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


OP-Pohjola

## OP-Pohjola Group’s January–September performance at same level as last year

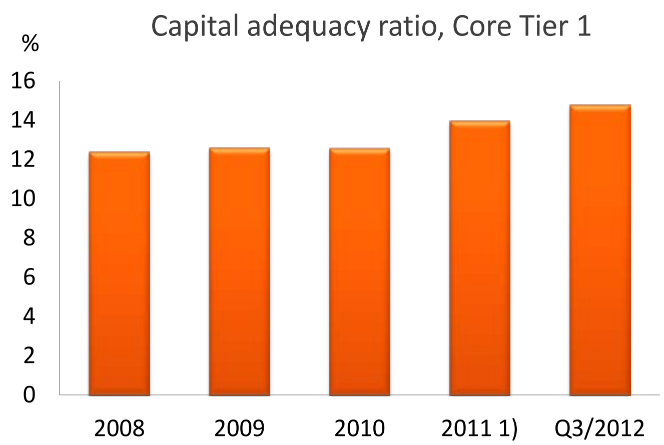
- OP-Pohjola Group's earnings before tax came to EUR 493 million (488).
- The growth of net interest income slowed down to 2%. Comparable total income increased by 6%. Expenses increased by 9%, excluding those incurred due to the reorganisation of OP-Pohjola Group Central Cooperative Consolidated.
- Impairments of receivables contracted by 26% to EUR 47 million.
- Earnings before tax in the third quarter amounted to EUR 156 million (122).
- Core Tier 1 ratio was a solid 14.8% on 30 September.
- The liquidity position was strong and the Group has had good access to funding.
- In August, the Group acquired Skandia Life Finland’s life insurance operations.
- The corporate loan portfolio increased in the year to September by 10%, home loans by 8% and deposits by 9%. Within Non-life Insurance, insurance premium revenue rose in the report period by 9%.
- OP-Pohjola Group Central Cooperative Consolidated initiated an efficiency and reorganisation programme in September, with the aim of achieving annual cost savings of EUR 150 million by the end of 2015.
- OP-Pohjola Group's 2012 earnings before tax are expected to be better than in 2011. For more details, see “Outlook for the rest of 2012”.

### OP-Pohjola Group's key indicators

| | Q1–Q3/2012 | Q1–Q3/2011 | Change, % | 2011 |
|---|---|---|---|---|
| Earnings before tax, € million | 493 | 488 | 1.1 | 525 |
| Banking | 355 | 333 | 6,6 | 447 |
| Non-life Insurance | 82 | 71 | 15.6 | 8 |
| Wealth Management | 74 | 64 | 16.6 | 47 |
| | | | | |
| Returns to owner-members and OP bonus customers | 142 | 132 | 7.6 | 176 |
| | **30 Sep 2012** | **30 Sep 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 | 1.49 | 0.52* | 1.80 |
| Core Tier 1 ratio, % | 14.8 | 11.6 | 3.2* | 14.0 |
| Non-performing receivables within loan and guarantee portfolio, % | 0.55 | 0.57 | -0.01* | 0.47 |
| Joint banking and insurance customers, 1,000 | 1,388 | 1,264 | 9.8 | 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

The figures for the first three quarters of 2012 show that OP-Pohjola Group is not in crisis. Our performance in the current operating environment was good but nevertheless insufficient, both in relation to tightening regulation requiring even higher capital adequacy and in light of the financial and business outlook. Just to maintain our current level of capital adequacy will require us to make a better result. For a financial services group operating on a cooperative principle, the only way to maintain and increase capital adequacy is to generate earnings.

A sufficient capital adequacy achieved through core capital is a strategic choice for us. This is what has enabled us to stand taller than many others amid the euro area crisis. We have had good access to funding and our ability to grant loans has remained excellent. Growth was good, too. I am very happy with our growth in home and corporate loans that is clearly higher than the market average. We actually achieved record figures in the growth of joint banking and insurance customers.

We are in the middle of historic transition. The next few years will be characterised in the financial sector as a period of discontinuity. We will have to adjust to a regulatory environment that will be more and more difficult to control. Never before have we experienced such a simultaneous impact of increased regulation and new taxes.

The persistently low market interest rates, new cost pressures driven by new regulations, the new national bank levy and higher funding costs require us to take more determined steps merely to maintain our current earnings level. Some of the steps we must take are unpleasant but nevertheless necessary. An economic upswing is not in the horizon to boost the economy. The effects of regulation will hit us faster than the operating environment has time to recover from the euro area sovereign debt crisis.

This means that the good performance figures we have achieved now do not serve as a sound basis for predicting the future. The reorganisation of OP-Pohjola Group Central Cooperative Consolidated arises from the necessity to prepare for the future. Making the necessary changes in time is a responsible way to react to a major shift in the operating environment. We cannot rely on securing our earnings capacity and capital adequacy by increasing our customer margins and service charges. It is necessary that we simultaneously rationalise our own operations and in this way seek major cost savings in the entire Group.

Our good earnings power is our strength. As we are owned by our customers, they are the reason for our existence. In light of the actual market share figures, we have responded to Finnish financing and other financial requirements in an exemplary manner. And this is the way we intend to keep it. Even in the middle of major changes, we invest a lot in development and build the future with a feeling of confidence.

We expect political decision-makers to make fair decisions. Customers of a bank which operates mainly in Finland must not be placed in a disadvantaged position through tax decisions. Decision-makers should have the vision and courage to disclose the genuine condition and outlook of our national economy. Sustainable economic growth will not be attained just by raising taxes and increasing bureaucracy.

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

## Contents

## Operating environment

The world economy continued its subdued growth with an uncertain outlook in the third quarter. Confidence indicators were showing some signs of perking up, but the world economy does not seem, however, to show any significant recovery in the near future, and economic development continues to be burdened by the uncertainty caused by the euro area sovereign debt crisis, among other things.

The US economy continued to grow moderately but at a much lower rate than the average. The Federal Reserve announced that it would keep its federal funds rate at its current level until 2015. The Fed also started a third round of quantitative easing.

The euro-area economy showed sluggishness, although the ECB's new measures eased the biggest fears of a deeper debt crisis. In July, the ECB lowered its main refinancing rate to 0.75%, and short-term market rates continued their downward trend. Its monetary policy will remain expansionary and the market interest rates will remain exceptionally low.

The ECB announced in August that it was prepared to start an unlimited, albeit conditional, bond-buying programme if necessary. This calmed the government bond markets where peripheral interest rates had been rising sharply in July.

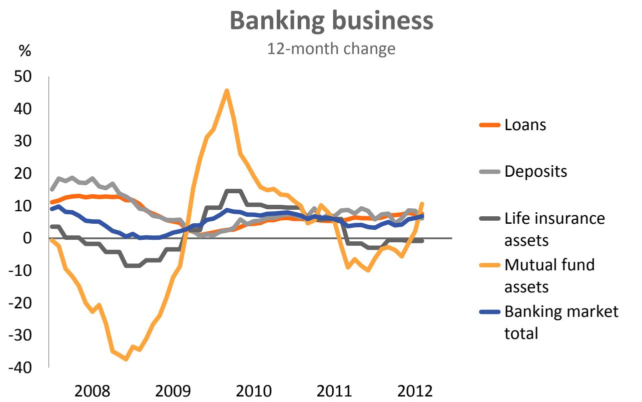
The Finnish economy was sluggish, and according to preliminary figures, it grew slightly. Following a dip in the first half of the year, exports and industrial output took a slight upswing. Retailing remained stable, while construction declined further. The unemployment rate stopped to come down.

Finland's economy will continue to grow at a slow rate, but the risks of the euro area are casting a shadow over the outlook. The inflation rate is expected to decelerate only a little.

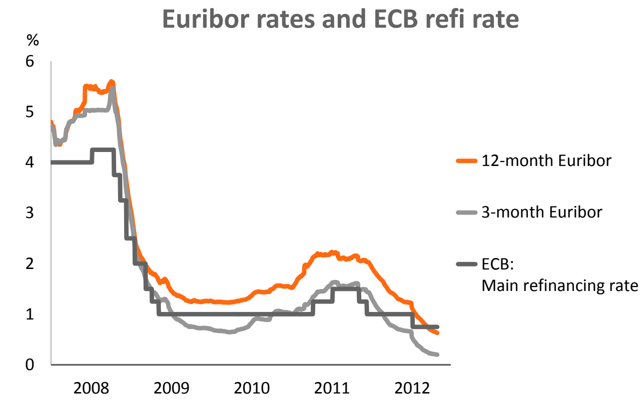
In the Finnish banking sector, the loan portfolio grew at a steady annual rate of around 7% during the third quarter. Loans to households continued their steady growth, supported by lower market rates. Corporate loans grew too at a slightly faster rate despite uncertain investment prospects.

Mutual fund and insurance assets increased, boosted by the good performance of the financial markets. In Finland, stock prices increased by an average of 8% during the third quarter. Sales of new life insurance policies continued to decrease. Growth in deposits levelled off as a result of lower interest rates and higher risk sentiment, but still showed a year-on-year growth of 6%.

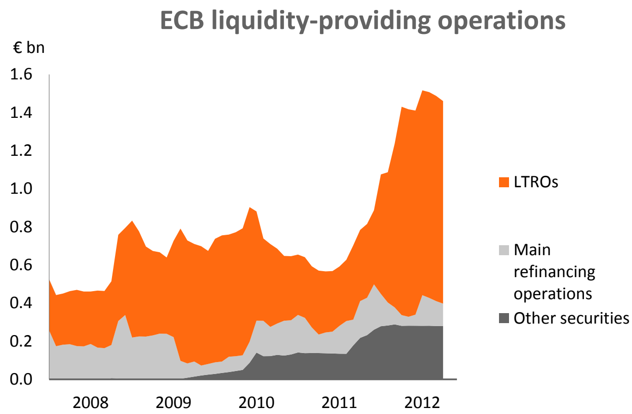
The total premiums written by the non-life insurance sector still grew at a steady annual rate of around 6%. The annual growth of claims paid out levelled off to 6%. The exceptionally low claims expenditure can be particularly attributed to the good weather conditions during the reporting period. Uncertainty will remain considerable in the investment environment.



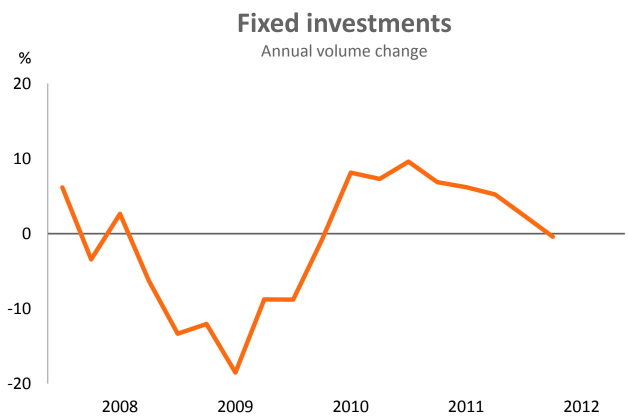

Sources: Bank of Finland, Federation of Finnish Financial Services, The Finnish Association of Mutual Funds




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–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | Q3/2012 | Q3/2011 | Change, % | Q2/2012 |
|---|---|---|---|---|---|---|---|
| Banking | 355 | 333 | 6.6 | 102 | 124 | -18.2 | 106 |
| Non-life Insurance | 82 | 71 | 15.6 | 27 | 3 | | 39 |
| Wealth Management | 74 | 64 | 16.6 | 40 | -8 | | 8 |
| **Earnings before tax** | **493** | **488** | **1.1** | **156** | **122** | **28.6** | **134** |
| Gross change in fair value reserve | 560 | -456 | | 186 | -340 | | -4 |
| **Earnings/loss before tax at fair value** | **1,053** | **32** | | **342** | **-218** | | **130** |
| | | | | | | | |
| Return on economic capital, % *) | 14.2 | 14.9 | -0.7* | | | | |
| Return on economic capital at fair value, % *) | 25.4 | 5.9 | 19.5* | | | | |
| | | | | | | | |
| **Income** | | | | | | | |
| Net interest income | 772 | 755 | 2.3 | 243 | 261 | -6.9 | 255 |
| Net income from Non-life Insurance | 334 | 291 | 14.6 | 105 | 75 | 40.6 | 129 |
| Net income from Life Insurance | 75 | 78 | -3.1 | 27 | 0 | | 16 |
| Net commissions and fees | 428 | 435 | -1.7 | 134 | 138 | -3.2 | 141 |
| Net trading and investment income | 85 | 42 | | 19 | -19 | | 13 |
| Other operating income | 88 | 69 | 27.4 | 41 | 20 | 99.4 | 22 |
| **Other income, total** | **1,010** | **915** | **10.4** | **326** | **214** | **52.1** | **321** |
| **Total income** | **1,782** | **1,670** | **6.7** | **569** | **476** | **19.7** | **576** |
| | | | | | | | |
| **Expenses** | | | | | | | |
| Personnel costs | 573 | 509 | 12.6 | 184 | 147 | 25.0 | 190 |
| Other administrative expenses | 275 | 248 | 11.0 | 82 | 79 | 4.2 | 99 |
| Other operating expenses | 252 | 229 | 9.8 | 81 | 75 | 8.1 | 84 |
| **Total expenses** | **1,099** | **986** | **11.5** | **347** | **301** | **15.3** | **373** |
| | | | | | | | |
| **Impairment loss on receivables** | **47** | **64** | **-26.3** | **19** | **10** | | **17** |
| | | | | | | | |
| **Returns to owner-members and OP bonus customers** | | | | | | | |
| Bonuses | 129 | 121 | 6.5 | 44 | 41 | 6.8 | 43 |
| Interest on ordinary and supplementary cooperative capital | 14 | 11 | 19.3 | 2 | 2 | -0.1 | 9 |
| **Total returns** | **142** | **132** | **7.6** | **46** | **43** | **6.5** | **52** |

*) 12-month rolling, change in percentage

| Other key indicators, € million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 31 Dec 2011 | Change, % |
|---|---|---|---|---|---|
| Receivables from customers | 64,174 | 59,387 | 8.1 | 60,331 | 6.4 |
| Life Insurance assets | 8,843 | 6,900 | 28.2 | 7,006 | 26.2 |
| Non-life Insurance assets | 3,603 | 3,168 | 13.7 | 3,205 | 12.4 |
| Liabilities to customers | 48,935 | 43,836 | 11.6 | 45,974 | 6.4 |
| Debt securities issued to the public | 18,928 | 20,732 | -8.7 | 20,005 | -5.4 |
| Equity capital | 7,019 | 6,133 | 14.4 | 6,242 | 12.5 |
| Balance sheet total | 99,725 | 90,804 | 9.8 | 91,905 | 8.5 |
| | | | | | |
| Tier 1 capital | 5,553 | 5,168 | 7.4 | 4,753 | 16.8 |

***January–September***

OP-Pohjola Group's earnings before tax came to EUR 493 million, which was at the same level as in 2011. Changes in reserving bases recorded in Non-life Insurance in the report period weakened the Group's earnings by EUR 52 million. A year ago there were no similar changes in reserving bases. When Skandia Life Finland was bought, a positive non-recurring item of EUR 19 million related to estimated cost and income synergies was recognised. A non-recurring provision for expenses of EUR 20 million was made related to the reorganisation of OP-Pohjola Group Central Cooperative Consolidated announced in September.

The report period's profit performance was supported by higher net interest income year on year, lower impairment loss on receivables, earnings from derivatives and an increase in net investment income by Non-life Insurance.The growth of net interest income slowed down considerably during the report period. Earnings were eroded by lower wealth management commissions and fees year on year, lower investment income by Banking, and the Group's higher expenses. Bonuses to owner-members and OP bonus customers recognised in the income statement grew by 6.5% year on year to EUR 129 million.

The Group's fair value reserve increased by EUR 560 in the report period million thanks to the performance of the investment market, whereas a year ago it decreased by EUR 456 million. Earnings before tax at fair value came to EUR 1,053 million (32).

Pre-tax earnings by Banking increased as a result of higher net interest income and lower impairment losses. Earnings before tax were 6.6% higher year on year. Income increased by a total of 5.0%. Net commissions and fees by Banking were EUR 394 million (406) as commissions and fees related to lending and payment services increased, on the one hand, and wealth management commissions and fees were lower than the year before, on the other. Banking had a cost/income ratio of 57.0 (56.2).

The operating combined ratio of Non-life Insurance was 89.0% (89.4). Pre-tax earnings increased year on year mainly as a result of higher net investment income recorded. Investment income at fair value by both the Non-life Insurance and Wealth Management segments increased clearly over the previous year.

Expenses rose by 11.5% year on year primarily due to higher ICT and personnel costs invested in business growth and development, and by higher, accelerated depreciation on a business property. Higher personnel costs were mainly caused by an increase in the number of employees and higher pension costs. Personnel costs were also increased by non-recurring expenses of EUR 20 million related to the reorganisation of OP-Pohjola Group Central Cooperative Consolidated announced in September. The number of staff increased by 157 in the report period.

Impairment losses recognised under various income statement items that eroded the report period's earnings amounted to EUR 91 million (102), of which EUR 47 million (64) concerned loans and receivables. Net impairment loss on loans and receivables accounted for 0.09% (0.14) of the loan and guarantee portfolio.

Equity capital stood at EUR 7,019 million on 30 September, being 12.5% 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 September, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 743 million (756).

OP-Pohjola Group had 4,187,000 customers in Finland at the end of September. The number of private customers totalled 3,766,000 and that of corporate customers 420,000. The number of joint banking and non-life insurance customers increased by 89,000 from its 2011-end level to 1,388,000, as a result of cross-selling.

***July–September***

Earnings before tax came to EUR 156 million as against EUR 122 million a year ago. Income, except net interest income and net commissions and fees, was higher than that a year ago. Expenses increased by EUR 46 million and impairment losses on receivables by EUR 10 million year on year.

Owing to low interest rates, net interest income was smaller than in the preceding quarter. Net income from Non-life Insurance fell compared to the preceding quarter primarily due to the change in reserving bases. Net income from Life Insurance went up from the previous quarter owing to higher net investment income. Expenses decreased by 6.9% from the preceding quarter as a result of seasonal variation. Total earnings before tax in the third quarter, EUR 156 million, was 16% higher than those in the second quarter (134).

| **OP-Pohjola Group's long-term financial targets** | **30 Sep 2012** | **30 Sep 2011** | **Target** |
|---|---|---|---|
| Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates | 2.01 | 1.49 | 1.6 |
| Return on economic capital, % (12-month rolling) | 14.2 | 14.9 | 18 |
| Growth differential between income and expenses, percentage points (12-month rolling) | -8.8 | 1.6 | > 0 |

OP-Pohjola Group's target is to grow in the long term in all its business segments at a higher rate than the sector average. The Group's loan portfolio and Non-life Insurance premiums written have increased at a higher rate in the year to September than the sector average. The growth of mutual funds and unit-linked savings policies excluding the purchase of Skandia Life Finland were, on the other hand, slower than the sector average. Following the purchase of Skandia Life Finland, the Group became Finland's largest provider of unit-linked policies.

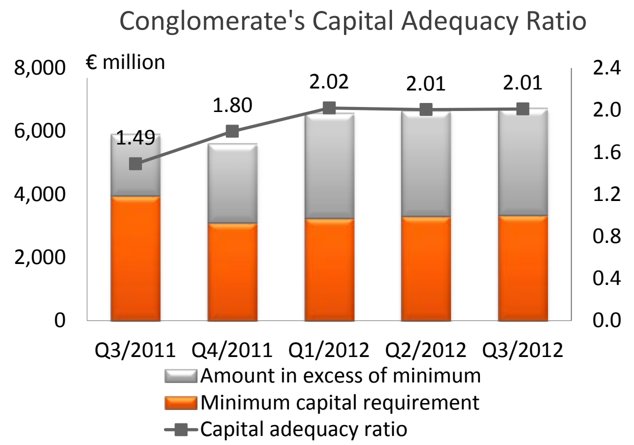
## Capital adequacy, risk exposure and credit ratings

***Capital adequacy***

On 30 September, 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 3,387 million (2,486).

The minimum capital requirement under the above Act increased by 7.6% in the report period. The 8.1% increase in the minimum requirement set for Banking can be mainly attributed to growth in the loan portfolio. The combined growth in the minimum capital requirement for Non-life and Life Insurance was 4.1%.

The capital base increased in the report period by 20% thanks to a 12% increase in equity capital and a Tier 2 issue of subordinated notes. The 500-million-euro lower Tier 2 subordinated notes issued by Pohjola Bank plc in February 2012 increased the capital adequacy ratio by 0.2 units. On 30 September, the Group's capital base was double the regulatory minimum.




As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous in an effort to improve the quality of their capital base, to increase capital buffers, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. These changes have been planned to take effect in 2013–2019. The Capital Requirements Directive and Regulation related to these changes are still under preparation and the effective date of 1 January 2013 remains uncertain. According to OP-Pohjola Group's analysis based on the current interpretations, the Group will fulfil the capital adequacy requirements under any scenario. From the Group's viewpoint, the major changes in the new regulations in terms of capital adequacy requirements are related to how insurance company investments and supplementary cooperative capital are treated in terms of capital base calculation concerning capital adequacy and to the new 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 requirements and harmonise insurance sector solvency requirements in Europe. The regulations are still being processed, and it is not known when they will come into effect. 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.

No significant changes took place in the credit risk exposure, although the economic situation has become clearly weaker after 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.

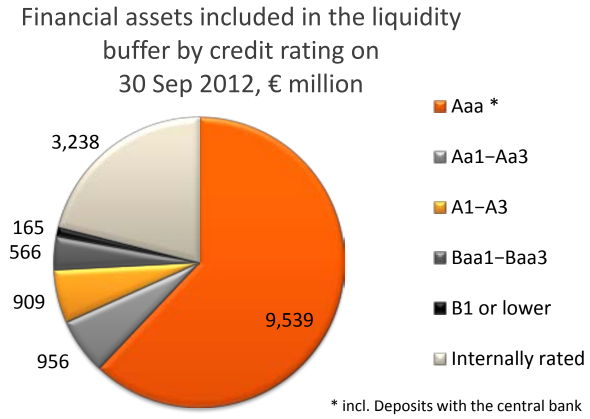
OP-Pohjola Group's financial and liquidity position is good. The percentage of deposits and notes and bonds of funding grew during the report period. During that period, the Group issued long-term bonds worth EUR 3.1 billion used to cover long-term bonds maturing during this year. Of these, Pohjola Bank plc, the Group's central bank, accounts for EUR 1.8 billion, while OP Mortgage Bank, which is responsible for issuing the Group's covered bonds, accounts for the rest. The availability of short-term wholesale funding remained extremely good throughout the report period.

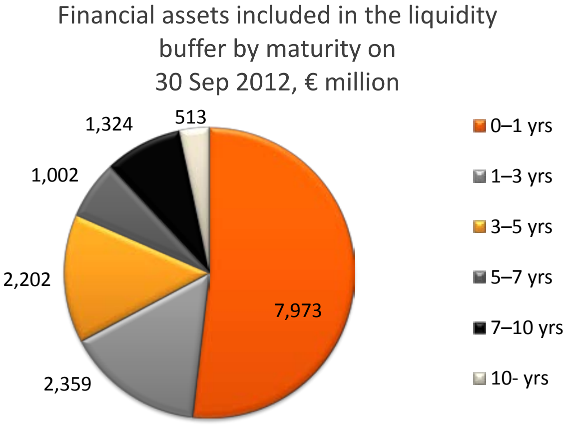
OP-Pohjola Group secures its liquidity with a liquidity buffer which mainly consists of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies 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 on this page is based on mark-to-market valuations.

| **Liquidity buffer, € billion** | **30 Sep 2012** | **31 Dec 2011** | **Change, %** |
|---|---|---|---|
| Deposits with central banks | 6.8 | 4.2 | 59.8 |
| Notes and bonds eligible as collateral | 5.2 | 7.5 | -30.9 |
| Corporate loans eligible as collateral | 2.8 | 2.6 | 8.2 |
| **Total** | **14.8** | **14.4** | **3.0** |
| Receivables ineligible as collateral | 0.6 | 0.6 | -2.8 |
| **Liquidity buffer at market value** | **15.4** | **15.0** | **2.7** |
| Collateral haircut | -0.9 | -1.0 | -11.8 |
| **Liquidity portfolio at collateral value** | **14.5** | **14.0** | **3.8** |

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 as a result of lower interest rates. 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 Sep 2012 | 31 Dec 2011 | Change |
|---|---|---|---|
| **Pohjola Bank plc** | 12,673 | 12,560 | 113 |
| **Non-life Insurance** | 3,096 | 2,830 | 266 |
| **Life Insurance** | 3,570 | 3,671 | -101 |
| **Group member banks** | 889 | 911 | -22 |
| **OP-Pohjola Group Mutual Insurance Company** | 379 | 364 | 16 |
| **Total** | 20,608 | 20,336 | 272 |

***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–September 2012. Fitch affirmed Pohjola Bank plc's A+ rating in October.

## Outlook for the rest of 2012

The world economic outlook has been weak throughout the report period. As a result of the European sovereign debt crisis, the euro area has already sunk into recession. Economic growth in the euro area is estimated to be weak, even by the most optimistic predictions.  The economic prospects for Finland look subdued, too.

The financial sector is under major profitability pressures. Future profitability will be eroded by extremely low market interest rates, grim economic situation, challenging investment environment, tightening regulations in the sector and the national bank levy. These changes will be felt the most in 2013.

Uncertainty about economic development and the continued threat of a deepening euro area sovereign debt crisis make it difficult to predict OP-Pohjola Group's financial performance in the last quarter of 2012. OP-Pohjola Group's 2012 results are expected to be better than the year before, provided that the operating environment will not deteriorate significantly more than expected and the euro area's sovereign debt crisis will not get any worse. The greatest uncertainty affecting the financial performance during the rest of the year relates to 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

On 19 October, Pohjola Bank plc received permission from the Finnish Financial Supervisory Authority to redeem Upper Tier 2 perpetual subordinated notes of EUR 150 million and GBP 100 million. As a result, OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions and Tier 1 ratio will fall by 0.8 percentage points and Core Tier 1 ratio by 0.5 percentage points.

As announced in early October, the Group continues to show markedly larger capital buffers than those required by the recommendation of the European Banking Authority (Core Tier 1 ratio of over 9%). Accordingly, no measures to enhance the capital base are required of the Group. OP-Pohjola Group has both a high Core Tier 1 ratio and low exposure to sovereign debt.

## Operations and earnings by business segment

As a result of the adoption of the updated strategy, the life insurance business together with the asset management and mutual fund businesses that used to be under the Group's Banking operations was formed into a new Wealth Management segment. The figures for Skandia Life Finland (Aurum Investment Insurance Ltd), which was acquired in the third quarter, are presented under the Wealth Management segment. Reporting based on the new division of segments has begun from the beginning of the third quarter. The change in business segments decreased the pre-tax earnings of the report period of Banking by approximately EUR 22 million. The comparatives have been changed correspondingly.

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

### Summary of earnings by business segment

| € million | Income | Expenses | Other items *) | Earnings before tax Q1–Q3/2012 | Earnings before tax Q1–Q3/2011 | Change, % |
|---|---|---|---|---|---|---|
| Banking | 1,262 | 719 | -188 | 355 | 333 | 6.6 |
| Non-life Insurance | 357 | 275 | 0 | 82 | 71 | 15.6 |
| Wealth Management | 170 | 96 | 0 | 74 | 64 | 16.6 |
| Other Operations | 330 | 331 | -2 | -4 | 28 | -112.4 |
| Eliminations | -336 | -321 | 0 | -14 | -8 | 81.2 |
| **Total** | **1,782** | **1,099** | **-190** | **493** | **488** | **1.1** |

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

### Banking

- Earnings before tax grew by 6.6% to EUR 355 million.
- Income increased by a total of 5.0%. Net interest income increased by 2.5% and net commissions and fees decreased by 2.9%.
- Impairment loss on receivables reduced further, by 25%, in the report period.
- In annual terms, growth was particularly strong in deposits and corporate and home loans.

### Banking: key figures and ratios

| € million | Q1–Q3/2012 | Q1–Q3/2011 | Change, % | 2011 |
|---|---|---|---|---|
| | | | | |
| Net interest income | 740 | 722 | 2,5 | 984 |
| Impairment loss on receivables | 45 | 61 | -25.3 | 90 |
| Other income | 522 | 480 | 8.7 | 650 |
| Personnel costs | 326 | 300 | 9.0 | 405 |
| Other expenses | 392 | 376 | 4.4 | 516 |
| Returns to owner-members and OP bonus customers | 142 | 132 | 7.6 | 176 |
| **Earnings before tax** | **355** | **333** | **6.6** | **447** |
| | | | | |
| **€ million** | | | | |
| Home loans drawn down | 5,734 | 5,474 | 4.7 | 7,435 |
| Corporate loans drawn down | 5,213 | 4,718 | 10.5 | 6,699 |
| Net asset inflows of mutual funds | -976 | -1,385 | -29.5 | -1,709 |
| No. of brokered property transactions | 12,322 | 13,239 | -6.9 | 17,240 |
| | | | | |
| **€ billion** | **30 Sep 2012** | **30 Sep 2011** | **Change, %** | **31 Dec 2011** |
| Loan portfolio | | | | |
| Home loans | 31.1 | 28.8 | 8.3 | 29.3 |
| Corporate loans | 16.7 | 15.2 | 9.7 | 15.6 |
| Other loans | 16.2 | 15.2 | 6.6 | 15.2 |
| **Total** | **64.0** | **59.2** | **8.2** | **60.1** |
| Guarantee portfolio | 2.7 | 2.7 | 0.3 | 2.7 |
| | | | | |
| Deposits | | | | |
| Current and payment transfer | 21.5 | 20.7 | 4.1 | 21.6 |
| Investment deposits | 22.0 | 19.3 | 14.4 | 19.7 |
| **Total deposits** | **43.6** | **39.9** | **9.1** | **41.3** |
| | | | | |
| **Market share *, %** | | | | |
| Of loans | 33.2 | 32.9 | 0.3 | 32.9 |
| Of deposits | 33.4 | 33.5 | -0.1 | 34.4 |

* = Estimates for 31 August

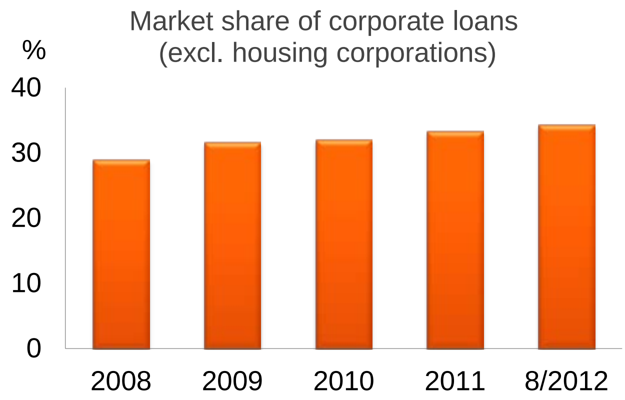
Banking enjoyed continued growth in terms of loans and deposits. The Group gained a higher market share in loans, especially in home loans. Loan margins continued to rise throughout the report period as banks passed higher funding costs onto lending margins and were preparing for tighter regulation. Competition continued to be tough in the deposits market. However, the growth of the margins of term deposits has already levelled off.

OP-Pohjola Group's deposits increased in the year to September by 9.1% and by 5.5% during the report period. Payment transaction accounts increased by 4.1% and investment deposits by 14.4% in the report period.

The number of homes sold through OP-Kiinteistökeskus real estate agents was 12,322 in the report period, or 6.9% lower than a year ago (13,239).

The volume of new home loans drawn down increased by 4.7% year on year. Demand was boosted by low interest rates. Interests on loans are historically low, although margins are clearly higher than a year ago. On 31 August, the Group held 36.6% (36.0) of the home mortgage portfolio. The consumer loan portfolio grew by 5.4% from last year's figure.

The corporate loan portfolio grew in the year to September by 9.7% and by 7.3% in the report period. The volume of new drawn down corporate loans was 10.5% higher year on year. The Group's market share of the loan portfolio by businesses and housing corporations increased from 29.7% at the year-end to 30.5% on 31 August.




On 30 September, the cooperative member banks had 1.4 million owner-members, up by 36,000 year on year. The member banks and Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1,272,000 OP bonus customers at the end of September.

Loyal customer bonuses earned by OP bonus customers totalled EUR 129 million, up by 6.5% year on year.In January–September, OP bonus customers used a total of EUR 63.0 million (59.3) of bonuses for banking service charges and EUR 59.6 million (46.9) for Pohjola non-life insurance premiums. Bonuses were used for the payment of 1,210,000 insurance bills, and 15% of these were paid in full using OP bonuses.

***Earnings and risk exposure***

Earnings before tax by Banking increased by 6.6% to EUR 355 million, thanks to an increase in net interest income and lower impairment charges.

Banking income increased by 5.0% to EUR 1,262 million. Net interest income increased by 2.5%. The higher net interest income was primarily caused by volume growth and the higher margins year on year. The lower market interest rate slowed down growth in net interest income in the second and third quarter. Net commissions and fees by Banking came down by 2.9% as wealth management fees were lower. Net trading and investment income grew by a total of EUR 60 million year on year. Banking had a cost/income ratio of 57.0 (56.2).

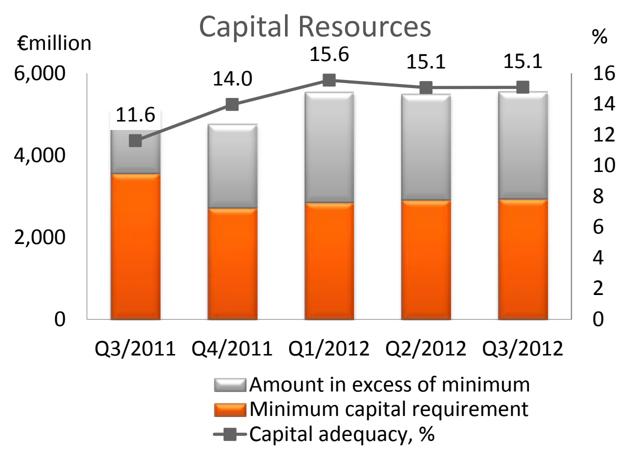
Banking's credit risk exposure remained stable with a moderate risk level. Impairment loss on receivables was EUR 45 million, or down by about 25.3% year on year. In annual terms, this is equivalent to a mere 0.09% of the loan and guarantee portfolio. Non-performing and zero-interest receivables were also somewhat lower in relation to the loan and guarantee portfolio than a year ago. A total of 44% of OP-Pohjola Group's corporate exposures, divided into 12 main categories, fell into the top five corporate loan portfolios, also known as investment grade.

| OP-Pohjola Group's doubtful receivables as percentage of loan and guarantee portfolio | 30 Sep 2012 | | 30 Sep 2011 | | 31 Dec 2011 | |
|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % |
| Non-performing and zero-interest receivables, net | 369 | 0.55 | 351 | 0.57 | 296 | 0.47 |
| Impairment loss on receivables since 1 January, net | 47 | 0.09 | 64 | 0.14 | 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 September, 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 14.8% (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 5,553 million (4,753) on 30 September. This increase was mainly due to the EUR 500 million lower Tier 2 subordinated note issued by Pohjola Bank plc, the report period's 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 2,421 million (2,314).A total of EUR 502 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 107 million (706), which were deducted from Tier 1 capital.

The minimum capital requirement was EUR 2,944 million on 30 September (2,722), increasing by 8.1% in the report period. Growth in the loan portfolio increased the minimum capital requirement, while the loan portfolio quality remained at its previous level. The minimum capital requirement grew in corporate exposure by EUR 144 million and in retail exposure by EUR 53 million. Credit and counterparty risk accounted for 88.3% (89.8) of the capital requirement. Operational risk accounted for 8.0% (8.5) of the capital requirement, the so-called Basel I floor for 1.9% (–) and market risk for 1.8% (1.7).

## Non-life Insurance

- Pre-tax earnings from Non-life Insurance amounted to EUR 82 million (71). A reduction in the discount rate for technical provision related to pension liabilities from 3.3% to 3.0% eroded earnings by EUR 52 million.
- Net investment income increased by EUR 56 million.
- Insurance premium revenue increased by 9% (7).
- The operating combined ratio stood at 89.0% (89.4).
- There were 558,500 loyal customer households on 30 September, increasing by 35,100 (27,100) in the report period.
- Return on investments at fair value was 8.6% (–1,8).

### Non-life Insurance: key figures and ratios

| € million | Q1–Q3/2012 | Q1–Q3/2011 | Change, % | 2011 |
|---|---|---|---|---|
| Insurance premium revenue | 843 | 773 | 9.1 | 1 024 |
| Insurance claims and benefits | 566 | 486 | 16.5 | 692 |
| Net investment income | 98 | 42 | 133.5 | 36 |
| Unwinding of discount and other items included in net income | -34 | -35 | 1.5 | -46 |
| Net income from Non-life Insurance | **342** | **295** | **16.0** | **321** |
| Other net income | 15 | 17 | -9.3 | 22 |
| Personnel costs | 103 | 92 | 11.7 | 125 |
| Other expenses | 172 | 149 | 16.0 | 211 |
| **Earnings before tax** | **82** | **71** | **15.6** | **8** |
| Gross change in fair value reserve | 152 | -92 | 265.9 | -47 |
| **Earnings/loss before tax at fair value** | **234** | **-21** | | **-39** |
| | | | | |
| Insurance premium revenue | | | | |
| Private Customers | 422 | 383 | 10.2 | 503 |
| Corporate Customers | 387 | 353 | 9.6 | 472 |
| Baltic States | 34 | 37 | -7.1 | 48 |
| **Total insurance premium revenue** | **843** | **773** | **9.1** | **1 024** |
| | | | | |
| **Key ratios** | | | | |
| Return on investments at fair value*, % | 8.6 | -1.8 | | -0.4 |
| Operating combined ratio*, % | 89.0 | 89.4 | | 89.8 |
| Operating expense ratio*, % | 21.8 | 20.6 | | 21.8 |
| Operating loss ratio*, % | 67.2 | 68.8 | | 68.0 |

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

Sales of insurance policies proceeded well both in terms of private and corporate customers. Sales of policies to private customers improved by 19%, and by 10% to corporate customers year on year.

Growth in the number loyal customer households was record-high in the report period. There were 558,500 loyal customer households on 30 September, increasing by 35,100 (27,100) in the report period. A total of 68% 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 1,210,000 insurance bills, with 185,000 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 60 million (47).

According to statistics on premiums written published on 30 April 2012, OP-Pohjola Group's market share of non-life insurance premiums written in 2011 was 28.2% (27.8). Measured in terms of the market share of premiums written, OP-Pohjola Group in Finland's largest non-life insurer. This figure is expected to have risen further during the report period.

***Earnings and risk exposure***

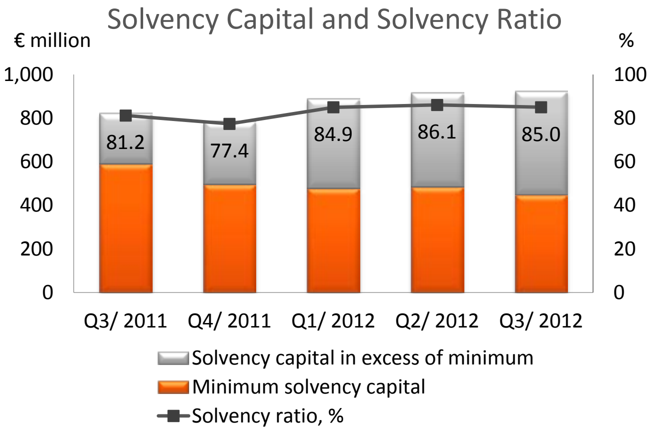
Insurance premium revenue grew vigorously. The balance on technical account was weaker than a year ago because of the reduced discount rate for technical provisions related to pension liabilities. The discount rate of pension liabilities was reduced from 3.3% to 3.0% owing to low interest rates. The profitability of private customers was somewhat lower year on year owing to higher operating expenses. As to corporate customers, profitability increased in the third quarter owing to favourable claims developments.

The reduced discount rate for technical provisions related to pension liabilities increased claims incurred by EUR 52 million. Claims incurred without this was smaller than the insurance premium revenue growth, coming to a total of 7%. Claims incurred due to new major losses were higher than a year ago. The operating risk ratio excluding indirect loss adjustment expenses stood at 60.9% (62.8). 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 208 (174) in January–September, with their claims incurred retained for own account totalling EUR 82 million (76).

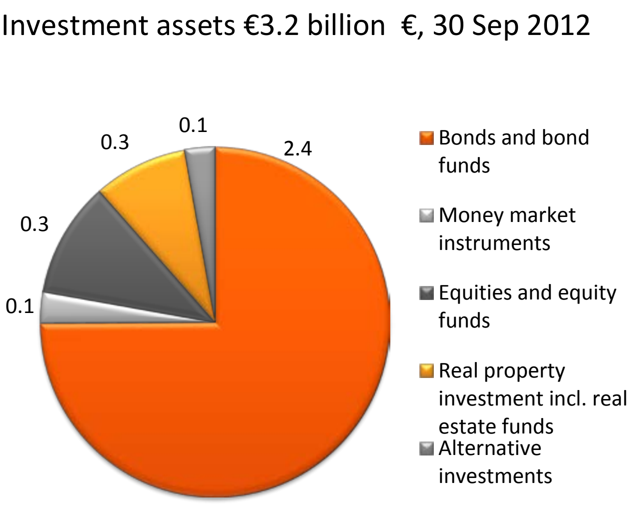
Higher commissions arising from increased sales and the larger number of employees added to operating expenses. Last year, OP-Pohjola recruited more personnel for sales and claims services with a view to improving services for its growing customer base.

Return on investments at fair value stood at 8.6% (-1.8). Investment income at fair value amounted to EUR 251 million (–50). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 8.4 million (21.2).

Non-life Insurance's risk-bearing capacity was good. Non-life Insurance's solvency capital stood at EUR 925 million (787) on 30 September. The equalisation provision that is included under solvency capital was EUR 291 million (353).




On 30 September, the Non-life Insurance investment portfolio totalled EUR 3.2 billion (2.9), the asset allocation being as follows:




The fixed-income portfolio by credit rating remained healthy, considering that investments under the "investment-grade" accounted for 92% (91), and 76% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.5 years (4.8) and the duration 3.9 years (3.9).

## Wealth Management

- Pre-tax earnings were EUR 74 million (64); earnings before tax at fair value were good, reaching EUR 254 million (-101).
- The acquisition of Skandia Life Finland was completed; OP-Pohjola Group became the market leader in unit-linked insurance assets.
- The share of unit-linked insurance of insurance assets increased to 60.7% (48.3).
- Return on investments at fair value was 7.3% (-2.7).

### Wealth Management: key figures and ratios

| € million | Q1–Q3/2012 | Q1–Q3/2011 | Change, % | 2011 |
|---|---|---|---|---|
| Life Insurance's net interest and risk result | 18 | 17 | 6.4 | -6 |
| Net commissions and fees | | | | |
| Fund and asset management | 68 | 80 | -14.3 | 101 |
| Life insurance | 64 | 69 | -6.8 | 89 |
| Expenses | -19 | -24 | 24.0 | -30 |
| Total net commissions and fees | 114 | 124 | -8.2 | 160 |
| Other income | 38 | 19 | 103.2 | 24 |
| Personnel costs | 23 | 21 | 8.9 | 30 |
| Other expenses | 72 | 75 | -3.2 | 101 |
| **Earnings before tax** | **74** | **64** | **16.6** | **47** |
| Gross change in fair value reserve | 180 | -237 | | -191 |
| **Earnings/loss before tax at fair value** | **254** | **-173** | | **-144** |
| | | | | |
| **Market share, %** | **30 Sep 2012** | **30 Sep 2011** | **Change, %** | **31 Dec 2011** |
| Pension assets* | 25.1 | 21.2 | 3.9 | 20,9 |
| Unit-linked insurance assets* | 32.7 | 25.5 | 7.2 | 25.3 |
| Mutual fund assets | 18.0 | 21.4 | -3.5 | 20.7 |
| **€ billion** | | | | |
| Insurance assets | 8.5 | 6.7 | 26.3 | 6.7 |
| Unit-linked | 5.2 | 3.1 | 67.7 | 3.3 |

* September estimate

The commissions and fees of the new Wealth Management segment consist of commissions and fees from asset and fund management and life insurance policies.

Life Insurance has the strategic goal of increasing unit-linked insurance assets. As part of its strategy, OP-Pohjola Group Central Cooperative acquired on 31 August 2012 the share capital of Aurum Investment Insurance Ltd from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc. Unit-linked savings increased from 1 January by 58.7%, of which the business purchased from Skandia Life Finland represented 41.8 percentage points. Growth was also boosted by the fact that investment assets regained their value and by a switch from with-profits policies to unit-linked policies. The share of unit-linked insurance savings of all insurance assets increased to 60.7% (48.3).

#### *Earnings and risk exposure*

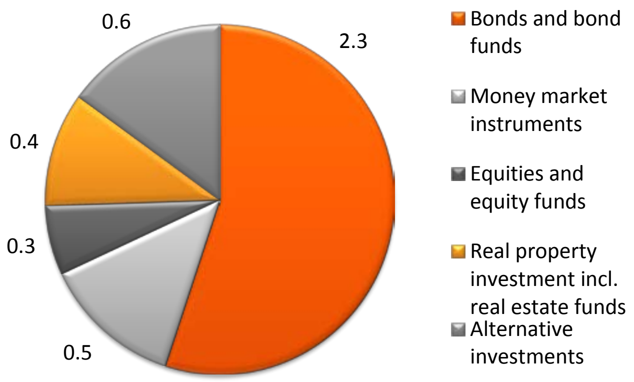
Earnings before tax stood at EUR 74 million (64). Other income includes a non-recurring item of EUR 19 million arising from the purchase of Skandia's Finnish operations. This income is based on the estimated cost and income synergies from the purchase of Skandia Life Finland's business operations. Cost benefits arise from more efficient policy management. Income benefits are derived from an extensive sale of banking and insurance services. Earnings after a change in the fair value reserve came to EUR 254 million (–173). Life Insurance's net investment income excluding income from unit-linked insurance was EUR 182 million (171). The interest rate risk of technical provisions was hedged by means of interest rate derivatives, which increased the investment income by EUR 56 million (43), increasing the change in technical provisions by the same amount.

Life Insurance's efficiency decreased as a result of lower income and higher expenses. The lower income was due to lower premiums written year on year. Expenses were increased by the purchase of Skandia Life Finland. The cost ratio, which includes all income to cover operating expenses in which sales channel fees are excluded, rose to 38.0% (30.7).

Life Insurance's return on investments at fair value, excluding that on derivatives designated as hedging instruments, was 7.3% (-2.7).

Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.2 billion (4.1), were divided as follows:

Life Insurance's investment assets
€4.2 billion, 30 Sep 2012

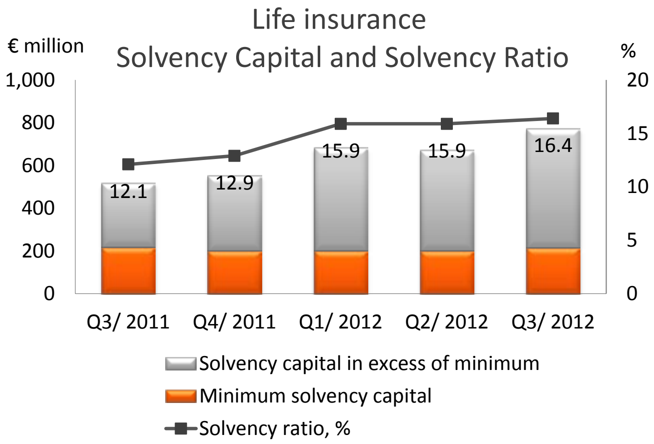



Investments under the 'investment grade' accounted for approximately 88% (79) of the fixed-income portfolio. The portfolio's modified duration was 3.3 years (2.7) on 30 September.

Assets of the mutual funds managed by OP-Pohjola Group totalled EUR 11.4 billion (11.5). Assets decreased by 1.3% in the year to September and by 0.2 in the report period. Net asset inflows of OP-Pohjola Group's mutual funds were EUR 976.5 million in the negative (-1,384.8).

On 30 September, assets managed by Pohjola Bank's Asset Management were worth EUR 39.7.5 billion (37.5), of which EUR 9.3 billion (9.9) was invested in OP-Pohjola Group's mutual funds and EUR 7.7 billion (6.2) in assets managed by OP-Private. OP-Pohjola Group companies accounted for EUR 8.7 billion of assets managed by Pohjola Bank plc.

Life Insurance's solvency improved as the market value of investment assets increased. Its solvency margin was EUR 773 million, which was 3.6-fold the required minimum. The solvency ratio, or the ratio of solvency capital to weighted technical provisions, was 16.4% (12.1).



## Other Operations

### Other Operations: key figures and ratios

| € million | Q1–Q3/2012 | Q1–Q3/2011 | Change, % | 2011 |
|---|---|---|---|---|
| Net interest income | 25 | 24 | 4.0 | 31 |
| Net trading income | 4 | -5 | 181.9 | 2 |
| Net investment income | -5 | 18 | -125.5 | 22 |
| Other income | 305 | 267 | 14.3 | 365 |
| Expenses | 331 | 272 | 21.8 | 377 |
| Impairment loss on receivables | 2 | 3 | -45.3 | 11 |
| **Earnings before tax** | **-4** | **28** | **-112.4** | **32** |
| | | | | |
| € billion | **30 Sep 2012** | **30 Sep 2011** | **Change, %** | **31 Dec 2011** |
| Receivables from credit institutions | 8.4 | 9.6 | -12.4 | 7.0 |
| Financial assets held for trading | -0.1 | -0.1 | -68.2 | -0.1 |
| Investment assets | 6.1 | 8.4 | -26.7 | 8.5 |
| | | | | |
| Liabilities to credit institutions | 6.4 | 5.1 | 25.0 | 5.2 |
| Debt securities issued to the public | 14.2 | 16.6 | -14.2 | 15.7 |

Other Operations showed a pre-tax loss of EUR 4 million in January–September were (28).

Net interest income increased by 4.0%. Investment income included EUR 10.5 million (8.1) in capital gains on notes and bonds. Income from Other Operations consisted to a large extent of intra-Group service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 120 million (96) were personnel costs and EUR 90.4 million (78.5) ICT costs.

## Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 196 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 merged with Andelsbanken för Åland on 31 August 2012. Sauvon Osuuspankki merged 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.

The plan published in December 2011 to buy Skandia Life's Finnish operations was carried out in August by buying the share capital of Aurum Investment Insurance Ltd.

## Personnel and remuneration

On 30 September, OP-Pohjola Group had 13,386 employees (13,229). The staff averaged 13,439 employees (12,858). Staff increases related to business expansion and development. During the report period, 241 employees (291) retired at an average age of 61.4 years (61.4).

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 scheme consists of consecutive three-year performance periods, the first of which 2011–13. Those covered by the scheme will be entitled to receiving a certain number of Pohjola Bank plc Series A shares, if OP-Pohjola Group attains 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), Simo Kauppi (Managing Director), 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.

## Reorganisation programme

OP-Pohjola Group Central Cooperative Consolidated announced in September that it would initiate a streamlining and reorganisation programme covering all personnel groups, with the aim of achieving annual cost savings of EUR 150 million by the end of 2015. A significant amount of the cost savings will be realised during 2013. This reorganisation programme is a continuation of OP-Pohjola Group Central Cooperative Consolidated's restructuring launched in 2010. The purpose is to eliminate overlapping activities, simplify and standardise practices and streamline the management structure of OP-Pohjola Group Central Cooperative Consolidated.

Reasons for initiating the reorganisation include a more rigorous regulatory framework in the financial sector, tightening capital adequacy requirements set for banks, higher costs, and the preparation for new fiscal charges, such as a bank levy. In addition, the prolongation of the European sovereign debt crisis and the low interest rate environment will be strongly reflected in banks' and insurers' revenues.

Based on the current estimates, the planned measures to be taken may lead to a maximum of 700 layoffs within OP-Pohjola Group Central Cooperative Consolidated which had 6,500 employees on 30 June 2012. The process also involves discussing plans to outsource a maximum of 215 employees, and reorganisation between Group companies.

## 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 61 million (40) of these costs consisted of ICT costs capitalised on the balance sheet for the period. Of this capital expenditure, EUR 41 million (24) was allocated to banking operations, EUR 14 million (13) to non-life insurance operations and EUR 6 million (4) to wealth management.

## OP-Pohjola Group income statement

| EUR million | Note | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|---|
| Interest income | | 2,499 | 2,367 | 6 | 3,294 |
| Interest expenses | | 1,727 | 1,612 | 7 | 2,264 |
| **Net interest income before impairment losses** | 5 | **772** | **755** | **2** | **1,030** |
| Impairments of receivables | 6 | 47 | 64 | -26 | 101 |
| **Net interest income after impairments** | | **725** | **690** | **5** | **928** |
| Net income from Non-life Insurance operation | 7 | 334 | 291 | 15 | 312 |
| Net income from Life Insurance operations | 8 | 75 | 78 | -3 | 72 |
| Net commissions and fees | 9 | 428 | 435 | -2 | 574 |
| Net trading income | 10 | 59 | -13 | | 17 |
| Net investment income | 11 | 26 | 55 | -53 | 63 |
| Other operating income | 12 | 86 | 66 | 31 | 90 |
| Personnel costs | | 573 | 509 | 13 | 689 |
| Other administrative expenses | | 275 | 248 | 11 | 351 |
| Other operating expenses | | 252 | 229 | 10 | 318 |
| Returns to owner-members | | 142 | 132 | 8 | 176 |
| Share of associates' profits/losses | | 2 | 3 | -37 | 4 |
| **Earnings before tax for the period** | | **493** | **488** | **1** | **525** |
| Income tax expense | | 116 | 126 | -8 | 89 |
| **Profit for the period** | | **377** | **362** | **4** | **436** |
| | | | | | |
| **Attributable to, EUR million** | | | | | |
| Profit for the period attributable to owners | | 376 | 362 | 4 | 436 |
| Profit for the period attributable to non-controlling interest | | 1 | - | | 0 |
| **Total** | | **377** | **362** | **4** | **436** |

## OP-Pohjola Group statement of comprehensive income

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| **Profit for the period** | **377** | **362** | **4** | **436** |
| Change in fair value reserve | | | | |
| Measurement at fair value | 516 | -471 | | -422 |
| Cash flow hedge | 45 | 16 | | 22 |
| Actuarial gains/losses on post-employment benefit obligations | 30 | -140 | | -137 |
| Translation differences | 0 | 0 | | 1 |
| Income tax on other comprehensive income | | | | |
| Measurement at fair value | 126 | -122 | | -106 |
| Cash flow hedge | 11 | 4 | | 5 |
| Actuarial gains/losses on post-employment benefit obligations | 7 | -36 | | -30 |
| **Total comprehensive income for the period** | **823** | **-80** | | **29** |
| | | | | |
| **Attributable to, EUR million** | | | | |
| Profit for the period attributable to owners | 822 | -80 | | 29 |
| Profit for the period attributable to non-controlling interest | 1 | - | | 0 |
| **Total** | **823** | **-80** | | **29** |

## OP-Pohjola Group balance sheet

| EUR million | Liite | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|---|
| Cash and cash equivalents | | 6,901 | 1,903 | | 4,376 |
| Receivables from credit institutions | | 934 | 3,678 | -75 | 1,104 |
| Financial assets at fair value through profit or loss | | 388 | 350 | 11 | 281 |
| Derivative contracts | | 4,303 | 2,823 | 52 | 3,307 |
| Receivables from customers | | 64,174 | 59,387 | 8 | 60,331 |
| Non-life Insurance assets | 15 | 3,603 | 3,168 | 14 | 3,205 |
| Life Insurance assets | 16 | 8,843 | 6,900 | 28 | 7,006 |
| Investment assets | | 6,191 | 8,274 | -25 | 8,343 |
| Investments in associates | | 39 | 40 | -2 | 40 |
| Intangible assets | | 1,311 | 1,164 | 13 | 1,169 |
| Property, plant and equipment (PPE) | | 726 | 697 | 4 | 702 |
| Other assets | | 2,220 | 2,244 | -1 | 1,884 |
| Tax assets | | 93 | 179 | -48 | 158 |
| **Total assets** | | **99,725** | **90,804** | **10** | **91,905** |
| | | | | | |
| Liabilities to credit institutions | | 2,961 | 1,972 | 50 | 1,783 |
| Financial liabilities at fair value through profit or loss | | 9 | 52 | -83 | 1 |
| Derivative contracts | | 4,100 | 2,796 | 47 | 3,232 |
| Liabilities to customers | | 48,935 | 43,836 | 12 | 45,974 |
| Non-life Insurance liabilities | 17 | 2,843 | 2,624 | 8 | 2,508 |
| Life Insurance liabilities | 18 | 8,849 | 6,970 | 27 | 6,932 |
| Debt securities issued to the public | 19 | 18,928 | 20,732 | -9 | 20,005 |
| Provisions and other liabilities | | 3,091 | 3,259 | -5 | 2,840 |
| Tax liabilities | | 988 | 880 | 12 | 834 |
| Cooperative capital | | 608 | 615 | -1 | 624 |
| Subordinated liabilities | | 1,395 | 937 | 49 | 931 |
| **Total liabilities** | | **92,706** | **84,671** | **9** | **85,663** |
| **Equity capital** | | | | | |
| **Share of OP-Pohjola Group's owners** | | | | | |
| Share and cooperative capital | | 335 | 333 | 1 | 333 |
| Fair value reserve | 20 | 235 | -225 | | -188 |
| Other reserves | | 2,682 | 2,619 | 2 | 2,621 |
| Retained earnings | | 3,744 | 3,406 | 10 | 3,474 |
| **Non-controlling interests** | | 23 | - | | 3 |
| **Total equity capital** | | **7,019** | **6,133** | **14** | **6,242** |
| **Total liabilities and equity capital** | | **99,725** | **90,804** | **10** | **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 | 0 | - | - | - | - | - | 0 |
| 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 | - | -349 | 12 | - | 257 | - | -80 |
| Share-based payments | - | - | - | - | 0 | | 0 |
| Other | -4 | - | - | 0 | -20 | - | -24 |
| **Balance at 30 Sep 2012** | **333** | **-231** | **5** | **2,619** | **3,406** | **-** | **6,133** |

| 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 capita | 3 | - | - | - | - | - | 3 |
| Transfer of reserves | - | - | - | 61 | -61 | - | - |
| Profit distribution | - | - | - | - | -62 | - | -62 |
| Total comprehensive income for the period | - | 389 | 34 | 0 | 398 | 1 | 823 |
| Share-based payments | - | - | - | - | 0 | - | 0 |
| Other | 0 | - | - | 1 | -6 | 19 | 13 |
| **Balance at 30 Sep 2012** | **335** | **191** | **44** | **2,682** | **3,744** | **23** | **7,019** |

## Cash flow statement

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit for the period | 377 | 362 |
| Adjustments to profit for the period | 745 | 377 |
| **Increase (-) or decrease (+) in operating assets** | **-2,119** | **-6,959** |
| Receivables from credit institutions | 204 | -2,481 |
| Financial assets at fair value through profit or loss | 203 | -44 |
| Derivative contracts | 9 | -12 |
| Receivables from customers | -3,895 | -2,604 |
| Non-life Insurance assets | -689 | -147 |
| Life Insurance assets | -145 | 98 |
| Investment assets | 1,905 | -879 |
| Other assets | 289 | -890 |
| **Increase (+) or decrease (-) in operating liabilities** | **4,486** | **5,974** |
| Liabilities to credit institutions | 1,152 | 262 |
| Financial liabilities at fair value through profit or loss | 8 | 52 |
| Derivative contracts | 6 | 28 |
| Liabilities to customers | 2,961 | 4,631 |
| Non-life Insurance liabilities | 198 | 180 |
| Life Insurance liabilities | 68 | 21 |
| Provisions and other liabilities | 93 | 801 |
| Income tax paid | -71 | -95 |
| Dividends received | 79 | 117 |
| **A. Net cash from operating activities** | **3,496** | **-225** |
| **Cash flow from investing activities** | | |
| Increases in held-to-maturity financial assets | -51 | -61 |
| Decreases in held-to-maturity financial assets | 321 | 151 |
| Acquisition of subsidiaries, net of cash acquired | -75 | -5 |
| Disposal of subsidiaries, net of cash disposed | 0 | 1 |
| Purchase of PPE and intangible assets | -150 | -74 |
| Proceeds from sale of PPE and intangible assets | 4 | 4 |
| **B. Net cash used in investing activities** | **49** | **15** |
| **Cash flow from financing activities** | | |
| Increases in subordinated liabilities | 493 | 185 |
| Decreases in subordinated liabilities | -38 | -420 |
| Increases in debt securities issued to the public | 20,567 | 30,761 |
| Decreases in debt securities issued to the public | -21,923 | -29,624 |
| Increases in cooperative and share capital | 158 | 150 |
| Decreases in cooperative and share capital | -172 | -182 |
| 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** | **-993** | **558** |
| **Net change in cash and cash equivalents (A+B+C)** | **2,552** | **348** |
| | | |
| **Cash and cash equivalents at period-start** | **4,465** | **1,689** |
| **Cash and cash equivalents at period-end** | **7,018** | **2,038** |
| | | |
| **Interest received** | **2,516** | **2,031** |
| **Interest paid** | **-1,718** | **-1,253** |
| | | |
| **Cash and cash equivalents** | | |
| Liquid assets | 6,908 | 1,891 |
| Receivables from credit institutions payable on demand | 109 | 147 |
| **Total** | **7,018** | **2,038** |

## Note 1. Accounting policies

The Interim Report for 1 January–30 September 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-Q3/2012 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:

| EUR million | 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 |

| EUR million | 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 |

| EUR million | Previous accounting policy | New accounting policy | Effect of change in accounting policy |
|---|---|---|---|
| **Balance sheet 30 Sep 2011** | | | |
| Assets | | | |
| Other assets | 2,630 | 2,244 | -386 |
| Tax assets | 178 | 179 | 0 |
| Liabilities | | | |
| Provisions and other liabilities | 3,257 | 3,259 | 1 |
| Tax liabilities | 979 | 880 | -100 |
| Shareholders' equity | | | |
| Retained earnings | 3,694 | 3,406 | -287 |
| | | | |
| **Income statment Q1–Q3/2011** | | | |
| Personnel costs | 514 | 509 | -5 |
| Income tax expense | 125 | 126 | 1 |
| | | | |
| **Statement of comprehensive income Q1–Q3/2011** | | | |
| Actuarial gains/losses on post-employment benefit obligations | - | -140 | -140 |
| Income tax on actuarial gains/losses on post-employment benetif obligations | - | -36 | -36 |

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

| | Q1–Q3/ 2012 | Q1–Q3/ 2011 | 2011 |
|---|---|---|---|
| Return on equity, % | 7.6 | 7.6 | 6.8 |
| Return on equity at fair value, % | 16.6 | -1.7 | 0.4 |
| Return on assets, % | 0.53 | 0.55 | 0.50 |
| Cost/income ratio, % | 62 | 59 | 63 |
| Average personnel | 13,439 | 12,750 | 12,858 |
| Full-time | 12,456 | 11,730 | 11,701 |
| Part-time | 983 | 1,020 | 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. Business operations acquired during the period

On 31 August 2012, OP-Pohjola Group Central Cooperative – the central institution of OP-Pohjola Group – bought the share capital of Aurum Investment Insurance Ltd, a Finnish life insurance company established in connection with the acquisition, from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc. On 28 August 2012 as part of the acquisition, Skandia Life's portfolio of 100,000 pension, savings and investment policies transferred to Aurum Investment Insurance Ltd which became an OP-Pohjola Group Central Cooperative subsidiary on 31 August 2012. The accounts of Aurum Investment Insurance Ltd have been included in OP-Pohjola Group's consolidated financial statements since 31 August 2012.

In this interim report, the acquisition cost of Aurum Investment Insurance Ltd shares have been used as the acquisition cost in the consolidation of Group accounts. All related expert and consulting fees were charged to expenses.

Aurum Investment Ltd's premiums written included in OP-Pohjola Group's consolidated accounts amounted to EUR 9 million and earnings before tax to EUR 1 million.

The net arising from the difference between the fair value of the identifiable assets acquired and the liabilities assumed and the acquisition cost as a result of the consolidation, a gain from a bargain purchase, has been recognised in other operating income on the acquisition date. Any changes to the above net amount that may arise from the revision of the acquisition price based on the business volume development will be recognised directly in the income statement. This revision process is supposed to end by 31 March 2013. The identifiable assets acquired and the liabilities assumed comprise the net assets of Aurum Investment Insurance Ltd measured at fair value and other identifiable items identified in connection with the acquisition.

| **EUR million** | | **Fair values used in consolidati** |
|---|---|---|
| Life Insurance assets | | 1,360 |
| Intangible assets | | |
| Customer relationships | | 5 |
| Insurance contracts | | 127 |
| Other assets | | 1 |
| Cash and cash equivalents | | 36 |
| **Total assets** | | **1,528** |
| | | |
| Life Insurance liabilities | | 1,362 |
| Provisions and other payables | | 5 |
| Deferred tax liabilities | | 32 |
| **Total liabilities** | | **1,399** |
| | | |
| Net assets | | 128 |
| | | |
| Interest in net assets acquired on 31 August 2012 | 100% | 128 |
| Total consideration paid in cash | | 108 |
| Gain from bargain purchase, gross | | 20 |
| Related transaction costs in the income statement. | | 2 |
| Gain from bargain purchase, net | | 19 |
| | | |
| Total consideration paid in cash | | 108 |
| Cash and cash equivalents of acquired subsidiary | | 36 |
| Cash flow impact | | 72 |

## Note 4. OP-Pohjola Group quarterly performance

| | 2011 | | 2012 | | |
|---|---|---|---|---|---|
| **EUR million** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** |
| Interest income | 892 | 927 | 899 | 836 | 764 |
| Interest expenses | 631 | 652 | 625 | 582 | 521 |
| **Net interest income** | **261** | **275** | **274** | **255** | **243** |
| Impairments of receivables | 10 | 37 | 11 | 17 | 19 |
| **Net interest income after impairments** | **252** | **238** | **264** | **237** | **224** |
| Net income from Non-life Insurance operation | 75 | 20 | 100 | 129 | 105 |
| Net income from Life Insurance operations | 0 | -6 | 32 | 16 | 27 |
| Net commissions and fees | 138 | 138 | 153 | 141 | 134 |
| Net trading income | -35 | 31 | 38 | 3 | 18 |
| Net investment income | 16 | 7 | 15 | 10 | 1 |
| Other operating income | 19 | 24 | 25 | 21 | 39 |
| Personnel costs | 147 | 180 | 199 | 190 | 184 |
| Other administrative expenses | 79 | 104 | 93 | 99 | 82 |
| Other operating expenses | 75 | 88 | 87 | 84 | 81 |
| Returns to owner-members | 43 | 44 | 44 | 52 | 46 |
| Share of associates' profits/losses | 1 | 1 | 0 | 1 | 1 |
| **Earnings before tax for the period** | **122** | **37** | **203** | **134** | **156** |
| Income tax expense | 30 | -37 | 49 | 35 | 33 |
| **Profit for the period** | **91** | **74** | **154** | **99** | **123** |
| **Other comprehensive income** | | | | | |
| Change in fair value reserve | | | | | |
| Measurement at fair value | -362 | 49 | 373 | -23 | 166 |
| Cash flow hedge | 22 | 6 | 5 | 20 | 20 |
| Actuarial gains/losses on post-employment benefit obligations | -96 | 3 | 30 | -10 | 10 |
| Translation differences | 0 | 1 | 0 | 0 | 0 |
| Income tax on other comprehensive income | | | | | |
| Measurement at fair value | -94 | 17 | 91 | -6 | 40 |
| Cash flow hedge | 6 | 1 | 1 | 5 | 5 |
| Actuarial gains/losses on post-employment benefit obligations | -24 | 6 | 7 | -2 | 2 |
| **Total comprehensive income for the period** | **-232** | **109** | **463** | **89** | **271** |

## Note 5. Net interest income

| **EUR million** | **Q1–Q3/ 2012** | **Q1–Q3/ 2011** | **Change, %** | **2011** |
|---|---|---|---|---|
| Loans and other receivables | 1,188 | 1,153 | 3 | 1,593 |
| Receivables from credit institutions and central banks | 17 | 26 | -36 | 37 |
| Notes and bonds | 186 | 197 | -6 | 269 |
| Derivatives (net) | | | | |
| Derivatives held for trading | 61 | 60 | 1 | 79 |
| Derivatives under hedge accounting | 29 | -15 | | -19 |
| Liabilities to credit institutions | -7 | -13 | -43 | -17 |
| Liabilities to customers | -319 | -280 | 14 | -397 |
| Debt securities issued to the public | -334 | -342 | -2 | -473 |
| Subordinated debt | -43 | -23 | 91 | -31 |
| Hybrid capital | -6 | -7 | -7 | -9 |
| Financial liabilities held for trading | 0 | 0 | -24 | 0 |
| Other (net) | 1 | 0 | | 2 |
| **Net interest income before fair value adjustment under hedge accounting** | **772** | **759** | **2** | **1,033** |
| Hedging derivatives | 246 | 8 | | 19 |
| Value change of hedged items | -246 | -12 | | -23 |
| **Total net interest income** | **772** | **755** | **2** | **1,030** |

## Note 6. Impairments of receivables

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Receivables eliminated as loan or guarantee losses | 55 | 73 | -25 | 85 |
| Receoveries of eliminated receivables | -10 | -7 | -40 | -11 |
| Increase in impairment losses | 61 | 75 | -18 | 115 |
| Decrease in impairment losses | -58 | -76 | 23 | -88 |
| **Total** | **47** | **64** | **-26** | **101** |

## Note 7. Net income from Non-life Insurance

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Net insurance premium revenue | | | | |
| Premiums written | 1,004 | 930 | 8 | 1,120 |
| Insurance premiums ceded to reinsurers | -44 | -52 | 15 | -55 |
| Change in provision for unearned premiums | -120 | -121 | 1 | -44 |
| Reinsurers' share | 4 | 15 | -76 | 3 |
| **Total** | **843** | **773** | **9** | **1,024** |
| | | | | |
| Net Non-life Insurance claims | | | | |
| Claims paid | 579 | 526 | 10 | 703 |
| Insurance claims recovered from | -34 | -28 | -21 | -33 |
| Change in provision for unpaid claims | 12 | -35 | | 51 |
| Reinsurers' share | 9 | 23 | -62 | -29 |
| **Total** | **566** | **486** | **16** | **692** |
| | | | | |
| Net investment income, Non-life Insurance | | | | |
| Interest income | 45 | 46 | -1 | 60 |
| Dividend income | 24 | 29 | -18 | 30 |
| Property | 3 | 3 | -9 | 3 |
| Capital gains and losses | | | | |
| Notes and bonds | 22 | -5 | | -8 |
| Shares and participations | 11 | 1 | | 0 |
| Loans and receivables | -2 | 0 | | 0 |
| Property | 0 | 0 | 30 | 0 |
| Derivatives | -10 | -10 | 0 | -18 |
| Fair value gains and losses | | | | |
| Notes and bonds | -2 | -16 | 90 | -34 |
| Shares and participations | -6 | -9 | 29 | -10 |
| Loans and receivables | 0 | -1 | | -1 |
| Property | 2 | 1 | | 3 |
| Derivatives | 1 | -1 | | 0 |
| Other | 1 | 1 | 27 | 2 |
| **Total** | **90** | **39** | | **26** |
| | | | | |
| Unwinding of discount | -34 | -35 | 3 | -46 |
| Other | 0 | 0 | | 0 |
| **Net income from Non-life Insurance** | **334** | **291** | **15** | **312** |

## Note 8. Net income from Life Insurance

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Premiums written | 570 | 579 | -2 | 748 |
| Reinsurers' share | -20 | -21 | 3 | -27 |
| **Total** | **550** | **558** | **-1** | **721** |
| | | | | |
| Claims incurred | | | | |
| Benefits paid | -453 | -533 | 15 | -711 |
| Change in provision for unpaid claims | 3 | 8 | -65 | 15 |
| Reinsurers' share | 8 | 6 | 42 | 9 |
| Change in insurance contract liabilities | | | | |
| Change in life insurance provision | -495 | 322 | | 218 |
| Reinsurers' share | 5 | 9 | -49 | 11 |
| **Total** | **-932** | **-188** | | **-458** |
| | | | | |
| Other | -22 | 3 | | 28 |
| **Total** | **-404** | **373** | | **290** |
| | | | | |
| Net investment income, Llife Insurance | | | | |
| Interest income | 38 | 40 | -4 | 56 |
| Dividend income | 54 | 61 | -11 | 73 |
| Property | 3 | 3 | -22 | 3 |
| Capital gains and losses | | | | |
| Notes and bonds | 2 | 8 | -81 | 6 |
| Shares and participations | 25 | 14 | 77 | 27 |
| Loans and receivables | 0 | 3 | -93 | 4 |
| Property | -1 | 1 | | 1 |
| Derivatives | -16 | -8 | -92 | -38 |
| Fair value gains and losses | | | | |
| Notes and bonds | 3 | -3 | | -6 |
| Shares and participations | -22 | -6 | | -6 |
| Loans and receivables | -1 | -4 | | -8 |
| Property | 1 | 1 | | -1 |
| Derivatives | 83 | 42 | 97 | 62 |
| Other | 4 | 5 | | 6 |
| Assets serving as cover for unit-linked policies | | | | |
| Shares and participations | | | | |
| Capital gains and losses | 51 | -86 | | -123 |
| Fair value gains and losses | 239 | -388 | | -296 |
| Other | 17 | 20 | -17 | 24 |
| **Total** | **480** | **-296** | | **-219** |
| | | | | |
| **Net income from Non-life Insurance** | **75** | **78** | **-3** | **72** |

## Note 9. Net commissions and fees

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Commission income | | | | |
| Lending | 130 | 120 | 9 | 160 |
| Deposits | 4 | 4 | 1 | 5 |
| Payment transfers | 128 | 120 | 7 | 160 |
| Securities brokerage | 16 | 25 | -36 | 31 |
| Securities issuance | 8 | 9 | -10 | 13 |
| Mutual funds brokerage | 54 | 71 | -24 | 88 |
| Asset management and legal services | 49 | 46 | 6 | 64 |
| Insurance brokerage | 46 | 41 | 12 | 53 |
| Guarantees | 17 | 17 | 1 | 22 |
| Other | 30 | 31 | -4 | 42 |
| **Total** | **481** | **483** | **0** | **638** |
| | | | | |
| Commission expenses | 53 | 47 | 12 | 64 |
| | | | | |
| **Net commissions and fees** | **428** | **435** | **-2** | **574** |

## Note 10. Net trading income

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Capital gains and losses | | | | |
| Notes and bonds | 11 | 3 | | 7 |
| Shares and participations | 0 | 2 | -76 | 1 |
| Derivatives | 20 | 8 | | 28 |
| Changes in fair value | | | | |
| Notes and bonds | 2 | 4 | -34 | 2 |
| Shares and participations | 5 | -11 | | -9 |
| Derivatives | 11 | -16 | | -12 |
| Financial assets and liabilities amortised at cost | | | | |
| Capital gains and losses | | | | |
| Loans and other receivables | - | - | | - |
| Dividend income | 1 | 1 | 4 | 1 |
| operations | 9 | -3 | | -1 |
| **Total** | **59** | **-13** | | **17** |

## Note 11. Net investment income

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Available-for-sale financial assets | | | | |
| Capital gains and losses | | | | |
| Notes and bonds | 15 | 12 | 21 | 12 |
| Shares and participations | 6 | 11 | -43 | 17 |
| Dividend income | 11 | 25 | -55 | 26 |
| Impairment losses | -11 | -3 | | -5 |
| Carried at amortised cost | | | | |
| Capital gains and losses | -15 | -1 | | 1 |
| **Total** | **6** | **43** | **-86** | **51** |
| | | | | |
| Investment property | | | | |
| Rental income | 30 | 30 | -2 | 40 |
| Maintenance charges and expenses | -22 | -20 | -9 | -27 |
| Changes in fair value, capital gains and losses | 12 | 1 | | -2 |
| Other | 0 | 0 | -14 | 1 |
| **Total** | **20** | **12** | **63** | **11** |
| Other | - | - | | - |
| **Net investment income** | **26** | **55** | **-53** | **63** |

## Note 12. Other operating income

| EUR million | Q1–Q3/ 2012 | Q1–Q3/ 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Income from property and business premises in own use | 11 | 12 | -3 | 15 |
| Rental income from assets rented under operating lease | 8 | 13 | -40 | 16 |
| Other | 67 | 41 | 63 | 58 |
| **Total** | **86** | **66** | **31** | **90** |

## Note 13. 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 | 6,901 | - | - | - | - | 6,901 |
| Receivables from credit institutions and central banks | 934 | - | - | - | - | 934 |
| Derivative contracts | - | - | 3,623 | - | 679 | 4,303 |
| Receivables from customers | 64,174 | - | - | - | - | 64,174 |
| Non-life Insurance assets** | 625 | - | 120 | 2,858 | - | 3,603 |
| Life Insurance assets*** | 310 | - | 5,503 | 3,031 | - | 8,843 |
| Notes and bonds | - | 416 | 304 | 5,074 | - | 5,794 |
| Shares and participations | - | - | 83 | 286 | - | 369 |
| Other receivables | 4,390 | - | 416 | - | - | 4,805 |
| **Total 30 September 2012** | **77,333** | **416** | **10,049** | **11,248** | **679** | **99,725** |
| **Total 30 September 2011** | **70,244** | **892** | **6,712** | **12,619** | **338** | **90,804** |
| **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 | - | - | - | 2,961 | - | 2,961 |
| Financial liabilities held for trading (excl. derivatives) | - | - | 9 | - | - | 9 |
| Derivative contracts | - | - | 3,690 | - | 410 | 4,100 |
| Liabilities to customers | - | - | - | 48,935 | - | 48,935 |
| Non-life Insurance liabilities**** | - | - | 1 | 2,842 | - | 2,843 |
| Life Insurance liabilities***** | - | - | 5,183 | 3,666 | - | 8,849 |
| Debt securities issued to the public | - | - | - | 18,928 | - | 18,928 |
| Subordinated loans | - | - | - | 1,395 | - | 1,395 |
| Other liabilities | - | - | - | 4,687 | - | 4,687 |
| **Total 30 September 2012** | - | - | **8,883** | **83,413** | **410** | **92,706** |
| **Total 30 September 2011** | - | - | **5,623** | **78,713** | **335** | **84,671** |
| **Total 31 December 2011** | - | - | **6,117** | **79,151** | **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 15.
***Life Insurance assets are specified in Note 16.
****Non-life Insurance liabilities are specified in Note 17.
*****Life Insurance liabilities are specified in Note 18.
******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 September, the fair value of these debt instruments was approximately EUR 595 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 14. Financial instruments recognised at fair value, grouped by valuation technique

| Fair value of assets on 30 Sep 2012, EUR million | Level 1* | Level 2** | Level 3*** | Total |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Banking | 115 | 265 | 8 | 388 |
| Non-life Insurance | - | 5 | 6 | 11 |
| Life Insurance | - | - | 87 | 87 |
| Derivative financial instruments | | | | |
| Banking | 10 | 4,269 | 24 | 4,303 |
| Non-life Insurance | 2 | 1 | - | 3 |
| Life Insurance | - | 91 | - | 91 |
| Available-for-sale | | | | |
| Banking | 4,215 | 1,096 | 49 | 5,360 |
| Non-life Insurance | 1,844 | 756 | 258 | 2,858 |
| Life Insurance | 1,634 | 664 | 733 | 3,031 |
| **Total** | **7,820** | **7,146** | **1,165** | **16,131** |

| 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 Sep 2012, EUR million | Level 1* | Level 2** | Level 3*** | Total |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Banking | 3 | 6 | - | 9 |
| Non-life Insurance | - | - | - | - |
| Life Insurance | - | - | - | - |
| Derivative financial instruments | | | | |
| Banking | 24 | 3,976 | 100 | 4,100 |
| Non-life Insurance | 1 | 0 | - | 1 |
| Life Insurance | - | - | - | - |
| **Total** | **28** | **3,983** | **100** | **4,110** |

| 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 117 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

## Note 15. Non-life Insurance assets

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Investments | | | | |
| Loan and other receivables | 107 | 125 | -15 | 117 |
| Shares and participations | 392 | 415 | -6 | 435 |
| Property | 106 | 94 | 12 | 98 |
| Notes and bonds | 2,014 | 1,525 | 32 | 1,540 |
| Derivatives | 3 | 2 | 55 | 0 |
| Other participations | 463 | 562 | -18 | 565 |
| **Total** | **3,084** | **2,723** | **13** | **2,754** |
| Other assets | | | | |
| Prepayments and accrued income | 37 | 34 | 9 | 35 |
| Other | | | | |
| Arising from direct insurance operations | 313 | 281 | 11 | 262 |
| Arising from reinsurance operations | 123 | 85 | 44 | 121 |
| Cash in hand and at bank | 7 | 7 | 5 | 6 |
| Other receivables | 38 | 36 | 6 | 26 |
| **Total** | **519** | **444** | **17** | **451** |
| **Non-life Insurance assets** | **3,603** | **3,168** | **14** | **3,205** |

## Note 16. Life Insurance assets

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 30 Sep 2011 |
|---|---|---|---|---|
| Investments | | | | |
| Loan and other receivables | 191 | 281 | -32 | 226 |
| Shares and participations | 1,905 | 2,461 | -23 | 2,470 |
| Property | 152 | 126 | 21 | 120 |
| Notes and bonds | 1,213 | 781 | 55 | 762 |
| Derivatives | 91 | 46 | 98 | 50 |
| **Total** | **3,552** | **3,696** | **-4** | **3,628** |
| Assets covering unit-linked insurance contracts | | | | |
| Shares and participations | 5,173 | 3,102 | 67 | 3,262 |
| Other assets | | | | |
| Prepayments and accrued income | 40 | 30 | 32 | 32 |
| Other | | | | |
| Arising from direct insurance operations | 3 | 4 | -12 | 12 |
| Arising from reinsurance operations | 76 | 70 | 8 | 71 |
| Cash in hand and at bank | 0 | 0 | | 0 |
| **Total** | **119** | **103** | **15** | **115** |
| **Life Insurance assets** | **8,843** | **6,900** | **28** | **7,006** |

## Note 17. Non-life Insurance liabilities

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Provision for unpaid claims | | | | |
| Provision for unpaid claims for annuities | 1,203 | 1,103 | 9 | 1,155 |
| Other provision for unpaid claims | 785 | 743 | 6 | 789 |
| Total | 1,989 | 1,846 | 8 | 1,944 |
| Provisions for unearned premiums | 542 | 498 | 9 | 422 |
| Other liabilities | 312 | 280 | 11 | 142 |
| **Total** | **2,843** | **2,624** | **8** | **2,508** |

## Note 18. Life Insurance liabilities

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Insurance contract liabilities for unit-linked insurance policies | 4,081 | 2,995 | 36 | 3,210 |
| Investment contracts | 1,101 | 108 | | 67 |
| Technical provisions | 3,587 | 3,788 | -5 | 3,644 |
| Other liabilities | 79 | 79 | 0 | 10 |
| **Total** | **8,849** | **6,970** | 27 | **6,932** |

Technical provisions on 30 September 2012 contain EUR 118 million (62) as a result of a change in the fair value of secured interest rate swaps.

## Note 19. Debt securities issued to the public

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Bonds | 12,888 | 11,827 | 9 | 11,525 |
| Certificates of deposit, commercial papers and ECPs | 5,869 | 8,615 | -32 | 8,183 |
| Other | 171 | 290 | -41 | 297 |
| **Total** | **18,928** | **20,732** | **-9** | **20,005** |

## Note 20. Fair value reserve after income tax

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Notes and bonds | 35 | -153 | | -181 |
| Shares and participations | 157 | -77 | | -17 |
| Other | 44 | 5 | | 10 |
| **Total** | **235** | **-225** | | **-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 311 million (-249) and the related deferred tax liability amounted to EUR 76 million (deferred tax asset of 61). On 30 September, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 248 million (198) million and negative mark-to-market valuations EUR 38 million (211).

## Note 21. Capital structure and capital adequacy

| Capital structure and capital adequacy, EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| **Tier 1 capital** | | | | |
| OP-Pohjola Group's equity capital | 7,019 | 6,133 | 14 | 6,242 |
| The effect of insurance companies on the Group's shareholders' equity is excluded (incl. OVY's technical provisions) | -124 | 188 | | 173 |
| Fair value reserve, transfer to Tier 2 | -33 | 115 | | 144 |
| Supplementary cooperative capital not included in equity capital | 608 | 615 | -1 | 622 |
| **Core Tier 1 capital before deductions and hybrid capital** | 7,470 | 7,051 | 6 | 7,181 |
| Intangible assets | -362 | -334 | 8 | -342 |
| Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses | -152 | -101 | 50 | -114 |
| Planned profit distribution / profit distribution as proposed by the Board | -50 | -43 | 17 | -61 |
| Investments in insurance companies and financial institutions | -1,210 | -1,157 | 5 | -1,157 |
| Shortfall of impairments – expected losses | -251 | -45 | | -271 |
| Shortfall of other Tier 1 capital | - | -201 | | -484 |
| **Core Tier 1 capital** | **5,444** | **5,168** | **5** | **4,753** |
| Hybrid capital | 216 | 223 | -3 | 223 |
| Shortfall of Tier 2 capital | -107 | -425 | -75 | -706 |
| Transfer to Core Tier 1 capital | - | 201 | | 484 |
| **Tier 1 capital** | **5,553** | **5,168** | **7** | **4,753** |

| | | | | |
|---|---|---|---|---|
| **Tier 2 capital** | | | | |
| Fair value reserve (excl. cash flow hedge valuation) | -11 | -120 | -91 | -154 |
| Perpetual bonds | 282 | 292 | -3 | 285 |
| OVY's equalisation provision | 220 | 211 | 4 | 215 |
| Debenture loans | 863 | 395 | | 375 |
| Investments in insurance companies and financial institutions | -1,210 | -1,157 | 5 | -1,157 |
| Shortfall of impairments – expected losses | -251 | -45 | | -271 |
| Transfer to Tier 1 capital | 107 | 425 | -75 | 706 |
| **Tier 2 capital** | 0 | 0 | | 0 |
| **Total capital base** | **5,553** | **5,168** | **7** | 4,753 |
| | | | | |
| **Risk-weighted assets** | | | | |
| Credit and counterparty risk | 32,487 | 40,994 | -21 | 30,556 |
| Central government and central banks exposure | 32 | 122 | -73 | 175 |
| Credit institution exposure | 1,167 | 1,546 | -25 | 1,450 |
| Corporate exposure | 20,167 | 17,096 | 18 | 18,370 |
| Retail exposure | 8,235 | 19,161 | -57 | 7,573 |
| Other | 2,886 | 3,069 | -6 | 2,989 |
| Market risk | 654 | 605 | 8 | 571 |
| Operational risk | 2,954 | 2,903 | 2 | 2,903 |
| Other | 706 | - | | - |
| **Total** | **36,802** | **44,502** | **-17** | **34,030** |
| | | | | |
| **Minimum capital requirement** | | | | |
| Credit and counterparty risk | 2,599 | 3,280 | -21 | 2,445 |
| Market risk | 52 | 48 | 8 | 46 |
| Operational risk | 236 | 232 | 2 | 232 |
| Other | 56 | - | | - |
| **Total** | **2,944** | **3,560** | **-11** | **2,722** |
| | | | | |
| Capital adequacy ratio, % | 15.1 | 11.6 | | 14.0 |
| Tier 1 ratio, % | 15.1 | 11.6 | | 14.0 |
| Core Tier 1 ratio, % | 14.8 | 11.6 | | 14.0 |
| Capital adequacy, EUR million | 2,609 | 1,608 | 62 | 2,031 |
| Tier 1 capital adequacy, EUR million | 2,609 | 1,608 | 62 | 2,031 |
| Core Tier 1 capital adequacy, EUR million | 2,500 | 1,608 | 55 | 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 September 2011, IRBA was used for Pohjola Bank's corporate exposures and equity investments and the Standardised Approach (SA) for all other exposure classes.

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

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| OP-Pohjola Group's equity capital | 7,019 | 6,133 | 14 | 6,242 |
| Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds | 1,980 | 1,495 | 32 | 1,518 |
| Other sector-specific items excluded from capital base | -1 | | | -12 |
| Goodwill and intangible assets | -1,262 | -1,103 | 14 | -1,114 |
| Equalisation provisions | -225 | -344 | -35 | -271 |
| Proposed profit distribution | -50 | -43 | 17 | -61 |
| Items under IFRS deducted from capital base* | -224 | -145 | 55 | -164 |
| Shortfall of impairments – expected losses | -502 | -90 | | -542 |
| **Conglomerate's capital base, total** | **6,735** | **5,902** | **14** | **5,596** |
| Regulatory capital requirement for credit institutions** | 2,944 | 3,560 | -17 | 2,722 |
| Regulatory capital requirement for insurance operations*** | 404 | 400 | 1 | 388 |
| **Conglomerate’s total minimum capital requirement** | **3,348** | **3,960** | **-15** | **3,111** |
| **Conglomerate’s capital adequacy** | **3,387** | **1,942** | **74** | **2,486** |
| **Conglomerate’s capital adequacy ratio (capital base/minimum of capital base)** | **2.01** | **1.49** | **35** | **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 23. Collateral given

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Given on behalf of own liabilities and commitments | | | | |
| Mortgages | 1 | 1 | | 1 |
| Pledges | 4,472 | 6,563 | -32 | 6,834 |
| Other | 551 | 540 | 2 | 492 |
| **Total** | **5,023** | **7,104** | **-29** | **7,327** |

## Note 24. Off-balance-sheet items

| EUR million | 30 Sep 2012 | 30 Sep 2011 | Change, % | 2011 |
|---|---|---|---|---|
| Guarantees | 1,106 | 1,163 | -5 | 1,084 |
| Other guarantee liabilities | 1,644 | 1,579 | 4 | 1,612 |
| Pledges | 3 | 2 | 64 | 2 |
| Loan commitments | 11,061 | 9,467 | 17 | 10,363 |
| Commitments related to short-term trade transactions | 494 | 170 | | 248 |
| Other | 487 | 776 | -37 | 606 |
| **Total off-balance-sheet items** | **14,795** | **13,157** | **12** | **13,914** |

## Note 25. Derivative contracts

| | Nominal values / remaining term to maturity | | | | Fair values* | |
|---|---|---|---|---|---|---|
| **30 September 2012, EUR million** | **<1 year** | **1-5 years** | **>5 years** | **Total** | **Assets** | **Liabilities** |
| Interest rate derivatives | 45,701 | 77,981 | 37,670 | 161,353 | 4,178 | 3,678 |
| Currency derivatives | 19,011 | 2,594 | 530 | 22,135 | 388 | 359 |
| Equity and index-linked derivatives | 252 | 964 | 6 | 1,222 | 48 | 0 |
| Credit derivatives | 119 | 94 | 15 | 228 | 6 | 1 |
| Other derivatives | 185 | 633 | 45 | 863 | 37 | 46 |
| **Total derivatives** | **65,269** | **82,266** | **38,266** | **185,801** | **4,658** | **4,084** |

| | 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 | 44,769 | 86,886 | 37,628 | 169,283 | 2,798 | 2,659 |
| 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 | 239 | 358 | 22 | 619 | 27 | 26 |
| **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 26. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 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 31 October 2012, starting at noon at Teollisuuskatu 1 b, Vallila, Helsinki.

Pohjola Bank plc will publish its own interim report.

**Financial reporting in 2013**

Schedule for Financial Statements Bulletin for 2012 and Interim Reports in 2013:

| | |
|---|---|
| Financial Statements Bulletin 2012 | 6 February 2013 |
| Interim Report Q1/2013 | 2 May 2013 |
| Interim Report H1/2013 | 31 July 2013 |
| Interim Report Q1−3/2013 | 30 October 2013 |

**OP-Pohjola Group Central Cooperative**
**Executive Board**

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