

Tapiola Bank Ltd
Annual Report and
Financial Statements 2010

TAPIOLA



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REPORT OF BOARD OF DIRECTORS 1 January – 31 December 2010

Bank Group and Tapiola Group

Tapiola Bank Ltd is a subsidiary of Tapiola General Mutual Insurance Company (Tapiola General) and the parent company of the Bank Group. The Bank Group includes the subsidiary Tapiola Asset Management Ltd, owned 100% by Tapiola Bank Ltd, and the associated undertaking Ab Compass Card Oy Ltd, of which Tapiola Bank Ltd owns 34%.

Besides the aforementioned Tapiola General, Tapiola Bank and Tapiola Asset Management, the Tapiola Group includes Tapiola Mutual Pension Insurance Company, Tapiola Mutual Life Assurance Company and Tapiola Real Estate Ltd.

The domicile of Tapiola Bank Ltd is Espoo and its business ID is 1795059-8.

Tapiola Bank Group, along with its subsidiary Tapiola Asset Management, offers its customers Tapiola Group's comprehensive service network and a telephone service for banking and investment services. Customers can handle their accounts, loans, funds, insurance and equity investments using our 24-hour internet services. Tapiola payment and ATM cards are available to customers, as well as our mobile service.

Goals for customer growth are high

The customer numbers of the Bank Group have been growing slower than before.

In banking operations, customer numbers increased by about 27,000, reaching 211,000 at the end of the year. The market share of deposits remained at 1.2 per cent (1.2%).

The number of unit holders of the funds managed by the asset management arm grew by 6,000, reaching 51,000 unit holders at the end of the year. The market share of Tapiola funds remained at 2.9 per cent. The total number of asset management service customers outside of the Tapiola Group rose to about 800.

Interest and Securities market

Market interest rates remained exceptionally low throughout the financial year. The Tapiola Prime rate stayed at 1.95 per cent throughout the financial year. The 12-month Euribor interest

rate rose from 1.24 per cent to 1.51 per cent during the period. However, the low interest rate has continued to reduce banks' interest income. In addition, interest margins have narrowed further.

The fund assets of mutual funds registered in Finland have exceeded the level of the end of last year, following a drop during the summer. The amount at the end of the financial period was 61.5 (54.3) billion euros. The growth has mostly been based on the increase in the value of the fund assets. The OMX index of the Helsinki Stock Exchange rose and was 7,662 (6,456) at the end of the year. According to the Federation of Finnish Financial Services, the growth of fund capital in domestic funds was 13.3 per cent, and it was almost entirely based on the positive market development.

The balance sheet, off-balance-sheet commitments and managed assets of the Bank Group

The financial assets of the Bank Group were 1,596.6 million euros in total (1,381.2 million euros on 31 December 2009).

Loans and other receivables grew by 169.4 million euros and amounted to 1,381.9 (1,212.5) million euros at the end of the financial period. Saleable financial assets consisted of certificates of claim and mutual fund investments, and totalled 79.2 (119.5) million euros.

The managed assets of the Bank Group grew by 8.0 per cent from the year-end to 7,366.4 (6,821.7) million euros.

Managed assets of the Bank Group	31.12.2010 EUR m	31.12.2009 EUR m	guarantee scheme %
Deposits	1,434.7	1,233.5	16.3%
Bonds issued to the public	53.0	38.1	39.0%
Customer assets	5,878.8	5,550.2	5.9%
Total	7,366.4	6,821.8	8.0%

At the end of the financial period, the financial liabilities of the Bank Group were 1,508.2

(1,292.0) million euros, of which the portion of deposits was 1,434.7 (1,233.5) million euros.

No changes took place in the share capital.

Division of Tapiola Bank Ltd's share capital	pc	of shares and votes %
Mutual Insurance Company Tapiola	35,280	73.0
Tapiola Mutual Life Assurance Company	9,493	19.7
Tapiola Mutual Pension Insurance Company	3,535	7.3
Total	48,308	100.0

The Bank Group's own capital and reserves were 71.9 (69.0) million euros. The change is due to the change in the current value reserve (-0.3 million euros) and the profit of the financial period (3.2 million euros).

There were 63.5 (67.8) million euros of off-balance-sheet commitments.

Result for the financial year

The operating profit of the Bank Group for continuing operations was 4,045,000 (2,069,000) euros and the profit for the financial period (after taxes) was 3,220,000 (2,555,000) euros.

The low interest levels burdened the development of the interest margin. The interest margin, at 13,689,000 (12,843,000) euros, grew by 6.6 per cent, although the targets were not met.

Net commission income grew by 23.4 per cent and was 28,807,000 (23,347,000) euros. Especially visible in this was the growth of net commission income from asset management, which rose from 11,475,000 euros to 15,288,000 euros.

The growth of administrative expenses, at 41,074,000 (36,334,000) euros, was mainly due to investments in IT and the development of new forms of service.

Banking operations

The operating profit of Tapiola Bank Ltd came to 1,812,000 (1,711,000) euros. Profits grew even though significant system investments were made during the financial period. The growth of expenses remained at the level required by the growth in turnover.

The balance sheet for the banking operations was 1,544.6 (1,320.2) million euros. The main contributors to the growth of the balance sheet

were expanded business operations in treasury, private asset management and company services.

The Group's banking receivables from the public and from public corporations increased by 197.1 million euros to 1,351.7 (1,154.6) million euros, while the deposit base grew by 201.4 million euros to 1,435.1 (1,233.7) million euros. The market share of deposits was 1.2 (1.2) per cent.

The bank's credit risks have not increased. Credit losses and value adjustment losses on credit totalled 0.4 (0.6) million euros. The losses were credited in the profit and loss account, and they affected operational profits.

Asset management

The operating profit of Tapiola Asset Management Ltd came to 3,132,000 (536,000) euros. The growth in profits is based on results achieved in portfolio management. In asset management operations, investments were also made in order to diversify the services on offer.

The balance sheet for the asset management operations was 13,313,000 (8,837,000) euros. The growth on the balance sheet is mainly due to the investments made during the financial period.

The fund capital in the mutual funds managed by Tapiola Asset Management Company increased by 13.6 per cent to 1,810.4 (1,594.2) million euros. Net subscriptions accrued in the amount of 7.1 million euros during the year. Tapiola Asset Management Company is the ninth-largest Finnish fund management company.

At the end of the financial year, customer funds managed by Tapiola Asset Management Ltd increased by 329.0 million to 5,893.0 (5,564.0) million euros.

Key figures and solvency

The solvency ratio of the Bank Group was 12.1 (13.4) per cent and the ratio with primary own funds was 8.5 (9.4) per cent. The focus during the financial period has been on diversifying the treasury business and on system development. The growth on the balance sheet can be seen as a decrease in the solvency ratio. The solvency ratio of Tapiola Bank Ltd was 13.7 (16.3) per cent and Tapiola Asset Management Ltd's solvency ratio was 25.9 (37.6) per cent.

	31.12.2010	31.12.2009
Key figures of the Bank Group		
	1-12/2010	1-12/2009
Net interest income for the period, million €	13.7	12.8
Operating profit for the period, million €	4.0	2.1
Cost/return ratio for the period	0.9	0.9
Return on equity (ROE), %	4.6	3.8
Relation with primary own funds, %	8.5	9.4
Solvency %	12.1	13.4

The return on equity (ROE) for the Bank Group rose 4.6 (3.8) per cent during the financial period. The cost/return ratio improved a little, ending at 0.91 (0.94).

The key figures are presented in more detail as an appendix to the financial statement. The solvency calculation and the change in capital and reserves have been presented in more detail in the financial statement and its appendixes.

Risk management of the Bank Group

The Risk Management Committee and Balance Sheet Management Committee of the Bank Group monitor and manage the risk management of the Group. The Group's operations are based on the risk management instructions approved by the Boards of Directors of the companies. The risk appendix to the financial statement includes a description of the organisation of risk management, the monitoring of different risk classes and risk levels.

Risks in lending

Loans and other receivables were 1,381.9 (1,212.5) million euros, 169.4 million euros more than the previous year. The loan portfolio – receivables from the public and from public corporations – totalled 1,351.7 (1,154.6) million euros.

The portion of housing loans in the loan portfolio is 82.3 per cent. The credit portfolio has been rated at risk class 25. This classification is based on the customer's ability to repay the loan and the value of the security on the credit, as well as on the net wealth of the customer. The basic principles of the classification are that 70 per cent of the current value of the apartment is calculated as the security and the customer's ability to repay is tested using an interest rate of 6 per cent. In the report, the risk classes have

been combined into three classes. In this combination, the maximum amount of credit with higher-than-normal risk is 20 per cent of the entire credit portfolio. At the end of the financial period, the proportion of credit with higher-than-normal risk was 14 per cent. The appendixes describe in more detail the method used to classify risk in the credit portfolio.

How the credit portfolio is categorised is also monitored using the following principles and appropriate risk limits:

- customer profile
 - distance of the bank's branch office from the object for which the credit is granted
 - the city's per-capita tax income
- If necessary, separate stress tests have been carried out for specific debtor groups.

Unmanaged credit

The amount of unmanaged credit remained at the previous year's level during the financial period. The level can be considered low. The proportion of non-performing credit in the credit portfolio was 0.2 per cent. A more precise description of the unmanaged credit has been presented in the risk appendixes to the financial statement.

Risk mapping

Capital adequacy requirements are calculated for strategic and operative risks on the basis of risk mapping and the scope of the operation. Capital adequacy requirements are part of the calculation model for the financial capital.

The internal solvency management process (ICAAP) of the Bank Group, which is used to define the amount of financial capital, has been described in greater detail in the appendixes to the financial statement.

Management, personnel and service network

Board members of Tapiola Bank Ltd:

- Jari Saine, chairperson (b. 1951)
Master of Arts, actuary, Group Director of Tapiola Group (services for banking, savings and investment customers)
- Jari Eklund, deputy chairperson, (b. 1963)
Master of Business Administration, Investment Manager for Tapiola Group
- Jaakko Gummerus, (b. 1950)
Master of Laws trained on the bench, Director of Tapiola Group, legal services
- Matti Inha, (b. 1949)
Master of Laws, Managing Director of the Mortgage Society of Finland

Tom Liljeström, (b. 1959)
 Master of Science, Master of Business Administration, Managing Director, Tapiola Asset Management Ltd

Members of the management group of Tapiola Bank Ltd:

Harri Lauslahti, Managing Director, (b. 1961)
 Master of Science in Economics

Marja Pajulahti, Deputy Managing Director and acting Managing Director, (b. 1966)

Master of Laws, Director responsible for private customers and investment services

Kaija Jokiharju (b.1964)

Vocational Qualification in Data Business and Administration, Service Director responsible for the development of IT and network services

Antti Kalliokoski, (b. 1969)

Master of Science, Director responsible for payment transactions

Tapani Nyrhi, (b. 1962)

Master of Laws, Master of Business Administration, Director responsible for corporate customers and lending

Heikki Honkanen, (b. 1950)

Master of Science in Economics, Master of Business Administration, Finance Director and Director responsible for risk management

During the financial year, the Group had 168 (162) employees on average and 157 (159) employees at the end of the year.

In addition, the Bank Group buys services from the other companies in the group to maintain the banking and asset management service network of 63 offices around Finland.

The Bank Group follows the salary and compensation schemes of the Tapiola Group. The schemes are planned and prepared in conjunction with HR, financial administration and risk management services. If necessary, Hay Group Oy is used as a consultant. The Supervisory Boards' Cooperation Committee decides on the Group's salary and compensation schemes, as well as the compensation for the President and members and deputy members of the Board of Directors. Otherwise, decisions are made by the companies' Boards of Directors.

The management's annual remuneration is based on the performance of the companies and elements affecting the result. The indicators are

based on official key figures. Remuneration is calculated as the product of the outcome rate of the above-mentioned elements, the maximum remuneration percentage based on the position level and the annual salary. The maximum remuneration percentages in early remunerations vary between 30 to 70 per cent.

The amount of merit pay granted to clerical employees may not exceed 7 per cent of the annual payroll, except for some experts in investments and asset management, as well as in risk management, whose maximum merit pay may not exceed 20 per cent of the annual salary. Objectives are determined on the basis of the Group's strategy, and they can be either team-specific or personal. The achievement of objectives is assessed in performance appraisal discussions. The regional organisation's salary schemes include various alternatives for rewarding performance, and their proportion of the total salary varies from a few per cent to approximately fifty per cent.

Employees in the Group's investment organisation have their own long-term merit pay model in which the merit pay is determined for a three-year period on the basis of investment returns compared to an index. Remuneration levels vary annually between 10 and 33 per cent of the annual salary.

Based on the results, annual payments are also made to Tapiola Group's personnel fund, established in 1991. This profit bonus item is mainly determined by the companies' profits in accordance with the Act on Personnel Funds. Other elements include efficiency, growth and service quality. The payment is subtracted from the preliminary estimate of the result of the financial period.

Tapiola Bank Ltd has reported on its corporate governance separately from the annual report and financial statements, in accordance with recommendation 54 concerning Finnish listed companies' corporate governance (15 June 2010). Tapiola Bank adheres to good corporate governance, which is based on legislation concerning the banking sector, as well as the regulations and guidelines issued by the Financial Supervisory Authority. The clarification and the information required by the recommendations can be found in their entirety on the company's internet pages at www.tapiola.fi.

The auditor is Authorised Public Accountants PricewaterhouseCoopers Ltd.

Other events during the financial period

The organisation of the banking operations has been updated and the financial management and risk management of the bank has been outsourced to the Group services of Tapiola Group. The corresponding transfer of legal and compliance functions was implemented on 1 January 2011. The reform meets the requirements of the bank's expanding operations.

At the end of the year, Tapiola Bank Ltd and Tapiola Asset Management Ltd purchased the information systems under their control from Tapiola Data Ltd, which is one of their associated companies. The resulting growth on the balance sheets in terms of intangible assets had a weakening effect on solvency.

The bank's associated undertaking Ab Compass Card Oy Ltd began operating a credit and debit card business during the financial period. This service enables Tapiola to better customise credit and debit cards according to the demands of the bank's customers.

The banking operations expanded to leasing operations during the spring. In financing operations, the aim is to provide individualised service of high quality.

Significant events following the financial period

The securities services will be taken into use during the first quarter of 2011. Also, functionality enabling customers to pay invoices in foreign currencies will be taken into use in early 2011.

At the beginning of April, the bank will begin offering asset management services to households.

Expectations and risks for the coming year

The low level of market interest rates will limit profit development in the near future. The Bank Group is expected to make a profit in 2011

According to regularly conducted reviews, risks within banking operations have not noticeably increased. Arrears of loan repayments, a key signifier of credit risks, are low.

The further expansion of operations brings with it new risks. The need for capital required by growth is monitored with an internal process. On the basis of the process, decisions are made concerning any necessary increases in capital.

The proposal of the Board of Directors to the 2011 annual general meeting

The Board of Directors proposes to the 2011 annual general meeting that the profit of Tapiola Bank Ltd for the financial year, 2,550,966.93 euros, be transferred to the profit and loss account and a dividend not be paid.

TAPIOLA BANK LTD- FINANCIAL STATEMENT OF THE BANK GROUP

BALANCE SHEET AND CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE BANK GROUP

BANK GROUP BALANCE SHEET

	31.12.2010	31.12.2009	(appendix number)
	1 000 €	1 000 €	
ASSETS			
Financial assets			
cash assets	135,000	33,000	(1,16,17)
To be entered in the income statement at current value	545	361	(2,16,17,21)
Saleable financial assets	79,190	119,497	(3,17)
Investments kept until due date	0	15,780	(4,17)
Loans, other receivables	1,381,900	1,212,522	(5,16,17)
Financial assets	1,596,636	1,381,160	
Holdings in participating interests	209	598	(6)
Intangible assets	16,283	12,777	(7,26)
Tangible assets	322	305	(8,26)
Debtors	6,547	4,760	(9)
Tax assets			
Deferred tax assets	739	748	
Tax assets	739	748	(10,28)
OWN FUNDS, TOTAL	1,620,735	1,400,348	
LIABILITIES			
Financial liabilities			
Deposits	1,434,675	1,233,546	(11,16,17)
To be entered in the income statement at current value	544	360	(12,16,17,21)
Bonds issued to the public	52,958	38,099	(13,16,17)
Liabilities that have lower priority than other liabilities	20,000	20,000	(14,16,17)
Financial liabilities	1,508,177	1,292,005	
Other liabilities	39,312	38,477	(15)
Tax liabilities			
Income tax liabilities	692	87	
Deferred tax liabilities	639	756	
Tax liabilities	1,331	843	(10,28)
TOTAL DEBTS	1,548,820	1,331,325	
CAPITAL AND RESERVES			
Equity capital	31,400	31,400	(18)
Premium fund	48,100	48,100	(19)
Current value reserve	1,807	2,134	(10,19)
Unrestricted reserves	28,042	28,042	(19)
Retained earnings			
Profit (loss) brought forward	-40,653	-43,207	
Profit (loss) for the review period	3,220	2,555	
Retained earnings	-37,433	-40,653	(19)
CAPITAL AND RESERVES	71,915	69,023	
CAPITAL AND RESERVES, AND DEBTS IN TOTAL	1,620,735	1,400,348	

The notes are an integral part of the financial statement of the group.

PROFIT AND LOSS ACCOUNT OF THE BANK GROUP

	1.1.-31.12.2010	1.1.-31.12.2009	(appendix number)
	1 000 €	1 000 €	
Interest income	31,513	35,606	(20)
Interest expenses	-17,833	-22,763	(20)
INTEREST MARGIN	13,679	12,843	
Net return of financial assets and liabilities	1,790	191	(21)
Value adjustment loss on loans and other commitments			
	-386	-617	(22)
Commission income	35,632	28,526	(23)
Commission expenses	-6,824	-5,179	(23)
Other business income	6,057	6,292	(24)
Administrative expenses	-41,071	-36,334	(25)
Depreciation and value adjustments on tangible and intangible assets	-1,815	-1,213	(7,8,26)
Other business expenses	-2,627	-2,278	(27)
Share in profit/loss of associated undertakings	-389	-164	(6)
OPERATING PROFIT (LOSS) IN CONTINUING OPERATIONS	4,045	2,069	
Income taxes	-825	486	(28)
PROFIT (LOSS) FOR THE FINANCIAL YEAR	3,220	2,555	
Distribution of profits			
Owners of the parent company	3,220	2,555	
CONSOLIDATED PROFIT AND LOSS ACCOUNT	1.1.-31.12.2010	1.1.-31.12.2009	
Profit for financial year	3,220	2,555	
Other items of the consolidated profit after taxes:			
Saleable financial assets	-328	1,621	(3,17)
TOTAL CONSOLIDATED PROFITS FOR THE FINANCIAL YEAR	2,892	4,176	

BANK GROUP CASH FLOW STATEMENT

BANK GROUP CASH FLOW STATEMENT	2010	2009
	1,000 €	1,000 €
CASH FLOW FROM OPERATIONS:		
Operating profit (loss)	4,045	2,069
Adjustments made to the operating profit	6,535	-1,357
Income taxes paid	-126	0
Business asset increase (-) / decrease (+)		
To be entered in the income statement at current value	-236	-440
Saleable financial assets	5,187	-48,511
Investments kept until due date	15,255	7,541
Loans, other receivables	-204,066	-183,650
Other debtors	-1,469	-1,041
Business debt increase (+) / decrease (-)		
Deposits	201,440	43,892
To be entered in the income statement at current value	236	440
Bonds issued to the public	14,722	38,037
Other liabilities	-8,471	1,191
Cash flow from operations (A)	33,052	-141,830
CASH FLOW FROM INVESTMENTS		
Dividends received from shares and other equities	6	6
Investments in shares and holdings	-183	-
Investments in shares in participating interests	-	-510
Investments in shares in Group companies	0	0
Investments in tangible and intangible assets	-147	-
Cash flow from investments (B)	-324	-504
CASH FLOW FROM FINANCING ACTIVITIES		
Cash flow from financing activities (C)	0	0
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) increase (+)	32,727	-142,334
Cash and cash equivalents at the start of the year	125,917	268,251
Cash and cash equivalents at the end of the year	158,644	125,917
Change in cash and cash equivalents	32,727	-142,334

NOTES TO THE CASH FLOW STATEMENT

Components of cash and cash equivalents, and reconciliation statement

The cash and cash equivalents included in the cash flow statement include:

cash assets	135,000	33,000
Receivables from credit institutions payable on demand	286	38,050
Receivables from central banks to be included in cash and cash equ	23,359	19,895
Certificates of claim to be included in cash and cash equivalents		34,972
Total	158,644	125,917

Adjustments in operating profit, itemised:

Interest income	565	1,935
Interest expenses	-5	-5,409
Dividends in investment cash flow	-6	-6
Tangible and intangible assets	1,815	1,213
Recorded during the financial year	386	617
Other adjustments	3,391	-53
Share of profit/loss of associated undertakings	389	346
Total	6,535	-1,357

CHANGES IN THE CAPITAL AND RESERVE ITEMS OF THE BANK GROUP

1 000 €

	Share capital	Premium fund	Current value reserve	Invested distributable reserves	Retained earnings	Total capital and reserve items belonging to the owners of the parent company
Capital and reserves, 1 Jan 2009	31,400	48,100	513	28,042	-43,207	64,847
Consolidated profits for the financial year						
Profit for financial year	-	-	-	-	2,555	2,555
Other items of the consolidated profits						
Saleable financial assets	-	-	1,621	-	-	1,621
Consolidated profits			1,621		2,555	4,176
Business actions with the owners						
31.12.2009	31,400	48,100	2,134	28,023	-40,653	69,023
Capital and reserves, 1 Jan 2010	31,400	48,100	2,134	28,023	-40,653	69,023
Consolidated profits for the financial year						
Profit for financial year	-	-	-	-	3,220	3,220
Other items of the consolidated profits						
Saleable financial assets	-	-	-328	-	-	-328
Consolidated profits			-328		3,220	2,892
Business actions with the owners						
31.12.2010	31,400	48,100	1,807	28,042	-37,433	71,915

Notes 18 and 19

KEY FIGURES OF THE BANK GROUP

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

	31/12/2010	31.12.2009
Loans, other receivables, € million	1,381.9	1,212.5
Deposits, € million	1,434.7	1,233.5
Capital and reserves, € million	71.9	69.0
Balance sheet total, € million	1,620.7	1,400.3
Contingent liabilities, € million	63.5	67.8
Interest margin, € million	13.7	12.8
Turnover, € million	75.0	70.6
Operating profit/loss, € million	4.0	2.1
% of turnover	5.4	2.9
Return on equity (ROE), %	4.6	3.8
Return on assets (ROA), %	0.2	0.2
Equity ratio, %	4.4	4.9
Cost/return ratio	0.9	0.9

SOLVENCY in accordance with Basel II

31/12/2010 31.12.2009

Primary own funds, total, € million	53.0	53.1
Secondary own funds, total, € million	22.3	22.6
Minimum requirement for own funds, € million	49.8	45.2
Solvency ratio primary own funds, %	8.5	9.4
Solvency ratio, %	12.1	13.4

Formulas

Return on equity (ROE), percentage	= 100 x	$\frac{\text{Operating profit/loss less income taxes}}{\text{Capital and reserves and minority interest + accumulated appropriations less deferred tax liabilities (average of beginning and end of year)}}$
Return on assets (ROA), percentage	= 100 x	$\frac{\text{Operating profit/loss less income taxes}}{\text{Balance sheet total average (average of beginning and end of year)}}$
Equity ratio, percentage	= 100 x	$\frac{\text{Capital and reserves and minority interest + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}}$
Cost/return ratio	=	$\frac{\text{Administrative + Depreciation and value adjustments on tangible and intangible assets + Other business expenses}}{\text{Interest margin + Return on equity investments + Net commission income + Net income from security trading and currency operations + Net income from saleable financial assets + Net result of hedging calculation + Net income on investment property + Other business income + Share of profit/loss of associated undertakings (net)}}$
Turnover	=	$\text{Combined sum of interest yield, leasing income, return on equity investments, commission income, net return on security trading and currency operations, net return on saleable financial assets, net return on hedging calculation, net income from investment property and other business income}$

NOTES TO THE FINANCIAL STATEMENT OF THE BANK GROUP

Notes on switching to the use of IFRS and on accounting principles

1. General information

Tapiola Bank Ltd is a subsidiary of Tapiola General Mutual Insurance Company (Tapiola General).

The parent company of the Tapiola Bank Group is Tapiola Bank Ltd (business ID 1795059-8) and its domicile is Espoo. The address of the company is Länsituulentie 1 A, 02100 Espoo, Finland.

The Tapiola Bank Group includes the bank's subsidiary, Tapiola Asset Management Ltd (100% owned by Tapiola Bank Group) and the associated undertaking Ab Compass Card Oy Ltd (34% owned by Tapiola Bank Group).

The Board of Directors of Tapiola Bank Ltd agreed to publish this financial statement in its meeting on 18 February 2011. In accordance with the Finnish Companies Act, shareholders have the opportunity to accept or reject the financial statement in an annual general meeting to be held after the statement has been made public. The annual general meeting also has the opportunity to make a decision on changing the financial statement.

2. Summary of significant accounting principles

The following presents the central principles used in preparing this Group financial statement. They have been consistently followed during all financial periods to be presented, unless stated otherwise.

This is Tapiola Bank Ltd's first Group financial statement to have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Before the adoption of the IFRS, the Group financial statements were prepared in accordance with Finnish financial statement norms. The effects of switching to IFRS are described in section 4 "Switching to using IFRS".

Principles used in preparing the statements

The Group financial statement has been prepared using the principle of original acquisition costs, with the exception of saleable financial assets, financial assets and liabilities to be entered in the income statement at current

value, and derivatives contracts that have been valued at current value. In the case of goodwill before the merger of business operations that took place in 2009, it corresponds with book value in accordance with the previous financial statement norms, which has been used as the default acquisition cost in accordance with the IFRS. The classification or financial statement treatment of these acquisitions has not been corrected. The financial statement information is presented in thousands of euros, unless otherwise stated.

Preparing the financial statement in accordance with IFRS required the management of the Group to make certain estimates and assessments when applying the principles. Information on the procedure used by the management in applying the principles of creating the financial statement and which has the most effect on the figures presented on the financial statement, has been presented in section "Principles requiring consideration by the management and central uncertainties related to the estimates".

Tapiola Bank Group presents the Pillar 3 solvency information required by Standard 4.5 of the Financial Supervisory Authority as part of the financial statement and in the annual report, as applicable.

The following IFRS and changes to the standards have been published and the Group will take them into use during the financial period starting on 1 January 2011.

The renewed **IAS 24** "Related Party Disclosures" was published in November 2009. The standard will replace the IAS 24 published in 2003. The (updated) standard IAS 24 must be applied to financial periods starting on or after 1 January 2011. It may also be applied earlier, in full or in part. In the updated standard, the definition of related party has been clarified and simplified and the requirement to present the details of all business done with public associations or associations connected to them for association connected to public associations have been removed. The Group will begin applying the updated standard from 1 January 2011 onwards. When applying the new standard, the Group and the parent company

must present information on any significant business between the subsidiaries and associated undertakings. The Group is investigating the effects of the new standard on the financial statement.

"Classification of rights issue" (**amendment to IAS 32**) was published in October 2009. The amendment is in force for financial periods starting 1 February 2010 or after. It is permitted to apply the change before this. The amendment applies to the accounting of rights issued in a currency other than the operational currency of the issuing party. The change is applied retroactively. The Group will begin applying the amended standard from 1 January 2011 onwards. The interpretation has no effect on the financial statement of the Group or the parent company.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" is in force for financial periods starting 1 July 2010 or after. The interpretation clarifies accounting in cases where the terms of financial liability have been renegotiated and, as a result, the company releases equity instruments to the debtor in order to extinguish the liability in full or in part (exchanging debt as part of capital and reserves). According to the interpretation, the profit or loss defined as the difference between the accounting value of the financial liability and the current value of the equity instruments related to capital and reserves issued must be entered in the income statement. The interpretation is expected to have no effect on the financial statement of the Group or the parent company.

"Voluntary prepaid contributions" (amendments to **IFRIC 14**). The amendments aim to correct the unintended consequence of the interpretation of IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". Without these changes the companies would not be able to recognise as an asset some prepayments for minimum funding requirements. This was not the intention when IFRIC 14 was published and the goal of these amendments is to correct the problem. The amendments will be in force for financial periods starting 1 January 2011 or after. It is permitted to apply the amendment before this. The amendment is applied retroactively from the first review period to be presented. The Group is investigating the effects of the amendments and intends to apply them during the financial period starting 1 January 2011.

The following IFRS and changes to the standards have been published and the Group intends to take them into use later than the next financial period.

IFRS 9 "Financial Instruments" was published in November 2009. It is the first stage in a process intended to replace IAS 39 "Financial Instruments: Recognition and Measurement" with a new standard. IFRS 9 contains new requirements for the classification and recognition of financial assets and is likely to affect the accounting of financial assets in the Group. The standard was amended in October 2010 to include requirements on the handling of financial liabilities. The standard will come into force in January 2012, but it may be applied earlier. However, the standard has not yet been approved in the EU and the Group has yet to analyse its effects.

Preparing the consolidated financial statements

The consolidated financial statements are prepared by the parent company, Tapiola Bank Ltd, the bank's subsidiary, Tapiola Asset Management Ltd (100% owned by Tapiola Bank Ltd) and the associated undertaking Ab Compass Card Oy Ltd (34% owned by Tapiola Bank Ltd).

Subsidiaries include all companies (including units established for specific purposes) in which the Group has the right to dictate the principles of finance and operations. This is usually based on share holding, with the parent company holding more than 50% of the voting rights.

Mergers of business operations are handled using the acquisitions method. The financial assets and liabilities, as well as the contingent assets and liabilities, are valued at the current value at the time of acquisition. The amount by which the payment supersedes the Group's share of the current value of the acquired net wealth is recorded on the balance sheet as goodwill.

Business transactions, receivables and liabilities between companies in the Group, as well as unrealised profits, are eliminated. Unrealised losses are also eliminated. The principles used to prepare financial statements for the subsidiaries have, if necessary, been changed to correspond with those used by the Group.

Associated undertakings include all companies in which the Group has significant influence, but not the right of decision. Usually the significant influence is based on share holding, such that

the parent company holds more than 20% of the voting rights. Investments made in associated undertakings are handled using the equity method and are stated at cost. The Group's shares in the associated undertakings also include the goodwill defined at the time of acquisition with any possible value adjustments.

After the acquisition, the Group's share of the profit and loss of the associated undertakings will be stated on the balance sheet and its share of any changes in the consolidated profit after acquisition will be stated as items of consolidated profit. The book value of the investment will be corrected according to changes accumulated after acquisition. If the Group's shares of the losses of the associated undertaking are equal to or greater than its share of the associated undertaking, including any unsecured claims, the Group will not state any more losses unless it has commitments related to the associated undertaking or it has made payments on the undertaking's behalf.

The part corresponding to the share owned by the Group will be eliminated from the unrealised profits between the Group and its associated undertakings. Unrealised losses will also be eliminated, unless business transactions indicate that a value adjustment of the investment is warranted. The principles used to prepare the financial statements of the associated undertaking have, if necessary, been changed to correspond with those used by the Group.

Foreign currency items

The Group only operates in Finland. The operational currency of all companies in the Group is the euro, which is also the currency used in the consolidated financial statements.

The Group has no business transactions in foreign currencies, with the exception of a number of accounts in foreign currencies, stated on the balance sheet as liquid assets.

Operational segments

The information reported on the Group's segments are based on internal reporting, which the highest operative decision-maker routinely uses when directing resources to the operational segments and when estimating their results. The highest operative decision-maker is the Board of Directors of Tapiola Bank Ltd, which makes strategic decisions in the Group.

The operations of the Group have been divided into two operational segments:

- Banking
- Asset Management

The interest margin is used as the measure of profitability for the banking operations and net commission income is used as the measure of profitability for asset management. The information is stated in the appendixes to the reports on each segment.

Financial instruments and the principles used for classification and valuation

The financial assets and liabilities of the Group are classified in the following classes: financial assets and liabilities to be entered in the income statement at current value, loans and other receivables, saleable financial assets, investments kept until their due date, and financial liabilities to be entered in the income statement at current value. The classification depends on the purpose for which the financial assets in question have been acquired. The management decides on the classification of the financial assets when initially stating them.

Financial assets to be entered in the income statement at current value consist of derivatives held for the purpose of trade.

Loans and other receivables are financial assets not included in the financial derivatives. The payments related to these are either fixed or to be determined, and the assets are not noted on the actual markets. Loans and other receivables include receivables from credit companies and receivables from the public and public corporations. The liquid assets of the balance sheet are also classified as loans and other receivables of the Group.

Certificates of claim which fall due on a certain date and which the management of the Group intends and is able to keep until the due date are classified as *investments kept until their due date*.

Saleable financial assets are investments in bonds, commercial papers and certificates of deposit.

Purchases and sales of financial assets are stated on the balance sheet at current value on the date in question.

Financial assets are removed from the balance sheet when the rights to the cash flow of the investments have expired or have been transferred to another party, and the Group has, in relevant parts, transferred the risks and benefits related to owning the asset. Saleable financial assets and financial assets to be entered on the balance sheet at current value are later valued at current value. Loans and

other receivables, as well as investments kept until their due date, are valued using the effective interest of allocated acquisition cost method.

The value adjustments to saleable financial assets are stated in the items of other consolidated profit and loss account in the current value reserve after being corrected for tax effects. The interest calculated using the effective interest method is stated as interest income. When securities classified as saleable are sold or value adjustments are stated for them, the changes in the current value stated in the capital and reserves are included in the net income of the financial assets and liabilities of the profit and loss account.

For *financial liabilities* the liabilities to be valued at the allocated acquisition cost are originally stated at current value, from which the transactional costs are subtracted. After this they are valued at the allocated acquisition cost using the effective interest method.

Financial liabilities to be entered in the income statement at current value consist of related derivatives separated from the main agreement.

Value adjustments for financial assets

At the end of each reporting period it is estimated whether there is objective proof of a value adjustment on an item or group in the financial assets.

Criteria for objective proof include significant financial difficulties on the part of the debtor, violation of agreement terms, such as delays in the payment of interest, repayment or non-payment, or if the Group grants the debtor concessions that it would normally not approve, for financial or legal reasons related to the financial difficulties of the debtor, and if bankruptcy or some other financial restructuring becomes likely on the part of the debtor.

The Group first estimates, item by item, whether there is any objective proof of value adjustments of those financial assets which are significant on their own. After this the value adjustment of financial asset groups with similar credit risk properties is estimated by group. The estimation is based on a historical analysis of insolvency and the likelihood of insolvency for different loan types.

The scope of value adjustment losses is defined as the difference between the book value and the current value of the corresponding cash flows, discounted with the original effective interest, of the financial asset item in question.

The current value of the security is also taken into account in the calculation, after which the book value of the financial asset is reduced and the loss is entered into the profit and loss account.

Cancellations of value adjustment losses are entered in the income statement under loans and other receivables, if the decrease in the value adjustment can be objectively linked with an event that has taken place since the value adjustment.

Cash and cash equivalents

The cash and cash equivalents entered in the cash flow statement consist of a checking account at the Bank of Finland, bank deposits that can be withdrawn on demand, and other very liquid investments with an original run time of no more than three months.

Tangible assets

Tangible assets consist of office furniture, vehicles and rental apartment renovation costs. Tangible assets are stated at cost less planned depreciation. Cost includes the immediate costs of acquiring the tangible assets.

The cost is valued as even depreciation during the expected useful financial life of the tangible assets as follows:

- vehicles: 4 years
- furniture, supplies and equipment: 4 years
- renovation costs: 5 years

If the book value of a tangible asset is greater than the estimated amount to be generated by it, the book value is immediately reduced to correspond with the amount to be generated by it.

Sales profits and losses are defined by comparing sales revenues to the book value and they are stated in the profit and loss statement under "Other business expenses" or "Other business income".

The residual value and the financial implications of the tangible assets are checked on the final day of each reporting period and changed, if necessary. If the book value of a tangible asset is greater than the estimated amount to be generated by it, the book value is immediately reduced to correspond with the amount to be generated by it.

Intangible assets

Goodwill is the amount by which the acquisition cost exceeds the Group's share of the current

value of the net wealth of the acquired subsidiary are the time of acquisition. Goodwill generated by acquiring subsidiaries is included in intangible assets. The goodwill is tested each year for value adjustments and entered into the balance sheet at acquisition cost with any relevant accumulated value adjustment losses. Value adjustment losses entered for goodwill will not be cancelled. Goodwill is allocated to the units generating cash flow for value adjustment testing. The goodwill is allocated to those units or unit groups which are expected to benefit from the merger of business operations, or where the goodwill has been generated, defined in accordance with the operational segments.

Goodwill generated before 1 January 2009, when the IFRS were taken into use, corresponds with the book value used as default acquisition cost in accordance with the earlier financial statement norms. The classification or financial statement treatment of these acquisitions has not been corrected when preparing the IFRS balance sheet for the Group.

The other intangible assets consist of identified IT software under the control of the Group, the acquisition cost of which includes license payments, costs of making the software ready to use and development work done on the software. The activation of the IT software is based on the ICL service agreement between the Group and Tapiola Data Ltd, a member of the Tapiola Group, according to which the Group is liable for the costs of the IT software under its control. This obligation has been entered into the long term debts of the Group. The yearly service payments are entered as payments of this debt. Maintenance costs related to the IT software are entered as costs when they are realised.

Other intangible assets are entered as expenses under planned depreciation over their expected useful lives, over a period of 10 years.

The residual value and the financial implications of the other intangible assets are checked on the final day of each reporting period and changed, if necessary. If the book value of an intangible asset is greater than the estimated amount to be generated by it, the book value is immediately reduced to correspond with the amount to be generated by it.

Recording principles for interest income and expenses

Interest income and expenses are entered for all financial instruments that accrue interest on the basis of the passage of time using the effective

interest method. Loan receivables with adjusted values the interest income is entered according to the original effective interest.

Commission income and expenses

Commission income consists of management commissions of the investment funds and online service fees, which are entered when the service has been provided or a separate transaction has been made. The amount of commission income is the current value of the remuneration received.

Service charges, fees and commission expenses paid to third parties are recorded under commission expenses and are deducted from the income received from customers as service or handling fees.

Dividend income

Dividend income and other similar shares of profit is entered when the right to receive remuneration is realised. Such income is presented as net income in the financial assets and liabilities.

Other business income and costs

The internal service fees that Tapiola Bank Group receives from Tapiola Group are entered as other business income.

Equity capital

Shares are classified as a part of capital and reserves. The immediate transaction costs of issuing new shares are entered into capital and reserves as deduction on received payments, adjusted for tax effects.

Dividends to be distributed to share holders are entered as debt in the consolidated financial statements for the period during which the general meeting approves the dividends.

Taxes

Taxes include both taxes based on the taxable profit of the period and deferred taxes. Taxes are entered in the profit and loss statement, unless they relate to other items of consolidated profits or directly to capital and reserve items. In this case the tax will also be entered under "other items of consolidated profits" or directly in the capital and reserves.

Income taxes are entered on the basis of the estimated taxable income for the year. Deferred taxes are entered at full value on the basis of the temporary differences between the taxable values of assets and liabilities and their book

value in accordance with the consolidated financial statement using the liability method.

Deferred taxes are entered only insofar as it is considered likely that there is taxable profit against which the deferred taxes will be paid.

Employment benefits

Pensions

All of the pension arrangements of the Group are based on payments and there are no arrangements based on benefits. For payment-based benefit arrangements the Group pays fees for publicly or privately managed pension insurance, which is either mandatory, based on agreements or voluntary. Aside from these fees, the Group has no other payment obligations. The payments are entered as employee costs when they are due to be paid. Payments made in advance are entered as assets on the balance sheet, as they can be regained as returns or as deductions on future payments. TyEI is the largest pension arrangement.

Provisions

Provisions are entered when the Group has, on the basis of actual events, a legal or actual obligation in force and it is likely that the fulfilment of the obligation will become actual and the amount of the obligation has been reliably estimated. The amount to be entered as provision is the current value of the costs expected to be incurred when fulfilling the obligation.

Lease agreements

The Group as the lessee

The Group has leased business offices and IT and other equipment under agreements which state that the lessor will retain a significant part of the risks and benefits typical of ownership. The agreements are classified as "other lease agreements". The fees paid on the basis of other lease agreements are entered in the profit and loss account in equal instalments during the course of the lease agreement.

The Group as the lessor

The Group has signed car lease agreements where the typical risks and benefits of ownership have been transferred for relevant parts to the lessee. These agreements are handled as financial leasing agreements. The receivable is entered on the balance sheet under "Loans and other receivables" at the current value of future receivables. The financial profit of the financial leasing agreement is released to income during

the leasing period in such a way that the remaining net investment generates the same level of income for each period during the lease period.

Bank guarantees and other off-balance-sheet commitments

A bank guarantee is an agreement which obligates the guarantor to pay certain fees to compensate for losses incurred by the party receiving the guarantee, when the defined debtor neglects payment due in accordance with the original or changed terms of the liability instrument. Bank guarantees are granted to banks on behalf of the customers to guarantee loans and credit accounts, as well as for job guarantees. Collateral is required to secure the guarantees.

By and large, guarantee commissions are paid beforehand as a single payment. The commission corresponds with the current value of the guarantee at the time the agreement is made. Guarantee commission is entered as commission income. The guarantee is later valued as the entered amount, which corresponds with the best estimate of the costs that fulfilling the existing obligation requires on the last day of the reporting period, or as the originally entered amount, if this is greater, in accordance with IAS 37.

3. Central accounting estimates and solutions based on the management's assessment

The Group makes certain estimates and assumptions about the future. The accounting estimates based on these only rarely correspond with actual results. The following explains the estimates and assumptions, which include a significant risk of change in the book value of assets and liabilities during the next accounting period.

Central accounting estimates

Depreciation testing of goodwill

Goodwill is tested annually for possible depreciation in accordance with the principle described in Appendix 7 to the balance sheet. The recoverable amount of a unit generating cash flow is based on the depreciation calculation. This calculation requires the use of estimates. The company did not enter depreciation in the financial statement. If the budgeted gross margin used in the depreciation calculation for the unit generating cash flow was 10 per cent smaller than the gross margin

estimated by the management on 31 December 2010 (for instance, 56 per cent instead of 46 per cent) no depreciation was entered for the goodwill.

Deferred taxes

The estimation of the management is required when defining the amount of income taxes and the deferred tax receivables and liabilities. The Group estimates the basis for entering deferred tax receivables in connection with financial statements. Deferred tax receivables can be entered for the losses of Tapiola Bank Ltd as confirmed in taxation up to the amount which in all likelihood can be used against taxable income in the future.

Central decisions based on the management's assessment

Defining the current value of financial assets

Derivatives and other financial assets held for the purpose of trade are valued at current value, as are saleable financial assets. In addition, current values are presented in the notes for instruments for which there are no functional markets. In cases like these the current value is arrived at using valuation methods that require the management's assessment. Such an assessment is used when choosing different methods and when making assumptions which are mainly based on the condition prevalent on the markets on the last day of each reporting period.

Value adjustments for financial assets

Value adjustments for financial assets require careful consideration as much of the Group's wealth consists of loans valued at allocated acquisition cost and receivables from households and public corporations. The estimates take into account the financial status of the debtor, the current value of the securities and, in the cases of business customers, the changes taking place in the financial business environment.

4. Transitioning to the use of IFRS

This is the first financial statement by Tapiola Bank Group prepared in accordance with IFRS, incorporating the IAS, IFRS, SIC and IFRIC interpretations in force on 31 December 2010. International accounting standards refer to the standards and interpretations approved in the EU in accordance with Finnish accounting legislation and EU decree No 1606/2002. In addition to the IFRS, Tapiola Bank Group has also taken into account the requirements and

decrees by authorities regarding Finnish legislation concerning limited companies.

The principles for preparing the financial statement described in note 2 have been applied when preparing the financial statement for 2010, the comparison figures for 2009 presented in it and the opening IFRS balance sheet for 1 January 2009 (when the transition to IFRS was made).

The figures presented in earlier financial statements prepared on the basis of Finnish financial statement norms have been corrected in the preparation of this IFRS balance sheet. The following tables and additional information explain how the transition from Finnish Accounting Standards (FAS) to IFRS has affected the financial status, result and cash flows of the Group.

Choices made when taking into use the IFRS

When preparing the first IFRS financial statement, the Group applied the following IFRS 1 optional reliefs and obligatory exceptions:

Relief on business combinations

According to IFRS 1, it is permissible to apply IFRS 3 "Business Combinations" non-retroactively either from the day the switch is made or a specific date preceding that. This frees the companies from applying the standard retroactively in full, which would require the correction of all the combinations preceding the switch. The Group has decided to apply IFRS 3 non-retroactively to the business combinations after the date of transition to IFRS. Combinations made before this time have not been corrected.

Obligatory exception relating to estimates

The estimates according to IFRS on 1 January 2009 correspond with the estimates for the same date made in accordance with the Finnish financial statement norms.

THE BANK GROUP'S IFRS TRANSITION CALCULATION

BALANCE SHEET	(reference number)	IFRS 31.12.2009 1 000 €	the effect of transition	FAS 31.12.2009 1 000 €	IFRS 1.12.2009 1 000 €	the effect of transition	FAS 1.12.2009 1 000 €
ASSETS							
Financial assets							
cash assets		33,000		33,000	-		-
To be entered in the income statement at current value		361		361	-		-
Saleable financial assets		119,497		119,497	36,855		36,855
Investments kept until due date		15,780		15,780	22,756		22,756
Loans, other receivables		1,212,522		1,212,522	1,237,354		1,237,354
Financial assets		1,381,160		1,381,160	1,296,965		1,296,965
Holdings in participating interests		598		598	252		252
Intangible assets							
On consolidation	(1)	4,096	1,883	2,213	4,096		4,096
Other intangible assets	(2) (4)	8,681	8,479	202	7,594	7,325	270
Intangible assets		12,777		2,415	11,691		4,366
Tangible assets	(3), (4)	305	227	78	413	309	104
Debtors		4,760		4,760	6,081		6,081
Tax assets							
Deferred tax assets	(6)	748	748	-	180	180	-
Tax assets		748		-	180		-
OWN FUNDS, TOTAL		1,400,348		1,389,011	1,315,582		1,307,768

	reference number	31.12.2009 1 000 €	the effect of transition	31.12.2009 1 000 €	1.12.2009 1 000 €	the effect of transition	1.12.2009 1 000 €
LIABILITIES							
Financial liabilities							
Deposits		1,233,546		1,233,546	1,189,654		1,189,654
To be entered in the income statement at current value		360		360	-		-
Bonds issued to the public		38,099		38,099	-		-
Liabilities that have lower priority than other liabilities		20,000		20,000	20,000		20,000
Financial liabilities		1,292,005		1,292,005	1,209,654		1,209,654
Other liabilities	(2)	38,477	8,681	29,796	40,891	7,594	33,296
Tax liabilities							
Income tax liabilities		87		87	-		-
Deferred tax liabilities	(6)	75,675	75	-	191	191	-
Tax liabilities		843		87	191		
TOTAL DEBTS		1,331,325		1,321,888	1,250,735		1,242,950
CAPITAL AND RESERVES							
Equity capital							
Equity capital		31,400		31,400	31,400		31,400
Premium fund		48,100		48,100	48,100		48,100
Current value reserve	(5), (6)	2,134	-750	2,884	513	-180	693
Unrestricted reserves		28,042		28,042	28,042		28,042
Retained earnings							
Profit (loss) brought forward	(3), (6)	-43,207	209	-43,417	-41,771	209	-41,980
Profit (loss) for the review period		2,555	2,441	114	-1,436		-1,436
Retained earnings		-40,653		-43,303	-43,207		-43,207
CAPITAL AND RESERVES		69,023		67,123	64,847		64,818
CAPITAL AND RESERVES, AND DEBTS IN TOTAL		1,400,348		1,389,011	1,315,582		1,307,768

INCOME STATEMENT	(reference number)	IFRS 1.1.-31.12.2009 1 000 €	the effect of transition	FAS 1.1.-31.12.2009 1 000 €
Interest income		35,606		35,606
Interest expenses	(2)	-22,763	-299	-22,464
INTEREST MARGIN		12,843		13,142
Value adjustment loss on loans and other commitments		-617		-617
Commission income		28,526		28,526
Commission expenses		-5,179		-5,179
Net return of financial assets and liabilities		191		191
Other business income		6,292		6,292
Administrative expenses	(2)	-36,334	1,403	-37,737
Depreciation and value adjustments on consolidated goodwill	(1)		1,883	-1,883
Depreciation and value adjustments on tangible and intangible assets	(2), (3)	-1,213	-1,120	-93
Other business expenses		-2,278		-2,278
Share in profit/loss of associated undertakings		-164		-164
OPERATING PROFIT (LOSS) IN CONTINUING OPERATIONS		2,069		201
Income taxes	(6)	486	572	-87
PROFIT (LOSS) FOR THE FINANCIAL YEAR		2,555		114
Distribution of profit				
Owners of the parent company		2,555		114
CONSOLIDATED PROFIT AND LOSS ACCOUNT		1.1.-31.12.2009		1.1.-31.12.2009
Profit for financial year		1,000		1,000
Other items of the consolidated profit after taxes:				
Saleable financial assets	(5)	1,621	1,621	-
TOTAL CONSOLIDATED PROFITS FOR THE FINANCIAL YEAR		4,176		114

The tables below present the reconciliation of retained earnings and the result for 2009 between FAS and IFRS

	Retained earnings 1 January 2009, FAS	-43 417
IAS 16	Correction of deductions	40
IAS 12	Computational resources accounting	169
	Retained earnings 1 January 2009, IFRS	-43 207
	Result for the financial year 2009, FAS	114
IAS 16	Correction of deductions	-15
IAS 16	Refund of amortisation of goodwill	1 883
IAS 16	Deferred taxes	572
	Result for the financial year 2009, IFRS	2 555
IFRS 1	Saleable financial assets with tax deductions included	1 621
	Consolidated result for the financial year 2009, IFRS	4 176

Explanations for the IFRS corrections

- (1) According to IFRS, no amortisations are recorded for goodwill. Instead, goodwill is tested annually for depreciation. In accordance with the requirements of IFRS 1, the entire goodwill has been tested for depreciation at the time of transition. The testing did not lead to recordings of depreciation in the opening IFRS balance sheet. The amortisation of good will for 2009 in accordance with FAS (1,883,000 euros) has been refunded in IFRS.
- (2) License fees and development work related to the IT software used by the Bank Group have been recorded as intangible assets as the Group has right of decision over them and the expected future financial benefit caused by them will be for the benefit of the Group. The activation is based on the ITC service agreement between the Group and Tapiola Data Ltd, a member of the Tapiola Group, on the basis of which an obligation based on an agreement to pay service fees has been created for the Group. This obligation has been entered into the long term debts of the Group. The correction does not affect the results, but it does affect the solvency of the Bank Group.
- (3) The EVL depreciations of machinery and equipment in accordance with the FAS norms have been changed to correspond with the 4-year depreciations in accordance with the IFRS norms (the effect on the result for 2009 is -15,000 euros).
- (4) The activated renovation costs of intangible assets in accordance with the FAS norms do not fulfil the recording requirements of IAS 38. These have been transferred to tangible assets. The change in classification has no effect on results.
- (5) According to the FAS norms, the change in the current value of saleable financial assets is recorded directly in the current value reserve. According to the IFRS, the change in the current value is also presented under "other consolidated profit" after the deferred taxes have been deducted.
- (6) The Group has, in accordance with the FAS norms, presented the deferred taxes of temporary differences only in the notes. In accordance with the IFRS norms, the deferred taxes for temporary differences have been recorded according to the estimate of the Board of Directors.

Notes on the risk management of the Bank Group

1. Overview

Basis for risk management

The Bank Group's risk management is based on risk management concepts, the purpose of risk management, strategic intent and the willingness to take risks defined at Tapiola Group, as well as official regulations. The aim is to ensure customers' continuing financial security and support the achievement of the Group's operational and financial targets. As Tapiola Group is a mutual company, good solvency is of prime importance.

Risk management refers to active and proactive operations aimed at identifying, assessing, limiting, utilising and monitoring business risks and new opportunities arising from changing external and internal conditions or Tapiola's strategic intent.

The willingness of the Bank Group to take risks is based on the following principles:

- Risk-taking supports the financial and operational realisation of the strategy and operational plans.
- Risks do not threaten the operations of the companies, the operations of the Group or economic stability.
- Group companies and functions remain within the risk limits specified for them.
- The effects of risks on all parts of the Group can be identified.
- Risk linkages between various parts of the Group are clear.

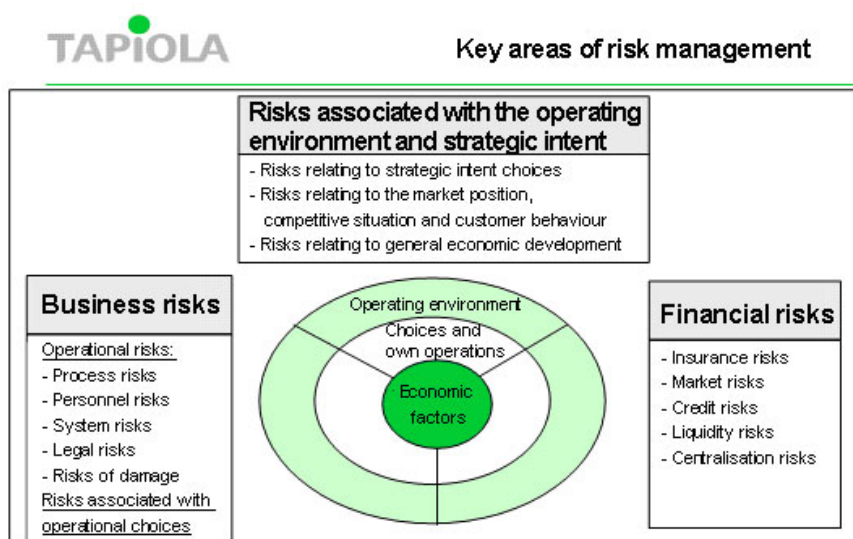
In accordance with the principles of corporate responsibility, the Bank Group manages its risks and communicates them in such a way that customers and other stakeholders can rely on Tapiola as their partner.

Risk management means the recognition, assessment, limiting and monitoring of the risks created by and related to the business of the bank. Taking into account the nature and extent of Tapiola Bank Ltd's operations, the operating principles and methods of risk management are implemented using simple, clear principles.

Key areas of risk management

The key areas of risk management are common to the Bank Group and the financial group and have been depicted in the image below. Risks associated with the operating environment and strategy include risks relating to strategic intent, changes in market position, competitive situation or customer behaviour, and risks relating to the economy as a whole. Financial risks consist of insurance, market, credit, liquidity and centralisation risks. Business risks are divided into operational risks and risks relating to practical operational choices.

The Bank Group complies with the Organisation of Internal Audit and Risk Management (4.1) and Operational Risk Management (4.4b) standards set by the Financial Supervisory Authority, as well as Tapiola Group's risk management policy and other risk management guidelines of the Group, either as they are or applied to banking operations. There are separate guidelines for credit risk management.



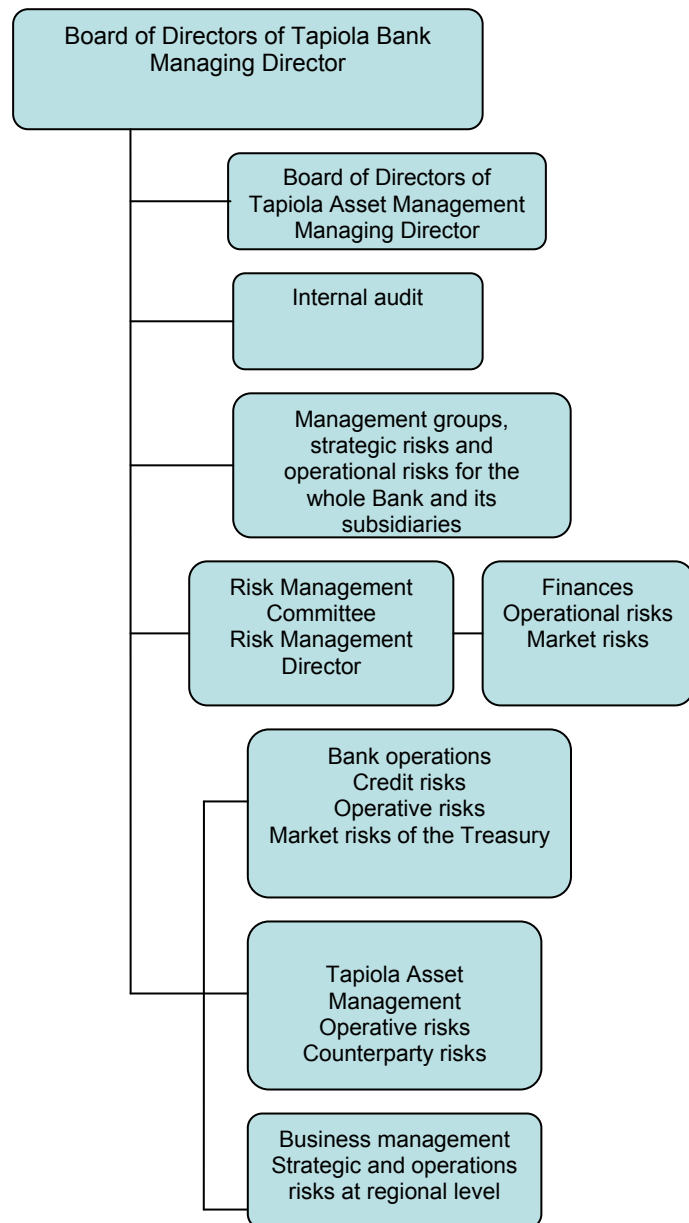
In accordance with its rules of procedure, Tapiola Bank's Board of Directors annually confirms the company's risk management plan and the related guidelines, ensures that they are taken into account in the annual operational plans and monitors the implementation of risk management. Furthermore, on the basis of the Bank's Management Group's proposals, the Board of Directors decides on new product and service concepts, marketing policies, pricing principles and customer benefits, as well as any changes to these that are significant to the company.

2. Risk management organisation of the Bank Group

The bank's operations are guided by the strategic plan, operating principles, annual business plan, principles concerning crediting and investments, limits and decision-making principles approved by the Bank's Board of Directors, as well as the related monitoring measures. It is the task of the Bank's management to implement the Bank's internal audit, taking into account legislation and official regulations, the Bank's Articles of Association, as well as the decisions and guidelines issued by the Board of Directors.

The Bank's Managing Director is responsible for organising the risk management function. The organisation has a risk management committee, which, in accordance with its rules of procedure, prepares and supervises risk management guidelines and compliance with them. In daily business operations, the responsibility for risk management is placed with the Credit Director as regards credit risks, the CFO as regards balance sheet risks, and the head of each business area as regards operational risks. This division of responsibility has been implemented in order to ensure that risk management is comprehensive, as well as to identify all material risks and their combined effect on the bank's operational result and own funds.

Risk management organisation



Balance Sheet Management Committee

The Balance Sheet Management Committee monitors the development of the money markets and its impact on the structural risk contained in the balance sheet. Within the framework of the bank's annual plan, the Committee makes decisions on forms of fund-raising and investment, as well as on margin targets. The Committee makes the decisions concerning the Tapiola Prime interest rate. The members of the Committee are: Managing Director (chairperson), Deputy Managing Director, Finance Director and Head of Treasury. The Interest and Cash Management Committee, working under the guidance of the Balance Sheet Management Committee, decides on the

directive level of the interest rates applied weekly in business operations.

The organisation of the Bank is confirmed by the Board of Directors. The structure of the organisation reflects the need to separate operations and assignments and ensure expedient organisation of monitoring. The powers of decision and responsibilities are defined in the Rules of Procedure for the Board of Directors, the Rules of Procedure for the management group verified by the Board of Directors, and the roles and role descriptions of the other personnel.

The annual operational plan of the Bank sets the internal quantitative and qualitative goals based on the operations of the Bank, and monitors them continuously. The management group of the Bank handles risk reports monthly and the Board of Directors handles them quarterly.

3. Risk types, measurement and management

Risk management includes the recognition, assessment, prevention and monitoring of risks. The risk management of Tapiola Bank covers the following risk types:

Strategic risks

Strategic risk refers to a situation where a chosen strategy is incorrect in relation to the Bank's ability to take risks, and its technical and mental resources (for instance, the wrong strategy, slow action, centralised control, weak or narrow leadership). One element of strategic risk is the risk to reputation, which is regularly monitored using customer satisfaction questionnaires and measurements of familiarity.

The strategic risks of the companies in the Group are mapped at least once a year according to the rule. The mapping is done using a common method for the financial group, based on the use of model scenarios.

The risk mapping is done separately for each risk factor in the operational environment. The points of view applied are as follows:

- Scenarios and trends
- General customer behaviour on the market/general needs of the market
- Competitors in the insurance and finance sectors
- Basic task and partial vision
- Strategic choices
- Goals of the customer point of view
- Goals of the process point of view

- Goals of the personnel point of view
- Goals related to market position

The strategic intent of the Bank has two main elements in accordance with the practice of the company group. They are the core strategy and the special part to be defined for a three-year period. The core strategy includes the operational idea, values, unique base and vision. The part to be defined for the three-year period includes the strategic choices as elements and a strategy card, which is divided into four factors. These are (1) the benefits and services expected by customers, (2) the knowhow and wellbeing of the personnel, (3) the efficiency and quality of processes, and (4) the financial conditions and market position.

The reputation of the Bank is included in all of the strategic elements described above. This means that risks related to reputation and corporate image can be realised in many different ways.

To reduce the risk to reputation the Bank regularly measures the status of the strategic elements mentioned above on the market and among the clientele. The results are reported regularly to the Board of Directors and the management when they assess progress against strategic goals and the results of the risk management process.

If necessary, actions for reducing the risk to reputation are linked with a specific procedure. These are marked on the aforementioned strategy card and on the annual strategy card.

Credit risk

Counterparty risk refers to the possibility of the counterparty being unable to meet its commitments to the Bank. Of the risks, credit risk is the most significant. (Other examples of counterparty risk are guarantee risk, option, forward, interest rate swap or other derivative risk, country risk, bank risk, delivery risk).

Tapiola Bank was founded to supplement Tapiola Group's service range in the private sector. The Bank's customers comprise those that use many of the Group's services, as well as new customers coming to the Bank on the basis of the new opportunities offered by it. The customers are households and the main product in crediting is housing loans.

The intention is not to strive for a particularly high financial result by risk-taking. As a rule, credit risk is not taken. The customer's solvency

and financial buffers must secure a low-risk loan portfolio for the Bank. Careful crediting is based on the customers' credit rating, a centralised credit decision process, adequate insurance policies and safe credit-granting.

The credit function of Tapiola Bank is based on centralised decision making and credit-granting. This harmonises risk-taking and speeds up the Bank's reaction to change situations. The Bank uses a "four eyes principle" when credit is drawn, with centralised archiving of documents and review after the fact. There are clear operational principles and goals set for the monitoring of regional credit operations. Credit is a key area of the internal auditing of the bank and a part of the annual risk management self assessment report delivered to the Board of Directors.

The granting of credit is directed and implemented in accordance with the credit-granting policies and financial products approved by the Board of Directors. The principles for managing the risks related to granting credit and counterparty risks have been recorded in the Risk Management Guide of the bank as approved by the Board of Directors.

The principle for calculating the need for capital is to take into account the extended debt-servicing ability of the counterparties, including the entire wealth of the customer, all obligations and net income. In corporate financing the operational conditions of the company are similarly assessed. The change in the total wealth of the customers and the assessment of their future cash flow are central concepts. The goal is not to sum up individual loans and collateral, but to find out, as reliably as possible, the credit risk of the entire credit portfolio of the bank and the capital required to cover this. The credit policy has separate regulations on the collateral required for individual credit products.

The granting of credit to private persons and the assessment of the need for capital relating to loans is based on the risk classification that has been applied since the start of the Bank's operations. The borrower's solvency and financial buffers are taken into account in the risk classification. Both classification criteria use a five-class evaluation scale, so there are a total of 25 risk classes in the matrix. A value of 1–25 has been determined for each cell in the matrix, which is used in the reports when risk classes are combined.

Three risk classes are used in regular reporting. A relative maximum limit has been set in the risk management plan for the most risky loans.

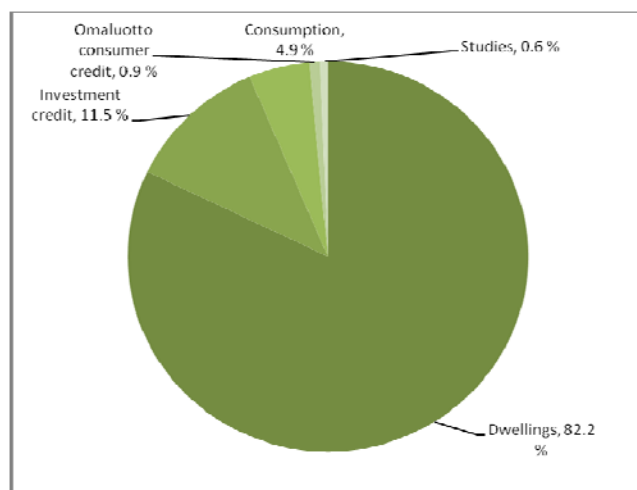
In the table below, the risk classes have been combined into three main classes. Normal risk level requires that the customer's wealth is twice the amount of the loan applied for, or that no more than 30% of the customer's income is spent on living expenses and managing the credit.

Risk level	31.12.2010		31.12.2009	
	EUR m	share	EUR m	share
Lower than normal	272	20%	220	19%
Normal	898	66%	726	63%
Higher than normal	183	14%	210	18%
Total	1,353	100%	1,156	100%

Credit pricing is based on risk in such a way that the risk class guides the margin requirement. In addition to a secure collateral requirement, the customer's solvency as a result of a possible rise in the interest rate is assessed as part of risk classification. The management group modifies the guidelines for credit pricing in accordance with the risk management policy and general market situation.

In accordance with the credit-granting policies, all housing loans must have real collateral, a credit insurance policy or a guarantee. Housing loans where no more than 70 per cent of the value of the apartment has been withdrawn as credit are seen as having securing real collateral. 82 per cent of the bank's credit portfolio (loans and receivables) consists of housing loans. For these loans, the average loan-to-collateral ratio is approximately 48 per cent, meaning that, on average, the housing loans have better collateral than the credit-granting policies require. The effect of the trend of decreasing prices on the capital adequacy requirement is being tested by calculating the amount of the value of the housing that is left outside the limit of a securing collateral.

Households accounted for 96.1 per cent (98.1%) of the loan portfolio at the end of the financial year. The figure below shows the division of the loan portfolio according to intended use.



The obligations outside the credit portfolio and the balance sheet in millions of euros using the risk adjustments used in solvency calculations are as follows:

Risk adjustments	2010	2009
0%	201	108
20%	30	66
35%	1,230	1,080
50%	1	
75%	133	115
100%	73	87
150%	3	2
Total	1,671	1,458

The risk adjustment classes mainly include the following items:

Government, municipalities	0%
Credit institutions	20%
Loans with apartments as collateral	35%
Companies (class A)	50%
Other small loans	75%
Companies	100%
Unorganised receivables	150%

The number of household loans where no value adjustments had been made (including the balance sheet values of the property set as collateral) were as follows:

Unmanaged credits	31.12.2010	31.12.2009
Length of delay	EUR m	EUR m
Less than 30 days	26.0	23.8
30-90 days	2.4	2.8
Over 90 days	2.7	2.6
Total	31.1	29.2
Of credit portfolio	%	%
Unmanaged in total	2.3	2.5
Over 90 days	0.2	0.2

The amount of individual receivables with a reduced value grew by 0.2 million euros during the review period and the total amount at the

end of the period was 0.8 million euros. After depreciation, the credit portfolio does not include loans without collateral, except for a small number of short term consumer credit loans.

Geographically, the loan portfolio is divided as follows:

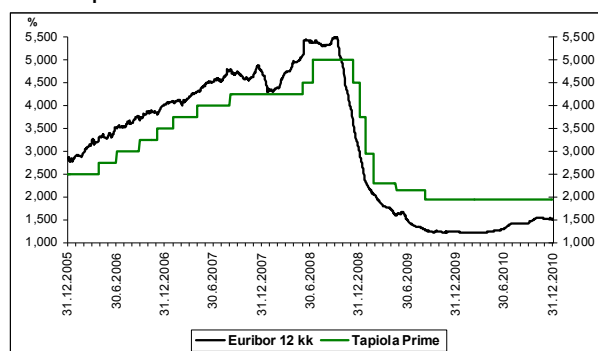
Loan portfolio in thousands of euros	31.12.2010
Metropolis	694
Growing cities	441
Old provinces	218
Total	1,353

Tapiola Prime

The Bank's own Prime interest rate diversifies the interest structure of the balance sheet and reduces the reliance on Euribor fund-raising.

Decisions concerning the Prime interest rate are made at bank level by the Balance Sheet Management Committee, and the decisions are communicated at least two weeks before they take effect.

Development of market interest rates



Despite the fluctuations in the Euribor interest rate, the Tapiola Prime rate remained at 1.95 per cent throughout the accounting period.

Market risks

The aim of taking market risks is to achieve a reasonable return in relation to the risks. The most significant risks for Tapiola Bank's business operations are the interest rate risk and liquidity risk of the balance sheet. Prudent limits are set for these. In addition, the treasury's market risks in wholesale market transactions and hedging activities, as well as market risks arising from dealing in securities, are monitored separately.

Interest rate risk

Interest rate risk refers to the Bank's interest margin changing unfavourably (including maturity, reference rate and interest rate adjustment period risks).

Interest rate risk is measured both as cash flow interest rate risk based on the current value and as 12-month income risk. A limit in relation to the Bank's own funds has been set for both risks. The following table depicts the interest rate risk of the entire balance sheet calculated as 12-month income risk if the interest rate drops by one per cent. The interest rate risk illustrates the vulnerability of the Group's results to a rise or fall in the interest rate on an annual level. Similarly, the risk of Tier I and II assets depicts the risk in relation to capital and reserves, on the basis of which the income risk of the Group has been limited. In the calculations, the insurance rate of the deposits to be paid is assumed to follow the market interest rate, meaning that the assumed maturity corresponds with the legal maturity. The justification for assuming that the interest rate costs of the deposits to be paid on demand will follow the market interest rate is the Group's policy to pay competitive interest rates tied to the financial market interest rates for deposits to be paid on demand.

	2010	2009
Own capital M€ TIER I	62.3	69.2
Own capital M€ TIER I+II	84.2	91.4
Interest rate risk M€	2.2	1.9
Risk in TIER I capital %	3.5	2.7
Risk in TIER I+II capital %	2.6	2.1

Financing risk

The financing risk refers to the Bank not being able to meet its obligations (for example, maturity, liquidity and solvency risks).

The financing risk is assessed on the basis of the maturity classes of fund raising and investments. In each of the maturity classes to be assessed, possible underfunding may not exceed the amount defined in the risk management plan. If the risk limit is exceeded, the deficit can be covered with the financial conglomerate's internal financing limits. The conglomerate's internal financing limits must cover 100 per cent of the deficit created.

Liquidity risks

The liquidity risk is managed with a strategy approved by the Board of Directors and with a contingency plan safeguarding the implementation of the strategy.

Tapiola Bank maintains a sufficient liquidity reserve, which covers sudden changes in the cash situation. The principle is to determine the

size of the reserve in such a way that it can compensate for at least one month's unanticipated market disturbance.

The Bank's treasury manages the liquidity reserve and invests the funds in such a way that the above intent is realised. To realise the intent, the treasury anticipates the cash flows of the liquidity and invests the liquidity reserve in maturities which make realising the intent possible. The liquidity reserve is invested in interest investments, which can be easily liquidated if necessary or can be used as collateral for loans from the central bank. In addition, the treasury accepts overnight deposits when necessary. The operational plan of the treasury defines the profit goals of this business.

The implementation of the strategy is monitored with risk reports and tested monthly. In the testing, the sufficiency of the reserve is compared in the event of a disturbance in fund raising based on two different scenarios.

Liquid assets

Cash funds (O/N Bank of Finland)	135,000
Deposits at the Bank of Finland, minimum fund deposits	23,359
Certificates of claim entitling Tapiola to central bank financing	42,363
Receivables from credit institutions	219
Municipal licence, maturity less than 1 month	-
Liquid assets in total	200,940

Liquid assets should be at least 1.5 times deposits

147,511

Balance sheet total of the bank

1,620,554

The liquid assets presented above must be worth at least 10% of the bank's balance sheet

12.40 %

Currency risks

Overall and currency-specific limits have been set for currency operations. Tapiola Bank did not have currency-denominated business operations during the financial year.

Country risks

Country risk refers to risks caused by foreign business. Countries or counterparties operating in their area may have trouble paying, which will cause the bank credit losses and costs.

The foreign business of Tapiola Bank is limited in its scope. There are country-specific risk limits in place, which also include the country risk arising from investment operations. At the closing of the accounts the Group had investments in the euro region only in interest rate instruments of the Finnish government and

in financial institutions and companies operating in Finland. The Group had no country risk in terms of credit granted or other receivables outside of Finland.

Price risks

The price risk refers to the risks connected with the development of the market value of investments and holdings. For fixed-income investments, the price risk may affect the current value of investments as a result of changes in credit, interest rate or spread risks. The Groups' most significant price risk mainly concerns the fixed-income investments managed by Tapiola Bank's treasury and the related interest rate risk. These investments have been classified as saleable financial assets, meaning that their unrealised value adjustments are recorded under capital and reserves in the current value reserve. The depreciation calculated for these investments, caused by a change of 1 per cent in the interest rate, would have affected the current value reserve by 0.9 million euros at the closing of the accounts. The purpose of the investments is to act as the Group's liquidity reserve. The risk management plan sets the limits for investment activities.

Operational risk

Operational risk refers to the possibility that deficiencies in the Bank's systems or internal monitoring cause unexpected losses (for instance, operational risks, breaks in operation, mistakes, errors, failure of monitoring, system failures, poor skills).

Operational risks are mapped in accordance with the risk mapping method of the financial group at the bank and asset management by activity, including legal and sales organisations. This mapping is carried out annually in conjunction with annual planning, and whenever a specific reason for this is detected.

The mapping of the operational risks is done for each activity separately. The factors used in the mapping include the following:

- Process risks
- Personnel risks
- Systemic risks
- Legal risks
- Risks of damage
- Other risks related to strategic choices in annual and periodic planning

The mapping is based on the descriptions created of operational processes. The process descriptions and risk mapping seek the risk points critical for guaranteeing the quality of the operations and help in planning the actions required for maintaining quality, as well as appointing the responsible parties/persons. In addition, the sufficiency of the risk management actions is assessed.

Mapping the operational risks and establishing action plans is a part of the risk management plan related to the annual planning of the companies.

The practical monitoring related to the risks in the operations of the companies is the responsibility of the members of the management group. The internal auditing within the company group also does specific checks for operational risks.

Quality is maintained by monitoring activities and carrying out continuity planning. In the continuity plans the operational processes and the most important systems are prioritised by activity and recovery times are defined for them. In addition, actions and back-up personnel for common problems are chosen.

Summaries of the operational risks for the entire Bank are created on the basis of the activity- and region-specific mapping.

Cyclical risks

Cyclical risks refer to the negative effect of financial trends on the finances of the bank's customers and their relationship with the bank.

The majority of Tapiola Bank's loans are granted for housing. The greatest cyclical risk is, therefore, a drop in house prices. Such a drop in prices does not directly weaken the customer's ability to pay, but it is an indication of other financial uncertainties and possible difficulties in paying. Price development has been chosen as a measure to be followed at the bank, as it predicts financial developmental changes faster than, for instance, unemployment. The effect of decreasing prices on the risk classification of new loans is defined in the risk management instructions of the bank.

This cyclical risk measurement is also used in part to manage the concentration risk of the bank's credit portfolio.

The bank follows the effect the decreasing prices have on the value of housing collateral and the capital requirements arising because of

this. Of the credit granted by the Group, 82.2 (85.4) per cent was housing loans in 2010. According to the credit-granting policy, a loan must be secured by collateral. 70 per cent of the current price of an apartment is estimated as sufficient collateral for an apartment. The collateral can be added to using credit insurance or a securing guarantee, if necessary. The policy on collateral reduces the exposure of the Group's core business to immediate risks caused by economic fluctuations.

The operational conditions of Tapiola Asset Management Ltd are based on the development of the investment markets. A weakening of the markets will cause a reduction in the volume of commissions and thus in profits. Changes can have significant effects. The OMX Helsinki index is used to follow the development.

Legal risks

A legal risk can be caused by outside factors or as a result of the bank's own actions. Legal risks can relate to all business operations. For instance, the interpretation of laws and decrees, the coming into force of agreements and the contents of such agreements, as well as the bank's marketing, can all include legal risk, which may cause losses, liability for damages or loss of reputation or respect.

The mapping of legal risks is done at the same time as the mapping of operational risks, using a shared method.

4. Managing the solvency of the Bank Group

Managing solvency is part of the overall risk management of the Bank Group and the intention is to guarantee a sufficient amount and quality of capital to secure operations in the event of unexpected losses. The management of solvency is based on an anticipatory and holistic approach, which is rooted in the strategic and operational plans. As a mutual company, it is of prime importance for the Bank Group to maintain good solvency. In this way, the Bank is able to ensure the financial safety of its customers.

The management of solvency is directed by the risk management group of the finance group. The goal of the management group is to support holistic risk management, aiming to uphold the best practices in risk management. The financial crisis that began in the autumn of 2008 and quickly grew into a global and historically significant event served to focus the Bank

Group's attention on the importance of good solvency. As a result, economic and solvency management has been defined as one of the strategic choices for the next strategic period 2010-2012.

The solvency management of the Bank Group has been made more efficient using the ICAAP process, according to the Basel II norms. This solvency assessment method developed for the Group has been in use since 2005, including the test period. The process analyses the risks related to the operations, starting from the Group's own business actions, and the economic capital required to manage them.

Requirements and goals related to solvency

The starting point for solvency management is the law relating to solvency. When calculating the solvency of the Bank Group, the standard method is applied to credit risks and the basic method to operational risks. In addition, the targets for the finance group and for the Bank Group's solvency are also taken into account in solvency management.

The solvency requirements for credit institutions and investment services stated in the following laws apply to Tapiola Bank and Tapiola Asset Management:

- The amount and quality of the bank's own capital must always be sufficient to cover the risks faced by the bank (LLL §5)
- The total amount of own capital for asset management must always be equal to the decreed minimum capital (SRL §4.a)

Internal goals for solvency

The following ratios have been set as internal goals for solvency in the Bank Group:

The Basel II, Pillar I solvency ratio must be at least 10 per cent and the ratio with primary own funds at least 8 per cent. The solvency of the Group was good in 2010, even though the growth of the balance sheet and of risky receivables weakened the solvency ratio somewhat. In 2010 the solvency ratio of the Bank Group was 12.1 (13.4) per cent and the ratio with primary own funds was 8.5 (9.4) per cent. More precise information on the solvency of the Group can be found on page 32.

The Group's internal economic capital calculation model (ICAAP) uses a greater

requirement for capital than the BASEL II solvency ratio. In addition, the level of capital is required to be at least 110 per cent of the amount of economic capital the ICAAP calculation shows. The ICAAP process defines the requirement and quality of capital for the various risks in the Bank Group's business. The capital requirement is also defined for those business risks which are not included in the Basel II, Pillar I calculation. The ICAAP calculation is performed monthly and the development of the capital requirement is estimated based on predictions of the financial result, solvency and the outcome of stress tests.

In addition to fulfilling the requirements and objectives concerning solvency, the goal is to arrange the supervision and management of solvency in compliance with the following principles. The objectives of solvency supervision and management are as follows:

to cover all material risks related to business and the operating environment

- to take into account the strategic and operational plans, while also influencing strategic and operational target-setting
- to cover both the short and long term,
- to cover operations under normal conditions (as defined in business plans) and in extraordinary situations.

Solvency monitoring and management is performed on the basis of these principles by the risk management group and the balance sheet management committee using stress tests and reporting processes.

The reports also present conclusions on the solvency status and on necessary actions for maintaining solvency.

Publishing solvency information

In accordance with the Credit Institutions Act and the guidelines of the Financial Supervisory Authority, solvency information is included in the financial statement and annual report of Tapiola Bank Group. The financial statement of the Group, including the solvency information, is prepared by the Bank's financial team under the responsibility of the Finance Director. The financial statement is handled by the management group of the Bank and approved by the Board of Directors. After this, the auditors of the Bank audit the financial statement. The auditors also verify the correctness of the solvency information as part of the audit of the financial statement.

Significant changes to the information during the financial period

If significant changes in the solvency information of the Bank Group occur during the accounting period such that stakeholders, such as customers, partners and owners, may be affected, the solvency information is also published in the interim report. The information is published in the interim report which relates to the period when the significant changes have occurred. If the relevant change affects only a part of the entire solvency information, the other information need not be published. Thus, only relevant information can be published in the interim report, with a mention that the other information remains unchanged. The Board of Directors makes the decision on when the changes that have occurred in the information are significant enough that they must be published during the financial period.

Information to be published

The information listed in Financial Supervisory Authority standard 4.5, "Publishing solvency information to the markets", is to be published. However, information which is not relevant to the solvency of the Group will not be published. This includes information that is not relevant to the Bank Group's stakeholders and which is not otherwise relevant on the basis of the type and scope of the Group's operations and risks. With regards to information deemed irrelevant, the financial statement information will include a short explanation as to why the information has not been included in the financial statement. The Board of Directors makes the decision on information that is deemed irrelevant, and thus will not be published. Similarly, the Board of Directors will make a decision on information deemed to be a business secret or to fall under the purview of confidentiality.

The financial statement and annual report of the Bank Group will be published on the internet pages of Tapiola Group along with the solvency information, thus ensuring that these are available online to the stakeholders.

Calculating economic capital

The capital requirements are based on the total capital requirements of the various areas of business. The ICAAP process concerns the following risks and capital requirements:

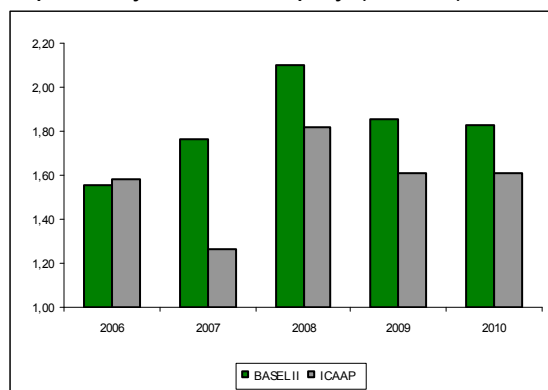
1. Credit and counterparty risks
2. Operative risks
3. Legal risks
4. Market risks
5. Residual risks
6. Cyclical risks
7. Quality and concentration of credit portfolio
8. Industry-specific risk
9. Strategic risks, including risk to reputation
10. New business

In the model, the sum of the capital required to cover each risk is calculated. In other words, it is assumed that it is possible for all of the risks to occur simultaneously.

The requirement for economic capital is calculated monthly and published as part of the management's risk reporting.

The risk reporting follows the capital requirements according to both the ICAAP and BASEL II norms.

The graph shows the amount of own funds in relation to the BASEL II norm and the amount required by financial equity (ICAAP).



Tapiola Bank Group

SOLVENCY CALCULATION

1,000 €	31/12/2010	31/12/2009
OTHER ASSETS	75,314	75,653
Primary own funds		
Capital and reserves	107,542	107,542
Funds	-38,177	-41,405
Deduction from primary own funds	-16,283	-12,777
Total	53,082	53,360
Secondary own funds		
Higher secondary own funds	2,441	2,891
Lower secondary own funds	20,000	20,000
Deduction from primary own funds	0	0
Total	22,441	22,891
Deduction from primary and secondary own funds	-209	-598
PRIMARY OWN FUNDS FOR SOLVENCY CALCULATION	52,978	53,061
SECONDARY OWN FUNDS FOR SOLVENCY CALCULATION	22,337	22,592
MINIMUM REQUIREMENT OF OWN FUNDS	49,810	45,221
Requirement of own funds for credit and counterparty risks (standard method)		
Receivables from credit institutions and investment firms	372	944
Receivables from corporations	3,709	5,827
Retail portfolio	3,873	3,237
Mortgages	33,836	29,430
Receivables due	251	109
Short-term receivables from corporations	163	0
Mutual fund investments	1,168	1,102
Other items	1,072	597
Total	44,444	41,246
Requirement of own funds for operative risks (basic method)	5,366	3,975
SURPLUS/DEFICIT OF OWN FUNDS	25,504	30,432
Solvency ratio primary own funds (%)	8.5	9.4
SOLVENCY RATIO, %	12.1	13.4

Notes on the Bank Group's segment reports

Bank Group segment report	Banking		Asset Management		Elimination, IFRS right		Group total	
Balance sheet								
1 000 €	31.12.2010	31.12.2009	31.12.2010	21.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Loans, other receivables	1,381,834	1,212,437	512	352	-445	-268	1,381,900	1,212,522
Other financial assets	207,289	162,576	7,446	6,062			214,735	168,638
Other assets	31,431	19,628	5,355	2,423	-12,687	-2,863	24,099	19,188
Own funds, total	1,620,554	1,394,641	13,313	8,837	-13,132	-3,131	1,620,735	1,400,348
Deposits	1,435,120	1,233,813			-445	-268	1,434,675	1,233,546
Other financial liabilities	73,502	58,460					73,502	58,460
Other liabilities	35,991	27,920	4,650	1,965	2	9,435	40,643	39,320
Total debts	1,544,613	1,320,193	4,650	193,465	-443	9,167	1,548,820	1,331,325
Income statement	Banking		Asset Management		Elimination, IFRS right		Group total	
1 000 €	1-12/2010	1-12/2009	1-12/2010	1-12/2009	1-12/2010	1-12/2009	1-12/2010	1-12/2009
Interest margin	14,079	13,023	95	119	-495	-299	13,679	12,843
Commission income, net	13,491	11,847	15,288	11,475	28	25	28,807	23,347
Other income	8,664	6,617	127	85	-944	-219	7,847	6,484
Share of profit/loss of associated undertakings					-389	-164	-389	-164
Other business income	36,234	31,488	15,511	11,679	-1,799	-656	49,945	42,510
Personnel expenses	-6,887	-6,238	4,529	-4,357			-11,416	-10,595
Other administrative expenses	-25,146	-21,170	-7,101	-6,166	2,592	1,596	-29,655	-25,739
Depreciation from tangible and intangible assets	-48	-51	-76	-42	-1,691	-1,120	-1,815	-1,213
Other expenses	-1,954	-1,701	-673	-577			-2,627	-2,278
Other business expenses	-34,035	-29,159	-12,378	-11,142	901	477	-45,513	-39,824
Recorded during the financial year	-386	-617					-386	-617
Operating profit	1,812	1,711	3,132	536	-899	-179	4,045	2,069

Notes to the consolidated profit and loss account and balance sheet of the Bank Group

Figures have been presented in thousands of euros, unless stated otherwise.

1. CASH ASSETS

cash assets	2010	2009
Receivables payable on demand from central banks	135,000	33,000
Total	135,000	33,000

2. FINANCIAL ASSETS TO BE ENTERED IN THE INCOME STATEMENT AT CURRENT VALUE

Derivative contracts	2010	2009
Share derivatives, liabilities held for trading		
Options contracts purchased	545	361
Total	545	361

Contracts concluded for purposes other than hedging	Nominal value of underlying asset		
	Remaining maturity		
Share derivatives	under 1 yr	1 - 5 yr	Total
Options contracts purchased	14,418	7,677	22,095
Total	14,418	7,677	22,095
- where counterparty is a company in the same Group	-	-	-

* comprising options sold and equivalent options bought for investment deposits. The embedded derivatives related to the main agreement of the released investment deposits have been separated from the main agreement. (See appendix 12 of the balance sheet).

3. SALEABLE FINANCIAL ASSETS

Certificates of claim	2010	2009
Government bonds and obligations, entitling the holder to central bank finance	42,363	39,675
Commercial papers and bonds issued by credit institutions	20,182	18,938
Bonds and commercial papers issued by companies	2,040	46,910
Certificates of claim in total	64,585	105,523

Shares and holdings		
Mutual funds	14,249	13,773
Equities*	357	174
Shares and holdings in total	14,605	13,947

Saleable financial assets in total	79,190	119,470
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* shares are formed by unnotarised share investments valued at acquisition cost

4. INVESTMENTS KEPT UNTIL DUE DATE

	2010	2009
Certificates of claim		
Government bonds and obligations entitling the company to central bank finance	-	15,780
Investments kept until due date in total	-	15,780

5. LOANS AND OTHER RECEIVABLES

Loans, other receivables	2010	2009
Receivables from credit institutions		
Receivables from credit institutions payable on demand	286	38,050
Other than those payable on demand from central banks	23,359	19,895
Total	23,644	57,945

Receivables from the public and public corporations

Corporate customers and housing associations	47,397	18,817
Households	1,298,321	1,132,188
From others	5,983	3,572
Finance leasing receivables from companies	6,555	-
Total	1,358,256	1,154,577

Loans, other receivables in total	1,381,900	1,212,522
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Value adjustment losses	Jan	-1,524	-1,457
Receivable-specific value adjustment losses		-77	71
Receivable-specific cancellations of value adjustment losses		-	49
Group-specific value adjustment losses		-149	-187

Value adjustment losses related to loans and other receivables

	31 Dec	-1,751	-1,524
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The value adjustments of loans and other receivables have been described in appendix 21 of the balance sheet and the counterparty risk has been described in more detail in the risk management section of the notes to the financial statement.

In addition to the value adjustment losses listed above, credit losses of 242 000 € and returned credit losses of 83 000 € were recorded during the financial year.

6. INTERESTS

		2010	2009
Holdings in participating interests	1		
Jan		598	252
Investments		-	510
Interest in profit/loss for the financial year		-389	-164
Holdings in participating interests	31 D	209	598

Associated undertakings**Oy Compass Card Oy Ltd**

Domicile: Mariehamn

Assets		1,727	2,467
Liabilities		1,112	708
Profit/loss		-1,144	-482
Share of ownership		34%	34%

Business operations of the participating interest were started at the end of 2010.

7. INTANGIBLE ASSETS

IT expenses		2010	2009
Acquisition cost on 1 Jan		9,785	7,594
Increase		5,190	2,191
Acquisition cost on 31 Dec		14,976	9,785
Accumulated depreciation and value adjustments o		-1,104	
Depreciation for the financial year		-1,685	-1,104
Accumulated depreciation and value adjustme		-2,790	-1,104
Book value on 31 Dec		12,186	8,681
Book value on 1 Jan		8,681	7,594

The activated IT systems of the IFRS adjustments include 495 000 (299 000) € of active interests, which have been calculated on the basis of the average loan interest (approximately 4 %).

On consolidation		2010	2009
Acquisition cost on 1 Jan		4,096	4,096
Acquisition cost on 31 Dec		4,096	4,096
Accumulated depreciation and value adjustme		-	-
Book value on 31 Dec		4,096	4,096
Book value on 1 Jan		4,096	4,096
Total intangible assets		16,283	12,777

Depreciation testing of goodwill

Of the goodwill created by buying Tapiola Asset Management Ltd in 2006, 100% has been targeted towards the Asset Management segment, which forms a separate unit of its own that generates cash flow.

The recoverable amount of a unit generating cash flow is based on the depreciation calculation. This calculation is based on cash flow predictions before taxes based on the five-year budget approved by the management. Cash flows to be generated later than five years from now have been extrapolated by assuming a yearly growth rate of 3%. The growth rate used does not exceed the average long term growth rate of the business area of the unit generating the cash flow.

The central assumptions used in depreciation calculations in 2010 and 2009 are the following:

	2010	2009
Operating profit, € million	2.6 - 3.7	0.6 - 1.4
Eternity growth rate	3.0 %	3.0 %
Discount rate	9.3 %	9.8 %

These assumptions were used to analyse the unit producing the cash flow.

The management has defined the budgeted business profits on the basis of earlier results and the expected development of the markets. The growth rate used is equivalent to that of the projections presented in the business area reports. The discount rate used has been defined before taxes and represents the risks related to the operational segment in question.

8. TANGIBLE ASSETS

Machinery and equipment	2010	2009
Acquisition cost on 1 Jan	183	183
Increase	147	-
Acquisition cost on 31 Dec	330	183
Accumulated depreciation and value adjustments on 1 Jan	-81	-40
Depreciation for the financial year	-62	-41
Accumulated depreciation and value adjustments on 31 Dec	-143	-81
Book value on 31 Dec	187	102
Book value on 1 Jan	102	143
other tangible assets	2010	2009
Acquisition cost on 1 Jan	337	337
Acquisition cost on 31 Dec	337	337
Accumulated depreciation and value adjustments on 1 Jan	-135	-67
Depreciation for the financial year	-67	-67
Accumulated depreciation and value adjustments on 31 Dec	-202	-135
Book value on 31 Dec	135	202
Book value on 1 Jan	202	270
Total tangible assets	322	305

9. RECEIVABLES

Debtors	2010	2009
Prepayments and accrued income		
Interest receivable	2,632	2,314
Other prepayments and accrued income	351	330
Prepayments paid	70	22
Prepayments and advance contributions paid in total	3,053	2,666
Other debtors		
Commission receivables	-	0
Receivables on payment intermediation	0	0
Other debtors	3,494	2,094
Total other receivables	3,494	2,094
Total	6,547	4,760

10. DEFERRED TAX LIABILITIES AND TAX ASSETS

	2010	2009
Deferred tax assets		
Recorded confirmed losses	739	748
Deferred tax assets	739	748
Deferred tax liabilities		
Calculated from timing difference	-5	-6
Recorded on the balance sheet from the current value reserve	-634	-750
Deferred tax liabilities in total	-639	-756
Deferred taxes in the profit and loss account	-8	572

Confirmed loss from previous years	35,966	37,326
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Deferred tax profits will be recorded on the unused tax liabilities until it becomes likely that the company will receive tax profits on the basis of taxable income. Other deferred tax profits on the confirmed losses of Tapiola Bank Ltd have been left unrecorded. They may be used against taxable income collected in the future. The losses expire in 2012-2017.

11. DEPOSITS

Deposits	2010	2,009
Liabilities to credit institutions		
Payable on demand	16	123
Total	16	123
Liabilities to the public and public corporations		
Deposits payable on demand	982,959	838,072
Deposits other than those payable on demand	451,700	395,351
Total	1,434,659	1,233,422
Deposits in total	1,434,675	1,233,546

12. FINANCIAL LIABILITIES TO BE ENTERED IN THE INCOME STATEMENT AT CURRENT VALUE**Derivative contracts and other financial liabilities retained for business purposes**

Embedded derivatives, liabilities held for trading	2010	2009
Embedded liabilities managed together with financial assets held for trading	544	360
Total	544	360

Derivative contracts	Nominal value of the main contract		
	Remaining maturity		
Embedded derivatives	under 1 yr	1 - 5 yr	Total
Sold options	14,418	7,677	22,095
Total	14,418	7,677	22,095
- where counterparty is a company in the same Group	-	-	-

13. BONDS ISSUED TO THE PUBLIC

Bonds issued to the public	2010	2009
Commercial papers	52,958	38,099
Total	52,958	38,099

14. LIABILITIES THAT HAVE LOWER PRIORITY THAN OTHER LIABILITIES

Liabilities that have lower priority than other liabilities	2010	2009
Debentures	20,000	20,000
Total	20,000	20,000

Tapiola Bank Ltd debenture loan 1/2006, nominal value 10,000,000 €

Loan period of 30 June 2006 to 30 June 2016, right to premature repayment after 5 years, interest 12-month Euribor + 0.25% p.a. until 20 June 2011 and 12-month Euribor + 1.00% p.a. thereafter

Tapiola Bank Ltd debenture loan 1/2007, nominal value 10,000,000 €

Loan period of 30 June 2006 to 30 June 2016, right to premature repayment after 5 years, interest 12-month Euribor + 0.25% p.a. until 20 June 2011 and 12-month Euribor + 1.00% p.a. thereafter

In the solvency calculation, all loans have been grouped under Tier II.

15. OTHER LIABILITIES IN TOTAL

Other liabilities	2010	2009
Accruals and deferred income		
Interest payable	1,242	1,074
Other accruals and deferred income	3,422	2,856
Prepayments received	34	30
Accruals and deferred income in total	4,698	3,960
Other deferred liabilities		
Liabilities on payment intermediation	17,158	21,993
Other liabilities	17,455	12,523
Other deferred liabilities in total	34,614	34,516
Total	39,312	38,476

16. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

to maturity of the financial liabilities.

	under 3 months	3 to 12 months	1 to 5 years	5 to 10 years	over 10 years	2010 Total
Maturity distribution						
cash assets	135,000	-	-	-	-	135,000
Financial assets to be entered in the income statement at current value	-	341	205	-	-	545
Saleable certificates of claim	11,122		53,463			64,585
Loans, other receivables	36,724	7,604	107,691	178,428	1,051,455	1,381,900
Deposits	1,081,333	224,448	128,894	-	-	1,434,675
Financial liabilities to be entered in the income statement at current value	-	340	204	-	-	544
Bonds issued to the public	30,120	22,838	-	-	-	52,958
Liabilities that have lower priority than other liabilities	-	-	-	20,000	-	20,000

17. FINANCIAL ASSETS AND LIABILITIES

	2010		2009	
	Book value	Current value	Book value	Current value
Assets				
cash assets	135,000	135,000	33,000	33,000
To be entered in the income statement at current value	545	545	361	361
Saleable financial assets	79,190	79,190	119,497	119,497
Investments kept until due date	-	-	15,780	16,224
Loans, other receivables	1,375,346	1,375,346	1,212,522	1,212,522
Creditors				
Deposits				
Liabilities to credit institutions	16	16	123	123
Liabilities to the public and public corporations	1,434,659	1,434,659	1,233,690	1,233,690
To be entered in the income statement at current value	544	544	360	360
Bonds issued to the public	52,958	52,998	38,099	38,122
Other liabilities that have lower priority than other liabilities	20,000	20,000	20,000	20,000

The liabilities include liabilities valued at the allocated acquisition cost in addition to the liabilities to be entered in the income statement at current value.

				2010
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets to be entered in the income statement at current value (derivatives)	-	545	-	545
Saleable financial assets				
- Shares and holdings	14,248	-	357	14,605
- Certificates of claim	64,585	-	-	64,585
Financial assets in total	78,833	545	357	79,735
Financial liabilities				
Financial assets to be entered in the income statement financial liabilities to be recorded (derivatives)	-	544	-	544
Financial liabilities in total	0	544	0	544

	Level 1	Level 2	Level 3	2009 Total
Financial assets				
Financial assets to be entered in the income statement at current value (derivatives)	-	361	-	361
Saleable financial assets				
- Shares and holdings	13,773	-	174	13,947
- Certificates of claim	105,523	-	-	105,523
Financial assets in total	119,296	361	174	119,831
Financial liabilities				
Financial assets to be entered in the income statement financial liabilities to be recorded (derivatives)	-	360	-	360
Financial liabilities in total	0	360	0	360

The current values of the instruments on level 1 are based on the quoted prices of identical finances or liabilities on actual markets, such as prices on the stock exchange, at brokers or in price information

The instruments on level 1 consist mainly of domestic quoted equity investment liabilities that have been listed for sale. The bid price at the time is used as the market price for the quoted financial assets.

The current values of the level 2 instruments have been calculated using value methods and are derived from quoted prices on the markets. The level 2 instruments consist of OTC derivatives.

The recorded values of the level 3 holdings or liabilities are not based on verifiable market information.

Level 3 includes small, long term holdings, which are not relevant and have been valued at acquisition cost.

18. EQUITY CAPITAL

	2010	2009
Equity capital	31,400	31,400
Share type code	-	-
Number of shares	48,308	48,308
Number of votes for a share	48,308	48,308
Shares have no nominal value		
Limitations regarding the acquisition of shares	redemption clause in the articles of association	
Current shareholders have priority for new shares when equity capital is increased	in proportion to current shareholding	
Right to dividend	equal for all shares	
Specification of shares held	the bank holds no treasury shares	

19. OTHER FUNDS AND RETAINED EARNINGS

	2010	2009
Premium fund	31,400	31,400
Other restricted reserves		
Current value reserve		
From valuation at current value		
Value of the fund before deferred taxes	2,441	2,884
Deferred taxes	-634	-750
Current value reserve in total	1,807	2,134
Unrestricted reserves		
Invested distributable reserves*	28,042	28,042
Retained earnings		
Profit (loss) brought forward	-40,653	-43,207
Profit (loss) for the financial year	3,220	2,555
Retained earnings in total	-37,433	-40,653

*The investment distributable reserves includes other investments of distributable nature and the subscription price of the shares for those parts when a specific decision is not made to report it as equity capital.

20. INTEREST MARGIN

	2010	2009
Interest income		
cash assets	353	316
Loans and other receivables		
Receivables from credit institutions	57	1,427
Receivables from the public and public corporations	27,996	30,941
Other interest income	110	-
Loans and receivables in total	28,052	32,368
Saleable financial assets	2,467	2,107
Investments kept until due date	531	814
Total	31,513	35,606
Interest expenses		
From deposits		
To credit institutions	1	5
To the public and public corporations	16,261	21,686
Deposits in total	16,262	21,692
From bonds issued to the public	522	68
Liabilities that have lower priority than other liabilities	292	601
Other liabilities with interest	757	402
Total	17,833	22,763
Interest margin	13,679	12,843

21. OTHER FINANCIAL ASSETS AND LIABILITIES

Balance sheet item	2010	2009
Financial assets to be entered in the income statement at current value		
Created by valuation at current value	0	0
Saleable financial assets*		
Sales profits/losses realised during the financial year	1,789	191
Total	1,790	191

*Interest profits and liabilities have been recorded in interest profits and liabilities (see appendix 20).

22. COMMITMENTS

Value adjustment losses	2010	Contract-specific value adjustment losses,	Group-specific value adjustment losses, gross	Decrease	Recorded in the profit and loss statement
On loans and other receivables					
Receivables from the public and public corporations	320	149	-83	387	
On other assets	1	-	-2	0	
Value adjustment losses, total	321	149	-84	386	
Value adjustment losses	2009	Contract-specific value adjustment losses,	Group-specific value adjustment losses, gross	Decrease	Recorded in the profit and loss statement
On loans and other receivables					
Receivables from the public and public corporations	453	187	-49	591	
On other assets	41	-	-15	26	
Value adjustment losses, total	494	187	-64	617	

23. COMMISSION INCOME AND EXPENSES

	2010	2009
Commission income		
From credit-granting	2,065	1,765
From deposits	238	204
From payment transactions	1,696	1,587
From funds	13,539	9,375
From asset management	6,577	5,528
From trading in securities	38	-
From granting of sureties	57	58
From other operations	11,422	10,009
Total	35,632	28,526
Commission expenses		
From service charges paid	430	449
From other	6,395	4,731
Total	6,824	5,179

24. OTHER BUSINESS INCOME

	2010	2009
Other business income		
Rental income (from real estate assets occupied for the company's own activities)	-	-
Sales gains from sales of real estate assets occupied for the company's own activities	-	-
Profit from mergers	-	-
Deposit Guarantee Fund assistance	-	-
Other income	6,057	6,292
Total	6,057	6,292

25. ADMINISTRATIVE EXPENSES

	2010	2009
Administrative expenses		
Salaries and remuneration	9,050	8,561
Pension expenses	1,932	1,666
Other personnel expenses	434	368
Other administrative expenses	29,655	25,739
Total	41,071	36,334

26. TANGIBLE AND INTANGIBLE ASSETS

	2010	2009
Intangible assets		
Depreciation on intangible assets	1,685	1,104
Tangible assets		
Depreciation on equipment and machinery	130	109
Depreciation and value adjustments in total	1,815	1,213

27. OTHER BUSINESS EXPENSES

Other business expenses	2010	2009
Rent expenses	1,052	936
Insurance premiums	83	50
Supervision, inspection and membership fees	1,269	1,080
Other expenses	223	212
Total	2,627	2,278

28. INCOME TAXES

Income taxes	2010	2009
Taxes based on taxable income	-818	-87
Change in deferred tax profits from confirmed losses	-9	568
Change in deferred tax liabilities pertaining to timing differences	2	4
Total	-825	486

Deferred taxes recorded in the consolidated profit and loss account in the current value reserve	115	-570
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29. COLLATERAL GIVEN

	2010		2010	2009		2009
Balance sheet	Pledges	Mortgages	Other collateral	Pledges	Mortgages	Other collateral
Pledged for the company's own loans						
Liabilities to credit institutions	-	-	39,985	-	-	27,000
Pledged for the company's for own liabilities, total	-	-	39,985	-	-	27,000
Pledged on behalf of others	-	-	8,011	-	-	6,986
of which to members who are insiders	-	-	303	-	-	-

30. CONTINGENT LIABILITIES

	2010	2009
Off-balance-sheet commitments		
Guarantees	8,011	6,986
Unused credit facilities	55,467	60,780
Total	63,478	67,766
of which on behalf of members who are insiders	303	-

The off-balance-sheet commitments include guarantees and unused credit facilities. Guarantees are commitments made on behalf of a third party and include bank and job guarantees.

Unused credit facilities include the limits of unused credit accounts and credit decisions which are binding commitments to give credit and are in force for 3 months on average.

31. OTHER OFF-BALANCE-SHEET FACILITIES**Commitments related to other rental agreements**

The Group has rented offices and office equipment with agreements that can be rescinded.

The term of notice for these agreements is three months on average.

The minimum rentals for the rental agreements which cannot be rescinded are as follows:

Contractual liability related to fees, to a company in the Tapiola General Group

	2010	2009
Within one year	345	2,070
Within a period of over one year	1,372	7,059
Within a period of over five years	804	4,622

Joint liability relating to collective registering for value-added taxation (ALV 188 §)

	2010	2009
Within one year	3,907	1,014
on behalf of a company in the same Group	7	1

32. NUMBER OF PERSONNEL

Average number of personnel	2010	2009
Permanent full-time personnel	162	150
Permanent part-time personnel	3	5
Fixed-term personnel	3	7
Total	168	162

33. MANAGEMENT AND PENSION LIABILITIES**Salaries and remuneration paid by the Bank Group**

	2010	2009
Managing directors and deputy managing directors	591	563
The members and deputy members of the Board of Directors	16	20
Total	607	583

The salaries and remuneration take the form of short term employment benefits. No other long term employment benefits have been paid by the Group. The key personnel who are part of the management of the Group have no pension benefits after their employment has ended based on benefits. The retirement age of the managing directors is 63 years.

34. AUDITOR'S FEES

	2010	2009
Auditing	46	66
Assignments within the meaning of the provisions of t	53	62
Tax advice	0	7
Other services	97	6
Total	196	141

35. RELATED PARTY TRANSACTIONS

Parties who are related to the Tapiola Bank Group and who are able to exercise the right of decision or have influence within Tapiola Bank Ltd are under the same authority as Tapiola Bank Ltd or are under the right of decision or significant influence of Tapiola Bank Ltd.

In addition, related parties include key persons, consisting of the board members, managing directors and deputy managing directors, accountants and deputy accountants, and the spouses and under-age children of the persons mentioned above, and of controlling parties and the spouses and under-age children of the controlling parties, and of the companies mentioned below: Tapiola General Ltd, Tapiola Bank Ltd and Tapiola Asset Management Ltd.

Loans, guarantees and other off-balance-sheet commitments of the related parties

	2010	2010	2009	2009
	Loans granted and investments	Guarantees and other commitments	Loans granted and investments	Guarantees and other commitments
Key persons who are part of the management	818	-	676	180
Auditors	-	-	-	-
Supervisory board	417	-	7	-
Companies counted as insiders using regular terms.	-	303	-	-

No value adjustment losses have been recorded for these.

Internal fees of the Tapiola Group

	2010	2009
Received internal service fees	19,722	19,083
Paid internal service fees	-40,143	-24,280
Pension insurance contributions paid	-314	-266
Office space rents paid	-1,645	-929

principles within the Tapiola Group, which cover the expenses created in producing the service. among other things.

The pension insurance contributions paid consist of the employee pension insurance required by law and additional pension insurance.

The internal items of the Tapiola Bank Group have been removed from the table above. reported in appendix 33.

Off-balance-sheet commitments with related party companies have been reported in appendix 31.

related party transactions with the associated undertaking during the financial years 2010 and 2009.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF TAPIOLA BANK LTD

BALANCE SHEET

	31.12.2010	31.12.2009	(Appendix
ASSETS	1,000 €	1,000 €	number(s))
cash assets	135,000	33,000	(21)
Certificates of claim entitling the company to central bank financing			
Government obligations	42,363	55,455	
Certificates of claim entitling the company to central bank financing	42,363	55,455	(3,17,21,36)
Receivables from credit institutions			
Payable on demand	219	37,965	
Other	23,359	19,895	
Receivables from credit institutions	23,578	57,860	(1,17,21)
Receivables from the public and public corporations			
Payable on demand	1,357	1,370	
Other	1,350,345	1,153,207	
Receivables from the public and public corporations	1,351,701	1,154,577	(2,17,21)
Leased property	6,555	-	(17)
Certificates of claim			
From others	15,130	59,983	
Certificates of claim	15,130	59,983	(3,17,18)
Shares and holdings	14,251	13,776	(5,20,21)
Shares and holdings in participating interests	1,190	1,190	(5,20,21)
Shares and holdings in Group companies	15,819	15,819	(5,20,21)
Derivative contracts	545	361	(6,18,19,21)
Intangible assets	10,474	118	(7,8)
Tangible assets			
Other tangible assets	26	35	
Tangible assets	26	35	(8)
Other assets	467	131	(9)
Prepayments and accrued income	2,716	2,336	(10)
Deferred tax assets	739	-	(11)
TOTAL ASSETS	1,620,554	1,394,641	

	31.12.2010	30.12.2009	(Appendix
CAPITAL, RESERVES AND LIABILITIES	1,000 €	1,000 €	number(s))
LIABILITIES			
Liabilities to credit institutions			
To credit institutions			
Payable on demand	16	123	
To credit institutions	16	123	
Liabilities to credit institutions	16	123	(17,18,21,36)
Liabilities to the public and public corporations			
Deposits			
Payable on demand	983,404	838,339	
Other	451,700	395,351	
Deposits	1,435,104	1,233,690	(17,21)
Liabilities to the public and public corporations	1,435,104	1,233,690	
Bonds issued to the public			
Other	52,958	38,099	
Bonds issued to the public	52,958	38,099	(12,17,21)
Derivative contracts and other liabilities retained for business purposes	544	360	(13,18,19,21)
Other liabilities			
Other liabilities	32,411	25,455	
Other liabilities	32,411	25,455	(14)
Accruals and deferred income	2,945	2,465	(15)
Liabilities that have lower priority than other liabilities			
Other	20,000	20,000	
Liabilities that have lower priority than other liabilities	20,000	20,000	(17,21)
Deferred tax liabilities	634	-	
LIABILITIES, TOTAL	1,544,613	1,320,193	
CAPITAL AND RESERVES			
Equity capital	31,400	31,400	(22,23,24)
Premium fund	48,100	48,100	(22)
Other restricted reserves			
Current value reserve			
From valuation at current value	1,806	2,863	
Current value reserve	1,806	2,863	
Other restricted reserves	1,806	2,863	(22)
Unrestricted reserves			
Invested distributable reserves	28,042	28,042	
Unrestricted reserves	28,042	28,042	(22)
Profit (loss) brought forward	-35,956	-37,668	(22)
Profit (loss) for the review period	2,551	1,711	(22)
CAPITAL AND RESERVES TOTAL	75,942	74,448	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,620,554	1,394,641	
OFF-BALANCE-SHEET COMMITMENTS			
Commitments given in favour of third parties on behalf of the customer			
Sureties and pledges	8,011	6,986	
Irrevocable commitments given in favour of the customer			
Security repurchase commitments		-	
Other	55,467	60,780	
OFF-BALANCE-SHEET COMMITMENTS, TOTAL	63,478	67,766	(36,38)

INCOME STATEMENT

	1.1.-31.12.2010	1.1.-31.12.2009	(appendix number)
	1,000 €	1,000 €	
Interest income	31,308	35,488	(25)
Net income on leasing operations	110		
Interest expenses	-17,339	-22,465	(25)
INTEREST MARGIN	14,079	13,023	
Return on equity investments			
From companies in the same Group	504	-	
Return on equity investments	504	-	(27)
Commission income	15,434	13,662	(28)
Commission expenses	-1,943	-1,814	(28)
Net income from security trading and currency operations			
Net income on securities trading	0	0	
Net income from security trading and currency operations	0	0	(19,29)
Net income from saleable financial assets	1,812	210	(30)
Other business income	6,347	6,407	(31)
Administrative expenses			
Personnel expenses			
Salaries and remuneration	-5,429	-5,009	
Other personnel expenses			
Pension expenses	-1,174	-1,012	
Other personnel expenses	-284	-217	
Other personnel expenses	-1,458	-1,228	
Personnel expenses	-6,887	-6,238	
Other administrative expenses	-25,146	-21,170	
Administrative expenses	-32,033	-27,408	
Depreciation and value adjustments on tangible and intangible assets	-48	-51	(8,33)
Other business expenses	-1,954	-1,701	(32)
Value adjustment loss on loans and other commitments	-386	-617	(2,34)
OPERATING PROFIT (LOSS)	1,812	1,711	
Income taxes	739	-	
Profit (loss) from ordinary activities, after taxes	2,551	1,711	
PROFIT (LOSS) FOR THE FINANCIAL YEAR	2,551	1,711	

CASH FLOW STATEMENT OF TAPIOLA BANK LTD

INDIRECT CASH FLOW STATEMENT	2010	2009
	1,000 €	1,000 €
CASH FLOW FROM OPERATIONS:		
Operating profit (loss)	1,812	1,711
Adjustments made to the operating profit	3,858	-2,826
Income taxes paid	-	-
Business asset increase (-) / decrease (+)		
Receivables from the public and public corporations	-197,511	-183,650
Leased property	-6,555	-
Certificates of claim	21,520	-37,796
Shares and holdings	-305	-208
Other assets	-621	-251
Business debt increase (+) / decrease (-)		
Liabilities to credit institutions	-108	-70
Liabilities to the public and companies	201,725	43,676
Bonds issued to the public	14,722	38,037
Other liabilities	-6,296	2,006
Cash flow from operations (A)	32,242	-139,370
CASH FLOW FROM INVESTMENTS		
Investments in shares in participating interests	-	-510
Investments in shares in Group companies (dividends received)	504	0
Investments in tangible and intangible assets	0	0
Capital gains from tangible and intangible assets	0	0
Cash flow from investments (B)	504	-510
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities that have lower priority than other liabilities, increase		
Liabilities that have lower priority than other liabilities, decrease		
Bonds issued to the public, increase		
Bonds issued to the public, decrease		
Increase in capital and reserves, share issue	0	0
Dividends paid		
Cash flow from financing activities (C)	0	0
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) increase (+) / reduction (-)	32,746	-139,880
Cash and cash equivalents at the start of the year	125,832	265,713
Cash and cash equivalents at the end of the year	158,578	125,832
Change in cash and cash equivalents	32,746	-139,880
NOTES TO THE CASH FLOW STATEMENT		
Components of cash and cash equivalents, and reconciliation statement		
The cash and cash equivalents included in the cash flow statement include the following:		
cash assets	135,000	33,000
Receivables from credit institutions payable on demand	219	37,965
Receivables from credit institutions to be included in cash and cash equivalents	23,359	19,895
Certificates of claim to be included in cash and cash equivalents	0	34,972
Total	158,578	125,832
Adjustments in operating profit, itemised:		
Interest income	542	1,916
Interest expenses	-5	-5,409
Dividends in investment cash flow	-504	0
Tangible and intangible assets	48	51
Recorded during the financial year	386	617
Other adjustments	3,391	0
Total	3,858	-2,826

KEY FIGURES OF TAPIOLA BANK LTD.

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

	31/12/2010	31.12.2009
Receivables from credit institutions, € milli	23.6	57.9
Receivables from the public and companies, € million	1,351.7	1,154.6
Liabilities to credit institutions, € million	0.0	0.1
Liabilities to the public and companies, € million	1,435.1	1,233.7
Capital and reserves, € million	75.9	74.4
Balance sheet total, € million	1,620.6	1,394.6
Contingent liabilities, € million	63.5	67.8
Interest margin, € million	14.1	13.0
Turnover, € million	55.5	55.8
Operating profit/loss, € million	1.8	1.7
% of turnover	3.3	3.1
Return on equity (ROE), %	3.4	2.4
Return on assets (ROA), %	0.2	0.1
Equity ratio, %	4.7	5.3
Cost/return ratio	0.9	0.9

SOLVENCY in accordance with Basel I 31/12/2010 31/12/2009

Primary own funds, total, € million	62.3	69.2
Secondary own funds, total, € million	21.8	22.3
Minimum requirement for own funds, € million	49.2	44.9
In proportion to primary own funds, %	10.1	12.3
Solvency ratio, %	13.7	16.3

Formulas

Return on equity (ROE), percentage	= 100 x	$\frac{\text{Operating profit/loss less income taxes}}{\text{Capital and reserves and minority interest + accumulated appropriations less deferred tax liabilities (average of beginning and end of year)}}$
Return on assets (ROA), percentage	= 100 x	$\frac{\text{Operating profit/loss less income taxes}}{\text{Balance sheet total average (average of beginning and end of year)}}$
Equity ratio, percentage	= 100 x	$\frac{\text{Capital and reserves and minority interest + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}}$
Cost/return ratio	=	$\frac{\text{Administrative + Depreciation and value adjustments on tangible and intangible assets} + \text{Other business expenses}}{\text{Interest margin + Return on equity investments + Net commission income} + \text{Net income from security trading and currency operations} + \text{Net income from saleable financial assets} + \text{Net result of hedging calculation} + \text{Net income on investment property} + \text{Other business income} + \text{Share of profit/loss of associated undertakings (net)}}$
Turnover	=	Combined sum of interest yield, leasing income, return on equity investments, commission income, net return on security trading and currency operations, net return on saleable financial assets, net return on hedging calculation, net income from investment property and other business income

NOTES TO THE FINANCIAL STATEMENT OF TAPIOLA BANK LTD.

Notes on the principles used in the preparation of financial statements

The financial statement of Tapiola Bank Ltd has been prepared in accordance with Finnish laws and decrees on accounting, the Act on Credit Institutions, the Decree of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms, the Financial Supervision Authority's regulations and instructions and the general instructions of the Accounting Board of the Ministry of Employment and Education.

The principles used in the preparation of the Bank Group's statements have been used as the defining principles of Tapiola Bank Ltd and any deviations are separately pointed out in the following.

Machinery and equipment have been depreciated in accordance with the Finnish standard, EVL, using the reducing balance depreciation method.

Leasing targets have been entered on the parent company balance sheet as acquisition cost, from which depreciation has been deducted. The planned depreciation of leasing targets has been calculated using the annuity method in such a way that the depreciation corresponds with the calculated remuneration of equity included in the leasing fees. The risk of reducing balance for the leasing stock is borne by the lessee, as defined in the leasing contract.

Notes relating to the balance sheet of Tapiola Bank Ltd

Figures have been presented in thousands of euros, unless stated otherwise.

1. RECEIVABLES FROM CREDIT INSTITUTIONS

	Payable on demand	Other than those payable on demand	2010, total	Payable on demand	Other than those payable on demand	2009, total
From the central bank	----	23,359	23,359	----	19,895	19,895
From Finnish credit institutions	219	0	219	37,965	0	37,965
Receivables from credit institutions, total	219	23,359	23,578	37,965	19,895	57,860

2. RECEIVABLES FROM THE PUBLIC AND PUBLIC CORPORATIONS

	2010	2009
Corporate customers and housing associations	47,292	18,760
Financial and insurance institutions	105	57
Households	1,298,321	1,132,188
Non-profit-making corporations	81	47
Foreign countries	5,903	3,525
Receivables from the public and companies, tot	1,351,701	1,154,577

Value adjustment losses at the beginning of the year	-1,524	-1,457
Receivable-specific value adjustment losses recorded during the financial year	-77	71
Receivable-specific cancellations of value adjustment losses recorded during the financial year	-	49
Group-specific value adjustment losses recorded during the financial year	-149	-187
Value adjustment losses included in the balance sheet item at the end of the financial year	-1,751	-1,524

3. CERTIFICATES OF CLAIM

	2010	2009
Issued by companies, entitling the company to central bank finance		
Kept until due date, publicly listed, kept until due date	-	15,780
Saleable, publicly listed, kept until due date	42,363	39,675
Total	42,363	55,455
Issued by parties other than public corporations		
Saleable, publicly listed bonds issued by banks	13,090	13,073
Saleable, publicly listed bonds issued by companies	2,040	2,036
Saleable, publicly listed commercial papers	-	44,874
Total	15,130	59,983

4. AGREEMENTS

Property leased under financial leasing agreem	2010	2009
Machinery and equipment	6,555	-
Total	6,555	-

5. SHARES AND HOLDINGS	Publicly listed shares	Other	Total
Shares and holdings			
Saleable	14,249	3	14,251
Shares and holdings in Group companies	-	15,819	15,819
Shares and holdings in participating interests	-	1,190	1,190
Total	14,249	17,012	31,260
- of which at acquisition cost	-	17,012	17,012

6. DERIVATIVE CONTRACTS

	2010	2009
Share derivatives, liabilities held for trading		
Options contracts	545	361
Purchased	545	361
Total	545	361

Contracts concluded for purposes other than hedging	Nominal value of underlying asset			Current value of derivative	
	under 1 year	1 - 5 years	Total	positive	negative
Share derivatives					
Options contracts	14,418	7,677	22,095	545	-
Purchased	14,418	7,677	22,095	545	-
Total	14,418	7,677	22,095	545	-
- where counterparty is a company in the same Group	-	-	-	-	-

* comprising options sold and equivalent options bought for investment deposits. The embedded derivatives related to the main agreement of the released investment deposits have been separated from the main agreement.

7. INTANGIBLE ASSETS

	2010	2009
Intangible assets		
IT expenses	10,396	-
Other intangible assets	78	118
Total	10,474	118

8. DURING THE FINANCIAL YEAR

INTANGIBLE ASSETS	2010	2009
Acquisition cost on 1 Jan	196	196
Increase	10,396	-
Acquisition cost on 31 Dec	10,592	196
Accumulated depreciation and value adjustments on 1 Jan	-78	-39
Depreciation for the financial year	-39	-39
Accumulated depreciation and value adjustments on 31 Dec	-118	-78
Book value on 31 Dec	10,474	118
Book value on 1 Jan	118	157

TANGIBLE ASSETS	2010	2009
other tangible assets		
Acquisition cost on 1 Jan	113	113
Acquisition cost on 31 Dec	113	113
Accumulated depreciation and value adjustments on 1 Jan	-78	-67
Depreciation for the financial year	-9	-12
Accumulated depreciation and value adjustments on 31 Dec	-87	-78
Book value on 31 Dec	26	35
Book value on 1 Jan	35	47

9. OTHER ASSETS

Other assets	2010	2009
Receivables on payment intermediation	0	0
Other debtors	467	131
Total	467	131

10. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income	2010	2009
Interest receivable	2,632	2,314
Other prepayments and accrued income		-
Prepayments paid	84	22
Total	2,716	2,336

11. DEFERRED TAX LIABILITIES AND TAX ASSETS

	2010	2009
Deferred tax assets		
Recorded confirmed losses	739	
Deferred tax assets	739	-
Deferred tax liabilities		
Recorded from the current value reserve	-634	
Deferred tax liabilities in total	-634	-
Deferred taxes in the profit and loss account	739	-
The off-balance-sheet deferred tax liability of the current value reserve	-	-744

Confirmed loss from previous years 35,966 37,326
 Deferred tax profits will be recorded as unused tax liabilities until it becomes likely that the company will receive tax profits on the basis of taxable income.
 Other deferred tax profits on the confirmed losses of Tapiola Bank Ltd have been left unrecorded. They may be used against taxable income collected in the future. The losses expire in 2012-2017.

12. BONDS ISSUED TO THE PUBLIC

	2010	2009
Certificates of deposit and commercial papers		
book value	52,958	38,099
nominal value	53,150	38,200
Total book values	52,958	38,099

13. RETAINED FOR BUSINESS PURPOSES

	2010	2009
Share derivatives		
Derivative liabilities retained for business purposes, managed together with financial assets	544	360
Total	544	360

14. OTHER CREDITORS

	2010	2009
Other liabilities		
Liabilities on payment intermediation	17,158	21,993
Other	15,253	3,462
Total	32,411	25,455

15. ACCRUALS AND DEFERRED INCOME

	2010	2009
Accruals and deferred income		
Interest payable	1,242	1,073
Other accruals and deferred income	1,669	1,361
Prepayments received	34	30
Total	2,945	2,464

16. LIABILITIES THAT HAVE LOWER PRIORITY THAN OTHER LIABILITIES

	2010	2009
	book value	book value
Tapiola Bank Ltd debenture loan 1/2006, nominal value 10,000,000 €	10,000	10,000
Loan period of 30 June 2006 to 30 June 2016, right to premature repayment after 5 years, interest 12-month Euribor + 0.25% p.a. until 20 June 2011 and 12-month Euribor + 1.00% p.a. thereafter		
Tapiola Bank Ltd debenture loan 1/2007, nominal value 10,000,000 €	10,000	10,000
Loan period of 30 June 2006 to 30 June 2016, right to premature repayment after 5 years, interest 12-month Euribor + 0.25% p.a. until 20 June 2011 and 12-month Euribor + 1.00% p.a. thereafter		

In the solvency calculation, all loans have been grouped under Tier II.

17. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

Maturity distribution						2010
	der 3 months	to 12 months	1 to 5 years	5 to 10 years	over 10 years	Total
Certificates of claim entitling the company to central bank financing	4,030	-	38,333	-	-	42,363
Receivables from credit institutions	23,578	-	-	-	-	23,578
Receivables from the public and public corporations	12,876	6,630	102,313	178,428	1,051,455	1,351,701
Leased property	203	974	5,378	-	-	6,555
Certificates of claim	-	-	15,130	-	-	15,130
Liabilities to credit institutions	16	-	-	-	-	16
Liabilities to the public and public corporations	1,081,762	224,448	128,894	-	-	1,435,104
Bonds issued to the public	30,120	22,838	-	-	-	52,958
Liabilities that have lower priority than other liabilities	-	-	-	20,000	-	20,000

18. FINNISH AND FOREIGN-CURRENCY ITEMS AND

Balance sheet item, Finnish currency	2010	2009	
		From the same Group	From the same Group
Receivables from credit institutions	23,578	57,860	-
Receivables from the public and public corporations	1,351,701	445	1,154,577
Leased property	6,555	-	-
Certificates of claim	57,493	-	115,438
Derivative contracts	545	-	361
Other assets, including cash assets	180,682	2	66,405
Total assets	1,620,554	447	1,394,641
Liabilities to credit institutions	16	-	123
Liabilities to the public and public corporations	1,435,104	-445	1,233,690
Bonds issued to the public	52,958	-	38,099
Derivative contracts and liabilities retained for business purposes	544	-	360
Other liabilities	55,991	2	47,920
Liabilities, total	1,544,613	-443	1,320,193

19. CHANGES IN CURRENT VALUES RECORDED IN THE INCOME STATEMENT

In the determination of the current value for derivative contracts, the current values available from the financial markets have been applied, together with the Bank Group's own calculations.

Balance sheet items recorded in net income from security trading

	2010	2009
Other derivative contracts (finances)	545	361
Derivative contracts and other liabilities retained for business purposes	-544	-360
Total	1	0

20. FINANCIAL ASSETS VALUED AT ACQUISITION COST RATHER THAN AT CURRENT VALUE

Financial assets classified as saleable financial assets under the balance sheet item 'Shares and holdings' are usually valued at current value, with the exception of shares and holdings that are not significant, which are valued at acquisition cost. Specifications are contained in note 5 to the balance sheet.

21. FINANCIAL ASSETS AND LIABILITIES

	2010		2009	
	Book value	Current value	Book value	Current value
Financial assets				
cash assets	135,000	135,000	33,000	33,000
Receivables from credit institutions	23,578	23,578	57,860	57,860
Receivables from the public and public corporations	1,351,701	1,351,701	1,154,577	1,154,577
Leased property	6,555	6,555	-	-
Certificates of claim	57,493	57,493	115,438	115,882
Shares and holdings	14,251	14,251	13,776	13,776
Shares and holdings in participating interests	1,190	1,190	1,190	1,190
Shares and holdings in Group companies	15,819	15,819	15,819	15,819
Derivative contracts	545	545	361	361
Financial liabilities				
Liabilities to credit institutions	16	16	123	123
Liabilities to the public and public corporations	1,435,104	1,435,104	1,233,690	1,233,690
Bonds issued to the public	52,958	52,998	38,099	38,122
Derivative contracts and liabilities retained for business purposes	544	544	360	360
Other liabilities that have lower priority than other liabilities	20,000	20,000	20,000	20,000

22. CAPITAL AND RESERVE ITEMS

	Financial year Taxes for the financial year	+ Increase - Decrease	Transfers between items	At the end of the financial year
Equity capital	31,400	-	-	31,400
Premium fund	48,100	-	-	48,100
Other restricted reserves	2,863	-1,058	-	1,806
Current value reserve	2,863	-1,058	-	1,806
From valuation at current value	2,863	-1,058	-	1,806
Unrestricted reserves	28,042	-	-	28,042
Invested distributable reserves	28,042	-	-	28,042
Profit or loss brought forward	-37,668	-	1,711	-35,956
Profit or loss for the financial year	1,711	2,551	-1,711	2,551
Total	74,448	1,493	0	75,942

23. EQUITY CAPITAL

	2010	2009
Equity capital	31,400	31,400
Share type code	-	-
Number of shares	48,308	48,308
Number of votes for a share	48,308	48,308
Shares have no nominal value		
Limitations regarding the acquisition of shares		redemption clause in the articles of association
Current shareholders have priority for new shares when equity capital is increased		in proportion to current shareholding
Right to dividend		equal for all shares
Specification of shares held		the bank holds no treasury shares

24. CONVERTIBLE BONDS CONCERNING SHARES

No share issues, or option rights granted in 2010.

Notes relating to the profit and loss account of Tapiola Bank Ltd

Figures have been presented in thousands of euros, unless stated otherwise.

25. EXPENSES BY BALANCE SHEET ITEM

	2010	2009
Interest income		
Receivables from credit institutions	409	1,742
Receivables from the public and public corporations	27,996	30,941
Certificates of claim	2,903	2,806
Total	31,308	35,488
Interest expenses		
Liabilities to credit institutions	1	5
Liabilities to the public and public corporations	16,261	21,687
Bonds issued to the public	522	68
Derivative contracts and liabilities retained for business purposes	262	103
Liabilities that have lower priority than other liabilities	292	601
Other interest expenses	-	-
Total	17,339	22,465

26. NET INCOME ON LEASING OPERATIONS

	2010	2009
Net income on leasing operations		
Rental income	652	-
Planned depreciation	-542	-
Commission income	0	-
Investment income	110	-

27. INCOME FROM EQUITY INVESTMENTS

	2010	2009
Dividend income from equity investments		
From investments classified as saleable	-	0
From companies in the same group and participating interests	504	-
Total	504	0

28. COMMISSION INCOME AND EXPENSES

	2010	2009
Commission income		
From credit-granting	2,065	1,765
From deposits	238	204
From payment transactions	1,696	1,588
From asset management	235	191
From trading in securities	38	-
From granting of sureties	57	58
From other operations	11,105	9,857
Total	15,434	13,662
Commission expenses		
From service charges paid	426	444
From other	1,517	1,371
Total	1,943	1,814

29. NET INCOME FROM SECURITY TRADING

	2010	2009
Net income from security trading		
From derivative contracts	-52	-80
From valuation at current value	-52	-80
From derivative contracts and other liabilities	52	80
From valuation at current value	52	80
Total	0	0

30. ASSETS

	2010	2009
Net income from saleable certificates of claim		
From transfers (profit/loss)	1,507	-
Net income from saleable shares and holdings		
From transfers (profit/loss)	276	185
From transfers from current value reserves	28	25
Total	305	210

31. OTHER BUSINESS INCOME

	2010	2009
Other business income		
Other income	6,347	6,407
Total	6,347	6,407

32. OTHER BUSINESS EXPENSES

	2010	2009
Other business expenses		
Rent expenses	580	581
Deposit Guarantee Fund payments	811	615
Other expenses	563	504
Total	1,954	1,701

33. TANGIBLE AND INTANGIBLE ASSETS

	2010	2009
Intangible assets		
Planned depreciation	39	39
Tangible assets		
Planned depreciation	9	12
Total	48	51

34. OTHER COMMITMENTS AND OTHER FINANCIAL

Value adjustment losses	2010	Contract-specific value adjustment losses, gross	Group-specific value adjustment losses, gross	Decrease	Recorded in the profit and loss statement
Receivables from the public and public corporations		320	149	-83	387
On other assets		1	-	-2	0
Value adjustment losses, total		321	149	-84	386

Value adjustment losses	2009	Contract-specific value adjustment losses, gross	Group-specific value adjustment losses, gross	Decrease	Recorded in the profit and loss statement
Receivables from the public and public corporations		453	187	-49	591
On other assets		41	-	-15	26
Value adjustment losses, total		494	187	-64	617

35. GEOGRAPHICAL MARKET AREAS

network of Tapiola Group. The companies do not have operations outside

Other notes on Tapiola Bank Ltd

Figures have been presented in thousands of euros, unless stated otherwise.

36. COLLATERAL GIVEN	2010	2010	2010	2009	2009	2009
Balance sheet	Pledges	Mortgages	Other collateral	Pledges	Mortgages	Other collateral
Pledged for the company's own loans						
Liabilities to credit institutions	-	-	39,985	-	-	27,000
Pledged for the company's for own liabilities, total	-	-	39,985	-	-	27,000
Pledged on behalf of others						
of which to members who are insiders	-	-	8,011	-	-	6,986
	-	-	303	-	-	-
37. PENSION LIABILITIES						
Pension liabilities	2010	2009				
Personnel statutory pension cover			arranged through insurance			
Personnel supplementary pension cover			arranged through insurance			
Pension liabilities outside the accounts	17	56				
LEASING AND OTHER RENTAL LIABILITIES						
Minimum rentals payable on the basis of leasing and other rental agreements that cannot be cancelled	2010	2009				
Within one year	-	-				
Within a period of over one year	-	-				
Within a period of over five years	-	-				
38. OFF-BALANCE-SHEET COMMITMENTS						
	2010		2009			
	Commitments, total	on behalf of a company in the same Group	Commitments, total	on behalf of a company in the same Group		
Itemisation by capital commitment type						
Guarantees	8,011	303	6,986	-		
Unused credit facilities	55,467	-	60,780	-		
Total	63,478	303	67,766	-		
39. OTHER OFF-BALANCE-SHEET FACILITIES						
Contractual liability related to fees, to a company in the Tapiola General Group	2010	2009				
Within one year	-	1,515				
Within a period of over one year	-	4,842				
Within a period of over five years	-	2,419				
Joint liability relating to collective registering for value-added taxation (ALV 188 §)						
Within one year	3,907	1,014				
on behalf of a company in the same Group	7	1				
40. NUMBER OF PERSONNEL						
average	2010	2009				
Permanent full-time personnel	114	101				
Permanent part-time personnel	2	4				
Fixed-term personnel	1	4				
Total	117	109				

41. MANAGEMENT

Salaries and remuneration	2010	2009
Ordinary and deputy board members, managing director and acting managing director	404	419

42. OFF-BALANCE-SHEET COMMITMENTS

Loans granted	2010	2009
The members and deputy members of the Board of Directors, Managing director and acting managing director		
Loans 1 Jan	189	200
decreases	-13	-10
Loans 31 Dec	177	189

43. PENSION COMMITMENTS OF THE MANAGEMENT

The management's statutory and supplementary pension cover has been arranged through insurance.

44. INSIDER LOANS, INVESTMENTS, SURETIES AND SECURITIES

Transactions between an insider (under the IAS 24 definition) and the parent company are reported only if they are substantive and have not been executed under customary commercial terms.

Loans, guarantees and other off-balance-sheet commitments granted to the management have been presented in Appendix 42.

Loans and guarantees granted to natural persons who are insiders have been granted under customary terms and conditions.

No loans have been granted to companies who are included as insiders, and the guarantees granted are presented in Appendix 39.

45. SHAREHOLDINGS

ShareholdingsDomicile	Share of ownership	Capital and reserves 31 Dec 2010	Profit/loss for the financial year
Tapiola Asset Management Ltd Espoo	100.0 %	8,663	2,315
Ab Compass Card Oy Ltd Mariehamn	34.0 %	615	-1,144

46. AUDITOR'S FEES

Auditor's fees	2010	2009
Auditing	36	50
Assignments within the meaning of the provisions of the Auditing Act	2	-
Tax advice	-	7
Other services	90	6
Total	128	63

47. INFORMATION ON THE PARENT COMPANY

The parent company in these consolidated financial statements, Tapiola Bank Ltd, belongs as a subsidiary to a business group whose parent company is Tapiola General Mutual Insurance Company. The domicile of both is Espoo, Finland. The consolidated financial statements are available on the internet at www.tapiola.fi.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Espoo, 18 February 2011

Jari Saine
Chairman of the Board of Directors

Jari Eklund

Jaakko Gummerus

Matti Inha

Tom Liljeström

Harri Lauslahti
Managing Director

AUDITOR'S NOTE

A report was issued today on the audit performed.

Espoo, 11 March 2011

PricewaterhouseCoopers Ltd
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant



Auditors' report

To the annual general meeting of Tapiola Bank Ltd.

We have audited the accounting records, financial statements, the report of the Board of Directors and the administration of Tapiola Bank Ltd. for the financial year 1 January – 31 December 2010. The financial statements include the balance sheet, consolidated profit and loss account, calculation on the changes in the capital and reserves, cash flow statement and notes of the Group, as well as the balance sheet, profit and loss account, cash flow statement and notes of the parent company.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for creating the financial statements and the report of the Board of Directors, and for making sure that the financial statement of the Group gives the correct and sufficient information in accordance with the International Financial Reporting Standard (IFRS), in use in the EU, and that the financial statement gives the correct and sufficient information in accordance with the regulations in force in Finland on financial statements and reports from Boards of Directors. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director 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 and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company, or whether they have violated the Insurance Companies Act, the Limited Liability Companies act, 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 controls 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 suitability of accounting policies used and the rationality 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.



Statement on the financial statements of the Group

In our opinion the financial statements of the Group give the correct and sufficient information on the financial state of the Group and the operations, results and cash flows of the Group in accordance with the International Financial Reporting Standard (IFRS) in use in the EU.

Statement on the financial statement and 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 the financial performance and financial position of both the consolidated company and the parent company, in accordance with the laws and regulations governing the preparation of 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.

Espoo, 11 March 2011

PricewaterhouseCoopers Ltd
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant