OP-Pohjola Group´s
Interim Report for 1 January - 30 June 2012

OP-Pohjola

OP-Pohjola Group’s solid performance despite deepening sovereign debt crisis

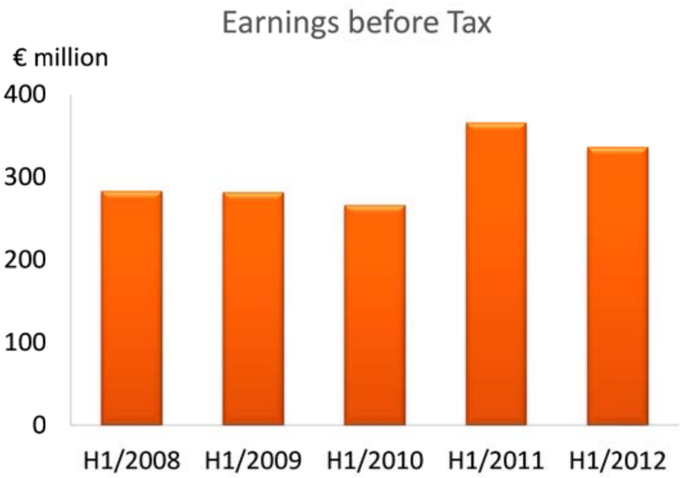
- Earnings before tax in January–June came to EUR 337 million (366). Earnings before tax reported by Banking improved by 17%, but Life Insurance and Non-life Insurance did not perform as well as last year.
- Net interest income increased by 7%. Total income increased by almost 2%.
- Investments in business growth and development were continued. Expenses increased by 10%. Impairment charges for receivables were reduced by half to EUR 28 million.
- Earnings before tax for the second quarter came to EUR 134 million (157).
- The Group’s Core Tier 1 ratio was 14.7% on 30 June, which is exceptionally high by European standards.
- The Group’s liquidity is strong and funding has operated well. Deposits have grown at a good rate, the availability of short-term wholesale funding has been very good, and the Group has issued long-term bonds throughout the year almost equivalent to the amount of long-term loans maturing during the year.
- Business has grown on a wide spectrum at a higher rate than the market average. Corporate loan portfolio increased in the year to June by 12%, home loans by 8% and deposits by 11%. During the report period, premium written by Non-life Insurance was 8% higher than a year ago.
- 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”.

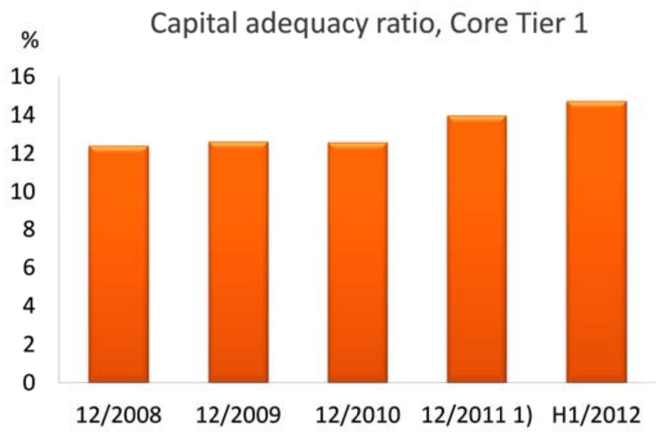
OP-Pohjola Group's key indicators

	Q1-Q2/2012	Q1-Q2/2011	Change %	2011
Earnings before tax, € million	337	366	-8.0	525
Banking	268	228	17.3	483
Non-life Insurance	54	68	-20.1	8
Life Insurance	20	52	-62.1	10
Returns to owner-members and OP bonus customers	96	89	8.1	176
	30 Jun 2012	**30 Jun 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)	2.01	1.61	0.4*	1.80
Core Tier 1 ratio, %	14.7	12.0	2.8*	14.0
Non-performing receivables within loan and guarantee portfolio, %	0.53	0.45	0.08*	0.47
Joint banking and insurance customers, 1,000	1,348	1,242	8.5	1,299

***** Change in ratio

Comparatives deriving from the income statement are based on the corresponding figures in 2011. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2011 are used as comparatives.





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

Comments by Reijo Karhinen, Executive Chairman

OP-Pohjola Group's first half of 2012 can be summarised by strong growth, easy access to funding, extremely solid capital adequacy, investments into the future and steady profit performance. The value of our achievement is even better considering the deepening debt crisis in the euro area.

During the financial and sovereign debt crisis, our solid capital adequacy is becoming an increasingly important competitive advantage. We have strong capital buffers, which will also benefit our customers. During the first half of 2012, this was witnessed by our strong growth. Our lending growth figures show that despite the uncertain operating environment, our customers rely on us in their financing decisions. The fact that our market position is growing well shows that our customers have faith in us.

This was our second-best six-month period since the beginning of the financial crisis. It was a good achievement under the current conditions, albeit that the bottom line was not quite at the same level as a year ago.

In addition to volume growth, our first-half profit performance was boosted by banking income items, that is, higher net interest income and markedly lower loan losses. On the other hand, the unstable investment environment weakened the performance of our insurance operations.

Investments in sales and customer service in accordance with our bold strategy resulted in a clear rise in expenses. This expense growth will slow down during the second half of the year, but so will the growth rate of net interest income. Market interest rates that remain low, a variety of new regulations affecting the sector and external expenses will require us to pay continuous attention to our internal efficiency and to achieve better results in terms of customer margins.

As stated in our Group's new strategy adopted in June, we want to be known as a reformer of the Finnish financial sector. We will continue to grow and focus even more on profitability and capital adequacy. Customers are at the core of our strategy. We will create customer experience into a new competitive advantage. We are creating a new foundation for long-term growth. We have confidence that we are doing the right things to ensure a bright future.

As to our operating environment, the next few months still seem very challenging. It is alarming to see how the markets are losing trust in the euro. A broken Europe has arrived at a crossroads. It is not only a case of the future of the euro, but the continuation of the integration on our continent. With distrust between member countries, it is also difficult for the markets to have faith in the future of the euro area. The euro is a political project. To be successful, it requires strong political leadership. The euro has been and still is worth fighting for from Finland's perspective too.

OP-Pohjola Group's Interim Report for 1 January–30 June 2012

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Operating environment

During the second quarter, world economic growth slowed down and the economic outlook became bleaker after the European sovereign debt crisis took a turn for the worse.

The US economy continued to recover slowly and fewer jobs were created than in the first quarter. A slowdown of emerging economies was reflected in statistics on industrial output. The second quarter was characterised by the sovereign debt crisis in the euro area, as worries about Greek election results and the Spanish banking sector increased.

Although the debt crisis escalated, the European Central Bank (ECB) kept its main refinancing rate at 1.0% during the second quarter. The ECB wanted to find out how the three-year, long-term refinancing operations it had carried out earlier would contribute to the euro-area economy. Ample liquidity kept market rates low.

Economic growth in Finland slowed down after the first quarter's fairly brisk growth rate. Growth in retail sales slowed down. Industrial production and construction were also sluggish. Despite this weaker economic development, employment continued to improve.

During the current year, the Finnish economy will grow at a sluggish rate, growth in consumer spending will slow and exports will suffer from euro-area problems.

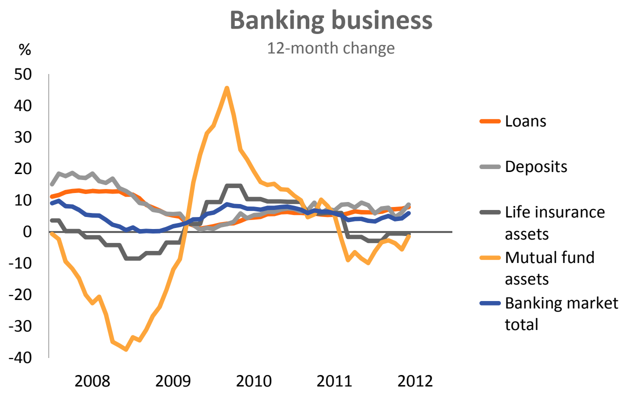
Great uncertainty is associated with the world economic outlook. However, the rest of the year is expected to see a relatively fair growth rate. The euro-area economy is hovering on the brink of a recession. A slower inflation rate will enable stimulus packages from central banks.

The ECB cut its main refinancing rate to 0.75% in July and will continue to conduct an easy monetary policy. Market interest rates are expected to be lower towards the year end than in the second quarter.

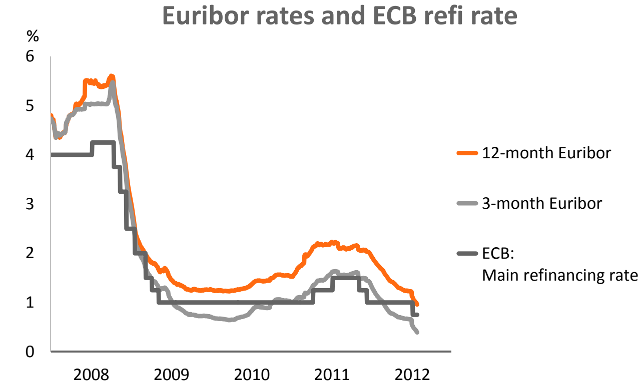
In the Finnish banking sector, the loan portfolio grew at a steady annual rate of around 8% during the second quarter. Loans to households continued their steady growth, supported by lower market rates. The corporate loan portfolio grew at a rate slightly higher than that, but the bleaker outlook is expected to slow this rate during the second half.

As a result of greater uncertainty in the financial market, growth in mutual fund assets and insurance assets stalled after an improvement in the first quarter. In Finland, stock prices fell by an average of 16% during the second quarter. Mutual funds' net asset inflows remained positive, whereas sales of new life insurance policies continued their downward trend. Total deposits increased to 9%

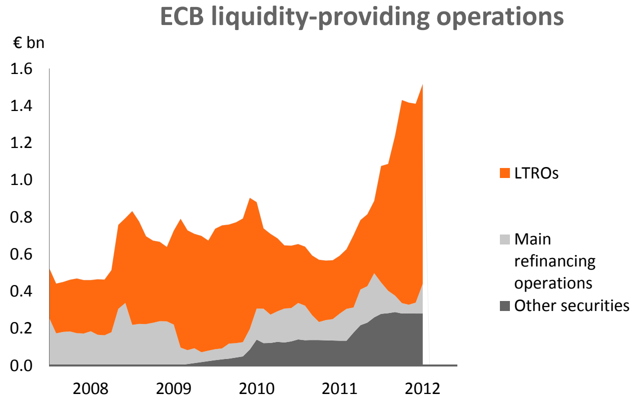
In the second quarter, non-life insurance premiums written rose by roughly 6% over the previous year. Growth in claims paid out was faster than that in premiums written. Uncertainty in financial markets and lower interest rates will add to challenges associated with insurers' investment operations.



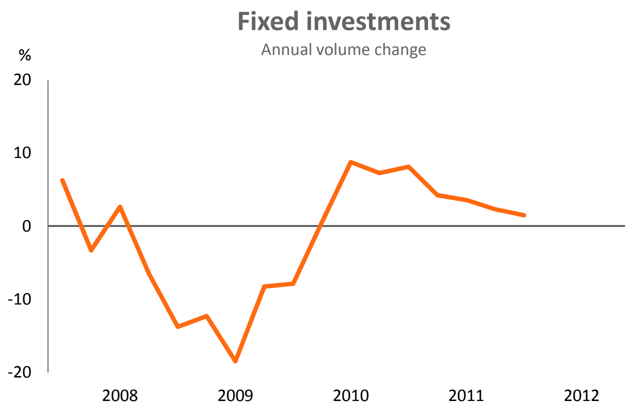
Sources: Bank of Finland, Federation of Finnish Financial Services, The Finnish Association of Mutual Funds



Source: Bank of Finland



Source: Reuters EcoWin



Source: Statistics Finland

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

Earnings analysis, € million	Q1-Q2/2012	Q1-Q2/2011	Change %	Q2/2012	Q2/2011	Change %	Q1/2012
Banking	268	228	17.3	114	94	20.6	155
Non-life Insurance	54	68	-20.1	39	49	-20.4	15
Life Insurance	20	52	-62.1	1	16		19
Earnings before tax	**337**	**366**	**-8.0**	**134**	**157**	**-14.6**	**203**
Gross change in fair value reserve	375	-116		-4	-34		378
Earnings before tax at fair value	**711**	**250**		**130**	**123**	**6.3**	**581**
Return on economic capital, % *)	13.3	15.8	-2.5*				
Return on economic capital at fair value, % *)	15.0	16.5	-1.5*				
Income							
Net interest income	529	494	7.1	255	255	-0.2	274
Net income from Non-life Insurance	228	216	5.5	129	124	3.6	100
Net income from Life Insurance	48	78	-37.6	16	28	-42.3	32
Net commissions and fees	295	297	-0.9	141	141	-0.1	153
Net trading and investment income	66	61	7.3	13	15	-13.2	52
Other operating income	47	49	-2.7	22	22	2.0	25
Other income, total	**684**	**701**	**-2.4**	**321**	**330**	**-2.7**	**363**
Total income	**1,213**	**1 195**	**1.5**	**576**	**585**	**-1.6**	**637**
Expenses							
Personnel costs	389	362	7.5	190	186	2.1	199
Other administrative expenses	192	168	14.1	99	88	12.7	93
Other operating expenses	171	155	10.6	84	76	9.4	87
Total expenses	**752**	**685**	**9.8**	**373**	**350**	**6.4**	**379**
Impairment loss on receivables	**28**	**55**	**-49.0**	**17**	**31**	**-44.5**	**11**
Returns to owner-members and OP bonus customers							
Bonuses	85	80	6.3	43	40	6.6	42
Interest on ordinary and supplementary cooperative capital	11	9	24.0	9	7	33.9	2
Total returns	**96**	**89**	**8.1**	**52**	**47**	**10.5**	**44**

*) 12-month rolling, change in percentage

Other key indicators, € million	30 Jun 2012	30 Jun 2011	Change %	31 Dec 2011	Change %
Receivables from customers	63,128	58,155	8.6	60,331	4.6
Life Insurance assets	6,931	7,471	-7.2	7,006	-1.1
Non-life Insurance assets	3,593	3,327	8.0	3,205	12.1
Liabilities to customers	47,593	42,166	12.9	45,974	3.5
Debt securities issued to the public	19,437	19,737	-1.5	20,005	-2.8
Equity capital	6,746	6,369	5.9	6,242	8.1
Balance sheet total	95,483	87,576	9.0	91,905	3.9
Tier 1 capital	5,493	5,211	5.4	4,753	15.6

January–June

The Group's earnings before tax amounted to EUR 337 million (366), down by 8.0% from the high level a year ago. This was the second best six-month result since the beginning of the financial crisis.

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's premiums written grew at a higher rate than the claims expenditure. The rate at which net interest income increased slowed down considerably in the second quarter. 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 6.3% year on year to EUR 85 million.

The Group's fair value reserve increased by EUR 375 million thanks to good capital market performance in the first quarter, while a year ago it decreased by EUR 116 million. Earnings before tax at fair value was record-high – EUR 711 million (250).

Pre-tax earnings by Banking increased significantly as a result of higher net interest income and lower impairment losses. Earnings before tax were 17% higher year on year. Income increased by a total of 1.5%. Net commissions and fees were EUR 295 million (297) as commissions and fees related to payment services increased, on the one hand, and asset management commissions and fees were lower than the year before, on the other. Banking had a cost/income ratio of 56.8 (56.6).

The operating combined ratio of Non-life Insurance was 92.5% (91.6). Non-life and Life Insurance's pre-tax earnings were lower than a year ago mainly because net investment income fell and business development costs increased from their levels a year ago. However, return on investments at fair value by both segments was clearly higher than a year ago.

Expenses rose by 9.8% year on year primarily due to higher ICT and personnel costs allocated to business growth and development, and by accelerated depreciation on a business property. Higher personnel costs were mainly caused by an increase in the number of employees. The number of staff increased by 315 in the report period. However, costs were rising at a slower rate towards the end of the report period.

Impairment losses recognised under various income statement items that eroded the report period's earnings amounted to EUR 49 million (63), of which EUR 28 million (55) concerned loans and receivables. Net impairment loss on loans and receivables accounted for 0.08% (0.18) of the loan and guarantee portfolio.

Equity capital stood at EUR 6,746 on 30 June, being 8.1% higher than on 31 December 2011. Equity capital was increased by the report period's profit and growth in the fair value reserve, and decreased by profit distribution.

On 30 June, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 778 million (756).

OP-Pohjola Group had 4,171,000 customers in Finland at the end of June. Private customers totalled 3,752,000 and corporate customers 419,000. The number of joint banking and non-life insurance customers increased by 49,000 from its 2011-end level to 1,348,000, as a result of cross-selling.

April–June

Earnings before tax for the second quarter came to EUR 134 million against EUR 157 million year on year. Net interest income, net commissions and fees and Non-life Insurance net income were at the same level as a year ago. Life Insurance net income was EUR 12 million and impairment losses on receivables EUR 14 million lower year on year. Expenses increased by EUR 23 million.

Owing to the low interest rates, net interest income was smaller than in the first quarter. Net income from Non-life Insurance increased thanks to an improved loss ratio compared to Q1, although net investment income was somewhat lower than in Q1. Net income from Life Insurance was lower than in Q1 owing to reduced net investment income, while expenses fell somewhat in the same period. On the whole, earnings before tax in the second quarter were clearly below those in the first quarter (203).

OP-Pohjola Group's long-term financial targets	30 Jun 2012	30 Jun 2011	Target
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	2.01	1.61	1.6
Return on economic capital, % (12-month rolling)	13.3	15.8	18
Growth differential between income and expenses, percentage points (12-month rolling)	-12.6	6.6	> 0

OP-Pohjola Group's target is to grow in the long term in all its divisions at a higher rate than the sector average. The Group's loan and deposit portfolio and Non-life Insurance premiums written have increased at a higher rate in the year to June than the sector average. Growth in unit-linked life insurance policies and mutual funds was slower than the sector average.

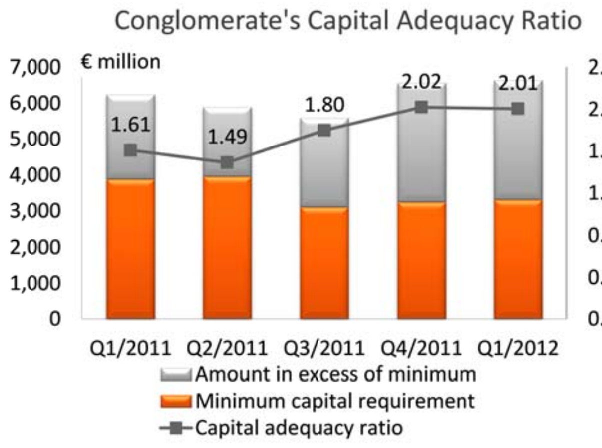
Capital adequacy, risk exposure and credit ratings

Capital adequacy

On 30 June, OP-Pohjola Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 3,335 million (2,486).

The minimum capital requirement under the above Act increased by 6.6% in the report period. The 7.1% increase in the minimum requirement by Banking can be mainly attributed to a growth in credit portfolio. The combined growth in the minimum requirement of Non-life and Life Insurance segments was 2.6%.

Capital base increased in the report period by 18% thanks to an 8.1% increase in equity capital and a Tier II bond emission. The 500-million-euro lower Tier 2 subordinated note issued by Pohjola Bank plc in February 2012 increased the capital adequacy ratio by 0.2 units. On 30 June, the Group's capital base was double the regulatory minimum.



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 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 harmonise insurance sector solvency requirements in Europe. The regulations are still being processed, and are estimated to come into effect at the beginning of 2014, at the earliest. 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 even during prolonged uncertainty in the operating environment.

No major changes took place in the credit risk exposure, although the brisk economic growth in the first quarter slowed down towards the summer. 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. The solvency of insurance companies has improved thanks to the good performance in the report period and a rise in the market value of investments. See below in the section dealing with business segments for details on the risk exposure.

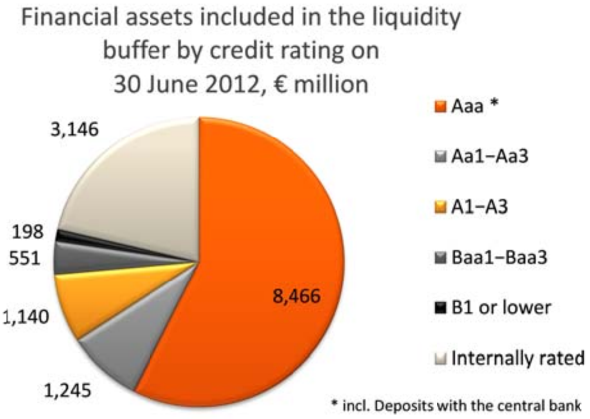
OP-Pohjola Group's financial and liquidity position is good. The portion of deposits and notes and bonds of total funding grew in the second quarter. The Group issued long-term bonds in the first half of 2012 worth a total of EUR 2.5 billion, which is almost as much as the amount of long-term loans maturing in 2012. Of these, Pohjola Bank plc, the Group's central bank, accounts for half, while OP Mortgage Bank, which in responsible for issuing the Group's covered bonds, accounts for the other half. The availability of short-term wholesale funding remained extremely good throughout the first half of 2012.

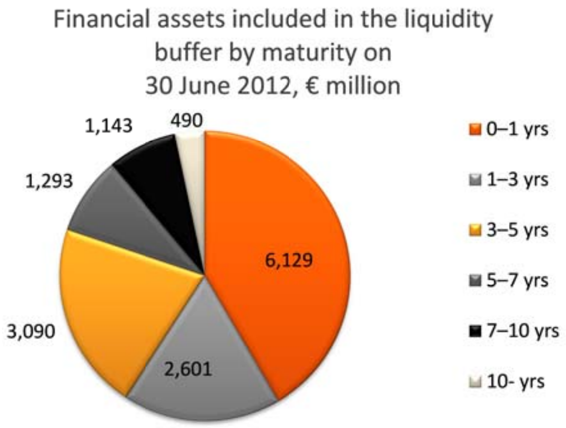
OP-Pohjola Group secures its liquidity with a liquidity buffer which mainly consists of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies with all showing good credit ratings, securitised assets and corporate loans eligible as collateral.

The report period saw an increase in cash within the liquidity buffer through the sale of notes and bonds. Measurement of the notes and bonds included in the liquidity buffer table below is based on mark-to-market valuations.

Liquidity buffer, € billion	**30 Jun 2012**	**31 Dec 2011**	**Change, %**
Deposits with central banks	4.8	4.2	12.9
Notes and bonds eligible as collateral	6.5	7.5	-13.2
Corporate loans eligible as collateral	2.8	2.6	6.4
Total	**14.1**	**14.4**	**-1.9**
Receivables ineligible as collateral	0.7	0.6	10.2
Liquidity buffer at market value	**14.7**	**15.0**	**-1.4**
Collateral haircut	-1.0	-1.0	-2.4
Liquidity portfolio at collateral value	**13.8**	**14.0**	**-1.4**

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 decrease at a moderate rate.





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 the value of investments, has fallen somewhat. Within Banking, credit spread risk is highest in notes and bonds included in the liquidity buffer. The credit spread risk associated with Banking diminished as a result of a lower volume of notes and bonds. The equity risk related to investments was reduced by selling investments and hedging. The hedging ratio of the interest rate risk associated with Life Insurance's technical provisions was further increased.

Investment assets, € million	30 Jun 2012	31 Dec 2011	Change
Pohjola Bank plc	12,229	12,560	-332
Non-life Insurance	2,982	2,830	152
Life Insurance	3,273	3,671	-398
Group member banks	842	911	-69
OP-Pohjola Group Mutual Insurance Company	377	364	14
Total	19,702	20,336	-634

On 30 June, OP-Pohjola Group's direct GIIPS sovereign debt exposures had a market value of EUR 30 million, representing 0.03% of the Group's balance sheet. These were based on investments made in assets to cover Non-life Insurance and Life Insurance 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	Aa3

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.

Standard & Poor's affirmed on 16 May 2012 Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+, retaining their outlooks as stable.

Moody's Investors Service downgraded on 31 May 2012 Pohjola Bank plc's debt and deposit ratings by one notch from Aa2 to Aa3, still affirming the rating as very strong, while Pohjola Bank plc's Prime-1 short-term debt and deposit ratings remained unchanged, with a stable outlook for these ratings.

Ratings by Fitch remained unchanged in January–June 2012.

Outlook for the rest of 2012

During the second quarter, growth expectations of the global economy weakened and uncertainty concerning economic predictions increased as the euro-area sovereign debt crisis got worse. Economic growth in the euro area seems to be quite moderate, as indeed in Finland. Profit performance in the latter half of the year will be affected by extremely low market rates, capital market jitters and tighter regulation in the sector.

Uncertainty about economic developments and the threat of a deepening euro area sovereign debt crisis make it difficult to predict OP-Pohjola Group's performance in the latter half 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 deteriorate any more than expected and the management of the euro-area debt crisis will take no new turn for the worse. The most significant factor affecting performance during the rest of the year will be investment income.

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.

Events after the balance sheet date

OP-Pohjola Group decided in August to reduce the discount rate for technical provisions related to Non-life Insurance pension liabilities by 0.3 percentage points to 3.0% as a result of low interest rates. This reduction, which will take effect in the third quarter, will erode OP-Pohjola Group's Non-life Insurance performance by about EUR 50 million.

OP-Pohjola Group maintains its estimate that the Group’s pre-tax earnings will equal or exceed those for 2011.

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-Q2/2012	Earnings before tax Q1-Q2/2011	Change, %
Banking	904	513	-122	268	228	17.3
Non-life Insurance	243	189	0	54	68	-20.1
Life Insurance	68	48	0	20	52	-62.1
Other Operations	228	220	-2	6	21	-70.3
Eliminations	-230	-219	0	-12	-3	265.9
Total	1,213	752	-124	337	366	-8.0

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

Banking

- Earnings before tax grew by 17% to EUR 268 million.
- Income increased by a total of 5.4%. Net interest income increased by 7.5% and net commissions and fees decreased by 1.5%.
- Impairment loss on receivables reduced further, by 53%, in the report period.
- Banking's earnings continued to grow at a brisk rate. In annual terms, growth was particularly strong in deposits and corporate loans.

Banking: key figures

€ million	Q1-Q2/2012	Q1-Q2/2011	Change, %	2011
Net interest income	507	471	7.5	988
Impairment loss on receivables	26	55	-52.6	90
Other income	397	386	2.8	721
Personnel costs	236	221	6.6	425
Other expenses	277	264	5.2	533
Returns to owner-members and OP bonus customers	96	89	8.1	176
Earnings before tax	**268**	**228**	**17.3**	**483**
€ million				
Home mortgages drawn down	3,780	3,473	8.8	7,435
Corporate loans drawn down	3,819	3,029	26.1	6,699
Net asset inflows of mutual funds	-1,045	-673	55.2	-1,709
No. of brokered property transactions	7,850	8,498	-7.6	17,240
€ billion	**30 Jun 2012**	**30 Jun 2011**	**Change, %**	**31 Dec 2011**
Loan portfolio				
Home loans	30.5	28.2	8.3	29.3
Corporate loans	16.6	14.8	12.1	15.6
Other loans	15.8	14.9	6.0	15.2
Total	63.0	57.9	8.7	**60.1**
Guarantee portfolio	3.1	2.8	13.2	2.7
Deposits				
Current and payment transfer	21.8	20.1	8.7	21.6
Investment deposits	21.3	18.8	13.6	19.7
Total deposits	43.2	38.8	11.1	**41.3**
Market share, %				
Of loans	33.0	32.8	0.2	32.9
Of deposits	34.2	33.1	1.1	34.4
Of mutual fund assets	18.3	22.2	-3.9	20.7

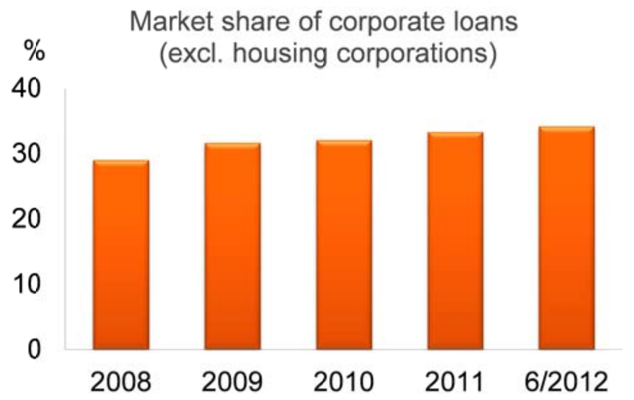
Banking enjoyed continued growth in terms of loans and deposits. Loan margins continued to rise in the report period as banks passed the costs of higher funding onto lending margins and were preparing for tighter regulation. Competition in the deposits market remained tough and term deposit margins are settling on a new, historically high level.

OP-Pohjola Group's deposits increased in the year to June by 11% and by 4.5% during the report period. Payment transaction accounts increased by 1.1% in the report period and investment deposits by 8.2%. The Group's market position in deposits improved clearly in the year to June.

The number of homes sold through OP-Kiinteistökeskus real estate agents was 7,850 in the report period, or 7.6% lower than a year ago (8,498).

The volume of new home loans drawn down increased by 8.8% year on year. The margins for new home loans rose throughout the report period owing to tighter regulation and higher funding costs. On 30 June, the Group held 36.5% (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 June by 12.1% and by 6.6% in the report period. The volume of new corporate loans was over a quarter higher year on year. The Group's market share of the loan portfolio by businesses and housing corporations increased in the year to June from 29.2% to 30.4%.



Assets of the mutual funds managed by OP-Pohjola Group totalled EUR 10.8 billion (11.5). Assets decreased by 19% in the year to June and by 5.5% in the report period.

Net asset inflows of OP-Pohjola Group's mutual funds were EUR 1,045 million in the negative (-673).

On 30 June, assets managed by OP-Pohjola Group were worth EUR 31.1 billion (31.3), of which EUR 9.0 billion (9.9) was invested in OP-Pohjola Group's mutual funds. OP-Pohjola Group companies accounted for EUR 8.1 billion of assets managed by OP-Pohjola Group.

On 30 June, the Group member banks had 1.3 million owner-members, up by 28,428 year on year. The Group member banks and Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1,256,000 OP bonus customers on 30 June.

Loyal customer bonuses earned by OP bonus customers totalled EUR 85 million, up by 6.3% year on year. In the first half, OP bonus customers used a total of EUR 43.2 million (41.1) of bonuses to pay for banking services and EUR 39 million (31) to pay Pohjola non-life insurance premiums. Bonuses were used for the payment of 799,000 insurance premiums, and 15% of these were paid in full using OP bonuses.

Earnings and risk exposure

Earnings before tax by Banking increased by 17% to EUR 268 million, thanks to an increase in net interest income and lower impairment charges.

Banking income increased by 5.4% to EUR 904 million. Net interest income increased by 7.5%. The rise in net interest income was primarily caused by volume growth and secondarily by the higher level of the base rate and margin of loans year on year. The lower market interest rate slowed down the growth of the net interest income in the second quarter. Net commissions and fees came down by 1.5% as management fees were lower. Net trading and investment income increased by EUR 21 million, or 45% year on year. Banking had a cost/income ratio of 56.8 (56.6).

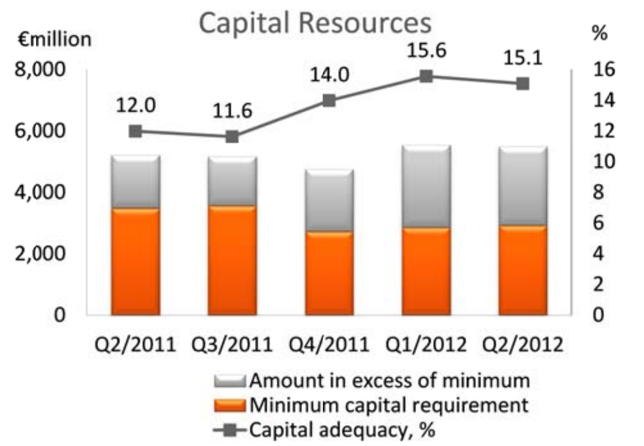
Banking's credit risk exposure remained stable with a moderate risk level. Impairment loss on receivables was EUR 28 million, or down by about 50% year on year. In annual terms, this is equivalent to a mere 0.08% of the loan and guarantee portfolio. Non-performing and zero-interest receivables were also 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) on a 12-category rating scale.

OP-Pohjola Group's doubtful receivables as percentage of loan and guarantee portfolio	30 Jun 2012		30 Jun 2011		31 Dec 2011	
	€ million	%	€ million	%	€ million	%
Non-performing and zero-interest receivables, net	348	0.53	271	0.45	296	0.47
Impairment loss on receivables since 1 January, net	28	0.08	55	0.18	101	0.16

Capital adequacy

Following permission from the Financial Supervisory Authority, the Group has applied the Internal Ratings Based Approach (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 30 June, OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions and the Tier 1 ratio both stood at 15.1% (14.0). The Core Tier 1 ratio stood at 14.7% (14.0). 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 5,493 million (4,753) on 30 June. 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 501 million (542) have been deducted from equity capital as a shortfall of expected losses and impairment losses. Deductions from Tier 2 capital exceeded Tier 2 capital by EUR 96 million (706), which were deducted from Tier 1 capital.

The minimum capital requirement was EUR 2,916 million on 30 June (2,722), increasing by 7.1% in the report period. Growth in the loan portfolio increased the minimum capital requirement, while the loan portfolio quality remained the same. The minimum capital requirement grew in corporate exposure by EUR 118 million and in retail exposure by EUR 49 million. Credit and counterparty risk accounted for 89.8% (89.8) of the capital requirement. Operational risk accounted for 8.1% (8.5) of the capital requirement, and market risk for 2.1% (1.7).

Non-life Insurance

- Earnings before tax amounted to EUR 54 million (68). Earnings before tax at fair value were EUR 161 million (38).
- Insurance premium revenue increased by 8% (7) and claims incurred by 7% (8).
- The operating combined ratio stood at 92.5% (91.6).
- There were 547,200 loyal customer households on 30 June, increasing by 23,800 (19,100) in the report period.
- Return on investments at fair value was 5.5% (1.0).

Non-life Insurance: key figures and ratios

€ million	Q1-Q2/2012	Q1-Q2/2011	Change, %	2011
Insurance premium revenue	549	507	8.2	1 024
Insurance claims and benefits	344	325	6.0	692
Net investment income	52	62	-15.9	36
Unwinding of discount and other items included in net income	-23	-23	1.6	-46
Net income from Non-life Insurance	**234**	**221**	**5.7**	**321**
Other net income	9	11	-13.5	22
Personnel costs	72	65	10.9	125
Other expenses	117	100	17.9	211
Earnings before tax	**54**	**68**	**-20.1**	**8**
Gross change in fair value reserve	106	-30	456.3	-47
Earnings/loss before tax at fair value	**161**	**38**	**319.3**	**-39**
Insurance premium revenue				
Private Customers	273	248	10.2	503
Corporate Customers	253	234	8.2	472
Baltic States	22	25	-10.5	48
Total insurance premium revenue	**549**	**507**	**8.2**	**1 024**
Key ratios				
Return on investments at fair value*, %	5.5	1.0		-0.4
Operating combined ratio*, %	92.5	91.6		89.8
Operating expense ratio*, %	23.1	21.5		21.8
Operating loss ratio*, %	69.5	70.1		68.0

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

Sales of policies made good progress in all customer segments. The strongest growth in insurance premium revenue came from Private Customers among whom the increase in the number loyal customer households was record-high in the report period.

There were 547,200 loyal customer households on 30 June, increasing by 23,800 (19,100) in the report period. 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 799,000 insurance premiums, with 122,000 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 39 million (31).

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% (27.8). Measured in terms of the market share of premiums written, OP-Pohjola Group is Finland's largest non-life insurer. This figure is expected to have risen further during the report period.

Earnings and risk exposure

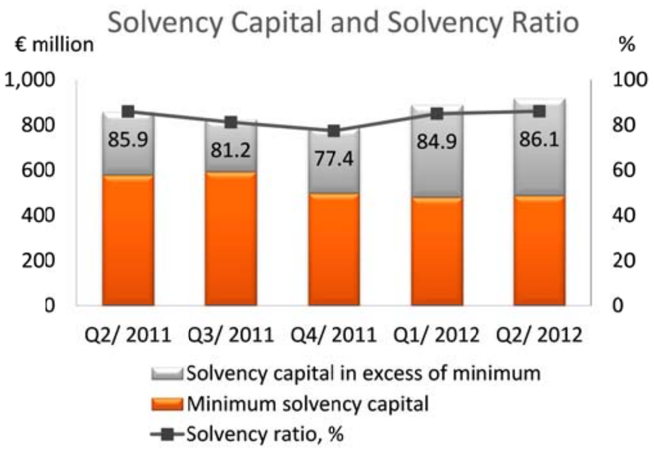
Insurance premium revenue continued to grow vigorously and the balance on technical account improved as expected. Within Private Customers, profitability was at the same level as a year ago. Profitability within Corporate Customers was weaker than the year before as unfavourable claims development in the first quarter continued to affect profits.

Claims incurred increased less than insurance premium revenue, and they increased by 7.0%. Claims incurred due to new major losses were at around the same level as a year ago. The risk ratio excluding indirect loss adjustment expenses stood at 62.7% (64.0). 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 134 (114) in January–June, with their claims incurred retained for own account totalling EUR 53 million (53).

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, which makes the costs higher year on year. However, operating expenses were rising at a slower rate towards the end of the report period. The effects of this will be more clearly felt in the latter half of 2012.

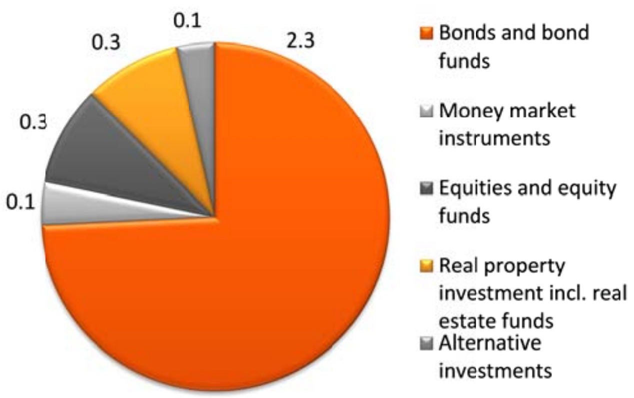
Return on investments at fair value stood at 5.5% (1.0). Investment income at fair value amounted to EUR 158 million (32). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 6.9 million (2).

Non-life Insurance's risk-bearing capacity was good. Non-life Insurance's solvency capital stood at EUR 917 million (787) on 30 June. The equalisation provision that is included under solvency capital was EUR 331 million (353).



On 30 June, 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 30 June 2012



The fixed-income portfolio by credit rating remained healthy, considering that investments under the “investment-grade” accounted for 89% (91), and 74% of the investments were rated at least A–. The average remaining term to maturity of the fixed-income portfolio was 4.8 years (4.8) and the duration 4.0 years (3.9).

Life Insurance

- Pre-tax earnings were EUR 20 million (52); earnings before tax at fair value was good, reaching EUR 136 million (-11).
- Market share in unit-linked insurance assets was 1.0 percentage points lower than on 31 December 2011.
- The share of unit-linked insurance of insurance assets increased to 51.8% (48.0).
- Return on investments at fair value was 4.7% (0.9).

Life Insurance: key figures

€ million	**Q1-Q2/2012**	**Q1-Q2/2011**	**Change, %**	**2011**
Premiums written from insurance contracts	371	400	-7.1	721
Unit-linked	276	299	-7.4	507
Other premiums written	95	101	-6.1	214
Net investment income	245	-1		-203
Unit-linked	129	-106	221.6	-395
Other	117	105	11.5	192
Change in technical provisions	238	-48	595.0	-270
Unit-linked	328	122	169.7	121
Other change	-90	-170	46.8	-391
Claims incurred	317	350	-9.4	701
Other items	-7	-11	38.2	0
Net income from Life Insurance	55	**86**	**-36.1**	**87**
Other income	13	12	10.8	17
Personnel costs	6	5	1.6	10
Other expenses	43	40	6.5	84
Earnings before tax	**20**	**52**	**-62.1**	**10**
Gross change in fair value reserve	116	-63	283.9	-191
Earnings/loss before tax at fair value	**136**	**-11**		**-181**
	30 Jun 2012	**30 Jun 2011**	**Change, %**	**31 Dec 2011**
Market share of insurance assets, %	21.0	21.4	-0.4	20.9
Market share of unit-linked insurance assets, %	24.3	24.9	-0.6	25.3
€ billion				
Insurance assets	6.9	7.1	-2.4	6.7
Unit-linked	3.6	3.3	8.3	3.3

Life insurance has the strategic goal of increasing unit-linked insurance assets. Unit-linked insurance assets increased by 8.3% in the report period. Growth was boosted by the fact that investment assets were regaining their value and by switches from with-profits policies to unit-linked policies. The share of unit-linked insurance of insurance assets increased to 51.8% (48.0).

The acquisition of Skandia Life’s Finnish branch should be completed by the end of the third quarter. As a result, unit-linked insurance assets are estimated 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

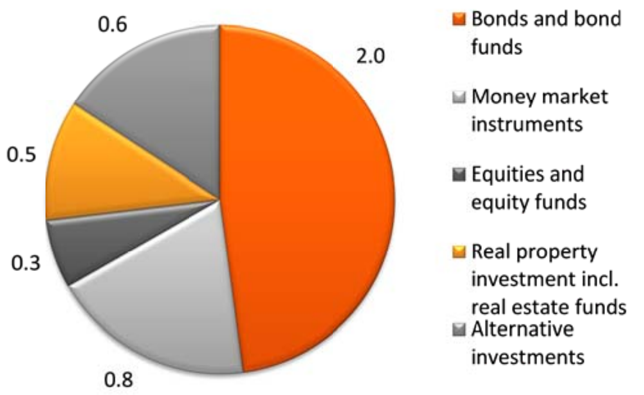
Earnings before tax amounted to EUR 20 million (52). Earnings after change in the fair value reserve came to EUR 136 million (–11). Net investment income excluding income from unit-linked insurance was EUR 117 million (105). The reported profit from investment was increased by the good performance of secured interest rate derivatives that are used to hedge the interest rate risk associated with technical provisions, as the interest rates kept falling. The hedging has no substantial impact on earnings, but it increased both investment income and the change in technical provisions by EUR 50 million (0).

Business efficiency decreased as a result of lower income and higher expenses. The lower income was due to lower technical provisions and premiums written year on year. The cost ratio, which includes all income to cover operating expenses and in which sales channel fees are excluded, rose to 37.7% (29.9).

Return on investments at fair value, excluding that from derivatives designated as hedging instruments, was 4.7% (0.9).

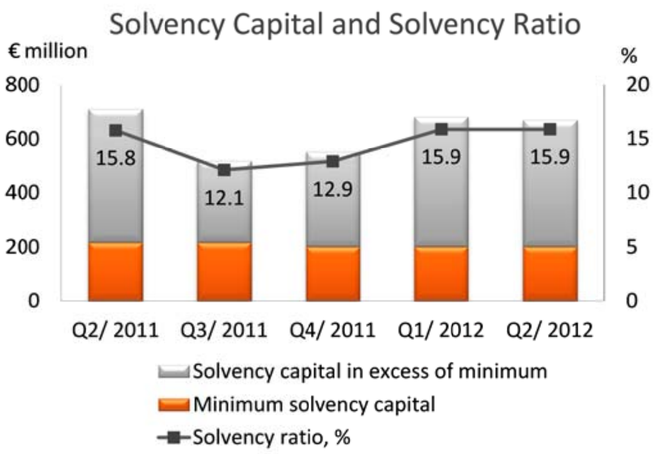
Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.1 billion (4.1), were divided as follows:

Investment assets EUR 4.1 billion 30 June 2012



Investments under the 'investment-grade' accounted for 86% (72) of the fixed-income portfolio. The portfolio's modified duration was 2.7 years (3.0) on 30 June.

Life Insurance's solvency improved as the market value of investment assets increased. Its solvency margin was EUR 671 million, which was 3.3-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-Q2/2012	Q1-Q2/2011	Change, %	2011
Net interest income	19	18	0.4	31
Net trading income	6	-1		2
Net investment income	-1	13		22
Other income	204	179	14.0	365
Expenses	220	190	16.0	377
Impairment loss on receivables	2	0		11
Earnings before tax	**6**	**21**	**-70.3**	**32**
€ billion	**30 Jun 2012**	**30 Jun 2011**	**Change, %**	**31 Dec 2011**
Receivables from credit institutions	8.0	7.8	3.6	7.0
Financial assets held for trading	-0.1	-0.1		-0.1
Investment assets	7.5	8.3	-9.4	8.5
Liabilities to credit institutions	5.6	5.4	4.3	5.2
Debt securities issued to the public	15.2	16.4	-7.6	15.7

Other Operations' pre-tax earnings for January–June were EUR 6 million (21).

Net interest income increased by 0.4%. Investment income included EUR 8.6 million in capital losses on notes and bonds (gains of 5.6). Most of the income in Other Operations consisted of intra-Group service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 76 million (71) were personnel costs and EUR 61 million (53) ICT costs.

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 198 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 merged on 31 May 2012 to form Kymenlaakson Osuuspankki.

Lappo Andelsbank has decided to merge with Andelsbanken för Åland on 31 August 2012. Sauvon Osuuspankki has decided to merge with Lounais-Suomen Osuuspankki on 30 September 2012.

OP-Services Ltd's licensed operations were transferred on 1 June 2012 to the newly established OP Process Services Ltd. Both companies are wholly-owned subsidiaries of OP-Pohjola Group Central Cooperative. Some 300 staff joined the new company. OP Process Services received a credit institution licence on 7 May 2012, and a clearing and account operator licence on 21 May 2012.

Personnel and remuneration

On 30 June, OP-Pohjola Group had 13,544 employees (13,229). The staff averaged 13,442 employees (12,858). Staff increases related to business expansion and development. During the report period, 168 employees (202) retired at an average age of 61.5 years (61.6).

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. 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.

New strategy adopted

OP-Pohjola Group Central Cooperative's Supervisory Board approved the OP-Pohjola Strategy for the Group in its meeting on 13 June 2012. It forms the basis for the strategic planning and goal-setting of all Group companies.

The strategy's basic pillars are unchanged, but there is now more focus on keeping the customers at the core, on the customer experience, on the new growth priorities, on the principles of operating as a group, and on investments in business development.

The Group's financial targets were also updated in connection with the strategy. OP-Pohjola Group's profitability and capital adequacy targets were raised. The target for return on economic capital was raised from 17% to 18% and the capital adequacy target according to the Act on the Supervision of Financial and Insurance Conglomerates was raised from 1.5 to 1.6. The efficiency targets remain unchanged. The Group's target is still to grow in the long term at a rate higher than the market average.

As part of the new stronger strategy, the existing life insurance business together with the asset management and mutual fund businesses that used to be under the Group's Banking operations will form a new Wealth Management segment. Reporting according to the new division of segments will start from the beginning of the third quarter.

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 43 million (28) of these costs consisted of ICT costs capitalised on the balance sheet for the period. Of this capital expenditure, EUR 29 million (16) was allocated to banking operations, EUR 10 million (10) to non-life insurance operations and EUR 4 million (2) to life insurance operations.

OP-Pohjola Group income statement

EUR million	Note	Q2/ 2012	Q2/ 2011	Change, %	2011
Interest income		1,735	1,475	18	3,294
Interest expenses		1,206	982	23	2,264
Net interest income before impairment losses	4	**529**	**494**	**7**	**1,030**
Impairments of receivables	5	28	55	-49	101
Net interest income after impairments		**501**	**439**	**14**	**928**
Net income from Non-life Insurance operations	6	228	216	6	312
Net income from Life Insurance operations	7	48	78	-38	72
Net commissions and fees	8	295	297	-1	574
Net trading income	9	41	22	88	17
Net investment income	10	25	40	-37	63
Other operating income	11	46	46	-1	90
Personnel costs		389	362	8	689
Other administrative expenses		192	168	14	351
Other operating expenses		171	155	11	318
Returns to owner-members		96	89	8	176
Share of associates' profits/losses		1	2	-49	4
Earnings before tax for the period		**337**	**366**	**-8**	**525**
Income tax expense		83	96	-13	89
Profit for the period		**253**	**270**	**-6**	**436**

Attributable to, EUR million				
Profit for the period attributable to owners	253	270	-6	436
Profit for the period attributable to non-controlling interest	0	-		0
Total	**253**	**270**	**-6**	**436**

OP-Pohjola Group statement of comprehensive income

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Profit for the period	**253**	**270**	**-6**	**436**
Change in fair value reserve				
Measurement at fair value	350	-110		-422
Cash flow hedge	25	-6		22
Actuarial gains/losses on post-employment benefit obligations	20	-44		-137
Translation differences	0	0		1
Income tax on other comprehensive income				
Measurement at fair value	86	-28		-106
Cash flow hedge	6	-2		5
Actuarial gains/losses on post-employment benefit obligations	5	-11		-30
Total comprehensive income for the period	**552**	**152**		**29**

Attributable to, EUR million				
Profit for the period attributable to owners	551	152	-2	29
Profit for the period attributable to non-controlling interest	0	-		0
Total	**552**	**152**	**-2**	**29**

OP-Pohjola Group balance sheet

EUR million	Note	30 June 2012	30 June 2011	Change, %	2011
Cash and cash equivalents		4,914	3,453	42	4,376
Receivables from credit institutions		1,090	1,167	-7	1,104
Financial assets at fair value through profit or loss		347	419	-17	281
Derivative contracts		4,004	1,705		3,307
Receivables from customers		63,128	58,155	9	60,331
Non-life Insurance assets	14	3,593	3,327	8	3,205
Life Insurance assets	15	6,931	7,471	-7	7,006
Investment assets		7,383	8,236	-10	8,343
Investments in associates		39	39	1	40
Intangible assets		1,177	1,167	1	1,169
Property, plant and equipment (PPE)		728	698	4	702
Other assets		2,048	1,634	25	1,884
Tax assets		101	105	-4	158
Total assets		**95,483**	**87,576**	**9**	**91,905**
Liabilities to credit institutions		1,707	2,325	-27	1,783
Financial liabilities at fair value through profit or loss		13	24	-46	1
Derivative contracts		3,889	1,895		3,232
Liabilities to customers		47,593	42,166	13	45,974
Non-life Insurance liabilities	16	2,810	2,606	8	2,508
Life Insurance liabilities	17	7,229	7,239	0	6,932
Debt securities issued to the public	18	19,437	19,737	-2	20,005
Provisions and other liabilities		3,105	2,643	17	2,840
Tax liabilities		907	921	-2	834
Cooperative capital		644	666	-3	624
Subordinated liabilities		1,402	985	42	931
Total liabilities		**88,737**	**81,207**	**9**	**85,663**
Equity capital					
Share of OP-Pohjola Group's owners					
Share and cooperative capital		334	333	0	333
Fair value reserve	19	95	26		-188
Other reserves		2,682	2,619	2	2,621
Retained earnings		3,613	3,390	7	3,474
Non-controlling interests		22	-		3
Total equity capital		**6,746**	**6,369**	**6**	**6,242**
Total liabilities and equity capital		**95,483**	**87,576**	**9**	**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**	**2,656**	**3,403**	**-**	**6,539**
Rights issue	-	-	-	-	-	-	-
Transfer of cooperative capital to equity capital	-1	-	-	-	-	-	-1
Holdings in Pohjola Bank plc purchased from non-controlling interests	-31	-	-	-79	-117	-	-227
Issue expenses	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	43	-43	-	-
Profit distribution	-	-	-	-	-74	-	-74
Total comprehensive income for the period	-	-81	-5	-	267	-	182
Share-based payments	-	-	-	-	0		0
Other	-3	-	-	0	-46	-	-49
Balance at 30 June 2011	**333**	**37**	**-11**	**2,619**	**3,390**	**-**	**6,369**

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	-	-	-	-	-	-	-
Transfer of cooperative capital to equity capital	2	-	-	-	-	-	2
Transfer of reserves	-	-	-	61	-61	-	-
Profit distribution	-	-	-	-	-61	-	-61
Total comprehensive income for the period	-	264	19	-	253	0	536
Share-based payments	-	-	-	-	0	-	0
Other	0	-	-	1	8	20	28
Balance at 30 June 2012	**334**	**66**	**29**	**2,682**	**3,613**	**22**	**6,746**

Cash flow statement

EUR million	Q2/ 2012	Q2/ 2011
Cash flow from operating activities		
Profit for the period	253	270
Adjustments to profit for the period	551	392
Increase (-) or decrease (+) in operating assets	**-1,814**	**-2,891**
Receivables from credit institutions	90	55
Financial assets at fair value through profit or loss	160	-154
Derivative contracts	4	-15
Receivables from customers	-2,806	-1,399
Non-life Insurance assets	-574	-216
Life Insurance assets	248	-54
Investment assets	1,213	-917
Other assets	-150	-191
Increase (+) or decrease (-) in operating liabilities	**1,903**	**3,950**
Liabilities to credit institutions	-91	631
Financial liabilities at fair value through profit or loss	12	24
Derivative contracts	-2	31
Liabilities to customers	1,619	2,961
Non-life Insurance liabilities	136	90
Life Insurance liabilities	59	-3
Provisions and other liabilities	169	217
Income tax paid	-48	-63
Dividends received	76	92
A. Net cash from operating activities	**922**	**1,751**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-50	-20
Decreases in held-to-maturity financial assets	241	98
Acquisition of subsidiaries, net of cash acquired	-1	-3
Disposal of subsidiaries, net of cash disposed	0	0
Purchase of PPE and intangible assets	-120	-50
Proceeds from sale of PPE and intangible assets	1	3
B. Net cash used in investing activities	**71**	**29**
Cash flow from financing activities		
Increases in subordinated liabilities	489	31
Decreases in subordinated liabilities	-29	-196
Increases in debt securities issued to the public	14,604	21,368
Decreases in debt securities issued to the public	-15,393	-20,762
Increases in cooperative and share capital	109	103
Decreases in cooperative and share capital	-88	-85
Dividends paid and interest on cooperative capital	-78	-84
Returns to owner-members	-	-1
Holdings in Pohjola Bank plc purchased from non-controlling interests	-	-227
Other	-	-
C. Net cash from financing activities	**-385**	**147**
Net change in cash and cash equivalents (A+B+C)	**608**	**1,927**
Cash and cash equivalents at period-start	**4,465**	**1,689**
Cash and cash equivalents at period-end	**5,073**	**3,616**
Interest received	**1,735**	**1,340**
Interest paid	**-1,206**	**-869**
Cash and cash equivalents		
Liquid assets	131	133
Receivables from credit institutions payable on demand	4,942	3,483
Total	**5,073**	**3,616**

Note 1. Accounting policies

The Interim Report for 1 January–30 June 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 20 million recognised in other comprehensive income in the H1/2012 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	-	-30	-30

Milj. e	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 30 June 2011			
Assets			
Other assets	1,927	1,634	-293
Tax assets	105	105	0
Liabilities			
Provisions and other liabilities	2,643	2,643	0
Tax liabilities	997	921	-76
Shareholders' equity			
Kertyneet voittovarat	3,607	3,390	-217
Income statment Q2/2011			
Personnel costs	366	362	-4
Income tax expense	95	96	1
Statement of comprehensive income Q2/2011			
Actuarial gains/losses on post-employment benefit obligations	-	-44	-44
Income tax on actuarial gains/losses on post-employment	-	-11	-11

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

	Q2/ 2012	Q2/ 2011	2011
Return on equity, %	7.8	8.4	6.8
Return on equity at fair value, %	17.1	4.7	0.4
Return on assets, %	0.54	0.64	0.50
Cost/income ratio, %	62	57	63
Average personnel	13,442	12,661	12,858
Full-time	12,703	11,610	11,701
Part-time	739	1,051	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, %

(Personnel costs + other administrative expenses + other operating expenses) x 100

divided by

(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)

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	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Interest income	779	892	927	899	836
Interest expenses	524	631	652	625	582
Net interest income	**255**	**261**	**275**	**274**	**255**
Impairments of receivables	31	10	37	11	17
Net interest income after impairments	**224**	**252**	**238**	**264**	**237**
Net income from Non-life Insurance operations	124	75	20	100	129
Net income from Life Insurance operations	28	0	-6	32	16
Net commissions and fees	141	138	138	153	141
Net trading income	2	-35	31	38	3
Net investment income	13	16	7	15	10
Other operating income	20	19	24	25	21
Personnel costs	186	147	180	199	190
Other administrative expenses	88	79	104	93	99
Other operating expenses	76	75	88	87	84
Returns to owner-members	47	43	44	44	52
Share of associates' profits/losses	1	1	1	0	1
Earnings before tax for the period	**157**	**122**	**37**	**203**	**134**
Income tax expense	42	30	-37	49	35
Profit for the period	**115**	**91**	**74**	**154**	**99**
Other comprehensive income					
Change in fair value reserve					
Measurement at fair value	-42	-362	49	373	-23
Cash flow hedge	8	22	6	5	20
Actuarial gains/losses on post-employment benefit obligations	-42	-96	3	30	-10
Translation differences	0	0	1	0	0
Income tax on other comprehensive income					
Measurement at fair value	-11	-94	17	91	-6
Cash flow hedge	2	6	1	1	5
Actuarial gains/losses on post-employment benefit obligations	-11	-24	6	7	-2
Total comprehensive income for the period	**58**	**-232**	**109**	**463**	**89**

Note 4. Net interest income

EUR million	**Q2/ 2012**	**Q2/ 2011**	**Change, %**	**2011**
Loans and other receivables	819	735	11	1,593
Receivables from credit institutions and central banks	12	15	-19	37
Notes and bonds	130	129	1	269
Derivatives (net)				
Derivatives held for trading	42	44	-4	79
Derivatives under hedge accounting	16	-8		-19
Liabilities to credit institutions	-5	-7	-31	-17
Liabilities to customers	-221	-172	28	-397
Debt securities issued to the public	-233	-218	7	-473
Subordinated debt	-28	-15	89	-31
Hybrid capital	-4	-4	0	-9
Financial liabilities held for trading	0	0	-49	0
Other (net)	1	0		2
Net interest income before fair value adjustment under hedge accounting	**529**	**496**	**7**	**1,033**
Hedging derivatives	127	-37		19
Value change of hedged items	-127	34		-23
Total net interest income	**529**	**494**	**7**	**1,030**

Note 5. Impairments of receivables

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Receivables eliminated as loan or guarantee losses	48	23		85
Receoveries of eliminated receivables	-7	-4	-53	-11
Increase in impairment losses	38	55	-30	115
Decrease in impairment losses	-52	-19		-88
Total	**28**	**55**	**-49**	**101**

Note 6. Net income from Non-life Insurance

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Net insurance premium revenue				
Premiums written	786	734	7	1,120
Insurance premiums ceded to reinsurers	-42	-48	14	-55
Change in provision for unearned premiums	-210	-204	-3	-44
Reinsurers' share	14	25	-42	3
Total	**549**	**507**	**8**	**1,024**
Net Non-life Insurance claims				
Claims paid	406	353	15	703
Insurance claims recovered from reinsurers	-31	-15		-33
Change in provision for unpaid claims	-46	-25	-87	51
Reinsurers' share	16	12	34	-29
Total	**344**	**325**	**6**	**692**
Net investment income, Non-life Insurance				
Interest income	31	31	-3	60
Dividend income	21	25	-17	30
Property	3	2	59	3
Capital gains and losses				
Notes and bonds	14	-8		-8
Shares and participations	-9	10		0
Loans and receivables	-2	-1		0
Property	0	0		0
Derivatives	-4	6		-18
Fair value gains and losses				
Notes and bonds	-2	0		-34
Shares and participations	-4	-7	39	-10
Loans and receivables	0	-1		-1
Property	0	0	-59	3
Derivatives	-1	0		0
Other	1	1		2
Total	**46**	**57**	**-18**	**26**
Unwinding of discount	-23	-23	3	-46
Other	0	0		0
Net income from Non-life Insurance	**228**	**216**	**6**	**312**

Note 7. Net income from Life Insurance

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Premiums written	385	413	-7	748
Reinsurers' share	-13	-13	-1	-27
Total	**371**	**400**	**-7**	**721**
Claims incurred				
Benefits paid	-323	-354	9	-711
Change in provision for unpaid claims	-1	6		15
Reinsurers' share	6	3	86	9
Change in insurance contract liabilities				
Change in life insurance provision	-243	37		218
Reinsurers' share	5	4	30	11
Total	**-556**	**-303**	**-83**	**-458**
Other	-6	-10	39	28
Total	**-190**	**87**		**290**
Net investment income, Llife Insurance				
Interest income	22	27	-19	56
Dividend income	43	51	-17	73
Property	3	3	13	3
Capital gains and losses				
Notes and bonds	0	5	-94	6
Shares and participations	12	21	-42	27
Loans and receivables	0	3	-100	4
Property	0	0		1
Derivatives	-17	-12	-49	-38
Fair value gains and losses				
Notes and bonds	2	6	-64	-6
Shares and participations	-6	-11	44	-6
Loans and receivables	0	-4		-8
Property	0	1		-1
Derivatives	50	1		62
Other	2	5		6
Assets serving as cover for unit-linked policies				
Shares and participations				
Capital gains and losses	31	-25		-123
Fair value gains and losses	87	-94		-296
Other	11	13	-19	24
Total	**239**	**-9**		**-219**
Net income from Non-life Insurance	**48**	**78**	**-38**	**72**

Note 8. Net commissions and fees

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Commission income				
Lending	90	81	10	160
Deposits	3	2	1	5
Payment transfers	84	79	6	160
Securities brokerage	12	18	-33	31
Securities issuance	7	7	7	13
Mutual funds brokerage	35	50	-29	88
Asset management and legal services	34	33	3	64
Insurance brokerage	34	30	15	53
Guarantees	11	11	1	22
Other	20	20	-1	42
Total	**329**	**331**	**0**	**638**
Commission expenses	35	33	4	64
Net commissions and fees	**295**	**297**	**-1**	**574**

Note 9. Net trading income

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Capital gains and losses				
Notes and bonds	9	-3		7
Shares and participations	0	3	-99	1
Derivatives	11	18	-38	28
Changes in fair value				
Notes and bonds	1	3	-54	2
Shares and participations	1	-4		-9
Derivatives	13	4		-12
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	-	-		-
Dividend income	1	1	4	1
Net income from foreign exchange operations	4	0		-1
Total	**41**	**22**	**88**	**17**

Note 10. Net investment income

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	-5	9		12
Shares and participations	4	11	-61	17
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	4	1		1
Other	-	-		-
Dividend income	10	13	-25	26
Impairment losses	-4	-1		-5
Total	**10**	**34**	**-71**	**51**
Investment property				
Rental income	20	20	-3	40
Maintenance charges and expenses	-15	-14	-10	-27
losses	10	-1		-2
Other	0	0		1
Total	**15**	**6**		**11**
Other	-	-		-
Net investment income	**25**	**40**	**-37**	**63**

Note 11. Other operating income

EUR million	Q2/ 2012	Q2/ 2011	Change, %	2011
Income from property and business premises in own use	8	8	-6	15
Rental income from assets rented under operating lease	5	9	-40	16
Other	33	30	13	58
Total	**46**	**46**	**-1**	**90**

Note 12. Classification of financial instruments

EUR million	Loans and other receivables	Investments 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	4,914	-	-	-	-	4,914
Receivables from credit institutions and central banks	1,090	-	-	-	-	1,090
Derivative contracts	-	-	3,448	-	556	4,004
Receivables from customers	63,128	-	-	-	-	63,128
Non-life Insurance assets**	713	-	108	2,772	-	3,593
Life Insurance assets***	290	-	3,905	2,736	-	6,931
Notes and bonds	-	560	263	6,153	-	6,975
Shares and participations	-	-	84	272	-	356
Other receivables	4,093	-	399	-	-	4,491
Total 30 June 2012	**74,227**	**560**	**8,207**	**11,933**	**556**	**95,483**
Total 30 June 2011	**67,395**	**902**	**6,041**	**13,076**	**163**	**87,576**
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	-	-	-	1,707	-	1,707
Financial liabilities held for trading (excl. derivatives)	-	-	13	-	-	13
Derivative contracts	-	-	3,435	-	454	3,889
Liabilities to customers	-	-	-	47,593	-	47,593
Non-life Insurance liabilities****	-	-	3	2,807	-	2,810
Life Insurance liabilities*****	-	-	3,543	3,686	-	7,229
Debt securities issued to the public	-	-	-	19,437	-	19,437
Subordinated loans	-	-	-	1,402	-	1,402
Other liabilities	-	-	-	4,656	-	4,656
Total 30 June 2012	-	-	**6,994**	**81,289**	**454**	**88,737**
Total 30 June 2011	-	-	**4,904**	**76,072**	**231**	**81,207**
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 30 June, the fair value of these debt instruments was approximately EUR 420 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 30 June 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	159	174	13	347
Non-life Insurance	-	-	6	6
Life Insurance	-	-	79	79
Derivative financial instruments				
Banking	14	3,957	33	4,004
Non-life Insurance	1	-	-	1
Life Insurance	-	66	-	66
Available-for-sale				
Banking	5,066	1,309	49	6,425
Non-life Insurance	1,787	705	280	2,772
Life Insurance	1,460	538	738	2,736
Total	**8,487**	**6,751**	**1,199**	**16,438**

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 30 June 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	6	7	-	13
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	27	3,662	200	3,889
Non-life Insurance	3	0	-	3
Life Insurance	-	4	-	4
Total	**36**	**3,673**	**200**	**3,909**

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	30 June 2012	30 June 2011	Change, %	2011
Investments				
Loan and other receivables	124	133	-7	117
Shares and participations	388	437	-11	435
Property	100	93	8	98
Notes and bonds	1,904	1,512	26	1,540
Derivatives	1	2	-25	0
Other participations	487	633	-23	565
Total	**3,004**	**2,810**	**7**	**2,754**
Other assets				
Prepayments and accrued income	33	31	6	35
Other				
Arising from direct insurance operations	355	318	12	262
Arising from reinsurance operations	145	116	25	121
Cash in hand and at bank	7	10	-30	6
Other receivables	49	42	16	26
Total	**589**	**518**	**14**	**451**
Non-life Insurance assets	**3,593**	**3,327**	**8**	**3,205**

Note 15. Life Insurance assets

EUR million	30 June 2012	30 June 2011	Change, %	30 June 2011
Investments				
Loan and other receivables	179	229	-22	226
Shares and participations	1,939	2,703	-28	2,470
Property	158	138	14	120
Notes and bonds	876	983	-11	762
Derivatives	66	2		50
Total	**3,218**	**4,055**	**-21**	**3,628**
Assets covering unit-linked insurance contracts				
Shares and participations	3,601	3,319	9	3,262
Other assets				
Prepayments and accrued income	30	30	0	32
Other				
Arising from direct insurance operations	4	4	24	12
Arising from reinsurance operations	76	64	20	71
Cash in hand and at bank	0	0		0
Total	**111**	**97**	**14**	**115**
Life Insurance assets	**6,931**	**7,471**	**-7**	**7,006**

Note 16. Non-life Insurance liabilities

EUR million	30 June 2012	30 June 2011	Change, %	2011
Provision for unpaid claims				
Provision for unpaid claims for annuities	1,157	1,105	5	1,155
Other provision for unpaid claims	763	740	3	789
Total	1,920	1,845	4	1,944
Provisions for unearned premiums	632	581	9	422
Other liabilities	259	181	43	142
Total	**2,810**	**2,606**	**8**	**2,508**

Note 17. Life Insurance liabilities

EUR million	30 June 2012	30 June 2011	Change, %	2011
Technical provisions	3,559	3,858	-8	3,644
Insurance contract liabilities for unit-linked insurance policies	3,539	3,212	10	3,210
Other liabilities	131	170	-23	78
Total	**7,229**	**7,239**	**0**	**6,932**

Technical provisions on 30 June 2012 contain EUR 83 million (62) 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	30 June 2012	30 June 2011	Change, %	2011
Bonds	12,833	10,575	21	11,525
Certificates of deposit, commercial papers and ECPs	6,305	8,892	-29	8,183
Other	300	270	11	297
Total	**19,437**	**19,737**	**-2**	**20,005**

Note 19. Fair value reserve after income tax

EUR million	30 June 2012	30 June 2011	Change, %	2011
Notes and bonds	-38	-81	-53	-181
Shares and participations	104	118	-11	-17
Other	29	-11		10
Total	**95**	**26**		**-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 126 million (-249) and the related deferred tax liability amounted to EUR 31 million (deferred tax asset of 61). On 30 June, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 230 million (198) million and negative mark-to-market valuations EUR 90 million (211).

Note 20. Capital structure and capital adequacy

Capital structure and capital adequacy, € m	30 June 2012	30 June 2011	Change, %	2011
Tier 1 capital				
OP-Pohjola Group's equity capital	6,746	6,369	6	6,242
The effect of insurance companies on the Group's shareholders' equity is excluded (incl. OVY's technical provisions)	-43	2		173
Fair value reserve, transfer to Tier 2	27	37	-28	144
Supplementary cooperative capital not included in equity capital	580	596	-3	622
Core Tier 1 capital before deductions and hybrid capital	7,310	7,005	4	7,181
Intangible assets	-356	-333	7	-342
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-142	-160	-11	-114
Planned profit distribution / profit distribution as proposed by the Board	-36	-35	4	-61
Investments in insurance companies and financial institutions	-1,157	-1,157	0	-1,157
Shortfall of impairments – expected losses	-250	-52		-271
Shortfall of other Tier 1 capital	-	-57		-484
Core Tier 1 capital	**5,368**	**5,211**	**3**	**4,753**
Hybrid capital	221	223	-1	223
Shortfall of Tier 2 capital	-96	-223	-57	-706
Transfer to Core Tier 1 capital	-	-		484
Tier 1 capital	**5,493**	**5,211**	**5**	**4,753**
Tier 2 capital				
Fair value reserve (excl. cash flow hedge valuation)	-55	-27		-154
Perpetual bonds	282	293	-4	285
OVY's equalisation provision	218	210	4	215
Debenture loans	867	453	91	375
Investments in insurance companies and financial institutions	-1,157	-1,157	0	-1,157
Shortfall of impairments – expected losses	-250	-52		-271
Transfer to Tier 1 capital	96	280	-66	706
Tier 2 capital	**0**	**0**		**0**
Total capital base	**5,493**	**5,211**	**5**	**4,753**
Minimum capital requirement				
Credit and counterparty risk	2,619	3,189	-18	2,445
Market risk	61	60	3	46
Operational risk	236	232	2	232
Other	-	-		-
Total	**2,916**	**3,481**		**2,722**

Capital adequacy ratio, %	15.1	12.0		14.0
Tier 1 ratio, %	15.1	12.0		14.0
Core Tier 1 ratio, %	14.7	12.0		14.0
Capital adequacy, EUR mill.	2,577	1,729	49	2,031
Tier 1 capital adequacy, EUR mill.	2,577	1,729	49	2,031
Core Tier 1 capital adequacy, EUR mill.	2,452	1,729	42	2,031

Capital base and capital adequacy measurement is based on approaches under Basel II. Internal Ratings Based Approach (IRBA) has been used for corporate, credit institution and retail exposures since 31 December 2011. On 30 June 2011, IRBA was used for Pohjola Bank's corporate exposures and equity investments and the Standardised Approach (SA) for all other exposure classes.

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

EUR million	30 June 2012	30 June 2011	Change, %	2011
OP-Pohjola Group's equity capital	6,746	6,369	6	6,242
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	2,024	1,645	23	1,518
Other sector-specific items excluded from capital base	-3	0		-12
Goodwill and intangible assets	-1,126	-1,105	2	-1,114
Equalisation provisions	-255	-335	-24	-271
Proposed profit distribution	-36	-35	4	-61
Items under IFRS deducted from capital base*	-199	-186	7	-164
Shortfall of impairments – expected losses	-501	-103		-542
Conglomerate's capital base, total	**6,650**	**6,251**	**6**	**5,596**
Regulatory capital requirement for credit institutions**	2,916	3,481	-16	2,722
Regulatory capital requirement for insurance operations***	398	405	-2	388
Conglomerate’s total minimum capital requirement	**3,315**	**3,886**	**-15**	**3,111**
Conglomerate’s capital adequacy	**3,335**	**2,364**	**41**	**2,486**
Conglomerate’s capital adequacy ratio (capital base/minimum of capital base)	**2.01**	**1.61**	**25**	**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	30 June 2012	30 June 2011	Change, %	2011
Given on behalf of own liabilities and commitments				
Mortgages	1	1		1
Pledges	5,656	6,383	-11	6,834
Other	531	413	29	492
Total	**6,188**	**6,797**	**-9**	**7,327**

Note 23. Off-balance-sheet items

EUR million	30 June 2012	30 June 2011	Change, %	2011
Guarantees	1,122	1,205	-7	1,084
Other guarantee liabilities	2,022	1,571	29	1,612
Pledges	3	2	64	2
Loan commitments	10,953	9,277	18	10,363
Commitments related to short-term trade transactions	21	216	-90	248
Other	576	739	-22	606
Total off-balance-sheet items	**14,697**	**13,010**	**13**	**13,914**

Note 24. Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
30 June 2012, EUR million	**<1 year**	**1-5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	47,880	76,381	41,380	165,641	3,765	3,442
Currency derivatives	16,753	2,477	532	19,762	527	371
Equity and index-linked derivatives	229	1,012	6	1,248	37	2
Credit derivatives	129	95	-	224	3	1
Other derivatives	2,563	556	19	3,138	39	55
Total derivatives	**67,554**	**80,522**	**41,937**	**190,013**	**4,371**	**3,871**

	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 1 August 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 Q1−3/2012	31 October 2012

Helsinki, 1 August 2012.

OP-Pohjola Group Central Cooperative
Executive Board

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