OP-Pohjola Group´s Interim Report for 1 January - 31 March 2012

OP-Pohjola

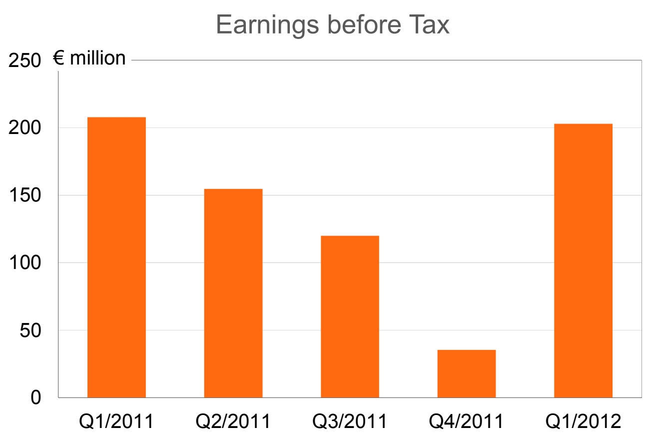
OP-Pohjola Group has good first quarter – earnings before tax were over EUR 200 million, capital adequacy improved further and business growth remained strong

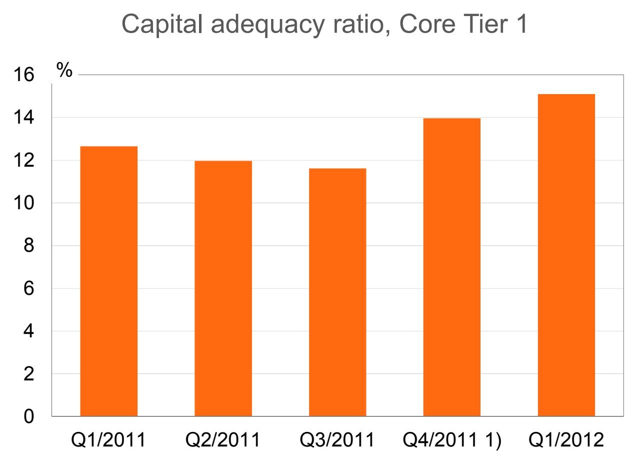
- Earnings before tax for the first quarter were EUR 203 million (210), that is, about the same as a year ago. Compared to the previous quarter – which was burdened by non-recurring items (Q4/2011: EUR 37 million) – earnings rose significantly.
- Net interest income increased considerably, being 15% higher than a year ago. Total income increased by 5%.
- Due to investments in business growth and development, expenses increased by 13%. Impairment loss on receivables came to EUR 11 million, or 55% lower than a year earlier.
- The Group's capital adequacy reached a new record level as the Core Tier 1 ratio exceeded the 15% target, standing at 15.1%.
- Integration of banking and non-life insurance operations proceeded well. The number of joint customers rose in the report period by 31,000. Growth continued in both business segments at a rate above the market average with the exception of mutual funds.
- The Group improved its market position in both home loans and corporate financing.
- OP-Pohjola Group's 2012 earnings before tax are expected to be about the same or better than in 2011. For more details, see "Outlook for the rest of 2012".

OP-Pohjola Group's key indicators

	Q1/2012	Q1/2011	Change %	Q1–4/2011
Earnings before tax, € million	203	210	-3.2	525
Banking	155	134	15.1	483
Non-life Insurance	15	19	-19.4	8
Life Insurance	19	37	-47.6	10
Returns to owner-members and OP bonus customers	44	42	5.4	176
	31 Mar 2012	**31 Mar 2011**	**Change %**	**31 Dec 2011**
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)	2.02	1.67	0.35*	1.80
Core Tier 1, %	15.1	12.7	2.5*	14.0
Non-performing receivables within the loan portfolio, %	0.53	0.43	0.10*	0.47
Joint banking and insurance customers, 1,000	1,329	1,222	8.8	1,299

* Change in ratio





1) The effect of the transition to IRBA is about 2.6 percentage points

Comments by Reijo Karhinen, Executive Chairman

We got off to a good start to our 110th anniversary. Our first-quarter performance was on the whole the best since the financial crisis: our earnings, capital adequacy and growth performance were at a level that I am very happy with.

Despite the sovereign debt crisis, our funding suffered no hiccups. This created stability and a positive feeling, and our financial position is now very strong.

Many banks elsewhere in Europe had to cut down on their operations to improve their capital adequacy, but we were going against the current. Our capital adequacy got better and better and actually reached record figures. At the same time, our business growth enjoyed double-figure growth.

Our operating profit was at the same level as last year and improved considerably from the last quarter of 2011 that was burdened by extraordinary items. Our earnings were boosted by significantly higher net interest income but eroded by much higher expenses. Both of these were affected by strong business growth. Our expenses grew because we increased our resources for development and customer service. The persistently low interest rates will level off net interest income growth in the course of 2012. It is clear that if we wish to continue to offer competitive prices in the long run, we need to keep our expenses in check.

This month we are celebrating our Group's 110th anniversary, and there is reason for celebration as the number customers we attract keeps going up. The number of customers we have who use both our banking and non-life insurance services has increased after the purchase of the Pohjola insurance operations by over 600,000. During the first quarter, this growth continued at a record rate of 31,000 customers. This would not have been possible if we had not been able to keep up with the times. Whenever our customers approach us, I want them to feel that we provide an easy-to-use, personal and caring service.

In recent years, economic turbulence has become the norm, and swiftly changing capital markets dominate financial reporting. Predicting the future is still very difficult, but on the other hand businesses that are able to operate within an atmosphere of uncertainty have a definite competitive edge. Although Finland's economic future and recovery from the euro area sovereign debt crisis is uncertain and some setbacks surely lie ahead, we have nevertheless reason to be positive. The difference with the last quarter of 2011 is striking.

OP-Pohjola Group has shown excellent resilience in the midst of the financial and sovereign debt crisis. I continue to look into the future with confidence.

OP-Pohjola Group's Interim Report for 1 January–31 March 2012

Contents

Operating environment

Confidence in the global economy improved slightly in the first quarter of 2012. The US economy continued to recover at a moderate pace and the unemployment rate fell. Growth in industrial output in emerging economies slowed down but remained positive. The euro-area economic outlook improved slightly in the first quarter but economic development remained weak.

The European Central Bank's (ECB) support measures enhanced confidence in the euro-area economy. In December and February, the ECB carried out three-year, long-term refinancing operations for European banks. As a result of the ECB's decisions, banks' market-based funding showed recovery and market interest rates came down.

The economic environment was also stabilised by the fact that EU leaders sealed a second bailout package for Greece and signed a new treaty aimed at ensuring budget and fiscal discipline.

The Finnish economy remained on the growth path in the first quarter of 2012, with retail sales showing brisk growth and unemployment decreasing further. However, industrial production and exports were subdued.

The Finnish economy will grow at a sluggish rate during the current year, but export revival will slightly buoy up GDP growth.

The ECB expects a gradual economic recovery in the euro zone. Based on its recent statements, the ECB does not expect to change its key rate of 1.0% for a long time. Due to ample liquidity, short-term market rates are expected to remain unusually low during the rest of the year.

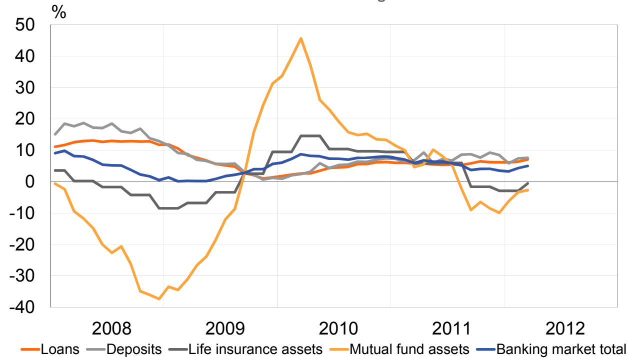
Great uncertainty is still associated with the global economic outlook. The euro-area sovereign debt crisis will continue to pose the greatest risk for an economic recovery.

In the Finnish banking sector, the loan portfolio grew at an annual steady rate of around 7% during the first quarter. Despite a slight decrease in sales volumes in the housing market, loans to households continued their steady growth. The corporate loan portfolio grew at a somewhat higher rate but growth prospects are uncertain.

The decline in mutual fund assets and insurance assets that had begun last summer came to an end in the first quarter of 2012 when financial markets perked up. Globally, stock prices improved by an average of 12% during the first quarter and by slightly more in Finland. Net asset inflows turned positive, while sales of life insurance policies continued to fall. Total deposits had been growing at a fairly good rate until the year-end, but slowed down a bit in the first quarter.

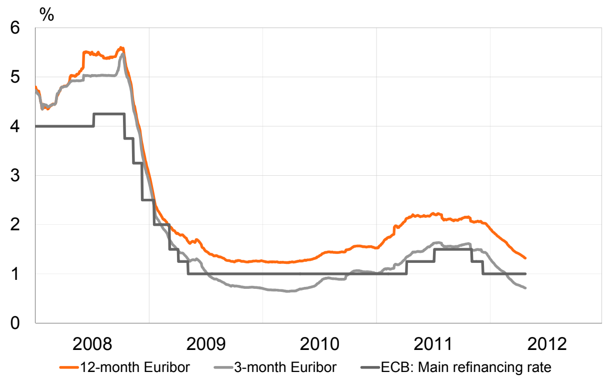
During the same period, non-life insurance premiums written grew at a slightly higher rate than the rate of 6% seen a year earlier. Growth in claims paid out remained vigorous.

Banking business
12-month change



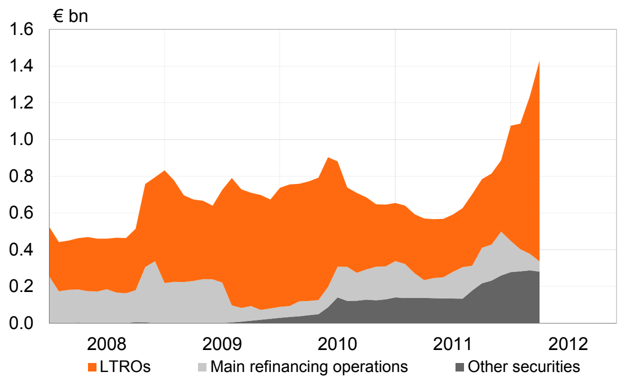
Sources: Bank of Finland, Federation of Finnish Financial Services, The Finnish Association of Mutual Funds

Euribor rates and ECB refi rate



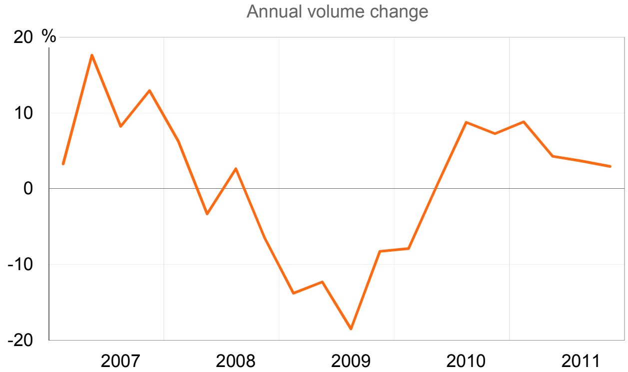
Source: Bank of Finland

ECB liquidity-providing operations



Source: Reuters EcoWin

Fixed investments
Annual volume change



Source: Statistics Finland

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

Earnings analysis, € million	Q1/2012	Q1/2011	Change %	Q4/2011	Change %	Q1–4/2011
Banking	155	134	15.1	122	26.2	483
Non-life Insurance	15	19	-19.4	-63		8
Life Insurance	19	37	-47.6	-25		10
Earnings before tax	**203**	**210**	**-3.2**	**37**		**525**
Gross change in fair value reserve	378	-82		55		-400
Earnings before tax at fair value	**581**	**128**		**93**		**125**
Return on economic capital, % *)	13.5	15.5	-2.0*			13.7
Return on economic capital at fair value, % *)	14.6	14.3	0.4*			6.3
Income						
Net interest income	274	238	15.0	275	-0.3	1,030
Net income from Non-life Insurance	100	92	8.1	20		312
Net income from Life Insurance	32	50	-35.0	-6		72
Net commissions and fees	153	156	-1.7	138	10.9	574
Net trading and investment income	52	46	14.1	38	38.4	80
Other operating income	25	27	-6.5	25	2.4	93
Other income, total	**363**	**371**	**-2.1**	**215**	**68.8**	**1,131**
Total income	**637**	**609**	**4.6**	**490**	**30.0**	**2,160**
Expenses						
Personnel costs	199	176	13.2	180	11.0	689
Other administrative expenses	93	80	15.6	104	-10.5	351
Other operating expenses	87	78	11.8	88	-1.2	318
Total expenses	**379**	**334**	**13.5**	**372**	**2.1**	**1,358**
Impairment loss on receivables	**11**	**23**	**-55.0**	**37**	**-71.7**	**101**
Returns to owner-members and OP bonus customers						
Bonuses	42	40	5.9	42	0.8	163
Interest on ordinary and supplementary cooperative capital	2	3	-2.5	2	-2.0	14
Total returns	**44**	**42**	**5.4**	**44**	**0.7**	**176**

*) 12-month rolling, change in percentage

Other key indicators, € million	31 Mar 2012	31 Mar 2011	Change %	31 Dec 2011	Change %
Receivables from customers	61,646	57,131	7.9	60,331	2.2
Life Insurance assets	7,227	7,594	-4.8	7,006	3.2
Non-life Insurance assets	3,628	3,415	6.3	3,205	13.2
Liabilities to customers	45,845	38,743	18.3	45,974	-0.3
Debt securities issued to the public	20,125	19,844	1.4	20,005	0.6
Equity capital	6,642	6,537	1.6	6,242	6.4
Balance sheet total	94,063	84,996	10.7	91,905	2.3
Tier 1 capital	5,546	5,446	1.8	4,753	16.7

January–March

The Group's earnings before tax amounted to EUR 203 million (210). The report period's profit performance was supported by higher net interest income, lower impairment loss on receivables and the fact that non-life insurance claims expenditure was lower in relation to insurance premiums than a year ago. Earnings were eroded by lower net investment income and asset management commissions and fees than a year earlier, as well as higher expenses. Bonuses to owner-members and OP bonus customers recognised in the income statement grew by 5.9% year on year to EUR 42 million.

The Group's fair value reserve increased by EUR 378 million thank to a recovery of the investment environment, while a year ago it decreased by EUR 82 million. Earnings before tax at fair value was record-high – EUR 581 million (128).

Pre-tax earnings by Banking went up by 15.1% as a result of higher net interest income and lower impairment losses. Income increased by a total of by 6.2%. Net commissions and fees were EUR 153 million (156) as commissions and fees related to lending increased, on the one hand, and asset management commissions and fees were lower than the year before, on the other.

The operating combined ratio of Non-life Insurance was 100.1% (100.5). Non-life and Life Insurance's pre-tax earnings were lower than a year ago mainly because net investment income fell from its level a year ago. However, return on investments at fair value by both segments was clearly higher than a year ago.

Expenses rose by 13.5% year on year primarily due to higher ICT and personnel costs in order to boost business growth and development, and by higher depreciation on real estate. Higher personnel costs were mainly caused by an increase in the number of employees and higher pension costs. The increase in depreciation on real estate resulted from additional depreciation on buildings to be demolished as part of the renovation of the premises of OP-Pohjola Group Central Cooperative Consolidated.

Impairment losses recognised under various income statement items that eroded the report period's earnings amounted to EUR 19 million (28), of which EUR 11 million (23) concerned loans and receivables. Net impairment loss on loans and receivables accounted for 0.07% (0.16) of the loan and guarantee portfolio.

Equity capital stood at EUR 6,642 million on 31 March. Equity capital was increased by the report period's profit and growth in the fair value reserve, and decreased by profit distribution.

On 31 March, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 765 million (756).

OP-Pohjola Group had 4,161,000 customers in Finland at the end of March. Private customers totalled 3,739,000 and corporate customers 423,000.The number of joint banking and non-life insurance customers increased by 31,000 from its 2011-end level to 1,329,000 as a result of cross-selling.

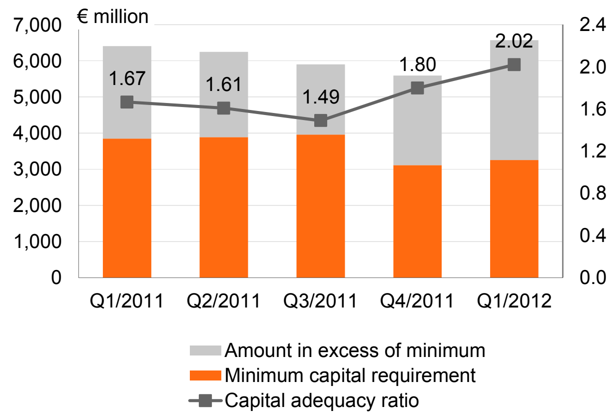
OP-Pohjola Group's long-term financial targets	**31 Mar 2012**	**31 Mar 2011**	**Target**
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	2.02	1.67	1.5
Return on economic capital, % (12-month rolling)	13.5	15.5	17
Growth differential between income and expenses, percentage points (12-month rolling)	-10.8	4.9	> 0

Capital adequacy, risk exposure and credit ratings

Capital Adequacy

On 31 March, 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 3,321 million (2,486). The EUR 500 million lower Tier 2 subordinated notes issued by Pohjola Bank plc in February 2012 increased the capital adequacy ratio by 0.2 units. The permission received from the Financial Supervisory Authority in October 2011 enabled the Group to extend the use of the Internal Ratings-based Approach (IRBA) to the capital requirement measurement concerning credit risk by Banking.

Conglomerate's Capital Adequacy Ratio



As a result of the financial crisis, banks' capital adequacy requirements will be tightened, in an effort to improve the quality of their capital base, to increase capital conservation buffers, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. These changes have been planned to take effect in 2013–2019. The Capital Requirements Directive and Regulation related to these changes are still under preparation. According to OP-Pohjola Group's analysis based on the current interpretations, the Group will fulfil the capital adequacy requirements under any scenario. From OP-Pohjola Group's viewpoint, the most significant changes in the new regulations concerning capital adequacy requirements are related to how insurance company investments and supplementary cooperative capital are treated in terms of capital base calculation and to the minimum leverage ratio and liquidity requirements.

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 adequacy requirements and to harmonise insurance sector solvency requirements in Europe. The regulations are still being processed, and are estimated to come into effect no earlier than the beginning of 2014. According to current interpretations, Solvency II will tighten capital requirements but also increase the capital base.

Risk exposure

OP-Pohjola Group's risk exposure remained stable in the report period. The Group has a strong risk-bearing capacity sufficient to secure business continuity regardless of any weaker-than-expected economic growth.

No major changes have taken place in the credit risk exposure, because, owing to the relatively stable economic development in the first quarter and improving employment figures, our customer's financial standing has remained stable. See below in the section dealing with business segments for details on Banking's credit risk exposure.

No major changes took place in the report period in Non-life Insurance's or Life Insurance's underwriting risks. Insurance companies' solvency has improved as an improved investment environment has increased returns on investments at fair value. See below in the section dealing with business segments for details on the risk exposure.

OP-Pohjola Group's financial position and liquidity is good. Deposits account for slightly over two-thirds of funding. The Group issued long-term bonds in the first quarter worth a total of EUR 1.25 billion. Pohjola Bank plc, which acts as the Group's central bank, issued in the first quarter Lower Tier 2 subordinated notes worth EUR 0.5 billion and a senior bond worth EUR 0.75 billion. Short-term wholesale funding performed well throughout the first quarter.

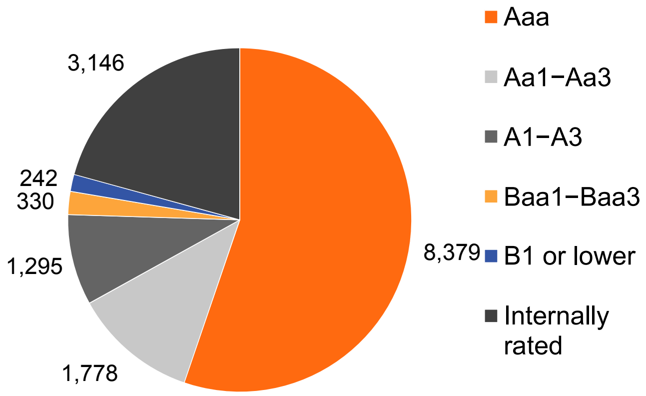
OP-Pohjola Group did not use the option for funding injection based on the ECB's three-year, long-term refinancing operations launched in December 2011 and February 2012.

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

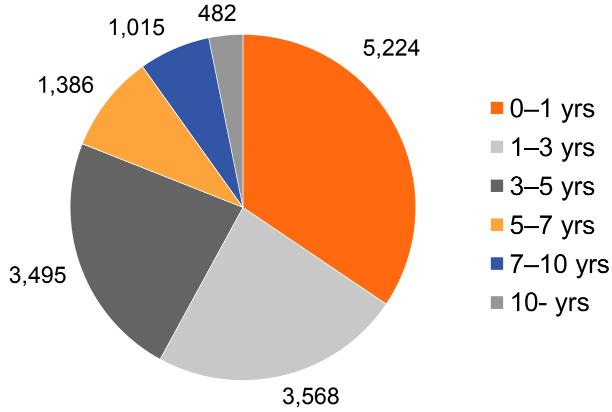
Liquidity buffer, € billion	**31 Mar 2012**	**31 Dec 2011**	**Change, %**
Deposits with central banks	3.8	4.2	-10.0
Notes and bonds eligible as collateral	8.0	7.5	6.6
Corporate loans eligible as collateral	2.7	2.6	2.8
Total	**14.5**	**14.4**	**1.0**
Receivables ineligible as collateral	0.7	0.6	10.7
Liquidity buffer at market value	**15.2**	**15.0**	**1.4**
Collateral haircut	-1.0	-1.0	2.4
Liquidity buffer at collateral value	**14.2**	**14.0**	**1.3**

The liquidity buffer and other sources of additional funding based on the Group's contingency funding plan are sufficient to cover wholesale funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits fall moderately.

Financial assets included in the liquidity buffer by credit rating on 31 March 2013, € million



Financial assets included in the liquidity buffer by maturity on 31 March 2012, € million



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

The interest rate risk by Banking measured as the effect of a 1 percentage point increase on a 12-month net interest income and value of investments has risen somewhat. Within Banking, credit spread risk is highest in notes and bonds included in the liquidity buffer. The credit risk spread within Banking remained unchanged. The equity risk related to investments was mitigated through hedging, as was still the case with the interest rate risk for technical provisions of life insurance operations.

Investment assets, € million	31 Mar 2012	31 Dec 2011	Change
Pohjola Bank plc	12,803	12,560	242
Non-life Insurance	2,895	2,830	65
Life Insurance	3,542	3,671	-129
Group member banks	894	911	-17
OP-Pohjola Group Mutual Insurance Company	369	364	6
Total	20,503	20,336	167

On 31 March, OP-Pohjola Group's direct GIIPS sovereign debt exposures totalled EUR 55 million, representing 0.06% of the Group's balance sheet. These investments have mainly been made by Non-life and Life Insurance to cover technical provisions.

Credit ratings

Rating agency	Short-term debt	Long-term debt
Fitch Ratings (OP-Pohjola Group and Pohjola Bank plc)	F1	A+
Standard & Poor's (Pohjola Bank plc)	A-1+	AA-
Moody's (Pohjola Bank plc)	P-1	Aa2

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

The credit ratings remained unchanged during the report period.

Moody’s has placed OP-Pohjola Group and Pohjola Bank plc on review for a possible credit rating downgrade. This reassessment decision by Moody’s applied to over 100 European banks. Reasons stated by Moody’s for the reviews for rating downgrade include the weakened operating environment in Europe, countries’ weaker creditworthiness and challenges caused by capital markets to banks. At the same time, Moody’s updated its assessment of any possible downgrade. Accordingly, a possible downgrade of the ratings put under review is expected to be limited to one or two notches, as against one notch based on Moody’s previous assessment in August.

Outlook for the rest of 2012

The outlook for both the global and Finnish economy has become a little more positive during the first quarter. However, economic growth for 2012 will probably remain sluggish in Finland and in the euro area in general. The European sovereign debt crisis will continue to cause instability to general economic development. The financial sector will also be adversely affected by the extremely low interest rates, jittery capital markets and tighter regulation in the sector.

The sovereign debt crisis in the euro area will make it difficult to estimate OP-Pohjola Group’s performance for the rest of 2012. OP-Pohjola Group’s 2012 results are expected to be at the same or even a better level than the year before, provided that the operating environment will not undergo any major deterioration and the management of the euro-area debt crisis will take no new turn for the worse.

All forward-looking statements in this report 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.

Operations and earnings by business segment

OP-Pohjola Group's business segments are Banking, Non-life Insurance and Life Insurance. Non-segment operations are presented under 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies applied in its financial statements.

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax Q1/2012	Earnings before tax Q1/2011	Change, %
Banking	466	258	-53	155	134	15.1
Non-life Insurance	111	95	0	15	19	-19.4
Life Insurance	47	28	0	19	37	-47.6
Other Operations	125	110	-2	14	19	-28.0
Eliminations	-112	-112	0	0	1	-70.2
Total	**637**	**379**	**-55**	**203**	**210**	**-3.2**

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

Banking

- Earnings before tax grew by 15% to EUR 155 million.
- Income increased by a total of 6.2%. Net interest income increased by 14.5% and net commissions and fees by 2.0%.
- Impairment loss on receivables reduced even more, by 63%, in the report period.
- Banking's earnings continued to grow at a good rate. Annual growth was particularly brisk in deposits and corporate loans.

Banking: key figures

€ million	Q1/2012	Q1/2011	Change, %	Q1–4/2011
Net interest income	257	225	14,5	988
Impairment loss on receivables	9	23	-63,0	90
Other income	209	214	-2,5	721
Personnel costs	121	108	12,3	425
Other expenses	137	131	4,7	533
Returns to owner-members and OP bonus customers	44	42	5,4	176
Earnings before tax	**155**	**134**	**15,1**	**483**
€ million				
Home mortgages drawn down	1,654	1,498	10,4	7,435
Corporate loans drawn down	1,748	1,355	29,1	6,699
Net asset inflows of mutual funds	-641	-398	61,2	-1,709
No. of brokered property transactions	3,620	3,777	-4,2	17,240
€ billion	**31 Mar 2012**	**31 Mar 2011**	**Change, %**	**31 Dec 2011**
Loan portfolio				
Home loans	29.8	27.6	7.8	29.3
Corporate loans	16.3	14.7	11.0	15.6
Other loans	15.4	14.6	5.5	15.5
Total	**61.4**	**56.8**	**8.0**	**60.4**
Guarantee portfolio	2.7	2.8	-0.9	2.7
Deposits				
Current and payment transfer	21.0	19.1	10.5	21.6
Investment deposits	20.5	17.5	17.0	19.7
Total deposits	**41.5**	**36.5**	**13.6**	**41.3**
Market share, %				
Of loans	33.1	32.9	0,2	32.9
Of deposits	34.1	31.7	2,4	34.4
Of mutual fund assets	19.2	22.6	-3.4	20.7

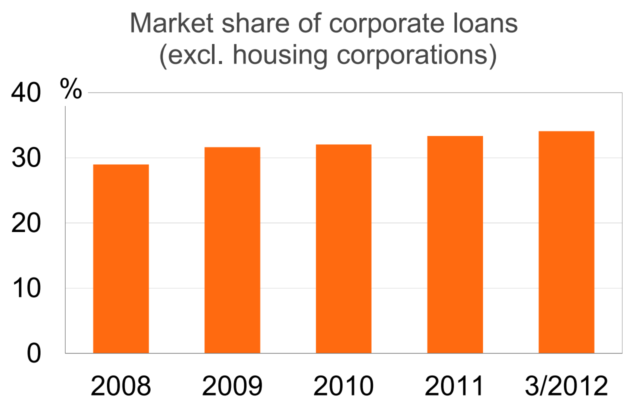
Although the sovereign debt crisis in the euro area eased off somewhat, no significant effects have been felt in Banking's operating environment in the report period. Tightening liquidity regulations and changes in risk pricing following the financial crisis will also increase loan margins to a greater extent. This is due to higher funding costs incurred by banks. Competition continued to be tough especially in the deposits market.

OP-Pohjola Group's deposits increased in the year to March by 13.6% and by 0.5% during the report period. Payment transfer accounts decreased by 2.5% while investment deposits increased by 3.8%.

The number of housing deals was through OP-Kiinteistökeskus real estate agents amounted to 3,620, which was somewhat lower year on year (3,777).

The volume of home loans drawn down increased by 10.4% year on year. The margins for new home loans increased throughout report period owing to tighter regulation and higher funding costs. On 31 March, the Group held a market share of 36.3% (36.0) of the home mortgage portfolio. The consumer loan portfolio grew by 5.8% from last year's figure.

The corporate loan portfolio grew in the year to March by 11% and by 4.4% in the report period. The Group's market share of the loans to businesses and housing corporations increased in the year to March from 29.5% to 30.2%.



Assets of the mutual funds managed by OP-Pohjola Group totalled EUR 11.5 billion (11.5). Assets decreased by 16.4% in the year to March but increased in the report period by 0.5%.

Net asset inflows of OP-Pohjola Group's mutual funds were EUR 641 million in the negative (–398).

On 31 March, assets managed by OP-Pohjola Group's Asset Management were worth EUR 32.0 billion (31.3), of which EUR 9.7 billion (9.9) was invested in the Group's mutual funds. OP-Pohjola Group companies accounted for EUR 8.4 billion of the managed assets.

On 31 March, the cooperative member banks had 1.3 million owner-members, up by 29,665 year on year. On the same date, Group member banks and Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1,251,000 OP bonus customers.

Loyal customer bonuses earned by OP bonus customers totalled EUR 42 million, up by 5.9% year on year. In January–March, OP bonus customers used a total of EUR 23 million (22) of bonuses for banking services and EUR 20 million (15) for Pohjola non-life insurance premiums. Bonuses were used for the payment of 394,000 insurance premiums, and 16% of these were paid in full using OP bonuses.

Earnings and risk exposure

Earnings before tax by Banking increased by 15.1% to EUR 155 million, thanks to an increase in net interest income and lower impairment charges.

Banking income increased by 6.2% to EUR 466 million. Net interest income increased by 14.5%. The fact that the loan portfolio's base rate was higher than a year ago, combined with higher business volumes, contributed to higher net interest income. Net commissions and fees came down by 2.0% as management fees were lower. Net trading and investment income increased by EUR 2 million, or 5.5% year on year. Banking had a cost/income ratio of 55.4 (54.4).

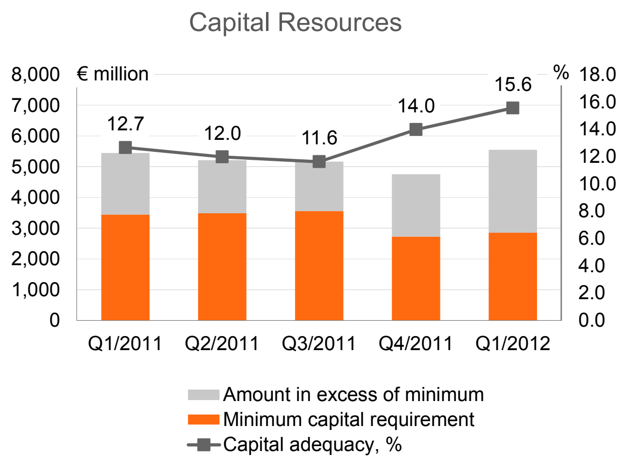
Banking's credit risk exposure remained stable. Impairment loss on receivables shrank by EUR 15 million year on year and accounted for only 0.07% of the loan and guarantee portfolio in annualised terms. Non-performing and zero-interest receivables were also low in relation to the loan and guarantee portfolio. A total of 45% of OP-Pohjola Group's corporate exposure falls into the top five categories (known as investment grade) of a 12-category rating scal.

OP-Pohjola Group's doubtful receivables as percentage of loan and guarantee portfolio		31 Mar 2012		31 Mar 2011		31 Dec 2011
	€ mill.	**%**	**€ mill.**	**%**	**€ mill.**	**%**
Non-performing receivables within the loan portfolio, net	339	0.53	258	0.43	296	0.47
Impairment loss on receivables since 1 January, net	11	0.07	23	0.16	101	0.16

Capital Adequacy

Following permission from the Financial Supervisory Authority, the Group has applied IRBA to the conglomerate's retail, corporate and credit institution exposures since December 2011. As regards credit risk measurement of corporate and credit institution exposures, the Group uses the Foundations Internal Ratings Based Approach (FIRBA). Up until September 2011, the capital requirement for credit risk was measured using the Standardised Approach, except for Pohjola Bank plc's capital requirement for credit risks related to corporate exposure which was measured using IRBA.

On 31 March, OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions and the Tier 1 ratio both stood at 15.6% (14.0). The Core Tier 1 ratio stood at 15.1%. The statutory minimum for capital adequacy ratio is 8%, and for Tier 1 ratio 4%. In the autumn of 2011, the European Banking Authority (EBA) 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 5,546 million (4,753) on 31 March. This increase was mainly due to the EUR 500 million Lower Tier 2 subordinated notes issued by Pohjola Bank plc, the first-quarter results and the positive value change of the fair value reserve.

Insurance company investments, deducted from Tier 1 and 2 capital on a fifty-fifty basis, came to EUR 2,314 million (2,314). EUR 486 million (542) have been deducted from equity capital as a shortfall of expected losses and impairment losses. Allowances for Tier 2 capital exceeded Tier 2 capital by EUR 69 million (706), which were deducted from Tier 1 capital.

The minimum capital requirement was EUR 2,853 million on 31 March (2,722), increasing by 4.8% in the report period. The increased loan portfolio led to a higher minimum capital requirement. Credit and counterparty risk accounted for 89.3% (89.8) of the capital requirement. Operational risk accounts for 8.3% (8.5), market risk 1.9% (1.7) and the IRBA transition period capital requirement 0.5% (0.0).

Non-life Insurance

- Earnings before tax amounted to EUR 15 million (19). Earnings before tax at fair value came to EUR 123 million (-4).
- Insurance premium revenue increased by 9% (8).
- The balance on technical account was at the previous year's level. The operating combined ratio stood at 100.1% (100.5).
- There were 537,800 loyal customer households on 31 March, increasing by 14,400 (11,500) in the report period.
- Return on investments at fair value was 4.8% (0.5).

Non-life Insurance: key figures and ratios

€ million	Q1/2012	Q1/2011	Change, %	Q1–4/2011
Insurance premium revenue	268	246	9.1	1 024
Insurance claims and benefits	186	178	4.7	692
Net investment income	34	38	-11.4	36
Unwinding of discount and other items included in net income	-12	-12	-4.0	-46
Net income from Non-life Insurance	**104**	**95**	**9.8**	**321**
Other net income	7	5	29.6	22
Personnel costs	37	32	14.0	125
Other expenses	59	49	20.4	211
Earnings before tax	**15**	**19**	**-19.4**	**8**
Gross change in fair value reserve	108	-23		-47
Earnings/loss before tax at fair value	**123**	**-4**		**-39**
Insurance premium revenue				
Private Customers	131	117	11.7	503
Corporate Customers	126	116	8.4	472
Baltic States	12	13	-7.8	48
Total insurance premium revenue	**268**	**246**	**9.1**	**1 024**
Key ratios				
Return on investments at fair value*, %	4.8	0.5		-0.4
Operating combined ratio*, %	100.1	100.5		89.8
Operating expense ratio*, %	23.9	21.9		21.8
Operating loss ratio*, %	76.2	78.5		68.0

* These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from corporate acquisition.

Non-Life Insurance continued to perform well in the report period. Sales of policies to Private and Corporate Customers made good progress in all sales channels, The strongest growth in insurance premium revenue came from Private Customers among whom the increase in the number loyal customer households hit a first-quarter record, the strongest growth coming from SMEs.

There were 537,800 loyal customer households on 31 March, increasing by 14,400 (11,500) in the report period. Up to 67% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member banks' owner-members and Helsinki OP Bank's bonus customers can use their OP bonuses earned through banking transactions to pay Pohjola non-life insurance premiums. Bonuses were used in the report period to pay 394,000 insurance premiums, with 62,000 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 20 million.

According to statistics on premiums written published on 30 April 2012, OP-Pohjola Group's market share of premiums written in 2011 was 28.2%. This figure is expected to have risen further during the report period.

Earnings and risk exposure

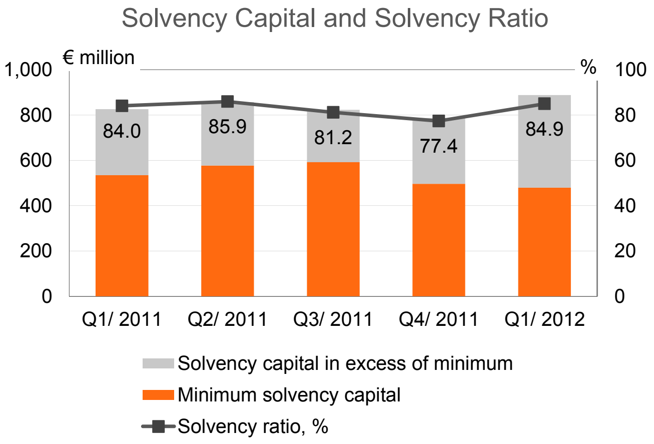
Insurance premium revenue growth strengthened and the balance on technical account was at the level recorded a year ago. Profitability within Private Customers improved as claims returned to their normal level over the previous year. The operating combined ratio of Corporate Customers declined year on year.

Claims incurred increased less than insurance premium revenue, and they increased by 6%. Claims incurred due to major losses were lower than a year ago. The risk ratio excluding loss adjustment expenses stood at 69.4% (72.3). The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 70 (52) in January–March, with their claims incurred retained for own account totalling EUR 29 million (33).

Higher commissions arising from sales growth and the larger number of employees added to operating expenses. Last year, the Group recruited more personnel for sales and claims services with a view to improving services for its growing customer base.

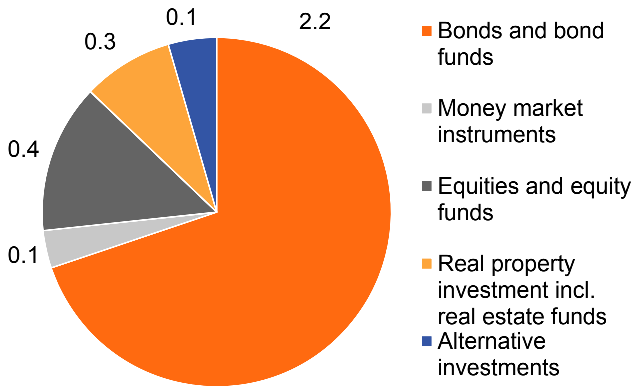
Return on investments at fair value stood at 4.8% (0.5). Net investment income recognised in the income statement amounted to EUR 141 million (15). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 2.3 million (1.1).

Non-life Insurance's risk-bearing capacity was still good. Non-life Insurance's solvency capital stood at EUR 889 million (787) on 31 March. The equalisation provision that is included under solvency capital was EUR 323 million (353).



On 31 March, the Non-life Insurance investment portfolio totalled EUR 3.1 billion (2.9), the asset allocation being as follows:

Investment assets EUR 3.1 billion on 31 March 2012



The fixed-income portfolio by credit rating remained healthy, considering that investments under the “investment-grade” accounted for 92% (91), and 73% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.7 years (4.8) and the duration 4.3 years (3.9).

Life Insurance

- Pre-tax earnings were EUR 19 million (37); earnings before tax at fair value went up thanks to a more favourable investment environment, reaching EUR 142 million.
- Market share in unit-linked insurance assets improved year on year but fell by 0.7 percentage points from 31 December 2011.
- The share of unit-linked insurance of insurance assets increased to 51.6% (48.0).
- Return on investments at fair value was 4.3% (0.4).

Life Insurance: key figures

€ million	Q1/2012	Q1/2011	Change, %	Q1–4/2011
Premiums written from insurance contracts	190	201	-5.3	721
Unit-linked	139	143	-2.6	507
Other premiums written	51	58	-12.1	214
Net investment income	256	43	489.8	-203
Unit-linked	213	-21		-395
Other	42	64	-34.1	192
Change in technical provisions	235	10		-270
Unit-linked	338	73	363.5	121
Other change	-103	-63	-64.5	-391
Claims incurred	170	178	-4.8	701
Other items	-4	-2	-177.5	0
Net income from Life Insurance	**37**	**54**	**-31.4**	**87**
Other income	10	9	15.1	17
Personnel costs	3	3	12.3	10
Other expenses	25	23	6.5	84
Earnings before tax	**19**	**37**	**-47.6**	**10**
Gross change in fair value reserve	123	-44	377.6	-191
Earnings/loss before tax at fair value	**142**	**-8**		**-181**
	31 Mar 2012	**31 Mar 2011**	**Change, %**	**31 Dec 2011**
Market share of insurance assets, %	21.0	21.3	-0.2	20.9
Market share of unit-linked insurance assets, %	24.6	24.4	0.2	25.3
€ billion				
Insurance assets	7.0	7.1	-1.7	6.7
Unit-linked	3.6	3.2	11.8	3.3

Life insurance has the strategic goal of increasing unit-linked insurance assets. Unit-linked premiums written decreased somewhat, but unit-linked assets increased by 11.8% thanks to good value performance. Unit-linked insurance now account for 51.6% of the insurance portfolio, up by 6.2 percentage points year on year.

The completion of the acquisition of Skandia Life Finland's business operations will probably be postponed until the third quarter owing to procedural delays caused by the authorities. As a result, unit-linked insurance assets are expected to increase by over EUR 1 billion, and OP-Pohjola Group is expected to become the largest provider of unit-linked insurance in Finland.

Earnings and risk exposure

Earnings before tax amounted to EUR 19 million (37). Earnings after change in the fair value reserve came to EUR 142 million (–8). Net investment income excluding income from unit-linked insurance was EUR 42 million (64). Profit from investments was eroded especially by lower dividends and capital gains.

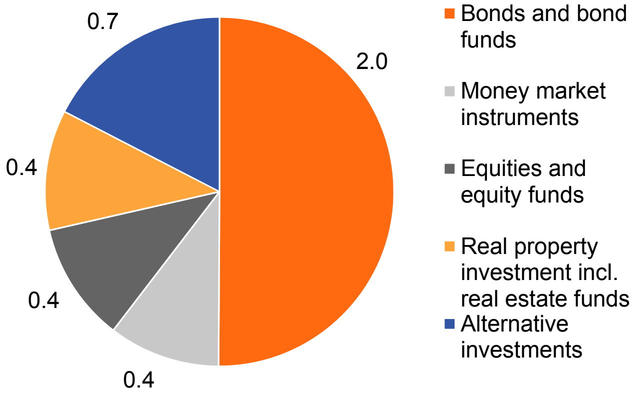
The company continued to enhance its asset/liability management in the report period by providing more hedging against interest rate risk with interest rate swaps related to technical provisions. The hedging has no substantial impact on earnings, but it decreases both investment income and the change in technical provisions by about EUR 3 million (0).

Business efficiency decreased as income fell and expenses increased. The cost ratio, which includes all income to cover operating expenses and in which sales channel fees are excluded, rose to 39.7% (31.7).

Return on investments at fair value, excluding that from derivatives designated as hedging instruments, was 4.3% (0.4).

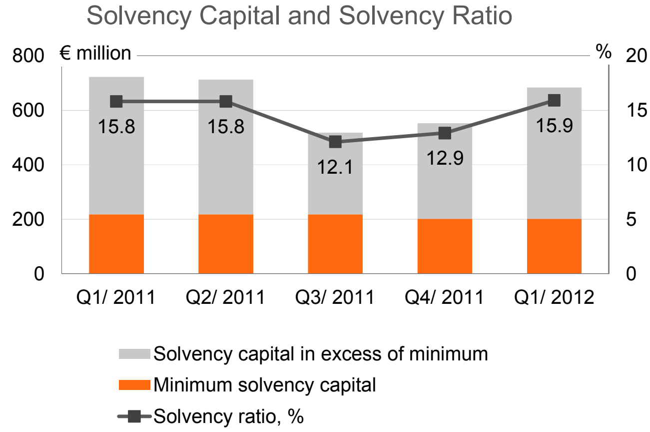
Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.0 billion (4.1), were divided as follows:

Investment assets EUR 4.0 billion on 31 March 2012



Investments under the 'investment grade' accounted for 83% (72) of the fixed-income portfolio. The portfolio's modified duration was 2.9 years (3.0) on 31 March.

Life Insurance's solvency improved as the market value of investment assets increased. Its solvency margin was EUR 683 million, which was 3.4-fold the required minimum. The solvency ratio, or the ratio of solvency capital to weighted technical provisions, was 15.9% (12.9).



Other Operations

Other Operations: key figures

€ million	Q1/2012	Q1/2011	Change, %	Q1–4/2011
Net interest income	14	12	14.0	31
Net trading income	6	-2	363.5	2
Net investment income	6	10	-36.7	22
Other income	99	89	10.7	365
Expenses	110	90	22.1	377
Impairment loss on receivables	2	0		11
Earnings before tax	**14**	**19**	**-28.0**	**32**
€ billion	**31 Mar 2012**	**31 Mar 2011**	**Change, %**	**31 Dec 2011**
Receivables from credit institutions	7.6	9.6	-20.8	7.0
Financial assets held for trading	-0.1	-0.1	-75.6	-0.1
Investment assets	8.8	7.8	11.9	8.5
Liabilities to credit institutions	5.2	4.6	12.4	5.2
Debt securities issued to the public	16.0	17.8	-10.0	15.7

Other Operations' pre-tax earnings for January–March were EUR 14 million (19).

Net interest income increased by 14%. Investment income included EUR 1.0 million (4.6) in capital gains on notes and bonds.

Most of the income in Other Operations came from within the Group as internal service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 38 million (33) were personnel costs and EUR 29.2 million (24.6) ICT costs.

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 203 member cooperative banks (205), OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Luvian Osuuspankki merged with Nakkilan Osuuspankki on 31 March 2012. The bank's new name is Nakkila-Luvian Osuuspankki. Maskun Osuuspankki merged with Vakka-Suomen Osuuspankki on 31 March 2012. The bank's name was changed to Lounaisrannikon Osuuspankki.

Huhtamon Osuuspankki merged with Vampulan Osuuspankki on 30 April 2012.Haminan Seudun Osuuspankki, Kotkan Seudun Osuuspankki, Kouvolan Seudun Osuuspankki, Kymijoen Osuuspankki and Virolahden Osuuspankki have decided to merge on 31 May 2012 to create Kymenlaakson Osuuspankki.

Personnel and remuneration

On 31 March, OP-Pohjola Group had 13,412 employees (13,229). The staff averaged 13,366 employees (12,858). Staff increases related to business expansion and development. During the report period, 76 employees (75) retired at an average age of 61.6 years (60.7).

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 has a three-year performance period, the first one of which is 2011–13. The share-based scheme covers 372 people within OP-Pohjola Group. Those covered by the scheme will be entitled to receiving a certain number of Pohjola Bank plc Series A shares provided OP-Pohjola Group achieves its strategy-based targets set for the performance period in question. 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, 2016 and 2017 after the vesting period, provided that the Group's capital adequacy is higher than the internal minimum requirements on the payout date. Conditions related to employment or executive contracts have been attached to the bonus payout.

Senior management of OP-Pohjola Group Central Cooperative

OP-Pohjola Group Central Cooperative's Annual Cooperative Meeting was held on 27 March 2012. Of the members who were due to resign from the Supervisory Board for the term ending 2015, Director Jorma Vierula, Professor Jarmo Partanen, Managing Director Kari Manninen and Managing Director Juha Pullinen were re-elected. Assistant Director Jukka Kääriäinen was elected a new member to the Supervisory Board. Moreover, of the members who were due to resign from the Supervisory Board latest in the term ending 2015, Managing Director Jussi Ruuhela, Jorma Pitkälä, Managing Director Markku Salomaa, Timo Viitanen, M.A., Professor Paavo Pelkonen and Managing Director Timo Levo we re-elected. The following new members were elected: Annukka Nikola (Director, Administration), Jari Himanen (Managing Director), Tapani Eskola (Managing Director), Tuomas Kupsala (Managing Director), Seppo Pääkkö (Managing Director), Ilmo Aronen (R&D Director), toimitusjohtaja Simo Kauppi, Juha Kiiskinen (Headmaster), Professor Jarna Heinonen and Ari Mikkola (Rector).

The Supervisory Board comprises 33 members.

At is first meeting after the Annual Cooperative Meeting, the Supervisory Board re-elected Paavo Haapakoski Chairman. Professor Jaakko Pehkonen and Managing Director Vesa Lehikoinen were re-elected Vice Chairmen.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, the auditor of OP-Pohjola Group Central Cooperative and OP-Pohjola Group for the financial year 2012. with Sixten Nyman, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Capital expenditure and service development

The Central Cooperative and its subsidiaries are responsible for developing OP-Pohjola Group's services. ICT investments and related specifications make up a significant portion of costs of developing these services. EUR 19 million (9) of these costs consisted of ICT costs capitalised on the balance sheet for the period. Of this capital expenditure, EUR 11 million (4) was allocated to banking operations, EUR 5 million (4) to non-life insurance operations and EUR 2 million (2) to life insurance operations.

OP-Pohjola Group income statement

EUR million	Note	Q1/ 2012	Q1/ 2011	Change, %	2011
Interest income		899	697	29	3,294
Interest expenses		625	458	36	2,264
Net interest income before impairment losses	4	**274**	**238**	**15**	**1,030**
Impairments of receivables	5	11	23	-55	101
Net interest income after impairments		**264**	**215**	**23**	**928**
Net income from Non-life Insurance operations	6	100	92	8	312
Net income from Life Insurance operations	7	32	50	-35	72
Net commissions and fees	8	153	156	-2	574
Net trading income	9	38	19	93	17
Net investment income	10	15	26	-44	63
Other operating income	11	25	26	-4	90
Personnel costs		199	176	13	689
Other administrative expenses		93	80	16	351
Other operating expenses		87	78	12	318
Returns to owner-members		44	42	5	176
Share of associates' profits/losses		0	1		4
Earnings before tax for the period		**203**	**210**	**-3**	**525**
Income tax expense		49	54	-10	89
Profit for the period		**154**	**155**	**-1**	**436**
Attributable to, €mill.					
Profit for the period attributable to owners		154	155	-1	436
Profit for the period attributable to non-controlling interest		0	-		0
Total		**154**	**155**	**-1**	**436**

OP-Pohjola Group statement of comprehensive income

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Profit for the period	**154**	**155**	**-1**	**436**
Change in fair value reserve				
Measurement at fair value	373	-68		-422
Cash flow hedge	5	-14		22
Actuarial gains/losses on post-employment benefit obligations	30	-2		-137
Translation differences	0	0		1
Income tax on other comprehensive income				
Measurement at fair value	91	-18		-106
Cash flow hedge	1	-4		5
Actuarial gains/losses on post-employment benefit obligations	7	0		-30
Total comprehensive income for the period	**463**	**94**		**29**
Attributable to, €mill.				
Profit for the period attributable to owners	463	94	-2	29
Profit for the period attributable to non-controlling interest	0	-		0
Total	**463**	**94**	**-2**	**29**

OP-Pohjola Group balance sheet

EUR million	Liite	31 March 2012	31 March 2011	Change, %	2011
Cash and cash equivalents		3,934	588		4,376
Receivables from credit institutions		971	1,639	-41	1,104
Financial assets at fair value through profit or loss		585	438	33	281
Derivative contracts		3,208	1,882	70	3,307
Receivables from customers		61,646	57,131	8	60,331
Non-life Insurance assets	14	3,628	3,415	6	3,205
Life Insurance assets	15	7,227	7,594	-5	7,006
Investment assets		8,688	7,990	9	8,343
Investments in associates		38	37	3	40
Intangible assets		1,171	1,158	1	1,169
Property, plant and equipment (PPE)		686	710	-3	702
Other assets		2,159	2,299	-6	1,884
Tax assets		120	115	5	158
Total assets		**94,063**	**84,996**	**11**	**91,905**
Liabilities to credit institutions		2,039	1,879	8	1,783
Financial liabilities at fair value through profit or loss		7	0		1
Derivative contracts		3,238	2,157	50	3,232
Liabilities to customers		45,845	38,743	18	45,974
Non-life Insurance liabilities	16	2,940	2,782	6	2,508
Life Insurance liabilities	17	7,243	7,275	0	6,932
Debt securities issued to the public	18	20,125	19,844	1	20,005
Provisions and other liabilities		2,992	3,183	-6	2,840
Tax liabilities		919	945	-3	834
Cooperative capital		632	655	-3	624
Subordinated liabilities		1,443	996	45	931
Total liabilities		**87,421**	**78,459**	**11**	**85,663**
Equity capital					
Share of OP-Pohjola Group's owners					
Share and cooperative capital		333	364	-9	333
Fair value reserve	19	98	52	89	-188
Other reserves		2,652	2,684	-1	2,621
Retained earnings		3,557	3,438	3	3,474
Non-controlling interests		2	-	0	3
Total equity capital		**6,642**	**6,537**	**2**	**6,242**
Total liabilities and equity capital		**94,063**	**84,996**	**11**	**91,905**

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 2011	**368**	**118**	**-6**	**2,655**	**3,403**	**-**	**6,539**
Rights issue	-	-	-	-	-	-	-
Transfer of cooperative capital to equity capital	-2	-	-	-	-	-	-2
Issue expenses	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	28	-28	-	-
Profit distribution	-	-	-	-	-73	-	-73
Total comprehensive income for the period	-	-50	**-10**	-	154	-	93
Share-based payments	-	-	-	-	1		1
Other	-2	-	-	-	-19	-	-21
Balance at 31 March 2012	**364**	**68**	**-16**	**2,684**	**3,438**	**-**	**6,537**

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**
Increase of share capital	-	-	-	-	-	-	0
Transfer of cooperative capital to equity capital	1	-	-	-	-	-	1
Transfer of reserves	-	-	-	32	-32	-	0
Profit distribution	-	-	-	-	-65	-	-65
Total comprehensive income for the period	-	282	**4**	-	177	-	463
Share-based payments	-	-	-	-	0	-	0
Other	-1	-	-	0	2	-1	1
Balance at 31 March 2012	**333**	**84**	**14**	**2,652**	**3,557**	**2**	**6,642**

Cash flow statement

EUR million	Q1/ 2012	Q1/ 2011
Cash flow from operating activities		
Profit for the period	154	155
Adjustments to profit for the period	384	322
Increase (-) or decrease (+) in operating assets	**-2,180**	**-2,693**
Receivables from credit institutions	112	-469
Financial assets at fair value through profit or loss	-186	54
Derivative contracts	8	2
Receivables from customers	-1,315	-353
Non-life Insurance assets	-349	-291
Life Insurance assets	41	-97
Investment assets	-252	-605
Other assets	-239	-934
Increase (+) or decrease (-) in operating liabilities	**518**	**713**
Liabilities to credit institutions	252	190
Financial liabilities at fair value through profit or loss	6	0
Derivative contracts	-3	2
Liabilities to customers	-130	-462
Non-life Insurance liabilities	235	228
Life Insurance liabilities	76	-26
Provisions and other liabilities	83	780
Income tax paid	-22	-26
Dividends received	57	74
A. Net cash from operating activities	**-1,088**	**-1,455**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-91	-12
Decreases in held-to-maturity financial assets	174	65
Acquisition of subsidiaries, net of cash acquired	-	-1
Disposal of subsidiaries, net of cash disposed	0	0
Purchase of PPE and intangible assets	-26	-18
Proceeds from sale of PPE and intangible assets	-	1
B. Net cash used in investing activities	**57**	**36**
Cash flow from financing activities		
Increases in subordinated liabilities	555	6
Decreases in subordinated liabilities	-35	-165
Increases in debt securities issued to the public	8,855	10,129
Decreases in debt securities issued to the public	-8,749	-9,475
Increases in cooperative and share capital	30	35
Decreases in cooperative and share capital	-21	-29
Dividends paid and interest on cooperative capital	-65	-73
Returns to owner-members	-	0
Holdings in Pohjola Bank plc purchased from non-controlling interests	-	-
Other	-	-
C. Net cash from financing activities	**570**	**429**
Net change in cash and cash equivalents (A+B+C)	**-461**	**-990**
Cash and cash equivalents at period-start	**4,457**	**1,689**
Cash and cash equivalents at period-end	**3,996**	**699**
Interest received	**807**	**549**
Interest paid	**-609**	**-403**
Cash and cash equivalents		
Liquid assets	123	126
Receivables from credit institutions payable on demand	3,874	573
Total	**3,996**	**699**

Note 1. Accounting policies

The Interim Report for 1 January–31 March 2012 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

In the preparation of this Interim Report, Pohjola substantially applied the same accounting policies as in the financial statements 2011, except a change in the recognition of actuarial gains and losses on defined benefit pension plan.

Information in the Financial Statements Bulletin is based on unaudited information. Since all figures in the Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

Change in accounting policies

OP-Pohjola Group has decided to voluntarily abandon as of the beginning of 2012 the so-called corridor method in the recognition of actuarial gains and losses on defined benefit pension plans. On transition to IFRS in 2005, OP-Pohjola Group elected to recognise actuarial gains and losses in the income statement over the expected average remaining working lives of the active employees in the plan to the extent that they exceed 10% of the present value of the defined benefit obligation or the fair value of the plan assets. In accordance with the revised recognition method under IAS 19, actuarial gains and losses are recognised in other comprehensive income in the period in which they occur. When recognising actuarial gains and losses in other comprehensive income, these gains and losses cannot be reclassified through profit or loss in subsequent periods.

This change in the accounting policies results in faster recognition of actuarial gains and losses than in the previously applied corridor method. By adopting this method, OP-Pohjola Group is also preparing for the requirements of the revised IAS 19 effective for financial years starting on or after 1 January 2013. The actuarial gains of EUR 30 million recognised in other comprehensive income in the Q1/2012 Interim Report arise from a change in the fair value of plan assets. OP-Pohjola Group has applied the change in the accounting policy retrospectively. The effects of the changed accounting policy on the comparatives of the consolidated balance sheet, income statement and statement of comprehensive income shown in this Interim Report are as follows:

Milj. e	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 1 Jan 2011			
Assets			
Other assets	1,749	1,496	-253
Tax assets	125	125	0
Liabilities			
Provisions and other liabilities	2,333	2,332	0
Tax liabilities	1,014	948	-66
Shareholders' equity			
Retained earnings	3,590	3,403	-187

Milj. e	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 31 Dec 2011			
Assets			
Other assets	2,266	1,884	-382
Tax assets	158	158	0
Liabilities			
Provisions and other liabilities	2,839	2,840	1
Tax liabilities	928	834	-94
Shareholders' equity			
Retained earnings	3,763	3,474	-289
Income statement 2011			
Personnel costs	696	689	-7
Income tax expense	87	89	2
Statement of comprehensive income 2011			
Actuarial gains/losses on post-employment benefit obligations	-	-137	-137
Income tax on actuarial gains/losses on post-employment benetif obligations	-	-30	-30

Milj. e	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 31 March 2011			
Assets			
Other assets	2,552	2,299	-253
Tax assets	115	115	0
Liabilities			
Provisions and other liabilities	3,184	3,183	0
Tax liabilities	1,011	945	-66
Shareholders' equity			
Kertyneet voittovarat	3,625	3,438	-187
Income statment Q1/2011			
Personnel costs	178	176	-2
Income tax expense	54	54	0
Statement of comprehensive income Q1/2011			
Actuarial gains/losses on post-employment benefit obligations	-	-2	-2
Income tax on actuarial gains/losses on post-employment benetif obligations	-	0	0

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

	Q1/ 2012	Q1/ 2011	2011
Return on equity, %	9.6	9.6	6.8
Return on equity at fair value, %	28.9	5.8	0.4
Return on assets, %	0.67	0.75	0.50
Cost/income ratio, %	60	55	63
Average personnel	13,366	12,543	12,858
Full-time	12,242	11,414	11,701
Part-time	1,124	1,129	1,157

Return on equity (ROE), %

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

Return on equity at fair value, %

$$\frac{\text{Profit for the period + change in fair value reserve less deferred tax liability}}{\text{Shareholders' equity (average of the beginning and end of the period)}} \times 100$$

Return on assets (ROA), %

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

Cost/income ratio, %

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

Return on economic capital, %

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

Operating loss ratio

$$\frac{\text{Claims incurred excl. Change in technical interest}}{\text{Insurance premium revenue excl. Change in technical interest (net)}} \times 100$$

Operating expense ratio

$$\frac{\text{Operating expenses}}{\text{Insurance premium revenue excl. Change in technical interest (net)}} \times 100$$

Operating combined ratio, %

Operating loss ratio + operating expense ratio

Risk ratio (excl. unwinding of discount), %

$$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Cost ratio, %

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Operating cost ratio, %

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

Solvency ratio, %

$$\frac{\text{Solvency capital}}{\text{Insurance premium revenue}} \times 100$$

Note 3. OP-Pohjola Group quarterly performance

	2011				2012
EUR million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Interest income	697	779	892	927	899
Interest expenses	458	524	631	652	625
Net interest income	**238**	**255**	**261**	**275**	**274**
Impairments of receivables	23	31	10	37	11
Net interest income after impairments	**215**	**224**	**252**	**238**	**264**
Net income from Non-life Insurance operations	92	124	75	20	100
Net income from Life Insurance operations	50	28	0	-6	32
Net commissions and fees	156	141	138	138	153
Net trading income	19	2	-35	31	38
Net investment income	26	13	16	7	15
Other operating income	26	20	19	24	25
Personnel costs	176	186	147	180	199
Other administrative expenses	80	88	79	104	93
Other operating expenses	78	76	75	88	87
Returns to owner-members	42	47	43	44	44
Share of associates' profits/losses	1	1	1	1	0
Earnings before tax for the period	**210**	**157**	**122**	**37**	**203**
Income tax expense	54	42	30	-37	49
Profit for the period	**155**	**115**	**91**	**74**	**154**
Other comprehensive income					
Change in fair value reserve					
Measurement at fair value	-68	-42	-362	49	373
Cash flow hedge	-14	8	22	6	5
Actuarial gains/losses on post-employment benefit obligations	-2	-42	-96	3	30
Translation differences	0	0	0	1	0
Income tax on other comprehensive income					
Measurement at fair value	-18	-11	-94	17	91
Cash flow hedge	-4	2	6	1	1
Actuarial gains/losses on post-employment benefit obligations	0	-11	-24	6	7
Total comprehensive income for the period	**94**	**58**	**-232**	**109**	**463**

Note 4. Net interest income

EUR million	**Q1/ 2012**	**Q1/ 2011**	**Change, %**	**2011**
Loans and other receivables	421	350	20	1,593
Receivables from credit institutions and central banks	6	7	-16	37
Notes and bonds	70	62	12	269
Derivatives (net)				
Derivatives held for trading	20	17	15	79
Derivatives under hedge accounting	8	-3		-19
Liabilities to credit institutions	-3	-4	-30	-17
Liabilities to customers	-112	-79	41	-397
Debt securities issued to the public	-121	-102	19	-473
Subordinated debt	-13	-7	84	-31
Hybrid capital	-2	-2	9	-9
Financial liabilities held for trading	0	0	-15	0
Other (net)	0	0		2
Net interest income before fair value adjustment under hedge accounting	**274**	**239**	**15**	**1,033**
Hedging derivatives	33	-36		19
Value change of hedged items	-33	36		-23
Total net interest income	**274**	**238**	**15**	**1,030**

Note 5. Impairments of receivables

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Receivables eliminated as loan or guarantee losses	11	11	-3	85
Receoveries of eliminated receivables	-3	-2	-27	-11
Increase in impairment losses	18	21	-14	115
Decrease in impairment losses	-15	-6		-88
Total	**11**	**23**	**-55**	**101**

Note 6. Net income from Non-life Insurance

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Net insurance premium revenue				
Premiums written	516	474	9	1,120
Insurance premiums ceded to reinsurers	-22	-30	28	-55
Change in provision for unearned premiums	-236	-218	-9	-44
Reinsurers' share	10	19	-49	3
Total	**268**	**246**	**9**	**1,024**
Net Non-life Insurance claims				
Claims paid	218	176	24	703
Insurance claims recovered from reinsurers	-4	-4	8	-33
Change in provision for unpaid claims	-11	5		51
Reinsurers' share	-16	1		-29
Total	**186**	**178**	**5**	**692**
Net investment income, Non-life Insurance				
Interest income	16	16	-1	60
Dividend income	17	21	-19	30
Property	1	1	69	3
Capital gains and losses				
Notes and bonds	2	-9		-8
Shares and participations	-4	5		0
Loans and receivables	-2	-1		0
Property	0	0		0
Derivatives	1	7	-85	-18
Fair value gains and losses				
Notes and bonds	-1	0		-34
Shares and participations	-2	-5	56	-10
Loans and receivables	0	-1	50	-1
Property	1	0	71	3
Derivatives	1	1	-22	0
Other	0	0		2
Total	**30**	**36**	**-17**	**26**
Unwinding of discount	-12	-12	-3	-46
Other	0	0		0
Net income from Non-life Insurance	**100**	**92**	**8**	**312**

Note 7. Net income from Life Insurance

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Premiums written	197	207	-5	748
Reinsurers' share	-6	-6	-5	-27
Total	**190**	**201**	**-5**	**721**
Claims incurred				
Benefits paid	-173	-179	4	-711
Change in provision for unpaid claims	-3	7		15
Reinsurers' share	3	1		9
Change in insurance contract liabilities				
Change in life insurance provision	-233	-14		218
Reinsurers' share	0	1	-72	11
Total	**-405**	**-184**		**-458**
Other	-4	-6	33	28
Total	**-219**	**11**		**290**
Net investment income, Llife Insurance				
Interest income	12	13	-10	56
Dividend income	32	43	-24	73
Property	2	1	5	3
Capital gains and losses				
Notes and bonds	0	1	-92	6
Shares and participations	7	11	-34	27
Loans and receivables	0	0	-100	4
Property	0	-		1
Derivatives	-12	-9	-28	-38
Fair value gains and losses				
Notes and bonds	2	7	-73	56
Shares and participations	-7	-9	19	-6
Loans and receivables	1	-3		-8
Property	0	1		-1
Derivatives	1	2	-12	-1
Other	0	3		6
Assets serving as cover for unit-linked policies				
Shares and participations				
Capital gains and losses	19	-12		-123
Fair value gains and losses	190	-16		-296
Other	5	7	-24	24
Total	**251**	**39**		**-219**
Net income from Non-life Insurance	**32**	**50**	**-35**	**72**

Note 8. Net commissions and fees

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Commission income				
Lending	45	40	12	160
Deposits	1	1	3	5
Payment transfers	40	39	1	160
Securities brokerage	7	10	-30	31
Securities issuance	4	2		13
Mutual funds brokerage	17	26	-34	88
Asset management and legal services	17	17	2	64
Insurance brokerage	23	19	19	53
Guarantees	6	6	0	22
Other	9	10	-4	42
Total	**169**	**170**	**0**	**638**
Commission expenses	16	14	13	64
Net commissions and fees	**153**	**156**	**-2**	**574**

Note 9. Net trading income

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Capital gains and losses				
Notes and bonds	5	-3		7
Shares and participations	0	2	-90	1
Derivatives	3	17	-82	28
Changes in fair value				
Notes and bonds	2	1		2
Shares and participations	5	-1		-9
Derivatives	20	3		-12
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	-	-		-
Dividend income	0	0	-11	1
Net income from foreign exchange operations	2	2	3	-1
Total	**38**	**19**	**93**	**17**

Note 10. Net investment income

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	1	6	-80	12
Shares and participations	2	7	-75	17
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	1	1		1
Other	-	-		-
Dividend income	6	8	-25	26
Impairment losses	-2	0		-5
Total	**8**	**21**	**-64**	**51**
Investment property				
Rental income	10	10	-3	40
Maintenance charges and expenses	-6	-7	14	-27
Changes in fair value, capital gains and losses	3	2	54	-2
Other	0	0		1
Total	**7**	**5**	**37**	**11**
Other	-	-		-
Net investment income	**15**	**26**	**-44**	**63**

Note 11. Other operating income

EUR million	Q1/ 2012	Q1/ 2011	Change, %	2011
Income from property and business premises in own use	4	4	3	15
Rental income from assets rented under operating lease	3	5	-38	16
Other	18	18	4	58
Total	**25**	**26**	**-4**	**90**

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	3,934	-	-	-	-	3,934
Receivables from credit institutions and central banks	971	-	-	-	-	971
Derivative contracts	-	-	2,750	-	457	3,208
Receivables from customers	61,646	-	-	-	-	61,646
Non-life Insurance assets**	748	-	106	2,775	-	3,628
Life Insurance assets***	385	-	3,838	3,005	-	7,227
Notes and bonds	-	663	506	7,333	-	8,503
Shares and participations	-	-	79	275	-	354
Other receivables	4,175	-	416	-	-	4,591
Total 31 March 2012	**71,858**	**663**	**7,696**	**13,388**	**457**	**94,063**
Total 31 March 2011	**64,816**	**926**	**6,113**	**12,946**	**196**	**84,996**
Total 31 December 2011	**70,672**	**753**	**7,219**	**12,852**	**410**	**91,905**

EUR million			Financial liabilities at fair value through profit or loss******	Other liabilities	Hedging derivatives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	2,039	-	2,039
Financial liabilities held for trading (excl. derivatives)	-	-	7	-	-	7
Derivative contracts	-	-	2,798	-	440	3,238
Liabilities to customers	-	-	-	45,845	-	45,845
Non-life Insurance liabilities****	-	-	0	2,940	-	2,940
Life Insurance liabilities*****	-	-	3,550	3,693	-	7,243
Debt securities issued to the public	-	-	-	20,125	-	20,125
Subordinated loans	-	-	-	1,443	-	1,443
Other liabilities	-	-	-	4,543	-	4,543
Total 31 March 2012	-	-	**6,354**	**80,627**	**440**	**87,421**
Total 31 March 2011	-	-	**5,061**	**73,133**	**265**	**78,459**
Total 31 December 2011	-	-	**6,050**	**79,219**	**395**	**85,663**

*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.
**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 technical provisions related to unit-linked insurance policies.

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

On 31 March, the fair value of these debt instruments was approximately EUR 350 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. Financial instruments recognised at fair value, grouped by valuation technique

Fair value of assets on 31 March 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	338	235	12	585
Non-life Insurance	-	-	6	6
Life Insurance	-	-	89	89
Derivative financial instruments				
Banking	15	3,148	45	3,208
Non-life Insurance	-	1	-	1
Life Insurance	-	49	-	49
Available-for-sale				
Banking	6,223	1,337	48	7,609
Non-life Insurance	1,868	637	269	2,775
Life Insurance	1,748	528	729	3,005
Total	**10,192**	**5,935**	**1,199**	**17,326**

Fair value of assets on 31 Dec 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	105	164	13	281
Non-life Insurance	-	-	6	6
Life Insurance	-	-	93	93
Derivative financial instruments				
Banking	15	3,271	21	3,307
Non-life Insurance	0	0	-	0
Life Insurance	-	50	-	50
Available-for-sale				
Banking	5,869	1,262	47	7,179
Non-life Insurance	1,725	552	257	2,534
Life Insurance	2,011	392	737	3,139
Total	**9,725**	**5,691**	**1,173**	**16,590**

Fair value of liabilities on 31 March 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	-	7	-	7
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	26	3,025	187	3,238
Non-life Insurance	0	0	-	0
Life Insurance	-	2	-	2
Total	**26**	**3,033**	**187**	**3,246**

Fair value of liabilities on 31 Dec 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	1	-	-	1
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	23	3,113	96	3,232
Non-life Insurance	0	0	-	1
Life Insurance	-	0	-	0
Total	**24**	**3,114**	**96**	**3,234**

* 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 market quotes.

** 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.

*** 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.

Transfers between levels of the fair value hierarchy

During 2012, EUR 9 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

Note 14. Non-life Insurance assets

EUR million	31 March 2012	31 March 2011	Change, %	2011
Investments				
Loan and other receivables	124	178	-30	117
Shares and participations	472	556	-15	435
Property	99	94	6	98
Notes and bonds	1,778	1,476	20	1,540
Derivatives	1	3	-73	0
Other participations	531	561	-5	565
Total	**3,005**	**2,868**	**5**	**2,754**
Other assets				
Prepayments and accrued income	32	33	-2	35
Other				
Arising from direct insurance operations	384	336	14	262
Arising from reinsurance operations	154	112	37	121
Cash in hand and at bank	7	10	-24	6
Other receivables	45	55	-18	26
Total	**623**	**547**	**14**	**451**
Non-life Insurance assets	**3,628**	**3,415**	**6**	**3,205**

Note 15. Life Insurance assets

EUR million	31 March 2012	31 March 2011	Change, %	31 March 2011
Investments				
Loan and other receivables	274	312	-12	226
Shares and participations	2,241	2,770	-19	2,470
Property	118	134	-12	120
Notes and bonds	853	1,061	-20	762
Other	49	1		50
Total	**3,534**	**4,278**	**-17**	**3,628**
Assets covering unit-linked insurance contracts				
Shares and participations	3,582	3,213	11	3,262
Other assets				
Prepayments and accrued income	34	38	-10	32
Other				
Arising from direct insurance operations	5	3		12
Arising from reinsurance operations	72	62	16	71
Cash in hand and at bank	0	0		0
Total	**111**	**103**	**8**	**115**
Life Insurance assets	**7,227**	**7,594**	**-5**	**7,006**

Note 16. Non-life Insurance liabilities

EUR million	31 March 2012	31 March 2011	Change, %	2011
Provision for unpaid claims				
Provision for unpaid claims for annuities	1,160	1,108	5	1,155
Other provision for unpaid claims	785	756	4	789
Total	1,944	1,864	4	1,944
Provisions for unearned premiums	658	595	11	422
Other liabilities	338	323	4	142
Total	**2,940**	**2,782**	**6**	**2,508**

Note 17. Life Insurance liabilities

EUR million	31 March 2012	31 March 2011	Change, %	2011
Technical provisions	3,542	3,963	-11	3,644
Insurance contract liabilities for unit-linked insurance policies	3,548	3,163	12	3,210
Other liabilities	153	149	2	78
Total	**7,243**	**7,275**	0	**6,932**

Technical provisions on 31 March 2012 contain €59 million as a result of a change in the fair value of secured interest rate swaps.

Note 18. Debt securities issued to the public

EUR million	31 March 2012	31 March 2011	Change, %	2011
Bonds	12,158	9,925	22	11,525
Certificates of deposit, commercial papers and ECPs	7,684	9,669	-21	8,183
Other	283	250	13	297
Total	**20,125**	**19,844**	**1**	**20,005**

Note 19. Fair value reserve after income tax

EUR million	31 March 2012	31 March 2011	Change, %	2011
Notes and bonds	-31	-79	-61	-181
Shares and participations	115	147	-22	-17
Other	14	-16		10
Total	**98**	**52**	**89**	**-188**

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

The fair value reserve before tax amounted to EUR 129 million (-249) and the related deferred tax liability amounted to EUR 31 million (deferred tax asset EUR 61 million). On 31 March, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 236 million (198) million and negative mark-to-market valuations EUR 83 million (211).

Note 20. Capital structure and capital adequacy

Capital structure and capital adequacy, € m	31 March 2012	31 March 2011	Change, %	2011
Tier 1 capital				
OP-Pohjola Group's equity capital	6,642	6,537	2	6,242
The effect of insurance companies on the Group's shareholders' equity is excluded (incl. OVY's technical provisions)	-4	29		173
Fair value reserve, transfer to Tier 2	32	31	1	144
Supplementary cooperative capital not included in equity capital	632	655	-3	622
Core Tier 1 capital before deductions and hybrid capital	7,301	7,252	1	7,181
Intangible assets	-346	-325	7	-342
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-143	-189	-24	-114
Planned profit distribution / profit distribution as proposed by the Board	-19	-20	-7	-61
Investment in insurance companies and financial institutions	-1,157	-1,157	0	-1,157
Impairments – shortfall of expected losses	-243	-62		-271
Shortfall of other Tier 1 capital	-	-53	0	-484
Core Tier 1 capital	**5,393**	**5,446**	**-1**	**4,753**
Hybrid capital	223	222	0	223
Shortfall of Tier 2 capital	-69	-222	-69	-706
Transfer to Core Tier 1 capital	-	-		484
Total Tier 1 capital for calculating capital adequacy	5,546	5,446	2	4,753
Tier 2 capital				
Fair value reserve (excl. cash flow hedge valuation)	-45	-15		-154
Perpetual bonds	289	293	-1	285
OVY's equalisation provision	217	208	4	215
Debenture loans	869	457	90	375
Investment in insurance companies and	-1,157	-1,157	0	-1,157
Impairments – shortfall of expected losses	-243	-62		-271
Transfer to Tier 1 capital	69	276	-75	706
Net Tier 2 capital	**0**	**0**		**0**
Total capital base	**5,546**	**5,446**	**2**	**4,753**
Minimum capital requirement				
Credit and counterparty risk	2,548	3,164	-19	2,445
Market risk	55	47	18	46
Operational risk	236	232	2	232
Other	13	-		-
Total	**2,853**	**3,443**		**2,722**

Capital adequacy ratio, %	15.6	12.7		14.0
Tier 1 ratio, %	15.6	12.7		14.0
Core Tier 1 ratio, %	15.1	12.7		14.0
Capital adequacy, €mill.	2,693	2,003	34	2,031
Tier 1 capital adequacy, €mill.	2,693	2,003	34	2,031
Core Tier 1 capital adequacy, €mill.	2,540	2,003	27	2,031

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola Bank plc has used the Internal Ratings Based Approach (IRBA) for corporate, credit institution and retail exposures since 31 December 2011. On 31 December 2010, Pohjola Bank plc used IRBA for corporate exposures and equity investments and the Standardised Approach (SA) for other exposure classes.

Note 21. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

€ million	31 March 2012	31 March 2011	Change, %	2011
OP-Pohjola Group's equity capital	6,642	6,537	2	6,242
perpetual bonds and debenture bonds	2,024	1,640	23	1,518
capital base	2	0		-12
Goodwill and intangible assets	-1,118	-1,094	2	-1,114
Equalisation provisions	-249	-319	-22	-271
Proposed profit distribution	-19	-20	-7	-61
Items under IFRS deducted from capital base*	-222	-210	6	-164
Impairments – shortfall of expected losses	-486	-124		-542
Conglomerate's capital base, total	**6,574**	**6,411**	**3**	**5,596**
Regulatory capital requirement for credit institutions**	2,853	3,443	-17	2,722
Regulatory capital requirement for insurance operations***	399	405	-1	388
Conglomerate's total minimum capital base	**3,253**	**3,848**	**-15**	**3,111**
Conglomerate's capital adequacy	**3,321**	**2,562**	**30**	**2,486**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base)	**2.02**	**1.67**	**21**	**1.80**

* 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 22. Collateral given

EUR million	31 March 2012	31 March 2011	Change, %	2011
Given on behalf of own liabilities and commitments				
Mortgages	1	1		1
Pledges	7,064	6,254	13	6,834
Other	517	404	28	492
Total	**7,582**	**6,659**	**14**	**7,327**

Note 23. Off-balance-sheet items

EUR million	31 March 2012	31 March 2011	Change, %	2011
Guarantees	1,162	1,213	-4	1,084
Other guarantee liabilities	1,577	1,547	2	1,612
Pledges	2	1	46	2
Loan commitments	10,880	9,316	17	10,363
Commitments related to short-term trade transactions	298	147		248
Other	593	747	-21	606
Total off-balance-sheet items	**14,513**	**12,971**	**12**	**13,914**

Note 24. Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
31 March 2012, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	52,475	78,206	39,099	169,781	3,040	2,808
Currency derivatives	17,995	2,320	516	20,832	315	276
Equity and index-linked derivatives	163	1,073	6	1,242	67	0
Credit derivatives	124	56	15	195	5	1
Other derivatives	2,797	445	17	3,259	37	46
Total derivatives	**73,555**	**82,101**	**39,653**	**195,309**	**3,462**	**3,132**

	Nominal values / remaining term to maturity				Fair values*	
31 December 2011, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	42,080	86,886	37,628	166,593	2,798	2,648
Currency derivatives	17,995	2,338	732	21,065	625	419
Equity and index-linked derivatives	213	1,110	6	1,328	55	1
Credit derivatives	45	191	-	236	2	2
Other derivatives	2,929	358	22	3,309	27	37
Total derivatives	**63,261**	**90,882**	**38,388**	**192,531**	**3,507**	**3,108**

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

Derivatives netting is applied at OP-Pohjola Group, but in this document derivative transactions are presented in gross amounts.

Note 25. 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 2011.

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman and CEO Reijo Karhinen in a press conference on 3 May 2012, starting at noon at Teollisuuskatu 1 b, Vallila, Helsinki.

Pohjola Bank plc will publish its own interim report.

Financial reporting in 2012

Interim Report H1/2012	1 August 2012
Interim Report Q1−3/2012	31 October 2012

Helsinki, 3 May 2012

OP-Pohjola Group Central Cooperative
Executive Board

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