OP-Pohjola Group´s

Financial Statements Bulletin

1 January–31 December 2013

OP-Pohjola

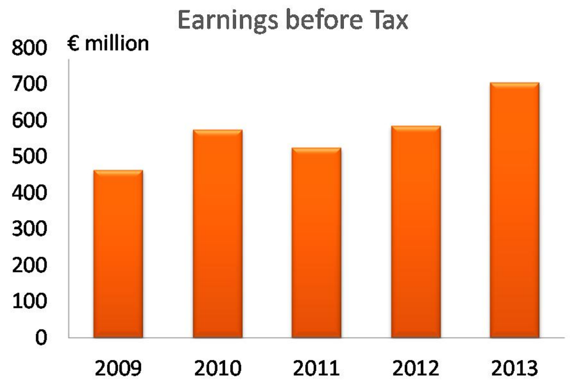
Very strong year for OP-Pohjola Group: significant improvement in earnings, capital adequacy and market position

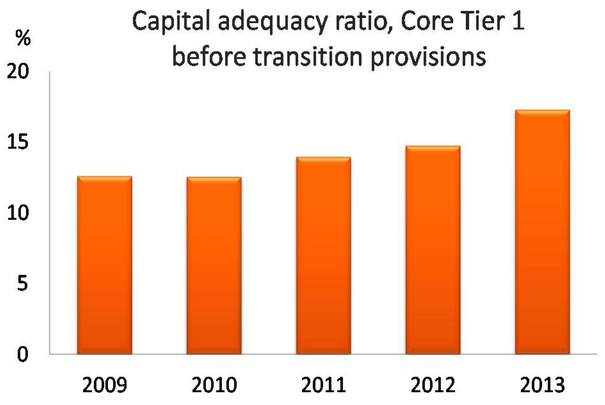
- The Group's earnings before tax increased by 20% to EUR 705 million (586).
- Earnings before tax in the last quarter amounted to EUR 91 million (104), eroded by changes in the calculation bases of Non-life Insurance's insurance liability worth EUR 38 million.
- Banking improved its earnings before tax towards the year end but they were, however, slightly lower than a year ago.
- A decrease in net interest income slowed down and the fourth-quarter net interest income was already clearly higher than the year before.
- Non-life Insurance improved its earnings before tax by 82%.
- Wealth Management earnings before tax improved by 12%.
- Total income increased by 6% and total expenses, excluding the bank levy, decreased by 1%.
- The Core Tier 1 ratio before the transition provisions improved markedly, being 17.3% (14.8) on 31 December.
- The Group strengthened its market position on a wide front. The loan portfolio grew by 4.8%, deposits by 5.2%, mutual fund assets by 20% and non-life insurance premiums written by 11%.
- The number of joint banking and non-life insurance customers increased by 94,000 in the year to December.
- New, more challenging capital adequacy and profitability targets have been confirmed for OP-Pohjola Group.
- Earnings before tax in 2014 are expected to be higher than in 2013. For more information, see "Outlook for 2014".
- The central institution of OP-Pohjola Group decided today to make a public voluntary bid for all shares issued by Pohjola Bank plc. OP-Pohjola will issue a separate stock exchange release related to the matter.

OP-Pohjola Group's key indicators

	2013	2012	Change, %
Earnings before tax, € million	705	586	20.4
Banking	411	424	-3.1
Non-life Insurance	167	92	81.7
Wealth Management	113	101	12.1
Returns to owner-members and OP bonus customers	193	192	0.7
	31 Dec 2013	**31 Dec 2012**	**Change, %**
Core Tier 1 ratio before the transition provisions, %	17.3	14.8	2.5*
Core Tier 1 ratio, %	14.3	14.1	0.2*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.90	1.90	0.00*
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.42	0.46	-0.04*
Joint banking and insurance customers (1,000)	1,518	1,425	6.6

* Change in ratio





Comments by Reijo Karhinen, Executive Chairman and CEO

OP-Pohjola Group's year 2013 was successful for us in many ways. We recorded our third-best annual results of all time, our capital adequacy increased to a new record height and our market position improved in all of our main business lines. While strengthening our foundation, we also made dedicated efforts to build our future. Our smart wallet Pivo and Omasairaala hospital as part of our health and wellbeing business were both instant successes among our customers. Both of them involved a lot of positive thinking and faith in the future.

The strong growth of our customer business created the foundation for our result that was much better than a year ago. Non-life Insurance, which is in great form, reached record earnings. Banking, too, showed better earnings than expected, supported by net interest income that turned upward in the second half of the year. Despite our many efficiency-enhancement measures, we were not quite able to stop our expenses from increasing. However, if we exclude the effect of the bank levy, our expenses decreased. We will continue to work on restraining expense growth. The increasing requirements for efficiency are affecting our choices more and more.

Tightening regulation requires us to have better and better capital adequacy and consequently better financial performance. Capital adequacy has been a clear competitive advantage to OP-Pohjola Group for a long time. In order for us to retain this advantage, to ensure operational stability and long-termism and to fulfil the regulatory requirements, we have decided to raise our capital adequacy target (CET1) from 15% to 18%. Our primary method for maintaining a high level of capital adequacy is to show good financial performance to enhance our capital base.

The fact that our market position in terms of home loans and corporate financing has continued to strengthen is a clear proof that we are carrying our responsibility to an increasing extent for the effectiveness of the Finnish financing system. Another sign that we stress customer benefits is that we made a new record in 2013 in the number of customers using OP-Pohjola as their main bank and insurer. The fact that more than 85,000 new customers rely on us for their banking and insurance needs gives us renewed faith that we have been doing the right things, respecting and listening to our customers. I believe that by making bold reforms yet respecting traditional values we can continue to be successful in the future too.

In addition to new regulations, the use of digital technologies is a major challenge to the financial sector. We at OP-Pohjola Group see digitalisation as a great opportunity to improve customer contacts and customer experience not only in the mobile and online channels but also in our branch offices.

OP-Pohjola Group has been owned by its customers right from the start and this is what we will be keeping in mind as we develop the Group's operations today and in the future. Our mission stresses the importance of creating conditions where our customers and operating environment can be successful. The financial crisis and the years following it have shown the significance of a strong national player whose success derives from prioritising the needs of its customers.

I am proud of our value base that stems from customer ownership. I believe that the way we have operated in the past and will continue to operate in the future is a key component of our continued success. I have complete confidence that our solid financial foundation and focus on customers will help us to build an even more competitive OP-Pohjola Group.

OP-Pohjola Group's Financial Statements Bulletin 1 January–31 December 2013

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Operating environment

World economic growth was subdued in 2013. It was slower than a year ago not only in industrialised countries but also in emerging economies. The euro-area economy contracted over the previous year but output began to recover in 2013. Some crisis-ridden economies began to rebound. Economic uncertainty diminished and confidence improved towards the year end.

The European Central Bank (ECB) cut its main refinancing rate from the year-start 0.75% to 0.25%. The Euribor rates remained very low throughout 2013. Euro-area government bond yield spreads narrowed as markets calmed down.

The Finnish economy was weak in 2013 with decreasing GDP and increasing unemployment. The inflation rate decelerated markedly. Towards the year end, confidence began to improve in Finland too and there were more signs of exports recovery. Home prices rose by a few per cent but home sales and residential building were on the decrease.

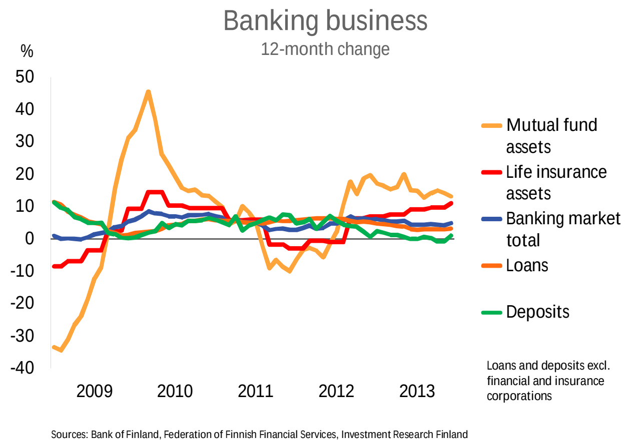
World economic growth will strengthen in 2014 but remain below average. Economic growth in the US will speed up and the euro area economy will recover. An increase in exports will stimulate the Finnish economy but the economic growth rate will remain slow. The ECB will continue to conduct an expansionary monetary policy.

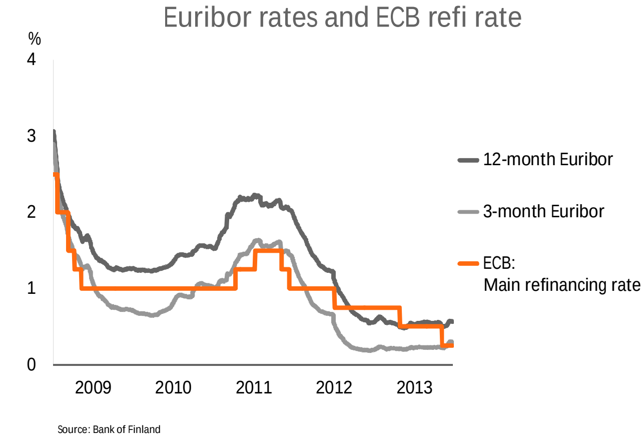
In the Finnish banking sector, the annual growth rate of the total consumer loan volumes slowed to 2%. This slowdown is explained by the uncertain economic outlook, slower housing markets and banks' tighter lending criteria. However, total corporate loans continued to grow at a relatively steady annual rate of 5%. In 2014, demand for loans is expected to remain weaker than average.

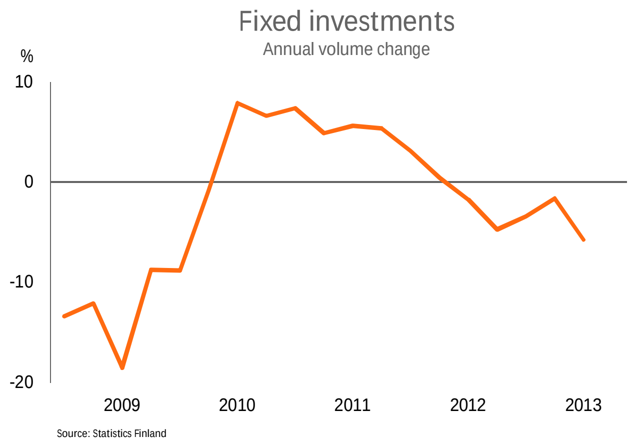
Growth in the total deposits made by private and corporate customers almost came to a halt last year. The use of current accounts increased, but the total term deposits were lower, as assets were allocated to savings products with higher investment risks because of favourable developments in financial markets and low interest rates.

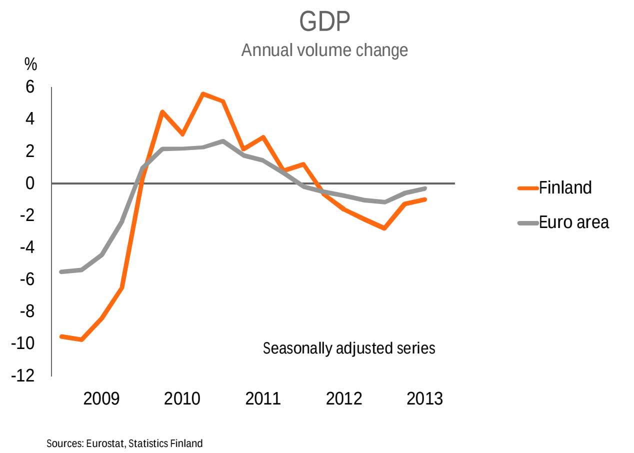
Capital markets performed strongly during the second half of 2013. Mutual fund assets and insurance savings increased by 13% last year. Net asset inflows to mutual funds were positive throughout the year and life insurance premiums written increased by over 40% from their previous year's level. The trend in insurance savings continued as people shifted away from products with guaranteed technical interest in favour of unit-linked products.

According to preliminary information, non-life insurance premiums written increased by 6% in 2013. Claims expenditure and claims paid remained, however, at the previous year's level.









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

Earnings analysis, € million	**2013**	**2012**	**Change, %**	**Q4/2013**	**Q4/2012**	**Change, %**	**Q3/2013**
Banking	411	424	-3.1	88	79	11.8	130
Non-life Insurance	167	92	81.7	5	10	-50.2	63
Wealth Management	113	101	12.1	15	26	-44.6	21
Earnings before tax	**705**	**586**	**20.4**	**91**	**104**	**-12.7**	**216**
Gross change in fair value reserve	-43	698		35	137	-74.8	83
Earnings before tax at fair value	**662**	**1,283**	**-48.4**	**126**	**242**	**-48.0**	**299**
Return on economic capital, % *)	15.3	14.7	0.6				
Return on economic capital at fair value, % *)	15.0	27.5	-12.5				
Income							
Net interest income	913	1 002	-8.9	247	230	7.1	232
Net income from Non-life Insurance	524	433	21.1	97	99	-2.3	148
Net income from Life Insurance	175	108	61.8	31	33	-5.0	37
Net commissions and fees	625	584	6.9	149	156	-4.4	158
Net trading and investment income	180	133	35.5	44	48	-7.0	34
Other operating income	95	111	-14.3	25	23	10.4	18
Other income, total	**1,599**	**1,368**	**16.8**	**346**	**358**	**-3.3**	**395**
Total income	**2,512**	**2,371**	**6.0**	**593**	**589**	**0.8**	**626**
Expenses							
Personnel costs	753	764	-1.5	192	180	6.8	166
Other administrative expenses	373	378	-1.4	114	104	10.4	82
Other operating expenses	404	352	15.0	113	100	13.1	96
Total expenses	**1,530**	**1,494**	**2.4**	**419**	**383**	**9.4**	**344**
Impairment loss on receivables	**84**	**99**	**-15.4**	**34**	**51**	**-33.3**	**17**
Returns to owner-members and OP bonus customers							
Bonuses	182	173	5.2	47	45	4.6	46
Interest on ordinary and supplementary cooperative capital	11	19	-40.8	2	5	-59.6	3
Total returns	**193**	**192**	**0.7**	**49**	**50**	**-1.8**	**49**

*) Change in percentage

Other key indicators, € million	**31 Dec 2013**	**31 Dec 2012**	**Change, %**
Receivables from customers	68,255	65,161	4.7
Life Insurance assets	9,880	9,173	7.7
Non-life Insurance assets	3,497	3,492	0.2
Liabilities to customers	50,175	49,650	1.1
Debt securities issued to the public	21,428	19,270	11.2
Equity capital	7,717	7,134	8.2
Balance sheet total	100,981	99,769	1.2
Tier 1 capital	5,902	5,352	10.3

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 2012 are used as comparatives. As a result of change in the recognition of defined benefit pension plans, the comparatives have been restated.

January–December

OP-Pohjola Group's earnings before tax amounted to EUR 705 million (586). Earnings were improved especially because of a solid increase in investment income due to capital gains on securities, the good performance of Non-life Insurance and an increase in net commissions and fees. The good performance of Non-life Insurance was the result of premiums written that have been increasing for a long time and of lower operating expenses. Likewise, the Life Insurance earnings were higher than a year ago, especially because of capital gains and the acquisition of Aurum Investment Insurance Ltd.

Due to low interest rates, net interest income decreased by 8.9% year on year. A decrease in net interest income slowed down during the period and the fourth-quarter net interest income was already clearly higher than the year before.

Total expenses increased by 2.4% as a result of the bank levy of EUR 46 million and growth in business volumes. Excluding the effect of the bank levy, total expenses would have decreased by less than 1%. Aurum Investment Insurance Ltd, which started its operations in autumn 2012, accounted for EUR 9 million of the growth in expenses, and Omasairaala Oy, which opened its doors on 1 January 2013, for EUR 4 million. Thanks to measures taken in the efficiency-enhancement programme, wages and salaries decreased by 3.3%. Because pension costs increased, personnel costs as a whole decreased by 1.5%.

Impairment losses recognised under various income statement items that eroded earnings amounted to EUR 131 million (141), of which EUR 84 million (99) concerned loans and receivables. Annualised net impairment loss on loans and receivables accounted for 0.12% (0.15) of the loan and guarantee portfolio.

Earnings before tax by Banking amounted to EUR 411 million (424). Financial performance by Banking was weakened by low interest rates and the bank levy. Net commissions and fees increased by 10% to EUR 600 million (543) as they were higher year on year with regard to lending, payment services and wealth management.

The operating combined ratio of Non-life Insurance was 86.9% (90.5) as a result of lower operating expenses. Pre-tax earnings by Non-life Insurance increased year on year mainly as a result of higher net investment income and growth of the balance on technical account. Changes in calculation bases of insurance liability recorded during the financial year reduced earnings by EUR 38 million (52).

Earnings before tax posted by the Wealth Management segment improved as net investment income by Life Insurance increased year on year. The improved year-on-year performance of Life Insurance was also supported by the earnings of Aurum Investment Insurance, as its accounts were not consolidated until September 2012. Other operating income a year ago was increased by a non-recurring item related to income and expense synergies, EUR 19 million, recognised in connection with the acquisition of the operations of Aurum Investment Insurance Ltd. OP-Pohjola Group's fair value reserve before tax totalled EUR 406 million (449) on 31 December. Earnings before tax at fair value were EUR 662 million (1,283).

Equity capital amounted to EUR 7.7 billion (7.1) on 31 December. Equity capital was increased by the financial year's earnings.

On 31 December, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 746 million (759).

OP-Pohjola Group had 4,252,000 customers in Finland at the end of December. The number of private customers totalled 3,819,000 and that of corporate customers 433,000. The number of joint banking and non-life insurance customers increased by 94,000 from its 2012-end level to 1,518,000, as a result of cross-selling.

Bonuses to owner-members and OP bonus customers recognised in the income statement increased by 5.2% year on year to EUR 182 million (173).

October–December

Earnings before tax for the fourth quarter were EUR 91 million against EUR 104 million reported a year ago. A year-on-year increase in net interest income contributed to earnings performance while higher expenses eroded it. Net interest income increased by 7% to EUR 247 million (231). Expenses were 9.4% higher than a year ago as a result of higher personnel costs and the bank levy. Excluding the bank levy, expenses would have increased by 6.4%. Personnel costs increased by 6.8% year on year, as a result of an increase in the provision for the Personnel Fund expenses.

During the period, net interest income remained on a growth path, increasing by 6.5% to EUR 247 million (232) compared to the previous period, thanks to higher lending margins and growth in the loan portfolio. Expenses were 22% higher because of an increase in personnel costs and administrative expenses. Changes in calculation bases of insurance liability recorded for the period reduced Non-life Insurance earnings by EUR 38 million. The rise in expenses compared to the previous quarter was affected by the seasonal nature of the expenses. Due to the new interpretation of VAT treatment of OP bonuses, net commissions and fees decreased by EUR 9 million on a non-recurring basis. On the whole, fourth-quarter earnings before tax, EUR 91 million, were clearly lower than the third-quarter pre-tax earnings of EUR 216 million, as a result of higher expenses and lower income. A change in the corporate tax rate improved OP-Pohjola Group's earnings after tax by EUR 157 million.

OP-Pohjola Group's long-term financial targets	31 Dec 2013	31 Dec 2012	Target
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.90	1.90	1.6
Return on economic capital, % (12-month rolling)	15.3	14.7	18
Growth differential between income and expenses, pps (within 3 years)	-3.4	-4.2	> 0

Capital adequacy, risk exposure and credit ratings

Capital adequacy

On 31 December, OP-Pohjola Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 3,359 million (3,112). The buffer under the Act was reduced by Pohjola Bank plc's redemption in March 2013 of a Lower Tier 2 subordinated note of EUR 170 million and the higher capital requirement set by the Act. On the other hand, the buffer was increased by the Group's earnings.

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

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

OP-Pohjola Group estimates that its non-life and life insurance businesses already fulfil the solvency capital requirement under the proposed Solvency II.

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

Risk exposure

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

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

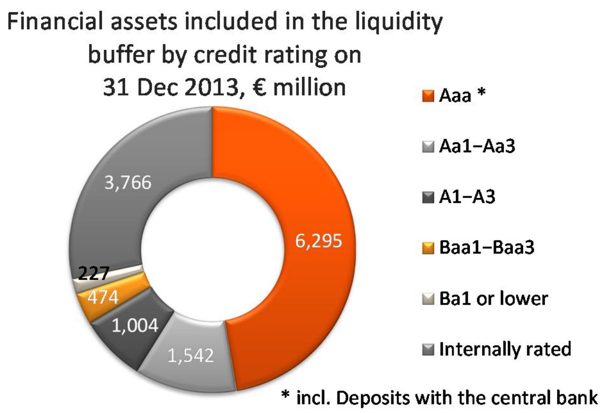
No major changes took place in the financial year in Non-life Insurance's or Life Insurance's underwriting risks. See below in the section dealing with business segments for details on the risk exposure of Non-life and Life Insurance.

OP-Pohjola Group's funding and liquidity position is strong. The loan-to-deposit ratio remained stable throughout the financial year. OP-Pohjola Group had good access to funding during the financial year.

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

Liquidity buffer, € billion	**31 Dec 2013**	**31 Dec 2012**	**Change, %**
Deposits with central banks	2.0	5.6	-64.5
Notes and bonds eligible as collateral	7.4	5.4	36.6
Corporate loans eligible as collateral	3.3	3.0	9.9
Total	**12.7**	**14.0**	**-9.6**
Receivables ineligible as collateral	0.7	0.6	8.5
Liquidity buffer at market value	**13.3**	**14.6**	**-8.8**
Collateral haircut	-1.0	-0.9	9.4
Liquidity portfolio at collateral value	**12.3**	**13.7**	**-10.0**

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



OP-Pohjola Group's market risk exposure was within the set limits in 2013.

The interest rate risk by Banking measured as the effect of a 1-percentage point decrease on a 12-month net interest income increased slightly during the financial year, due to higher market interest rates. Within Banking, market risk is highest in notes and bonds included in the liquidity buffer. No significant changes occurred in the investment portfolio of Life Insurance. As a whole, the market risk of Life Insurance decreased from its level at the beginning of 2013. The allocation of Non-life Insurance's investment portfolio did not undergo any major change.

Investment assets, € million	31 Dec 2013	31 Dec 2012	Change
Pohjola Bank plc	10,107	11,866	-1,759
Non-life Insurance	3,168	3,078	90
Life Insurance	3,545	3,624	-79
Group member cooperative banks	950	901	49
OP-Pohjola Group Mutual Insurance Company	396	373	23
Total	**18,166**	**19,842**	**-1,676**

OP-Pohjola Group has funded assets of its pension schemes through OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. Key risks associated with defined benefit pension plans relate to the discount rate for pension obligation and return on investment assets covering the pension obligation. Under the present IAS 19, the abovementioned items must be recognised in other comprehensive income in the period in which they occur. Gain of EUR 19 million (–75), resulting from the redetermination of net liabilities under the defined benefit pension plan, was recognised in other comprehensive income.

Credit ratings

OP-Pohjola Group's credit ratings on 31 December 2013

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

Fitch Ratings affirms a rating for both OP-Pohjola Group and Pohjola Bank plc. OP-Pohjola Group's financial position also affects credit ratings affirmed for Pohjola Bank plc.

In 2013, credit ratings or outlooks on credit ratings for OP-Pohjola Group or Pohjola remained unchanged.

Fitch Ratings affirmed on 4 April 2013 and 20 November 2013 OP-Pohjola Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 and the outlook remained stable.

Standard & Poor's affirmed Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ on 31 July 2013 while keeping its outlook negative.

Outlook for 2014

The global economy is strengthening but economic growth will remain slower than usual. The euro-area economy has begun to recover. An increase in exports will make the Finnish economy recover slowly. The European Central Bank will continue to pursue its expansionary monetary policy, which will keep interest rates low for an extended period. In spite of the gradual economic recovery, there is still a fairly high risk of the reversal of the budding upward trend and new financial market disruptions.

As a result of the slowly strengthening economy, the operating environment in the financial sector is gradually improving although historically low interest rates will continue to erode banks' net interest income and weaken insurance institutions' investment income. Changes in the operating environment and the more rigorous regulatory framework will highlight the role of measures to strengthen the capital base and improve profitability.

Unless the operating environment turns out to be considerably weaker than expected, OP-Pohjola Group's earnings before tax are expected to be higher than in 2013. The most significant uncertainties affecting earnings in 2014 relate to the rate of business growth, impairment loss on receivables and changes in the investment environment.

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

Events after the balance sheet date

The next few years will see considerably higher minimum capital requirements as a result of tightening capital adequacy regulation for banks. Higher, general capital requirements have already been reflected in a marked increase in the average capital base of banking and financial groups.

OP-Pohjola Group aims to maintain a solid capital base that creates competitive edge and stability. Due to tightening requirements in the sector, the 15% capital adequacy target for Banking decided earlier by OP-Pohjola Group no longer met the capital adequacy targets the Group had set. After the details of the capital adequacy rules relevant to the Group had become clearer, the Supervisory Board of OP-Pohjola Group's central institution as the Group's highest decision-making body decided on 5 February to raise the capital adequacy target for Banking. The new CET1 target is 18%.The Group must meet the CET1 target by the end of 2016. Because of uncertainties associated with the regulatory framework, the Group's target for capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates remains unchanged so far.

The total Group-level capital base is a combination of the capital base of Group institutions – especially Pohjola Group and member cooperative banks. For this reason, raising the capital adequacy target at Group-level means in practice that Group institutions will also raise their targets.

Achieving the new capital adequacy target and maintaining it will require stronger profitability of OP-Pohjola Group. Accordingly, the central institution's Supervisory Board decided to raise the Group's profitability target too. The new target for return on economic capital is 20%, as against the previous target of 18%. This new target requires OP-Pohjola Group to record earnings before tax above one billion euros within the next few years.

OP-Pohjola Group's other strategic targets remained unchanged.

The central institution of OP-Pohjola Group decided today to make a public voluntary bid for all shares issued by Pohjola Bank plc. OP-Pohjola will issue a separate stock exchange release related to the matter.

Operations and earnings by business segment

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

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax 2013	Earnings before tax 2012	Change, %
Banking	1,706	1 020	-275	411	424	-3.1
Non-life Insurance	533	366	0	167	92	81.7
Wealth Management	272	159	0	113	101	12.1
Other Operations	483	471	-2	9	-13	-174.2
Eliminations	-481	-487	0	6	-18	-131.1
Total	**2,512**	**1,530**	**-277**	**705**	**586**	**20.4**

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

Banking

- Earnings before tax decreased by 3% to EUR 411 million (424), due to lower net interest income and the bank levy.
- The bank levy reduced the segment's earnings by EUR 44 million – total expenses, excluding the bank levy, were lower than a year ago.
- The growth rate of the loan and deposit portfolio, excluding loans taken out and deposits made by financial and insurance institutions, was higher than the industry average.
- Credit risk exposure was stable – impairment losses declined to EUR 81 million (96).

Banking: key figures and ratios

€ million	2013	2012	Change, %
Net interest income	915	970	-5.7
Impairment loss on receivables	81	96	-15.1
Other income	791	722	9.5
Personnel costs	444	446	-0.4
Other expenses	576	534	7.8
Returns to owner-members and OP bonus customers	193	192	0.7
Earnings before tax	**411**	**424**	**-3.1**
Cost/income ratio, %	**59.8**	**57.9**	**1.9**
€ million			
Home loans drawn down	6,340	7,601	-16.6
Corporate loans drawn down	7,235	7,375	-1.9
Net asset inflows to mutual funds	1,973	-698	
No. of brokered property transactions	13,540	16,292	-16.9
€ billion	**31 Dec 2013**	**31 Dec 2012**	**Change, %**
Loan portfolio			
Home loans	33.1	31.7	4.6
Corporate loans	17.9	17.0	5.0
Other loans	17.2	16.4	4.9
Total	**68.2**	**65.1**	**4.8**
Guarantee portfolio	2.9	2.6	9.8
Deposits			
Current and payment transfer	26.6	23.7	12.5
Investment deposits	20.7	21.3	-2.9
Total deposits	**47.4**	**45.0**	5.2
Market share, %*			
Of loans	34.6	34.0	0.6
Of deposits	36.8	36.4	0.4

*) Excluding financial and insurance institutions' credits and deposits.

Banking continued to grow strongly considering the economic situation. However, towards the end of the year, growth in the loan portfolio slowed down due to economic uncertainty.

OP-Pohjola Group's deposits increased by 5.2% in the year to December. Because of the prolonged period of unusually low interest rates and lower term deposit margins, investment deposits decreased by 2.9% in the year to December. The focus of growth in deposits has shifted towards payment transaction accounts, which increased by 12.5% in the year to December.

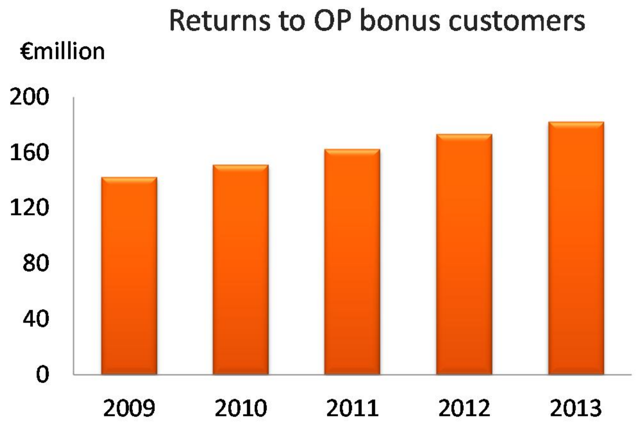
The loan portfolio grew by 4.8% during the financial year. Year on year, the volume of new home loans drawn down decreased by 17% and that of corporate loans by 1.9%. The margins of new corporate and home loans have been rising considerably in the last 12 months.

OP-Pohjola Group has continued to strengthen its market position further, especially in terms of home loans, corporate financing and deposits. OP-Pohjola Group's share in home loans increased during the financial year by 0.9 percentage points to reach 37.8% (36.9) on 31 December 2013. The market share in corporate euro loans increased by 0.8 percentage points to 36.3% (35.5).

The housing market is still sluggish, with the volume of homes sold and bought through the Group's real estate agents decreasing by 17% over the previous year.

On 31 December, the cooperative member banks had 1.4 million owner-members, up by 33,000 year on year. The Group member cooperative banks and Helsinki OP Bank plc, which operates in the Helsinki Metropolitan Area, had a total of 1,3 million OP bonus customers, 48,000 more than a year ago.

The combined amount of bonuses earned by OP bonus customers during the financial year for using OP-Pohjola as their main bank was worth EUR 182 million (173). A total of EUR 93 million (92) of bonuses were used to pay for banking services and EUR 89 million (82) to pay non-life insurance premiums.



Earnings and risk exposure

Earnings before tax were EUR 411 million (424). An increase in net commissions and fees and net trading income compensated for the reduced net interest income caused by low interest rates. Total expenses increased to EUR 1,020 million (980) due to the bank levy of EUR 44 million.

The exceptionally low market interest rates resulted in lower net interest income. Net interest income decreased by 5.7% to EUR 915 million (969).

Net commissions and fees were EUR 57 million higher than a year ago because of higher commissions from lending, payment transactions and wealth management.

Net trading and investment income increased by a total of EUR 13 million year on year, or by 10%.

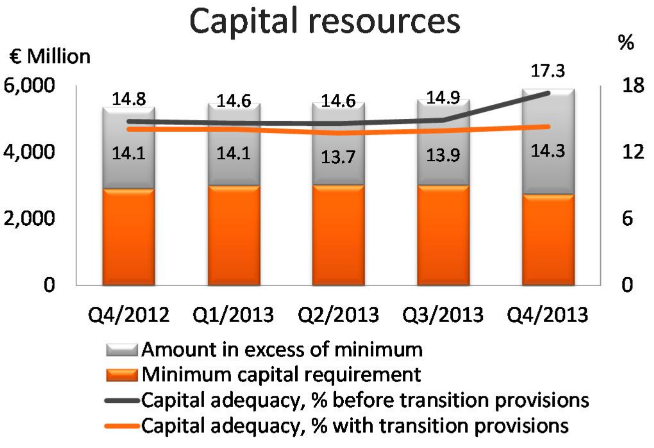
Major risks within Banking include credit risk, market risks and liquidity risk.

Banking's credit risk exposure remained stable with a moderate risk level. During the financial year, the loan and guarantee portfolio increased by EUR 3.3 billion to EUR 71.1 billion. Impairment loss on receivables remained low. The ratio of non-performing and zero-interest loans to the loan and guarantee portfolio was slightly lower than a year ago.

OP-Pohjola Group's non-performing and zero-interest receivables as percentage of loan and guarantee portfolio	**31 Dec 2013**		**31 Dec 2012**	
	€ million	**%**	**€ million**	**%**
Non-performing and zero-interest receivables, net	295	0,42	311	0,46
Impairment loss on receivables since 1 January, net	84	0,12	99	0,15

Capital base and capital adequacy

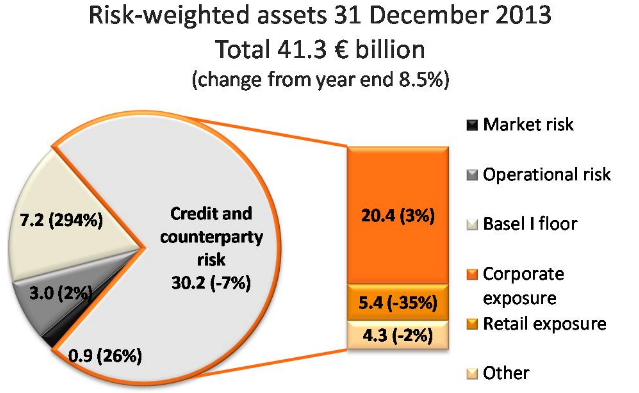
OP-Pohjola Group has a strong capital adequacy compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8%. Moreover, the European Banking Authority (EBA) has set the minimum requirement for the Core Tier 1 ratio at 9% applying to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



The Group's Tier 1 capital amounted to EUR 5,902 million (5,352) on 31 December. The key factors affecting the capital base were the redemption of a lower Tier 2 subordinated note worth EUR 170 million issued by Pohjola Bank plc, earnings for 2013 posted by Banking and dividends and capital refunds from the Group's insurance companies.

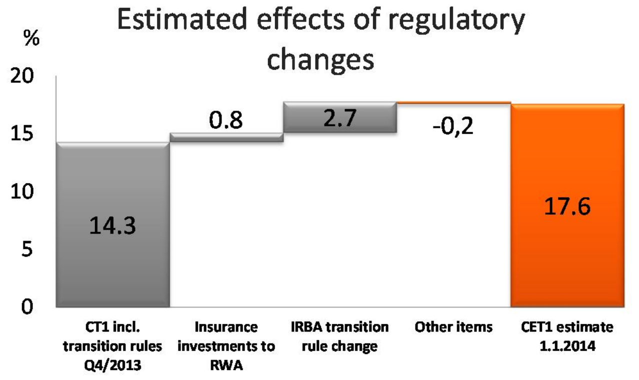
Insurance company investments, deducted in equal proportions from Tier 1 and 2 capital, amounted to EUR 2,309 million (2,419). A total of EUR 358 million (498) were deducted from equity capital as a shortfall of expected losses and impairment losses. Deductions from Tier 2 capital exceeded Tier 2 capital by EUR 382 million (364), which were deducted from Tier 1 capital. The effect of the deduction on the Core Tier 1 ratio is 0.9 percentage points.

The minimum capital requirement was EUR 3,307 million (3,047) on 31 December, or 8.5% higher than a year ago. The average risk weight of the total exposure portfolio decreased as a result of updated rating models for retail exposures, and the average risk weights of corporate exposure decreased slightly, too. A major reason for the growth in the minimum capital requirement has to do with the IRBA transitional provisions that increased it by EUR 433 million. Excluding the transitional provisions, the minimum capital requirement was EUR 2,727 million (2,900), or 6% lower than in the comparison period. The update of the internal rating models approved by the Financial Supervisory Authority reduced the minimum capital requirement by about EUR 230 million and increased the capital adequacy ratio without the transitional provisions by 1.6 percentage points. The updated models for corporate exposure are expected to be adopted in 2014 following approval by the Financial Supervisory Authority. These updates are estimated to have a positive effect on capital adequacy ratios.



The new Capital Requirement Directive and Regulation (CRD IV/CRR) was published in the EU Official Journal on 27 June 2013. These new rules and regulations will be phased in from 1 January 2014 and will implement the Basel III standards within the EU during 2014–19.

On 27 November 2013, OP-Pohjola Group received permission from the Finnish Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The permission will be valid from 1 January 2014 to 31 December 2014, because of supervision will be transferred to the ECB. The method applied to insurance holdings leads to a risk-weight of approximately 280%. Other significant changes include the fact that IRBA transitional provisions will no longer apply to risk-weighted assets and also the transitional provisions concerning the current supplementary cooperative capital, stating that 80% of the supplementary cooperative capital issued on 31 December 2012 may be included in Common Equity Tier 1 (CET1). The other changes in regulations affecting risk-weighted assets are less significant.



The requirements for capital buffers implemented through national legislation will add to capital requirements and the schedule for the implementation of the buffers is not yet known. The upcoming liquidity regulation will increase liquidity management costs. Profitability will play a key role when preparing for regulatory changes.

The new regulations include an indicator on the degree of indebtedness, leverage ratio. The leverage ratio of OP-Pohjola Group's Banking is 6.8% according to the current interpretations, which is more than double the 3% minimum.

Non-life Insurance

- Earnings before tax improved to EUR 167 million (92) and earnings before tax at fair value were EUR 150 million (283). The reduction in the discount rate for pension liabilities decreased earnings by EUR 38 million (52).
- Insurance premium revenue increased by 11% (10).
- The balance on technical account was better. The operating combined ratio was 86.9% (90.5) and operating expense ratio 18.7% (21.5).
- Return on investments at fair value was 3.5% (10.8).
- The number of loyal customer households grew during the financial year by 45,600 (46,700).

Non-life Insurance: key figures and ratios

€ million	2013	2012	Change, %
Insurance premium revenue	1,249	1,126	10.9
Insurance claims and benefits**	809	759	6.6
Net investment income	132	115	14.4
Unwinding of discount and other items included in net income	-43	-45	-4.4
Net income from Non-life Insurance	**529**	**438**	**21.0**
Other net income	3	20	-82.6
Personnel costs	107	135	-20.9
Other expenses	260	231	12.3
Earnings before tax	**167**	**92**	**81.7**
Gross change in fair value reserve	-17	191	
Earnings before tax at fair value	**150**	**283**	**-47.0**
Insurance premium revenue			
Private Customers	630	566	11.2
Corporate and institutional customers	567	513	10.5
Baltic States	52	46	12.5
Total insurance premium revenue	**1,249**	**1,126**	**10.9**
Key ratios, %			
Return on investments at fair value*, %	3.5	10.8	
Operating combined ratio*, %	86.9	90.5	-3.6
Operating expense ratio*, %	18.7	21.5	-2.8
Operating loss ratio*, %	68.2	69.1	-0.9

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

Growth in insurance premium revenue remained brisk in both private and corporate customers. Insurance premium revenue rebounded in the Baltic countries too during the financial year. Sales of policies to private and corporate customers increased by 3% over the previous year.

In 2012, OP-Pohjola Group's market share in terms of non-life insurance premiums written was 29.1% (28.2). Measured by this market share, OP-Pohjola Group is Finland's largest non-life insurer. The market share is expected to have increased further during the financial year.

On 31 December 2013, the number of loyal customer households totalled 615,600 (570,000), of which 73% (69) also use OP-Pohjola Group cooperative banks as their main bank. OP-Pohjola Group member cooperative banks' and Helsinki OP Bank's customers used OP bonuses that they had earned through the use of banking and insurance services to pay 1,783,000 insurance bills (1,629,000) with 253,000 (251,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 89 million (82). The number of loyal customer households increased by 45,600 (46,700) from its 2012-end level.

Earnings and risk exposure

Earnings before tax improved to EUR 167 million (92) as a result of the strong balance on technical account and good investment performance. The discount rate for pension liabilities was reduced from 3.0% to 2.8%, which increased claims incurred by EUR 38 million (52).

The balance on technical account was better than a year ago. The operating combined ratio improved to 86.9% (90.5) year on year. The balance on technical account improved as a result of a strong increase in insurance premium revenue and a decrease in operating expenses. Profitability improved the most in the private customer segment.

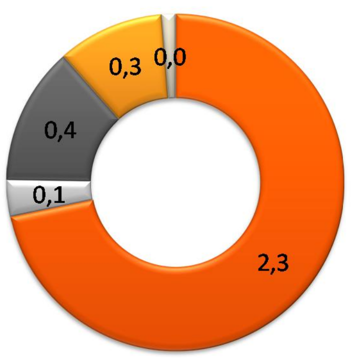
Claims incurred increased by 9%, excluding the effect of the reduction in the discount rate for pension liabilities, or more slowly than insurance premium revenue. Claims incurred arising from new large claims were slightly higher than a year ago. The reported number of major or medium-sized claims (in excess of EUR 0.3 million) was 205 (173) in 2013, with their claims incurred retained for own account totalling EUR 138 million (125). Changes in claims for previous years improved the balance on technical account by EUR 10 million (27). The risk ratio excluding indirect loss adjustment expenses was 61.7% (62.8).

Operating expenses decreased by 3% and the operating expense ratio improved to 18.7% (21.5). The efficiency-enhancement programme launched last year decreased costs, which together with strong growth in income improved efficiency. The operating cost ratio (incl. indirect loss adjustment expenses) was 25.2% (27.8).

Because of the unfavourable interest rate environment, investment income was lower than the year before. Return on investments at fair value was 3.5% (10.8). Net investment income recognised in the income statement amounted to EUR 132 million (115). Impairment losses recognised in the income statement totalled EUR 10 million (13). Net investment income at fair value was EUR 115 million (306).

On 31 December, the investment portfolio of Non-life Insurance totalled EUR 3,219 million (3,149). The credit rating of the fixed-income portfolio remained healthy as investments in the "investment-grade" category accounted for 91% (92), and 74% (73) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.4 years (4.2) and the duration 3.7 years (4.2).

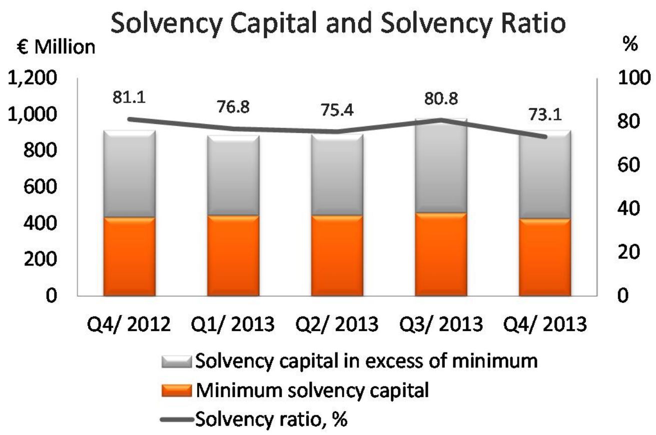
Investment assets €3.2 billion , 31 Dec 2013



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

The reduction in the discount rate for pension liabilities improved Non-life Insurance risk exposure. No major changes took place in the investment portfolio's risk exposure.

On 31 December, Non-life Insurance solvency capital totalled EUR 913 million (914) and the ratio of solvency capital to insurance premium revenue (solvency ratio) was 73% (81). Equalisation provisions decreased to EUR 248 million (273).



Wealth Management

- Earnings before tax increased to EUR 113 million (101); earnings before tax at fair value were EUR 96 million (315).
- Return on investments by Life Insurance at fair value was 3.5% (9.1).
- OP-Pohjola Group's assets under management totalled EUR 52.0 billion (45.1) on 31 December.
- The market share of OP-Pohjola Group's mutual funds improved from 1 January to 31 December by 1.2 percentage points to 19.2%.
- Unit-linked insurance savings increased in the year to December by 17%, and their share of all insurance savings increased to 67%.

Wealth Management: key figures and ratios

€ million	**2013**	**2012**	**Change, %**
Life Insurance's net interest and risk result	50	19	162.2
Net commissions and fees			
Funds and asset management	103	102	0.9
Life insurance	131	98	32.8
Expenses	-34	-28	23.1
Total net commissions and fees	199	172	15.6
Other income	22	45	-50.6
Personnel costs	24	32	-24.6
Other expenses	135	104	29.9
Earnings before tax	**113**	**101**	**12.1**
Gross change in fair value reserve	-17	214	
Earnings before tax at fair value	**96**	**315**	**-69.6**
€ billion	**31 Dec 2013**	**31 Dec 2012**	**Change, %**
Insurance savings	9.4	8.6	9.0
Assets under management (gross)			
Mutual funds	14.4	11.9	20.4
Institutional customers	20.9	19.5	7.3
Private Banking	10.5	8.3	26.2
Unit-linked insurance savings	6.3	5.3	17.0
Total assets under management (gross)	52.0	45.1	15.5
Market share, %			
Insurance savings	24.6	25.0	-0.5
Unit-linked insurance savings	29.1	31.8	-2.7
Mutual fund assets	19.2	18.0	1.2

OP-Pohjola Group's assets under management totalled EUR 52.0 billion (45.1). This amount contains EUR 12.1 billion in assets of the companies belonging to OP-Pohjola Group.

Life Insurance has the strategic goal of increasing unit-linked insurance savings. Unit-linked insurance savings increased between 1 January and 31 December by 17% to EUR 6.3 billion. Their share of all insurance savings increased to 67% (62).

Assets invested in mutual funds managed by OP-Pohjola Group increased in the financial year by 20.4% to EUR 14.4 billion (11.9). Net asset inflows to OP-Pohjola Group's mutual funds totalled about EUR 2.0 billion (-0.7).

Earnings and risk exposure

Earnings before tax increased to EUR 113 million year on year (101). Earnings after a change in the fair value reserve amounted to EUR 96 million (315).

Net commission and fees increased by 16% to EUR 199 million (172). Aurum Investment Insurance Ltd accounted for 11 percentage points of this increase. Investment income, excluding the valuation of derivatives that hedge the interest rate risk of insurance liabilities, totalled EUR 149 million (119).

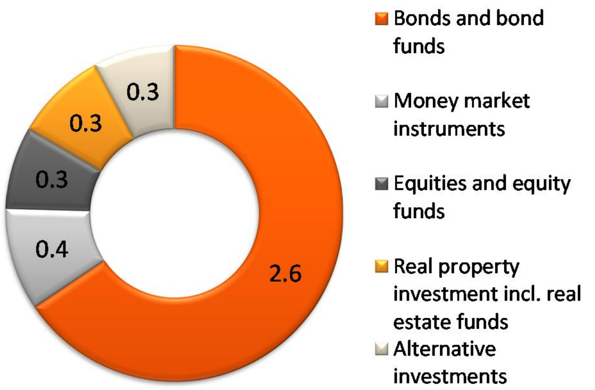
The discount rate was reduced to less than 2.5% until the end of June 2014 in order to prepare for continued low interest rates. Supplementary interest rate provisions totalled EUR 128 million (191) at the end of the financial year.

Reported expenses increased by EUR 23 million year on year. A total of EUR 13 million of the increase of expenses is related to the acquisition of Aurum Investment Insurance Ltd and EUR 8 million to an increase of Life Insurance's sales commissions. The Life Insurance cost ratio, which includes all income to cover operating expenses and in which sales channel fees are excluded, was 34.1% (36.3).

Life Insurance's return on investments at fair value, excluding that from derivatives designated as hedging instruments for interest rate risk related to insurance liabilities, was 3,5% (9.1).

Life Insurance's investment assets, excluding assets covering unit-linked insurance, amounted to EUR 3.9 billion (4.2), and were divided as follows:

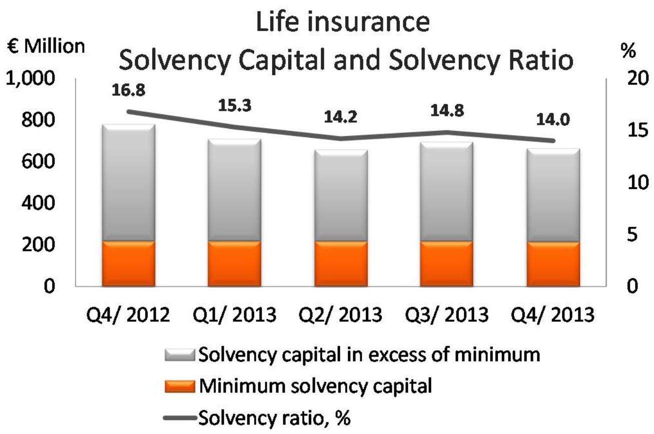
Life Insurance's investment assets
€3.9 billion, , 31 Dec 2013



Investments within the "investment-grade" category accounted for 90% (90) of the fixed-income portfolio. The portfolio's modified duration was 2.4 (3.2) on 31 December.

The key risks associated with Life Insurance are the market risks of investment assets and the interest rate used for the discounting of insurance liabilities. The greatest underwriting risk associated with Life Insurance is people's higher life expectancy. The level of Life Insurance's market risk was reduced in 2013 and interest rate hedge related to insurance liability was increased.

Life Insurance's solvency margin was EUR 664 million, which was three times the required minimum. The solvency ratio, or the ratio of solvency capital to weighted insurance liabilities, was 14.0% (16.8).



Other Operations

Other Operations: key figures and ratios

€ million	2013	2012	Change, %
Net interest income	10	24	-57.4
Net trading income	-11	1	
Net investment income	41	7	510.2
Other income	443	409	8.3
Expenses	471	451	4.6
Impairment loss on receivables	2	3	-24.3
Earnings before tax	**9**	**-13**	**-174.2**
€ billion	**31 Dec 2013**	**31 Dec 2012**	**Change, %**
Receivables from credit institutions	9.5	8.5	11.4
Investment assets	8.4	6.5	30.4
Liabilities to credit institutions	4.5	4.9	-11.5
Debt securities issued to the public	16.7	14.4	16.3

Other Operation's earnings before tax were EUR 9 million (-13).

Net interest income decreased to EUR 10 million (24) because of structural changes to the liquidity buffer within the financial year. Net investment income increased to EUR 41 million (7). Capital gains in the financial year improved net investment income by EUR 15 million (-4). Dividend income totalled EUR 27 million (20). Other Income consists to a large extent of intra-Group service charges, which are presented as business segment expenses. Of the Other Operations expenses, personnel costs accounted for EUR 178 million (151) and ICT costs for EUR 136 million (127).

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

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 183 member cooperative banks (196), OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Forssan Seudun Osuuspankki, Somerniemen Osuuspankki and Someron Osuuspankki merged into Salon Osuuspankki on 31 August 2013, changing its name to Lounaismaan Osuuspankki.

Keikyän Osuuspankki merged into Satakunnan Osuuspankki on 30 September 2013.

Uukuniemen Osuuspankki merged into Kesälahden Osuuspankki on 30 September 2013.

Ähtärin Osuuspankki merged into Etelä-Pohjanmaan Osuuspankki on 30 September 2013.

Sideby Andelsbank and Övermark Andelsbank merged into Korsnäs Andelsbank on 30 September 2013.

Ikaalisten Osuuspankki and Karvian Osuuspankki merged into Parkanon Osuuspankki on 31 December 2013, changing its name to Satapirkan Osuuspankki.

Hauhon Osuuspankki, Hämeenlinnan Seudun Osuuspankki and Lopen Osuuspankki merged into Riihimäen Seudun Osuuspankki on 31 December 2013, changing its name at the same time to Etelä-Hämeen Osuuspankki.

Koillis-Savon Seudun Osuuspankki has decided to merge into Pohjois-Savon Osuuspankki, The planned date for this is 28 February 2014.

Juuan Osuuspankki has decided to merge into Joensuun Seudun Osuuspankki, which will change its name to Pohjois-Karjalan Osuuspankki. The planned date for this is 31 March 2014.

OP IT Procurement Ltd merged with OP-Services Ltd on 31 October 2013.

OP-Pohjola Group's fully owned hospital, Omasairaala Oy, began operations at the beginning of 2013.

OP-Kotipankki Oyj's name was changed on 1 January 2014 to OP-Korttiyhtiö Oyj (OP Card Company Plc).

Personnel and remuneration

At the end of the financial year, OP-Pohjola Group had 11 983 employees (13,290). The staff averaged 12,587 employees (13,411). The reduction in staff related to OP-Pohjola Group's efficiency-enhancement programme and a change in the operating model of ICT services.

A total of 321 people (311) retired from OP-Pohjola Group during the financial year at an average age of 61.6 years (61.5).

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

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

The management incentive scheme consists of consecutive three-year performance periods, the first of which was 2011–13. Those persons included in the scheme will be entitled to receive a certain number of Pohjola Bank plc Series A shares, if OP-Pohjola Group reaches the strategy-based targets set for the respective performance period. The bonus based on the scheme will be paid out to the beneficiary in terms of shares and cash and in three instalments in 2015–2017 after the performance period, provided that the Group's capital adequacy is higher than the internal minimum requirements on the payout date. Bonus payout includes conditions relating to the duration of employment or executive contracts.

Governance of OP-Pohjola Group Central Cooperative

OP-Pohjola Group Central Cooperative's Annual Cooperative Meeting was held on 22 March 2013. Of the members who were due to resign from the Supervisory Board for the term ending 2016, Product Group Director Ola Eklund, Planner Hannu Simi and Senior Lecturer Mervi Väisänen were re-elected. The new members elected were Chairman of the Board of Directors Leif Enberg, Chairman of the Board of Directors Kalevi Korhonen and Export Coordinator Kaija Tölli. Jari Himanen, Managing Director, was elected for the remaining term of 2013–15 to replace Professor Jarmo Partanen who had requested resignation from the Supervisory Board. Moreover, Senior Lecturer Ulla Järvi was elected a new member for the term 2013–2015.

The Supervisory Board comprises 33 members.
At its first meeting following election, the Supervisory Board elected Professor Jaakko Pehkonen Chairman and Senior Lecturer Mervi Väisänen and Managing Director Vesa Lehikoinen Vice Chairmen.

OP-Pohjola Group's efficiency-enhancement programme

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

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

Based on the actions completed by 31 December 2013, annualised savings reached about EUR 116 million, of which personnel-related costs accounted for EUR 55 million.

OP-Pohjola Group's efficiency-enhancement programme was expanded in autumn 2013 when the operating model of ICT services was updated by outsourcing part of application development and maintenance to Accenture and CGI. This means that a total of 460 personnel moved to the companies established with Accenture and CGI. OP-Pohjola Group seeks to achieve annual cost savings of over EUR 20 million through this outsourcing after the transitional period.

Capital expenditure and service development

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

OP-Pohjola Group Central Cooperative Consolidated's development expenditure totalled EUR 108 million (121) in January–December. These include licence fees, purchased services and the payroll costs of its staff.

ICT capital expenditure capitalised in the balance sheet totalled EUR 103 million (94) in the financial year. Of the capital expenditure, EUR 85 million (66) was related to Banking, EUR 12 million (20) to Non-life Insurance and EUR 6 million (8) to Wealth Management.

OP-Pohjola Group began to rebuild its premises in the Vallila campus in 2012, due to be completed by the summer of 2015. The total costs will be almost EUR 250 million. By the end of the financial year, realised costs totalled some EUR 80 million.

OP-Pohjola Group income statement

EUR million	Note	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Interest income		2,512	3,174	-21
Interest expenses		1,599	2,171	-26
Net interest income before impairment losses	4	**913**	**1,002**	**-9**
Impairments of receivables	5	84	99	-15
Net interest income after impairments		**830**	**903**	**-8**
Net income from Non-life Insurance operations	6	524	433	21
Net income from Life Insurance operations	7	175	108	62
Net commissions and fees	8	625	584	7
Net trading income	9	114	81	41
Net investment income	10	66	52	27
Other operating income	11	95	109	-12
Total net income		**2,429**	**2,270**	**7**
Personnel costs		753	764	-2
Other administrative expenses		373	378	-1
Other operating expenses		404	352	15
Total expenses		**1,530**	**1,494**	**2**
Returns to owner-members		193	192	1
Share of associates' profits/losses		0	2	
Earnings before tax for the period		**705**	**586**	**20**
Income tax expense		32	115	-72
Profit for the period		**673**	**471**	**43**
Attributable to, EUR million				
Profit for the period attributable to owners		672	470	43
Profit for the period attributable to non-controlling interest		0	1	
Total		**673**	**471**	**43**

OP-Pohjola Group statement of comprehensive income

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Profit for the period	**673**	**471**	**43**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	19	-75	
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value	-13	648	
Cash flow hedge	-30	50	
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	26	-18	
Items that may be reclassified to profit or loss			
Measurement at fair value	-20	158	
Cash flow hedge	-9	12	
Total comprehensive income for the period	**651**	**942**	**-31**
Attributable to, EUR million			
Profit for the period attributable to owners	651	941	-31
Profit for the period attributable to non-controlling interest	0	1	
Total	**651**	**942**	**-31**

OP-Pohjola Group balance sheet

EUR million	Liite	31 Dec 2013	31 Dec 2012	Change, %
Cash and cash equivalents		2,172	5,784	-62
Receivables from credit institutions		848	840	1
Financial assets at fair value through profit or loss		537	358	50
Derivative contracts		3,423	4,436	-23
Receivables from customers		68,255	65,161	5
Non-life Insurance assets	14	3,497	3,492	0
Life Insurance assets	15	9,880	9,173	8
Investment assets		8,613	6,596	31
Investments in associates		40	39	2
Intangible assets		1,338	1,320	1
Property, plant and equipment (PPE)		760	710	7
Other assets		1,548	1,745	-11
Tax assets		72	115	-38
Total assets		**100,981**	**99,769**	**1**
Liabilities to credit institutions		1,032	1,965	-47
Financial liabilities at fair value through profit or loss		4	3	29
Derivative contracts		3,157	4,162	-24
Liabilities to customers		50,175	49,650	1
Non-life Insurance liabilities	16	2,746	2,598	6
Life Insurance liabilities	17	9,771	8,970	9
Debt securities issued to the public	18	21,428	19,270	11
Provisions and other liabilities		2,680	3,291	-19
Tax liabilities		807	990	-18
Cooperative capital		606	622	-3
Subordinated liabilities		860	1,114	-23
Total liabilities		**93,265**	**92,635**	**1**
Equity capital				
Share of OP-Pohjola Group's owners				
Share and cooperative capital		339	336	1
Fair value reserve	19	325	339	-4
Other reserves		2,739	2,683	2
Retained earnings		4,277	3,752	14
Non-controlling interests		36	24	
Total equity capital		**7,717**	**7,134**	**8**
Total liabilities and equity capital		**100,981**	**99,769**	**1**

Changes in OP-Pohjola Group's equity capital

EUR million	Share and cooperative capital	Fair value reserve: Fair value measure-ment	Fair value reserve: Cash flow hedging	Other reserves	Retained earnings	Non-control-ling interests	Total equity capital
Balance at 1 January 2012	**333**	**-198**	**10**	**2,621**	**3,474**	**3**	**6,242**
Total comprehensive income for the period	-	489	38	-	414	1	**942**
Profit for the period	-	-	-	-	470	1	**471**
Other comprehensive income	-	489	38	-	-56	-	**471**
Increase in cooperative capital	4	-	-	-	-	-	**4**
Transfer of reserves	-	-	-	61	-61	-	**-**
Profit distribution	-	-	-	-	-62	-	**-62**
Share-based payments	-	-	-	-	0		**0**
Other	-1	-	-	1	-13	21	**8**
Balance at 31 Dec 2012	**336**	**291**	**48**	**2,682**	**3,752**	**24**	**7,134**

EUR million	Share and cooperative capital	Fair value reserve: Fair value measure-ment	Fair value reserve: Cash flow hedging	Other reserves	Retained earnings	Non-control-ling interests	Total equity capital
Balance at 1 January 2013	**336**	**291**	**48**	**2,682**	**3,752**	**24**	**7,134**
Total comprehensive income for the period	-	7	-21	-	665	0	**651**
Profit for the period	-	-	-	-	672	0	**672**
Other comprehensive income	-	7	-21	-	-7	-	**-21**
Increase in cooperative capital	4	-	-	-	-	-	**4**
Transfer of reserves	-	-	-	40	-40	-	**-**
Profit distribution	-	-	-	-	-69	-	**-69**
Share-based payments	-	-	-	-	-1	-	**-1**
Other	3	-	-	17	-31	11	**1**
Balance at 31 Dec 2013	**339**	**298**	**27**	**2,739**	**4,277**	**36**	**7,717**

Cash flow statement

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012
Cash flow from operating activities		
Profit for the period	673	471
Adjustments to profit for the period	710	874
Increase (-) or decrease (+) in operating assets	**-5,833**	**-3,139**
Receivables from credit institutions	215	262
Financial assets at fair value through profit or loss	-326	172
Derivative contracts	26	30
Receivables from customers	-3,217	-4,941
Non-life Insurance assets	-65	-205
Life Insurance assets	-412	-252
Investment assets	-2,310	1,754
Other assets	257	41
Increase (+) or decrease (-) in operating liabilities	**-944**	**4,081**
Liabilities to credit institutions	-913	153
Financial liabilities at fair value through profit or loss	1	2
Derivative contracts	-18	-21
Liabilities to customers	525	3,676
Non-life Insurance liabilities	48	10
Life Insurance liabilities	189	22
Provisions and other liabilities	-776	240
Income tax paid	-172	-99
Dividends received	105	118
A. Net cash from operating activities	**-5,461**	**2,306**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-4	-49
Decreases in held-to-maturity financial assets	135	334
Acquisition of subsidiaries, net of cash acquired	-5	-76
Disposal of subsidiaries, net of cash disposed	0	4
Purchase of PPE and intangible assets	-206	-194
Proceeds from sale of PPE and intangible assets	17	9
B. Net cash used in investing activities	**-63**	**28**
Cash flow from financing activities		
Increases in subordinated liabilities	-	500
Decreases in subordinated liabilities	-234	-313
Increases in debt securities issued to the public	24,466	24,457
Decreases in debt securities issued to the public	-22,003	-25,484
Increases in cooperative and share capital	183	221
Decreases in cooperative and share capital	-195	-219
Dividends paid and interest on cooperative capital	-81	-78
Returns to owner-members	-7	-12
C. Net cash from financing activities	**2,129**	**-927**
Net change in cash and cash equivalents (A+B+C)	**-3,396**	**1,407**
Cash and cash equivalents at period-start	**5,872**	**4,465**
Cash and cash equivalents at period-end	**2,476**	**5,872**
Interest received	**2,533**	**3,634**
Interest paid	**-1,694**	**-2,277**
Cash and cash equivalents		
Liquid assets*	2,179	5,798
Receivables from credit institutions payable on demand	297	74
Total	**2,476**	**5,872**

*****Of which Non-life Insurance liquid assets amount to 4 million euros (10) and Life Insurance liquid assets 3 million euros (3).

Note 1. Accounting policies

The Financial Statements Bulletin for 1 January–31 December 2013 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

In the preparation of its Financial Statements Bulletin, OP-Pohjola Group has applied substantially the same accounting policies as in the preparation of its Financial Statements 2012, with the exception of the changes stated below.

The Financial Statements Bulletin 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

IAS 19 Employee Benefits

Since 1 January 2013, OP-Pohjola Group has applied the amendments to IAS 19 Employee Benefits. The revised standard removes the option for entities to apply the so-called corridor method in the recognition of actual gains and losses and changes the calculation of net interest income on the net defined benefit liability. Under the revised standard, the expected return on plan assets used in the calculation of net interest income is calculated based on the discount rate of the plan liability.

The table below shows the effect of the change in the accounting policy on personnel costs for Q1/2012 and financial year 2012 and on other items in comprehensive income. OP-Pohjola Group voluntarily stopped using the corridor method from the beginning of 2012.

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Income statement 2012			
Personnel costs	749	764	16
Income tax expense	119	115	-4
Statement of comprehensive income 2012			
Gains/(losses) arising from remeasurement of defined benefit plans	-90	-75	16
Income tax on gains/(losses) arising from remeasurement of defined benefit plans	-22	-18	4

Other changes

Since the beginning of 2013, Pohjola Group has applied the following changed accounting policies presented in its Financial Statements for 2012:

1.5 Financial instruments

1.5.4 Classification and recognition

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. Pohjola exercises the right of set-off to central counterparty clearing for OTC interest rate derivatives. London Clearing House is the central counterparty.

1.5.7 Derivative contracts

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

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

	Q1-Q4/ 2013	Q1-Q4/ 2012
Return on equity, %	9.1	7.0
Return on equity at fair value, %	8.8	14.1
Return on assets, %	0.67	0.49
Cost/income ratio, %	61	63
Average personnel	12,587	13,411
Full-time	11,662	12,393
Part-time	925	1,018

Return on equity (ROE), %	Profit for the period / Shareholders' equity (average of the beginning and end of the period)	x 100
Return on equity at fair value, %	Total comprehensive income for the period / Shareholders' equity (average of the beginning and end of the period)	x 100
Return on assets (ROA), %	Profit for the period / Average balance sheet total (average of the beginning and end of the period)	x 100
Equity ratio, %	Equity capital / Total assets	x 100
Cost/income ratio, %	Personnel costs + other administrative expenses + other operating expenses / Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses	x 100
Core Tier 1, %	Total Tier 1 capital, excl. hybrid capital and shortfall of Tier 2 capital covered by hybrid capital / Total minimum capital requirement	x 8
Common Equity Tier 1 capital ratio,% (CET1)*	Common Equity Tier 1 (CET1) / Total risk exposure amount	x 100

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

Tier 1 ratio, %	Total Tier 1 capital / Total minimum capital requirement	x 8
Capital adequacy ratio, %	Total capital / Total minimum capital requirement	x 8
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates	Conglomerate's total capital / Conglomerate's total minimum capital requirement	
Return on economic capital, %	Earnings + customer bonuses after tax (value rolling 12 month) / Average economic capital	x 100

Non-life Insurance:

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

Life Insurance:

Operating cost ratio, %	$\frac{\text{Operating expenses before change in deferred acquisitions costs + loss adjustment expenses}}{\text{Expense loading x 100}} \text{ x 100}$

Note 3. OP-Pohjola Group quarterly performance

EUR million	2012 Q4	2013 Q1	Q2	Q3	Q4
Interest income	674	615	625	629	643
Interest expenses	444	401	405	397	396
Net interest income	**231**	**214**	**221**	**232**	**247**
Impairments of receivables	51	9	23	17	34
Net interest income after impairments	**179**	**206**	**197**	**214**	**212**
Net income from Non-life Insurance operation	99	143	137	148	97
Net income from Life Insurance operations	33	70	37	37	31
Net commissions and fees	156	163	154	158	149
Net trading income	22	29	23	29	34
Net investment income	26	25	25	5	10
Other operating income	23	28	23	17	28
Personnel costs	180	201	194	166	192
Other administrative expenses	104	83	94	82	114
Other operating expenses	100	98	97	96	113
Returns to owner-members	50	48	48	49	49
Share of associates' profits/losses	0	0	1	1	-2
Earnings before tax for the period	**104**	**234**	**164**	**216**	**91**
Income tax expense	1	60	38	56	-122
Profit for the period	**103**	**174**	**126**	**160**	**213**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-116	-	-	-	19
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value	132	-13	-116	78	38
Cash flow hedge	5	-11	-20	4	-3
Translation differences	0	0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-29	-	-	-	26
Items that may be reclassified to profit or loss					
Measurement at fair value	32	-3	-28	19	-7
Cash flow hedge	1	-3	-5	1	-2
Total comprehensive income for the period	**119**	**155**	**23**	**223**	**250**

Note 4. Net interest income

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Loans and other receivables	1,257	1,524	-18
Receivables from credit institutions and central banks	11	20	-44
Notes and bonds	184	232	-21
Derivatives (net)			
Derivatives held for trading	37	70	-47
Derivatives under hedge accounting	75	49	54
Ineffective portion of cash flow hedge	3	0	
Liabilities to credit institutions	-5	-9	-50
Liabilities to customers	-268	-406	-34
Debt securities issued to the public	-339	-415	-18
Subordinated debt	-39	-58	-33
Hybrid capital	-6	-8	-17
Financial liabilities held for trading	0	0	1
Other (net)	2	3	-44
Net interest income before fair value adjustment under hedge accounting	**913**	**1,002**	**-9**
Hedging derivatives	-257	270	
Value change of hedged items	257	-269	
Total net interest income	**913**	**1,002**	**-9**

Note 5. Impairments of receivables

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Receivables eliminated as loan or guarantee losses	61	67	-8
Receeoveries of eliminated receivables	-15	-14	-7
Increase in impairment losses on individually assessed receivables	110	108	1
Decrease in impairment losses on individually assessed receivables	-72	-60	-20
Collectively assessed impairment losses	-1	-2	79
Total	**84**	**99**	**-15**

Note 6. Net income from Non-life Insurance

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Net insurance premium revenue			
Premiums written	1,346	1,215	11
Insurance premiums ceded to reinsurers	-57	-49	-15
Change in provision for unearned premiums	-37	-32	-15
Reinsurers' share	-3	-7	62
Total	**1,249**	**1,126**	**11**
Net Non-life Insurance claims			
Claims paid	786	786	0
Insurance claims recovered from reinsurers	-39	-61	36
Change in provision for unpaid claims	65	6	
Reinsurers' share	-3	28	
Total	**809**	**759**	**7**
Net investment income, Non-life Insurance			
Interest income	57	60	-6
Dividend income	26	29	-12
Property	2	1	42
Capital gains and losses			
Notes and bonds	21	27	-23
Shares and participations	22	14	59
Loans and receivables	-	-1	
Property	-1	0	
Derivatives	-1	-11	91
Fair value gains and losses			
Notes and bonds	2	2	43
Shares and participations	0	0	
Loans and receivables	-1	-1	19
Property	4	3	26
Derivatives	4	-2	
Impairments	-10	-13	20
Other	2	2	16
Total	**127**	**110**	**15**
Unwinding of discount	-43	-44	2
Other	0	0	
Net income from Non-life Insurance	**524**	**433**	**21**

Note 7. Net income from Life Insurance

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Premiums written	1,074	848	27
Reinsurers' share	-25	-27	8
Total	**1,049**	**821**	**28**
Claims incurred			
Benefits paid	-750	-644	-16
Change in provision for unpaid claims	-16	-42	63
Reinsurers' share	11	11	2
Change in insurance liabilities			
Change in life insurance provision	-597	-619	4
Reinsurers' share	-1	6	
Total	**-1,353**	**-1,289**	**-5**
Other	-42	-58	28
Total	**-346**	**-527**	**-34**
Net investment income, Life Insurance			
Interest income	55	57	-4
Dividend income	46	61	-25
Property	0	-3	85
Capital gains and losses			
Notes and bonds	3	0	
Shares and participations	58	36	59
Loans and receivables	6	1	
Property	4	-1	
Derivatives	1	-17	
Fair value gains and losses			
Notes and bonds	-3	-2	
Shares and participations	-1	-1	11
Loans and receivables	-2	2	
Property	5	2	
Derivatives	-81	129	
Impairments	-26	-32	18
Other	1	3	-85
Assets serving as cover for unit-linked policies			
Shares and participations			
Capital gains and losses	86	70	22
Fair value gains and losses	328	303	8
Other	41	24	71
Total	**521**	**635**	**-18**
Net income from Non-life Insurance	**175**	**108**	**62**

Note 8. Net commissions and fees

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Commission income			
Lending	199	176	14
Deposits	6	5	15
Payment transfers	212	175	21
Securities brokerage	22	21	9
Securities issuance	11	15	-25
Mutual funds brokerage	90	77	17
Asset management and legal services	74	70	5
Insurance brokerage	52	54	-3
Guarantees	23	22	1
Other	31	44	-31
Total	**721**	**659**	**9**
Commission expenses	96	74	29
Net commissions and fees	**625**	**584**	**7**

Note 9. Net trading income

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Capital gains and losses			
Notes and bonds	4	13	-72
Shares and participations	5	1	
Derivatives	70	-20	
Changes in fair value			
Notes and bonds	-2	2	
Shares and participations	3	6	-52
Derivatives	12	63	-80
Dividend income	1	1	3
Net income from foreign exchange operations	22	14	54
Total	**114**	**81**	**41**

Note 10. Net investment income

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Available-for-sale financial assets			
Capital gains and losses			
Notes and bonds	16	17	-7
Shares and participations	3	8	-64
Dividend income	31	24	29
Impairment losses	-3	-11	-77
Carried at amortised cost			
Capital gains and losses	0	-12	
Total	**47**	**26**	**82**
Investment property			
Rental income	41	38	7
Maintenance charges and expenses	-36	-28	-28
Changes in fair value, capital gains and losses	12	15	-17
Other	1	1	8
Total	**18**	**26**	**-29**
Other	0	-	
Net investment income	**66**	**52**	**27**

Note 11. Other operating income

EUR million	Q1-Q4/ 2013	Q1-Q4/ 2012	Change, %
Income from property and business premises in own use	17	16	7
Rental income from assets rented under operating lease	8	10	-22
Other	70	82	-15
Total	**95**	**109**	**-12**

Note 12. Classification of financial instruments

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and balances with central banks	2,172	-	-	-	-	2,172
Receivables from credit institutions ** and central banks	848	-	-	-	-	848
Derivative contracts	-	-	2,943	-	479	3,423
Receivables from customers	68,255	-	-	-	-	68,255
Non-life Insurance assets***	585	-	116	2,797	-	3,497
Life Insurance assets****	212	-	6,493	3,174	-	9,880
Notes and bonds	-	271	450	7,586	-	8,307
Shares and participations	-	-	87	305	-	392
Other receivables	3,758	-	450	-	-	4,208
Total 31 December 2013	**75,830**	**271**	**10,539**	**13,862**	**479**	**100,981**
Total 31 December 2012	**76,577**	**401**	**10,392**	**11,696**	**703**	**99,769**

EUR million			Financial liabilities at fair value through profit or loss*******	Other liabilities	Hedging derivatives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	1,032	-	1,032
Financial liabilities held for trading (excl. derivatives)	-	-	4	-	-	4
Derivative contracts	-	-	2,908	-	250	3,157
Liabilities to customers	-	-	-	50,175	-	50,175
Non-life Insurance liabilities*****	-	-	0	2,746	-	2,746
Life Insurance liabilities******	-	-	6,308	3,463	-	9,771
Debt securities issued to the public	-	-	-	21,428	-	21,428
Subordinated loans	-	-	-	860	-	860
Other liabilities	-	-	-	4,092	-	4,092
Total 31 December 2013	-	-	**9,219**	**83,796**	**250**	**93,265**
Total 31 December 2012	-	-	**9,119**	**83,097**	**419**	**92,635**

*Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies and investment contracts.

** Include EUR 2,500 million in a one-week deposit facility with the central bank.

***Non-life Insurance assets are specified in Note 14.

****Life Insurance assets are specified in Note 15.

*****Non-life Insurance liabilities are specified in Note 16.

******Life Insurance liabilities are specified in Note 17.

*******Includes the balance sheet value of insurance liabilities related to unit-linked policies.

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

On 31 December, the fair value of these debt instruments was approximately EUR 403 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques.

Subordinated liabilities are carried at amortised cost.

Note 13. Recurring fair value measurements by valuation technique

Fair value of assets on 31 Dec 2013, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	152	383	1	537
Non-life Insurance	-	6	-	6
Life Insurance*	6,061	239	16	6,316
Derivative financial instruments				
Banking	10	3,201	212	3,423
Non-life Insurance	4	0	-	4
Life Insurance	1	70	-	71
Available-for-sale				
Banking	6,098	1,752	41	7,891
Non-life Insurance	1,648	917	232	2,797
Life Insurance	1,800	947	427	3,174
Total	**15,774**	**7,516**	**928**	**24,218**

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

Fair value of assets on 31 Dec 2012, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	125	209	23	358
Non-life Insurance	-	13	6	19
Life Insurance*	5,169	211	80	5,460
Derivative financial instruments				
Banking	7	4,400	28	4,436
Non-life Insurance	1	0	-	1
Life Insurance	-	130	-	130
Available-for-sale				
Banking	4,517	1,209	46	5,772
Non-life Insurance	1,799	759	244	2,802
Life Insurance	1,626	789	707	3,122
Total	**13,244**	**7,721**	**1,136**	**22,100**

*Includes 5,373 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 5,169 million and Level 2 for 204 million euros.

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

*Includes 6,299 million euros in the fair value of liabilities of unit-linked policies and unit-linked investment contracts, with Level 1 accounting for 6,060 million euros and Level 2 for 239 million euros.

Fair value of liabilities on 31 Dec 2012, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recognised at fair value through profit or loss				
Banking	-	3	-	3
Non-life Insurance	-	-	-	-
Life Insurance*	5,167	204	-	5,371
Derivative financial instruments				
Banking	21	4,056	85	4,162
Non-life Insurance	3	0	-	3
Life Insurance	-	-	-	-
Total	**5,190**	**4,264**	**85**	**9,539**

*Includes 5,371 million euros in the fair value of liabilities of unit-linked policies and unit-linked investment contracts, with Level 1 accounting for 5,167 million euros and Level 2 for 204 million euros.

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 2013, EUR 145 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		Available-for-sale financial assets		
	Banking	**Insurance**	**Banking**	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan 2013	23	87	28	-	46	951	1,136
Total gains/losses in profit or loss	-15	1	183	-	-2	-22	144
Total gains/losses in other comprehensive income	-	0	-	-	2	30	32
Purchases	-	1	-	-	1	54	56
Sales	-5	-50	-	-	-6	-290	-351
Issues	- -		-	-	-	-	-
Settlements	-2	-22	-	-	0	0	-24
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-65	-65
Closing balance 31 Dec 2013	**1**	**16**	**212**	**-**	**41**	**658**	**928**

Financial liabilities, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		
	Banking	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan 2013	-	-	85	-	85
Total gains/losses in profit or loss	-	-	46	-	46
Total gains/losses in other comprehensive income	-	-	-	-	-
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Issues	-	-	-	-	-
Settlements	-	-	-	-	-
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Closing balance 31 Dec 2013	-	-	131	-	131

Total gains/losses included in profit or loss by item for the financial year on 31 December 2013

EUR Million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Net income from Life Insurance	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-15	2	-5	-17	-	-35
Unrealised net gains (losses)	230	-4	-	-	32	258
Total net gains (losses)	**214**	**-2**	**-5**	**-17**	**32**	**222**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. Level 3 derivatives relate to structured bonds issued by Pohjola, whose return is determined by the value performance of an embedded derivative instrument.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2013.

Note 14. Non-life Insurance assets

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Investments			
Loan and other receivables	61	104	-41
Shares and participations	471	409	15
Property	106	112	-6
Notes and bonds	2,014	1,960	3
Derivatives	4	1	
Other participations	318	452	-30
Total	**2,974**	**3,038**	**-2**
Other assets			
Prepayments and accrued income	40	41	-3
Other			
Arising from direct insurance operations	324	290	12
Arising from reinsurance operations	90	91	-1
Cash in hand and at bank	4	10	-58
Other receivables	64	20	
Total	**524**	**454**	**15**
Non-life Insurance assets	**3,497**	**3,492**	

Note 15. Life Insurance assets

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Investments			
Loan and other receivables	80	168	-52
Shares and participations	1,375	1,702	-19
Property	107	156	-31
Notes and bonds	1,815	1,506	20
Derivatives	71	130	-45
Total	**3,448**	**3,663**	**-6**
Assets covering unit-linked insurance contracts			
Shares, participations and other investments	6,300	5,373	17
Other assets			
Prepayments and accrued income	47	44	6
Other			
Arising from direct insurance operations	5	12	-56
Arising from reinsurance operations	77	77	0
Cash in hand and at bank	3	3	-12
Total	**132**	**137**	**-3**
Life Insurance assets	**9,880**	**9,173**	**8**

Note 16. Non-life Insurance liabilities

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Provision for unpaid claims			
Provision for unpaid claims for annuities	1,253	1,205	4
Other provision for unpaid claims	847	788	8
Total	2,100	1,993	5
Provisions for unearned premiums	493	455	8
Other liabilities	152	150	1
Total	**2,746**	**2,598**	**6**

Note 17. Life Insurance liabilities

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Liabilities for unit-linked insurance	5,039	4,288	18
Investment contracts	1,260	1,082	16
Insurance liabilities	3,389	3,578	-5
Other liabilities	92	21	
Total	**9,771**	**8,970**	**9**

Insurance liabilities include EUR 84 (163) million in a change in the fair value of secured interest rate swaps.

Note 18. Debt securities issued to the public

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Bonds	8,828	7,920	11
Covered bonds	5,698	5,692	
Certificates of deposit, commercial papers and ECPs	6,801	5,514	23
Other	101	144	-30
Total	**21,428**	**19,270**	**11**

Note 19. Fair value reserve after income tax

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Notes and bonds	63	85	-25
Shares and participations	235	207	14
Other	27	48	-44
Total	**325**	**339**	-4

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

The fair value reserve before tax amounted to EUR 406 million (449) and the related deferred tax liability amounted to EUR 81 million (110). On 31 December, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 293 million (260) million and negative mark-to-market valuations EUR 20 million (21).

Note 20. Impairment loss and doubtful receivables

Receivables from credit institutions and customers, and impairment loss, EUR million	**31 Dec 2013**	**31 Dec 2012**
Receivables from credit institutions and customers (gross)	69,552	66,416
Total impairment loss, of which	449	413
Individually assessed	391	355
Collectively assessed	58	58
Receivables from credit institutions and customers (net)	**69,103**	**66,003**

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

Doubtful receivables 31 Dec 2012, EUR million	**Receivables from credit institutions and customers (gross)**	**Individually assessed**	**Receivables from credit institutions and customers (net)**
Non-performing	456	149	307
Zero-interest	12	8	4
Underpriced	130	1	129
Renegotiated	217	-	217
Other	305	197	108
Total	**1,120**	**355**	**765**

Key ratio, %	**31 Dec 2013**	**31 Dec 2012**
Exposures individually assessed for impairment, % of doubtful receivables	28.6 %	31.7 %

Doubtful receivables include non-performing, zero-interest and under-priced receivables as well as receivables that are subject to individually assessed impairment or receivables that have been renegotiated due to customer's financial difficulties. Interest on or principal of non-performing receivables has been due for payment and outstanding for three months. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. Under-priced receivables have been priced below market prices to secure customer payment capacity. Impaired receivables include those that are subject to impairment but cannot be classified under any of the above categories. In addition, receivables which have not been classified under any of the above categories but the terms and conditions of the contract have been renegotiated to allow the borrower sufficient ability to service the debt are reported as renegotiated receivables. Renegotiated receivables were added to the definition of doubtful receivables in 2013 to also cover forborne receivables. Comparative information has been restated accordingly.

Note 21. Capital structure and capital adequacy

Capital structure and capital adequacy, EUR million	31 Dec 2013	31 Dec 2012	Change, %
Tier 1 capital			
OP-Pohjola Group's equity capital	7,717	7,134	8
The effect of insurance companies on the Group's shareholders' equity is excluded (incl. OVY's technical provisions)	-205	-160	28
Fair value reserve, transfer to Tier 2	-81	-82	-1
Supplementary cooperative capital not included in equity capital	603	620	-3
Core Tier 1 capital before deductions and hybrid capital	**8,035**	**7,513**	**7**
Intangible assets	-424	-372	14
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-96	-100	-4
Planned profit distribution / profit distribution as proposed by the Board	-99	-68	46
Investments in insurance companies and financial institutions	-1,154	-1,210	-5
Shortfall of impairments – expected losses	-179	-249	-28
Shortfall of other Tier 1 capital	-180	-163	
Core Tier 1 capital	**5,902**	**5,352**	**10**
Hybrid capital	202	201	0
Shortfall of Tier 2 capital	-382	-364	5
Transfer to Core Tier 1 capital	180	163	
Tier 1 capital	**5,902**	**5,352**	**10**
Tier 2 capital			
Fair value reserve (excl. cash flow hedge valuation)	54	34	59
Perpetual bonds	-	0	-100
OVY's equalisation provision	228	218	5
Debenture loans	670	842	-21
Investments in insurance companies and financial institutions	-1,154	-1,210	-5
Shortfall of impairments – expected losses	-179	-249	-28
Transfer to Tier 1 capital	382	364	5
Tier 2 capital	**0**	**0**	
Total capital base	**5,902**	**5,352**	**10**

Risk-weighted assets			
Credit and counterparty risk	30,175	32,575	-7
Central government and central banks exposure	86	46	88
Credit institution exposure	1,118	1,208	-7
Corporate exposure	20,450	19,870	3
Retail exposure	5,404	8,298	-35
Other	3,118	3,153	-1
Market risk	909	723	26
Operational risk	3,007	2,954	2
Other	7,247	1,841	
Total	**41,339**	**38,093**	**9**
Risk-weighted assets, excl. transition provisions	**34,091**	**36,252**	**-6**
Minimum capital requirement			
Credit and counterparty risk	2,414	2,606	-7
Market risk	73	58	26
Operational risk	241	236	2
Other	580	147	
Total	**3,307**	**3,047**	**9**
Minimum capital requirement, excl. transition provisions	**2,727**	**2,900**	**-6**

Ratios, %	31 Dec 2013	31 Dec 2012	Change, percentage point
Ratios under transition provisions			
Capital adequacy ratio	14.3	14.1	0.2
Tier 1 capital ratio	14.3	14.1	0.2
Core Tier 1 capital ratio	14.3	14.1	0.2
Ratios excl. transition provisions			
Capital adequacy ratio	17.3	14.8	2.5
Tier 1 capital ratio	17.3	14.8	2.5
Core Tier 1 capital ratio	17.3	14.8	2.5

Capital base*, EUR million	31 Dec 2013	31 Dec 2012	Change, %
Capital base under transition provisions	2,595	2,305	13
Capital base excl. transition provisions	3,174	2,452	29

*Capital base above minimum capital requirement

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

EUR million	31 Dec 2013	31 Dec 2012	Change, %
OP-Pohjola Group's equity capital	7,717	7,134	8
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,488	1,676	-11
Other sector-specific items excluded from capital base	-5	-1	
Goodwill and intangible assets	-1,308	-1,272	3
Equalisation provisions	-205	-212	-4
Proposed profit distribution	-99	-68	46
Items under IFRS deducted from capital base*	-127	-179	-29
Shortfall of impairments – expected losses	-358	-498	-28
Conglomerate's capital base, total	**7,104**	**6,581**	**8**
Regulatory capital requirement for credit institutions**	3,307	3,047	9
Regulatory capital requirement for insurance operations***	437	421	4
Conglomerate's total minimum capital requirement	**3,744**	**3,468**	**8**
Conglomerate's capital adequacy	**3,359**	**3,112**	**8**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base)	**1.90**	**1.90**	

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

** Risk-weighted assets x 8%

*** Minimum solvency margin

Note 23. Collateral given

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Collateral given on behalf of own liabilities and commitments			
Mortgages	1	1	
Pledges	11	14	-20
Loans (as collateral for covered bonds)	7,542	8,173	-8
Other	485	623	-22
Other collateral given			
Pledges*	5,705	4,618	24
Total	**13,744**	**13,428**	**2**
Other secured liabilities	490	592	-17
Covered bonds	5,698	5,692	0
Total secured liabilities	**6,188**	**6,284**	**-2**

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

Note 24. Off-balance-sheet items

EUR million	31 Dec 2013	31 Dec 2012	Change, %
Guarantees	931	955	-3
Other guarantee liabilities	1,967	1,684	17
Pledges	3	3	-21
Loan commitments	9,927	10,856	-9
Commitments related to short-term trade transactions	265	451	-41
Other	489	479	2
Total off-balance-sheet items	**13,582**	**14,430**	**-6**

Note 25. Derivative contracts

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

	Nominal values / remaining term to maturity				Fair values*	
31 December 2012, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	42,348	77,038	37,815	157,202	4,356	3,715
Currency derivatives	19,859	2,746	517	23,122	294	340
Equity and index-linked derivatives	303	819	6	1,127	50	0
Credit derivatives	122	92	-	214	10	2
Other derivatives	244	561	78	883	36	37
Total derivatives	**62,876**	**81,256**	**38,416**	**182,548**	**4,746**	**4,093**

*Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet.

Financial assets offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

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

Financial liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

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

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

**Fair values excluding accrued interest

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

Central counterparty clearing for OTC derivatives

In anticipation of entry into force of central counterparty clearing required by the European Market Infrastructure Regulation (Regulation (EU) No. 648/2012), OP-Pohjola Group started in February 2013 central counterparty clearing in London Clearing House for new interest rate derivatives covering standardised OTC derivative transactions entered into with financial counterparties. Since OP-Pohjola Group is not a direct member of London Clearing House, it will manage central counterparty clearing for OTC derivative transactions with a few, separately selected clearing brokers with which it has concluded clearing agreements. The central counterparty will become the derivatives counterparty at the end of the daily clearing process. Based on this operating model, 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). As a result of the change in the operating model, interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet. This change has not yet had any substantial effect on the consolidated balance sheet.

Other bilaterally cleared OTC derivative contracts

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

Note 26. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2012.

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

Pohjola Bank plc will publish its own Financial Statements Bulletin.

Financial reporting in 2014

Schedule for Interim Reports in 2014:

Interim Report Q1/2014	29 April 2014
Interim Report H1/2014	6 August 2014
Interim Report Q1–3/2014	29 October 2014

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