Pohjola Bank plc's Interim Report for 1 January-31 March 2015

Pohjola Group performance for January–March 2015[1)]

- Consolidated earnings before tax were EUR 160 million (159) and consolidated earnings before tax at fair value amounted to EUR 259 million (163). The return on equity was 15.3% (16.6).
- The Common Equity Tier 1 ratio (CET1) was 13.5% (12.4) as against the target of 15%.
- Earnings reported by Banking in January–March were almost at the same level as in the previous year. The loan portfolio grew by 2% to EUR 15.2 billion (14.9). Earnings included EUR 14 million (4) in impairment loss on receivables.
- Within Non-life Insurance, insurance premium revenue increased by 5% (8). Combined ratio improved to 88.8% (91.0). A reduction in the discount rate for pension liabilities reduced earnings by EUR 17 million (-). Operating combined ratio*) improved to 87.2% (89.3). Return on investments at fair value was 2.6% (1.4).
- Within Wealth Management, earnings improved somewhat due to higher performance-based management fees. Assets under management increased by 8% to EUR 46.9 billion (43.3).
- Unchanged outlook: Consolidated earnings from continuing operations before tax in 2015 are expected to be at the same level as in 2014. For more detailed information on the outlook, see “Outlook towards the end of 2015” below.

Earnings before tax, € million	**Q1/2015**	**Q1/2014**	**Change, %**	**2014**
Banking	83	83	0	303
Non-Life Insurance	70	62	12	223
Other Operations	0	8		20
Wealth Management	7	6	7	38
Group total	**160**	**159**	**0**	**584**
Change in fair value reserve	99	4		79
Earnings before tax at fair value	**259**	**163**	**59**	**663**
Equity per share, €	10.55	9.25		10.38
Average personnel	2,483	2,593		2,563

The above figures describe Pohjola Group as a whole without the division into continuing and discontinued operations.

Financial targets	**Q1/2015**	**Q1/2014**	**Target**	**2014**
Return on equity, %	15.3	16.6	13	14.3
Common Equity Tier 1 (CET1) ratio, %	13.5	12.0	15	12.4
Operating cost/income ratio by Banking, %	27	33	< 35	33
Operating combined ratio by Non-life Insurance, %	87.2	89.3	< 92	84.7
Operating expense ratio by Non-life Insurance, %	17.9	18.5	18	18.4
Non-life Insurance solvency ratio (under Solvency II framework), %**)	109	134	120	117
Operating cost/income ratio by Wealth Management, %	50	51	< 45	42
Total expenses in 2015 at the same level as at the end of 2012	127	135	514***)	531
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors’ level	2	2	2	2
Dividend payout ratio at least 50%, provided that CET 1 ratio is at least 15%. Dividend payout ratio is 30% until CET1 ratio of 15% has been achieved.			≥ 50 (30)	30

1) Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2014 are used as comparatives.
*) Year 2104 excluding changes in reserving bases and amortisation on intangible assets arising from company acquisition.
**) Excluding the effect of transition provisions.
***) The expense target for 2012 has been adjusted to correspond to the change in the accounting policies applied as of 1 January 2015 (see Note 1. Accounting policies).

Pohjola Group Interim Report for 1 January–31 March 2015

Contents

Operating environment

The world economy grew at quite a slow rate during the first quarter of 2015. The harsh winter in the USA slowed down economic growth temporarily, while the eurozone economic recovery was stronger than expected. In many developed economies, consumer prices decreased due to a reduction in crude oil prices.

In March, the European Central Bank (ECB) extended its purchase programme to cover public sector assets. Within the framework of the extended asset purchase programme, the ECB will buy bonds worth EUR 60 billion per month until September 2016. Market interest rates continued to decrease as a result of the ECB's policy. The one-month and three month Euribor became negative.

The Finnish economy remained weak in the first half of 2015. Exports shrank with the exception of the euro area. Manufacturing production decreased and unemployment increased. On the positive side, consumer confidence improved and the inflation rate decelerated.

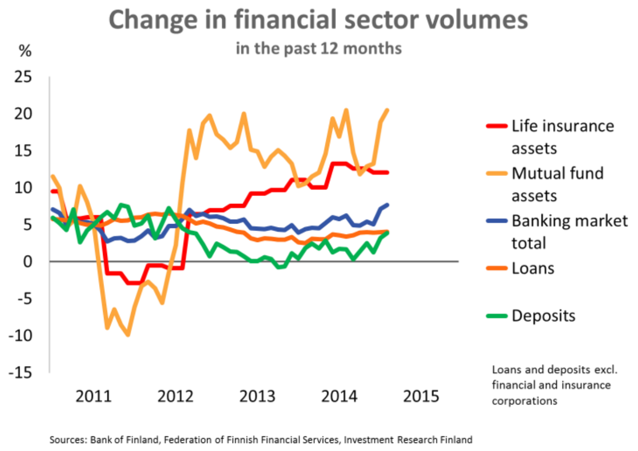
The euro area's moderate economic recovery is expected to continue this year, supported by the ECB's expansionary monetary policy and the weakened euro. Euribor rates will hover around zero this year. Greece will remain an uncertainty factor. The Finnish economy should see a slight recovery but, on the whole, the economy is expected to remain weak.

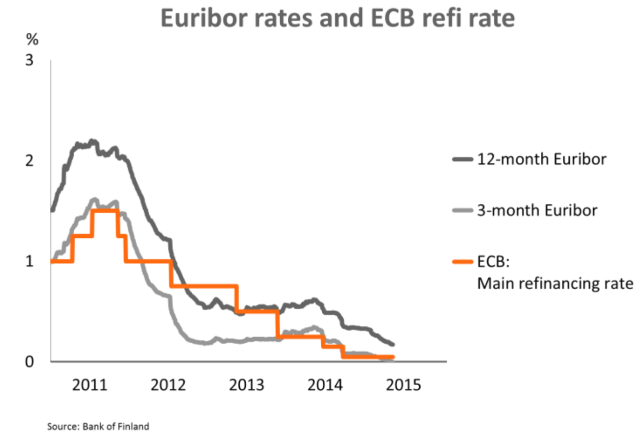
Banks' total consumer loan volumes increased during the first quarter at an annual rate of 2%. The volume of new home loans drawn down remained low but the repayment grace period used by borrowers multiplied. Growth in the total corporate loans remained faster than that in the total consumer loans, led by working capital finance. Demand for loans is expected to pick up slightly but to remain below average.

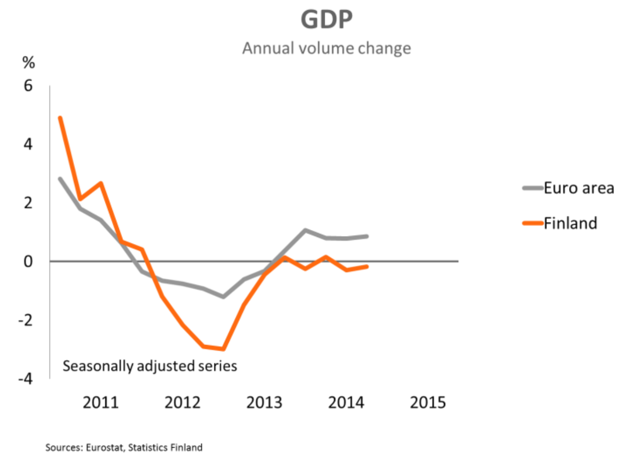
Bank deposits increased at a rate of 4% in the first quarter as deposits made by public-sector entities increased faster than earlier. Household deposits remained at the level reported a year ago. Term deposits continued to decrease vigorously, as assets were allocated to current accounts and riskier savings and investments.

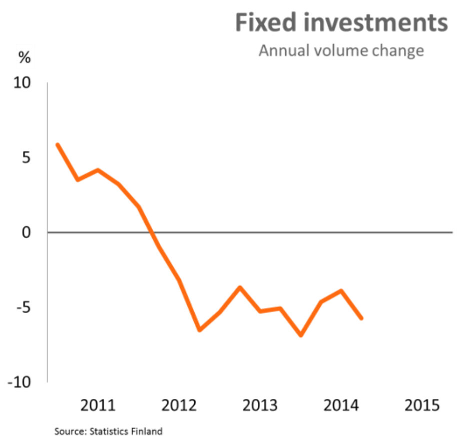
Capital market performance continued strongly during the first quarter of 2015. In particular, the European equities markets have been buoyant. Mutual fund assets and insurance savings in Finland increased by around 20% on a year earlier. Net asset inflows rose sharply, with demand for corporate financing focusing mostly on bond and balanced funds. Premiums written reported by Life Insurance increased by almost 37% over the period a year ago.

Premiums written reported in the first quarter by Non-life Insurance continued to increase at a brisk annual rate of well over 6%. However, claims paid out were, according to preliminary estimates, at the same level as in the first quarter a year ago.









Consolidated earnings analysis

€ million	Q1/2015	Q1/2014**)	Change, %	2014**)
Continuing operations *)				
Net interest income				
Corporate and Baltic Banking	69	61	13	255
Markets	-1	7		28
Other	-10	-5		-26
Total	58	64	-9	257
Net commissions and fees	11	23	-50	52
Net trading income	25	24	4	77
Net investment income	16	16	-2	64
Net income from Non-life Insurance				
Insurance operations	124	115	8	466
Investment operations	57	48	19	173
Other items	-12	-12	-4	-46
Total	170	151	12	593
Other operating income	7	7	3	30
Total income	**287**	**285**	**1**	**1,073**
Personnel costs	46	43	7	163
ICT costs	22	23	-7	94
Depreciation and amortisation	11	13	-13	52
Other expenses	40	48	-16	191
Total expenses	**119**	**127**	**-6**	**500**
Earnings before impairment loss on receivables	**167**	**158**	**6**	**574**
Impairment loss on receivables	14	4		25
Earnings of continuing operations before tax	**153**	**153**	**0**	**548**
Discontinued operations *)				
Wealth Management net income				
Net commissions and fees	14	13	6	64
Share of associates' profit/loss	0	0		1
Wealth Management other income and expenses, net	-7	-8	-3	-30
Other				
Earnings of discontinued operations before tax	**6**	**6**	**10**	**36**
Total EBT	**160**	**159**	**0**	**584**
Change in fair value reserve	99	4		79
Earnings before tax at fair value	**259**	**163**	**59**	**663**

*) Following the realisation of OP Cooperative's public voluntary bid, Pohjola Group is planning structural changes, meaning, for example, that the Non-life Insurance segment and the Wealth Management segment would be transferred from Pohjola Group to be directly owned by OP Cooperative. As a result, the Wealth Management segment has been reported, according to IFRS 5, as discontinued operations in the income statement and as assets and liabilities classified as held for distribution to owners in the balance sheet. Since a more specific schedule for the structural change of the Non-life Insurance segment has not yet been decided, it has been reported in the income statement, under continuing operations together with Banking and Other Operations.
**) Comparative figures have been restated to correspond to the change in the accounting policies applied as of 1 January 2015 (see Note 1. Accounting policies)

January–March earnings

Consolidated earnings before tax were at the same level as the previous year, at EUR 160 million (159). Total income and total expenses including discontinued operations rose by 2% and 6%, respectively. Impairment loss on receivables increased to EUR 14 million (4).

The fair value reserve before tax increased by EUR 99 million, amounting to EUR 388 million on 31 March. Earnings before tax at fair value were EUR 259 million (163).

Continuing operations

Earnings of continuing operations before tax amounted to EUR 153 million (153).

Net interest income from continuing operations decreased by a total of EUR 6 million, or by 9%. Combined net interest income from Corporate Banking and Baltic Banking grew by 13% year on year. The loan portfolio grew by 2% from its 2014-end level to EUR 15.2 billion. The average margin on the corporate loan portfolio decreased by one basis point to 1.43% (1.44).

In Other Operations, net interest income from the liquidity buffer was reduced by persistently low interest rates and as the Group was preparing for tighter liquidity regulation.

Net commissions and fees decreased by EUR 11 million, or by 50%. Net commissions decreased due to lower commission income from lending and payment transactions. A year ago, a credit limit granted to OP Cooperative relating to financing for the bid for Pohjola shares added to net commissions and fees.

Net investment income amounted to EUR 16 million (16). Capital gains on notes and bonds amounted to EUR 1 million (9) and capital gains on shares to EUR 6 million (-1). Dividend income totalling to EUR 8 million (7) mainly came from OP Financial Group entities.

Net income from Non-life Insurance improved by 12%. Insurance premium revenue increased by 5% and claims incurred by 3%. The reduction in the discount rate for pension liabilities increased claims incurred by EUR 17 million (-). Investment income was EUR 9 million higher than the year before. Investment income included EUR 52 million (49) in capital gains and EUR 1 million (1) in impairment loss on investments. Return on investments at fair value was 2.6% (1.4).

Other operating income was at the previous year's level.

Expenses decreased by EUR 8 million, or 6%. A year ago, expenses were increased by EUR 5 million in the bank levy and EUR 2 million in advisory fees related to the public voluntary bid for Pohjola shares. In the report period, a non-recurring provision for expenses of EUR 4 million related to the reorganisation of Pohjola Group added to personnel costs.

Discontinued operations

Earnings of discontinued operations before tax were at the same level as the previous year, at EUR 6 million.

Wealth Management net commissions and fees increased by 6% over the previous year.

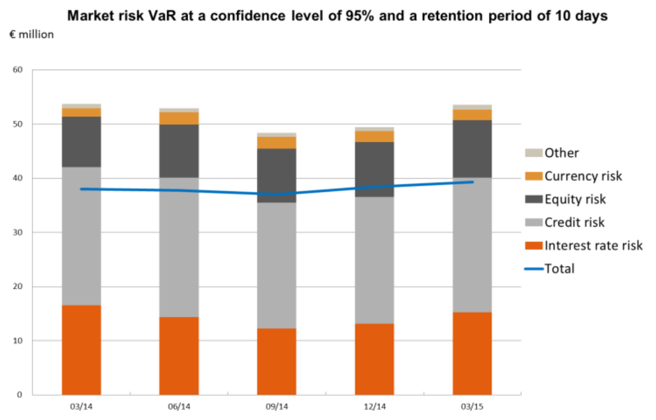
Group risk exposure

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

The credit risk exposure remained stable despite the weak economic situation. The poor development of the economy nevertheless overshadows the Group's future prospects.

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

The Group's market risk exposure was stable in the report period. The Value-at-Risk (VaR) indicator measuring market risks was EUR 39 million (38) on 31 March. VaR includes the non-life insurance company's total assets, the Trading operations of Banking, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



Risk exposure by Banking

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

No major changes occurred in credit risk exposure. Doubtful receivables stood at EUR 257 million (263). Doubtful receivables refer to receivables over 90 days past due, other doubtful receivables and forborne receivables. Impairment losses increased year on year.

Total exposure increased by EUR 1.6 billion to EUR 28.5 billion. The ratio of investment-grade exposure – i.e. rating categories 1–5 – to total exposure, excluding households, stood at 65% (64). The proportion of rating categories 11–12 was 0.9% (0.9).

Corporate customer (including housing corporations) exposures represented 77% (79) of total Banking exposures. Of corporate customer exposure, the investment-grade exposure accounted for 59% (58) and the exposure of the lowest two rating categories amounted to EUR 231 million (234), accounting for 1.1% (1.1) of the total corporate exposure.

The amount of large corporate customer exposures totalled EUR 0.8 billion (0.4) at the end of March. Pohjola's own funds covering the Group's large customer exposure increased to EUR 3.7 billion (3.6).

Corporate exposure by industry remained highly diversified. The most significant industries included Energy 10.6% (11.0), Wholesale and Retail Trade 10.2% (10.7) and Renting and Operating of Residential Real Estate representing 9.9% (9.9). A total of 45% of exposures within Renting and Operating of Residential Real Estate were guaranteed by general government.

Baltic Banking exposures totalled EUR 1.1 billion (1.2), accounting for 3.9% (4.3) of total Banking exposures.

The interest rate risk by Banking in the event of a one percentage-point change in the interest rate averaged EUR 15.6 million (13.6).

Risk exposure of Non-life Insurance

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

No significant changes took place in Non-life Insurance's underwriting risks. Low market interest rates increased the risk level of the discount rate associated with Non-life Insurance's insurance liability. The investment portfolio's credit risk was mitigated while its duration was moderately increased. As a whole, no major changes took place in investment risk levels.

Risk exposure by Other Operations

Major risks exposed by the Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks.

The Other Operations exposure totalled EUR 26.3 billion (22.7), consisting of notes and bonds to secure OP Financial Group's liquidity, deposits with central banks and receivables from OP Financial Group cooperative banks.

In January–March, the interest rate risk by Other Operations in the event of a one percentage-point change in the interest rate averaged EUR 9.7 million (15.2).

Liquidity buffer

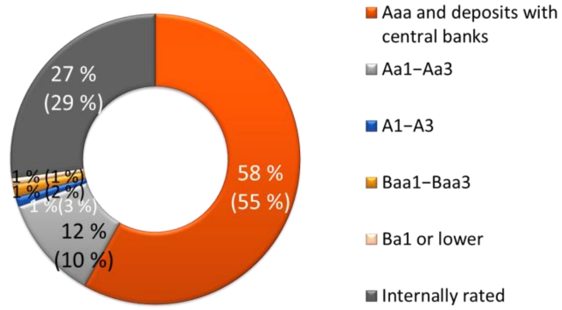
€ billion	31 Mar. 2015	31 Dec. 2014	Change, %
Deposits with central banks	4.3	3.8	12
Notes and bonds eligible as collateral	8.7	7.8	12
Corporate loans eligible as collateral	4.1	4.3	-4
Total	**17.1**	**15.9**	**8**
Receivables ineligible as collateral	0.7	0.7	-2
Liquidity buffer at market value	**17.8**	**16.6**	**7**
Collateral haircut	-1.1	-1.1	-1
Liquidity buffer at collateral value	**16.7**	**15.5**	**8**

As OP Financial Group's central bank, Pohjola maintains a liquidity buffer which consists mainly of deposits with the ECB, and notes, bonds and loans eligible for central bank refinancing. The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies with all showing good credit ratings, securitised assets and corporate loans eligible as collateral.

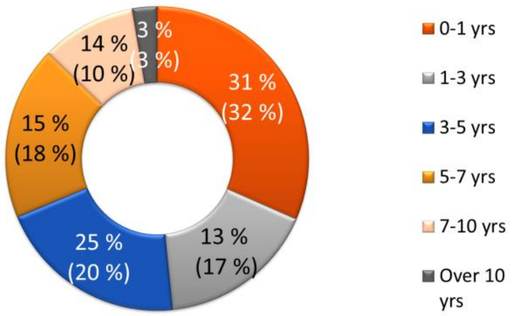
Measurement of the notes and bonds included in the liquidity buffer is based on market-to-market valuations.

The liquidity buffer maintained by Pohjola plus other items based on OP Financial Group's contingency funding plan can be used to cover wholesale funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

Financial assets included in the liquidity buffer by credit rating 31 Mar. 2015, % (31 Dec. 2014, %)

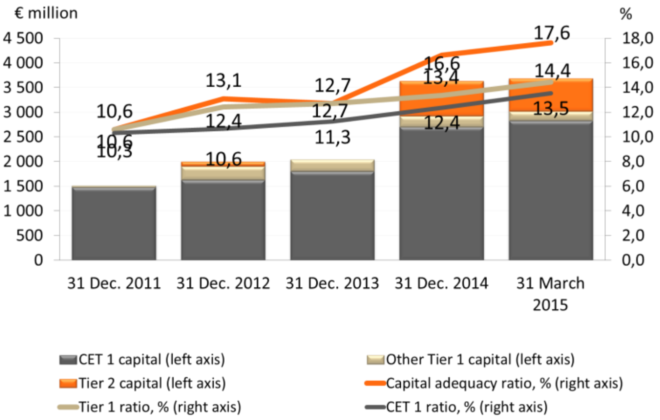


Financial assets included in the liquidity buffer by maturity on 31 Mar. 2015, % (31 Dec. 2014, %)



Group's capital adequacy

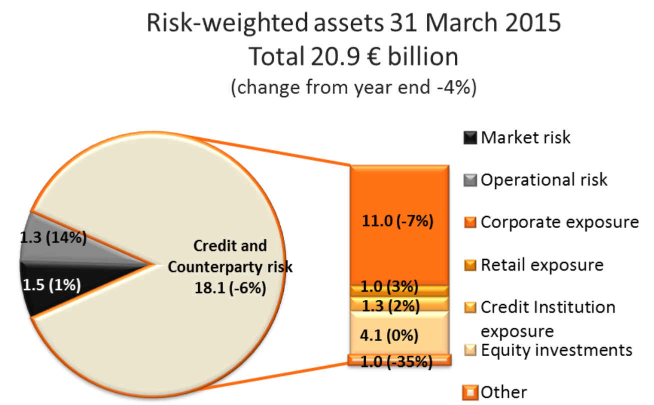
Capital base and capital adequacy



Pohjola Group's Common Equity Tier 1 (CET1) ratio was 13.5% (12.4) on 31 March. With respect to corporate exposures, updated PD (probability of default) estimates were implemented during the first quarter according to permission from the supervisor. This improved CET1 by approximately 0.7 percentage points. Pohjola Group's minimum CET1 target is 15% by the end of 2016, as against the minimum regulatory requirement of 4.5%. The capital adequacy ratio was 17.6% (16.6), as against the minimum regulatory requirement of 8%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the CET1 ratio to 7% as of the beginning of 2015. The capital adequacy ratios have been presented in accordance with the new Capital Requirements Regulation (CRR) since 1 January 2014, and the comparatives have not been restated.

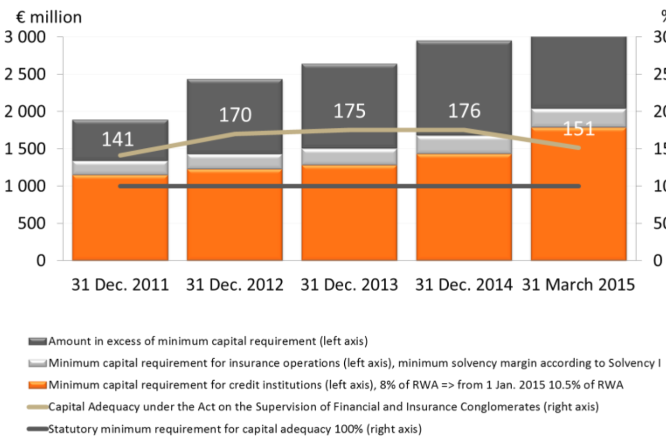
The CET1 capital increased by EUR 126 million to EUR 2,826 million due to earnings performance in Banking.

Risk-weighted assets decreased by EUR 935 million to EUR 21 billion at the end of March. The quality of the loan portfolio improved somewhat. Corporate exposures' updated PD levels decreased risk-weighted assets by approximately 5%. The average risk weights of other major exposure classes decreased slightly, too. Of the risk-weighted assets, EUR 3.9 billion consisted of intra-Group insurance holdings.



Pohjola Group belongs to OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. Pohjola Group's capital adequacy ratio under the Act was 151 (176) on 31 March. The fixed additional capital requirement (2.5%) complying with the Act on Credit Institutions decreased the ratio by 40 percentage points. As a result of buffer requirements, the capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates no longer reflect the minimum level of capital base of the conglomerate under the Act, but the level on the basis of which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

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



Regulatory changes under Basel III and Solvency II

As a result of the implementation of the new Capital Requirements Directive and Regulation (CRD IV/CRR) on 1 January 2014, the regulatory framework for banks' capital adequacy requirements became more rigorous. The changes implementing Basel III will be phased in within the EU by 2019.

On 27 November 2013, Pohjola and OP Financial Group received permission from the Finnish Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The method applied to insurance holdings leads to a risk weight of approximately 280%. The permission was valid from 1 January 2014 to 31 December 2014, because the ECB took up single supervisory responsibility. A request for an extension is being processed by the ECB. Meanwhile, OP Financial Group and Pohjola apply the treatment of insurance holdings based on the previous permission from the Finnish Financial Supervisory Authority. Any potential change in the treatment of insurance holdings would not jeopardise Pohjola's capital adequacy position and would not affect Pohjola's CET1 target.

The requirements for capital buffers implemented through national legislation will add to capital requirements further. The Finnish Financial Supervisory Authority has not yet confirmed the O-SII buffer for the OP Financial Group, effective as of the beginning of 2016. In March 2015, the Finnish Financial Supervisory Authority decided not to impose countercyclical capital buffer requirement for banks, nor has it otherwise tightened macroprudential policy. The upcoming liquidity regulation will add to liquidity management costs. Profitability will play a key role when preparing for regulatory changes.

OP Financial Group, including Pohjola, is under the ECB's supervision. In 2014, the ECB carried out a supervisory risk assessment, comprehensive asset quality review and stress test on OP Financial Group as a banking institution, including Pohjola as a credit institution.

On the basis of the comprehensive assessment, the ECB imposed on OP Financial Group a discretionary capital requirement buffer complying with the Act on Credit Institutions as part of the supervisory review and evaluation process (SREP). Taking into account of the discretionary buffer, the requirement for CET1 capital is 8.3%. Considering the OP Financial Group's strong capital base and national capital buffer requirements, the discretionary buffer requirement has no practical implications for OP Financial Group's or Pohjola's capital adequacy position or operations. To OP Financial Group's knowledge, the ECB has imposed a discretionary buffer requirement based on the comprehensive assessment results on the banks under its supervision.

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 Solvency II Directive regulating the solvency requirements of insurance companies will come into force at the beginning of 2016. On 31 March, Non-life Insurance's preliminary Solvency II capital totalled EUR 809 million (804) and capital requirement EUR 744 million (685). The solvency ratio conforming to Solvency II was 109% (117). These figures do not include the effects of transitional provisions. Taking account of transitional provisions, which will improve the capital adequacy position, the solvency ratio will exceed 130%. The use of the transitional provisions is subject to permission from the Finnish Financial Supervisory Authority.

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

€ million	**31 March 2015**	**31 Dec. 2014**	**Target**
Tier 1	759	754	
Tier 2	50	50	
Capital base (Solvency II)	809	804	
Solvency capital requirement (SCR)	744	685	
Solvency ratio (Solvency II), % *)	109	117	120

*) Excluding the effect of transitional provisions.

Credit ratings

Pohjola Bank plc's credit ratings on 31 March 2015

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

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

Rating agency	Rating	Outlook
Standard & Poor's	AA-	Negative
Moody's	A3	Stable

In the first quarter of 2015, no changes occurred in the credit rating of Pohjola Bank plc and the financial strength rating of Pohjola Insurance Ltd affirmed by Fitch Ratings Limited, Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Services Ltd.

On 17 March 2015, Moody's affirmed Pohjola Bank plc's long-term debt rating of Aa3 and short-term rating of P-1 and changed the outlook from negative to stable as part of its extensive review in connection with a change in the credit rating methodology.

Pohjola's efficiency-enhancement programme

The efficiency-enhancement programme launched within Pohjola in late 2012 is aimed at achieving annual cost savings of around EUR 50 million by the end of 2015. The programme aims at annual cost savings of EUR 150 million within the whole OP Cooperative by the end of 2015.

A total of 55% of the annual savings target of EUR 50 million was achieved in 2013 and a total of 20% in 2014. The Group expects to achieve the rest of the target in 2015.

As its financial target, Pohjola Group aims to keep its total expenses at the end of 2015 at the levels recorded at the end of 2012. Cost savings out of the EUR 12 million estimated for 2015 based on the efficiency-enhancement programme amounted to EUR 3 million during the first quarter.

Financial performance by business segment

Pohjola Group's business segments are Banking, Non-life Insurance and Wealth Management (formerly Asset Management). Wealth Management is reported as so-called discontinuing operations. Non-segment operations are presented in "Other Operations" (formerly Group Functions).

Continuing operations

Banking

- Banking earnings before tax were at the same level as the previous year, at EUR 83 million.
- The loan portfolio increased by 2% from its 2014-end level to EUR 15.2 billion (14.9).
- The average margin on the corporate loan portfolio decreased by one basis point to 1.43% during the first quarter.
- Impairment loss on receivables increased to EUR 14 million (4), accounting for 0.08% of the loan and guarantee portfolio (0.03).
- The operating cost/income ratio improved to 27% (33).

Banking: financial results and key figures and ratios

€ million	**Q1/2015**	**Q1/2014**	**Change, %**	**2014**
Net interest income				
Corporate and Baltic Banking	69	61	13	255
Markets	-1	7		28
Total	68	68	-1	283
Net commissions and fees	25	28	-13	103
Net trading income	31	27	15	84
Other income	9	5	72	18
Total income	**133**	**129**	**3**	**488**
Expenses				
Personnel costs	15	14	4	55
ICT costs	8	10	-15	34
Depreciation and amortisation	3	4	-23	14
Other expenses	10	15	-31	57
Total expenses	**36**	**42**	**-15**	**160**
Earnings before impairment loss on receivables	**97**	**87**	**12**	**328**
Impairment loss on receivables	14	4		25
Earnings before tax	**83**	**83**	**0**	**303**
Earnings before tax at fair value	83	81	3	301
Loan portfolio, € billion	15.2	14.2	7	14.9
Guarantee portfolio, € billion	2.6	2.7	-1	2.7
Risk-weighted assets, € billion	15.5	14.6	6	16.0
Margin on corporate loan portfolio, %	1.43	1.54	-7	1.44
Ratio of doubtful receivables to guarantee portfolio, %	1.44			1.45
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.08	0.03		0.14
Operating cost/income ratio, %	27	33		33
Personnel	619	619		616

January–March earnings

Banking earnings before tax were at the same level as the previous year, at EUR 83 million (83). Total income increased by 3% while total expenses decreased by 15%.

Impairment loss on receivables increased to EUR 14 million (4).

The loan portfolio increased by 2% from its 2014-end level to EUR 15.2 billion. Demand for corporate loans remained weak, and as a result of toughening competition, the average margin on the corporate loan portfolio decreased by one basis point during the reporting period and by 11 basis points in the year to March and was 1.43% on 31 March.

Net loan losses and impairment losses within Banking amounted to EUR 14 million (4), accounting for 0.08% (0.03) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 1 million (1) and impairment losses EUR 15 million (5). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 1 million.

The guarantee portfolio remained at its 2014-end level, amounting to EUR 2.6 billion. Committed standby credit facilities amounted to EUR 3.2 billion (3.2).

Net commissions and fees reported by Banking decreased by 13% to EUR 25 million as a result of lower fees on lending.

Total expenses decreased by 15% to EUR 36 million. In the previous year, other operating expenses were increased by a bank levy of EUR 5 million.

Personnel costs were up by 4% to EUR 15 million, mainly due to an increase in social expenses. Pohjola Group's reorganisation had no significant effect on expenses incurred by Banking.

ICT costs, depreciation and amortisation decreased by total of EUR 2 million.

Earnings before tax by division

€ million	**Q1/2015**	**Q1/2014**	Change, %
Corporate Banking	56	56	0
Markets	26	26	-1
Baltic Banking	1	0	
Total	**83**	**83**	**0**

In April, OP published a new single financing process model to companies that need both bank loan and risk financing but are not ready to abandon their current ownership. This opening is related to OP's "Putting Finland on a new growth path" project aimed at combining in a new way banking expertise and wide contacts with the corporate sector and the investment capacity of institutional investors. The new financing package is targeted at companies with net sales of EUR 10–50 million. In the initial stage, OP Financial Group's own insurance and pension institutions will reserve EUR 50 million for investments mainly made in the form of subordinated loans.

Non-life Insurance

- Earnings before tax amounted to EUR 70 million (62). Earnings before tax at fair value were EUR 108 million (61).
- Insurance premium revenue increased by 5% (8).
- Operating profitability improved from the previous year. The operating combined ratio was 87.2% (89.3) and operating expense ratio 17.9% (18.5). The combined ratio was 88.8% (91.0).
- Return on investments at fair value was 2.6% (1.4).
- The number of loyal customer households increased in the year to March by 31,000 and by 1,000 (10,000) during the reporting period.

Non-life Insurance: financial results and key figures and ratios

€ million	Q1/2015	Q1/2014	Change, %	2014
Insurance premium revenue	336	320	5	1 310
Claims incurred	-233	-227	3	-930
Operating expenses	-60	-59	2	-242
Amortisation adjustment of intangible assets	-5	-5	0	-21
Balance on technical account	**38**	**29**	**30**	**117**
Net investment income	52	49	7	171
Other income and expenses	-20	-16	29	-66
Earnings before tax	**70**	**62**	**12**	**223**
Earnings before tax at fair value	108	61	77	272
Combined ratio, %	88.8	91.0		91.0
Operating combined ratio, %	87.2	89.3		84.7
Operating loss ratio, %	69.3	70.8		66.3
Operating expense ratio, %	17.9	18.5		18.4
Operating risk ratio, %	63.8	64.4		60.2
Operating cost ratio, %	23.4	24.9		24.4
Return on investments at fair value, %	2.6	1.4		6.7
Solvency ratio , %	82	76		75
Solvency ratio (Solvency II), % *)	109	134		117
Large claims incurred retained for own account	-9	-17		-79
Changes in provisions for claims for previous years (run-off result)	18	5		27
Personnel	1,735	1,856		1,766

*) Excluding the effect of transitional provisions.

Insurance premium revenue from private customers continued to grow vigorously, while insurance premium revenue from corporate customers rebounded. Insurance sales increased slightly year on year. Claims expenditure developed favourably as a result of the mild winter and a smaller number of large claims year on year.

According to preliminary figures, Pohjola's market share in terms of non-life insurance premiums written in 2014 was 31.5% (30.3). Measured in terms of the market share in premiums written, Pohjola is Finland's largest non-life insurer.

In the year to March, the number of loyal customer households increased by 31,000 totalling to 656,000 (625,000), of which up to 75% (73) also use OP Financial Group cooperative banks as their main bank. Customers of OP Financial Group member cooperative banks and Helsinki OP Bank used OP bonuses that they had earned through the use of banking and insurance services to pay 500,000 insurance bills (451,000), with 64,000 (59,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 25 million (22).

Non-life Insurance's continuing improvements in its claims services have been as one of its most important priorities. In particular, this involves the development of e-services, including online and mobile services. A new service for filing loss reports was launched in OP-mobile. Today, over 50% of loss reports are filed online. With respect to loss reports related to personal injuries, over 75% are submitted online.

Handling non-life insurance matters through e-services has increased considerably. During the last 12 months, the number of customers who receive electronic insurance mail almost doubled to 479,000 (243,000).

Earnings

Earnings before tax improved to EUR 70 million (62) as a result of an increase in the balance on technical account.

The valuation model for Non-life Insurance liability was altered in such a manner that the change in the discount rate for pension liabilities is taken into account as a continuously updated item. At the end of March, the average discount rate was 2.4%. The reduced discount rate for insurance liability increased claims incurred by EUR 17 million. In line with the new valuation model, a change in the discount rate also has an effect on the calculation of operative key ratios.

The balance on technical account improved thanks to higher insurance premium revenue and favourable claims developments. The operating combined ratio was 87.2% (89.3). These operating figures exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue

€ million	Q1/2015	Q1/2014	Change, %
Private Customers	174	162	7.2
Corporate Customers	149	145	3.0
Baltics	14	13	1.6
Total	**336**	**320**	**5.1**

Insurance premium revenue from private customers continued to grow vigorously and insurance premium revenue from corporate customers rebounded. A year earlier, the economic recession affected insurance premium revenue from corporate customers, in particular during the latter half.

Claims incurred, excluding the reduction in the discount rate, were lower than a year ago. Developments in large claims were favourable. Claims incurred arising from new large claims were lower than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 17 (18) in January–March, with their claims incurred retained for own account totalling EUR 9 million (17). In addition, the change in provisions for unpaid claims under statutory pension decreased year on year. In January–March, the change in provisions for unpaid claims under statutory pension was EUR 6 million (7).

Changes in claims for previous years, excluding the effect of changes to the discount rate, improved the balance on technical account by EUR 18 million (5). The operating loss ratio was 69.3% (70.8) and the risk ratio (excluding indirect loss adjustment expenses) 63.8% (64.4).

Operating expenses grew by 2% due to higher commissions on sales and portfolio management, being EUR 1 million higher than a year ago. In the report period, a non-recurring provision for expenses of EUR 3 million related to the reorganisation of Pohjola Group added to personnel costs. Thanks to increased earnings, the operating expense ratio improved to 17.9% (18.5). The operating cost ratio (incl. indirect loss adjustment expenses) was 23.4% (24.9).

Operating balance on technical account and combined ratio (CR)

	Q1/2015		Q1/2014	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	29	83.3	26	83.8
Corporate Customers	14	90.5	6	95.7
Baltics	0	101.7	2	86.3
Total	**43**	**87.2**	**34**	**89.3**

Profitability improved for both private and corporate customers, despite the reduction in the discount rate. This trend was supported by the strong growth in income from private customers and the favourable developments in large claims from corporate customers. The Baltic States showed a decline in profitability due to individual large claims.

Investment

Investment income at fair value was better than a year ago because of exceptionally good returns from the equity markets. Investment income at fair value amounted to EUR 91 million (48), or 2.6% (1.4). Net investment income recognised in the income statement amounted to EUR 52 million (49).

Investment portfolio by asset class

%	31 March 2015	31 March 2014
Bonds and bond funds	73	73
Alternative investments	1	1
Equities	7	7
Private equity	3	3
Real property	11	10
Money markets	5	6
Total	**100**	**100**

On 31 March, Non-life Insurance's investment portfolio totalled EUR 3,675 million (3,522). The fixed-income portfolio by credit rating remained healthy, considering that investments within the “investment-grade” category represented 94% (94), and 72 % (71) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.9 years (4.5) and the duration 4.8 years (4.3).

The running yield for direct bond investments averaged 1.8% (1.9) at the end of March.

Other Operations

- Earnings before tax amounted to EUR 0 million (8). These included EUR 1 million (7) in capital gains on notes and bonds and EUR 8 million (7) in dividend income.
- Earnings before tax at fair value were EUR 59 million (14).
- Liquidity and access to funding remained good.

Other Operations: financial results and key figures and ratios

€ million	Q1/2015	Q1/2014	Change, %	2014
Net interest income	-4	0		-3
Net commissions and fees	0	5		4
Net trading income	-2	-3	-26	-8
Net investment income	9	13	-25	55
Other income	3	2	52	9
Total income	**6**	**17**	**-66**	**56**
Personnel costs	1	1	-5	6
Other expenses	5	8	-42	30
Total expenses	**6**	**9**	**-36**	**36**
Earnings before impairment loss on receivables	**0**	**8**		**20**
Impairment loss on receivables				
Earnings before tax	**0**	**8**		**20**
Earnings before tax at fair value	59	14		53
Liquidity buffer, € billion	17.8	16.2	10	16.6
Risk-weighted assets, € billion	5.2	5.8		5.7
Receivables and liabilities from/to OP Financial Group entities, net position, € billion	3.4	3.8		3.8
Personnel	34	25		33

January–March earnings

Other Operations' earnings before tax were EUR 0 million, or EUR 8 million lower than a year ago. Earnings before tax at fair value totalled EUR 59 million, or EUR 45 million higher than the year before.

Net interest income from the liquidity buffer was reduced by persistently low interest rates and as the Group was preparing for tighter liquidity regulation.

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

Net investment income included EUR 1 million in capital gains on notes and bonds (7) and EUR 8 million (7) in dividend income.

A year ago, expenses were increased by EUR 2 million in advisory fees related to the public voluntary bid for Pohjola shares.

Pohjola's access to funding remained good. In January–March, Pohjola issued long-term bonds worth EUR 1.6 billion. In March, Pohjola issued a senior bond of EUR 1 billion in the international capital market, with a maturity of seven years.

On 31 March, the average margin of senior wholesale funding was 43 basis points (39). Pohjola specified the calculation principle for the average wholesale funding margin. This increased the March-end margin by four basis points as against the former calculation method. The comparative data has not been restated.

Financial performance by business segment – Discontinued operations

Wealth Management

- Earnings before tax amounted to EUR 7 million (6). Performance-based management fees amounted to EUR 1 million (0).
- Assets under management increased by 8% to EUR 46.9 billion (43.3) from the levels recorded at the end of 2014.
- The operating cost/income ratio was 50% (51).

Wealth Management: financial results and key figures and ratios

€ million	Q1/2015	Q1/2014	Change, %	2014
Net commissions and fees	14	13	6	64
Other income	1	1	-22	4
Total income	**14**	**14**	**6**	**67**
Personnel costs	4	4	9	14
Other expenses	4	4	-3	17
Total expenses	**8**	**8**	**3**	**31**
Share of associate’s profit/loss	0	0	-14	1
Earnings before tax	**7**	**6**	**7**	**38**
Earnings before tax at fair value	7	6	7	38
Assets under management, € billion	46.9	39.2	20	43.3
Operating cost/income ratio, %	50	51		42
Personnel	91	87	5	88

January–March earnings

Earnings before tax amounted to EUR 7 million (6). Earnings included EUR 1 million (0) in performance-based management fees. Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola’s shareholding.

The operating cost/income ratio was 50% (51).

Assets under management

€ billion	31 March 2015	31 Dec. 2014
Institutional clients	25	24
OP Mutual Funds	15	14
Private	7	6
Total	47	43

Assets under management by asset class

%	31 March 2015	31 Dec. 2014
Money market investments	13	14
Notes and bonds	37	36
Equities	37	36
Other	14	14
Total	**100**	**100**

Assets under management increased by 8% during the period, amounting to EUR 46.9 billion (43.3) on 31 March. The increase in assets under management was based on strong sales of funds and improved market values. A total of 69% of mutual funds managed by Wealth Management outperformed their benchmark index during the first quarter.

Personnel and remuneration

On 31 March 2015, the Group had a staff of 2,479, or 24 less than on 31 December 2014.

Personnel by segment

	31 March 2015	31 Dec. 2014
Banking	619	616
Non-Life Insurance	1,735	1,766
Wealth Management	91	88
Other Operations	34	33
Total	**2,479**	**2,503**

A total of 480 Group employees (468) worked abroad.

The scheme for variable remuneration within OP Financial Group and Pohjola consists of short-term, company-specific incentives and OP Financial Group-wide long-term incentives.

The procedures initiated in February 2015 for information and consultation of employees regarding staff reorganisations in the Central Cooperative Consolidated have ended. As a result, the Central Cooperative Consolidated will cut a maximum of 278 jobs. The procedure involved approximately 4,300 employees.

The process affected Pohjola and its subsidiaries, excluding the employees of Omasairaala hospital and Baltic operations.

Decisions by the Annual General Meeting

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

OP's President and Group Executive Chairman Reijo Karhinen was re-elected as Pohjola Bank plc's Chairman of the Board, and Executive Vice President of Operations Tony Vepsäläinen, Chief Financial Officer Harri Luhtala and Chief Risk Officer Erik Palmén were appointed as Board members.

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

Group restructuring

Pohjola Group is planning to carry out structural changes in accordance with the public voluntary bid made by OP Cooperative, in practice, for example, by transferring the Non-life Insurance and Wealth Management segments from Pohjola Group to direct ownership of OP Cooperative. The transfer of Wealth Management is scheduled during 2015.

The process of planning and examination of different options regarding the restructuring of OP Financial Group central cooperative consolidated and the implementation of legal structures of the organisation is still underway. In the context of further planning of the restructuring, the separation of OP Financial Group's central banking operations, being presently part of Pohjola Bank plc, as a detached subsidiary wholly owned by OP Cooperative, is also under consideration.
The specific manner or schedule to implement the separation of the central banking operations and the transfer of the Non-life Insurance segment have not yet been decided.

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

In early 2016, Pohjola Bank plc will be renamed OP Corporate Bank.

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

Arbitral award in the squeeze-out procedure regarding minority shareholders

On 20 February 2015, the Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce issued its award regarding the squeeze-out of Pohjola's minority shareholders. Based on the award, the squeeze-out price of a Pohjola share is EUR 16.13 per share, equalling the price offered by OP Cooperative for Pohjola shares in the public voluntary bid.

Outlook towards the year end

The first signs of recovery can be seen in the European economy. However, only modest growth is expected in 2015, despite the measures taken by the European Central Bank to support economic growth. Similarly, economic growth in Finland is expected to remain weak. The tension in international politics will continue to cause uncertainty for the Finnish economy.

Weak economic growth also reduces growth expectations in the financial sector. Record-low interest rates will erode banks' net interest income and weaken insurance institutions' investment income. On the other hand, low interest rates improve customers' loan repayment capacity, which has remained stable despite the long period of slow growth. The importance of profitability and capital adequacy is emphasised in an unstable operating environment and under tightening regulation.

Despite the challenging operating environment, Pohjola Group's consolidated earnings from continuing operations before tax in 2015 are expected to be at the same level as in 2014. The most significant uncertainties affecting earnings in 2015 relate to the rate of business growth, impairment loss on receivables, developments in bond and capital markets, the effect of large claims on claims expenditure and to the discount rate applied to insurance liabilities.

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

Consolidated income statement

EUR million	Note	Q1/ 2015	Q1/ 2014
Continuing operations			
Net interest income	3	58	64
Impairments of receivables	4	14	4
Net interest income after impairments		**43**	**59**
Net income from Non-life insurance	5	170	151
Net commissions and fees	6	11	23
Net trading income	7	25	24
Net investment income	8	16	16
Other operating income	9	7	7
Total income		**273**	**281**
Personnel costs		46	43
ICT costs		22	23
Depreciation/amortisation		11	13
Other expenses		40	48
Total expenses		**119**	**127**
Share of associates' profits/losses accounted for using the equity method		0	0
Earnings before tax		**153**	**153**
Income tax expense		29	32
Results of continuing operations		**124**	**121**
Discontinued operations			
Results of discontinued operations	10	5	5
Profit for the period		**130**	**126**
Attributable to:			
Owners of the parent		128	125
Non-controlling interests		2	1
Profit for the period		**130**	**126**

Consolidated statement of comprehensive income

EUR million	Q1/ 2015	Q1/ 2014
Profit for the period	**130**	**126**
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	-21	-7
Items that may be reclassified to profit or loss		
Change in fair value reserve		
Measurement at fair value	100	1
Cash flow hedge	-1	3
Translation differences	0	0
Income tax on other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	4	1
Items that may be reclassified to profit or loss		
Measurement at fair value	-20	0
Cash flow hedge	0	-1
Total comprehensive income for the period	**192**	**124**
Attributable to:		
Owners of the parent	191	120
Non-controlling interests	1	3
Total comprehensive income for the period	**192**	**124**
Comprehensive income attributable to owners of the parent is divided as follows:		
Continuing operations	186	116
Discontinued operations	5	5
Total	**191**	**120**

Consolidated balance sheet

EUR million	Note	31 March 2015	31 Dec 2014
Cash and cash equivalents		4,251	3,774
Receivables from credit institutions		10,342	10,257
Financial assets at fair value through profit or loss			
Financial assets held for trading		315	360
Financial assets at fair value through profit or loss at inception		0	0
Derivative contracts		7,753	5,946
Receivables from customers		15,730	15,513
Non-life Insurance assets	13	4,188	3,854
Investment assets		9,198	8,112
Investment accounted for using the equity method		2	2
Intangible assets	14	783	786
Property, plant and equipment (PPE)		68	72
Other assets		2,326	1,789
Tax assets		23	34
Total		**54,979**	**50,498**
Assets classified as held for distribution to owners	10	203	205
Total assets		**55,183**	**50,703**
Liabilities to credit institutions		5,873	5,241
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading		1	4
Derivative contracts		7,110	5,889
Liabilities to customers		11,706	11,442
Non-life Insurance liabilities	15	3,360	2,972
Debt securities issued to the public	16	18,621	17,587
Provisions and other liabilities		3,335	2,479
Tax liabilities		405	391
Subordinated liabilities		1,110	1,084
Total		**51,521**	**47,090**
Liabilities associated with assets classified held as distribution to owners	10	203	205
Total liabilities		**51,724**	**47,295**
Equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	17	311	231
Other reserves		1,093	1,093
Retained earnings		1,538	1,564
Non-controlling interest		88	92
Total equity		**3,458**	**3,408**
Total liabilities and equity		**55,183**	**50,703**

Consolidated statement of changes in equity

	Attributable to owners of Pohjola Group						
EUR million	**Share capital**	**Fair value reserve***	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	**428**	**168**	**1,093**	**1,358**	**3,047**	**103**	**3,150**
Total comprehensive income for the period		1		119	120	3	124
Profit for the period				125	125	1	126
Other comprehensive income		1		-5	-4	2	-2
Profit distribution				-212	-212		-212
EUR 0.67 per Series A share				-169	-169		-169
EUR 0.64 per Series K share				-43	-43		-43
Equity-settled share-based payment transactions				0	0		0
Other				0	0	-5	-5
Balance at 31 March 2014	**428**	**169**	**1,093**	**1,265**	**2,955**	**101**	**3,056**

	Attributable to owners of Pohjola Group						
EUR million	**Share capital**	**Fair value reserve***	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2015	**428**	**231**	**1,093**	**1,564**	**3,316**	**92**	**3,408**
Total comprehensive income for the period		80		111	191	1	192
Profit for the period				128	128	2	130
Other comprehensive income		80		-17	63	0	62
Profit distribution				-137	-137		-137
Other			0		0	-5	-5
Balance at 31 March 2015	**428**	**311**	**1,093**	**1,538**	**3,370**	**88**	**3,458**

* Note 17.

Consolidated cash flow statement
incl. discontinued operations

EUR million	Q1/ 2015	Q1/ 2014
Cash flow from operating activities		
Profit for the period	128	125
Adjustments to profit for the period	228	240
Increase (-) or decrease (+) in operating assets	**-2,236**	**-6,064**
Receivables from credit institutions	-238	-5,895
Financial assets at fair value through profit or loss	188	17
Derivative contracts	-36	9
Receivables from customers	-232	-12
Non-life Insurance assets	-321	-249
Investment assets	-1,056	280
Other assets	-541	-216
Increase (+) or decrease (-) in operating liabilities	**1,872**	**2,339**
Liabilities to credit institutions	633	378
Financial liabilities at fair value through profit or loss	-3	-1
Derivative contracts	41	12
Liabilities to customers	264	1,612
Non-life Insurance liabilities	104	90
Provisions and other liabilities	832	248
Income tax paid	-22	-21
Dividends received	18	18
A. Net cash from operating activities	**-12**	**-3,364**
Cash flow from investing activities		
Increases in held-to-maturity financial assets		
Decreases in held-to-maturity financial assets	51	52
Acquisition of subsidiaries and associates, net of cash acquired		0
Purchase of PPE and intangible assets	-7	-9
Proceeds from sale of PPE and intangible assets	0	0
B. Net cash used in investing activities	**45**	**42**
Cash flow from financing activities		
Increases in debt securities issued to the public	9,303	14,822
Decreases in debt securities issued to the public	-8,904	-12,770
Dividends paid	-137	
C. Net cash used in financing activities	**262**	**2,053**
Net increase/decrease in cash and cash equivalents (A+B+C)	**294**	**-1,269**
Cash and cash equivalents at period-start	**4,306**	**2,672**
Cash and cash equivalents at period-end	**4,600**	**1,403**
Cash and cash equivalents		
Liquid assets**	4,257	719
Receivables from credit institutions payable on demand	343	684
Total	**4,600**	**1,403**

** Of which EUR 6 million (8) consist of Non-life Insurance cash and cash equivalents.

Segment information

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

		Continuing operations		Discon-tinued operations		
Q1 earnings 2015, EUR million	**Banking**	**Other operations**	**Non-life Insurance**	**Wealth Manage-ment**	**Elimi-nations**	**Group total**
Net interest income						
Corporate Banking and Baltic Banking	69					69
Markets	-1					-1
Other operations		-4	-6	0	-1	-10
Total	68	-4	-6	0	-1	58
- of which internal net income before tax	-5	10	-5	0		
Net commissions and fees	25	0	-12	14	-1	25
Net trading income	31	-2		0	-4	25
Net investment income	6	9		0	1	16
Net income from Non-life Insurance						
From insurance operations			124			124
From investment operations			52		4	57
From other items			-12			-12
Total			165		4	170
Other operating income	3	3	1	0	0	8
Total income	**133**	**6**	**148**	**14**	**-1**	**301**
Personnel costs	15	1	30	4		50
ICT costs	8	1	12	1	0	23
Amortisation on intangible assets related to company acquisitions			5	1		6
Other depreciation/amortisation and impairments	3	0	3	0		6
Other expenses	10	3	28	2	-1	43
Total expenses	**36**	**6**	**78**	**8**	**-1**	**127**
Earnings/loss before impairment of receivables	**97**	**0**	**70**	**6**	**0**	**173**
Impairments of receivables	14					14
Share of associates' profits/losses			0	0	0	0
Earnings before tax	**83**	**0**	**70**	**7**	**0**	**160**
Change in fair value reserve	0	59	38	0	2	99
Gains/(losses) arising from remeasurement of defined benefit plans	-19	-2				-21
Total comprehensive income for the period, before tax	**64**	**57**	**108**	**7**	**2**	**238**

Q1 earnings 2014, EUR million	Banking	Continuing operations Other operations	Non-life Insurance	Discontinued operations Wealth Management	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking	61					61
Markets	7					7
Other operations		0	-6	0	0	-5
Total	68	0	-6	0	0	64
- of which internal net income before tax	-7	12	-5	0		
Net commissions and fees	28	5	-10	13	-1	36
Net trading income	27	-3	0	0	0	24
Net investment income	2	13		0	1	16
Net income from Non-life Insurance						
From insurance operations			115		0	115
From investment operations			49		-1	48
From other items			-12			-12
Total			152		-1	151
Other operating income	3	2	2	0	0	7
Total income	**129**	**17**	**139**	**14**	**0**	**298**
Personnel costs	14	1	27	4		47
ICT costs	10	1	12	1	0	24
Amortisation on intangible assets related to company acquisitions			5	1		6
Other depreciation/amortisation and impairments	4	0	4	0		8
Other expenses	15	6	27	3	-1	50
Total expenses	**42**	**9**	**76**	**8**	**0**	**135**
Earnings/loss before impairment of receivables	**87**	**8**	**62**	**6**	**0**	**163**
Impairments of receivables	4					4
Share of associates' profits/losses			0	0	0	0
Earnings before tax	**83**	**8**	**62**	**6**	**0**	**159**
Change in fair value reserve	-2	6	-1	0	1	4
Gains/(losses) arising from remeasurement of defined benefit plans	-6	-1				-7
Total comprehensive income for the period, before tax	**75**	**13**	**61**	**6**	**1**	**156**

Balance sheet 31 March 2015, EUR million	Banking	Other operations	Non-life Insurance	For distribution to owners Wealth Management	Eliminations	Group total
Receivables from customers	15,441	533			-244	15,730
Receivables from credit institutions	344	14,266	5	12	-23	14,604
Financial assets at fair value through profit or loss	449	-134				315
Non-life Insurance assets			4,493		-305	4,188
Investment assets	561	8,660	16	0		9,237
Investments in associates			2	28		30
Other assets	8,406	1,827	760	125	-39	11,079
Total assets	**25,201**	**25,152**	**5,276**	**164**	**-611**	**55,183**
Liabilities to customers	9,029	2,899			-222	11,706
Liabilities to credit institutions	1,206	4,910			-244	5,873
Non-life Insurance liabilities			3,381		-21	3,360
Debt securities issued to the public	2,303	16,547			-37	18,812
Subordinated liabilities	1	1,058	50			1,110
Other liabilities	8,382	2,441	82	12	-54	10,863
Total liabilities	**20,923**	**27,855**	**3,513**	**12**	**-578**	**51,724**
Equity						**3,458**
Average personnel	619	34	1,735	91		2,479
Capital expenditure, EUR million	2	0	5	0		7

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

Notes

Note 1. Accounting policies

The Interim Report for 1 January–31 March 2015 has been prepared in accordance with the accounting policies of IAS 34 (Interim Financial Reporting) and with those presented in the Consolidated Financial Statements 2014, 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

Amortisation of the effect of a reduction in the

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

Presentation of Non-life Insurance commission income and expenses

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

Effect on the consolidated income statement for 1 Jan.−31 March 2014 and 1 Jan.−31 Dec. 2014

EUR million	1 Jan.–31 March 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 March 2014 (restated)	1 Jan.–31 Dec. 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2014 (restated)
Net interest income	64		64	257		257
Impairment of receivables	4		4	25		25
Net interest income after impairments	**59**		**59**	**231**		**231**
Net income from Non-life Insurance	153	-1	151	597	-4	593
Net commissions and fees	36	-13	23	114	-62	52
Net trading income	24		24	77		77
Net investment income	16		16	64		64
Other operating income	8	-1	7	32	-2	30
Total income	**296**	**-15**	**281**	**1,116**	**-68**	**1,048**
Personnel costs	43		43	163		163
ICT costs	23		23	94		94
Depreciation/amortisation	13		13	52		52
Other expenses	63	-15	48	258	-68	191
Total expenses	**143**	**-15**	**127**	**567**	**-68**	**500**
Share of associates' profits/losses	0		0	0		0
Earnings before tax	**153**		**153**	**548**		**548**
Income tax expense	32		32	107		107
Results of continuing operations	**121**		**121**	**441**		**441**
Results of discontinued operations	5		5	29		29
Profit for the period	**126**		**126**	**470**		**470**
Attributable to:						
Owners of the parent	125		125	461		461
Non-controlling interests	1		1	9		9
Total	**126**		**126**	**470**		**470**

Note 2. Formulas for key figures and ratios

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

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

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

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates
Conglomerate's total capital / Conglomerate's total minimum capital requirement x 100

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

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

Common Equity Tier 1 ratio, % (CET1)*
Common Equity Tier 1 (CET1) / Total risk-weighted assets x 100

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

KEY RATIOS FOR NON-LIFE INSURANCE

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

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

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

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

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

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

*) According to the proposed Solvency II framework

OPERATING KEY RATIOS

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

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

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

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

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

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

Values used in calculating the ratios

EUR million	31 March 2015	31 Dec 2014
Non-life Insurance		
Non-life Insurance net assets	1,766	1,661
Net tax liabilities for the period	-25	-18
Own subordinated loans	50	50
Deferred tax to be realised in the near future and other items deducted from the solvency margin of the companies	3	0
Intangible assets	-702	-704

EUR million	31 March 2015	31 Dec 2014	31 Dec 2013
Changes in reserving bases and other non-recurring items			
Change in discount rate	-17	-62	-38

Note 3. Net interest income

EUR million	Q1/ 2015	Q1/ 2014
Loans and other receivables	79	80
Receivables from credit institutions and central banks	11	19
Notes and bonds	39	42
Derivatives (net)		
Derivatives held for trading	1	9
Derivatives under hedge accounting	9	17
Ineffective portion of cash flow hedge	0	0
Liabilities to credit institutions	-12	-16
Liabilities to customers	-5	-8
Debt securities issued to the public	-53	-67
Subordinated debt	-9	-9
Hybrid capital	-2	-2
Financial liabilities held for trading	0	0
Other (net)	2	0
Net interest income before fair value adjustment under hedge accounting	**58**	**65**
Hedging derivatives	-30	-75
Value change of hedged items	29	74
Total net interest income	**58**	**64**

Note 4. Impairments of receivables

EUR million	Q1/ 2015	Q1/ 2014
Receivables written off as loan or guarantee losses	1	1
Recoveries of receivables written off	-1	-1
Increase in impairment losses on individually assessed receivables	15	5
Decrease in impairment losses on individually assessed receivables	-1	-1
Collectively assessed impairment losses	0	-1
Total impairments of receivables	**14**	**4**

Note 5. Net income from Non-life insurance

Non-life Insurance EUR million	Q1/ 2015	Q1/ 2014
Net insurance premium revenue		
Premiums written	629	618
Insurance premiums ceded to reinsurers	-22	-25
Change in provision for unearned premiums	-281	-285
Reinsurers' share	10	12
Total	**336**	**320**
Net Non-life Insurance claims		
Claims paid	209	215
Insurance claims recovered from reinsurers	-9	-4
Change in provision for unpaid claims	-3	-3
Reinsurers' share	15	-3
Total	**212**	**205**
Net investment income, Non-life Insurance		
Interest income	11	15
Dividend income	10	11
Investment property	2	1
Capital gains and losses		
Notes and bonds	8	3
Shares and participations	31	30
Investment property		0
Derivatives	-1	-12
Fair value gains and losses		
Notes and bonds	2	0
Shares and participations	0	0
Loans and receivables	1	0
Investment property	-1	1
Derivatives	-6	0
Impairments	-1	-1
Other	1	1
Total	**57**	**48**
Unwinding of discount	-10	-11
Other	-2	-1
Total net income from Non-life Insurance	**170**	**151**

Note 6. Net commissions and fees

EUR million	Q1/ 2015	Q1/ 2014
Commission income		
Lending	10	18
Payment transfers	8	9
Securities brokerage	7	6
Securities issuance	3	3
Asset management and legal services	2	2
Insurance operations	4	4
Guarantees	4	4
Other	1	1
Total commission income	**38**	**47**
Commission expenses		
Payment transfers	4	5
Securities brokerage	2	2
Securities issuance	0	1
Asset management and legal services	1	1
Insurance operations	16	14
Other	3	1
Total commission expenses	**27**	**25**
Total net commissions and fees	**11**	**23**

Note 7. Net trading income

EUR million	Q1/ 2015	Q1/ 2014
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	1	2
Shares and participations	0	0
Derivatives	-42	-15
Fair value gains and losses		
Notes and bonds	0	1
Shares and participations	0	
Derivatives	60	29
Financial assets and liabilities at fair value through profit or loss		
Capital gains and losses		
Notes and bonds		1
Fair value gains and losses		
Notes and bonds		-1
Net income from foreign exchange operations	7	7
Total net trading income	**25**	**24**

Note 8. Net investment income

EUR million	Q1/ 2015	Q1/ 2014
Available-for-sale financial assets		
Capital gains and losses		
Notes and bonds	4	9
Shares and participations	6	0
Dividend income	8	7
Impairments		-1
Carried at amortised cost		
Capital gains and losses	-3	0
Total	**15**	**16**
Investment property	1	0
Total net investment income	**16**	**16**

Note 9. Other operating income

EUR million	Q1/ 2015	Q1/ 2014
Central banking service fees	2	2
Rental income from assets rented under operating lease	1	2
Other	4	4
Total	**7**	**7**

Note 10. Assets and liabilities classified as held for distribution to owners and discontinued operations

As a result of OP Cooperative's execution of the public voluntary bid for Pohjola Bank plc shares, Pohjola Group is planning to make structural changes. In the plan, OP Cooperative will become the owner of the Wealth Management segment and the transfer will be implemented as a demerger at carrying amounts. The demerger is estimated to take place during 2015. As a result, the assets and liabilities of the Wealth Management segment have been presented as of 30 June 2014 separately in the balance sheet as assets and liabilities classified as held for distribution to owners and in the income statement as discontinued operations, in accordance with IFRS 5.

a) Results of discontinued operations

Wealth Management **EUR million**	**Q1/ 2015**	**Q1/ 2014**
Net commissions and fees	14	13
Share of associates' profit/loss	0	0
Other income and expenses	-8	-8
Earnings before tax	**6**	**6**
Taxes	1	1
Results of discontinued operations for the period	**5**	**5**
Share of parent company owners of discontinued operations	**5**	**5**
Total	**5**	**5**

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

Wealth Management segment assets

EUR million	**31 March 2015**	**31 Dec 2014**
Receivables from credit institutions	12	7
Investment assets	0	0
Investment in associates	28	27
Intangible assets	102	102
Property, plant and equipment (PPE)	0	0
Other assets	23	30
Total Wealth Management segment assets	**164**	**167**
Other holdings		
Other assets classified as held for distribution to owners	**39**	**39**
Total assets classified as held for distribution to owners	**203**	**205**

Wealth Management Segment liabilities

EUR million	**31 March 2015**	**31 Dec 2014**
Provisions and other liabilities	12	10
Total Wealth Management segment liabilities	**12**	**10**
Other liabilities for transfer		
Liabilities allocated in demerger	191	195
Total liabilities associated with assets classified as held for distribution to owners	**203**	**205**

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

EUR million	**31 March 2015**	**31 Dec 2014**
Fair value reserve		0
Retained earnings		0
Total		

Note 11. Classification of financial assets and liabilities

Assets, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Cash and cash equivalents	4,251					4,251
Receivables from credit institutions	10,342					10,342
Derivative contracts			7,437		317	7,753
Receivables from customers	15,730					15,730
Non-life Insurance assets**	825		191	3,172		4,188
Notes and bonds***		93	314	8,920		9,327
Shares and participations			0	100		100
Other financial assets	2,312					2,312
Financial assets	**33,459**	**93**	**7,942**	**12,192**	**317**	**54,003**
Other than financial instruments						977
Total 31 March 2015	**33,459**	**93**	**7,942**	**12,192**	**317**	**54,979**
Financial assets 31 Dec. 2014	31,984	144	6,178	10,898	309	49,513
Other than financial instruments						985
Total 31 Dec. 2014	**31,984**	**144**	**6,178**	**10,898**	**309**	**50,498**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,873		5,873
Financial liabilities held for trading (excl. derivatives)	1			1
Derivative contracts	6,757		353	7,110
Liabilities to customers		11,706		11,706
Non-life Insurance liabilities****	2	3,357		3,360
Debt instruments issued to the public		18,621		18,621
Subordinated liabilities		1,110		1,110
Other financial liabilities		3,126		3,126
Financial liabilities	**6,760**	**43,794**	**353**	**50,907**
Other than financial liabilities				614
Total 31 March 2015	**6,760**	**43,794**	**353**	**51,521**
Financial liabilities 31 Dec. 2014	5,522	40,582	373	46,478
Other than financial liabilities				612
Total 31 Dec. 2014	**5,522**	**40,582**	**373**	**47,090**

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.
** Non-life Insurance assets are specified in Note 13.
*** The notes as of 31 March 2015 did not include notes recognised in accordance with the Fair Value Option.
**** Non-life Insurance liabilities are specified in Note 15.

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March 2015, the fair value of these debt instruments was EUR 169 million (232) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 12. Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	154	160		315
Non-life Insurance		10		10
Derivative financial instruments				
Banking	6	7,523	224	7,753
Non-life Insurance	1	19		20
Available-for-sale				
Banking	6,660	2,343	16	9,020
Non-life Insurance	1,665	1,219	288	3,172
Total	**8,487**	**11,275**	**529**	**20,290**

Fair value of assets on 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	183	178		360
Non-life Insurance		7		7
Derivative financial instruments				
Banking	7	5,737	202	5,946
Non-life Insurance	1	11		12
Available-for-sale				
Banking	5,899	1,968	15	7,882
Non-life Insurance	1,579	1,156	281	3,016
Total	**7,668**	**9,057**	**499**	**17,224**

Fair value of liabilities on 31 March 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking		1		1
Derivative financial instruments				
Banking	39	6,967	104	7,110
Non-life Insurance	2	0		2
Total	**42**	**6,968**	**104**	**7,114**

Fair value of liabilities 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking		4		4
Derivative financial instruments				
Banking	57	5,703	130	5,889
Non-life Insurance	2	0		2
Total	**59**	**5,707**	**130**	**5,896**

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 2015, EUR 56.3 million in bonds were transferred from level 1 to level 2 and EUR 16.7 million in bonds were transferred from level 2 to level 1, due to changes in credit ratings.

Valuation techniques whose input parameters involve uncertainty (Level 3)

Specification of financial assets and liabilities

	Recognised at fair value through profit or loss		Derivative financial instruments		Available-for-sale		
Financial assets, EUR million	**Banking**	**Non-life Insurance**	**Banking**	**Non-life Insurance**	**Banking**	**Non-life Insurance**	**Total assets**
Opening balance 1 Jan. 2015			202		15	281	499
Total gains/losses in profit or loss			22			-1	21
Total gains/losses in other comprehensive income					0	12	12
Purchases					1	5	5
Sales						-8	-8
Closing balance 31 March 2015			**224**		**16**	**288**	**529**

	Recognised at fair value through profit or loss		Derivative financial instruments		
Financial liabilities, EUR million	**Banking**	**Non-life Insurance**	**Banking**	**Non-life Insurance**	**Total liabilities**
Opening balance 1 Jan. 2015			130		130
Total gains/losses in profit or loss			-25		-25
Closing balance 31 March 2015			**104**		**104**

Total gains/losses included in profit or loss by item for the financial year on 31 March 2015

EUR million	**Net interest income or net trading income**	**Net investment income**	**Net income from Non-life Insurance**	**Statement of comprehensive income/ Change in fair value reserve**	**Net gains/ losses on assets and liabilities held at year-end**
Realised net gains (losses)			-1		-1
Unrealised net gains (losses)	47			12	59
Total net gains (losses)	**47**		**-1**	**12**	**58**

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

Changes in the levels of hierarchy
No major changes occurred in valuation techniques in 2015.

Note 13. Non-life Insurance assets

EUR million	31 March 2015	31 Dec 2014
Investments		
Loans and other receivables	49	15
Shares and participations	477	463
Property	161	161
Notes and bonds	2,500	2,330
Derivatives	20	12
Other participations	204	231
Total	**3,411**	**3,211**
Other assets		
Prepayments and accrued income	31	33
Other		
From direct insurance	546	404
From reinsurance	102	100
Cash in hand and at bank	6	41
Other receivables	90	66
Total	**776**	**643**
Total Non-life insurance assets	**4,188**	**3,854**

Note 14. Intangible assets

EUR million	31 March 2015	31 Dec 2014
Goodwill	172	166
Brands	172	172
Customer relationships	78	84
Other	360	363
Total	**783**	**786**

Note 15. Non-life Insurance liabilities

EUR million	31 March 2015	31 Dec 2014
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,331	1,316
Other provision for unpaid claims	877	886
Reserve for decreased discount rate*	24	12
Total	2,233	2,213
Provision for unearned premiums	804	523
Derivatives	2	2
Other liabilities	320	233
Total	**3,360**	**2,972**

*Value of hedges of insurance liability

Note 16. Debt securities issued to the public

EUR million	31 March 2015	31 Dec 2014
Bonds	11,646	10,743
Certificates of deposit, commercial papers and ECPs	7,151	7,026
Other	16	14
Liabilities allocated to assets for distribution to owners as part of demerger	-191	-195
Total	**18,621**	**17,587**

Note 17. Fair value reserve after income tax

EUR million	Notes and bonds	Available-for-sale financial assets Shares, partici-pations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2014	44	113	11	168
Fair value changes	23	9	6	37
Transfers to net interest income			-3	-3
Capital gains transferred to income statement		-33		-33
Impairment loss transferred to income statement		0		0
Deferred tax	-5	5	-1	0
Closing balance 31 March 2014	**62**	**94**	**14**	**169**

EUR million	Notes and bonds	Available-for-sale financial assets Shares, partici-pations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2015	102	112	17	231
Fair value changes	79	44	2	125
Transfers to net interest income			-3	-3
Capital gains transferred to income statement		-23		-23
Impairment loss transferred to income statement		0		0
Deferred tax	-16	-4	0	-20
Closing balance 31 March 2015	**166**	**129**	**16**	**311**

Fair value reserve after tax is as follows:	
Continuing operations	311
Discontinued operations	
Total	**311**

The fair value reserve before tax totalled EUR 388 million (288) and the related deferred tax liability EUR 77 million (57). On 31 March, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 166 million (149) and negative mark-to-market valuations EUR 5 million (8). In January–March, impairment losses recognised through profit or loss in the fair value reserve totalled EUR 0 million (0), of which equity instruments accounted for EUR 0 million (0).

The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments.

Note 18. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	31 March 2015	31 Dec 2014	Change
1–2	3.5	2.7	0.8
3–5	14.1	13.7	0.4
6–7	6.9	6.6	0.3
8–9	2.4	2.4	0.0
10	0.2	0.1	0.1
11–12	0.2	0.2	0.0
Total	**27.3**	**25.7**	**1.6**

* excl. private customers

Sensitivity analysis of market risk

Banking, EUR million	Risk parameter	Change	31 March 2015 Effect on results	31 March 2015 Effect on equity	31 Dec 2014 Effect on results	31 Dec 2014 Effect on equity
Interest-rate risk	Interest	1 percentage point	7		10	
Currency risk	Market value	10%	8		7	
Volatility risk						
Interest-rate volatility	Volatility	10 basis points	2		1	
Currency volatility	Volatility	10 percentage points	1		1	
Credit risk premium	Credit spread	0.1 percentage points	1	2	1	2

Note 19. Risk exposure by Non-life Insurance

Risk parameter	Total amount 31 March 2015, EUR million	Change in risk parameter	Effect on combined ratio	Effect on equity, EUR million
Insurance portfolio or insurance premium revenue*	1,327	Up 1%	Up 0.9 percentage points	13
Claims incurred*	939	Up 1%	Down 0.7 percentage points	-9
Major loss of over EUR 5 million		1 loss	Down 0.4 percentage points	-5
Personnel costs*	105	Up 8%	Down 0.6 percentage points	-8
Expenses by function*/**	321	Up 4%	Down 1.0 percentage points	-13
Inflation for collective liability	619	Up 0.25 percentage points	Down 0.3 percentage points	-4
Life expectancy for discounted insurance liability	1,683	Up 1 year	Down 3.0 percentage points	-40
Discount rate for discounted insurance liability	1,683	Down 0.1 percentage point	Down 1.6 percentage points	-21

* Moving 12-month
** Expenses by function in Non-life Insurance excluding expenses for investment management and expenses for other services rendered

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 31 March 2015	%	Fair value 31 Dec 2014	%
Money market instruments	172	5 %	173	5 %
Bonds and bond funds	2,691	73 %	2,557	73 %
Public sector	570	16 %	557	16 %
Financial institutions	1,275	35 %	1,181	34 %
Corporate	820	22 %	759	22 %
Bond funds	6	0 %	36	1 %
Other	21	1 %	24	1 %
Equities	266	7 %	256	7 %
Private equity investments	120	3 %	117	3 %
Alternative investments	39	1 %	35	1 %
Real property	387	11 %	386	11 %
Total	**3,675**	**100 %**	**3,522**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 31 March 2015*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	54	106	92	338	53	106	749	26 %
Aa1−Aa3	182	49	71	113	48	13	477	17 %
A1−A3	42	194	278	230	81	0	824	29 %
Baa1−Baa3	20	125	189	179	90	14	617	22 %
Ba1 or lower	37	52	36	26	9	5	167	6 %
Internally rated	2	1		0		0	4	0 %
Total	**338**	**528**	**666**	**886**	**282**	**139**	**2,838**	**100 %**

* Excludes credit derivatives.

The table below shows the sensitivity of investment risks and their effect on equity:

Non-life Insurance	Risk parameter	Change	Effect on equity, EUR million 31 March 2015	31 Dec 2014
Bonds and bond funds1)	Interest rate	1 percentage point	124	101
Equities 2)	Market value	10%	29	28
Venture capital funds and unquoted equities	Market value	10%	12	12
Commodities	Market value	10%	0	0
Real property	Market value	10%	39	39
Currency	Value of currency	10%	12	16
Credit risk premium 3)	Credit spread	0.1 percentage points	12	11
Derivatives	Volatility	10 percentage points	0	0

1) Include money-market investments, convertible bonds and interest-rate derivatives
2) Include hedge funds and equity derivatives
3) Includes bonds and money-market investments, including government bonds and interest-rate derivatives issued by developed countries

Note 20. Risk exposure by Other operations

Total exposure by rating category, EUR billion

Rating category	31 March 2015	31 Dec 2014	Change
1–2	21.0	19.2	1.8
3–5	4.0	3.3	0.7
6–7	0.1	0.1	0.0
8–9	1.2	0.1	1.1
10		0.0	0.0
Total	**26.3**	**22.7**	**3.6**

Sensitivity analysis of market risk

Other operations, EUR million	Risk parameter	Change	31 March 2015 Effect on results	31 March 2015 Effect on equity	31 Dec 2014 Effect on results	31 Dec 2014 Effect on equity
Interest-rate risk	Interest rate	1 percentage point	7		8	
Interest-rate volatility	Volatility	10 basis points	0		0	
Credit risk premium	Credit spread	0.1 percentage points		41		35
Price risk						
Equity portfolio	Market value	10%		0		0
Private equity funds	Market value	10%	1	2	1	2
Property risk	Market value	10%	3		3	

Note 21. Impairment loss and doubtful receivables

Receivables from credit institutions and customers, and impairment loss, EUR million	31 March 2015	31 Dec 2014
Receivables from credit institutions and customers (gross)	26,349	26,029
Total impairment loss, of which	266	252
Individually assessed	245	230
Collectively assessed	22	22
Receivables from credit institutions and customers (net)	**26,083**	**25,777**

Doubtful receivables 31 March 2015, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		156	156	119	36
Classified as defaulted		267	267	118	149
Forborne receivables					
Zero-interest	0	0	0		0
Renegotiated	47	32	79	8	71
Total	**47**	**455**	**502**	**245**	**257**

Doubtful receivables 31 Dec 2014, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		158	158	118	40
Classified as defaulted		245	245	107	138
Forborne receivables					
Zero-interest	6	0	6		6
Renegotiated	61	23	84	5	79
Total	**67**	**426**	**493**	**230**	**263**

Key ratio, %	31 March 2015	31 Dec 2014
Exposures individually assessed for impairment, % of doubtful receivables	48.8 %	46.7 %

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest two credit ratings (11-12) are reported as defaulted. Forborne receivables include zero-interest and receivables that have been renegotiated due to the customer's financial difficulties. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6-12 months. Underpriced receivables previously reported under doubtful receivables have been removed from the definition of forborne loans.

Note 22. Liquidity buffer

Liquidity buffer by maturity and credit rating on 31 March 2015, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa*	4,504	419	2,197	1,814	1,391	26	10,351	58 %
Aa1−Aa3	127	0	584	306	925	114	2,057	12 %
A1−A3	46	74	42	12	12		187	1 %
Baa1−Baa3	102	55	46	45	5	1	254	1 %
Ba1 or lower	31	73	26	0	0	0	130	1 %
Internally rated**	690	1,667	1,515	448	177	334	4,831	27 %
Total	**5,500**	**2,288**	**4,411**	**2,625**	**2,510**	**475**	**17,809**	**100 %**

* incl. deposits with the central bank
** PD </= 0.40%
The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 5.0 years.

Note 23. Capital base and capital adequacy

The Group has presented its capital base and capital adequacy of 31 March 2015 in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

EUR million	31 March 2015	31 Dec 2014
Shareholders' equity	3,458	3,408
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	-268	-183
Fair value reserve, cash flow hedging	-16	-17
Common Equity Tier 1 (CET1) before deductions	**3,174**	**3,209**
Intangible assets	-194	-195
Excess funding of pension liability and valuation adjustments	-1	-1
Planned profit distribution / profit distribution as proposed by the Board	-39	-141
Unrealised gains under transitional provisions		-50
Shortfall of impairments – expected losses	-114	-122
Common Equity Tier 1 (CET1)	**2,826**	**2,700**
Subordinated loans to which transitional provision applies	192	219
Additional Tier 1 capital (AT1)	**192**	**219**
Tier 1 capital (T1)	**3,018**	**2,919**
Debenture loans	663	663
Unrealised gains under transitional provisions		50
Tier 2 Capital (T2)	**663**	**713**
Total capital base	**3,681**	**3,633**
Risk-weighted assets		
Credit and counterparty risk		
Central government and central banks exposure	19	26
Credit institution exposure	1,333	1,305
Corporate exposure	11,006	11,831
Retail exposure	1,039	1,010
Equity investments *)	4,130	4,132
Other **)	601	931
Market risk	1,480	1,467
Operational risk	1,297	1,137
Total	**20,904**	**21,839**
Ratios, %		
CET1 capital ratio	13.5	12.4
Tier 1 ratio	14.4	13.4
Capital adequacy ratio	17.6	16.6
Basel I floor, EUR million		
Capital base	3,681	3,633
Basel I capital requirements floor	1,470	1,441
Capital buffer for Basel I floor	2,211	2,192

*) The risk weight of equity investments includes EUR 3,9 billion in insurance holdings within OP-Pohjola Group.

**) Of the risk weight of "Other", EUR 38 million represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

Pohjola has applied transitional provisions regarding old capital instruments to subordinated loans. A total of 70% of the amounts outstanding on 31 December 2012 are included in the capital base.

Unrealised valuations are included in CET1 capital. Negative unrealised valuations a year ago were included in CET1 capital and positive unrealised valuations in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

Note 24. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 March 2015	31 Dec 2014
Pohjola Group's equity capital	3,458	3,408
Hybrid instruments, perpetual bonds and debenture bonds	905	932
Other sector-specific items excluded from capital base	-88	-91
Goodwill and intangible assets	-861	-863
Equalisation provision	-175	-172
Proposed profit distribution	-39	-141
Items under IFRS deducted from capital base*	-15	-19
Shortfall of impairments – expected losses	-98	-106
Conglomerate's capital base, total	**3,088**	**2,948**
Regulatory capital requirement for credit institutions**	1,783	1,433
Regulatory capital requirement for insurance operations	256	247
Conglomerate's total minimum capital requirement	**2,039**	**1,680**
Conglomerate's capital adequacy	**1,049**	**1,269**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources) (%)	**151**	**176**

* Excess funding of pension liability, Fair value measurement of investment property, Portion of cash flow hedge of fair value reserve
** Risk-weighted assets x 10.5%
*** Minimum solvency margin

OP Financial Group's capital adequacy ratio was 167 % (189 %).

Note 25. Collateral given

EUR million	31 March 2015	31 Dec 2014
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	3	4
Other	1,452	981
Other collateral given		
Pledges*	5,109	6,273
Total collateral given	**6,564**	**7,259**
Total collateralised liabilities	**513**	**474**

* Of which EUR 2,000 million in intraday settlement collateral.

Note 26. Off-balance-sheet commitments

EUR million	31 March 2015	31 Dec 2014
Guarantees	832	874
Other guarantee liabilities	1,557	1,578
Loan commitments	4,421	4,365
Commitments related to short-term trade transactions	241	297
Other*	390	336
Total off-balance-sheet commitments	**7,441**	**7,450**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 124 million (69).

Note 27. Derivative contracts

31 March 2015, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	59,884	111,234	60,961	232,079	6,101	6,086
Cleared by the central counterparty	4,408	29,881	20,180	54,469	1,130	1,258
Currency derivatives	20,606	9,328	5,917	35,851	2,131	1,643
Equity and index derivatives	264	202		465	52	0
Credit derivatives	9	72	104	186	15	3
Other derivatives	527	616	46	1,190	98	62
Total derivatives	**81,290**	**121,452**	**67,028**	**269,770**	**8,397**	**7,795**

31 Dec. 2014, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	59,160	106,012	55,513	220,684	5,215	5,196
Cleared by the central counterparty	4,370	24,526	15,008	43,904	876	867
Currency derivatives	16,277	9,028	5,639	30,944	1,036	975
Equity and index derivatives	266	285		551	37	1
Credit derivatives	9	73	102	184	12	5
Other derivatives	233	874	56	1,163	73	67
Total derivatives	**75,945**	**116,272**	**61,310**	**253,527**	**6,374**	**6,243**

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

Note 28. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

31 March 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Collateral received	Net amount
Banking derivatives	8,845	-1,092	7,753	-4,765	-1,554	1,434
Non-life Insurance derivatives	20		20	-1		19
Total derivatives	**8,865**	**-1,092**	**7,773**	**-4,766**	**-1,554**	**1,453**

31 Dec 2014, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Collateral received	Net amount
Banking derivatives	6,817	-871	5,946	-4,008	-722	1,216
Non-life Insurance derivatives	12		12	-1		11
Total derivatives	**6,829**	**-871**	**5,958**	**-4,009**	**-722**	**1,227**

Financial liabilities

31 March 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Financial liabilities not set off in the balance sheet: Collateral received	Net amount
Banking derivatives	8,324	-1,214	7,110	-4,765	-1,261	1,084
Non-life Insurance derivatives	2		2	-1		1
Total derivatives	**8,327**	**-1,214**	**7,113**	**-4,766**	**-1,261**	**1,085**

31 Dec. 2014, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Banking derivatives	6,751	-862	5,889	-4,008	-862	1,019
Non-life Insurance derivatives	2		2	-1		2
Total derivatives	**6,753**	**-862**	**5,892**	**-4,009**	**-862**	**1,020**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -122 (9) million euros.
** Fair values excluding accrued interest.
*** It is Pohjola Bank plc's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

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

Other bilaterally cleared OTC derivative contracts

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

Note 29. Other contingent liabilities and commitments

On 31 March 2015, the Group Functions commitments to venture capital funds amounted to EUR 7 million (7) and Non-Life Insurance commitments to EUR 124 million (69). They are included in the section 'Off-balance-sheet commitments'.

Note 30. Related-party transactions

Pohjola Group's related parties comprise its parent company OP Financial Group Central Cooperative, subsidiaries consolidated into the Group, associates and administrative personnel and other related-party entities. Pohjola Group's administrative personnel comprises Pohjola Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP Financial Group Central Cooperative Consolidated.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2014.

Helsinki, 29 April 2015

Pohjola Bank plc
Board of Directors

This Interim Report is available at www.pohjola.com > Media > Releases.

Financial reporting in 2015

Pohjola Bank plc publishes the following financial information pursuant to the regular disclosure obligation of a securities issuer:

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Interim Report H1/2015	5 August 2015
Interim Report Q1−3/2015	28 October 2015

DISTRIBUTION
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Major media
www.pohjola.com, www.op.fi

For additional information, please contact
Jouko Pölönen, President and CEO, tel. +358 (0)10 253 2691
Carina Geber-Teir, Executive Vice President, Corporate Communications, tel. +358 (0)10 252 8394