OP-Pohjola Group´s

Interim Report for

1 January–30 June 2014

OP-Pohjola

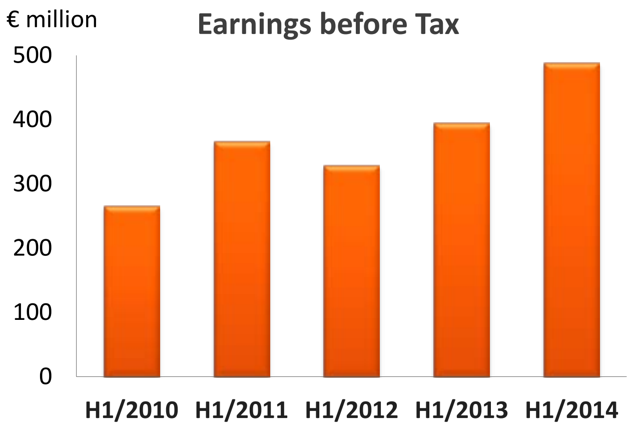
OP-Pohjola Group has strong first half

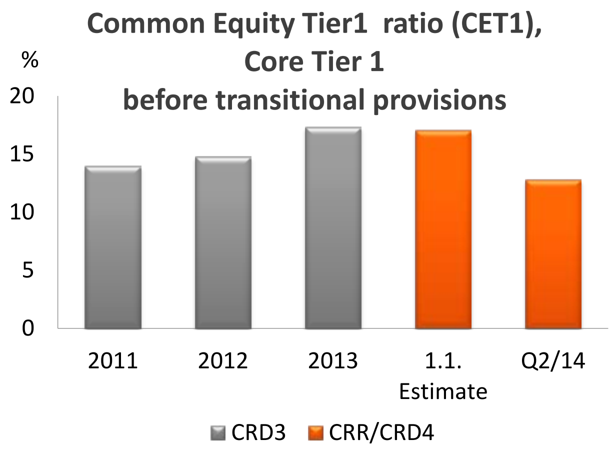
- The Group's earnings before tax for the first half of 2014 were EUR 488 (395), that is, up by about 25% year on year. It was also the second-highest first-half performance of all time.
- Net interest income continued to increase strongly, by 16%. Total income grew by 9%.
- Expenses excluding direct expenses caused by the purchase of Pohjola Bank plc shares increased by 1.6% year on year. Impairment losses on receivables remained at the same low level as last year, EUR 33 million (32).
- Every three business segment improved its performance markedly.
  - Banking earnings before tax increased by 56% to EUR 294 million (188). The cost/income ratio improved by over 7 percentage points to 56%. The loan portfolio grew by 2.8% and deposits by 2.5% in the year to June.
  - Earnings before tax by Non-life Insurance improved by 34% to EUR 133 million (99). The operating combined ratio reached a record level of 84.5%. Premiums written increased in the report period by 7%.
  - Wealth Management earnings before tax increased by 29% to EUR 99 million (77). Mutual fund assets increased in the year to June by 21% and unit-linked insurance savings by 20%.
  - The number of joint banking and non-life insurance customers increased by 86,000 in the year to June.
- The implementation of OP-Pohjola Group's biggest-ever investment, totalling EUR 2.4 billion, that is, the acquisition of all Pohjola Bank plc shares, is proceeding according to plan.
- Despite the purchase of Pohjola Bank plc shares, the Group's capital adequacy has remained strong. The CET1 ratio was 12.8% (17.1) at the end of June. By the end of July, profit shares supporting capital adequacy had been issued, as planned, worth EUR 851 million.
- Change in the outlook: Earnings in 2014 are estimated to be clearly higher than in 2013. Previously only "higher". For more details, see " Outlook towards the year end" below.

OP-Pohjola Group's key indicators

	Q1–Q2/2014	Q1–Q2/2013	Change, %	Q1–Q4/2013
Earnings before tax, € million	488	395	23,7	701
Banking	294	188	56,4	404
Non-life Insurance	133	99	34,2	166
Wealth Management	99	77	28,7	113
Returns to owner-members and OP bonus customers	98	96	2,0	193
	30 Jun 2014	**31 Dec 2013**	**Change, %**	
Common Equity Tier 1 (CET1) ratio, % / Core Tier 1 ratio**	12.8	17.1	-4.3*	
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)**	1.69	2.19	-0.50*	
Ratio of receivables more than 90 days overdue to loan and guarantee portfolio, %	0.44	0.42	0.02*	
Joint banking and insurance customers (1,000)	1,554	1,518	2.4	

***** Change in ratio
** The comparatives are presented based on the regulatory framework that came into effect on 1 January 2014.





Comments by Reijo Karhinen, Executive Chairman and CEO

The first half of 2014 was one of OP-Pohjola Group's best of all times in terms of earnings. We reached these record figures in a demanding operating environment, managed to grow, rewarded our customers more than before and continued our bold reforms – all of this while maintaining a solid capital base. I am particularly happy about the great enthusiasm and engagement with which the entire Group has begun to build a new start for us. We are proceeding apace in accordance with the plans and promises we have made.

Our decision to return to our roots of customer ownership as a financial investment is highly significant – even by European standards. The principle behind this decision was also one of the most significant and far-reaching in the Group's history going back more than a century. We have chosen our own path, one that is different from the mainstream. Our business success should in the future be assessed primarily on the basis of what kind of added value we can provide to our customers.

The Group's significant earnings improvement in the first half stemmed from healthy business development, emphasising growth and efficiency in a balanced way. Volumes have been growing steadily for a long time, which has created a foundation for increased total income, and increased net interest income in particular. At the same time, we managed to keep our expense growth moderate and impairment losses at last year's level. All of our three business segments improved their earnings substantially, Banking more than the others. We estimate the full-year earnings to be clearly better than last year.

The first half's most significant product launch was the profit share, an equity investment which has become tremendously popular. This is how a cooperative bank can strengthen its capital base and at the same time channel good earnings to its customer-owners. It is also great news that we were able to set a new record in the amount of customer bonuses we paid out. Customer-ownership is clearly receiving more impetus, witnessed by the fact that the number of our bonus customers has risen by more than a hundred thousand in the last 12 months.

Our solid performance creates a sense of security to meet our rapidly changing operating environment with its moderate economic growth, low interest rates, tighter regulation and rapidly proceeding digitalisation. In a way it is the digital aspect that is the most challenging as its operates across sector boundaries and is so clearly visible in the everyday lives of both consumers and businesses not only as a technological change but also in the form of new business models, investment needs, new customer behaviour and a way of meeting the customer. The massive growth of mobile services is a concrete manifestation in this respect. We have responded to this challenge by increasing the amount of development investments, and will continue to do so. We want to upgrade not only our operating models and structures but also the services we offer to our customers – reflecting friendly customer service and a pioneering spirit.

Increasing measures taken in recent weeks in the global economic warfare has presented new threats over Finland's already fragile economy. Since Finland's economy is largely dependent on exports and Russian trade in particular, we are facing serious challenges beyond our control. Be that as it may, there is a lot we can influence ourselves. Our problems are more of a structural nature than to do with the economic situation. I am concerned that we may lag too much behind from developments in the rest of the euro area. It is now increasingly important that economic policy decisions be made to boost people's confidence in the economy. Promoting the structural programme and ensuring the operating conditions of businesses is now more important than ever. Creating a favourable investment climate is the right kind of actions and encouraging messages from the policy-makers.

OP-Pohjola Group's Interim Report for 1 January–30 June 2014

Contents

Operating environment

The world economy revived slightly during the second quarter, according to preliminary information. The US economy recovered after a harsh winter. The euro-area economy continued to recover slowly.

In June, the European Central Bank introduced an extensive package of monetary policy measures. It cut the main refinancing rate to 0.15 and the deposit rate to negative –0.10%. In addition, the ECB increased market liquidity by stopping collection of term deposits from banks. Later in the autumn, the ECB will provide banks with targeted long-term refinancing operations to stimulate corporate lending. The ECB's measures decreased the Euribor rates slightly. The monetary policy will long remain accommodative and in support of economic growth.

The Finnish economy had the first positive signs of recovery after the weak first quarter. New manufacturing order books were stronger. The monthly manufacturing index improved slightly in April–May. However, unemployment continued to increase. The housing market and retail sales remained sluggish. Inflation decelerated further.

World economic growth should speed up slightly during the second half of 2014. The Finnish economy should see a minor recovery. The Ukraine crisis and related sanctions will be an uncertainty. The ECB's operations will keep the Euribor rates low.

The combined volume growth in the banking sector remained stable during the second quarter. Mutual fund assets and insurance savings continued to grow markedly faster than loans and deposits.

The annual growth rate of total home loans continued to slow down, being slightly less than 2% on 30 June. New home loans drawn down in January–June were 4% lower than a year ago. However, this decrease levelled off towards the summer.

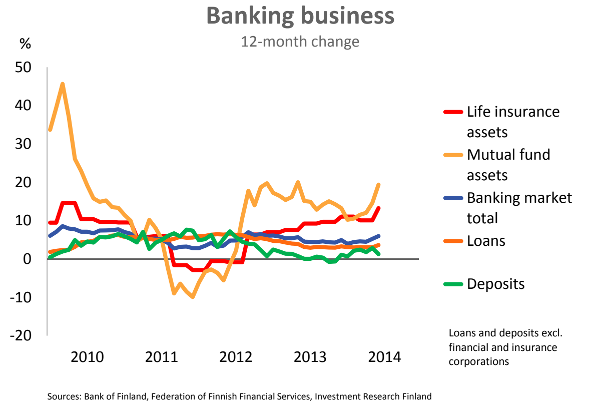
In June, the annual growth rate of total corporate loans increased to around 4%. Confidence barometers predicting demand for corporate loans and economic growth expectations improved slightly during the spring.

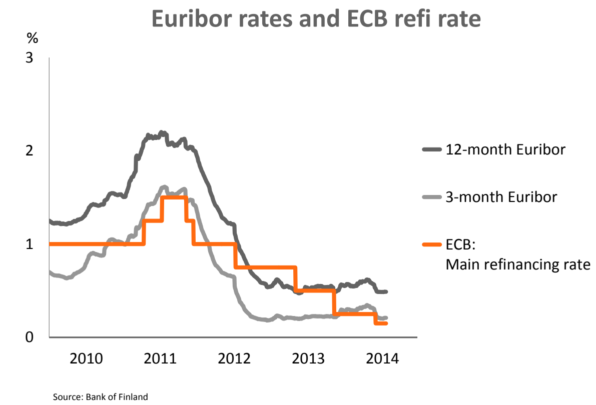
Growth in the total bank deposit volumes in the banking sector remained slow, at an annual rate of about 1%. The total term deposits continued to decrease vigorously, as assets were allocated to current accounts and riskier savings and investments.

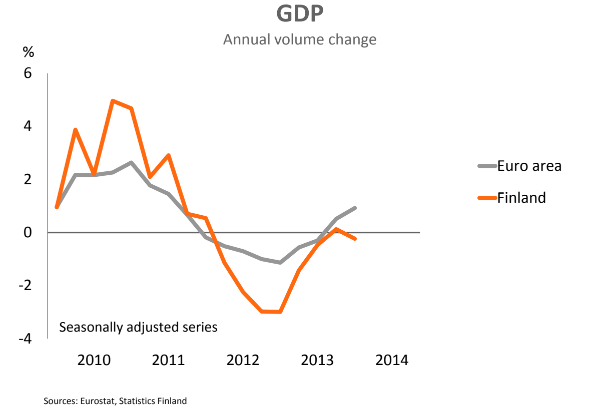
In June, the annual growth rate of mutual fund assets improved to 19% as a result of positive market developments and vigorously increased net asset inflows. During the first half, net asset inflows increased by 60% over the previous year, as investors were seeking higher returns on their assets. New capital was invested in corporate bond funds, in particular. Growth in insurance savings continued to come mainly from unit-linked products whose premiums written increased by 9% in January–June over the previous year.

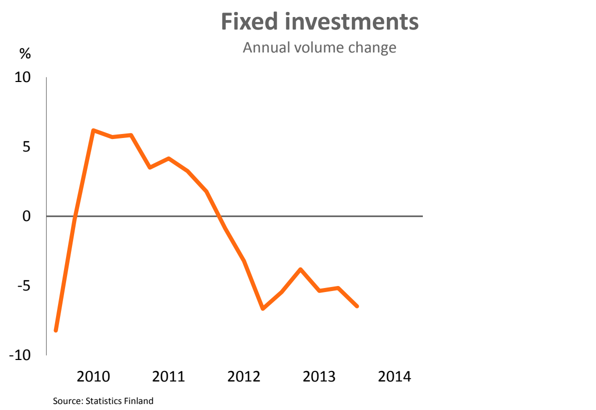
In the non-life insurance sector, premiums written continued to increase at an annual steady rate of around 5% during the first half. Claims paid out increased at the same rate as premiums written.

In capital markets, lower interest rates, reduced credit spreads and the positive mood in equity markets supported investment income.









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

Earnings analysis, € million	Q1–Q2/2014	Q1–Q2/2013	Change, %	Q2/2014	Q2/2013	Change, %	Q1/2014
Banking	294	188	56.4	134	90	48.6	160
Non-life Insurance	133	99	34.2	71	43	62.2	62
Wealth Management	99	77	28.7	32	20	57.8	67
Earnings before tax	**488**	**395**	**23.7**	**231**	**161**	**43.5**	**257**
Gross change in fair value reserve	72	-160		76	-135		-4
Earnings before tax at fair value	**560**	**235**		**307**	**26**		**253**
Return on economic capital, % *)	14.2	15.5	-1.3*				
Return on economic capital at fair value, % *)	18.1	18.4	-0.4*				
Income							
Net interest income	505	436	16.0	254	221	14.9	251
Net income from Non-life Insurance	311	280	10.9	159	137	16.1	151
Net income from Life Insurance	121	107	13.0	41	36	12.3	80
Net commissions and fees	372	356	4.4	174	171	1.9	198
Net trading and investment income	101	101	0.8	58	46	27.0	43
Other operating income	30	43	-30.5	17	23	-28.4	13
Other income, total	**934**	**887**	**5.4**	**449**	**413**	**8.6**	**485**
Total income	**1,440**	**1,322**	**8.9**	**703**	**634**	**10.8**	**737**
Expenses							
Personnel costs	385	414	-6.9	190	203	-6.3	195
Other administrative expenses	215	182	18.1	102	97	5.4	112
Other operating expenses	221	204	8.1	108	102	5.8	113
Total expenses	**821**	**800**	**2.6**	**401**	**402**	**-0.4**	**420**
Impairment loss on receivables	**33**	**32**	**3.9**	**23**	**23**	**-1.6**	**10**
Returns to owner-members and OP bonus customers							
Bonuses	93	89	4.2	47	45	5.3	46
Interest on ordinary and supplementary cooperative capital	4	6	-29.3	1	3	-55.1	3
Total returns	**98**	**96**	**2.0**	**49**	**48**	**1.3**	**49**

*) 12-month rolling, change in percentage

Key balance sheet items, € million	30 Jun 2014	30 Jun 2013	Change, %	31 Dec 2013
Receivables from customers	69,275	67,441	2.7	68,142
Life Insurance assets	10,786	9,186	17.4	9,872
Non-life Insurance assets	3,807	3,605	5.6	3,479
Liabilities to customers	49,514	49,727	-0.4	50,157
Debt securities issued to the public	25,871	20,976	23.3	21,428
Equity capital	6,216	7,250	-14.3	7,724
Total assets	106,124	100,463	5.6	100,991

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2013. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2013 are used as comparatives. Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

January–June

OP-Pohjola Group earnings before tax grew by 24% to EUR 488 million (395). This was the second-best first-half result in the Group's history. Earnings were boosted especially by an increase in net interest income and Non-life Insurance's net income. Net commissions and fees and Life Insurance's net income increased, too. However, the Group's earnings were eroded by higher expenses.

Net interest income increased by 16%. The increase in net interest income can be attributed to higher average margin of the loan portfolio and to growth in the balance sheet. Market interest rates in the report period were another factor that contributed to higher interest income.

The Group's expense growth slowed down to 2.6%. A non-recurring EUR 8 million expense related to the tender offer for Pohjola Bank plc shares was entered under 'Other operating expenses' during the report period. Excluding this expense, the Group's expenses would have increased by 1.6%.

Thanks to efficiency-enhancement measures and outsourcing of ICT services, the Group's personnel costs decreased by 6.9%. Outsourcing and the reform of related operating models, on the other hand, increased ICT and other costs.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 42 million (53), of which EUR 33 million (32) concerned loans and receivables. Annualised net impairment loss on loans and receivables were low, at 0.09% (0.09) of the loan and guarantee portfolio.

Earnings before tax recorded by Banking amounted to EUR 294 million (188). Banking's performance was supported particularly by an increase in net interest income. Expenses decreased by 1.5% to EUR 541 million (549), personnel costs decreasing the most.

The operating combined ratio of Non-life Insurance reached a new first-half record with 84.5% (89.2). As a result of favourable claims developments, claims incurred increased more slowly than premiums written. The expense ratio developed favourably, too.

The Wealth Management segment's earnings before tax improved year on year as a result of higher net commissions and fees and favourable developments within Life Insurance's net interest and risk result. The segment's net commissions and fees were 13% higher than a year ago owing to a higher volume of wealth under management.

The Group's effective tax rate was increased by capital gains tax of EUR 111 million related to the purchase of Pohjola Bank plc shares within the Group. Excluding this one-off tax, the Group effective tax rate would have been 21.6%.

OP-Pohjola Group’s fair value reserve before tax totalled EUR 452 million (409) at the end of the report period. Earnings before tax at fair value amounted to EUR 560 million (235).

Equity capital amounted to EUR 6.2 billion (7.7) on 30 June. The purchase of Pohjola Bank plc shares in the report period reduced the Group's equity capital by EUR 2.4 billion. Equity capital was also decreased by profit distribution outside the Group. On the other hand, equity capital was increased by the Group's earnings and the issuance of profit shares. At the end of June, EUR 696 million (0) of profit shares were included in the equity.

April–June

Earnings before tax for the second quarter amounted to EUR 231 million against EUR 161 million a year ago. The earnings performance was supported by solid growth in income and expenses grew at a slower rate than a year ago. Net interest income and Non-life Insurance's net income increased the most. Net interest income increased by EUR 33 million and Non-life Insurance's net income by EUR 22 million. Expenses totalled EUR 401 million (402). Personnel costs decreased by 6.3% to EUR 190 million (203).

Second-quarter earnings before tax were EUR 26 million lower than during the strong first quarter as net commissions and fees and Life Insurance's net investment income decreased. The reasons for lower net commissions and fees in the second quarter are largely explained by the seasonal nature of certain life insurance fees and lower lending fees. Expenses decreased by 4.1% on the first quarter as ICT costs and personnel costs decreased.

OP-Pohjola Group's long-term financial targets	**30 Jun 2014**	**30 Jun 2013**	**Target**
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.69	1.81	1.6
Return on economic capital, % (12-month rolling)	14.2	15.5	20
Growth differential between income and expenses, pps (within 3 years)	-2.0	0.6	> 0

Return on economic capital was reduced by the higher effective tax rate mentioned above. Excluding the tax effect of internal capital gains, return on economic capital would have increased to 16.8%.

Customer relationships

On 30 June, the Group member cooperative banks had 1.4 million owner-members, up by 32,000 in the year to June.

Following the buy-out of Pohjola Bank plc's minority shareholders, OP-Pohjola Group is fully owned by Group member bank members. In order to capitalise the purchase of Pohjola Bank plc shares and to reach the new, higher capital adequacy target, Group member banks are issueing equity investments called profit shares, amounting to EUR 851 million by the end of July.

Contributions made by Group member banks' owner-members to Group member banks' profit shares, membership capital and supplementary cooperative capital totalled EUR 1.4 billion (0.8) at the end of July.

The Group member cooperative banks and Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1.4 million OP bonus customers at the end of June, or 111,000 more than a year ago.

The amount of bonuses earned by OP bonus customers in the first half for using OP-Pohjola as their main bank and insurer was worth EUR 93 million (89). A total of EUR 44 million (40) of bonuses were used to pay for banking services, EUR 7 million (6) for wealth management services and EUR 44 million (43) non-life insurance premiums. Bonuses were used to pay 925,000 insurance bills (878,000), with 121,000 (122,000) of them paid in full using bonuses.

OP-Pohjola Group had 4,270,000 customers in Finland at the end of June. The number of private customers totalled 3,835,000 and that of corporate customers 435,000. The number of joint banking and non-life insurance customers increased by 36,000 from its 2013-end level to 1,554,000, as a result of cross-selling.

The number of non-life insurance loyal customer households increased by 19,200 (13,900) from its 2013-end level. At the end of June, loyal customer households numbered 630,000, Loyal customer households were provided with EUR 32 million in loyalty discounts in the report period.

Service channels

OP-Pohjola Group's service network consists of multichannel online and mobile services, telephone services and the country's most extensive branch network. The operation of our own service network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

A change in customer behaviour and the general trend of digitalisation of a number of aspects in people's daily lives will change considerably how financial services providers meet their customers. OP-Pohjola Group is prepared for this change in a many ways. Investments in the development of mobile and online services has increased considerably.

There is a clear shift of the use of financial services being accessed more and more through mobile devices. In response to a radical shift in customer behaviour, OP-Pohjola Group established a unit in Oulu in 2011 to develop mobile services and the saleability and usability of Internet Services. At the end of June, Oulu's development unit employed a staff of 63.

The number of users of OP-mobile increased in the first half by 33% to 430,000. OP-Pohjola Group's Pivo mobile wallet application had been downloaded 300,000 times by the end of the report period. Pivo mobile wallet has quickly become users' most popular service channel, with over 30% of them opening it every day. The number of web bank users has levelled off.

OP-Pohjola Group has telephone service centres in Helsinki, Joensuu, Kuopio, Tampere and Vaasa. At the end of June, telephone service centres had a permanent staff of 363 , of which 300 were working outside the Helsinki Metropolitan Area. Between January and June, the service centres answered over a million calls and placed almost 400,000 calls to customers.

The Group has Finland's most extensive branch network, the figure at the end of June being 459 (485).

OP-Pohjola Group Central Cooperative's tender offer for Pohjola Bank plc shares

The shares tendered by OP-Pohjola Group Central Cooperative for Pohjola shares during the tender offer and extra offer period increased OP-Pohjola's ownership to 98.41% of all Pohjola Bank plc shares and 99.14%of all votes conferred by the shares.

OP-Pohjola Group Central Cooperative has filed an application with the Redemption Committee of the Finland Chamber of Commerce for instituting arbitration proceedings and selecting arbitrators related to the squeeze-out of Pohjola Bank plc's minority shares. The Redemption Committee of the Finland Chamber of Commerce has set a three-member arbitral tribunal to settle the disputes concerning the right of squeeze-out and the the squeeze-out price of shares owned by other than OP-Pohjola Group Central Cooperative. The arbitral tribunal consists of the Chair, attorneys Pekka Puhakka, Petra Kiurunen and Matti Ylä-Mononen.

In the arbitration proceedings, OP-Pohjola Group Central Cooperative will request the transfer of title to the minority shares to OP-Pohjola Group Central Cooperative against collateral accepted by the arbitrators and confirm the redemption price at 16.13 euros per share which equals the price offered by OP-Pohjola Group Central Cooperative for Pohjola Bank plc shares in the tender offer. Furthermore, OP-Pohjola Group Central Cooperative will ask the arbitrator for the right to pay minority shareholders 16.13 euros per share that it considers a current price, including legal interest, prior to the close of the arbitration proceedings. OP-Pohjola Group Central Cooperative expects that the arbitrators issue their award on the transfer of title and on OP-Pohjola Group Central Cooperative's right to pay the amount in autumn 2014 that it considers the current price.

According to the Redemption Committee, the squeeze-out procedure will last an average of approximately six months. On this basis, the squeeze-out pertaining to Pohjola Bank plc's minority shares are expected to last until early 2015.

OP-Pohjola Group Central Cooperative announced on 12 June 2014 that, based on an application filed by OP-Pohjola Group Central Cooperative for the squeeze-out of minority shares, the Redemption Committee of the Finland Chamber of Commerce has petitioned the Helsinki District Court for the appointment of a special representative to look after the interests of Pohjola 's minority shareholders in the arbitration proceedings pertaining to the squeeze-out procedure.

In its decision, the Helsinki District Court appointed Attorney Matti Manner to act as the special representative.

Pohjola's Board will submit an application to NASDAQ OMX Helsinki Ltd on the discontinuation of all trading and the delisting of all shares, probably during autumn of 2014.

Capital adequacy and risk exposure

Capital base and capital adequacy

On 30 June, OP-Pohjola Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 2,224 million (3,764). The capital adequacy comparatives have been presented on the basis of regulation that entered into force on 1 January 2014. The buffer under the Act was reduced by the purchase of Pohjola Bank plc shares, but on the other hand increased by the Group's good performance and the issuance of profit shares. The ratio of the total amount of capital resources to the minimum amount of capital resources was, even after the purchase of Pohjola Bank plc's shares, at a high level of 1.69 (2.19).

As a result of the financial crisis, the regulatory framework for banks' capital adequacy requirements became more rigorous in an effort to improve the quality of their capital base, to increase capital buffers, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. These changes will take effect between 2014 and 2019. The most significant effects of the changes on OP-Pohjola Group's capital adequacy under the abovementioned Act will depend on the level of credit institutions' capital buffer requirements and the calculation method. The effect of the changes on capital adequacy specified in the Act on Credit Institutions is discussed in more detail below under Banking, Capital base and capital adequacy.

The solvency regulations of the insurance sector are changing, too. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe. The regulations are still in progress and will come into effect at the beginning of 2016. The rules and regulations will on the one hand increase capital requirements, and increase the capital base on the other, which will decrease on a net basis the capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates. According to the current estimate, capital adequacy under the Act will, however, remain on a solid basis.

The Group's Non-life and Life Insurance businesses already completely fulfil the solvency capital requirement (SCR) under the proposed Solvency II framework.

Moving under ECB supervision

OP-Pohjola Group's credit institution will be subject to direct supervision by the ECB in November 2014 under the current plan. Owing to the transfer of supervisory responsibility, the ECB will conduct a supervisory risk assessment (SRA), comprehensive asset quality review (AQR) and stress test of OP-Pohjola Group as credit institution during 2014.

The AQRs and stress tests are in place to make European banks more transparent and to ensure that they have enough capital. A total of 128 European banks will take part in the new type of review carried out using uniform principles and a tight schedule.

OP-Pohjola Group has submitted to the Financial Supervisory Authority the information required for the ECB's comprehensive AQR. The supervisory authorities will assess the information and conclude their evaluation by the end of October. According to the schedule provided by the ECB, the detailed results for each bank will be published in the latter half of October.

Risk exposure

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

No major changes occurred in credit risk exposure despite the poor economic development in Finland and the rest of the euro area, See below in the section dealing with business segments for details on the Banking risk exposure.

Non-life Insurance's discount interest rate has been adjusted after the report period. Otherwise, no significant changes took place in Non-life Insurance's or Life Insurance's underwriting risks. See below in the section dealing with business segments for details on the risk exposure of Non-life and Life Insurance.

OP-Pohjola Group's funding and liquidity position is strong. OP-Pohjola Group's access to funding has remained excellent. During the report period, the Group issued two covered bonds worth EUR 2.0 billion, and other long-term bonds worth a total of EUR 3.2 billion. The proportion of deposits of the loan portfolio remained stable in the report period. OP-Pohjola Group had good access to funding. For more information about the liquidity buffer, see the 'Other operations' segment.

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

The interest rate risk by Banking measured as the effect of a 1-percentage point decrease in interest rates on a 12-month net interest income decreased during the financial year, due to lower market interest rates. No significant changes occurred in the investment portfolio of Life Insurance, and the risk exposure has remained stable. Non-life Insurance reduced equity risk associated with the investment portfolio. No significant changes took place in the market risks related to the liquidity buffer presented under 'Other operations'.

Investment assets, € million	30 Jun 2014	31 Dec 2013	Change
Pohjola Bank plc	8,427	8,117	310
Non-life Insurance	3,449	3,168	281
Life Insurance	3,756	3,545	211
Group member cooperative banks	853	950	-97
OP Bank Group Mutual Insurance Company	409	396	13
Total	**16,894**	**16,174**	**720**

Key risks associated with the Group's defined benefit pension plans relate to the discount rate for pension obligation and return on investment assets covering the pension obligation. The increase of net liabilities related to defined benefit pension plans entered in the comprehensive income in the report period weakened the comprehensive income before taxes by EUR 85 million.

Credit ratings

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Fitch	F1	Stable	A+	Stable
Standard & Poor's	A-1+	Negative	AA-	Negative
Moody's	P-1	Negative	Aa3	Negative

The credit ratings of neither OP-Pohjola Group or Pohjola did not change in the first half of 2014.

Moody's affirmed Pohjola Insurance Ltd's credit rating at A3 on 26 June 2014 while keeping the outlook stable.

On 24 June 2014, Fitch Ratings affirmed OP-Pohjola Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 and kept the outlook stable.

On 30 May 2014, Standard & Poor's removed Pohjola Bank plc's long-term debt rating of AA- and short-term debt rating of A-1+ and Pohjola Insurance Ltd's financial strength rating of AA- from review for a possible downgrade (CreditWatch Negative). S&P affirmed the credit ratings of both companies, but placed their outlook negative.

Moody's affirmed on 29 May 2014 Pohjola Bank plc's long-term debt rating of Aa3 and short-term rating of P-1 and changed the outlook from stable to negative as part of its extensive review of the European banking sector.

Outlook towards the end of 2014

The world economy is estimated to continue growing at a below-average rate. Measures taken by the European Central Bank will aid recovery in the euro area, but economic growth is expected to be modest. In Finland, too, economic growth in full year 2014 is expected to be equally modest, although there are some positive signs of a gradual recovery. The crisis in Ukraine that reignited in July has created some more political risks and made it much more difficult to predict economic developments. As a result, the risk has increased for poorer-than-expected Finnish economic development.

Despite the modest economic recovery, the operating environment in the financial sector is gradually becoming more stable although a new record has again been set in terms of low interest rates, which will continue to erode banks' net interest income and weaken insurance institutions' investment income. Economic uncertainty also reduces growth expectations in the financial sector. Changes in the operating environment and the more rigorous regulatory framework will highlight even more the role of measures to strengthen the capital base and improve profitability.

Without a significant worsening of the operating environment against what was forecast, OP-Pohjola Group earnings before tax are expected to be clearly higher (previously higher) than in 2013. The most significant uncertainties affecting earnings in 2014 relate to the rate of business growth, impairment loss on receivables and changes in the investment environment.

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

Events after the balance sheet date

OP-Pohjola Group decided to reduce the discount rate for Non-life Insurance pension liabilities by 0.3 percentage points from 2.8% to 2.5% as a result of interest rates that had been cut even further. This non-cash-flow-based change in the technical basis will reduce OP-Pohjola Group's earnings by about EUR 62 million in the third quarter, which has been taken into account under 'Outlook towards the end of 2014'.

Operations and earnings by business segment

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

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax Q1–Q2/2014	Earnings before tax Q1–Q2/2013	Change, %
Banking	957	541	-122	294	188	56.4
Non-life Insurance	317	184	0	133	99	34.2
Wealth Management	149	50	0	99	77	28.7
Other Operations	241	273	0	-32	24	
Eliminations	-225	-227	-9	-7	7	
Total	**1,440**	**821**	**-131**	**488**	**395**	**23.7**

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

Banking

- Earnings before tax amounted to EUR 294 million (188).
- Banking earnings improved due to an increase in net interest income and a reduction in personnel costs – net interest income increased by 22%.
- The loan portfolio's growth slowed down in the report period year on year, but showed signs of recovery towards the end of the period.
- The deposit portfolio's market share increased by 0.7 percentage points in the report period.
- Risk exposure stable – impairment losses increased slightly year on year.

Banking: key figures and ratios

€ million	Q1–Q2/2014	Q1–Q2/2013	Change, %	Q1–Q4/2013
Net interest income	524	430	21,9	915
Impairment loss on receivables	33	31	7,4	81
Other income	433	434	-0,2	855
Personnel costs	237	248	-4,2	483
Other expenses	304	302	0,8	608
Returns to owner-members and OP bonus customers *)	89	96	-7,2	193
Earnings before tax	**294**	**188**	**56,4**	**404**
Cost/income ratio, %	**56,0**	**63,6**	**-7,5**	**61,6**
€ million				
Home loans drawn down	2,872	3,298	-12,9	6 340
Corporate loans drawn down	3,016	3,622	-16,7	7 235
No. of brokered property transactions	6,138	6,780	-9,5	13 540
€ billion	**30 Jun 2014**	**30 Jun 2013**	**Change, %**	**31 Dec 2013**
Loan portfolio				
Home loans	33.5	32.6	2.8	33.1
Corporate loans**)	16.5	16.3	1.4	16.2
Other loans**)	19.2	18.5	3.9	18.8
Total	**69.2**	**67.4**	**2.8**	**68.1**
Guarantee portfolio	3.1	2.7	15.4	2.9
Deposits				
Current and payment transfer	27.8	25.9	7.5	26.6
Investment deposits	20.1	20.9	-3.7	20.7
Total deposits	**47.9**	**46.8**	2.5	**47.3**
Market share, %* **				
Of loans	34.4	34.8	-0.4	34.6
Of deposits	37.5	37.2	0.3	36.8

*) Total returns to owner-members and OP bonus customers increased by 2.0%. The rest of the returns are presented with the other segments' figures.
**) Figures for 2013 have been restated owing to a change by Statistics Finland in January 2014 on how it classifies sectors. Because of the sector change, some EUR 1.7 billion of the corporate loan portfolio a year ago was transferred to 'Other loans'.
***) Excluding financial and insurance institutions' loans and deposits

Slow economic growth and waning demand have also slowed down the growth of the loan portfolio. The volume of new loans taken out is lower than a year ago. Demand for loans increased towards the end of the report period.

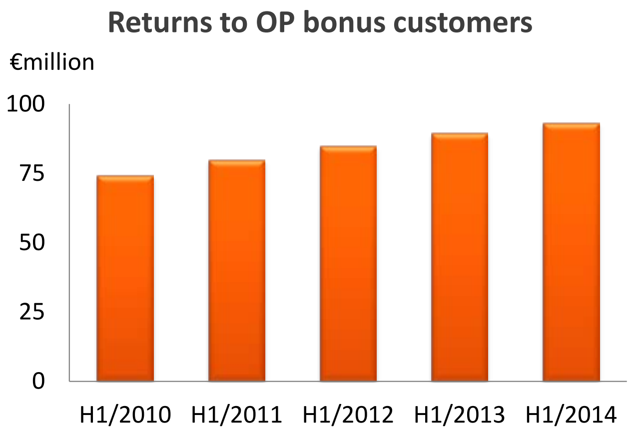
Considering the economic situation, profit performance has remained good.

OP-Pohjola Group's deposits increased by 2.5% in the year to June and by 1.3% during the report period. Because of an exceptionally long period of low interest rates and lower term deposit margins, investment deposits decreased by 3.7% in the year to June. The focus of growth in deposits is still on payment transaction accounts, which increased by 7.5% in the year to June.

The loan portfolio grew by 2.8% in the year to June and by 1.7% during the report period. Year on year, the volume of new home loans drawn down decreased by 12.9% and that of corporate loans by 16.7%. The average margin of new loans was at the same level as a year ago.

OP-Pohjola Group's market share of home loans and corporate financing and deposits has remained stable. The market share in home loans increased by 0.3 percentage points in the year to June, standing at 37.8% (37.5) on 30 June.

The housing market remained sluggish during the first half, with the volume of homes sold and bought through the Group’s real estate agents decreasing between January and June by 9.5% over the previous year.



Earnings

Earnings before tax by Banking increased significantly year on year to EUR 294 million (188). This improvement can be attributed to an increase in net interest income and a decrease in personnel costs.

Net interest income increased by EUR 94 million, or 22%higher than the year before, owing to an increase in margins and growth in the loan portfolio.

Other total income was at the same level as a year ago. Net commissions and fees were EUR 1 million higher than a year ago because of higher commissions from payment transactions. Net trading and investment income increased by a total of EUR 2 million year on year. Other operating income lowered to EUR 4 million.

Expenses decreased by 1.5% to EUR 541 million (549). Owing to the efficiency-enhancement measures, personnel costs decreased by 4.2%, being EUR 11 million lower than a year ago.

Impairment loss on receivables was EUR 2 million higher than a year ago.

Risk exposure

Major risks within Banking include credit risk, market risks and liquidity risk.

Banking's credit risk exposure remained stable with a moderate risk level. The loan and guarantee portfolio increased betwee January and June by EUR 1.4 billion to EUR 72.4 billion. Impairment loss on receivables remained low. The ratio of receivables over 90 days overdue and zero-interest receivables to the loan and guarantee portfolio was slightly lower than a year ago.

Corporate exposure (including housing corporations) accounted for 45% (44) of total exposure within Banking. Of corporate exposure, investment-grade exposure represented 47% (46) and the exposure of the lowest two rating categories amounted to EUR 553 million (600), accounting for 1.7% (1.9) of the total corporate exposure.

The capital base covering major customer exposure amounted to EUR 6.3 billion (6.3). No single customer's exposure exceeded 10% of the capital base.

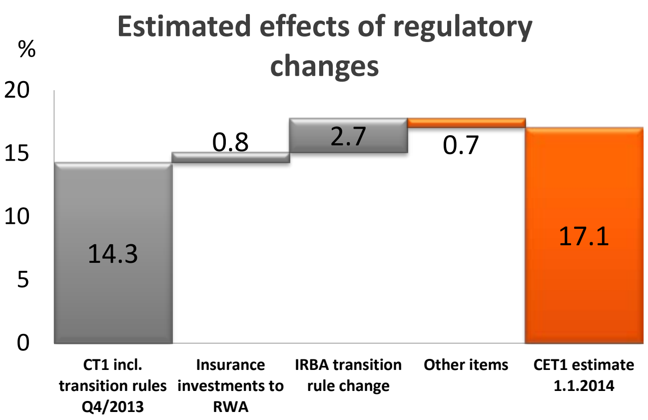
Banking's interest rate risk measured as a one-percentage point decrease on 12-month net interest income was EUR 75 million (88) at the end of June.

Percentage of receivables over 90 days overdue and zero-interest receivables of the loan and guarantee portfolio, %	30 Jun 2014		30 Jun 2013		31 Dec 2013	
	€ million	%	€ million	%	€ million	%
Receivables over 90 days overdue and zero-interest receivables, net	316	0.44	326	0.46	295	0.42
Impairment loss on receivables since 1 January, net	33	0.09	32	0.09	84	0.12

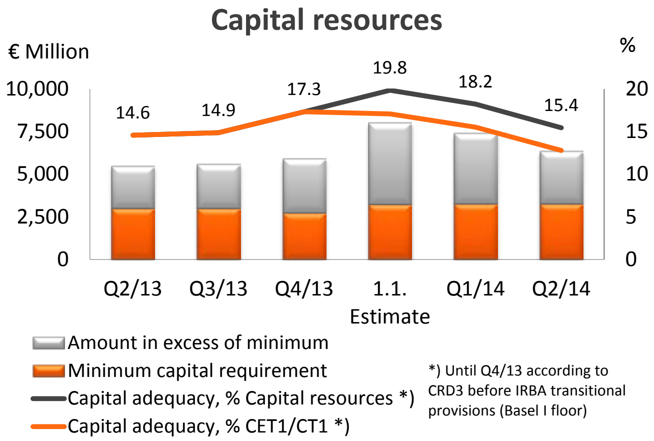
Capital base and capital adequacy

The Group's CET1 ratio was 12.8% (17.1) at the end of the report period. The capital adequacy comparatives have been presented on the basis of regulation that entered into force on 1 January 2014.The purchase of Pohjola Bank plc shares reduced the CET1 ratio by about 6 percentage points, while on the other hand it was increased by the issue of profit shares by about 2 percentage points. The Group's CET1 target is 18% by the end of 2016.

OP-Pohjola Group's credit institution has a strong capital base compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the Common Equity Tier 1 4.5%. Moreover, the European Banking Authority (EBA) has set the minimum requirement for the Core Tier 1 ratio at 9% applying to major European banks.

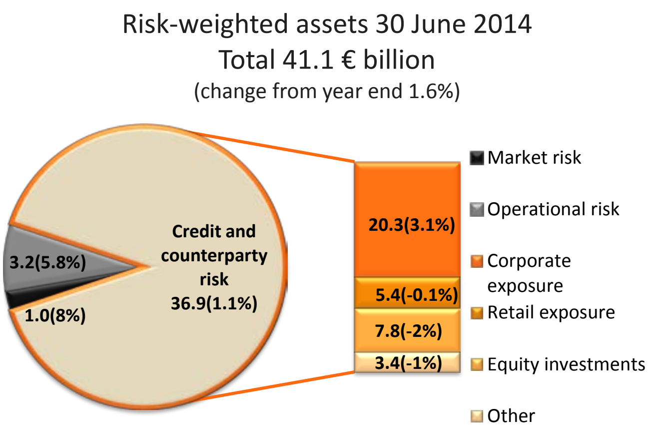


The new Capital Requirements Directive and Regulation (CRD IV/CRR) was published in the EU Official Journal on 27 June 2013. These new rules and regulations will be phased in from 1 January 2014 and will implement the Basel III standards within the EU during 2014–2019. Changes to national legislation related to the new regulations will come into force in August.



The Common Equity Tier 1 (CET1) capital was EUR 5,248 million on 30 June (6,896), with CET1 being reduced by the purchase of Pohjola Bank plc shares. CET1 capital was increased by the issue of profit shares, Banking's earnings and dividends from the Group's insurance institutions. Profit shares accounted for EUR 696 million of CET1 capital at the end of June. A total of EUR 343 million (384) were deducted from CET1 capital as a shortfall of expected losses and impairment losses.

Risk-weighted assets totalled EUR 41,053 million (40,405) at the end of the report period, being 1.6% higher than at the end of 2013. The average risk weight of the total exposure portfolio decreased as a result of a slight decrease in average risk weights of corporate exposures, while that of retail exposures remained unchanged. The updated categorisation models for corporate exposure are expected to be adopted in 2014 following approval by the Financial Supervisory Authority. These updates are expected to have a positive effect on capital adequacy ratios.



Equity investments include EUR 6,446 million in risk-weighted assets of the Group's internal insurance holdings.

On 27 November 2013, OP-Pohjola Group received permission from the Finnish Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The permission will be valid from 1 January 2014 to 31 December 2014, because the ECB will take up single supervisory responsibility. The method applied to insurance holdings leads to a risk-weight of approximately 280%.

The requirements for capital buffers implemented through national legislation will add to capital requirements. The schedule for the entry into force of the capital buffer requirements will be known once national legislation has been completed. The upcoming liquidity regulation will add to liquidity management costs. Profitability will play a key role when preparing for regulatory changes.

The new regulations include a ratio on the degree of indebtedness, the leverage ratio. The leverage ratio of OP-Pohjola Group's Banking is estimated at about 5.3% according to the current interpretations, with the minimum level being 3%.

Non-life Insurance

- Earnings before tax amounted to EUR 133 million (99). Earnings before tax at fair value were EUR 172 million (36).
- Insurance premium revenue increased by 7% (10).
- The balance on technical account improved. The operating combined ratio was 84.5% (89.2) and operating expense ratio 18.1% (19.5).
- Return on investments at fair value was 3.4% (0.4).
- The number of loyal customer households grew in the report period by 19,200 (13,900).

Non-life Insurance: key figures and ratios

€ million	**Q1–Q2/2014**	**Q1–Q2/2013**	**Change, %**	**Q1–Q4/2013**
Insurance premium revenue	651	606	7.4	1,249
Insurance claims and benefits**	389	383	1.5	809
Net investment income	74	77	-4.5	132
Unwinding of discount and other items included in net income	-21	-21	-1.3	-43
Net income from Non-life Insurance	**315**	**279**	**13.0**	**529**
Other net income	2	2	-3.3	3
Personnel costs	54	56	-3.4	107
Other expenses	130	125	3.4	260
Earnings before tax	**133**	**99**	**34.2**	**167**
Gross change in fair value reserve	40	-63		-17
Earnings before tax at fair value	**172**	**36**		**150**
Insurance premium revenue				
Private customers	333	304	9.6	630
Corporate and institutional customers	291	277	5.0	567
Baltic States	27	25	8.4	52
Total insurance premium revenue	**651**	**606**	**7.4**	**1,249**
Key ratios, %				
Return on investments at fair value*, %	3.4	0.4	3.0	3.5
Operating combined ratio*, %	84.5	89.2	-4.7	86.9
Operating expense ratio*, %	18.1	19.5	-1.4	18.7
Operating loss ratio*, %	66.4	69.7	-3.3	68.2

* These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from corporate acquisition.
** Insurance claims and benefits do not include loss adjustment expenses.

Growth in insurance premium revenue remained strong in private customers and the Baltic States. Corporate customers showed somewhat slower growth. Insurance sales were 2% lower than a year ago.

In 2013, OP-Pohjola Group's market share in terms of non-life insurance premiums written was 30.3% (29.1). Measured by this market share, OP-Pohjola Group is Finland's largest non-life insurer. The market share is expected to have increased during the report period.

The June-end number of loyal customer households totalled 634,800 (583,900), of which already 73% (70) also use OP-Pohjola Group cooperative banks as their main bank.

Earnings

Earnings before tax improved to EUR 133 million (99) as a result of the balance on technical account that was better than a year ago.

Insurance premium revenue increased at a higher rate than claims incurred, and operating expenses were at the same level as a year ago. The operating combined ratio improved to 84.5% (89.2) over the previous year, the best first-half figure of all time. The balance on technical account improved in all customer segments.

Claims incurred increased by 2%, which was less than the growth of premium revenue because of a more favourable frequency claims development. Claims incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 48 (34) during January–June, with their claims incurred retained for own account totalling EUR 39 million (26). Change in provisions for unpaid claims under statutory pension was EUR 28 million (36) between January and June. Changes in claims for previous years improved the balance on technical account by EUR 18 million (3). Excluding these changes, the claims incurred would have increased by 6%. The operating risk ratio excluding indirect loss adjustment expenses was 60.2% (63.6).

The operating expense ratio improved to 18.1% (19.5). Efficiency improved as a result of strong growth in income. The operating cost ratio (incl. indirect loss adjustment expenses) was 24.3% (25.6).

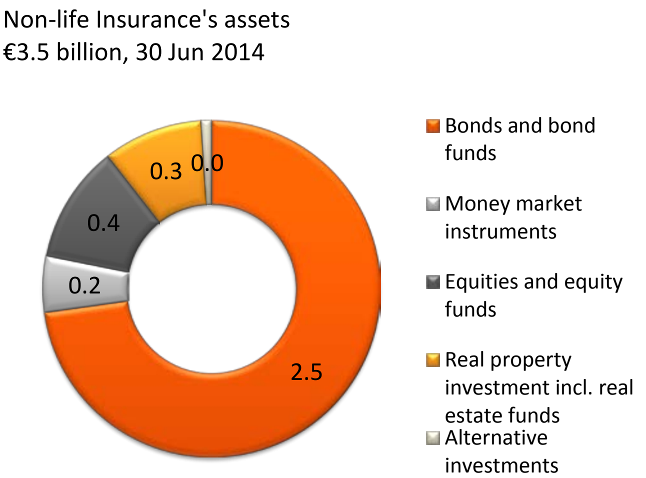
”Investment income at fair value was better than a year ago because of a decline in interest rates. Return on investments at fair value totalled EUR 113 million (14), or 3.4% (0.4). Net investment income recognised in the income statement amounted to EUR 74 million (77). Impairment losses recognised in the income statement totalled EUR 1 million (4).

Risks exposure and capital adequacy

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investment portfolios covering insurance liabilities and the discount rate applied to insurance liabilities.

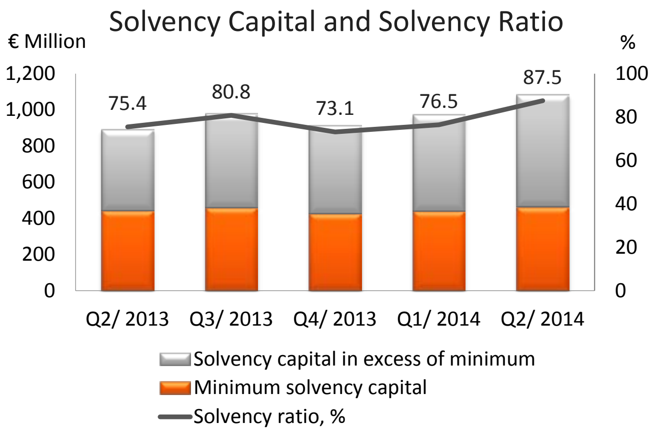
The discount interest rate has been adjusted after the report period. Otherwise no significant changes took place in underwriting risks. The investment portfolio's equity risk was reduced slightly in the the first half.

On 30 June, the investment portfolio totalled EUR 3,489 million (3,219). The fixed-income portfolio by credit rating remained healthy, as investments within the “investment-grade” category accounted for 93% (91), and 71% (74) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.2 years (4.4) and the duration 3.5 years (3.7).



On 30 June, Non-life Insurance solvency capital amounted to EUR 1,085 million (913) and the ratio of solvency capital to insurance premium revenue (solvency ratio) was 88% (73). Equalisation provisions were EUR 269 million (248).

On 30 June, Non-life Insurance solvency capital under Solvency II totalled EUR 982 million (894) and capital requirement EUR 716 million (713). The solvency ratio under Solvency II was 137% (125) if the transitional provisions are not taken into account.



Wealth Management

- Earnings before tax increased to EUR 99 million (77); earnings before tax at fair value were EUR 116 million (12).
- The gross amount of assets managed by OP-Pohjola Group was EUR 57.1 billion (52.0) on 30 June.
- The market share of mutual funds increased from 1 January to 30 June by 0.2 percentage points to 19.4%.
- Unit-linked insurance savings increased from 1 January 2014 by 9.2%, and their proportion of all insurance savings increased to 68.8%.
- Return on investments by Life Insurance at fair value was 3.5% (1.2).

Wealth Management: key figures and ratios

€ million	**Q1–Q2/2014**	**Q1–Q2/2013**	**Change, %**	**Q1–Q4/2013**
Life Insurance's net interest and risk result	61	47	30,4	50
Net commissions and fees				
Funds and asset management	65	59	10,5	116
Life insurance	77	73	6,1	139
Expenses	-61	-59	2,7	-108
Total net commissions and fees	81	72	12,5	147
Other income	7	8	-9,1	13
Personnel costs	12	13	-4,4	24
Other expenses	38	37	2,9	74
Earnings before tax	**99**	**77**	**28,7**	**113**
Gross change in fair value reserve	17	-65		-17
Earnings before tax at fair value	**116**	**12**		**96**
€ billion	**30 Jun 2014**	**30 Jun 2013**	**Change, %**	**31 Dec 2013**
Insurance savings	9.9	8.9	12.0	9.4
Assets under management (gross)				
Mutual funds	16.0	13.2	21.1	14.4
Institutional customers	23.5	20.0	17.7	20.9
Private Banking	10.7	9.1	18.4	10.5
Unit-linked insurance savings	6.8	5.7	20.4	6.3
Total assets under management (gross)	57.1	47.9	19.1	52.0
Market share, %				
Insurance savings	24.4	24.7	-0.3	24.6
Unit-linked insurance savings	28.0	30.2	-2.2	29.1
Mutual fund assets	19.4	19.2	0.2	19.2

The gross amount of assets managed by OP-Pohjola Group was EUR 57.1 billion (52.0). This amount includes EUR 13.1 billion in assets of the companies belonging to OP-Pohjola Group.

Assets invested in mutual funds increased in the report period by 10.7% to EUR 16.0 billion (14.4). Net asset inflows to OP-Pohjola Group's mutual funds totalled EUR 902 million (1,355).

Life Insurance has the goal of increasing unit-linked insurance savings. Unit-linked insurance savings increased between 1 January and 30 June by 9.2% to EUR 6.8 billion. Their proportion of all insurance savings increased to 68.8% (66.5).

Earnings

Earnings before tax increased to EUR 99 million year on year (77). Earnings after a change in the fair value reserve amounted to EUR 116 million (12).

Net commissions and fees increased by 13%, owing to growth of wealth under management compared to last year, to EUR 81million (72).

Life Insurance's return on investments at fair value was 3.5% (1.2). Investment income included in Life Insurance's net interest and risk result but excluding the performance of derivatives that hedge the interest rate risk of insurance liabilities totalled EUR 112 million (114).

In order to prepare for a situation in which interest rates remain low, supplementary technical interest rate provisions worth EUR 15 million (20) were made in net to insurance liabilities through profit and loss.

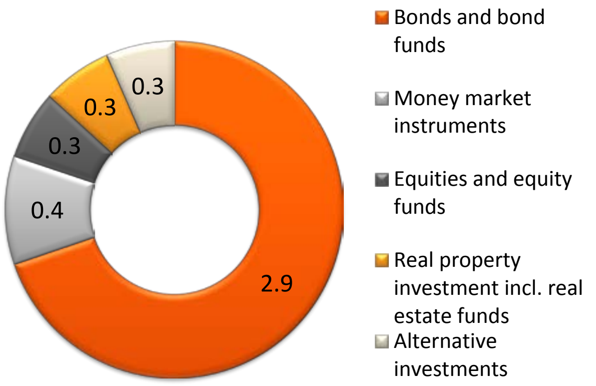
Expenses were at the same level as a year ago. Expenses were increased in the report period by a EUR 2 million non-recurring system amortisation. Wealth Management's operating cost/income ratio decreased to 46.7% (52.8).

Risks exposure and capital adequacy

The key risks associated with Wealth Management are the market risks of investment assets, the interest rate used for the discounting of insurance liabilities and the faster-than-expectedlife expectancy increase.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.1 billion (3.9), and were divided as follows:

Life Insurance investment assets
€4.1 billion, 30 Jun 2014



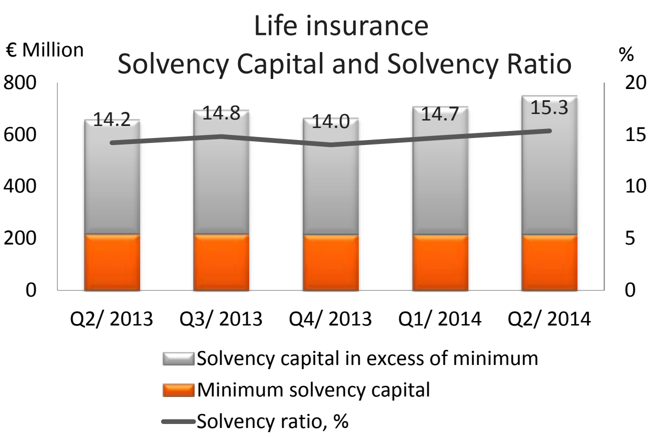
Investments within the "investment-grade" category accounted for 92% (90) of the fixed-income portfolio. The portfolio's modified duration was 3.3 (2.4) on 30 June 2014.

No significant changes occurred in the investment portfolio and underwriting risks of Life Insurance. On the whole, Life Insurance's risk exposure has remained stable.

OP-Pohjola has prepared for any change in the interest rate used for the discounting of insurance liabilities by hedging a considerable part of the exposure using interest rate derivatives. Supplementary interest rate provisions related to insurance liabilities totalled EUR 304 million (128) at the end of the report period.

Life Insurance's solvency margin was EUR 750 million (664). The solvency ratio, or the ratio of solvency capital to weighted insurance liabilities, was 15.3% (14.0).

The Solvency II Directive regulating the solvency requirements of insurance companies will come into force at the beginning of 2016. Life Insurance's preliminary Solvency II capital at the end of June amounted to EUR 888 million (789) and the preliminary solvency requirement was EUR 769 million (793). The solvency ratio conforming to Solvency II was 116% (99). These figures are presented without taking into account any transitional provisions or solvency calculation options enabled by the latest legislation.



Other Operations

Other Operations: key figures and ratios

€ million	Q1–Q2/2014	Q1–Q2/2013	Change, %	Q1–Q4/2013
Net interest income	-13	9		11
Net trading income	-5	-6	-28,0	-11
Net investment income	32	33	-4,3	45
Other income	227	224	1,2	443
Expenses	273	235	15,8	472
Impairment loss on receivables	0	1		2
Earnings before tax	**-32**	**24**		**13**
€ billion	**30 Jun 2014**	**30 Jun 2013**	**Change, %**	**31 Dec 2013**
Receivables from credit institutions	10	9	14.6	9
Investment assets	12	7	63.6	9
Liabilities to credit institutions	5	5	6.1	4
Debt securities issued to the public	19	16	16.5	17

Earnings

Other Operations' earnings before tax were EUR -32 million (24). The result was eroded by lower net interest income and higher expenses.

Preparation for tighter liquidity regulations reduced the net interest income from the liquidity buffer, as a result of which the net interest income of Other Operations decreased to EUR -13 million (9). Other Income consists to a large extent of intra-Group service charges, which are presented as business segment expenses. Net commissions and fees outside the Group were EUR 4 million higher than a year ago because of higher commissions from payment transactions.

The Other Operations expenses grew by 16%, or EUR 37 million higher than a year ago. Of the Other Operations expenses, personnel costs accounted for EUR 82 million (97) and ICT costs for EUR 90 million (63). The outsourcing of ICT services in late 2013 reduced personnel costs but increased ICT costs. A non-recurring EUR 15 million expense related to the tender offer for Pohjola Bank plc shares was recognised in 'Other operating expenses' during the report period. Half of this consisted of expenses within the Group.

Risk exposure and liquidity reserve

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

No major changes took place in the risk exposure of Other Operations in the report period.

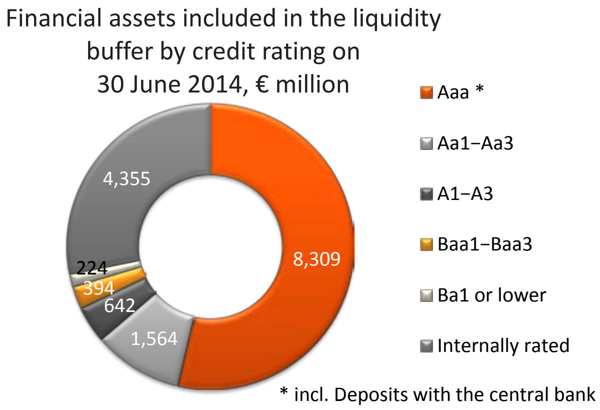
OP-Pohjola Group secures its liquidity with a liquidity buffer which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to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

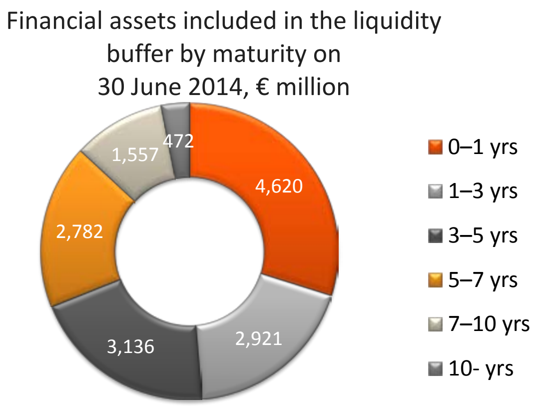
Liquidity buffer, € billion	30 Jun 2014	31 Dec 2013	Change, %
Deposits with central banks	3.3	2.0	65
Notes and bonds eligible as collateral	7.6	7.4	4
Corporate loans eligible as collateral	3.8	3.3	16
Total	**14.7**	**12.7**	**17**
Receivables ineligible as collateral	0.7	0.7	14
Liquidity buffer at market value	**15.5**	**13.3**	**16**
Collateral haircut	-1.1	-1.0	8
Liquidity buffer at collateral value	**14.4**	**12.3**	**17**

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

OP Mortgage Bank, which is part of OP-Pohjola Group, issued two covered bonds each worth EUR 1 billion. The maturity of the bond issued in March is 7 years, and that of the bond issued in June 5 years.

Pohjola Bank plc issued long-term bonds worth EUR 3.2 billion between January and June. In March, Pohjola issued in the international capital market two senior bonds each worth EUR 750 million with a maturity of three and seven years. In June, it issued a EUR 750 million senior bond with a maturity of five years, and two Samurai bonds worth a total of EUR 60 billion yen (EUR 432 million).





Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 181 member cooperative banks (183) including Group companies, OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Koillis-Savon Seudun Osuuspankki merged into Pohjois-Savon Osuuspankki on 28 February 2014.

Juuan Osuuspankki merged into Joensuun Seudun Osuuspankki on 31 March 2014, changing its name to Pohjois-Karjalan Osuuspankki.

Pohjola Group will be carrying out structural changes in accordance with the tender offer made by OP-Pohjola Group Central Cooperative, in practice, for example, by transferring the Non-life Insurance and Wealth Management segments from Pohjola Group to direct ownership of the Central Cooperative. In addition, some business operations of Helsinki OP Bank Plc and Pohjola Bank plc will be merged. These structural changes will have no immediate effect on OP-Pohjola Group's business segment reporting.

Personnel and remuneration

On 30 June, OP-Pohjola Group had 12,666 employees (12,856). The staff averaged 12,663 employees (13,461). The reorganisation and efficiency-enhancement measures taken at Group cooperative banks have resulted in job cuts in the report period.

During the report period, 163 employees (189) retired at an average age of 61.8 years (61.7).

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

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

OP-Pohjola has decided to extend the performance period for the long-term management incentive scheme by another three-year period covering 2014–16. In addition, the remuneration scheme for employees based on OP-Pohjola Group's Personnel Fund will continue with performance periods of one year.

OP-Pohjola Group Central Cooperative's Supervisory Board decided in spring 2014 on new Group-level targets within OP-Pohjola Group's long-term remuneration schemes. The Group-level targets are congruent both in the management incentive scheme and OP-Pohjola Group's Personnel Fund.

When creating the incentive schemes, OP-Pohjola Group has taken account of amended regulation governing remuneration policies and practices in the financial sector. The incentive scheme for 2014–16 follows the main principles applied in the previous three-year performance period.

OP-Pohjola Group Central Cooperative's Supervisory Board set OP-Pohjola Group's earnings before tax, the Group's Common Equity Tier 1 (CET1) capital ratio and growth in the number of customers using OP-Pohjola as their main bank and insurer as the new long-term performance indicators.

Governance of OP-Pohjola Group Central Cooperative

OP-Pohjola Group Central Cooperative's Annual Cooperative Meeting was held on 20 March 2014. Of the members who were due to resign, Managing Director Vesa Lehikoinen, Professor Jaakko Pehkonen, Managing Director Ari Kakkori, Principal Seppo Laaninen, Senior Nursing Officer Marita Marttila and Chairman of the Board of Directors Timo Parmasuo were re-elected for the term ending in 2017 as Supervisory Board members. Development Secretary Raita Joutsensaari was elected to the Supervisory Board for the remaining term of 2014–15 to replace Professor Paavo Pelkonen who will resign due to the upper age limit set for Supervisory Board members, while Managing Director Ari Väänänen was elected for the remaining term of 2014–15 to replace Managing Director Seppo Pääkkö who had requested resignation from the Supervisory Board. The Supervisory Board comprises 33 members.

At its first meeting following election, the Supervisory Board elected Professor Jaakko Pehkonen Chairman and Senior Lecturer Mervi Väisänen and Managing Director Vesa Lehikoinen Vice Chairmen.

As part of this management reorganisation, the Supervisory Board appointed in spring 2014 the following Executive Board members, effective as of 1 October 2014:

Karhinen Reijo, Executive Chairman and CEO, Chairman
Vepsäläinen Tony, Group Services, Vice Chairman

Geber-Teir Carina, Identity and Communications
Himanen Jari, Group Control
Lehtilä Olli, Non-life Insurance
Luhtala Harri, Finance and ALM
Nummela Harri, Wealth Management
Palmén Erik, Risk Management
Pölönen Jouko, Banking
Sarajärvi Teija, HR

Markku Koponen will continue to act as Executive Board secretary and deputy Executive Board member in charge of legal affairs.

OP-Pohjola Group's efficiency-enhancement programme

OP-Pohjola Group completed in late 2012 an Information and Consultation of Employees process related to the efficiency-enhancement programme of OP-Pohjola Group Central Cooperative Consolidated, resulting in personnel reductions of 561 employees and 150 jobs being outsourced.

The efficiency-enhancement programme's objective has been to achieve annual cost savings of EUR 150 million until the end of 2015. Within the framework of the programme, the production of services for OP-Pohjola Group Central Cooperative Consolidated and OP-Pohjola Group member cooperative banks was centralised in OP-Services Ltd that is undergoing a major transformation. Job cuts account for a third of the total cost savings targets.

Based on the actions completed by 30 June 2014, annualised savings reached about EUR 129 million, of which personnel-related costs account for EUR 55 million.

Capital expenditure and service development

OP-Pohjola Group Central Cooperative and its subsidiaries are responsible for developing OP-Pohjola Group's services. ICT capital expenditure and related specifications make up a significant portion of costs of developing these services.

OP-Pohjola Group Central Cooperative Consolidated's development expenditure totalled EUR 51 million (62) in January–June. These include licence fees, purchased services and capitalised expenses for development work within OP-Pohjola Group Central Cooperative Consolidated.

ICT capital expenditure capitalised in the balance sheet totalled EUR 31 million (51) in the report period. Capital expenditure in the report period was divided as follows: Banking EUR 27 million (39), Non-life Insurance EUR 2 million (9) and Wealth Management EUR 1 million (4).

OP-Pohjola Group began to rebuild its premises in the Vallila campus in 2012, due to be completed by the summer of 2015. The total costs will be almost EUR 250 million. By the end of the report period, realised costs totalled some EUR 110 million.

OP-Pohjola Group income statement

EUR million	Note	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Interest income		1,333	1,241	7	2,514
Interest expenses		828	806	3	1,599
Net interest income before impairment	4	**505**	**436**	**16**	**915**
Impairments of receivables	5	33	32	4	84
Net interest income after impairments		**472**	**404**	**17**	**831**
Net income from Non-life Insurance operations	6	311	280	11	524
Net income from Life Insurance operations	7	121	107	13	175
Net commissions and fees	8	372	356	4	694
Net trading income	9	55	52	7	114
Net investment income	10	46	49	-6	68
Other operating income	11	29	42	-31	86
Total net income		**1,405**	**1,289**	**9**	**2,493**
Personnel costs		385	414	-7	791
Other administrative expenses		215	182	18	384
Other operating expenses		221	204	8	422
Total expenses		**821**	**800**	**3**	**1,598**
Returns to owner-members		98	96	2	193
Share of associates' profits/losses		1	1	-12	-1
Earnings before tax for the period		**488**	**395**	**24**	**701**
Income tax expense		216	98		36
Profit for the period		**272**	**297**	**-8**	**665**
Attributable to, EUR million					
Profit for the period attributable to owners		269	295	-9	661
Profit for the period attributable to non-controlling interest		3	2		4
Total		**272**	**297**	**-8**	**665**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

OP-Pohjola Group statement of comprehensive income

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Profit for the period	**272**	**297**	**-8**	**665**
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	-64	-		19
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	30	-129		-9
Cash flow hedge	42	-31		-30
Translation differences	0	0	-65	0
Income tax on other comprehensive income				
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	-13	-		26
Items that may be reclassified to profit or loss				
Measurement at fair value	6	-32		-19
Cash flow hedge	8	-7		-9
Total comprehensive income for the period	**278**	**176**	**58**	**647**
Attributable to, EUR million				
Profit for the period attributable to owners	251	174	44	643
Profit for the period attributable to non-controlling interest	26	2		4
Total	**278**	**176**	**58**	**647**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

OP-Pohjola Group balance sheet

EUR million	Note	30 June 2014	30 June 2013 Restated*	Change, %	31 Dec 2013 Restated*	01 Jan 2013 Restated*
Cash and cash equivalents		3,416	3,767	-9	2,172	5,784
Receivables from credit institutions		588	798	-26	849	841
Financial assets at fair value through profit or loss		514	395	30	537	358
Derivative contracts		4,551	3,646	25	3,423	4,436
Receivables from customers		69,275	67,441	3	68,142	65,051
Non-life Insurance assets	14	3,807	3,605	6	3,479	3,476
Life Insurance assets	15	10,786	9,186	17	9,872	9,173
Investment assets		9,285	7,599	22	8,753	6,719
Investments in associates		54	56	-4	54	53
Intangible assets		1,332	1,336	0	1,339	1,321
Property, plant and equipment (PPE)		752	681	10	726	664
Other assets		1,664	1,828	-9	1,554	1,752
Tax assets		100	125	-20	91	137
Total assets		**106,124**	**100,463**	**6**	**100,991**	**99,766**
Liabilities to credit institutions		1,194	1,424	-16	1,039	1,966
Financial liabilities at fair value through profit or loss		3	4	-35	4	3
Derivative contracts		4,067	3,378	20	3,157	4,162
Liabilities to customers		49,514	49,727	0	50,157	49,627
Non-life Insurance liabilities	16	3,067	2,935	5	2,746	2,598
Life Insurance liabilities	17	10,633	9,212	15	9,771	8,970
Debt securities issued to the public	18	25,871	20,976	23	21,428	19,270
Provisions and other liabilities		3,316	3,025	10	2,691	3,303
Tax liabilities		981	946	4	808	990
Supplementary cooperative capital		375	643	-42	606	622
Subordinated liabilities		888	944	-6	861	1,115
Total liabilities		**99,908**	**93,213**	**7**	**93,267**	**92,627**
Equity capital						
Share of OP-Pohjola Group's owners						
Share and cooperative capital		841	338		339	336
Share capital		0	200		199	200
Membership capital contributions		145	138	5	140	136
Profit shares		696	-		-	-
Fair value reserve	19	362	218	66	328	339
Other reserves		2,179	2,729	-20	2,739	2,683
Retained earnings		2,753	3,887	-29	4,218	3,709
Non-controlling interests		81	77	5	100	73
Total equity capital		**6,216**	**7,250**	**-14**	**7,724**	**7,139**
Total liabilities and equity capital		**106,124**	**100,463**	**6**	**100,991**	**99,766**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Changes in OP-Pohjola Group's equity capital

EUR million	Share and cooperative capital	Fair value reserve***	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2013	**336**	**339**	**2,682**	**3,752**	**7,110**	**24**	**7,134**
Effect of the adoption of IFRS 10 Consolidated Financial Statements, less taxes	-	0	0	-43	**-43**	48	**5**
Restated* equity capital 1 Jan. 2013	**336**	**339**	**2,682**	**3,709**	**7,067**	**73**	**7,139**
Total comprehensive income for the period	-	-121	-	295	**174**	2	**176**
Profit for the period	-	-	-	295	**295**	2	**297**
Other comprehensive income	-	-121	-	0	**-121**	0	**-121**
Increase in cooperative capital	2	-	**-**	-	**2**	-	**2**
Transfer of reserves	-	-	37	-37	**-**	-	**-**
Profit distribution	-	-	**-**	-71	**-71**	-	**-71**
Share-based payments	-	-	**-**	-1	**-1**	-	**-1**
Other	0	-	**10**	-9	**2**	3	**4**
Balance at 30 June 2013	**338**	**218**	**2,729**	**3,887**	**7,173**	**77**	**7,250**

EUR million	Share and cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2014	**339**	**328**	**2,739**	**4,218**	**7,625**	**100**	**7,724**
Total comprehensive income for the period	-	112	-	201	**313**	26	**339**
Profit for the period				269	**269**	3	**272**
Other comprehensive income	-	112	-	-68	**44**	23	**67**
Holdings in Pohjola Bank plc purchased from non-controlling interests**	-199	-78	-512	-1,631	**-2,421**	-	**-2,421**
Increase in cooperative capital	701	-	**-**	-	**701**	**-**	**701**
Transfer of reserves	-	-	26	-26	**-**	**-**	**-**
Profit distribution	-	-	-	-75	**-75**	**-**	**-75**
Share-based payments	-	-	-	-2	**-2**	-	**-2**
Other	0	-	-74	69	**-5**	-45	**-51**
Balance at 30 June 2014	**841**	**362**	**2,178**	**2,753**	**6,135**	**81**	**6,216**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

** The total purchase price paid by OP-Pohjola Group Central Cooperative for Pohjola Bank plc shares based on the tender offer has been subtracted from equity capital.

*** Note 19

Cash flow statement

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*
Cash flow from operating activities		
Profit for the period	272	297
Adjustments to profit for the period	-477	535
Increase (-) or decrease (+) in operating assets	**-2,315**	**-4,072**
Receivables from credit institutions	76	93
Financial assets at fair value through profit or loss	94	-152
Derivative contracts	20	10
Receivables from customers	-1,167	-2,459
Non-life Insurance assets	-259	-217
Life Insurance assets	-469	6
Investment assets	-285	-1,254
Other assets	-325	-99
Increase (+) or decrease (-) in operating liabilities	**1,534**	**-529**
Liabilities to credit institutions	148	-525
Financial liabilities at fair value through profit or loss	-1	1
Derivative contracts	40	1
Liabilities to customers	-643	100
Non-life Insurance liabilities	107	115
Life Insurance liabilities	1,347	165
Provisions and other liabilities	535	-388
Income tax paid	-72	-96
Dividends received	67	70
A. Net cash from operating activities	**-991**	**-3,796**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-	-1
Decreases in held-to-maturity financial assets	58	84
Acquisition of subsidiaries, net of cash acquired	-1	-4
Disposal of subsidiaries, net of cash disposed	0	-
Purchase of PPE and intangible assets	-94	-80
Proceeds from sale of PPE and intangible assets	3	3
B. Net cash used in investing activities	**-33**	**1**
Cash flow from financing activities		
Increases in subordinated liabilities	24	-
Decreases in subordinated liabilities	-12	-158
Increases in debt securities issued to the public	28,517	13,111
Decreases in debt securities issued to the public	-24,412	-11,067
Increases in cooperative and share capital	910	85
Decreases in cooperative and share capital	-440	-63
Dividends paid and interest on cooperative capital	-75	-81
Holdings in Pohjola Bank plc purchased from non-controlling interests	-2,421	-
C. Net cash from financing activities	**2,091**	**1,827**
Net change in cash and cash equivalents (A+B+C)	**1,066**	**-1,968**
Cash and cash equivalents at period-start	**2,476**	**5,873**
Cash and cash equivalents at period-end	**3,542**	**3,905**
Interest received	**1,371**	**1,258**
Interest paid	**-880**	**-904**
Cash and cash equivalents		
Liquid assets**	3,430	3,780
Receivables from credit institutions payable on demand	113	125
Total	**3,542**	**3,905**

******Of which Non-life Insurance liquid assets amount to 9 million euros (12) and Life Insurance liquid assets 5 million euros (2).

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 1. Accounting policies

The Interim Report for 1 January–30 June 2014 has been prepared in accordance with the accounting policies of IAS 34 (Interim Financial Reporting) and with those presented in the Consolidated Financial Statements 2013, with the exception of changes in the accounting policies described below.

The Interim Report is based on unaudited information. Since all figures in this Interim Report have been rounded off, the sum of single figures may differ from the presented sum total.

Change in accounting policies

OP-Pohjola Group has applied the following standards since 1 January 2014: IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint arrangements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 ”Investments in Associates and Joint Ventures" revised as a result of the standards. According to IFRS 10, control determines whether the parent company consolidates an entity. The Group has control over an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As a result of the adoption of the standards, the accounts of 65 OP-Kiinteistökeskus real estate agencies, seven real estate investment trusts and private equity funds and three property investment companies have been included in OP-Pohjola Group’s financial statements as new subsidiaries. In addition, four private equity funds are consolidated as associates using the equity method. Around 1,200 property companies have been reported as joint operations to which proportionate consolidation applies. New subsidiaries and associates are reported in the operating segments of Banking, Wealth Management, Non-life Insurance and Other Operations. The proportion of non-controlling interests has increased in OP-Pohjola Group.

Effect on consolidated income statement for 1 Jan.−30 June 2013 and 1 Jan.−31 Dec. 2013

EUR million	1 Jan.−30 June 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−30 June 2013 (restated)	1 Jan.–31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2013 (restated)
Interest income	1,240	1	1,241	2,512	1	2,514
Interest expenses	805	0	806	1,599	0	1,599
Net interest income before impairment losses	**435**	**1**	**436**	**913**	**1**	**915**
Impairments of receivables	32		32	84		84
Net interest income after impairments	**403**	**1**	**404**	**830**	**1**	**831**
Net income from Non-life Insurance operations	280		280	524	0	524
Net income from Life Insurance operations	107		107	175	0	175
Net commissions and fees	317	39	356	625	69	694
Net trading income	52	0	52	114	0	114
Net investment income	50	-1	49	66	2	68
Other operating income	50	-9	42	95	-9	86
Total net income	**1,259**	**30**	**1,289**	**2,429**	**64**	**2,493**
Personnel costs	395	19	414	753	38	791
Other administrative expenses	177	5	182	373	11	384
Other operating expenses	195	9	204	404	18	422
Total expenses	**767**	**33**	**800**	**1,530**	**67**	**1,598**
Returns to owner-members	96		96	193	0	193
Share of associates' profits/losses	1		1	0	-1	-1
Earnings before tax for the period	**398**	**-3**	**395**	**705**	**-4**	**701**
Income tax expense	98	0	98	32	3	36
Profit for the period	**300**	**-3**	**297**	**673**	**-8**	**665**
Attributable to, EUR million						
Owners	299	-4	295	672	-11	661
Non-controlling interests	1	1	2	0	4	4
Total	**300**	**-3**	**297**	**673**	**-8**	**665**

Effect on the consolidated statement of comprehensive income for 1 Jan.−30 June 2013 and 1 Jan.−31 Dec. 2013

EUR million	1 Jan.−30 June 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−30 June 2013 (restated)	1 Jan.–31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2013 (restated)
Profit for the period	**300**	**-3**	**297**	**673**	**-8**	**665**
Items that will not be reclassified to profit or loss						
Gains/(losses) arising from remeasurement of defined benefit plans	-		-	19		19
Items that may be reclassified to profit or loss						
Change in fair value reserve						
Measurement at fair value	-130	0	-129	-13	4	-9
Cash flow hedge	-31		-31	-30		-30
Translation differences	0	0	0	0	0	0
Income tax on other comprehensive income						
Items that will not be reclassified to profit or loss						
Gains/(losses) arising from remeasurement of defined benefit plans	-	-	-	26		26
Items that may be reclassified to profit or loss						
Measurement at fair value	-32	0	-32	-20	1	-19
Cash flow hedge	-7		-7	-9		-9
Total comprehensive income for the period	**178**	**-3**	**176**	**651**	**-5**	**647**

Attributable to, EUR million						
Owners	178	-4	174	651	-8	643
Non-controlling interests	1	1	2	0	4	4
Total	**178**	**-3**	**176**	**651**	**-5**	**647**

Effect on the consolidated balance sheet on 1 Jan. 2013 and 31 Dec. 2013

EUR million	1 Jan. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan. 2013 (restated)	31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	31 Dec. 2013 (restated)
Cash and cash equivalents	5,784		5,784	2,172		2,172
Receivables from credit institutions	840	1	841	848	0	849
Financial assets at fair value through profit or loss	358		358	537		537
Derivative contracts	4,436	0	4,436	3,423		3,423
Receivables from customers	65,161	-110	65,051	68,255	-112	68,142
Non-life Insurance assets	3,492	-16	3,476	3,497	-18	3,479
Life Insurance assets	9,173	1	9,173	9,880	-7	9,872
Investment assets	6,596	123	6,719	8,613	141	8,753
Investments in associates	39	14	53	40	15	54
Intangible assets	1,320	1	1,321	1,338	1	1,339
Property, plant and equipment (PPE)	710	-45	664	760	-34	726
Other assets	1,745	7	1,752	1,548	7	1,554
Tax assets	115	21	137	72	19	91
Total assets	**99,769**	**-4**	**99,766**	**100,981**	**9**	**100,991**
Liabilities to credit institutions	1,965	1	1,966	1,032	7	1,039
Financial liabilities at fair value through profit or loss	3		3	4		4
Derivative contracts	4,162	0	4,162	3,157		3,157
Liabilities to customers	49,650	-23	49,627	50,175	-18	50,157
Non-life Insurance liabilities	2,592	6	2,598	2,746		2,746
Life Insurance liabilities	8,970		8,970	9,771		9,771
Debt securities issued to the public	19,270		19,270	21,428		21,428
Provisions and other liabilities	3,297	6	3,303	2,680	11	2,691
Tax liabilities	990	0	990	807	1	808
Cooperative capital	622		622	606		606
Subordinated liabilities	1,114	1	1,115	860	1	861
Total liabilities	**92,635**	**-9**	**92,627**	**93,265**	**2**	**93,267**
Equity capital						
Share of OP-Pohjola Group's owners						
Share and cooperative capital	336	0	336	339	0	339
Fair value reserve	339	0	339	325	3	328
Other reserves	2,683	0	2,683	2,739	0	2,739
Retained earnings	3,752	-43	3,709	4,277	-59	4,218
Non-controlling interests	24	48	73	36	64	100
Total equity capital	**7,134**	**5**	**7,139**	**7,717**	**8**	**7,724**
Total liabilities and equity capital	**99,769**	**-4**	**99,766**	**100,981**	**9**	**100,991**

Effect on the consolidated cash flow statement 1 Jan.−30 June 2013

EUR million	1 Jan.−30 June 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−30 June 2013 (restated)
Cash flow from operating activities			
Profit for the period	300	-3	297
Adjustments to profit for the period	528	7	535
Increase (-) or decrease (+) in operating assets	**-4,092**	**20**	**-4,072**
Receivables from credit institutions	93		93
Financial assets at fair value through profit or loss	-152		-152
Derivative contracts	10		10
Receivables from customers	-2,459		-2,459
Non-life Insurance assets	-218	1	-217
Life Insurance assets	-10	16	6
Investment assets	-1,249	-6	-1,254
Other assets	-108	8	-99
Increase (+) or decrease (-) in operating liabilities	**-527**	**-3**	**-529**
Liabilities to credit institutions	-525	0	-525
Financial liabilities at fair value through profit or loss	1		1
Derivative contracts	1		1
Liabilities to customers	95	5	100
Non-life Insurance liabilities	122	-6	115
Life Insurance liabilities	165		165
Provisions and other liabilities	-386	-2	-388
Income tax paid	-96		-96
Dividends received	71	-2	70
A. Net cash from operating activities	**-3,816**	**20**	**-3,796**
Cash flow from investing activities			
Increases in held-to-maturity financial assets	-1		-1
Decreases in held-to-maturity financial assets	84	0	84
Acquisition of subsidiaries, net of cash acquired	-5		-4
Disposal of subsidiaries, net of cash disposed	0		0
Purchase of PPE and intangible assets	-63	-17	-80
Proceeds from sale of PPE and intangible assets	3	0	3
B. Net cash used in investing activities	**18**	**-17**	**1**
Cash flow from financing activities			
Decreases in subordinated liabilities	-158	0	-158
Increases in debt securities issued to the public	13,111		13,111
Decreases in debt securities issued to the public	-11,067		-11,067
Increases in cooperative and share capital	85		85
Decreases in cooperative and share capital	-63		-63
Dividends paid and interest on cooperative capital	-81		-81
C. Net cash from financing activities	**1,827**	**0**	**1,827**
Net change in cash and cash equivalents (A+B+C)	**-1,971**	**3**	**-1,968**
Cash and cash equivalents at period-start	**5,872**	**1**	**5,873**
Cash and cash equivalents at period-end	**3,901**	**4**	**3,905**
Interest received	**1,258**		**1,258**
Interest paid	**-904**		**-904**
Cash and cash equivalents			
Liquid assets	3,780	0	3,780
Receivables from credit institutions payable on demand	121	4	125
Total	**3,901**	**4**	**3,905**

Levies

In addition, the Group has used IFRIC interpretation 21: Levies since the beginning of 2014 before its entry into force and EU approval. According to the interpretation, the bank levy liability and the liability arising from contributions to the Deposit Guarantee Fund are recognised in full in accrued income and prepaid expenses and accrued expenses and deferred income in the balance sheet when the levy is imposed under said legislation, or on 1 January 2014. The change in the accounting policy does not change the recognition principle applied to these expenses through profit or loss.

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

	Q1–Q2/ 2014	Q1–Q2/ 2013	Q1–Q4/ 2013
Return on equity, %	7.9	8.3	8.9
Return on equity at fair value, %	8.0	4.9	8.7
Return on assets, %	0.53	0.60	0.66
Cost/income ratio, %	57	60	62
Average personnel	12,663	13,693	13,461
Full-time	11,767	12,733	12,536
Part-time	896	960	925

Return on equity (ROE), %

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

Return on equity at fair value, %

$$\frac{\text{Total comprehensive income for the period}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$$

Return on assets (ROA), %

$$\frac{\text{Profit for the period}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$$

Equity ratio, %

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

Cost/income ratio, %

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

Core Tier 1, %

$$\frac{\text{Total Tier 1 capital, excl. hybrid capital and shortfall of Tier 2 capital covered by hybrid capital}}{\text{Total minimum capital requirement}} \times 8$$

Common Equity Tier 1 ratio,% (CET1)*

$$\frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk exposure amount}} \times 100$$

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

Tier 1 ratio, %

$$\frac{\text{Total Tier 1 capital}}{\text{Total minimum capital requirement}} \times 8$$

Capital adequacy ratio, %

$$\frac{\text{Total capital}}{\text{Total minimum capital requirement}} \times 8$$

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

$$\frac{\text{Conglomerate's total capital}}{\text{Conglomerate's total minimum capital requirement}}$$

Return on economic capital, %

$$\frac{\text{Earnings + customer bonuses after tax (value rolling 12 month)}}{\text{Average economic capital}} \times 100$$

Non-life Insurance:

Combined ratio (excl. unwinding of discount), %	Loss ratio + expense ratio Risk ratio + cost ratio	
Loss ratio (excl. unwinding of discount)	Claims and loss adjustment expenses / Net insurance premium revenue	x 100
Expense ratio	Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition / Net insurance premium revenue	x 100
Risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses / Net insurance premium revenue	x 100
Operating combined ratio, %	Operating loss ratio + Operating expense ratio Operating risk ratio + operating cost ratio	
Operating risk ratio (excl. unwinding of discount)	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue excl. changes in reserving bases	x 100
Operating loss ratio, %	Claims incurred, excl. changes in reserving bases / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating expense ratio	Operating expenses / Insurance premium revenue, excl. net changes in reserving bases	x 100
Cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue	x 100
Operating cost ratio	Operating expenses and loss adjustment expenses / Net insurance premium revenue excl. changes in reserving bases	x 100
Solvency ratio, %	Solvency capital / Insurance premium revenue	x 100
Solvency ratio, %*)	Capital base / Capital requirement (SCR)	

*) According to the proposed Solvency II framework

Life Insurance:

Operating cost ratio, %	Operating expenses before change in deferred acquisitions costs + loss adjustment expenses / Expense loading x 100	x 100

Note 3. OP-Pohjola Group quarterly performance

	2013*			2014	
EUR million	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Interest income	626	629	643	651	682
Interest expenses	405	397	396	399	428
Net interest income	**221**	**232**	**247**	**251**	**254**
Impairments of receivables	23	17	34	10	23
Net interest income after impairments	**198**	**215**	**213**	**241**	**231**
Net income from Non-life Insurance operations	137	147	96	151	159
Net income from Life Insurance operations	36	37	31	80	41
Net commissions and fees	171	172	166	198	174
Net trading income	23	29	34	27	28
Net investment income	23	7	12	16	30
Other operating income	23	17	28	13	16
Personnel costs	203	176	202	195	190
Other administrative expenses	97	85	118	112	102
Other operating expenses	102	99	119	113	108
Returns to owner-members	48	49	49	49	49
Share of associates' profits/losses	1	1	-3	0	1
Earnings before tax for the period	**161**	**216**	**90**	**257**	**231**
Income tax expense	38	55	-118	61	155
Profit for the period	**123**	**160**	**208**	**196**	**76**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-	-	19	-50	-15
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value	-115	82	38	-25	54
Cash flow hedge	-20	4	-3	20	22
Translation differences	0	0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-	-	26	-10	-3
Items that may be reclassified to profit or loss					
Measurement at fair value	-28	20	-7	-5	11
Cash flow hedge	-5	1	-2	4	4
Total comprehensive income for the period	**21**	**225**	**246**	**153**	**125**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 4. Net interest income

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Loans and other receivables	661	621	6	1,257
Receivables from credit institutions and central banks	4	6	-34	11
Notes and bonds	100	89	13	184
Derivatives (net)				
Derivatives held for trading	64	19		37
Derivatives under hedge accounting	42	38	10	75
Ineffective portion of cash flow hedge	1	0		3
Liabilities to credit institutions	-2	-3	-31	-5
Liabilities to customers	-116	-146	-20	-268
Debt securities issued to the public	-222	-167	33	-339
Subordinated debt	-18	-20	-11	-39
Hybrid capital	-3	-3	-4	-6
Financial liabilities held for trading	0	0	-28	0
Other (net)	-7	1		4
Net interest income before fair value adjustment under hedge accounting	**505**	**436**	**16**	**914**
Hedging derivatives	-80	-221	-64	-257
Value change of hedged items	80	221	-64	257
Total net interest income	**505**	**436**	**16**	**915**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 5. Impairments of receivables

EUR million	Q1–Q2/ 2014	Q1–Q2/ 2013	Change, %	Q1–Q4/ 2013
Receivables eliminated as loan or guarantee losses	21	22	-5	61
Receoveries of eliminated receivables	-6	-6	-1	-15
Increase in impairment losses on individually assessed receivables	44	49	-11	110
Decrease in impairment losses on individually assessed receivables	-28	-33	18	-72
Collectively assessed impairment losses	2	0		-1
Total	**33**	**32**	**4**	**84**

Note 6. Net income from Non-life Insurance

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Net insurance premium revenue				
Premiums written	924	867	7	1,346
Insurance premiums ceded to reinsurers	-47	-48	2	-57
Change in provision for unearned premiums	-246	-234	-5	-37
Reinsurers' share	20	21	-4	-3
Total	**651**	**606**	**7**	**1,249**
Net Non-life Insurance claims				
Claims paid	419	391	7	786
Insurance claims recovered from reinsurers	-16	-17	5	-39
Change in provision for unpaid claims	-13	14		65
Reinsurers' share	0	-5	97	-3
Total	**389**	**383**	**1**	**809**
Net investment income, Non-life Insurance				
Interest income	30	29	4	57
Dividend income	15	17	-9	25
Property	1	3	-70	2
Capital gains and losses				
Notes and bonds	9	16	-40	21
Shares and participations	30	16	83	22
Loans and receivables	-	-		-
Property	0	0	96	-1
Derivatives	-15	2		-1
Fair value gains and losses				
Notes and bonds	0	0		2
Shares and participations	0	0	100	0
Loans and receivables	0	0		-1
Property	2	0		4
Derivatives	-2	0		4
Impairments	-1	-5	77	-10
Other	0	1	-59	2
Total	**69**	**79**	**-12**	**126**
Unwinding of discount	-21	-22	2	-43
Other	0	0	**-82**	0
Net income from Non-life Insurance	**311**	**280**	**11**	**524**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 7. Net income from Life Insurance

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Premiums written	597	578	3	1,074
Reinsurers' share	-11	-13	12	-25
Total	**586**	**565**	**4**	**1,049**
Claims incurred				
Benefits paid	-385	-424	9	-750
Change in provision for unpaid claims	-5	2		-16
Reinsurers' share	4	5	-28	11
Change in insurance liabilities				
Change in life insurance provision	490	-80		-597
Reinsurers' share	1	0		-1
Total	**104**	**-497**		**-1,353**
Other	-1,144	-55		-42
Total	**-453**	**13**		**-346**
Net investment income, Life Insurance				
Interest income	26	25	3	55
Dividend income	24	30	-21	46
Property	0	3		0
Capital gains and losses				
Notes and bonds	10	6	47	3
Shares and participations	53	49	7	58
Loans and receivables	1	6	-80	6
Property	0	2		4
Derivatives	-3	1		1
Fair value gains and losses				
Notes and bonds	0	0	42	-3
Shares and participations	0	0		-1
Loans and receivables	0	-2		-2
Property	2	5	-60	5
Derivatives	156	-68		-81
Impairments	-5	-16	68	-26
Other	1	0		1
Assets serving as cover for unit-linked policies				
Shares and participations				
Capital gains and losses	38	57	-33	86
Fair value gains and losses	250	-23		328
Other	22	17	32	41
Total	**574**	**94**		**521**
Net income from Life Insurance	**121**	**107**	**13**	**175**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 8. Net commissions and fees

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Commission income				
Lending	107	99	8	199
Deposits	3	3	-1	6
Payment transfers	115	99	16	212
Securities brokerage	12	11	10	22
Securities issuance	6	7	-10	11
Mutual funds brokerage	51	44	14	90
Asset management and legal services	43	36	19	74
Insurance brokerage	37	42	-14	61
Guarantees	11	11	4	23
Other	46	55	-16	95
Total	**430**	**407**	**6**	**794**
Commission expenses	58	51	14	100
Net commissions and fees	**372**	**356**	**4**	**694**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 9. Net trading income

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Capital gains and losses				
Notes and bonds	6	4	65	4
Shares and participations	3	3	-19	5
Derivatives	7	31	-78	70
Changes in fair value				
Notes and bonds	2	-3		-2
Shares and participations	0	-3		3
Derivatives	26	7		12
Dividend income	0	1	-20	1
Net income from foreign exchange operations	11	12	-9	22
Total	**55**	**52**	**7**	**114**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 10. Net investment income

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	10	14	-28	16
Shares and participations	6	2		3
Dividend income	26	20	26	32
Impairment losses	-3	-1		-3
Carried at amortised cost				
Capital gains and losses	1	1		0
Total	**40**	**36**	**11**	**49**
Investment property				
Rental income	21	21	4	42
Maintenance charges and expenses	-16	-15	-4	-36
Changes in fair value, capital gains and losses	0	7	-93	12
Other	0	0	-43	1
Total	**6**	**13**	**-51**	**19**
Other	0	0		0
Net investment income	**46**	**49**	**-6**	**68**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 11. Other operating income

EUR million	Q1–Q2/ 2014	Q1–Q2/2013 Restated*	Change, %	Q1–Q4/2013 Restated*
Income from property and business premises in own use	8	8	2	17
Rental income from assets rented under operating lease	2	4	-54	8
Other	19	29	-37	61
Total	**29**	**42**	**-31**	**86**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 12. Classification of financial assets and liabilities

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss**	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and cash equivalents	3,416	-	-	-	-	3,416
Receivables from credit institutions	588	-	-	-	-	588
Derivative contracts	-	-	3,925	-	627	4,551
Receivables from customers	69,275	-	-	-	-	69,275
Non-life Insurance assets***	715	-	160	2,932	-	3,807
Life Insurance assets****	196	-	7,209	3,381	-	10,786
Notes and bonds	-	213	441	8,029	-	8,683
Shares and participations	-	-	72	524	-	596
Other financial assets	1,664	-	-	-	-	1,664
Financial assets	**75,855**	**213**	**11,808**	**14,865**	**627**	**103,367**
Other than financial instruments						2,757
Total 30 June 2014	**75,855**	**213**	**11,808**	**14,865**	**627**	**106,124**
Total 30 June 2013 restated*	**74,740**	**319**	**9,634**	**12,540**	**539**	**100,463**
Total 31 Dec. 2013 restated*	**75,675**	**271**	**10,658**	**13,908**	**479**	**100,991**

EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities				
Liabilities to credit institutions	-	1,194	-	1,194
Financial liabilities held for trading (excl. derivatives)	3	-	-	3
Derivative contracts	3,736	-	330	4,067
Liabilities to customers	-	49,514	-	49,514
Non-life Insurance liabilities*****	2	3,065	-	3,067
Life Insurance liabilities******	6,868	3,764	-	10,633
Debt securities issued to the public	-	25,871	-	25,871
Subordinated loans	-	888	-	888
Other financial liabilities	-	2,975	-	2,975
Financial liabilities	**10,609**	**87,271**	**330**	**98,211**
Other than financial liabilities				1,698
Total 30 June 2014	**10,609**	**87,271**	**330**	**99,908**
Total 30 June 2013 restated*	**8,768**	**82,636**	**305**	**93,213**
Total 31 Dec. 2013 restated*	**9,219**	**83,798**	**250**	**93,267**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

**Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies and investment contracts.
***Non-life Insurance assets are specified in Note 14.
****Life Insurance assets are specified in Note 15.
*****Non-life Insurance liabilities are specified in Note 16.
******Life Insurance liabilities are specified in Note 17.

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

On 30 June, the fair value of these debt instruments was approximately EUR 525 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques.

Subordinated liabilities are carried at amortised cost.

Note 13. Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	125	388	1	514
Non-life Insurance	-	6	-	6
Life Insurance**	6,623	254	8	6,885
Derivative financial instruments				
Banking	7	4,357	188	4,551
Non-life Insurance	0	1	-	1
Life Insurance	-	216	-	216
Available-for-sale				
Banking	6,542	1,975	35	8,553
Non-life Insurance	1,644	1,085	203	2,932
Life Insurance	2,077	950	354	3,381
Total	**17,019**	**9,231**	**788**	**27,039**

**Includes 6,878 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,623 million and Level 2 for 254 million euros.

Fair value of assets on 31 Dec 2013, EUR million*	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	152	383	1	537
Non-life Insurance	-	6	-	6
Life Insurance**	6,061	239	16	6,316
Derivative financial instruments				
Banking	10	3,201	212	3,423
Non-life Insurance	4	0	-	4
Life Insurance	1	70	-	71
Available-for-sale				
Banking	6,168	1,756	36	7,961
Non-life Insurance	1,648	940	191	2,779
Life Insurance	1,800	999	369	3,168
Total	**15,844**	**7,595**	**825**	**24,264**

**Includes 6,300 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,061 million and Level 2 for 239 million euros.

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Fair value of liabilities on 30 June 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	-	3	-	3
Non-life Insurance	-	-	-	-
Life Insurance**	6,613	254	-	6,866
Derivative financial instruments				
Banking	44	3,923	100	4,067
Non-life Insurance	2	0	-	2
Life Insurance	-	2	-	2
Total	**6,658**	**4,181**	**100**	**10,940**

Fair value of liabilities on 31 Dec 2013, EUR million*	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	-	4	-	4
Non-life Insurance	-	-	-	-
Life Insurance**	6,060	239	-	6,299
Derivative financial instruments				
Banking	35	2,992	131	3,157
Non-life Insurance	-	-	-	-
Life Insurance	-	9	-	9
Total	**6,095**	**3,243**	**131**	**9,469**

**Includes the fair value of liabilities of unit-linked policies and unit-linked investment contracts.

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted corporate debt instruments, bonds issued by governments and financial institutions with credit rating of at least A-, and exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, treasury bills/notes, debt instruments issued by companies and financial institutions, repo agreements, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). This level includes the most complex OTC derivatives, certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

During 2014, EUR 53 million in bonds were transferred from level 2 to level 1, due to changes in credit ratings.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		Available-for-sale financial assets		
	Banking	Insurance	Banking	Insurance	Banking	Insurance	Total assets
Opening balance 1 Jan 2014*	1	16	212	-	36	560	825
Total gains/losses in profit or loss	0	0	-24	-	3	-8	-28
Total gains/losses in other comprehensive income	-	-	-	-	0	26	27
Purchases	-	-	-	-	0	25	25
Sales	0	-8	-	-	-5	-46	-60
Closing balance 30 June 2014	**1**	**8**	**188**	**-**	**35**	**557**	**788**

Financial liabilities, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		
	Banking	Insurance	Banking	Insurance	Total assets
Opening balance 1 Jan 2014*	-	-	131	-	131
Total gains/losses in profit or loss	-	-	-31	-	-31
Closing balance 30 June 2014	**-**	**-**	**100**	**-**	**100**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Total gains/losses included in profit or loss by item on 30 June 2014

EUR Million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Net income from Life Insurance	Statement of comprehensi ve income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 30 June
Realised net gains (losses)	0	1	0	-8	-	**-6**
Unrealised net gains (losses)	7	2	5	21	27	**62**
Total net gains (losses)	**7**	**3**	**5**	**13**	**27**	**56**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. Level 3 derivatives relate to structured bonds issued by Pohjola, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2014.

Note 14. Non-life Insurance assets

EUR million	30 June 2014	30 June 2013 Restated*	Change, %	31 Dec 2013 Restated*
Investments				
Loan and other receivables	26	81	-68	15
Shares and participations	437	348	26	471
Property	152	152	0	152
Notes and bonds	2,237	1,965	14	2,014
Derivatives	1	1	77	4
Other participations	264	452	-42	300
Total	**3,118**	**2,999**	**4**	**2,956**
Other assets				
Prepayments and accrued income	31	31	1	40
Other				
Arising from direct insurance operations	441	397	11	324
Arising from reinsurance operations	131	137	-5	90
Cash in hand and at bank	9	12	-27	4
Other receivables	77	30		64
Total	**689**	**607**	**14**	**523**
Non-life Insurance assets	**3,807**	**3,605**	**6**	**3,479**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 15. Life Insurance assets

EUR million	30 June 2014	30 June 2013 Restated*	Change, %	31 Dec 2013 Restated*
Investments				
Loan and other receivables	66	91	-28	77
Shares and participations	1,197	1,395	-14	1,369
Property	108	149	-28	108
Notes and bonds	2,191	1,652	33	1,815
Derivatives	216	76		71
Total	**3,779**	**3,363**	**12**	**3,440**
Assets covering unit-linked insurance contracts				
Shares, participations and other investments	6,878	5,695	21	6,300
Other assets				
Prepayments and accrued income	45	42	7	47
Other				
Arising from direct insurance operations	3	6	-54	5
Arising from reinsurance operations	77	77		77
Cash in hand and at bank	5	2		3
Total	**130**	**128**	**2**	**132**
Life Insurance assets	**10,786**	**9,186**	**17**	**9,872**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 16. Non-life Insurance liabilities

EUR million	30 June 2014	30 June 2013	Change, %	31 Dec 2013
Provision for unpaid claims				
Provision for unpaid claims for annuities	1,261	1,240	2	1,312
Other provision for unpaid claims	847	788	8	788
Total	2,108	2,028	4	2,100
Provisions for unearned premiums	739	689	7	493
Other liabilities	220	217	1	152
Total	**3,067**	**2,935**	**5**	**2,746**

Note 17. Life Insurance liabilities

EUR million	30 June 2014	30 June 2013	Change, %	31 Dec 2013
Liabilities for unit-linked insurance	5,623	4,554	23	5,039
Investment contracts	1,243	1,131	10	1,260
Insurance liabilities	3,519	3,436	2	3,389
Other liabilities	247	90		82
Total	**10,633**	**9,212**	**15**	**9,771**

Insurance liabilities include EUR 221 million (84) in value dependent on valuation tied to market interest rates. A one percentage-point increase in interest rates reduces insurance liabilities by EUR 146 million.

Note 18. Debt securities issued to the public

EUR million	30 June 2014	30 June 2013	Change, %	31 Dec 2013
Bonds	10,891	8,139	34	8,828
Covered bonds	7,690	5,695	35	5,698
Certificates of deposit, commercial papers and ECPs	7,254	7,001	4	6,801
Other	36	141	-74	101
Total	**25,871**	**20,976**	**23**	**21,428**

Note 19. Fair value reserve after income tax

EUR million	Available-for-sale financial assets: Notes and bonds	Available-for-sale financial assets: Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2013 * restated	**85**	**206**	**48**	**339**
Fair value changes	-29	-25	-19	-73
Capital gains transferred to income statement	-32	-57	-	-90
Impairment loss transferred to income stateme	0	14	-	14
Transfers to net interest income	-	-	-11	-11
Deferred tax	15	17	7	39
Closing balance 30 June 2013	**38**	**155**	**25**	**218**

EUR million	Available-for-sale financial assets: Notes and bonds	Available-for-sale financial assets: Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2014	**63**	**238**	**27**	**328**
Fair value changes	132	60	64	255
Capital gains transferred to income statement	-15	-85	-	-100
Impairment loss transferred to income stateme	0	0	-	0
Transfers to net interest income	-	-	-15	-15
Holdings in Pohjola Bank plc purchased from non-controlling interests	-25	-65	-7	-97
Deferred tax	-18	18	-8	-9
Closing balance 30 June 2014	**136**	**165**	**60**	**362**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

The fair value reserve before tax amounted to EUR 452 million (409) and the related deferred tax liability amounted to EUR 90 million (82). On 30 June, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 266 million (293) million and negative mark-to-market valuations EUR 15 million (20).

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

Note 20. Impairment loss and doubtful receivables

Receivables from credit institutions and customers, and impairment loss, EUR million	30 June 2014	31 Dec 2013 Restated*
Receivables from credit institutions and customers (gross)	70,331	69,440
Total impairment loss, of which	468	449
Individually assessed	407	391
Collectively assessed	61	58
Receivables from credit institutions and customers (net)	**69,863**	**68,991**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Doubtful receivables 30 June 2014, EUR million	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Receivables more than 90 days past due	519	215	304
Zero-interest	11	1	10
Underpriced	174	0	173
Renegotiated	613	0	613
Other	281	191	90
Total	**1,597**	**407**	**1,190**

Doubtful receivables 31 Dec 2013, EUR million	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Receivables more than 90 days past due	456	164	292
Zero-interest	10	7	3
Underpriced	175	1	174
Renegotiated	405	-	405
Other	318	220	99
Total	**1,364**	**391**	**973**

Key ratio, %	30 June 2014	31 Dec 2013
Exposures individually assessed for impairment, % of doubtful receivables	25.5 %	28.6 %

Doubtful receivables include receivables more than 90 days past due, zero-interest and under-priced receivables as well as receivables that are subject to individually assessed impairment or receivables that have been renegotiated due to customer's financial difficulties. The Group reports as the amount of a receivable that is more than 90 days past due, whose interest or principal amount has been past due and outstanding for over three months. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. Under-priced receivables have been priced below market prices to secure customer payment capacity. Impaired receivables include those that are subject to impairment but cannot be classified under any of the above categories. In addition, receivables which have not been classified under any of the above categories but the terms and conditions of the contract have been renegotiated to allow the borrower sufficient ability to service the debt are reported as renegotiated receivables. Renegotiated receivables were added to the definition of doubtful receivables in 2013 to also cover forborne receivables.

Note 21. Capital structure and capital adequacy

The Group has presented its capital base and capital adequacy of 30 June 2014 in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR) entered into force on 1 January 2014. Comparatives for 2013 are presented according to CRD III in force on 31 December 2013. In addition, an estimate of the figures a year ago under CRR is presented in column CRR 1 Jan. 2014.

Capital structure and capital adequacy, EUR million	CRR 30 June 2014	CRR 1 Jan 2014	Change, %	CRD3 31 Dec 2013
OP-Pohjola Group's equity capital	6,216	7,724	-20	7,724
The effect of insurance companies on the Group's shareholders' equity is excluded	-403	-212	90	-212
Fair value reserve, cash flow hedging	-60	-27		-27
Supplementary cooperative capital to which transitonal provision applies	375	494		603
Common Equity Tier 1 (CET1) before deductions	**6,128**	**7,979**	**-23**	**8,088**
Intangible assets	-437	-424	3	-424
Excess funding of pension liability, indirect holdings and deferred tax assets for losses	-19	-66	-70	-96
Planned profit distribution / profit distribution as proposed by the Board	-7	-99	-93	-99
Unrealised gains under transitional provisions	-74	-110	-33	-57
Investments in insurance companies and financial institutions		-		-1,154
Shortfall of impairments – expected losses	-342	-384	-11	-179
Shortfall of Additional Tier 1 (AT1)	-	-		-177
Common Equity Tier 1 (CET1)*)	**5,248**	**6,896**	**-24**	**5,902**
Instruments included in other Tier 1 capital				
Subordinated loans to which transitional provision applies	161	161		202
Shortfall of Tier 2 capital	-	-		-378
Reclassification into CET1	-	-		177
Additional Tier 1 capital (AT1)	**161**	**161**		**0**
Tier 1 capital (T1)	**5,409**	**7,057**	**-23**	**5,902**
Debenture loans	680	670	2	670
OVY's equalisation provision	232	228	2	228
Unrealised gains under transitional provisions	16	57	-71	57
Investments in insurance companies and financial institutions	-	-		-1,154
Shortfall of impairments – expected losses	-	-		-179
Reclassification into AT1	-	-		378
Tier 2 Capital (T2)	**929**	**955**	**-3**	**0**
Total capital base	**6,338**	**8,012**	**-21**	**5,902**

Risk-weighted assets				
Credit and counterparty risk	36,889	36,489	1	30,175
Central government and central banks exposure ***)	189	169	12	86
Credit institution exposure	1,184	1,379	-14	1,118
Corporate exposure	20,251	19,650	3	20,450
Retail exposure	5,399	5,404	0	5,404
Equity investments**)	7,813	7,976	-2	1,511
Other	2,053	1,912	7	1,607
Market risk	982	909	8	909
Operational risk	3,182	3,007	6	3,007
Basel I floor	-	-		7,247
Total	**41,053**	**40,405**	**2**	**41,339**

Ratios, %	30 June 2014	1 Jan 2014	Change, percentage point	31 Dec 2013
CET1 capital ratio	12.8	17.1	4.3	14.3
Tier 1 ratio	13.2	17.5	4.3	14.3
Capital adequacy ratio	15.4	19.8	4.4	14.3

Basel I floor, EUR million		
Capital base	6,338	8,012
Basel I capital requirements floor	3,639	3,281
Capital buffer for Basel I floor	2,699	4,731

*) The row of CET1 based on CRD III figures shows Core Tier as defined by the EBA

**) The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP-Pohjola Group. Based on permission from the Financial Supervisory Authority, OP-Pohjola treats insurance holdings as risk-weighted assets according to the PD/LGD method.

***) Of the risk weight of "Central government and central banks' exposure", EUR 141 million represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

OP-Pohjola has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans A total of 80% of the amounts outstanding on 31 December 2012 are included in the capital base.

Negative unrealised valuations are included in common equity tier 1 capital. Positive unrealised valuations are included in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

Under CRR, the Basel I floor does not apply to RWAs and becomes a minimum capital requirement. The table above shows capital resources that exceed the Basel I floor.

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

EUR million	30 June 2014	1 Jan 2014	Change, %	31 Dec 2013
OP-Pohjola Group's equity capital	6,216	7,724	-20	7,724
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,120	1,335	-16	1,488
Other sector-specific items excluded from capital base	106	-5		-5
Goodwill and intangible assets	-1,304	-1,308	0	-1,308
Equalisation provisions	-222	-205	9	-205
Proposed profit distribution	-7	-99	-93	-99
Items under IFRS deducted from capital base*	-145	-168	-13	-135
Shortfall of impairments – expected losses	-316	-358	-12	-358
Conglomerate's capital base, total	**5,446**	**6,918**	**-21**	**7,104**
Regulatory capital requirement for credit institutions**	2,768	2,717	2	3,307
Regulatory capital requirement for insurance operations***	454	437	4	437
Conglomerate’s total minimum capital requirement	**3,222**	**3,154**	**2**	**3,744**
Conglomerate’s capital adequacy	**2,224**	**3,764**	**-41**	**3,359**
Conglomerate’s capital adequacy ratio (capital base/minimum of capital base)	**1.69**	**2.19**		**1.90**

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

** Risk-weighted assets x 8%

*** Minimum solvency margin

Note 23. Collateral given

EUR million	30 June 2014	30 June 2013	Change, %	31 Dec 2013
Collateral given on behalf of own liabilities and commitments				
Mortgages	1	1		1
Pledges	7	6	17	12
Loans (as collateral for covered bonds)	9,563	8,069	19	7,542
Other	549	401	37	485
Other collateral given				
Pledges*	6,372	4,165	53	5,705
Total	**16,490**	**12,642**	**30**	**13,744**
Other secured liabilities	500	401	25	490
Covered bonds	7,690	5,695	35	5,698
Total secured liabilities	**8,190**	**6,097**	**34**	**6,188**

*) of which EUR 2,000 million in intraday settlement collateral and the rest pledged but unencumbered

Note 24. Off-balance-sheet items

EUR million	30 June 2014	30 June 2013	Change, %	31 Dec 2013
Guarantees	920	98		931
Other guarantee liabilities	2,205	411		1,967
Pledges	3	-		3
Loan commitments	8,734	6,110	43	9,772
Commitments related to short-term trade transactions	272	14		265
Other	546	24		490
Total off-balance-sheet items	**12,680**	**6,658**	**90**	**13,428**

Note 25. Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
30 June 2014, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	67,339	95,072	47,904	210,315	4,124	3,488
Cleared by the central counterparty	2,826	18,167	9,731	30,724	302	368
Currency derivatives	16,813	9,288	5,261	31,362	428	384
Equity and index derivatives	288	392	-	680	66	0
Credit derivatives	13	114	69	196	14	3
Other derivatives	244	687	95	1,026	67	56
Total derivatives	**84,698**	**105,552**	**53,330**	**243,579**	**4,699**	**3,931**

	Nominal values / remaining term to maturity				Fair values*	
31 December 2013, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	38,534	98,847	42,708	180,089	3,025	2,498
Cleared by the central counterparty	2,390	10,634	5,020	18,044	76	69
Currency derivatives	16,180	2,522	1,524	20,226	342	411
Equity and index-linked derivatives	194	582	-	776	77	-
Credit derivatives	4	99	15	118	13	0
Other derivatives	367	627	172	1,167	64	64
Total derivatives	**55,278**	**102,678**	**44,419**	**202,375**	**3,520**	**2,974**

*Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Note 26. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

30 June 2014, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Financial assets***	Collateral received	Net amount
Banking derivatives	4,848	-296	4,551	-3,268	-543	740
Life Insurance derivatives	216	-	216	-1	-	215
Non-life Insurance derivatives	0	-	0	0	-	0
Total derivatives	**5,064**	**-296**	**4,768**	**-3,270**	**-543**	**955**

Financial liabilities

30 June 2014, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Financial liabilities***	Collateral given	Net amount
Banking derivatives	4,427	-360	4,067	-3,268	-472	327
Life Insurance derivatives	2	-	2	-1	-	0
Non-life Insurance derivatives	2	-	2	0	-	2
Total derivatives	**4,431**	**-360**	**4,071**	**-3,270**	**-472**	**329**

Financial assets

31 Dec 2013, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Financial assets***	Collateral received	Net amount
Banking derivatives	3,498	-71	3,423	-2,362	-359	702
Life Insurance derivatives	71	-	71	-9	-	62
Non-life Insurance derivatives	4	-	4	-	-	4
Total derivatives	**3,573**	**-71**	**3,498**	**-2,371**	**-359**	**768**

Financial liabilities

31 Dec 2013, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Financial liabilities***	Collateral given	Net amount
Banking derivatives	3,221	-64	3,157	-2,362	-377	418
Life Insurance derivatives	9	-	9	-9	-	-
Total derivatives	**3,230**	**-64**	**3,166**	**-2,371**	**-377**	**418**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -66 (+8) million euros.

**Fair values excluding accrued interest

***It is OP-Pohjola Group's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

In anticipation of entry into force of central counterparty clearing required by the European Market Infrastructure Regulation (Regulation (EU) No. 648/2012), Pohjola Bank plc adopted in February 2013 central counterparty clearing in London Clearing House for new interest rate derivatives covering standardised OTC derivative transactions entered into with financial counterparties. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services or OP-Pohjola Group will apply to derivative transactions between OP-Pohjola Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Note 27. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2013.

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman and CEO Reijo Karhinen in a press conference on 6 August 2014 at 12 noon at Vääksyntie 4, Vallila, Helsinki.

Pohjola Bank plc will publish its own Interim Report.

Financial reporting in 2014

Schedule for Interim Reports in 2014:

Interim Report Q1−3/2014	29 October 2014

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