed on each balance sheet date.

Planned amortisation and write-downs on intangible assets are recognised under "Depreciation/amortisation and write-downs on tangible and intangible assets" in the income statement.

Tangible assets

Investment property

Investment property is land and/or building or part thereof held to earn rental income and/or for capital appreciation. Property, a minor part of which (less than five per cent of the area) is used by the owner company or its personnel, is also accounted for as investment property.

Investment property is stated at cost less planned depreciation and write-downs. Land and shares and holdings in property companies can be subject to revaluation if their probable selling price on the balance sheet date is permanently higher than the original acquisition cost. Expenses incurred after the original acquisition will be capitalised only if it is probable that the resulting economic benefit from the property will be higher than initially estimated.

If the probable selling price of investment property is permanently lower than the carrying amount, the difference between the carrying amount and probable selling price is depreciated during the financial year when the write-down is detected.

The fair value of business, office and industrial premises classified as investment property holdings and presented in the related note to the financial statements is primarily determined using the income approach based on direct capitalisation. The fair value of investment property under construction can be presented only if its fair value can be determined reliably. The fair value of land, water and forest areas and residential buildings is primarily determined using the market approach. Recognition of write-downs is based on their consistency and materiality.

Income, expenses, capital gains and losses, planned depreciation and write-downs related to investment property are recognised under "Net income from investment property" in the income statement.

Other property holdings

Other property holdings refer to property in own use as an office, storage or other such facility, or for the personnel's accommodation, recreation or other such purpose, as well as shares in housing corporations that entitle holding in these facilities. Also, property in own use comprises partly-leased properties in direct ownership of which the leased share cannot be sold separately and in which the company occupies more than 5% of the floor space. The shares in an ordinary property company are considered to be in one's own use if over five per cent of the premises owned by the company is in its use.

When determining the balance sheet value of property in the company's own use, the starting point is the value of the asset in terms of expected income of ordinary operations. Buildings are recognised on the balance sheet at cost less depreciation according to plan. Holdings in property companies and land, water and forest areas are stated at cost. Property modernisation costs are activated and charged to expenses according to planned depreciation.

Income from and capital gains on property in the company's own use are recognised under "Other operating income and expenses" and expenses and capital losses under "Other operating expenses" in the income statement. Planned depreciation and write-downs are recognised under "Depreciation/amortisation and write-downs on tangible and intangible assets" in the income statement.

Other tangible assets

Tangible assets are stated at cost less accumulated depreciation and any write-downs. These assets are depreciated on a straight-line basis over their estimated useful lives. Planned depreciation is not applicable to land and shares in property companies.

Subsequent expenditures are capitalised at the asset's book value only if it is probable that the asset will generate greater economic benefits than initially estimated.

The estimated useful lives are mainly as follows:

Buildings	30–50 years
Machinery and equipment	4–10 years
IT equipment	3–5 years
Cars	6 years
Other tangible assets	5–10 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.

Assets' planned depreciation and write-downs are recognised under "Depreciation/amortisation and write-downs on tangible and intangible assets" in the income statement. Income from and capital gains on property in the company's own use are recognised under "Other operating income and expenses" and capital losses under "Other operating expenses" in the income statement.

Employee benefits

Pension benefits

The statutory pension cover for Pohjola Bank plc's employees is managed through payments to OP Bank Group Pension Fund and supplementary pension cover through OP Bank Group Pension Foundation. The Pension Foundation has been closed to new employees since 1 July 1991. Expenses arising from pension plans are recognised under "Personnel costs" in the income statement. Pension liabilities are fully covered.

Long-term management remuneration

Pohjola Bank plc has short-term and long-term management incentive schemes in place, on the basis of which the person covered by the schemes may receive the related compensation for services rendered during each performance period fully in cash or a reward settled as a combination of cash and debenture loan issued by OP. The maximum amount of the incentive scheme is calculated on the grant date and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs and the corresponding adjustment is made in deferred expenses.

Personnel fund

Pohjola Bank plc belongs to OP Financial Group's OP Personnel Fund. into which bonuses are paid on the basis of pre-agreed principles, depending on the achievement of targets. Bonuses transferred to the Fund are recognised under "Wages and salaries" in the income statement and the counterpart as "Deferred expenses" in the balance sheet.

Statutory provisions

A statutory provision is recognised for an obligation in the income statement and balance sheet 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.

Financial authority contributions and fees

The Finnish deposit guarantee scheme and related legislation changed on 1 January 2015. The former Deposit Guarantee Fund took charge of deposit guarantee until the end of 2014 and a new authority, the Financial Stability Board, has been in charge of deposit guarantee since the beginning of 2015. The Board is tasked with managing the new Financial Stability Fund which comprises a resolution fund funded through stability contributions and a deposit insurance fund (the new deposit guarantee fund) financed through deposit guarantee contributions. The financial authority contributions and fees are recognised under other operating expenses.

Stability contribution

Stability contributions are charged in 2015 in such a way that their combined amount accounts for 0.1% of the eligible deposits under the scheme in Finland on 31 July 2015. Credit institutions pay stability contributions to the EU's Single Resolution Fund administered by the EU's Single Resolution Board (SRB). In 2015, each bank's stability contributions are credited in the same proportion as it previously paid bank levy (the Act on Temporary Bank Levy was in force during 2013–2014). The stability contribution has no effect on Pohjola in 2015 in terms of expenses. In 2014, Pohjola recognised the bank levy under other operating expenses.

Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund will determine the contribution for OP Financial Group but will charge the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution has no effect on Pohjola in 2015 in terms of expenses.

Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

European Central Bank's supervisory fee

OP Financial Group, Pohjola included, is supervised by the European Central Bank (ECB). The ECB supervisory fee is determined based on the bank's importance and risk profile.

Hybrid capital

Hybrid capital instruments are recorded as a separate balance-sheet item under “Subordinated liabilities”. In capital adequacy measurement, these instruments are included in Tier 1 capital. Interest on these instruments may be paid only within the limits of distributable funds.

Appropriations

The depreciation difference under appropriations in the balance sheet includes the accumulated difference between depreciation made and planned depreciation. Voluntary provisions contain voluntary appropriations made which are appropriations permitted by tax law. Such a provision is e.g. the loan loss provision permitted for deposit banks by the Business Income Tax Act. According to this Act, a deposit bank may deduct a credit loss provision made during the tax year, the amount of which accounts for a maximum of 0.6% of the total amount of receivables at the end of the tax year.

The total amount of non-reversed credit loss provisions made during the tax year and earlier may account for a maximum of 5% of the total amount of receivables at the end of the tax year.

An increase and decrease in depreciation made and planned depreciation as well as voluntary provisions are recognised under appropriations in the income statement. Appropriations in the income statement and balance sheet also include deferred tax liabilities. The amount of and change in voluntary provisions do not reflect Pohjola's calculated risks.

Income taxes

Income taxes shown in the income statement include current tax, based on the taxable income of Pohjola Bank plc, income tax for prior financial years and deferred tax expense or income.

Deferred tax liabilities are recognised for all temporary differences between the book value and taxable value of assets and liabilities. Deferred tax assets are calculated on tax-deductible temporary differences between the book value and taxable value included in the financial statements, and on 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 company offsets deferred tax assets and liabilities. Deferred tax assets and liabilities are measured at the tax rate that is 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 not recognised in the income statement, any change in deferred tax is recognised in shareholders' equity, not in the income statement.

Revenue recognition

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. 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 recognised as interest income and that between the amount received and nominal value of the liability in interest expenses.

Commission income and expenses for services are recognised when the service is rendered. One-off commissions covering several years and including a possible subsequent refund obligation are recognised only to the amount related to the period.

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

Offsetting income statement items

Income and expense items in the income statement are presented separately without offsetting them unless there is a justified reason for offsetting them in order to give a true and fair view.

Off-balance-sheet items

Off-balance-sheet commitments include commitments made for a third party on behalf of customers, such as guarantees and various guarantee engagements, and irrevocable commitments made for customers, such as binding supplementary loan arrangements, loan commitments, standby credit facilities and underwritings.

Commitments made for a third party on behalf of customers are recognised as off-balance-sheet commitments to the amount to which guarantee corresponds at most from time to time. Irrevocable commitments made for customers are recognised to the maximum amount which may have to be paid on the basis of them.

Notes to Parent Company Financial Statements

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Notes to the Income Statement

Notes concerning an entity under the Group's control

Note 1. Interest income and expenses

EUR million	2015	2014
Interest income		
Receivables from credit institutions	46	68
Receivables from the public and public sector entities	280	290
Notes and bonds	154	171
Derivative contracts	1 198	1 362
Trading items	1 306	1 463
Hedge accounting	-108	-102
of which cash flow hedge	11	12
Other	9	11
Total	**1 687**	**1 903**
Of which interest income from impaired receivables	0	1
Interest expenses		
Liabilities to credit institutions	56	59
Liabilities to the public and public sector entities	16	26
Debt securities issued to the public	219	254
Derivative contracts and other liabilities held for trading	1 172	1 289
Subordinated liabilities	47	43
Other	4	9
Total	**1 514**	**1 680**

Interest income received from Group and associated companies and interest expenses paid to them

	2015		2014	
EUR million	Subsidiaries	Associates	Subsidiaries	Associates
Interest income	5	0	3	0
Interest expenses	2	0	2	0

Note 2. Net lease income

EUR million	2015	2014
Lease income	288	293
Planned depreciation	-261	-262
Capital gains and losses (net) on the disposal of lease assets	2	2
Commissions and fees	1	1
Other income	0	0
Other expenses	-5	-7
Total	**25**	**27**

Note 3. Income from equity investments

EUR million	2015	2014
Available for sale	5	38
Subsidiaries	28	195
Affiliates	14	3
Total	**48**	**237**

Note 4. Commissions and fees

EUR million	2015	2014
Commissions and fees		
Lending	42	52
Deposits	0	0
Payment transfers	31	36
Asset management	13	12
Legal services	0	0
Securities brokerage	21	22
Securities issuance	11	10
Guarantees	13	15
Other	4	4
Total	**136**	**152**
Commission expenses		
Service fees paid	14	20
Securities brokerage and issuance	6	8
Refunds of fees for shares	6	6
Other	14	12
Total	**40**	**46**

Note 5. Net income from securities and foreign exchange trading

Net income from securities and foreign exchange trading 2015

EUR million	Capital gains and losses	Due to fair value changes	Other income	Total
Notes and bonds	-11	-6	0	-16
Fair value option	0	0	0	0
Shares and participations	0	0	0	0
Other	9	-17	0	-8
Derivative contracts	0	71	21	92
Liabilities held for trading	0	0	0	0
Total net income from securities trading	**-2**	**47**	**21**	**67**
Net income from foreign exchange trading				**66**
Total net income from securities and foreign exchange trading				**133**

Net income from securities and foreign exchange trading 2014

EUR million	Capital gains and losses	Due to fair value changes	Other income	Total
Notes and bonds	3	1	0	4
Fair value option	0	-1	0	-1
Shares and participations	0	0	0	0
Other	-1	21	0	20
Derivative contracts	0	43	-20	22
Liabilities held for trading	0	0	0	0
Total net income from securities trading	**3**	**64**	**-20**	**47**
Net income from foreign exchange trading				**36**
Total net income from securities and foreign exchange trading				**83**

Note 6. Net income from available-for-sale financial assets

EUR million	2015	2014
Notes and bonds		
Capital gains and losses	31	11
Transferred from fair value reserve during the financial year	-2	0
Total	**29**	**11**
Shares and participations		
Capital gains and losses	5	1
Impairment losses	0	-1
Transferred from fair value reserve during the financial year	7	2
Total	**12**	**2**
Total net income from available-for-sale financial assets	**41**	**13**

Note 7. Net income from hedge accounting

EUR million	2015	2014
Net income from hedging instruments	-21	-185
Net income from hedged items	21	183
Total	**-1**	**-2**

Note 8. Net income from investment property

EUR million	2015	2014
Rental and dividend income	1	1
Other income	0	0
Rental expenses	0	-1
Capital losses	0	-1
Other expenses	0	0
Total	**1**	**-1**

Note 9. Other operating income

EUR million	2015	2014
Rental income from property in own use	0	0
Capital gains on property in own use	0	0
Income from central banking services	8	8
Other	13	13
Total	**21**	**21**

Note 10. Depreciation/amortisation and write-downs on tangible and intangible assets

EUR million	2015	2014
Planned depreciation	10	11
Write-down	0	0
Total	**10**	**11**

Note 11. Other operating expenses

EUR million	2015	2014
Rental expenses	7	7
Expenses for property in own use	0	0
Bank levy	0	20
Other	14	19
Total	**21**	**46**

Note 12. Impairment losses on loans and other commitments and other financial assets

31 Dec. 2015, EUR million	Gross impairment losses on individually assessed receivable	Gross impairment losses on collectively assessed receivable	Reductions	Entered in income statement
Impairment losses on loans and other commitments				
Receivables from credit institutions				
Receivables from the public and public sector entities	71	-2	-40	30
Guarantees and other off-balance-sheet items				
Other				
Total	**71**	**-2**	**-40**	**30**
Impairment losses on other financial assets				
Held-to-maturity debt securities				
Shares and interests in group entities				
Participating interests				
Total				
Total impairment losses	**71**	**-2**	**-40**	**30**

31 Dec. 2014, EUR million	Gross impairment losses on individually assessed receivable	Gross impairment losses on collectively assessed receivable	Reductions	Entered in income statement
Impairment losses on loans and other commitments				
Receivables from credit institutions				
Receivables from the public and public sector entities	69	5	-49	25
Guarantees and other off-balance-sheet items				
Other				
Total	**69**	**5**	**-49**	**25**
Impairment losses on other financial assets				
Held-to-maturity debt securities				
Shares and interests in group entities				
Participating interests				
Total				
Total impairment losses	**69**	**5**	**-49**	**25**

Note 13. Income taxes

EUR million	2015	2014
Income taxes from operations	46	58
Total income taxes	**46**	**58**

Note 14. Income, operating profit or loss and assets and liabilities by Division

31 Dec. 2015, EUR million	Corporate Banking	Markets	Group Treasury	Baltics	Other	Total
Income*	332	159	45	11	30	577
Operating profit	216	75	29	-1	31	350
Assets	16 167	7 111	30 112	1 156	1 182	55 729
Liabilities	10 811	10 660	29 165	159	1 680	52 475
Personnel	331	179	28	63	19	620

31 Dec. 2014, EUR million	Corporate Banking	Markets	Group Treasury	Baltics	Other	Total
Income*	327	153	46	10	215	751
Operating profit	195	77	30	-4	189	486
Assets	15 056	6 845	23 165	791	1 418	47 274
Liabilities	8 242	8 678	26 663	528	39	44 150
Personnel	344	184	30	56	31	644

* Income consists of the following items in the income statement: interest income, income from equity investments, commissions and fees, net income from securities and foreign exchange trading, net income from available-for-sale assets, net income from hedge accounting, net income from investment property and other operating income.

Notes to the Balance Sheet

Note 15. Receivables from credit institutions

EUR million	31 Dec. 2015	31 Dec. 2014
Repayable on demand		
Deposits	282	293
Other	50	189
Total	**332**	**481**
Other than those repayable on demand		
Deposits	0	0
From OP Financial Group institutions	7 673	7 818
Other	1 642	1 766
Total	**9 315**	**9 584**
Total receivables from credit institutions	**9 647**	**10 066**
of which subordinated receivables	42	42

Pohjola Bank plc has only receivables repayable on demand from central banks.

Note 16. Receivables from the public and public sector entities

EUR million	31 Dec. 2015	31 Dec. 2014
Receivables from the public and public sector entities by sector		
Non-banking corporate sector and housing corporations	11 905	10 620
Financial institutions and insurance companies	763	941
Public sector entities	160	230
Non-profit organisations serving households	191	160
Households	1 321	1 206
Foreign	1 735	1 257
Collective impairments	-20	-21
Total	**16 055**	**14 393**
of which subordinated receivables	22	30

The balance-sheet item includes EUR 0.00 million in loans for which interest income is not recognised (6.3).

Write-downs on loans		
Write-downs at year-start	251	258
+ Write-downs on individually assessed receivables during the financial year	33	35
+/- Write-downs on collectively assessed receivables during the financial year	2	5
- Write-downs reversed for individually assessed receivables during the financial year	-4	-18
- Actual impairment losses recorded during the financial year		
of which write-downs on individually assessed receivables were made previously	-34	-28
Exchange rate difference on write-downs on loans		0
Write-downs at year-end	**248**	**251**

Final loan losses of EUR 37 million (35) were recognised from receivables.

Note 17. Asset leased out under finance leases

EUR million	31 Dec. 2015	31 Dec. 2014
Advance payments	22	23
Machinery and equipment	757	793
Real property and buildings	303	262
Other assets	67	74
Total	**1 150**	**1 152**

Note 18. Notes and bonds

Notes and bonds eligible for refinancing with central banks and other notes and bonds 31 December 2015

EUR million	Eligible for refinancing with central banks	Other notes and bonds	Total	Of which subordinated
Financial assets at fair value through profit or loss	648	331	979	23
Available for sale	10 548	586	11 134	0
Held to maturity	70	25	94	0
Held in another portfolio	30	0	30	0
Total	**11 295**	**942**	**12 237**	**23**

Notes and bonds eligible for refinancing with central banks and other notes and bonds 31 December 2014

EUR million	Eligible for refinancing with central banks	Other notes and bonds	Total	Of which subordinated
Financial assets at fair value through profit or loss	205	221	426	19
Available for sale	7 302	479	7 782	0
Held to maturity	130	14	144	0
Held in another portfolio	188	0	188	0
Total	**7 825**	**714**	**8 539**	**19**

Publicly-quoted and other notes and bonds 31 December 2015

EUR million	Publicly quoted	Other	Total
Financial assets at fair value through profit or loss	865	114	979
Available for sale	10 972	163	11 134
Held to maturity	94	0	94
Held in another portfolio	30	0	30
Total	**11 961**	**276**	**12 237**

Publicly-quoted and other notes and bonds 31 December 2014

EUR million	Publicly quoted	Other	Total
Financial assets at fair value through profit or loss	369	56	426
Available for sale	7 700	82	7 782
Held to maturity	144	0	144
Held in another portfolio	0	188	188
Total	**8 213**	**326**	**8 539**

The Financial assets through profit or loss at fair value category includes EUR 0 (0.0) million in financial assets at fair value through profit or loss at inception, all of them quoted publicly.

Notes and bonds by type, EUR million	31 Dec. 2015	31 Dec. 2014
Financial assets at fair value through profit or loss		
Treasury bills	0	0
Local authority papers	82	29
Commercial papers	0	0
Certificates of deposit	0	0
Convertible bonds	0	0
Other bonds	897	396
Total	**979**	**426**
Available for sale		
Convertible bonds	1	1
Other bonds	11 134	7 781
Total	**11 134**	**7 782**
Held to maturity		
Other bonds	94	144
Total	**94**	**144**
Held in another portfolio		
Other bonds	30	188
Total	**30**	**188**

By 31 December 2015, all Pohjola Bank plc's notes and bonds accrued interest recognised in accounting.

Note 19. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds.

EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	40	43	6,1	0
Investments held to maturity	39	35	4,4	0
Available-for-sale financial assets	0	0	0,0	0
Total	**79**	**78**		**0**

EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	219	233	5,5	0
Investments held to maturity	59	56	4,3	0
Available-for-sale financial assets*	45	45	4,2	0
Total	**324**	**335**		**0**

Value changes as shown below, if notes and bonds were not reclassified and had been measured at fair value:

EUR million	1–12/2015 Income statement	1–12/2015 Fair value reserve	1–12/2014 Income statement	1–12/2014 Fair value reserve
Banking	-1		2	
Other Operations	-2	-1	12	-1
Total	**-3**	**-1**	**13**	**-1**

Loans and receivables and held-to-maturity investments were reclassified in 2008. Available-for-sale financial assets were reclassified in 2012.

* Of the held-to-maturity investments, Pohjola sold Irish RMBS with a carrying amount of EUR 36 million in the third quarter of 2012, due to a probable local legislative amendment. In this connection, Pohjola reclassified EUR 38 million in Irish RMBS within held-to-maturity investments to available-for-sale financial assets. These RMBS were sold during the first quarter of 2015.

Interest accrued on reclassified notes and bonds in January–December totalled EUR 3 million (8). The price difference between the nominal value and acquisition value recognised in the income statement totalled EUR 1 million (2). Capital losses on bonds and notes totalled EUR 5 million (1). Pohjola used derivatives to hedge against interest rate risks, applying hedge accounting from 1 October 2008. Positive mark-to-market valuations recognised on hedging derivative contracts amounted to EUR 1 million (3).

Note 20. Shares and participations

31 Dec 2015, EUR million	Publicly quoted	Other	Total
Shares and participations			
Available for sale	0	9	10
Shares in subsidiaries		1 035	1 035
Total	**0**	**1 045**	**1 045**

31 dec 2014, EUR million	Publicly quoted	Other	Total
Shares and participations			
Available for sale	1	93	94
Shares in subsidiaries		1 250	1 250
Total	**1**	**1 343**	**1 344**

EUR 3.0 (3.9) million in shares and participations other than those quoted publicly was measured at fair value and the rest at cost.

EUR million	31 Dec. 2015	31 Dec. 2014
Shares and participations by sector		
Non-banking corporate sector and housing corporations	4	9
Financial institutions and insurance companies	1 027	1 286
Foreign entities	14	49
Total	**1 045**	**1 344**

Note 21. Derivative contracts

Derivative contracts for hedging purposes – fair value hedge in 2015

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**1 894**	**12 609**	**7 543**	**22 045**	**404**	**418**
Interest rate swaps	1 894	12 609	7 543	22 045	404	418
Currency derivatives	**1 414**	**1 926**	**1 181**	**4 520**	**123**	**85**
Interest rate and currency swaps	1 414	1 926	1 181	4 520	123	85

Derivative contracts for hedging purposes – cash flow hedge in 2015

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**200**	**500**		**700**	**17**	
Interest rate swaps	200	500		700	17	

Derivative contracts held for trading in 2015

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**41 084**	**82 239**	**57 562**	**180 885**	**4 028**	**3 921**
Futures and forwards	4 111	3 224		7 335	1	6
Options	**11 575**	**17 426**	**10 238**	**39 239**	**462**	**367**
Called	5 504	8 078	5 007	18 589	449	6
Put	6 071	9 347	5 231	20 650	12	361
Interest rate swaps	25 351	61 148	47 322	133 821	3 539	3 542
Other swap contracts	47	441	2	490	26	6
Currency derivatives	**29 982**	**7 843**	**5 525**	**43 350**	**1 407**	**1 396**
Futures and forwards	27 801	360	53	28 215	221	302
Options	**1 039**	**67**		**1 107**	**8**	**8**
Called	495	33		528	8	
Put	545	34		579		8
Interest rate and currency swaps	1 141	7 415	5 472	14 029	1 178	1 086
Equity derivatives	**249**	**6**	**0**	**256**	**14**	**0**
Futures and forwards						
Options	**249**	**6**	**0**	**256**	**14**	**0**
Called	249	6		256	14	
Put						
Other derivatives	**176**	**415**	**94**	**685**	**67**	**68**
Futures and forwards	46	35		81	2	31
Options	**52**	**0**	**0**	**52**	**1**	**1**
Called	31			31	1	
Put	20			20		1
Other swap contracts	63	257	12	332	54	24
Credit derivatives	15	123	82	220	10	12

The underlying value for interest rate derivative contracts is the nominal value, for currency derivative contracts the euro-denominated stated value of the purchased currency on the balance sheet date, and for equity derivative contracts the probable value of equities on the balance sheet date. The values are expressed in gross amounts. Accrued interest is presented in deferred income and deferred expenses.

Credit equivalents of contracts in 2015

EUR million	Made for hedging purposes: Fair value hedge	Made for hedging purposes: Cash flow hedge	Held for trading
Interest rate derivatives	**580**	**20**	**5 209**
Futures and forward contracts			
Options			**651**
Called			595
Put			56
Interest rate swaps	580	20	4 553
Other swap contracts			5
Currency derivatives	**322**		**2 506**
Futures and forwards			521
Options			**15**
Called			15
Put			
Interest rate and currency swaps	322		1 970
Equity derivatives			
Futures and forwards			
Options			**30**
Called			30
Put			
Other derivatives			**167**
Futures and forwards			1
Options			**4**
Called			4
Put			
Other swap contracts			152
Credit derivatives			10

Derivative contracts for hedging purposes – fair value hedge in 2014

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**1 597**	**10 671**	**5 754**	**18 022**	**473**	**564**
Interest rate swaps	1 597	10 671	5 754	18 022	473	564
Currency derivatives	**1 044**	**942**	**410**	**2 396**	**75**	**97**
Interest rate and currency swaps	1 044	942	410	2 396	75	97

Derivative contracts for hedging purposes – cash flow hedge in 2014

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**200**	**700**		**900**	**26**	
Interest rate swaps	200	700		900	26	

Derivative contracts held for trading in 2014

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**57 730**	**95 736**	**49 758**	**203 224**	**4 732**	**4 640**
Futures and forward contracts	10 196	4 602		14 798	2	12
Options	**22 916**	**19 455**	**10 430**	**52 801**	**606**	**480**
Called	12 808	9 584	4 948	27 340	599	11
Put	10 108	9 871	5 482	25 461	7	469
Interest rate swaps	24 618	71 239	39 287	135 144	4 103	4 144
Other swap contracts		441	41	481	20	4
Currency derivatives	**15 274**	**8 086**	**5 229**	**28 589**	**962**	**878**
Futures and forwards	13 576	307	65	13 948	277	168
Options	**1 337**	**51**	**0**	**1 388**	**15**	**13**
Called	685	25		710	15	
Put	653	26		678		13
Interest rate and currency swaps	360	7 728	5 164	13 252	669	697
Equity derivatives	**266**	**285**	**0**	**551**	**37**	**1**
Futures and forwards						
Options	**266**	**285**	**0**	**551**	**37**	**1**
Called	266	281		547	37	0
Put		4		4		1
Other derivatives	**242**	**507**	**117**	**866**	**66**	**68**
Futures and forwards	109	70	0	179	4	36
Options	**53**	**11**	**0**	**64**	**2**	**2**
Called	26	11		37	2	
Put	26			26		2
Other swap contracts	70	353	15	439	47	25
Credit derivatives	9	73	102	184	12	5

The underlying value for interest rate derivative contracts is the nominal value, for currency derivative contracts the euro-denominated stated value of the purchased currency on the balance sheet date, and for equity derivative contracts the probable value of equities on the balance sheet date. The values are expressed in gross amounts. Accrued intrest is presented in deferred income and deferred expenses.

Credit equivalents of contracts in 2014

EUR million	Made for hedging purposes Fair value hedge	Cash flow hedge	Held for trading
Interest rate derivatives	**612**	**29**	**5 908**
Futures and forward contracts			
Options			**812**
Called			752
Put			60
Interest rate swaps	612	29	5 037
Other swap contracts			58
Currency derivatives	**163**		**1 904**
Futures and forwards			433
Options			**23**
Called			23
Put			
Interest rate and currency swaps	163		1 447
Equity derivatives			**76**
Futures and forwards			
Options			**76**
Called			76
Put			
Other derivatives			**113**
Futures and forwards			0
Options			**6**
Called			6
Put			
Other swap contracts			94
Credit derivatives			12

Derivative contracts are presented in gross amounts in this note. Netting would reduce the credit equivalent of Pohjola Bank plc's derivative contracts by EUR 6.248 million (6.233).

Note 22. Intangible assets and tangible assets and changes during the financial year

Intangible assets

EUR million	31 Dec. 2015	31 Dec. 2014
Goodwill	0	0
IT costs	36	35
Other long-term expenditure	19	15
Total	**54**	**51**

Tangible assets

		Investment property	
31 Dec 2015, EUR million	In own use	Book value	Fair value
Property holdings			
Land and water	0	0	0
Buildings	0		
Shares and holdings in property companies	2	9	32
Total	**3**	**9**	**32**
Other tangible assets		**0**	

		Investment property	
31 Dec 2014, EUR million	In own use	Book value	Fair value
Property holdings			
Land and water	0	0	0
Buildings	0		
Shares and holdings in property companies	3	9	32
Total	**3**	**9**	**32**
Other tangible assets		**3**	

Changes in intangible and tangible assets during the financial year

EUR million	Goodwill	Other intangible assets	Investment property	Property in own use	Other tangible assets
Acquisition cost 1 January 2015	12	121	12	4	50
+ increases during the year		13		0	3
- decreases during the year				0	-2
+/- transfers between items					
- planned depreciation/amortisation		-10		0	0
-/+ impairment losses and their reversals				0	
+ accumulated depreciation/amortisation and write-downs on adjustments and transfers 1 January					0
- accumulated depreciation/amortisation 1 January	-12	-71		-1	-47
- accumulated impairment 1 January			-3	0	
Book value 31 December 2015		**54**	**9**	**3**	**4**

Note 23. Other assets

EUR million	31 Dec. 2015	31 Dec. 2014
Accounts receivable from securities	30	29
Payment transfer receivables	10	7
Derivative contracts	1 197	597
Margin receivables related to derivative contracts	66	104
Accounts receivable	6	136
Emissions allowances	12	75
Other	575	931
Total	**1 896**	**1 879**

"Other" under Other assets includes EUR 437 million (862) in CSA collateral receivables.

Note 24. Deferred income and advances paid

EUR million	31 Dec. 2015	31 Dec. 2014
Interest		
Interest receivables	583	645
Interest advances paid	4	4
Total	**587**	**649**
Other		
Other advances paid	0	0
Other deferred income	25	11
Total	**25**	**11**
Total deferred income and advances paid	**612**	**659**

Note 25. Deferred tax assets and liabilities

31 Dec 2015, EUR million	Deferred tax assets	Deferred tax liabilities	Net
From timing differences	9	0	9
From other temporary differences	0	6	-6
Total	**9**	**7**	**3**

31 Dec 2014, EUR million	Deferred tax assets	Deferred tax liabilities	Net
From timing differences	23	0	23
From other temporary differences	0	16	-15
Total	**24**	**16**	**8**

Deferred tax assets and liabilities arising from other temporary differences comprise deferred tax assets and liabilities based on revaluations of available-for-sale financial assets recognised in the fair value reserve under equity and of derivatives designated as cash flow hedges.

Revaluations 31 December 2015

The balance sheet does not include any revaluation (-).

Appropriations

31 Dec 2015, EUR million	Balance sheet value	Deferred tax liability	Net
Depreciation difference	145	29	116
Voluntary provisions	966	193	773
Total	**1 111**	**222**	**889**

31 Dec 2014, EUR million	Balance sheet value	Deferred tax liability	Net
Depreciation difference	141	28	113
Voluntary provisions	891	178	713
Total	**1 032**	**206**	**826**

Depreciation difference and voluntary provisions have been entered in the balance sheet to the amount of non-deducted deferred tax.

Note 26. Debt securities issued to the public

EUR million	Book value 31 Dec. 2015	Nominal value 31 Dec. 2015	Book value 31 Dec. 2015	Nominal value 31 Dec. 2015
Certificates of deposit	248	248	828	828
Bonds	13 100	13 101	10 954	10 953
Other	6 290	6 295	6 198	6 204
Total	**19 638**	**19 644**	**17 980**	**17 985**

Note 27. Other liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Payment transfer liabilities	974	819
Accounts payable on securities	33	29
Margin liabilities related to derivative contracts	0	0
Other	2 184	1 468
Total	**3 190**	**2 317**

Other' includes EUR 1 122 million in equity and derivative liabilities (675) and EUR 1 030 million (722) in CSA collateral liabilities.

Note 28. Statutory provisions

EUR million	Reorganisation	Total
1 Jan. 2015	0	0
Increase in provisions	1	1
Decrease in provisions	0	0
31 Dec. 2015	**0**	**0**

EUR million	Reorganisation	Total
1 Jan. 2014	0	0
Increase in provisions	0	0
31 Dec. 2014	**0**	**0**

The reorganisation provision derives from expenses arising from personnel reduction.

Note 29. Deferred expenses and advances received

EUR million	31 Dec. 2015	31 Dec. 2014
Interest		
Interest liabilities	595	672
Interest advances received	0	0
Total	**595**	**672**
Other		
Other advance payments received	0	1
Vacation pay liabilities	7	8
Tax liabilities	0	19
Other deferred expenses	31	28
Total	**38**	**55**
Total deferred expenses and advances received	**633**	**727**

Note 30. Subordinated liabilities

EUR million		Book value	Nominal value
Subordinated loans		272	265
Other			
	Debenture loans	1 330	683
Total		**1 602**	**948**

Perpetual loans and debentures

1. A debenture loan of CHF 100 million (euro equivalent 92 million), which is a ten-year bullet loan, will mature on 14 July 2021. The loan carries a fixed interest rate of 3.375% p.a.

2. A debenture loan of EUR 100 million, which is a ten-year bullet loan, will mature on 14 September 2021. The loan carries a fixed interest rate of 5.25% p.a.

3. A debenture loan of EUR 500 million, which is a 10-year bullet loan, will mature on 22 August 2022. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 5.75% p.a.

4. Debenture loan of JPY 100 billion (euro equivalent 76 million), which is a ten-year bullet loan, will mature on 3 July 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to the JPY Libor + 0.735%.

5. Debenture loan of SEK 3,500 million (euro equivalent 381 million), which is a ten-year non-call 5 loan. The loan may be called in on 25 August 2020, matures on 25 August 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital.
The loan carries a floating rate linked to Stibor + 1.60%.

6. Debenture loan of 100 million euros, which is a 10-year bullet loan, will mature on 25 September 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 2.405% p.a.

Loans were issued in international capital markets.

In addition, Pohjola Bank plc issued on 13 April 2015 a fixed debenture loan of EUR 0.4 million related to OP Financial Group management remuneration.

Hybrid bonds/subordinated loans

Hybrid bonds included in Tier 1

1) Subordinated loan of 10 billion Japanese yen (equivalent of EUR 76 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% (Step up). 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) Subordinated loan 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 rate for the first year was 6.5% and thereafter CMS 10 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 on the interest due date as of 11 April 2010 at the earliest, subject to authorisation by the Financial Supervisory Authority. The loan's entire principal must be repaid in one instalment.

3) Hybrid bond of EUR 60 million

This perpetual bond 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 Supervisory 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. Pohjola Bank plc will redeem early the loan on the interest payment date of 28 February 2015, according to its terms and conditions.

4) Subordinated loan 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. Subject to authorisation by the Financial Supervisory Authority, the loan may be called in on the due date of interest payment of 30 October 2010. The entire loan principal must be repaid in one instalment.

5) Hybrid bond of EUR 50 million

Perpetual bond of EUR 50 million, issued on 17 June 2008, carries a variable interest rate based on 3-month Euribor + 3.05%, payable on a quarterly basis on 17 March, 17 June, 17 September and 17 December. If interest cannot be paid for a given interest period, the obligation to pay interest will lapse. Subject to authorisation by the Financial Supervisory Authority, the bond may be called in on 17 June 2013 at the earliest and thereafter on the due dates of interest payment. The entire loan principal must be repaid in one instalment.

Loans 1 and 3 are included in hybrid instruments.

Pohjola Bank plc has no violations of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR 1 million recognised for the price difference of the loans (0).

The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Note 31. Shareholders’ equity

EUR million	Shareholder´s equity 1 Jan. 2015	Increases	Decreases	Transfers between items	Shareholder´s equity 31 Dec. 2015
Total shareholders’ equity	**2 092**				**2 142**
Share capital	428				428
Share premium account	524				524
Other restricted reserves	225				188
Reserve fund	164				164
Fair value reserve	61		37		25
Fair value measurement	44		31		13
Cash flow hedge	17		6		12
Non-restricted funds	331				331
Reserve for invested non-restricted equity	308				308
Other funds	23				23
Retained earnings or losses after adjustments	584		138		446
Profit or loss for the financial year		225			225

Changes in fair value reserve

EUR million	At year-start 1 Jan. 2015	Increases	Decreases	Transferred to income statement	At year-end 31 Dec. 2015
Notes and bonds	**40**	**6**	**36**	**2**	**12**
Deferred tax	-10	7	0		-3
Shares and participations	**4**	**1**	**-4**	**-7**	**1**
Deferred tax	-1	1			0
Other	**17**	**1**	**7**		**12**
Cash flow hedge	21		7		14
Deferred tax	-4	1			-3
Total	**61**	**8**	**39**	**-5**	**25**

EUR million	Shareholder's equity 1 Jan. 2014	Increases	Decreases	Transfers between items	Shareholder´s equity 31 Dec. 2015
Total shareholders' equity	**1 855**				**2 092**
Share capital	428				428
Share premium account	524				524
Other restricted reserves	200				225
Reserve fund	164				164
Fair value reserve	36	25	0		61
Fair value measurement	24	20			44
Cash flow hedge	12	5	0		17
Non-restricted funds	331				331
Reserve for invested non-restricted equity	308				308
Other funds	23				23
Retained earnings or losses after adjustments	372		213		159
Profit or loss for the financial year		425			425

Changes in fair value reserve

EUR million	At year-start 1 Jan. 2014	Increases	Decreases	Transferred to income statement	At year-end 31 Dec. 2015
Notes and bonds	**8**	**40**	**8**	**0**	**40**
Deferred tax	-2		8		-10
Shares and participations	**16**	**3**	**13**	**-2**	**4**
Deferred tax	-4	3			-1
Other	**12**	**6**	**1**		**17**
Cash flow hedge	15		0		21
Deferred tax	-3	0	1		-4
Total	**36**	**49**	**22**	**-2**	**61**

Note 32. Restricted and non-restricted equity and distributable funds

EUR million	31 Dec. 2015	31 Dec. 2014
Shareholders' equity		
Restricted equity	1 140	1 177
Non-restricted equity	1 002	915
Total shareholders' equity	**2 142**	**2 092**

EUR million	31 Dec. 2015	31 Dec. 2014
Distributable funds		
Accumulated earnings	671	584
Total distributable funds	**671**	**584**

Note 33a. Financial assets and liabilities by residual term to maturity

31 Dec 2015, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	over 10 years
Notes and bonds eligible for refinancing with central banks	111	89	6 750	4 345	1
Receivables from credit institutions	3 728	1 889	3 669	337	23
Receivables from the public and public sector entities	3 079	2 007	8 268	1 471	1 231
Notes and bonds	126	114	564	137	1
Total assets	**7 043**	**4 099**	**19 250**	**6 290**	**1 256**
Liabilities to credit institutions and central banks	3 283	345	1 355	217	9
Liabilities to the public and public sector entities	15 850	1 274	261	153	131
Debt securities issued to the public	6 525	2 190	7 383	3 181	364
Subordinated liabilities	60	166	507	869	0
Total liabilities	**25 718**	**3 976**	**9 507**	**4 420**	**504**

31 Dec 2014, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	over 10 years
Notes and bonds eligible for refinancing with central banks	253	476	3 027	4 045	24
Receivables from credit institutions	5 178	788	3 542	528	30
Receivables from the public and public sector entities	2 847	1 674	7 262	1 256	1 353
Notes and bonds	22	94	489	107	1
Total assets	**8 300**	**3 031**	**14 321**	**5 937**	**1 409**
Liabilities to credit institutions and central banks	2 637	592	1 781	227	5
Liabilities to the public and public sector entities	10 384	784	205	232	62
Debt securities issued to the public	5 206	4 383	6 841	1 376	175
Subordinated liabilities	0	150	115	683	0
Total liabilities	**18 226**	**5 909**	**8 941**	**2 519**	**242**

Deposits other than fixed-term deposits are included in the maturity class 'less than 3 months'.

Note 33b. Classification of assets and liabilities

31 Dec 2015, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Carrying amount total
Cash and balances with central banks	8 465					8 465
Receivables from credit institutions and central banks	9 676					9 676
Derivative contracts			4 210		332	4 543
Receivables from customers	16 759					16 759
Notes and bonds		94	979	11 134		12 208
Shares and participations				2 073		2 073
Other receivables	1 827		178			2 005
Total assets	**36 728**	**94**	**5 368**	**13 207**	**332**	**55 729**

31 Dec 2015, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		5 209		5 209
Financial liabilities held for trading (excl. derivatives)				
Derivative contracts	4 196		336	4 532
Liabilities to customers		17 670		17 670
Debt instruments issued to the public		19 638		19 638
Subordinated liabilities		1 602		1 602
Other liabilities		4 934		4 934
Total liabilities	**4 196**	**49 054**	**336**	**53 586**

31 Dec 2014, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Carrying amount total
Cash and balances with central banks	3 774					3 774
Receivables from credit institutions and central banks	10 254					10 254
Derivative contracts			5 086		309	5 395
Receivables from customers	14 939					14 939
Notes and bonds		144	426	7 782		8 351
Shares and participations				1 312		1 312
Other receivables	2 643		605			3 248
Total assets	**31 610**	**144**	**6 117**	**9 094**	**309**	**47 274**

31 Dec 2014, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		5 241		5 241
Financial liabilities held for trading (excl. derivatives)	4			4
Derivative conctracts	4 890		373	5 264
Liabilities to customers		11 668		11 668
Debt instruments issued to the public		17 980		17 980
Subordinated liabilities		948		948
Other liabilities		4 076		4 076
Total liabilities	**4 895**	**39 914**	**373**	**45 182**

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.

Debt securities issued to the public are carried at amortised cost. On 31 December 2015, the fair value of these debt instruments was EUR 221 million (232) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than the amortised cost, but determining reliable fair values involves uncertainty.

Liite 33c. Financial instruments measured at fair value, grouped by valuation technique

Financial instruments measured at fair value in the balance sheet, 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Assets				
Recognised at fair value through profit or loss	616	342	21	979
Derivative contracts	2	4 364	177	4 543
Available-for-sale	9 208	2 679	293	12 179
Total assets	**9 826**	**7 385**	**491**	**17 701**
Liabilities				
Derivative contracts	35	4 362	135	4 532
Total liabilities	**35**	**4 362**	**135**	**4 532**

Financial instruments measured at fair value in the balance sheet, 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Assets				
Recognised at fair value through profit or loss	183	243		426
Derivative contracts	7	5 186	202	5 395
Available-for-sale	5 899	3 186	10	9 094
Total assets	**6 088**	**8 615**	**212**	**14 915**
Liabilities				
Derivative contracts	57	5 078	130	5 264
Total liabilities	**57**	**5 078**	**130**	**5 264**

Fair value hierarchy

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions as well as exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Bank plc includes OTC derivatives, quoted debt instruments issued by issued by companies, governments and financial institutions which have not been included in Level 1, repo agreements, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity on the valuation date. This level includes the most complex OTC derivatives and derivatives with a long maturity for which the Group had to extrapolate the market data used in their value measurement, as well as certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the Level 3 fair value is based on pricing information from a third party.

EUR million	31 Dec. 2015	31 Dec. 2014
Net income for the financial year from Level 3		
Realised net income	3	-2
Unrealised net income	-31	-11
Total net income	**-29**	**-13**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by Pohjola, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

At the end of 2015, the Group specified the classification criteria by abandoning credit rating as one classification criteria and adopting a more accurate analysis and classification of observable market prices. As a result, quoted bonds issued by governments, companies and financial institutions worth EUR 1.4 billion transferred from Level 2 to Level 1 and bonds worth EUR 0.3 billion transferred from Level 2 to Level 3.

Note 34. Assets and liabilities denominated in euros and foreign currencies

			Of which	
31 Dec 2015, EUR million	**Euros**	**Foreign currencies**	**Subsidiaries**	**Associates**
Receivables from credit institutions	9 438	209		
Receivables from the public and public sector entities	15 254	801	324	
Notes and bonds	12 013	224		
Derivative contracts	3 845	698	13	
Other assets	13 156	90	1 039	
Total assets	**53 706**	**2 023**	**1 376**	
Liabilities to credit institutions and central banks	4 107	1 102		
Liabilities to the public and public sector entities	15 506	2 164	124	
Debt securities issued to the public	10 792	8 846	35	
Derivative contracts and liabilities held for trading	3 990	542	3	
Subordinated liabilities	955	647		
Other liabilities	3 735	88	10	
Total liabilities	**39 085**	**13 390**	**172**	

			Of which	
31 Dec 2014, EUR million	**Euros**	**Foreign currencies**	**Subsidiaries**	**Associates**
Receivables from credit institutions	9 687	378		
Receivables from the public and public sector entities	13 633	760	272	
Notes and bonds	8 539	1		
Derivative contracts	4 784	612	15	0
Other assets	8 376	505	1 392	32
Total assets	**45 019**	**2 256**	**1 680**	**32**
Liabilities to credit institutions and central banks	4 740	502		
Liabilities to the public and public sector entities	10 616	1 051	226	
Debt securities issued to the public	11 628	6 352	46	
Derivative contracts and liabilities held for trading	4 701	567	14	
Subordinated liabilities	796	152		
Other liabilities	2 907	137	2	
Total liabilities	**35 389**	**8 761**	**289**	

Note 35. Variable remuneration

Personnel fund

Payment of profit-based bonuses to OP Personnel Fund in 2015 was based on the achievement of the following targets: OP Financial Group's pre-tax earnings and OP Financial Group's Common Equity Tier (CET 1),
both weighted at 30% and the change in the number of loyal customers weighted at 40%.
Profit-based bonuses for 2015 transferred to the Fund account for some 5.3% (4.2%) of the combined salaries and wages earned by the Fund's members. The bonuses recognised in 2015 totalled EUR 1.7 (1.0) million.

Remuneration schemes
OP Financial Group's remuneration comprises short-term company-specific remuneration and long-term Group-wide remuneration.
The maximum amount of remuneration is limited in all schemes.

In the short-term incentive scheme, the performance period is one calendar year and the bonus is primarily paid in cash. This short-term scheme covers all personnel.

Separately defined executives and key employees, appointed by the Executive Board, are included in the long-term management incentive scheme. OP Cooperative's Supervisory Board shall determine OP's Group-level performance metrics for the scheme and targets set for them separately for each performance period.

The long-term scheme consists of consecutive three-year performance periods. The amount of remuneration depends on how well the targets have been reached at the end of the performance period.
The bonus for the first performance period from 2011 to 2013 will be paid after a deferment period in three equal instalments by the end of each June in 2015–2017.
Owing to the tender offer made by OP Cooperative for Pohjola shares, the entire target bonus is paid in cash under the terms of the remuneration system.

Bonuses that may be paid under the remuneration scheme for performance period 2014–2016 will be paid as debentures issued by OP.
The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. An amount will be deducted from the bonus to cover related taxes and fiscal charges. The bonus will be paid in three equal instalments between 2018 and 2020.

Deferred payment of variable remuneration
The payment of variable remuneration has been prescribed in the Act on Credit Institutions (610/2014). If a person is categorised on the basis of his duties as belonging to a group that may cause considerable risk (person affecting risk profile) to his company, the company may defer the payment of variable remuneration over three years under certain conditions.

People who may affect the company's risk profile will have their variable remuneration payment deferred if their variable remuneration for a 12-month performance period exceeds EUR 50,000 – the maximum recommended by the Financial Supervisory Authority – or two months' fixed gross salary above this amount. The remuneration of the person affecting the company's risk profile is viewed up to the EUR 50,000 deferral limit as a whole, considering both long- and short-term remuneration.

If the euro maximum for deferral is exceeded, some bonus is paid immediately, while the rest is deferred and the deferred bonus will be paid in equal instalments within the next three years.
In such a case of deferral, any short-term scheme bonuses are paid half in cash and half as debenture loans issued by OP.

Expenses charged for variable remuneration *)

EUR million	2015	2014
Personnel fund	2	1
Short-term schemes	5	8
Long-term schemes		
Scheme for 2011–2013	0	0
Scheme for 2014–2016	0	0
Total	**7**	**10**

*) Excluding social expenses

Note 36. Assets pledged as collateral

Assets pledged as collateral

EUR million	31 Dec. 2015	31 Dec. 2014
Given on behalf of own debts and commitments		
Mortgages		
Pledges		
Other	528	981
Total	**528**	**981**
Other given on own behalf		
Mortgages		
Pledges*	3 969	6 273
Other		
Total	**3 969**	**6 273**
Total assets pledged as collateral	**4 497**	**7 254**

* of which EUR 2,000 million in intraday settlement collateral and the rest pledged but unencumbered.

Secured liabilities totalled EUR 506 (473) million.
Other collateral given on own behalf consists of collateral required for the maintenance of liquidity.

Note 37. Pension liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Direct liabilities from pension commitments	3	3
Share of the excess margin of pension liabilities on the pension fund and on other liabilities		
Repayment of the excess margin of the pension fund recorded as pension cost adjustment		

The statutory pension cover for Pohjola Bank plc employees is managed through the OP Bank Group Pension Fund and the supplementary pension cover through the OP Bank Group Pension Foundation. The Foundation has not accepted new beneficiaries since 30 June 1991. Pohjola Bank plc's pension liabilities are fully covered.

Note 38. Lease and other rental liabilities

Material contract terms and conditions regarding termination and redemption

Pohjola Bank plc has no significant lease or other rental liabilities. The contracts primarily cover personnel car leases with a maturity of three years.

Note 39. Off-balance-sheet commitments

EUR million	On behalf of subsidiaries	On behalf of affiliates	On behalf of others	Total
Off-balance-sheet commitments 31 December 2015	**0**		**8 349**	**8 349**
Commitments given to a third party on behalf of customers			**2 341**	**2 341**
Guarantees and pledges			2 167	
Other			173	
Irrevocable commitments given on behalf of customers	**0**		**6 009**	**6 009**
Loan commitments	0		5 745	
Other			264	

EUR million	On behalf of subsidiaries	On behalf of affiliates	On behalf of others	Total
Off-balance-sheet commitments 31 December 2014	**0**		**7 378**	**7 379**
Commitments given to a third party on behalf of customers			**2 749**	**2 749**
Guarantees and pledges			2 451	
Other			297	
Irrevocable commitments given on behalf of customers	**0**		**4 629**	**4 630**
Loan commitments	0		4 365	
Other			264	

Note 40. Other contingent liabilities and commitments at the year-end

On 31 December 2015, Pohjola Bank plc's commitments to private equity funds amounted to EUR 5.3 (7.4) million and relate to those presented in Note 41.

Client assets related to brokerage amounted to EUR 0.3 (-0.5) million included in 'Liabilities to the public and public sector entities'.

Accounts payable related to brokerage totalled EUR 54.1 (26.6) million and accounts receivable EUR 53.8 (27.1) million.

Note 41. Personnel and members of administrative bodies, and related parties

Average personnel in 2015	Average no.	Change during the year
Permanent full-time personnel	564	-28
Permanent part-time personnel	17	-2
Fixed-term personnel	51	5
Total	**632**	**-25**

Remuneration paid to members of administrative bodies in 2015	Wages and salaries, EUR million
Members of the Board of Directors, President and CEO, and Deputy CEO	1

In the financial year 2015, the members of the Board of Directors did not receive any monthly fees or attendance allowances.

Salaries and bonuses paid to President and CEO Jouko Pölönen for the financial year that ended on 31 December 2015 totalled 673,781 euros.*

* The amount includes EUR 11,200 in performance-based bonuses deferred for prior years and EUR 131,907 in bonuses paid under the long-term remuneration scheme. Payment of deferred amounts requires a Board decision. Detailed information on the deferral procedure can be found in Note 35 above.

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the company must pay the President and CEO severance pay equalling his 6-month total salary, in addition to compensation for loss of office, if the company dismisses him/her or he/she has to resign or terminate the contract due to a reason attributable to the company. If the contract terminates due to a reason not attributable to the President and CEO or due to his/her retirement, the company will pay him/her the bonuses (s)he has earned according to the criteria of the incentive scheme under the terms and conditions of the incentive schemes. Bonuses earned under the short-term scheme may, by way of exception, be paid irrespective of the termination of the contract if the targets under the remuneration scheme have been met and the Supervisory Board considers that remuneration is justified. Official regulations are taken into account in their payment. The President and CEO is involved in the long-term remuneration scheme. Bonuses under the scheme for 2011–2013 will be paid between 2015 and 2014 and those for 2014–2016 between 2018 and 2020. The President and CEO has unlimited company car benefit.

The President and CEO is a member of OP Cooperative's Executive Board whose members' improved pension cover has been arranged through supplementary pension taken out with OP Life Assurance Company Ltd. A retirement age of 63 years applies to the President and CEO under the executive contract.

Loans, guarantees and collateral granted to members of the administrative bodies on 31 December 2015

As at 31 December 2015 and 31 December 2014, Pohjola Bank plc had not granted loans or guarantees to members of the Board of Directors.

Pension commitments

Members of the administrative and supervisory bodies are not covered by any pension commitments. Furthermore, no pension commitments have been made for previous members of these bodies.

Auditors' remuneration	2015	2014
Audit	EUR 137,775	EUR 135,212
Other services based on legislation*	EUR 179,263	EUR 117,676
Tax counsultation	EUR 27,358	EUR 8,072
Other services	EUR 154,041	EUR 99,804
Total	**EUR 498,437**	**EUR 360,764**

* Assignments as referred to in sub-paragraph 2, paragraph 1, Section 1 of the Auditing Act.

Related parties

Pohjola Bank plc's related parties include the President and CEO, deputy CEO, members of the Board of Directors, the auditor and deputy auditor or the chief auditor representing the firm of authorised public accountants, and the abovementioned persons' spouses or persons living in a spousal-type relationship with them and their underage children.

The related parties also include entities and foundations over which the aforementioned persons have control, alone or together with the other person.

Transactions based on ownership, EUR million	**2015**	**2014**
Loans and other receivables	11	11
Deposits and other debts	1 082	192
Net interest income	-1	-2
Dividend income	0	
Net commissions and fees	0	7
Net other operating income	-10	-8
Guarantees and other off-balance-sheet commitments	0	20

No impairments have been recognised for the items.

Note 42. Holdings in other companies 31 December 2015

Subsidiaries	Holding, %	Equity capital	Profit or loss for the financial year
Pohjola Insurance Ltd Helsinki	100	563	197
A-Insurance Ltd Helsinki	100	77	14
Kaivokadun PL-hallinto Oy Helsinki	100	5	0
Vakuutuspalvelu Otava Oy Helsinki	100	0	0
Conventum Venture Finance Ltd. Helsinki	100	12	0
Northclaims Oy Helsinki	100	0	0
Pohjola Finance Estonia AS Estonia	100	4	1
Pohjola Finance SIA Latvia	100	9	1
UAB Pohjola Finance Lithuania	100	7	2

Participating interests	Holding, %	Equity capital	Profit or loss for the financial year
Finnmezzanine Rahasto III B Ky Helsinki	49,49	2	0

Pohjola Bank plc has no shareholdings in companies in which it would have unlimited liability.

Note 42a. Information by country 31 December 2015

Pohjola Bank plc has branches engaged in banking in Estonia, Latvia and Lithuania. In addition, it has subsidiaries in Estonia, Latvia and Lithuania engaged in finance-company operations. In Estonia Pohjola Insurance Ltd has a non-life insurance subsidiary with a branch in both Latvia and Lithuania.

Name		Domicile
Pohjola Bank plc Estonian Branch	Branch	Estonia
Pohjola Bank plc Latvian Branch	Branch	Latvia
Pohjola Bank plc Lithuanian Branch	Branch	Lithuania
Pohjola Finance Estonia AS	Subsidiary	Estonia
Pohjola Finance SIA	Subsidiary	Latvia
UAB Pohjola Finance	Subsidiary	Lithuania
Seesam Insurance AS	Subsidiary	Estonia
Seesam Insurance AS Latvian Branch	Branch	Latvia
Seesam Insurance AS Lithuanian Branch	Branch	Lithuania

Financial information, EUR million	Estonia	Latvia	Lithuania	Total
Total operating income	21	3	5	29
Total EBIT	4	0	2	5
Total current tax	0	0	0	0
Received capital grants and loans and guaranteed given by public-sector entities, total				
Total personnel in man-years	175	99	112	386

Note 43. Trustee Services

Pohjola Bank plc provides the general public with investment services and asset management and custodian services. Pohjola Bank plc holds no assets based on discretionary investment management or on another agreement.

Notes concerning an entity under the Group's control

Pohjola Bank plc's parent company is OP Cooperative and Pohjola's consolidated accounts are included in its consolidated financial statements. Copies of the financial statements of OP Cooperative are available at the following address: Teollisuuskatu 1, FI-00510 Helsinki, Finland.

The accounts of Pohjola Bank plc are consolidated into those of Pohjola Group. Copies of Pohjola's consolidated financial statements are available at www.pohjola.com or the company's registered office, Teollisuuskatu 1, FI-00510 Helsinki, Finland.

Helsinki, 4 February 2016

The Report by the Board of Directors and the Financial Statements signed by:

Reijo Karhinen

Tony Vepsäläinen

Harri Luhtala

Erik Palmén

Jouko Pölönen
President and CEO

A report on the audit performed has been issued today.

Helsinki, 10 February 2016

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Pohjola Bank plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Pohjola Bank plc for the year ended 31 December 2015. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, Act on Credit Institutions or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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 the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 10 February 2016

KPMG OY AB

[*signed*]
Raija-Leena Hankonen
Authorized Public Accountant in Finland