Pohjola Bank plc´s

Interim report for 1 January – 30 June 2014

Pohjola

Pohjola Group Performance for January–June[1)]

- Consolidated earnings before tax amounted to EUR 336 million (254) and consolidated earnings before tax at fair value to EUR 393 million (179). The return on equity was 17.2% (13.9). The Common Equity Tier 1 (CET1) ratio was 11.9% (11.9*) as against the target of 15%.
- Strong growth in income improved Banking earnings. The loan portfolio grew by 2% to EUR 14.5 billion (14.2). The average margin on the corporate loan portfolio was 1.51% (1.57). Earnings included EUR 8 million (19) in impairment loss on receivables.
- Within Non-life Insurance, insurance premium revenue increased by 7% (10). The combined ratio improved to 86.1% (91.0). Excluding changes in reserving bases and amortisation on intangible assets arising from company acquisition, the operating combined ratio was 84.5% (89.2). Return on investments at fair value was 3.4% (0.4).
- Within Asset Management, assets under management increased by 7% to EUR 40.6 billion (37.9).
- OP-Pohjola Group Central Cooperative executed a public voluntary bid for Pohjola Bank plc shares. It holds 98.41% of the shares and 99.14% of the votes conferred by the shares. OP-Pohjola Group Central Cooperative initiated a squeeze-out procedure for the remaining shares in Pohjola under the Limited Liability Companies Act.
- Events after the reporting period: The reduction in the discount rate for Non-life Insurance pension liabilities from 2.8% to 2.5% will reduce Q3 consolidated earnings by roughly EUR 62 million.
- Unchanged outlook: Consolidated earnings before tax in 2014 are expected to be higher than in 2013. For more detailed information on the outlook, see "Outlook towards the end of 2014" below.

April–June

- Consolidated earnings before tax amounted to EUR 177 million (122) and consolidated earnings before tax at fair value to EUR 230 million (65).
- Banking showed considerable improvement in its earnings before tax. Net interest income grew by 30% year on year. The loan portfolio increased by 2% and the average corporate loan portfolio margin decreased by 3 basis points. Earnings included EUR 4 million (13) in impairment loss on receivables.
- Within Non-life Insurance, insurance premium revenue increased by 6%. The combined ratio was 81.4% (87.9) while the operating combined ratio was 79.8% (86.2). Return on investments at fair value was 2% (–0.6).

Earnings before tax, € million	H1/2014	H1/2013	Change, %	Q2/ 2014	Q2/ 2013	2013
Banking	167	112	50	85	58	251
Group Functions	22	32	-30	15	14	39
Non-life Insurance	133	99	34	71	43	166
Asset Management	14	11	21	7	7	24
Group total	**336**	**254**	**33**	**177**	**122**	**479**
Change in fair value reserve	57	-75		53	-57	-16
Earnings before tax at fair value	**393**	**179**		**230**	**65**	**463**
Earnings per share, €	0.84	0.61		0.45	0.30	1.33
Equity per share, €	9.81	8.65				9.54
Average personnel	2,592	2,657		2,591	2,625	2,632

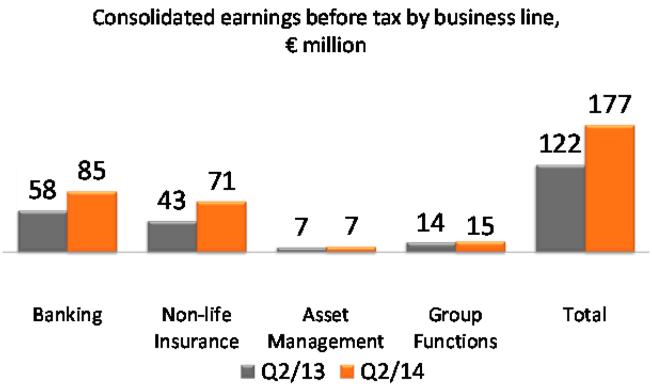
The above figures describe Pohjola Group as a whole without the division into continuing and discontinued operations.

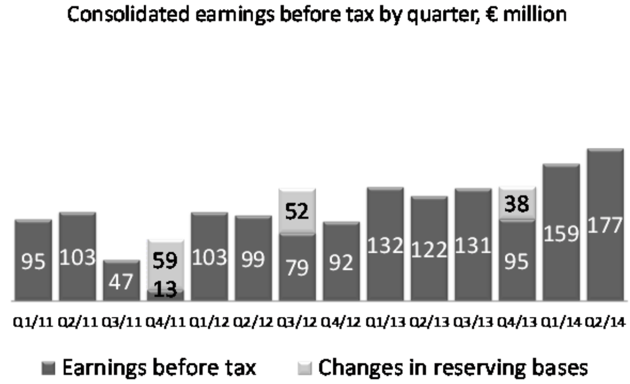
Financial targets	H1/2014	H1/2013	Q2/ 2014	Q2/ 2013	2013	Target
Return on equity, %	17.2	13.9	18.6	13.6	14.4	13
Common Equity Tier 1 ratio (CET1), % *)	11.9				11.9	15
Operating cost/income ratio by Banking, %	32	38	31	36	36	< 35
Operating combined ratio by Non-life Insurance, %	84.5	89.2	79.8	86.2	86.9	< 92
Operating expense ratio by Non-life Insurance, %	18.1	19.5	17.7	19.1	18.7	18
Non-life Insurance solvency ratio (under Solvency II framework), % **)	137	127			125	120
Operating cost/income ratio by Asset Management, %	49	54	47	51	53	< 45
Total expenses in 2015 at the same level as at the end of 2012	297	291	146	146	581	569
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors' level	2	2			2	2
Dividend payout ratio at least 50%, provided that CET 1 ratio is at least 15%. Dividend payout ratio is 30% until CET1 ratio of 15% has been achieved.					50	≥ 50 (30)

1) Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2013 are used as comparatives. Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.
*) In accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR) entered into force on 1 January 2014.
**) According to the Solvency II draft (EU 138/2009)

President and CEO Jouko Pölönen:

Our consolidated earnings before tax improved in the second quarter by EUR 55 million to EUR 177 million. Strong growth in income reported by Banking and Non-life Insurance and controlling costs at the level a year ago lay behind these all-time high quarterly results.





Demand for loans within Banking remained sluggish. Growth in the loan portfolio remained weak and, as a result of fiercer competition, the average corporate loan portfolio margin decreased by a few basis points. Income from Banking increased as a result of higher net interest income and net trading income. The quality of the loan portfolio remained good and impairment losses on receivables were low.

Insurance premium revenue continued to grow vigorously within Non-life Insurance. The balance on technical account improved as claims incurred increased more slowly than insurance premium revenue as a result of favourable developments in frequency claims and of changes related to prior years' claims. A reduction in the main refinancing rate performed by the ECB, a negative deposit rate and the ECB's exceptional liquidity-provided operations sent market interest rates to a record low level. As a result of lower interest rates, return on investment a fair value was good but the low interest rates will present challenges to reinvestment.

As a result of exceptionally low interest rates, the Group decided to reduce the Non-life Insurance discount rate, which will affect third-quarter earnings.

Assets under management by Asset Management increased and Asset Management earnings before tax improved as a result of higher net commissions and fees.

Major uncertainty is still associated with the operating environment due to the Ukraine crisis and related sanctions. The new regulatory framework and supervision will set ever-tightening requirements for the financial sector. Pohjola Group's businesses are in good condition. Following the bid executed by OP-Pohjola Group Central Cooperative, Pohjola's businesses will be more closely integrated with a more efficient and competitive OP-Pohjola Group wholly owned by its customers. This will create excellent opportunities to provide the entire OP-Pohjola Group's resources for our customers.

Pohjola Group Interim Report for 1 January–30 June 2014

Contents

Operating environment

The world economy revived slightly during the second quarter, according to preliminary information. The US economy recovered after a harsh winter. The euro-area economy continued to recover slowly.

In June, the European Central Bank introduced an extensive package of monetary policy measures. It cut the main refinancing rate to 0.15 and the deposit rate to negative –0.10%. In addition, the ECB increased market liquidity by stopping collection of term deposits from banks. Later in the autumn, the ECB will provide banks with targeted long-term refinancing operations to stimulate corporate lending. The ECB's measures decreased the Euribor rates slightly. The monetary policy will long remain accommodative and in support of economic growth.

The Finnish economy had the first positive signs of recovery after the weak first quarter. New manufacturing order books were stronger. The monthly manufacturing index improved slightly in April–May. However, unemployment continued to increase. The housing market and retail sales remained sluggish. Inflation decelerated further.

World economic growth should speed up slightly during the second half of 2014. The Finnish economy should see a minor recovery. The Ukraine crisis and related sanctions will be an uncertainty. The ECB's operations will keep the Euribor rates low.

The combined volume growth in the banking sector remained stable during the second quarter. Mutual fund assets and insurance savings continued to grow markedly faster than loans and deposits.

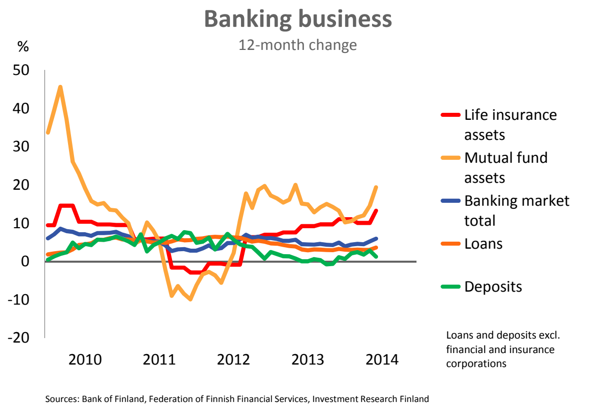
The annual growth rate of total home loans continued to slow down, being slightly less than 2% on 30 June. New home loans drawn down in January–June were 4% lower than a year ago. However, this decrease levelled off towards the summer.

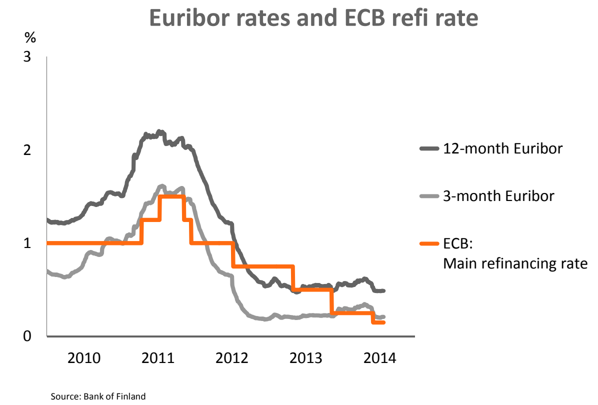
In June, the annual growth rate of total corporate loans increased to around 4%. Confidence barometers predicting demand for corporate loans and economic growth expectations improved slightly during the spring.

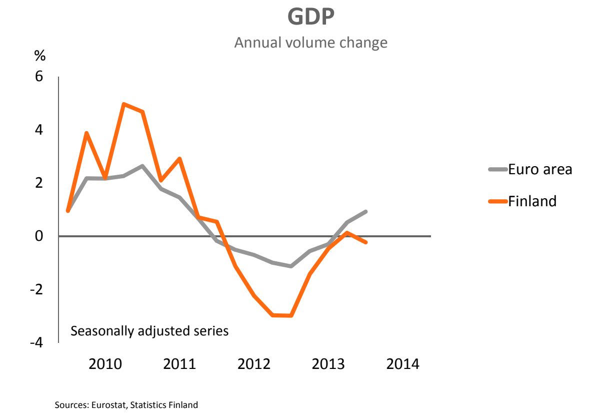
Growth in the total bank deposit volumes in the banking sector remained slow, at an annual rate of about 1%. The total term deposits continued to decrease vigorously, as assets were allocated to current accounts and riskier savings and investments.

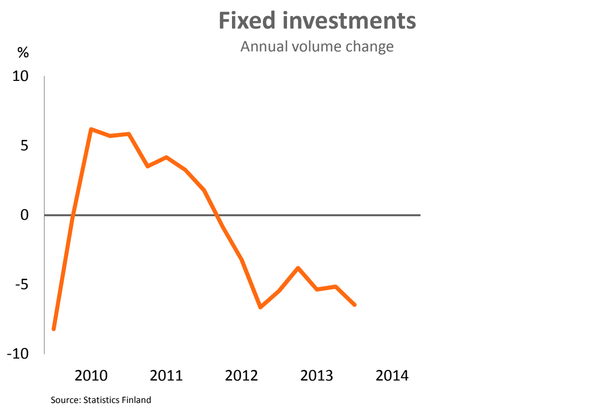
In June, the annual growth rate of mutual fund assets improved to 19% as a result of positive market developments and vigorously increased net asset inflows. During the first half, net inflows increased by 60% over the previous year, as investors were seeking higher returns on their assets. New capital was invested in corporate bond funds, in particular. Growth in insurance savings continued to come mainly from unit-linked products whose premiums written increased by 9% in January–June over the previous year.

In the non-life insurance sector, premiums written continued to increase at an annual steady rate of around 5% during the first half. Claims paid out increased at the same rate as premiums written. In capital markets, lower interest rates, reduced credit spreads and the positive mood in equity markets supported investment income.









Consolidated earnings analysis

€ million	2014 H1	2013 H1	Change %	2014 Q2	2013 Q2	Change %	Rolling 12-month	2013
Continuing operations*)								
Net interest income								
Corporate and Baltic Banking	122	109	13	61	56	8	241	227
Markets	15	-3		8	-3		15	-3
Other operations	-6	5		-1	2		-5	7
Total	132	111	18	68	56	21	251	231
Net commissions and fees	57	44	28	25	25	0	107	94
Net trading income	52	40	30	28	24	17	105	93
Net investment income	31	32	-3	17	12	40	38	39
Other operating income	10	13	-26	5	7	-31	22	26
Total income	**281**	**241**	**17**	**142**	**123**	**15**	**523**	**483**
Personnel costs	32	33	-5	16	17	-8	62	63
ICT costs	21	18	13	9	8	15	39	37
Depreciation and amortisation	8	8	-1	4	4	-5	16	16
Other expenses	37	34	10	17	17	3	69	66
Total expenses	**97**	**93**	**4**	**47**	**46**	**0**	**186**	**182**
Earnings before impairment loss on receivables	**184**	**148**	**25**	**95**	**77**	**24**	**337**	**300**
Impairment loss on receivables	8	20	-60	4	13	-72	25	37
Earnings of continuing operations before tax	**176**	**128**	**38**	**92**	**64**	**44**	**312**	**264**
Discontinued operations*)								
Net income from Non-life Insurance								
Insurance operations	262	223	18	147	123	19	480	440
Investment operations	72	81	-12	24	25	-4	121	131
Other items	-21	-21	-1	-10	-10	1	-43	-43
Total	313	282	11	160	138	16	559	528
Other Non-life Insurance income and expenses, net	-171	-169	1	-85	-86	-1	-343	-340
Asset Management net income								
Net commissions and fees	27	25	7	14	13	4	53	51
Share of associates' profit/loss	1	1	49	0	0	-9	0	0
Other Asset Management income and expenses, net	-15	-15	-4	-7	-8	-6	-29	-30
Other	6	2		4	1		10	7
Earnings of discontinued operations before tax	**160**	**126**	**27**	**85**	**58**	**47**	**250**	**216**
Total earnings before tax	**336**	**254**	**33**	**177**	**122**	**46**	**562**	**479**
Change in fair value reserve	57	-75		53	-57		115	-16
Earnings before tax at fair value	**393**	**179**		**230**	**65**		**677**	**463**

*) Pohjola Group will undergo structural changes within the next 12 months, as a result of the completion of OP-Pohjola Group Central Cooperative's public voluntary bid for Pohjola Bank, whereby, for example, the Non-life Insurance and Asset Management segments will be transferred from Pohjola Group to OP-Pohjola Group Central Cooperative's direct ownership. As a result, these segments are reported, according to IFRS 5, as discontinued operations in the income statement and as assets and liabilities classified as held for distribution to owners in the balance sheet. Banking and the Group Functions are reported as continuing operations in the income statement.

January–June earnings

Consolidated earnings before tax improved by EUR 83 million to EUR 336 million (254). Total income and total expenses rose by 13% and 2%, respectively. Impairment loss on receivables decreased to EUR 8 million (20).

The fair value reserve before tax increased by EUR 57 million, amounting to EUR 265 million on 30 June. Earnings before tax at fair value were EUR 393 million (179).

Continuing operations

Earnings of continuing operations before tax improved by EUR 48 million to EUR 176 million (128).

Net interest income from continuing operations increased by a total of EUR 21 million, or by 18%. Combined net interest income from Corporate Banking and Baltic Banking grew by 13% year on year. The loan portfolio grew by 2% to EUR 14.5 billion and the growth rate was 1% in the year to June. The average corporate loan portfolio margin decreased by 6 basis points to 1.51% (1.57). It decreased by 2 basis points in the year to June.

Net interest income from Markets and net trading income improved as a result of growth in client trading and income from trading.

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

Net commissions and fees increased by EUR 13 million, or by 28%. This increase came from commissions and fees related to lending and securities issuance.

Net investment income decreased slightly. Capital gains on notes and bonds amounted to EUR 9 million (13) and dividend income to EUR 20 million (18). Dividend income included EUR 14 million (12) in interest on cooperative capital from Suomen Luotto-osuuskunta.

Other operating income declined by EUR 3 million due mainly to lower income related to maintenance lease.

Total expenses grew by 4%, or EUR 4 million. ICT costs, depreciation and amortisation increased total expenses by EUR 2 million. In addition, advisory fees related to the bid for Pohjola shares added to other expenses. Personnel costs decreased by 5%.

Discontinued operations

Earnings of discontinued operations before tax improved by EUR 34 million to EUR 160 million (126).

Net income from Non-life Insurance improved by 11%. Insurance premium revenue increased by 7% and claims incurred by 2%. Excluding changes in provisions for claims for prior years, claims incurred increased by 6%. Investment income recognised in the income statement was EUR 9 million lower than the year before. Investment income included EUR 24 million (34) in capital gains and EUR 1 million (5) in impairment loss on investments. Return on investments at fair value was 3.4% (0.4).

Asset Management net commissions and fees increased by EUR 2 million over the previous year.

April–June earnings

Consolidated earnings before tax improved to EUR 177 million (122). Total income increased by 17% and total expenses remained at the previous year's level. Impairment loss on receivables decreased to EUR 4 million (13).

The fair value reserve before tax grew by EUR 53 million (-57). Earnings before tax at fair value were EUR 230 million (65).

Continuing operations

Earnings of continuing operations before tax improved by EUR 28 million to EUR 92 million (64).

Combined net interest income from Corporate Banking and Baltic Banking grew by 8% year on year. The loan portfolio grew by 2% to EUR 14.5 billion and the average corporate loan portfolio margin decreased by 3 basis points.

Net interest income from Markets and net trading income improved as a result of growth in client trading and income from trading.

Net commissions and fees were at around the same level as the year before, coming mainly from lending, securities brokerage and payment transfers.

Net investment income improved by EUR 5 million, of which dividend income accounted for EUR 2 million and capital gains on equities for EUR 3 million. Dividend income included EUR 14 million (12) in interest on cooperative capital from Suomen Luotto-osuuskunta.

Total expenses were at the same level as a year ago. Personnel costs decreased slightly whereas ICT costs increased.

Discontinued operations

Earnings of discontinued operations before tax improved by EUR 27 million to EUR 85 million (58).

Net income from Non-life Insurance increased by 16% year on year. Insurance premium revenue increased by 6% and claims incurred decreased by 1%. Excluding changes in provisions for claims for prior years, claims incurred increased by 4%. Operating profitability was better than a year ago. Investment income recognised in the income statement decreased slightly. Return on investments at fair value was 2.0% (-0,6).

Asset Management net commissions and fees increased by EUR 1 million over the previous year.

Earnings analysis by quarter		**2013**			**2014**	
€ million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Continuing operations						
Net interest income						
Corporate and Baltic Banking	52	56	58	61	61	61
Markets	0	-3	-1	2	7	8
Other operations	3	2	1	0	-4	-1
Total	56	56	57	62	64	68
Net commissions and fees	20	25	24	25	32	25
Net trading income	16	24	21	32	24	28
Net investment income	20	12	0	7	14	17
Other operating income	6	7	6	6	5	5
Total income	**118**	**123**	**109**	**132**	**140**	**142**
Personnel costs	16	17	15	15	16	16
ICT costs	10	8	8	11	11	9
Depreciation and amortisation	4	4	4	4	4	4
Other expenses	17	17	16	16	20	17
Total expenses	**47**	**46**	**43**	**47**	**51**	**47**
Earnings before impairment loss on receivables	**71**	**77**	**67**	**86**	**89**	**95**
Impairment loss on receivables	7	13	12	5	4	4
Earnings of continuing operations before tax	**64**	**64**	**55**	**81**	**85**	**92**
Discontinued operations						
Net income from Non-life Insurance						
Insurance operations	99	123	133	85	115	147
Investment operations	56	25	26	24	48	24
Other items	-11	-10	-11	-11	-11	-10
Total	145	138	148	98	153	160
Other Non-life Insurance income and expenses, net	-82	-86	-81	-91	-86	-85
Asset Management net income						
Net commissions and fees	12	13	13	13	13	14
Share of associates' profit/loss	0	0	0	-1	0	0
Other Asset Management income and expenses, net	-9	-8	-7	-8	-8	-7
Other	1	1	2	3	2	4
Earnings of discontinued operations before tax	**68**	**58**	**76**	**15**	**75**	**85**
Total earnings before tax	**132**	**122**	**131**	**95**	**159**	**177**
Change in fair value reserve	-18	-57	41	17	4	53
Earnings before tax at fair value	**114**	**65**	**172**	**112**	**163**	**230**

Group risk exposure

The Finnish economy had the first positive signs of recovery after the weak first quarter. The Group's risk-bearing capacity and risk exposure remained stable.

No major changes occurred in credit risk exposure. Investment-grade exposures remained high. Doubtful receivables remained low and impairment losses decreased.

	H1/2014	H1/2013	2013
Net loan losses and impairment losses, € million	8	20	37
% of the loan and guarantee portfolio	0.04	0.12	0.21
Doubtful receivables*), € million	51	32	40
% of the loan and guarantee portfolio	0.29	0.19	0.23
Past due payments, € million	14	16	27
% of the loan and guarantee portfolio	0.08	0.09	0.16

*) Receivables more than 90 days past due, zero-interest and under-priced receivables

The final loan losses recognised amounted to EUR 5 million (8) and impairment losses to EUR 15 million (34). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 11 million (22).

After the reporting period, Pohjola decided to reduce the discount rate for Non-life Insurance pension liabilities by 0.3 percentage points from 2.8% to 2.5% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 62 million in the third quarter.
In other respects, no major changes took place in the Non-life Insurance underwriting risk exposure. Pohjola reduced slightly equity risk associated with the investment portfolio.

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

Liquidity buffer

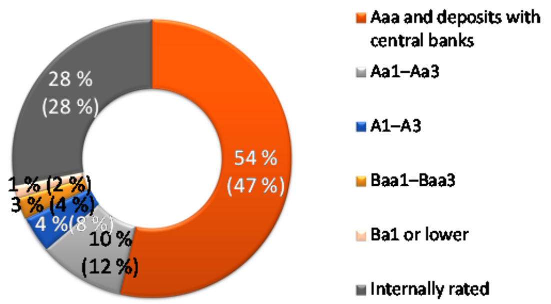
€ billion	30 June 2014	31 Dec. 2013	Change, %
Deposits with central banks	3.3	2.0	65
Notes and bonds eligible as collateral	7.6	7.4	4
Corporate loans eligible as collateral	3.8	3.3	16
Total	**14.7**	**12.7**	**17**
Receivables ineligible as collateral	0.7	0.7	14
Liquidity buffer at market value	**15.5**	**13.3**	**16**
Collateral haircut	-1.1	-1.0	8
Liquidity buffer at collateral value	**14.4**	**12.3**	**17**

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

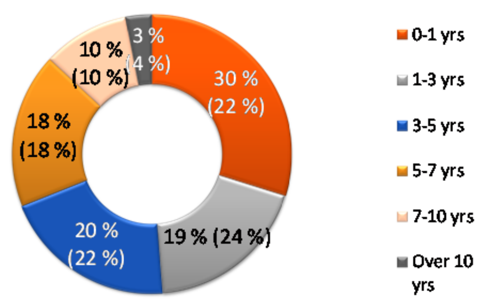
Measurement of the notes and bonds included in the liquidity buffer is based on mark-to-market valuations.

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

Financial assets included in the liquidity buffer by credit rating 30 June 2014, % (31 Dec. 2013, %)



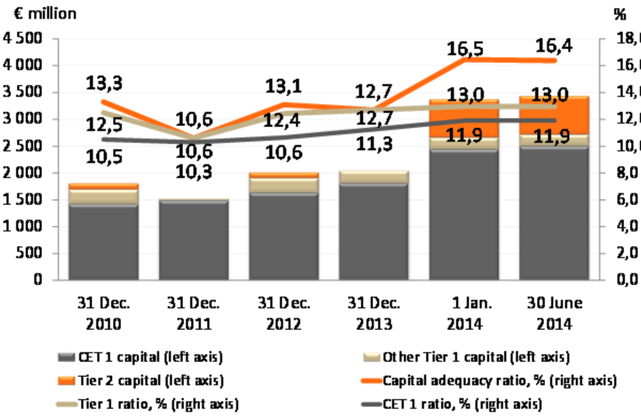
Financial assets included in the liquidity buffer by maturity on 30 June 2014, % (31 Dec. 2013, %)



Major risks related to the Group's business are associated with developments in the overall economic environment and capital markets, as well as upcoming regulatory changes in the financial sector.

Capital adequacy

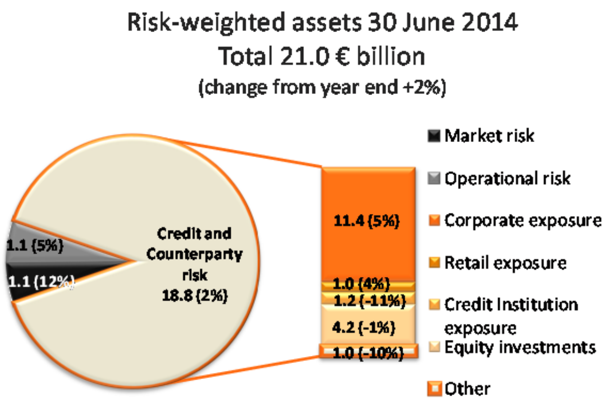
Capital base and capital adequacy



Pohjola Group's Common Equity Tier 1 (CET1) ratio was 11.9% (11.9) on 30 June. Pohjola Group's minimum CET1 target is 15% by the end of 2016. The capital adequacy ratio was 16.4% (16.5), as against the minimum regulatory requirement of 8%. The capital adequacy ratios have been presented in accordance with the new Capital Requirements Regulation (CRR) since 1 January 2014, and the comparatives have not been restated.

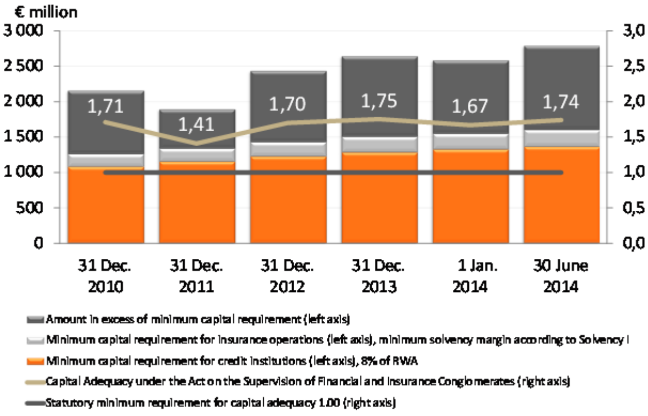
The CET1 capital increased to EUR 2,498 million because of strong earnings performance.

Risk-weighted assets increased to EUR 21 billion on 30 June, resulting from growth in the loan portfolio and a slight improvement in the loan portfolio quality. Of the risk-weighted assets, EUR 3.9 billion included intra-Group insurance holdings.



Pohjola Group belongs to OP-Pohjola Group whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. The Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerate was 1.74 (1.67) on 30 June.

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



Regulatory changes under Basel III and Solvency II

As a result of the financial crisis, the regulatory framework for banks' capital adequacy requirements became more rigorous. The new Capital Requirements Directive and Regulation (CRD IV/CRR) was published in the EU Official Journal on 27 June 2013. These new rules and regulations entered into force on 1 January 2014 and will implement the Basel III standards within the EU during 2014–19. These regulatory changes are aimed, for example, at improving the quality of banks' capital base, reducing the cyclic nature of capital requirements, decreasing banks' indebtedness and setting quantitative limits to liquidity risk.

From Pohjola's perspective, the most important individual change in the regulations relates to the treatment of insurance holdings within a banking-led financial and insurance conglomerate. On 27 November 2013, Pohjola and OP-Pohjola Group received permission from the Finnish Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The method applied to insurance holdings leads to a risk-weight of approximately 280%. The permission will be valid from 1 January 2014 until 31 December 2014 at the latest. As a result of the European Central Bank taking over supervisory responsibilities for OP-Pohjola Group as credit institution, the ECB will decide on whether any further special permission is given to OP-Pohjola Group.

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

As part of OP-Pohjola Group, Pohjola as credit institution will be subject to direct supervision by the ECB in November 2014 under the current plan. The ECB will conduct an asset quality review (AQR) and stress test of OP-Pohjola Group as credit institution during 2014, in which Pohjola will participate.

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 are scheduled to come into effect at the beginning of 2016.

The estimated solvency ratio on 30 June, under the Solvency II framework, was 137% (125).The estimated buffer relative to the solvency capital requirement under Solvency II was EUR 266 million (181).

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

€ million	30 June 2014	31 Dec.2013	Target
Tier 1	932	844	
Tier 2	50	50	
Capital base (Solvency II)	982	894	
Solvency capital requirement (SCR)	716	713	
Solvency ratio (Solvency II), % *)	137	125	120

*) According to the Solvency II draft (EU 138/2009)

Credit ratings

Pohjola Bank plc's credit ratings on 30 June 2014

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

Pohjola Insurance Ltd's financial strength ratings on 30 June 2014

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

In the first half of 2014, no changes occurred in the credit rating of Pohjola Bank plc and the financial strength rating of Pohjola Insurance Ltd affirmed by Fitch Ratings Limited, Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Services Ltd.

On 26 June 2014, Moody's affirmed Pohjola Insurance Ltd's financial strength rating at A3 while keeping the outlook stable.

On 24 June 2014, Fitch Ratings affirmed OP-Pohjola Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 while keeping the outlook stable.

On 30 May 2014, Standard & Poor's removed Pohjola Bank plc's long-term debt rating of AA- and short-term debt rating of A-1+ and Pohjola Insurance Ltd's financial strength rating of AA- from review for a possible downgrade (CreditWatch Negative). S&P affirmed the ratings for both companies but put their outlook negative.

On 29 May 2014, Moody's affirmed Pohjola Bank plc's long-term debt rating at Aa3 and short-term debt rating at P-1 while changing the outlook from stable to negative as part of its extensive review of the European banking sector.

Pohjola's efficiency-enhancement programme

The efficiency-enhancement programme launched within Pohjola in late 2012 is aimed at achieving annual cost savings of around EUR 50 million by the end of 2015, job cuts accounting for around 40% of the estimated cost savings. The remaining cost savings will arise from eliminating overlapping activities and standardising practices within the framework of OP-Pohjola Group Central Cooperative Consolidated's efficiency-enhancement programme. The programme aims at annual cost savings of EUR 150 million within OP-Pohjola Group Central Cooperative Consolidated by the end of 2015.

Pohjola achieved 55% of the total annual cost savings of EUR 50 million in 2013, and expects to achieve cost savings of 24% this year and the rest by the end of 2015. Non-life Insurance is anticipated to account for over 60% of the cost savings, Banking for slightly over 30% and Asset Management for the rest.

As its financial target, Pohjola Group aims to keep its total expenses at the end of 2015 at the 2012-end level. Cost savings out of the EUR 12 million estimated for 2014 based on the efficiency-enhancement programme amounted to EUR 3 million the first half. Non-life Insurance accounted for 60% of the cost savings, Banking for 35% and Asset Management for 5%.

Financial performance and risk exposure by business segment

Continuing operations

Banking

- Earnings before tax improved to EUR 167 million (112) because of strong growth in income.
- The loan portfolio grew by 2% to EUR 14.5 billion (14.2) and the average corporate loan portfolio margin decreased by 6 basis points to 1.51%.
- Impairment loss on receivables decreased to EUR 8 million (19), accounting for 0.05% of the loan and guarantee portfolio (0.11).
- The operating cost/income ratio was 32% (38).

Banking: financial results and key figures and ratios

€ million	H1/2014	H1/2013	Change, %	Q2/2014	Q2/2013	Change, %	2013
Net interest income							
Corporate and Baltic Banking	122	109	13	61	56	8	227
Markets	15	-3		8	-3		-3
Total	137	106	30	69	53	30	224
Net commissions and fees	54	47	15	26	26	-3	100
Net trading income	55	49	13	28	26	7	101
Other income	11	9	26	6	5	28	17
Total income	**258**	**211**	**22**	**129**	**111**	16	**443**
Expenses							
Personnel costs	29	30	-4	14	15	-6	57
ICT costs	18	15	16	8	7	16	31
Depreciation and amortisation	7	7	-2	4	4	-6	15
Other expenses	29	28	4	14	14	54	54
Total expenses	**82**	**80**	**3**	**40**	**40**	1	**157**
Earnings before impairment loss on receivables	**175**	**130**	**35**	**88**	**70**	25	**285**
Impairment loss on receivables	8	19	-58	4	13	-70	35
Earnings before tax	**167**	**112**	**50**	**85**	**58**	46	**251**
Earnings before tax at fair value	168	115	45	87	58	50	260
Loan portfolio, € billion	14.5	14.3	1				14.2
Guarantee portfolio, € billion	2.9	2.8	4				2.7
Risk-weighted assets, € billion *)	15.1						14.3
Margin on corporate loan portfolio, %	1.51	1.53	-1				1.57
Ratio of doubtful receivables**) to loan and guarantee portfolio, %	0.29	0.19					0.23
The ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.05	0.11					0.20
Operating cost/income ratio, %	32	38		31	36		36
Personnel	643	647	-1				634

*) In accordance with the EU capital requirements regulation and directive (EU 575/2013) (CRR) entered into force on 1 January 2014
**) Receivables more than 90 days past due, zero-interest and under-priced receivables

January–June earnings

Earnings before tax improved to EUR 167 million (112). Income and expenses increased by 22% and 3%, respectively. Impairment loss on receivables decreased to EUR 8 million (19).

The loan portfolio grew by 2% to EUR 14.5 billion and the growth rate was 1% in the year to June. As a result of toughening competition, the average corporate loan portfolio margin decreased by 6 basis points to 1.51% (1.57). It decreased by 2 basis points in the year to June.

Net interest income from Markets and net trading income improved as a result of growth in client trading and income from trading.

The guarantee portfolio increased to EUR 2.9 billion (2.7). Committed standby credit facilities amounted to EUR 3.0 billion (3.1).

Net commissions and fees increased by EUR 7 million, or by 15%. Commissions and fees from lending increased by EUR 3 million and those from securities issuance and custody by EUR 4 million.

Total expenses increased by 3%, due to higher ICT costs.

Earnings before tax by division

€ million	H1/2014	H1/2013	Change, %
Corporate Banking	110	85	30
Markets	57	27	108
Baltic Banking	1	-1	
Total	**167**	**112**	**50**

April–June earnings

Earnings before tax were EUR 85 million, or EUR 27 million higher than the year before. Impairment loss on receivables decreased by EUR 9 million to EUR 4 million.

The loan portfolio increased by 2% and the average corporate loan portfolio margin decreased by 3 basis points. Net commissions and fees remained at the level reported a year ago.

Net interest income from Markets and net trading income improved as a result of growth in client trading and income from trading.

Total expenses were at the same level as a year ago.

Earnings before tax by division

€ million	Q2/2014	Q2/2013	Change, %
Corporate Banking	53	43	23
Markets	31	15	102
Baltic Banking	0	-1	
Total	**85**	**58**	**46**

Risk exposure by Banking

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

Total exposure increased by EUR 0.9 billion to EUR 26.0 billion. The ratio of investment-grade exposure – i.e. rating categories 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 63% (62). The proportion of rating categories 11–12 was 1.1% (1.3).

Corporate customer (incl. housing corporations) exposures represented 80% (81) of total Banking exposures. Of corporate customer exposure, the investment-grade exposure accounted for 57% (56) and the exposure of the lowest two rating categories amounted to EUR 261 million (310), representing 1.3% (1.5) of the total corporate exposure.

Pohjola's own funds covering the Group's large customer exposure increased to EUR 3.4 billion (2.1). No single customer's exposure exceeded 10% of the Group's own funds and thus there were no large customer exposures on 30 June.

Corporate exposure by industry remained highly diversified. The most significant industries included Wholesale and Retail Trade 10.7% (10.2), Energy 10.4% (7.5) and Renting and Operating of Residential Real Estate 9.9% (9.9). A total of 48% of exposures within Renting and Operating of Residential Real Estate were guaranteed by general government.

Net loan losses and impairment losses within Banking amounted to EUR 8 million (19), accounting for 0.05% (0.11) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 5 million (2) and impairment losses EUR 15 million (34). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 11 million (17).

On 30 June 2014, Baltic Banking exposures totalled EUR 1.0 billion (0.8), accounting for 3.7% (3.2) of total Banking exposures.

The Baltic Banking net loan losses and impairment losses amounted to EUR –0.1 million (–0.8), improving the result.

The interest rate risk by Banking in the event of a one–percentage-point change in the interest rate averaged EUR 11.8 million (13.2).

Group Functions

- Earnings before tax amounted to EUR 22 million (32). These included EUR 7 million (13) in capital gains on notes and bonds and EUR 24 million (18) in dividend income.
- Earnings before tax at fair value were EUR 39 million (17).
- Liquidity and access to funding remained good.

Group Functions: financial results and key figures and ratios

€ million	H1/2014	H1/2013	Change, %	Q2/2014	Q2/2013	Change, %	2013
Net interest income	4	15	-73	4	8	-50	27
Net commissions and fees	5	-1		0	0	-65	-1
Net trading income	-5	-7	-33	-2	-1	13	-12
Net investment income	30	34	-12	17	13	30	46
Other income	4	5	-11	2	2	-11	9
Total income	**38**	**47**	**-18**	**21**	**21**	**0**	**69**
Personnel costs	3	3	-9	2	2	-20	6
Other expenses	13	10	26	5	5	10	21
Total expenses	**16**	**14**	**17**	**7**	**7**	**0**	**27**
Earnings before impairment loss on receivables	**22**	**33**	**-32**	**15**	**15**	**0**	**41**
Impairment loss on receivables		1			1		2
Earnings before tax	**22**	**32**	**-30**	**15**	**14**	**6**	**39**
Earnings before tax at fair value	39	17		26	-1		31
Liquidity buffer, € billion	15.5	13.5	15				13.3
Risk-weighted assets, € billion *)	5.7						6.0
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	2.9	4.0	-27				4.7
Central Banking earnings, € million	11	4		3	2	71	9
Personnel	25	35	-29				26

*) In accordance with the EU capital requirements regulation and directive (EU 575/2013) (CRR) entered into force on 1 January 2014

January–June earnings

Earnings before tax were EUR 22 million, or EUR 10 million lower than a year ago. Earnings before tax at fair value totalled EUR 39 million, or EUR 23 million higher than the year before.

Net interest income was reduced by persistently low interest rates and a reduction in investment risk associated with the liquidity buffer as the Group was preparing for tighter liquidity regulation.

A credit limit granted to OP-Pohjola Group Central Cooperative relating to financing for the bid for Pohjola shares added to net commissions and fees.

Net investment income included EUR 7 million in capital gains on notes and bonds (13) and EUR 24 million (18) in dividend income. Dividend income included EUR 14 million (12) in interest on cooperative capital from Suomen Luotto-osuuskunta.

Advisory fees related to the bid for Pohjola shares added to other expenses.

Pohjola's access to funding remained good. During the reporting period, Pohjola issued long-term bonds worth EUR 3.2 billion. In March, Pohjola issued in the international capital market two senior bonds each worth EUR 750 million with a maturity of three and seven years. In June, Pohjola issued a senior bond worth EUR 750 million with a maturity of five years and two Samurai bonds in the Japanese market worth a total of EUR 60 billion yen (EUR 432 million).
OP Mortgage Bank, which is part of OP-Pohjola Group issued two covered bonds worth EUR 1.0 billion. The bond issued in March has a maturity of seven years and that issued in June five years.

On 30 June, the average margin of senior wholesale funding was 37 basis points (40). This average margin was reduced by long-term funding, issued at higher prices during the financial crisis in 2009, arriving at maturity.

April–June earnings

Earnings before tax were EUR 15 million, showing a year-on-year improvement of EUR 1 million. Earnings before tax at fair value were EUR 27 million higher than a year ago. Dividend income improved earnings during the period.

Risk exposure by Group Functions

Major risks exposed by the Group Functions include credit and market risks associated with the liquidity buffer, and liquidity risks.

The Group Functions exposure totalled EUR 22.6 billion (19.8), consisting of notes and bonds to secure OP-Pohjola Group's liquidity, deposits with central banks and receivables from OP-Pohjola Group cooperative banks.

The interest rate risk by the Group Functions in the event of a one-percentage-point change in the interest rate averaged EUR 15.9 million (22.9).

Financial performance and risk exposure by business segment

Discontinued operations

Non-life Insurance

- Earnings before tax improved to EUR 133 million (99). Earnings before tax at fair value were EUR 172 million (36).
- Insurance premium revenue increased by 7% (10).
- The number of loyal customer households increased by 19,208 (13,886).
- The balance on technical account improved. The operating combined ratio was 84.5% (89.2) and operating expense ratio 18.1% (19.5).
- Return on investments at fair value was 3.4% (0.4).

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

€ million	H1/2014	H1/2013	Change, %	Q2/2014	Q2/2013	Change, %	2013
Insurance premium revenue	651	606	7	331	311	6	1,249
Claims incurred	-432	-422	2	-206	-208	-1	-889
Operating expenses	-118	-118	-1	-58	-60	-2	-234
Amortisation adjustment of intangible assets	-11	-11	0	-5	-5	0	-21
Balance on technical account	**90**	**55**	65	**62**	**38**	64	**104**
Net investment income	74	77	-4	25	23	9	131
Other income and expenses	-31	-33	-5	-16	-17	-6	-70
Earnings before tax	**133**	**99**	**34**	**71**	**43**	**62**	**166**
Earnings before tax at fair value	172	36		111	1		149
Combined ratio, %	86.1	91.0		81.4	87.9		91.6
Operating combined ratio, %	84.5	89.2		79.8	86.2		86.9
Operating loss ratio, %	66.4	69.7		62.1	67.0		68.2
Operating expense ratio, %	18.1	19.5		17.7	19.1		18.7
Operating risk ratio, %	60.2	63.6		56.0	60.9		61.7
Operating cost ratio, %	24.3	25.6		23.8	25.3		25.2
Return on investments at fair value, %	3.4	0.4		2.0	-0.6		3.5
Solvency ratio , %	88	75					73
Solvency ratio (Solvency II), % *)	137	127					125
Personnel	1,835	1,854	-1				1,872

*) According to the Solvency II draft (EU 138/2009)

January–June earnings

Earnings before tax improved to EUR 133 million (99) as a result of the balance on technical account that was better than a year ago.

Insurance premium revenue increased at a higher rate than claims incurred, and operating expenses remained at the same level as a year ago. Insurance premium revenue increased by 7%(10). The operating balance on technical account totalled EUR 101 million (65) and the operating combined ratio was 84.5% (89.2), which is the best ever half-year figure. These key operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition. The combined ratio, including the abovementioned items, was 86.1 (91.0).

Insurance premium revenue

€ million	H1/2014	H1/2013	Change, %
Private Customers	333	304	10
Corporate Customers	291	277	5
Baltics	27	25	8
Total	**651**	**606**	**7**

Growth in insurance premium revenue remained strong in private customers and the Baltics. Corporate customers showed a slightly slower growth.

In 2013, Pohjola's market share in terms of non-life insurance premiums written was 30.3% (29.1). Measured in terms of the market share in premiums written, Pohjola is Finland's largest non-life insurer.

The number of loyal customer households increased by 19,208 (13,886) from its 2013-end level. The June-end number of loyal customer households totalled 634,814 (583,880), of which up to 73% (70) also use OP-Pohjola Group cooperative banks as their main bank. OP-Pohjola Group member cooperative banks' and Helsinki OP Bank's customers used OP bonuses that they had earned through the use of banking and insurance services to pay 925,000 insurance bills (878,000) with 121,000 (122,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 44 million (43).

Sales of policies to private and corporate customers declined, being 2% lower than a year ago.

Claims expenditure increased by 2% and grew more slowly than insurance premium revenue as a result of more favourable developments in frequency claims. Claims incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 48 (34) during January–June, with their claims incurred retained for own account totalling EUR 38.7 million (25.8). The reported change in provisions for unpaid claims under statutory pension was EUR 28.4 million (36.3).

Changes in claims for prior years improved the balance on technical account by EUR 18 million (3). Excluding these changes, claims incurred grew by 6%. The operating loss ratio was 66.4% (69.7) and the operating risk ratio (excl. loss adjustment expenses) was 60.2% (63.6).

The operating expense ratio improved to 18.1% (19.5). Efficiency improved as a result of strong growth in income. The operating cost ratio (incl. indirect loss adjustment expenses) was 24.3% (25.6).

Operating balance on technical account and combined ratio (CR)

	H1/2014		H1/2013	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	72	78.4	49	83.8
Corporate Customers	24	91.8	13	95.5
Baltics	5	80.3	3	86.2
Total	**101**	**84.5**	**65**	**89.2**

All customer segments showed an improved balance on technical account.

Investment

Investment income at fair value was better than a year ago because of a decline in interest rates. Investment income at fair value amounted to EUR 113 million (14), or 3.4% (0.4). Net investment income recognised in the income statement was EUR 74 million (77).

Investment portfolio by asset class

%	30June 2014	31 Dec. 2013
Bonds and bond funds	73	72
Alternative investments	1	1
Equities	8	10
Private equity	3	3
Real property	10	10
Money market instruments	5	4
Total	**100**	**100**

On 30 June 2014, the investment portfolio totalled EUR 3,489 million (3,219). The fixed-income portfolio by credit rating remained healthy, considering that investments within the “investment-grade” category represented 93% (91), and 71% (74) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.2 years (4.4) and the duration 3.5 years (3.7).

The running yield for direct bond investments averaged 2.6% (2.7) at the end of June.

April–June earnings

Brisk growth in insurance premium revenue and favourable developments in claims incurred improved the balance on technical account. The operating balance on technical account totalled EUR 67 million (43) and the operating combined ratio was 79.8% (86.2). The combined ratio, which includes changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition, was 81.4% (87.9).

Insurance premium revenue

€ million	Q2/2014	Q2/2013	Change, %
Private Customers	171	159	8
Corporate Customers	146	139	5
Baltics	14	13	7
Total	**331**	**311**	**6**

Total insurance premium revenue increased by 6% (11). Growth among Private Customers and the Baltics remained strong whereas that among Corporate Customers waned slightly. The number of loyal customer households increased by 9,321 (9,190). Sales of policies to private and corporate customers decreased by 2% over the previous year.

Claims incurred decreased by 1% as a result of favourable developments in frequency claims. However, the reporting period saw more large claims than a year ago, especially among corporate customers. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 29 (23) during April–June, with their claims incurred retained for own account totalling EUR 21.9 million (13.3). Change in provisions for unpaid claims under statutory pension was EUR 10.7 million (12.7). Changes in claims for prior years improved the balance on technical account by EUR 13 million (2). Excluding these changes, claims incurred increased by 4%.

The operating loss ratio was 62.1% (67.0) and the risk ratio (excl. loss adjustment expenses) 56.0% (60.9).

The operating expense ratio was 17.7% (19.1). The operating cost ratio (incl. loss adjustment expenses) was 23.8% (25.3).

Operating balance on technical account and combined ratio (CR)

	Q2/2014		Q2/2013	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	46	73.4	31	80.4
Corporate Customers	18	87.8	10	92.7
Baltics	3	74.4	2	87.9
Total	**67**	**79.8**	**43**	**86.2**

All customer segments showed improved profitability as a result of favourable development in claims expenditure and lower operating expenses.

Investment

Return on investments at fair value was 2.0% (–0.6). Net investment income recognised in the income statement amounted to EUR 25 million (23). Net investment income at fair value was EUR 65 million (–20).

Risk exposure by Non-life Insurance

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

On 30 June, Non-life Insurance capital base under Solvency II totalled EUR 982 million (894) and capital requirement EUR 716 million (713). The solvency ratio under Solvency II was 137% (125).

On 30 June, Non-life Insurance solvency capital amounted to EUR 1,085 million (913) and the ratio of solvency capital to insurance premium revenue (solvency ratio) was 88% (73). Equalisation provisions were EUR 269 million (248).

After the reporting period, Pohjola Group decided to reduce the discount rate for Non-life Insurance pension liabilities by 0.3 percentage points from 2.8% to 2.5% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 62 million in the third quarter.
In other respects, no major changes took place in the Non-life Insurance underwriting risk exposure.
During the first half, Pohjola reduced slightly equity risk associated with the investment portfolio.

Asset Management

- Earnings before tax improved to EUR 14 million (11).
- Assets under management increased by 7% to EUR 40.6 billion (37.9) from their 2013-end level.
- The operating cost/income ratio was 49% (54).

Asset Management: financial results and key figures and ratios

€ million	H1/2014	H1/2013	Change, %	Q2/2014	Q2/2013	Change, %	2013
Net commissions and fees	27	25	7	14	13	4	51
Other income	2	2	-17	1	1	-11	4
Total income	**28**	**27**	**5**	**15**	**14**	**3**	**55**
Personnel costs	7	7	-1	3	3	4	14
Other expenses	8	9	-7	4	5	-12	17
Total expenses	**15**	**16**	**-4**	**8**	**8**	**-6**	**32**
Share of associate's profit/loss	1	1	46	0	0	-7	0
Earnings before tax	**14**	**11**	**21**	**7**	**7**	**14**	**24**
Earnings before tax at fair value	14	11	21	7	7	14	24
Assets under management, € billion	40.6	35.0	16				37.9
Operating cost/income ratio, %	49	54		47	51		53
Personnel	87	87	0				88

January–June earnings

Earnings before tax improved to EUR 14 million (11). Performance-based management fees worth EUR 0.4 million (1.9) were included in earnings. Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

The operating cost/income ratio was 49% (54).

Assets under management increased by 7% during the period, amounting to EUR 40.6 billion (37.9) on 30 June.

€ billion	30June 2014	31 Dec. 2013
Institutional clients	24	21
OP Mutual Funds	13	12
Private	4	5
Total	41	38

%	30June 2014	31 Dec. 2013
Money market investments	14	15
Notes and bonds	38	37
Equities	33	32
Other	15	15
Total	**100**	**100**

The increase in assets under management was based on brisk growth in institutional assets under management and improved market values. A total of 62% of mutual funds managed by Asset Management outperformed their benchmark index during the first half.

April–June earnings

Earnings before tax totalled EUR 7 million (7). The operating cost/income ratio was 47% (51). Earnings included EUR 0.3 million (0.9) in performance-based management fees.

Assets under management increased by EUR 1.5 billion to EUR 40.6 billion.

Personnel and remuneration

On 30 June 2014, the Group had a staff of 2,590, or 30 less than on 31 December 2013.

Personnel by segment

	30June 2014	31 Dec. 2013
Banking	643	634
Non-life Insurance	1 835	1 872
Asset Management	87	88
Group Functions	25	26
Total	**2 590**	**2 620**

A total of 448 Group employees (470) worked abroad.

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

OP-Pohjola Group Central Cooperative's public voluntary bid for all Pohjola Bank plc shares

OP-Pohjola Group Central Cooperative has submitted a public voluntary bid for all Pohjola Bank plc shares. The offer period began on 24 February and expired 1 April 2014. OP-Pohjola extended the offer period with an extra offer period that began on 7 April 2014 and expired on 22 April 2014.

As a result of the execution of the public voluntary bid, OP-Pohjola Group Central Cooperative holds 98.41% of Pohjola shares and 99.14% of the votes conferred by the shares.

Pohjola Group will undergo structural changes, according to the bid submitted by OP-Pohjola Group Central Cooperative, whereby, for example, the Non-life Insurance and Asset Management segments will be transferred from Pohjola Group to OP-Pohjola Group Central Cooperative's direct ownership. In addition, the businesses of Helsinki OP Bank Plc and Pohjola Bank plc will be combined.

OP-Pohjola Group Central Cooperative with more than nine tenths (9/10) of all shares and votes in Pohjola Bank plc has the right, under Chapter 18, Section 1 of the Limited Liability Companies Act, to redeem (right of squeeze-out) all of the shares held by Pohjola Bank's remaining shareholders at the fair price. On 15 April 2014, OP-Pohjola Group Central Cooperative filed an application with the Redemption Committee of the Finland Chamber of Commerce for instituting arbitration proceedings and selecting arbitrators related to the squeeze-out of minority shareholders.

In the arbitration proceedings, OP-Pohjola Group Central Cooperative will request the transfer of title to the minority shares to OP-Pohjola Group Central Cooperative against collateral accepted by the arbitrators and confirm the squeeze-out price at 16.13 euros per share. The squeeze-out price equals the consideration paid by OP-Pohjola Group Central Cooperative based on the public voluntary bid announced on 6 February 2014. Furthermore, OP-Pohjola Group Central Cooperative will ask the arbitrator for the right to pay minority shareholders 16.13 euros per share that it considers a current price, including legal interest, prior to the close of the arbitration proceedings. OP-Pohjola Group Central Cooperative expects that the arbitrators issue their award on the transfer of title and on OP-Pohjola Group Central Cooperative's right to pay the amount in autumn 2014 that it considers the current price.

OP-Pohjola Group Central Cooperative announced on 12 June 2014 that, based on an application filed by OP-Pohjola Group Central Cooperative for the squeeze-out of minority shares, the Redemption Committee of the Finland Chamber of Commerce has petitioned the Helsinki District Court for the appointment of a special representative to look after the rights of Pohjola's minority shareholders in the arbitration proceedings pertaining to the squeeze-out procedure. In its decision, the Helsinki District Court appointed Attorney Matti Manner to act as the special representative.

The Redemption Committee of the Finland Chamber of Commerce has appointed an Arbitral Tribunal consisting of three arbitrators to settle the disagreements over the right of squeeze-out relating to Pohjola Bank plc shares not held by OP-Pohjola Group Central Cooperative and over the squeeze-out price. The Arbitral Tribunal comprises attorney Pekka Puhakka (Chairman), attorney Petra Kiurunen and attorney Matti Ylä-Mononen.

According to the Redemption Committee, the arbitration proceedings will last an average of approximately six months. On this basis, the redemption proceedings pertaining to Pohjola's minority shares are expected to last until the first half of 2015.

Pohjola's Board of Directors will file an application with NASDAQ OMX Helsinki Ltd for the termination of trading in Pohjola shares and the delisting of all Pohjola shares from NASDAQ OMX Helsinki Ltd in approximately autumn 2014.

Shares and shareholders

The number of Pohjola Series A shares, quoted on the NASDAQ OMX Helsinki, and that of unquoted Series K shares underwent no changes in the first half of 2014.

Number of shares

Share series 30 June 2014	Number of shares	% of all shares	% of votes
Pohjola A (POH1S)	252,009,866	78.86	42.73
Pohjola K (POHKS)	67,541,549	21.14	57.27
Total	**319,551,415**	**100.00**	**100.00 %**

On the last trading date of the reporting period, one Series A share closed at EUR 15.90 (14.62). During the reporting period, the share priced reached a high of EUR 16.86 (13 February) and a low of EUR 14. 17 (3 February).

Pohjola's market capitalisation amounted to EUR 5,081 million (4,672) on 30 June 2014. In calculating the market capitalisation, Series K shares were valued at the price of Series A shares.

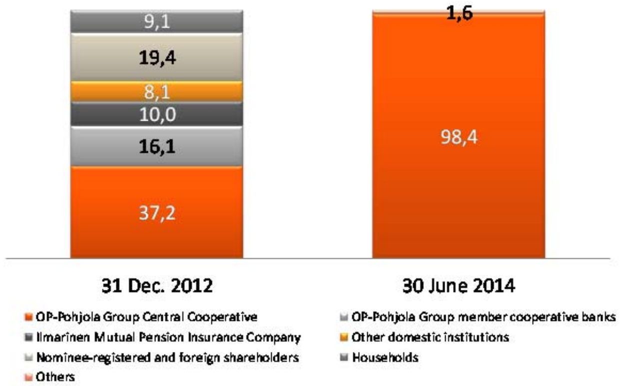
Number of shareholders

	30 June 2014	31 Dec. 2013
Holders of Series A shares	2 317	32 260
Holders of Series K shares	1	104
Total	2 317	32 267

*The combined number of holders of Series A and K shares differs from the total number of shareholders since some of the holders of Series K shares also hold Series A shares.

On 30 June 2014, Pohjola had 2,317 shareholders (32,267). As a result of the execution of the bid, the number of shareholders has decreased by 29,950. On 30 June 2014, OP-Pohjola Group Central Cooperative held 98.41% of the shares and 99.14% of the votes conferred by the shares.

Breakdown of shares by shareholder, Series A and K shares



Events after the balance sheet date

Pohjola decided to reduce the discount rate for Non-life Insurance pension liabilities by 0.3 percentage points from 2.8% to 2.5% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 62 million in the third quarter.

Outlook towards the end of 2014

In Banking, the loan portfolio is expected to be at the same level as in 2013. Due to the operating environment, corporate investments are expected to remain below their normal level. The greatest uncertainties related to Banking's financial performance are associated with volume developments and future impairment loss on the loan portfolio. Banking earnings before tax in 2014 are expected to be at the same level as or higher than in 2013.

Insurance premium revenue is expected to increase at a rate above the market average. It is estimated that the Non-life Insurance operating combined ratio for the full year will vary between 87 and 91%, if the number of large claims is not much higher than in 2013. Expected investment returns are largely dependent on developments in the investment environment. The most significant uncertainties related to Non-life Insurance's financial performance pertain to developments in bond and capital markets and to the effect of large claims on claims expenditure. Non-life Insurance earnings before tax in 2014 are expected to be higher than in 2013.

The greatest uncertainties related to Asset Management's financial performance are associated with the actual performance-based commissions and fees tied to the success of investments and the amount of assets under management. Asset Management earnings before tax in 2014 are expected to be at the same level as or higher than in 2013.

The key determinants affecting the Group Functions' financial performance include net interest income arising from assets in the liquidity buffer, any capital gains or losses on notes and bonds and any impairment loss that may be recognised on notes and bonds in the income statement. Group Functions earnings before tax in 2014 are expected to be lower than in 2013 due to low interest rates and tighter liquidity regulation.

Consolidated earnings before tax in 2014 are expected to be higher than in 2013.

There is still great uncertainty about the economic outlook and the operating environment.

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

Consolidated income statement

EUR million	Note	Q2/ 2014	Q2/ 2013 Restated*	Q1–2/ 2014	Q1–2/ 2013 Restated*	Q1–4/ 2013 Restated*
Continuing operations						
Net interest income	3	68	56	132	111	231
Impairments of receivables	4	4	13	8	20	37
Net interest income after impairments		**64**	**43**	**124**	**92**	**194**
Net commissions and fees	5	25	25	57	44	94
Net trading income	6	28	24	52	40	93
Net investment income	7	17	12	31	32	39
Other operating income	8	5	7	10	13	26
Total income		**138**	**110**	**274**	**221**	**446**
Personnel costs		16	17	32	33	63
ICT costs		9	8	21	18	37
Depreciation/amortisation		4	4	8	8	16
Other expenses		17	17	37	34	66
Total expenses		**47**	**46**	**97**	**93**	**182**
Share of associates' profits/losses		0	0	0		0
Earnings before tax		**92**	**64**	**176**	**128**	**264**
Income tax expense		16	13	33	27	7
Results of continuing operations		**76**	**51**	**143**	**101**	**256**
Discontinued operations						
Results of discontinued operations	9	70	44	129	95	174
Profit for the period		**146**	**95**	**272**	**196**	**430**
Attributable to:						
Owners of the parent		143	94	268	194	426
Non-controlling interests		2	1	4	1	4
Profit for the period		**146**	**95**	**272**	**196**	**430**
EPS calculated for profit attributable to owners of the parent, €						
Series A		0.46	0.30	0.84	0.61	1.34
Series K		0.43	0.27	0.81	0.58	1.31
EPS calculated for profit attributable to owners of the parent, €, continuing operations						
Series A		0.24	0.16	0.45	0.32	0.81
Series K		0.21	0.13	0.42	0.29	0.78
EPS calculated for profit attributable to owners of the parent, €, discontinued operations						
Series A		0.22	0.14	0.40	0.30	0.54
Series K		0.19	0.11	0.37	0.27	0.51

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Consolidated statement of comprehensive income

EUR million	Q2/ 2014	Q2/ 2013 Restated*	Q1–2/ 2014	Q1–2/ 2013 Restated*	Q1–4/ 2013 Restated*
Profit for the period	**146**	**95**	**272**	**196**	**430**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-4		-10		0
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value	49	-49	50	-62	1
Cash flow hedge	4	-8	7	-13	-16
Translation differences	0	0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	1		2		-2
Items that may be reclassified to profit or loss					
Measurement at fair value	-10	12	-10	15	9
Cash flow hedge	-1	2	-1	3	5
Total comprehensive income for the period	**185**	**52**	**309**	**139**	**426**
Attributable to:					
Owners of the parent	183	51	303	138	421
Non-controlling interests	2	1	6	1	6
Total comprehensive income for the period	**185**	**52**	**309**	**139**	**426**
Comprehensive income attributable to owners of the parent is divided as follows:					
Continuing operations	80	39	142	90	252
Discontinued operations	103	12	161	47	169
Total	**183**	**51**	**303**	**138**	**421**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Consolidated balance sheet

EUR million	Note	30 June 2014	31 Dec 2013 Restated*	1 Jan 2013 Restated*
Cash and cash equivalents		3,300	2,046	5,643
Receivables from credit institutions		10,476	9,899	8,816
Financial assets at fair value through profit or loss				
Financial assets held for trading		433	435	246
Financial assets at fair value through profit or loss at inception		0	9	9
Derivative contracts		4,566	3,444	4,462
Receivables from customers		14,951	14,510	13,834
Non-life Insurance assets	9		3,502	3,500
Investment assets		7,831	7,574	5,548
Investment in associates		0	29	26
Intangible assets	12	80	910	922
Property, plant and equipment (PPE)		27	82	67
Other assets		1,453	1,369	1,598
Tax assets		9	15	37
Total		**43,126**	**43,824**	**44,710**
Assets classified as held for distribution to owners	9	4,968		
Total assets		**48,093**	**43,824**	**44,710**
Liabilities to credit institutions		5,488	4,789	5,840
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading		3	4	3
Derivative contracts		4,416	3,420	4,557
Liabilities to customers		9,505	10,183	10,767
Non-life Insurance liabilities	9		2,746	2,599
Debt securities issued to the public	13	17,380	16,097	13,769
Provisions and other liabilities		2,465	2,076	2,572
Tax liabilities		286	378	487
Subordinated liabilities		950	984	1,275
Total		**40,492**	**40,675**	**41,869**
Liabilities associated with assets classified held as distribution to owners	9	4,365		
Total liabilities		**44,858**	**40,675**	**41,869**
Shareholders' equity				
Capital and reserves attributable to owners of the Parent				
Share capital		428	428	428
Fair value reserve	14	54	168	171
Other reserves		1,093	1,093	1,093
Retained earnings		959	1,358	1,080
Equity items associated with assets classified as held for distribution to owners	9	602		
Non-controlling interest		100	103	69
Total shareholders' equity		**3,236**	**3,150**	**2,841**
Total liabilities and shareholders' equity		**48,093**	**43,824**	**44,710**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Consolidated statement of changes in equity

	Attributable to owners of Pohjola Group						
EUR million	Share capital	Fair value reserve*	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	**428**	**167**	**1,093**	**1,081**	**2,769**		**2,769**
Effect of the adoption of IFRS 10 Cosolidated Financial Statements, less taxes		4	0	-1	2	69	72
Restated shareholders' equity 1 Jan. 2013	**428**	**171**	**1,093**	**1,080**	**2,771**	**69**	**2,841**
Total comprehensive income for the period		-56		194	138	1	139
Profit for the period				194	194	1	196
Other comprehensive income		-56			-56	0	-56
Profit distribution				-145	-145		-145
EUR 0.46 per Series A share				-116	-116		-116
EUR 0.43 per Series K share				-29	-29		-29
Equity-settled share-based payment transactions				-1	-1		-1
Other			0	0	-1	5	4
Balance at 30 June 2013	**428**	**115**	**1,093**	**1,128**	**2,763**	**75**	**2,838**

* Note 14.

	Attributable to owners of Pohjola Group						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Restated shareholders' equity 1 January 2014	**428**	**168**	**1,093**	**1,358**	**3,047**	**103**	**3,150**
Total comprehensive income for the period		44		260	304	6	309
Profit for the period				268	268	4	272
Other comprehensive income		44		-8	36	2	37
Profit distribution				-212	-212		-212
EUR 0.67 per Series A share				-169	-169		-169
EUR 0.64 per Series K share				-43	-43		-43
Equity-settled share-based payment transactions							
Other			0	-2	-3	-8	-11
Balance at 30 June 2014	**428**	**212**	**1,093**	**1,403**	**3,136**	**100**	**3,236**

Consolidated cash flow statement incl. discontinued operations

EUR million	Q2/ 2014	Q2/ 2013 Restated*
Cash flow from operating activities		
Profit for the period	268	194
Adjustments to profit for the period	178	267
Increase (-) or decrease (+) in operating assets	**-1,851**	**-3,002**
Receivables from credit institutions	-772	-655
Financial assets at fair value through profit or loss	82	-148
Derivative contracts	23	15
Receivables from customers	-450	-798
Non-life Insurance assets	-283	-216
Investment assets	-224	-1,135
Other assets	-226	-65
Increase (+) or decrease (-) in operating liabilities	**615**	**-1,330**
Liabilities to credit institutions	693	-612
Financial liabilities at fair value through profit or loss	-1	1
Derivative contracts	41	1
Liabilities to customers	-677	-708
Non-life Insurance liabilities	107	122
Provisions and other liabilities	452	-134
Income tax paid	-55	-72
Dividends received	39	37
A. Net cash from operating activities	**-806**	**-3,905**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	53	82
Acquisition of subsidiaries and associates, net of cash acquired	0	-4
Purchase of PPE and intangible assets	-16	-20
Proceeds from sale of PPE and intangible assets	1	0
B. Net cash used in investing activities	**39**	**59**
Cash flow from financing activities		
Increases in subordinated liabilities	12	
Decreases in subordinated liabilities	-12	-171
Increases in debt securities issued to the public	24,745	13,007
Decreases in debt securities issued to the public	-22,689	-10,954
Dividends paid	-212	-145
Other decreases in equity items		
C. Net cash used in financing activities	**1,844**	**1,738**
Net increase/decrease in cash and cash equivalents (A+B+C)	**1,077**	**-2,108**
Cash and cash equivalents at period-start	**2,672**	**6,177**
Cash and cash equivalents at period-end	**3,748**	**4,070**
Cash and cash equivalents		
Liquid assets**	3,309	3,658
Receivables from credit institutions payable on demand	439	411
Total	**3,748**	**4,070**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.
** Of which EUR 9 million (11) consist of Non-life Insurance cash and cash equivalents.

Segment information

Q2 earnings 2014, EUR million	Banking	Group Functions	Non-life Insurance	Asset Manage-ment	Elimi-nations	Group total
	Continuing operations		Discontinued operations			
Net interest income						
Corporate Banking and Baltic Banking	61					61
Markets	8					8
Other operations		4	-6	1	0	-1
Total	69	4	-6	1	0	67
Net commissions and fees	26	0	4	14	-1	43
Net trading income	28	-2		0	1	28
Net investment income	3	17		0	0	21
Net income from Non-life Insurance						
From insurance operations			147		0	147
From investment operations			25		-1	24
From other items			-10			-10
Total			161		-1	160
Other operating income	3	2	3	0	0	8
Total income	**129**	**21**	**162**	**15**	**0**	**327**
Personnel costs	14	2	27	3		47
ICT costs	8	1	13	1	0	23
Amortisation on intangible assets related to company acquisitions			5	1		6
Other depreciation/amortisation and impairments	4	0	3	0		7
Other expenses	14	4	44	3	-1	64
Total expenses	**40**	**7**	**92**	**8**	**0**	**146**
Earnings/loss before impairment of receivables	**88**	**15**	**71**	**7**	**0**	**180**
Impairments of receivables	4					4
Share of associates' profits/losses			0	0	0	0
Earnings before tax	**85**	**15**	**71**	**7**	**0**	**177**
Change in fair value reserve	3	11	41	0	-2	53
Gains/(losses) arising from remeasurement of defined benefit plans	-3	0				-4
Total comprehensive income for the period, before tax	**84**	**25**	**111**	**7**	**-2**	**227**

Q2 earnings 2013, EUR million	Banking	Group Functions	Non-life Insurance	Asset Manage-ment	Elimi-nations	Group total
	Continuing operations		Discontinued operations			
Net interest income						
Corporate Banking and Baltic Banking	56					56
Markets	-3					-3
Other operations		8	-6	0	1	2
Total	53	8	-6	0	1	55
Net commissions and fees	26	0	5	13	-1	42
Net trading income	26	-1	0	0	-1	24
Net investment income	0	13		0		13
Net income from Non-life Insurance						
From insurance operations			123			123
From investment operations			23		2	25
From other items			-10			-10
Total			136		2	138
Other operating income	5	2	1	1	0	8
Total income	**111**	**21**	**135**	**14**	**0**	**281**
Personnel costs	15	2	28	3		49
ICT costs	7	1	13	1	0	22
Amortisation on intangible assets related to company acquisitions			5	1		6
Other depreciation/amortisation and impairments	4	0	2	0		7
Other expenses	14	3	43	3	-1	63
Total expenses	**40**	**7**	**91**	**8**	**0**	**146**
Earnings/loss before impairment of receivables	**70**	**15**	**44**	**6**	**0**	**135**
Impairments of receivables	13	1				13
Share of associates' profits/losses			0	0	0	0
Earnings before tax	**58**	**14**	**43**	**7**	**0**	**122**
Change in fair value reserve	0	-15	-43	0	0	-57
Gains/(losses) arising from remeasurement of defined benefit plans						
Total comprehensive income for the period, before tax	**58**	**-1**	**1**	**7**	**0**	**65**

Q1-2 earnings 2014, EUR million	Continuing operations Banking	Group Functions	Discontinued operations Non-life Insurance	Asset Manage-ment	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	122					122
Markets	15					15
Other operations		4	-12	1	1	-6
Total	137	4	-12	1	1	131
Net commissions and fees	54	5	8	27	-2	92
Net trading income	55	-5	0	0	1	52
Net investment income	5	30		0	2	37
Net income from Non-life Insurance						
From insurance operations			262		0	262
From investment operations			74		-2	72
From other items			-21			-21
Total			315		-2	313
Other operating income	6	4	6	1	0	16
Total income	**258**	**38**	**317**	**28**	**-1**	**640**
Personnel costs	29	3	54	7		93
ICT costs	18	3	25	1	0	47
Amortisation on intangible assets related to company acquisitions			11	1		12
Other depreciation/amortisation and impairments	7	0	7	0		15
Other expenses	29	10	87	5	-1	129
Total expenses	**82**	**16**	**184**	**15**	**-1**	**297**
Earnings/loss before impairment of receivables	**175**	**22**	**133**	**13**	**0**	**344**
Impairments of receivables	8					8
Share of associates' profits/losses			0	1	0	1
Earnings before tax	**167**	**22**	**133**	**14**	**0**	**336**
Change in fair value reserve	1	17	40	0	-1	57
Gains/(losses) arising from remeasurement of defined benefit plans	-9	-1				-10
Total comprehensive income for the period, before tax	**159**	**39**	**172**	**14**	**-1**	**383**

Q1-2 earnings 2013, EUR million	Continuing operations Banking	Group Functions	Discontinued operations Non-life Insurance	Asset Manage-ment	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	109					109
Markets	-3					-3
Other operations		15	-12	1	0	5
Total	106	15	-12	1	0	111
Net commissions and fees	47	-1	9	25	-2	78
Net trading income	49	-7	0	0	-3	40
Net investment income	0	34		0		34
Net income from Non-life Insurance						
From insurance operations			223			223
From investment operations			77		4	81
From other items			-21			-21
Total			279		4	282
Other operating income	9	5	5	1	0	19
Total income	**211**	**47**	**281**	**27**	**-1**	**564**
Personnel costs	30	3	56	7		97
ICT costs	15	2	24	1	1	44
Amortisation on intangible assets related to company acquisitions			11	1		12
Other depreciation/amortisation and impairments	7	0	5	0		13
Other expenses	28	7	85	6	-1	125
Total expenses	**80**	**14**	**181**	**16**	**-1**	**291**
Earnings/loss before impairment of receivables	**130**	**33**	**99**	**11**	**0**	**273**
Impairments of receivables	19	1				20
Share of associates' profits/losses			0	1	0	1
Earnings before tax	**112**	**32**	**99**	**11**	**0**	**254**
Change in fair value reserve	4	-15	-63	0	0	-75
Gains/(losses) arising from remeasurement of defined benefit plans						
Total comprehensive income for the period, before tax	**115**	**17**	**36**	**11**	**0**	**179**

Balance sheet 30 June 2014, EUR million	Banking	Group Functions	Non-life Insurance	Asset Manage-ment	Elimi-nations	Group total
			For distribution to owners			
Receivables from customers	14,796	403			-248	14,951
Receivables from credit institutions	362	13,438	5	5	-20	13,790
Financial assets at fair value through profit or loss	484	-52				433
Non-life Insurance assets			4,141		-287	3,854
Investment assets	561	7,382	16	11	-10	7,960
Investments in associates			2	28		30
Other assets	5,048	1,158	775	120	-25	7,075
Total assets	**21,252**	**22,329**	**4,939**	**164**	**-590**	**48,093**
Liabilities to customers	7,302	2,411			-208	9,505
Liabilities to credit institutions	877	4,859			-248	5,488
Non-life Insurance liabilities			3,078		-10	3,067
Debt securities issued to the public	1,505	16,997			-48	18,454
Subordinated liabilities	-17	967	50			1,000
Other liabilities	5,873	1,337	160	11	-38	7,343
Total liabilities	**15,540**	**26,572**	**3,287**	**11**	**-553**	**44,858**
Shareholders' equity						**3,236**
Average personnel	643	25	1,835	87		2590
Capital expenditure, EUR million	5	1	8	1		16

Balance sheet 31 Dec 2013, EUR million	Banking	Group Functions	Non-life Insurance	Asset Manage-ment	Elimi-nations	Group total
Receivables from customers	14,432	291			-213	14,510
Receivables from credit institutions	659	11,300	4	3	-21	11,945
Financial assets at fair value through profit or loss	487	-42				444
Non-life Insurance assets			3,750		-248	3,502
Investment assets	524	7,025	16	22	-14	7,574
Investments in associates			2	27		29
Other assets	3,792	1,242	780	114	-109	5,819
Total assets	**19,894**	**19,816**	**4,552**	**166**	**-604**	**43,824**
Liabilities to customers	7,035	3,309			-160	10,183
Liabilities to credit institutions	614	4,387			-213	4,789
Non-life Insurance liabilities			2,844		-98	2,746
Debt securities issued to the public		16,159			-62	16,097
Subordinated liabilities		934	50			984
Other liabilities	4,381	1,463	56	9	-33	5,877
Total liabilities	**12,029**	**26,252**	**2,950**	**9**	**-566**	**40,675**
Shareholders' equity						**3,150**
Average personnel	634	26	1,872	88		2,620
Capital expenditure, EUR million	15	1	27	2		45

Note 1. Accounting policies

The Interim Report for 1 January–30 June 2014 has been prepared in accordance with the accounting policies of IAS 34 (Interim Financial Reporting) and with those presented in the Consolidated Financial Statements 2013, with the exception of changes in the accounting policies described below.

OP-Pohjola Group Central Cooperative has executed a public voluntary bid for Pohjola Bank plc shares that it announced on 6 February 2014. This will result in structural changes where Pohjola Group's Non-life Insurance segment and Asset Management segment will be transferred to OP-Pohjola Group Central Cooperative's direct ownership. The Non-life Insurance segment, the Asset Management segment and certain other holdings will be reported, according to IFRS 5 as of 30 June 2014, as assets and liabilities classified as held for distribution to owners in the balance sheet and as discontinued operations in the income statement. Banking and the Group functions will be reported as continuing operations. A more detailed description of the effects can be found in Note 9.

The Interim Report is based on unaudited information. Since all figures in this Interim Report have been rounded off, the sum of single figures may differ from the presented sum total.

Change in accounting policies

Consolidated financial statements

Pohjola Group has applied the following standards since 1 January 2014: IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint arrangements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 ”Investments in Associates and Joint Ventures" revised as a result of the standards. According to IFRS 10, control determines whether the parent company consolidates an entity. The Group has control over an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As a result of the adoption of the standards, the accounts of two property investment funds have been included in Pohjola Group's financial statements as new subsidiaries. In addition, 42 property companies are now reported as joint operations to which proportionate consolidation applies. The new companies are reported under the Group Functions and Non-life Insurance operating segments. In addition, the proportion of the owners of non-controlling interests has increased.

The table below shows the effect of the change in the accounting policy on the income statement for the reporting period a year ago and for the financial year 2013, statement of comprehensive income, balance sheet and the EPS figures calculated for profit attributable to owners of the parent. Changes in the accounting policy also include discontinued operations.

Effect on the consolidated income statement for 1 Jan.−30 June 2013 and 1 Jan.−31 Dec. 2013

EUR million	1 Jan.–30 June 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−30 June 2013 (restated)	1 Jan.–31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2013 (restated)
Net interest income	110	0	111	229	1	230
Impairment of receivables	20		20	37		37
Net interest income after impairments	**91**	**0**	**91**	**193**	**1**	**193**
Net income from Non-life Insurance	282		282	529	0	528
Net commissions and fees	78	0	78	162	0	162
Net trading income	40	0	40	93	0	93
Net investment income	32	2	34	39	7	46
Other operating income	19	0	19	38	0	38
Total income	**542**	**2**	**544**	**1,053**	**7**	**1,060**
Personnel costs	97		97	184		184
ICT costs	44		44	90		90
Depreciation/amortisation	25	0	25	55	0	55
Other expenses	125	0	125	251	1	252
Total expenses	**291**	**0**	**291**	**580**	**1**	**581**
Share of associates' profits/losses	1		1	0		0
Earnings before tax	**252**	**2**	**254**	**473**	**6**	**479**
Income tax expense	58	0	58	49	1	49
Profit for the period	**194**	**2**	**196**	**424**	**6**	**430**
Attributable to:						
Owners of the parent	194	1	194	424	1	426
Non-controlling interests		1	1		4	4
Total	**194**	**2**	**196**	**424**	**6**	**430**
EPS calculated for profit attributable to owners of the parent, €						
Series A	0.61		0.61	1.33	0.01	1.34
Series K	0.58		0.58	1.30	0.01	1.31

Effect on the consolidated statement of comprehensive income for 1 Jan.−30 June 2013 and 1 Jan.−31 Dec. 2013

EUR million	1 Jan.–30 June 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−30 June 2013 (restated)	1 Jan.–31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2013 (restated)
Profit for the period	194	2	196	424	6	430
Items that will not be reclassified to profit or loss						
Gains/(losses) arising from remeasurement of defined benefit plans				0		0
Items that may be reclassified to profit or loss						
Change in fair value reserve						
Measurement at fair value	-61	0	-62	-1	2	1
Cash flow hedge	-13		-13	-16		-16
Translation differences	0	0	0	0	0	0
Income tax on other comprehensive incom						
Items that will not be reclassified to profit or loss						
Gains/(losses) arising from remeasurement of defined benefit plans				-2		-2
Items that may be reclassified to profit or loss						
Measurement at fair value	15	0	15	9	0	9
Cash flow hedge	3		3	5		5
Total comprehensive income for the period	137	**2**	**139**	**419**	**7**	**426**
Attributable to:						
Owners of the parent	137	1	138	419	2	421
Non-controlling interests		1	1		6	6
Total	**137**	**2**	**139**	**419**	**7**	**426**

Effect on the consolidated balance sheet on 1 Jan. 2013 and 31 Dec. 2013

EUR million	1 Jan. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan. 2013 (restated)	31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	31 Dec. 2013 (restated)
Cash and cash equivalents	5,643		5,643	2,046		2,046
Receivables from credit institutions	8,815	1	8,816	9,899	0	9,899
Financial assets at fair value through profit or loss						
Financial assets held for trading	246		246	435		435
Financial assets at fair value through profit or loss at inception	9		9	9		9
Derivative contracts	4,462		4,462	3,444		3,444
Receivables from customers	13,839	-5	13,834	14,515	-5	14,510
Non-life Insurance assets	3,523	-23	3,500	3,539	-37	3,502
Investment assets	5,431	117	5,548	7,427	147	7,574
Investment in associates	26		26	29		29
Intangible assets	922		922	910		910
Property, plant and equipment (PPE)	69	-2	67	84	-2	82
Other assets	1,600	-1	1,598	1,367	2	1,369
Tax assets	36	1	37	15	0	15
Total assets	**44,623**	**87**	**44,710**	**43,720**	**105**	**43,824**
Liabilities to credit institutions	5,840		5,840	4,789		4,789
Financial liabilities at fair value through profit or loss						
Financial liabilities held for trading	3		3	4		4
Derivative contracts	4,557		4,557	3,420		3,420
Liabilities to customers	10,775	-8	10,767	10,188	-5	10,183
Non-life Insurance liabilities	2,599		2,599	2,746		2,746
Debt securities issued to the public	13,769		13,769	16,097		16,097
Provisions and other liabilities	2,550	22	2,572	2,075	0	2,076
Tax liabilities	485	2	487	375	3	378
Subordinated liabilities	1,275		1,275	984		984
Total liabilities	**41,854**	**16**	**41,869**	**40,677**	**-2**	**40,675**
Shareholders' equity						
Capital and reserves attributable to						
Share capital	428		428	428		428
Fair value reserve	167	4	171	164	4	168
Other reserves	1,093	0	1,093	1,093	0	1,093
Retained earnings	1,081	-1	1,080	1,358	0	1,358
Non-controlling interest		**69**	**69**		**103**	**103**
Total shareholders' equity	**2,769**	**72**	**2,841**	**3,043**	**107**	**3,150**
Total liabilities and shareholders' equity	**44,623**	**87**	**44,710**	**43,720**	**105**	**43,824**

Effect on the consolidated cash flow statement 1 Jan.–30 June 2013

EUR million	1 Jan.–30 June 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.–30 June 2013 (restated)
Cash flow from operating activities			
Profit for the period	194	1	194
Adjustments to profit for the period	268	0	267
Increase (-) or decrease (+) in operating assets	**-2,984**	**-18**	**-3,002**
Receivables from credit institutions	-655		-655
Financial assets at fair value through profit or loss	-148		-148
Derivative contracts	15		15
Receivables from customers	-798		-798
Non-life Insurance assets	-217	2	-216
Investment assets	-1,131	-4	-1,135
Other assets	-50	-15	-65
Increase (+) or decrease (-) in operating liabilities	**-1,346**	**16**	**-1,330**
Liabilities to credit institutions	-612		-612
Financial liabilities at fair value through profit or loss	1		1
Derivative contracts	1		1
Liabilities to customers	-715	7	-708
Non-life Insurance liabilities	122		122
Provisions and other liabilities	-143	9	-134
Income tax paid	-72		-72
Dividends received	35	1	37
A. Net cash from operating activities	**-3,906**	**1**	**-3,905**
Cash flow from investing activities			
Increases in held-to-maturity financial assets			
Decreases in held-to-maturity financial assets	82		82
Acquisition of subsidiaries and associates, net	-4		-4
Disposal of subsidiaries and associates, net of cash disposed			
Purchase of investment securities			
Proceeds from sale of investment securities			
Purchase of PPE and intangible assets	-20		-20
Proceeds from sale of PPE and intangible assets	0		0
B. Net cash used in investing activities	**59**		**59**
Cash flow from financing activities			
Increases in subordinated liabilities			
Decreases in subordinated liabilities	-171		-171
Increases in debt securities issued to the public	13,007		13,007
Decreases in debt securities issued to the public	-10,954		-10,954
Increases in invested unrestricted equity			
Dividends paid	-145		-145
Other decreases in equity items			
C. Net cash used in financing activities	**1,738**		**1,738**
Net increase/decrease in cash and cash	**-2,109**	**1**	**-2,108**
Cash and cash equivalents at period-start	**6,177**	**1**	**6,177**
Cash and cash equivalents at period-end	**4,068**	**1**	**4,070**
Cash and cash equivalents			
Liquid assets**	3,658		3,658
Receivables from credit institutions payable on demand	410	1	411
Total	**4,068**	**1**	**4,070**

Other changes

Levies

In addition, the Group has used IFRIC interpretation 21: Levies since the beginning of 2014 before its entry into force and EU approval. According to the interpretation, the bank levy liability and the liability arising from contributions to the Deposit Guarantee Fund are recognised in full in accrued income and prepaid expenses and accrued expenses and deferred income in the balance sheet when the levy is imposed under said legislation, or on 1 January 2014. The change in the accounting policy does not change the recognition principle applied to these expenses through profit or loss.

Note 2. Formulas for key figures and ratios

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

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

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

Earnings/share (EPS)
Profit for the period attributable to owners of the Parent / Average share-issue adjusted number of shares during the period

Equity/share
Shareholders' equity / Share-issue adjusted number of shares on the balance sheet date

Dividend per share (DPS)
Dividends paid for the financial year/ Share-issue adjusted number of shares on the balance sheet date

Market capitalisation
Number of shares x closing price on the balance sheet date

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

Capital adequacy ratio, %
Total capital / Total minimum capital requirement x 8

Tier 1 ratio, %
Total Tier 1 capital / Total minimum capital requirement x 8

Core Tier 1, %
Total Tier 1 capital, excl. hybrid capital and shortfall of Tier 2 capital covered by hybrid capital /
Total minimum capital requirement x 8

Common Equity Tier 1 ratio, % (CET1)*
Common Equity Tier 1 (CET1)/Total risk exposure amount x 100

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

KEY RATIOS FOR NON-LIFE INSURANCE

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

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

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

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

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

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

*) According to the proposed Solvency II framework

OPERATING KEY RATIOS

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

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

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

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

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

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

Values used in calculating the ratios

EUR million	30 June 2014	31 Dec 2013
Non-life Insurance		
Non-life Insurance net assets	1,752	1,603
Net tax liabilities for the period	-4	-8
Own subordinated loans	50	50
Deferred tax to be realised in the near future and other items deducted from the solvency margin of the companies	-1	4
Intangible assets	-714	-728

EUR million	30 June 2014	30 June 2013	31 Dec 2013
Changes in reserving bases and other non-recurring items			
Change in discount rate			-38

Note 3. Net interest income

EUR million	Q2/ 2014	Q2/ 2013*	Q1–2/ 2014	Q1–2/ 2013*
Loans and other receivables	81	75	160	148
Receivables from credit institutions and central banks	20	15	39	30
Notes and bonds	41	36	82	74
Derivatives (net)				
Derivatives held for trading	11	-11	21	-9
Derivatives under hedge accounting	13	17	30	32
Ineffective portion of cash flow hedge	0		0	
Liabilities to credit institutions	-16	-17	-31	-36
Liabilities to customers	-8	-7	-16	-13
Debt securities issued to the public	-67	-42	-134	-90
Subordinated debt	-9	-10	-18	-22
Hybrid capital	-2	-2	-3	-3
Financial liabilities held for trading	0	0	0	0
Other (net)	3	0	2	0
Net interest income before fair value adjustment under hedge accounting	**67**	**56**	**132**	**111**
Hedging derivatives	-38	-69	-113	-126
Value change of hedged items	39	69	113	126
Total net interest income	**68**	**56**	**132**	**111**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 4. Impairments of receivables

EUR million	Q2/ 2014	Q2/ 2013	Q1–2/ 2014	Q1–2/ 2013
Receivables eliminated as loan or guarantee losses	3	5	5	8
Receoveries of eliminated receivables	0	-1	-1	-1
Increase in impairment losses on individually assessed receivables	10	15	15	34
Decrease in impairment losses on individually assessed receivables	-9	-7	-10	-21
Collectively assessed impairment losses		0	-1	0
Total impairments of receivables	**4**	**13**	**8**	**20**

Note 5. Net commissions and fees

EUR million	Q2/ 2014	Q2/ 2013*	Q1–2/ 2014	Q1–2/ 2013*
Commission income				
Lending	11	13	29	22
Payment transfers	9	7	17	14
Securities brokerage	5	5	12	10
Securities issuance	3	3	6	5
Asset management and legal services	1	0	3	1
Insurance operations				
Guarantees	4	4	7	7
Other	1	2	2	3
Total commission income	**35**	**33**	**78**	**62**
Commission expenses				
Payment transfers	5	3	9	6
Securities brokerage	2	2	4	4
Securities issuance	0	0	2	2
Asset management and legal services	1	1	2	1
Other	2	2	4	5
Total commission expenses	**10**	**8**	**21**	**18**
Total net commissions and fees	**25**	**25**	**57**	**44**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 6. Net trading income

EUR million	Q2/ 2014	Q2/ 2013*	Q1–2/ 2014	Q1–2/ 2013*
Financial assets and liabilities held for trading				
Capital gains and losses				
Notes and bonds	2	1	4	3
Shares and participations	0	0	0	0
Derivatives	6	12	-9	45
Fair value gains and losses				
Notes and bonds	2	-3	3	-3
Shares and participations	0		0	0
Derivatives	15	5	44	-17
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses				
Notes and bonds	0		0	
Fair value gains and losses				
Notes and bonds	-1	0	-1	0
Net income from foreign exchange operations	4	9	10	12
Total net trading income	**28**	**24**	**52**	**40**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 7. Net investment income

EUR million	Q2/ 2014	Q2/ 2013*	Q1–2/ 2014	Q1–2/ 2013*
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	0	1	9	13
Shares and participations	3	0	3	1
Dividend income	14	12	20	18
Impairments	0		-1	
Carried at amortised cost				
Capital gains and losses	0	0	0	0
Total	**17**	**13**	**31**	**33**
Investment property	0	-1	0	-1
Total net investment income	**17**	**12**	**31**	**32**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 8. Other operating income

EUR million	Q2/ 2014	Q2/ 2013*	Q1–2/ 2014	Q1–2/ 2013*
Central banking service fees	2	2	4	4
Rental income from assets rented under operating lease	2	2	3	5
Other	1	2	3	4
Total	**5**	**7**	**10**	**13**

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 9. Assets and liabilities classified as held for distribution to owners and discontinued operations

As a result of OP-Pohjola Group Central Cooperative's execution of the public voluntary bid for Pohjola Bank plc shares, Pohjola Group will undergo structural changes. OP-Pohjola Group Central Cooperative will become the owner of the Non-life Insurance segment and the Asset Management segment. This ownership transfer will be implemented as demerger at carrying amounts. This demerger is expected to be executed in the first half of 2015. As a result, the assets and liabilities of the Non-life Insurance segment and the Asset Management segment will be presented as of 30 June 2014 separately in the balance sheet as assets and liabilities classified as held for distribution to owners and in the income statement as discontinued operations, in accordance with IFRS 5.

a) Results of discontinued operations

Non-life Insurance EUR million	**Q2/ 2014**	**Q2/ 2013**	**Q1–2/ 2014**	**Q1–2/ 2013**
Net insurance premium revenue				
Premiums written	306	273	924	867
Insurance premiums ceded to reinsurers	-22	-6	-47	-48
Change in provision for unearned premiums	40	46	-246	-234
Reinsurers' share	8	-1	20	21
Total	**331**	**311**	**651**	**606**
Net Non-life Insurance claims				
Claims paid	204	201	419	391
Insurance claims recovered from reinsurers	-12	-14	-16	-17
Change in provision for unpaid claims	-11	-4	-13	14
Reinsurers' share	2	4	0	-5
Total	**184**	**187**	**389**	**383**
Net investment income, Non-life Insurance				
Interest income	15	14	30	29
Dividend income	4	2	15	17
Investment property	0	2	2	4
Capital gains and losses				
Notes and bonds	7	2	9	16
Shares and participations	0	-3	30	16
Loans and receivables				
Investment property	0	0	0	0
Derivatives	-3	4	-15	2
Fair value gains and losses				
Notes and bonds	1	0	0	0
Shares and participations				
Loans and receivables	0	0	0	0
Investment property	1	1	2	0
Derivatives	-1	3	-2	0
Impairments	0	-1	-1	-5
Other	1	1	1	2
Total	**24**	**25**	**72**	**81**
Unwinding of discount	-11	-11	-21	-22
Other	0	0	0	0
Total net income from Non-life Insurance	**160**	**138**	**313**	**282**
Other income and expenses	-85	-86	-171	-169
Earnings before tax	**75**	**51**	**142**	**114**
Taxes	14	12	29	28
Non-life Insurance earnings after tax	**61**	**39**	**113**	**86**

Asset Management EUR million	**Q2/ 2014**	**Q2/ 2013**	**Q1–2/ 2014**	**Q1–2/ 2013**
Net commissions and fees	14	13	27	25
Share of associates' profit/loss	0	0	1	1
Other income and expenses	-7	-8	-15	-15
Earnings before tax	**7**	**6**	**13**	**10**
Taxes	1	2	2	3
Asset Management earnings after tax	6	4	10	7
Other income and expenses, net	**3**	**1**	**5**	**2**
Results of discontinued operations	**70**	**44**	**129**	**95**
Attributable to:				
Owners of the parent	67	44	125	94
Non-controlling interests	2	1	4	1
Results of discontinued operatons for the period	**70**	**44**	**129**	**95**

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

Non-life Insurance segment assets

EUR million	**30 June 2014**	**31 Dec 2013***
Investments		
Loans and other receivables	27	16
Shares and participations	437	471
Property	152	152
Notes and bonds	2,260	2,035
Derivatives	1	4
Other participations	287	300
Total	**3,164**	**2,979**
Other assets		
Prepayments and accrued income	32	40
Other		
From direct insurance	441	324
From reinsurance	131	90
Cash in hand and at bank	9	4
Other receivables	77	64
Total	**690**	**523**
Total Non-life insurance assets	**3,854**	**3,502**
Other Non-life Insurance segment assets		
Intangible assets	714	
Property, plant and equipment (PPE)	53	
Other assets	15	
Total Non-life Insurance segment assets	**4,635**	

Asset Management segment assets

EUR million	**30 June 2014**
Receivables from credit institutions	5
Investment assets	1
Investment in associates	28
Intangible assets	103
Property, plant and equipment (PPE)	0
Other assets	16
Total Asset Management segment assets	**154**
Other holdings	
Other assets classified as held for distribution to owners	178
Total assets classified as held for distribution to owners	**4,968**

* Reported as continuing operations a year ago. In addition, comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Non-life Insurance segment liabilities

EUR million	**30 June 2014**	**31 Dec 2013***
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,263	1,253
Other provision for unpaid claims	845	847
Reserve for decreased discount rate**	1	
Total	2,108	2,100
Provision for unearned premiums	739	493
Derivatives	2	
Other liabilities	218	153
Total	**3,067**	**2,746**
Other Non-life Insurance segment liabilities		
Provisions and other liabilities	210	
Total Non-life Insurance segment liabilities	**3,277**	

** Value of insurance liability hedges

Asset Management Segment liabilities

EUR million	30 June 2014
Provisions and other liabilities	11
Total Asset Management segment liabilities	**11**
Óther liabilities for transfer	
Liabilities allocated in demerger	1,075
Other liabilities	3
Total liabilities associated with assets classified as held for distribution to owners	**4,365**

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

EUR million	30 June 2014
Fair value reserve	158
Retained earnings	444
Total	**602**

Equity transferred in demerger will reduced the Group's capital adequacy under the Act on Credit Institutions. The effect of this on the Group's capital base will be compensated for the effect of assets transferred in demerger on the Group's risk-weighted assets. The combined effect of these two items is expected to improve the capital base slightly in 2015 when the demerger will be executed.

* Reported as continuing operations a year ago.

c) Non-life Insurance segment financial instruments classification, grouped by valuation technique

Assets on 30 June 2014, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Non-life Insurance assets	717		160	2,977		3,854

Liabilities on 30 June 2014, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Non-life Insurance liabilities	2	3,065		3,067

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.

Fair value of assets on 30 June 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss		6		6
Derivative financial instruments	0	1		1
Available-for-sale	1,667	1,085	226	2,977
Total	**1,667**	**1,092**	**226**	**2,985**

Fair value of liabilities on 30 June 2014, EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments	2	0		2
Total	**2**	**0**		**2**

Specification of financial assets and liabilities

Financial assets, EUR million	At fair value through profit or loss*	Derivative financial instruments	Available for sale	Total assets
Opening balance 1 Jan. 2014			214	214
Total gains/losses in profit or loss			1	1
Total gains/losses in other comprehensive			6	6
Purchases			16	16
Sales			-10	-10
Closing balance 30 June 2014			**226**	**226**

Total gains/losses included in profit or loss by item for the financial year on 30 June 2014

EUR million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Statement of comprehensive income/ Change in fair value	Net gains/ losses on assets and liabilities held at year-end
Realised net gains (losses)			1		1
Unrealised net gains (losses)				6	6
Total net gains (losses)			**1**	**6**	**6**

Note 10. Classification of financial assets and liabilities

Assets, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Cash and cash equivalents	3,300					3,300
Receivables from credit institutions	10,476					10,476
Derivative contracts			4,227		339	4,566
Receivables from customers	14,951					14,951
Notes and bonds**		150	432	7,559		8,141
Shares and participations			1	43		44
Other financial assets	1,432					1,432
Financial assets	**30,159**	**150**	**4,660**	**7,603**	**339**	**42,910**
Other than financial instruments						216
Total 30 June 2014	**30,159**	**150**	**4,660**	**7,603**	**339**	**43,126**
Total 31 Dec. 2013 restated* **	**29,400**	**202**	**3,777**	**10,084**	**273**	**43,824**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,488		5,488
Financial liabilities held for trading (excl. derivatives)	3			3
Derivative contracts	4,096		319	4,416
Liabilities to customers		9,505		9,505
Debt instruments issued to the public		17,380		17,380
Subordinated liabilities		950		950
Other financial liabilities		2,381		2,381
Financial liabilities	**4,099**	**35,704**	**319**	**40,123**
Other than financial liabilities				370
Total 30 June 2014	**4,099**	**35,704**	**319**	**40,492**
Total 31 Dec. 2013 restated* **	**3,190**	**37,251**	**234**	**40,675**

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception.

** On 30 June 2014, notes and bonds included EUR 5 million (9) in notes and bonds recognised using the fair value option.

*** Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Debt securities issued to the public are carried at amortised cost. On 30 June 2014, the fair value of these debt instruments was EUR 228 million (147) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their carrying amount, but determining reliable fair values involves uncertainty.

Note 11. Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	125	307		433
Derivative financial instruments				
Banking	7	4,371	188	4,566
Available-for-sale				
Banking	5,815	1,765	23	7,603
Total	**5,947**	**6,443**	**211**	**12,601**

Fair value of assets on 31 Dec. 2013, EUR million *	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	152	292		444
Non-life Insurance		6		6
Derivative financial instruments				
Banking	10	3,222	212	3,444
Non-life Insurance	4	0		4
Available-for-sale				
Banking	5,632	1,631	21	7,283
Non-life Insurance	1,670	917	214	2,800
Total	**7,468**	**6,067**	**446**	**13,981**

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Fair value of liabilities on 30 June 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking		3		3
Derivative financial instruments				
Banking	44	4,272	100	4,416
Total	44	**4,275**	**100**	**4,418**

Fair value of liabilities 31 Dec 2013, EUR million*	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking		4		4
Derivative financial instruments				
Banking	35	3,254	131	3,420
Non-life Insurance				
Total	**35**	**3,258**	**131**	**3,423**

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted corporate debt instruments, bonds issued by governments and financial institutions with credit rating of at least A-, and exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, treasury bills/notes, debt instruments issued by companies and financial institutions, repo agreements, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). This level includes the most complex OTC derivatives, certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

During 2014, EUR 53 million in bonds were transferred from level 2 to level 1, due to changes in credit ratings.

Valuation techniques whose input parameters involve uncertainty

Specification of financial assets and liabilities

Financial assets, EUR million	**At fair value through profit or loss**	**Derivative financial instruments**	**Available for sale**	**Total assets**
Opening balance 1 Jan. 2014*		212	14	226
Total gains/losses in profit or loss		-24	2	-22
Closing balance 30 June 2014		**188**	**16**	**204**

Financial liabilities, EUR million	**At fair value through profit or loss**	**Derivative financial instruments**	**Total liabilities**
Opening balance 1 Jan. 2014*		131	131
Total gains/losses in profit or loss		-31	-31
Closing balance 30 June 2014		**100**	**100**

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Total gains/losses included in profit or loss by item for the financial year on 30 June 2014

EUR million	**Net interest income or net trading income**	**Net investment income**	**Statement of comprehensive income/ Change in fair value reserve**	**Net gains/ losses on assets and liabilities held at year-end**
Realised net gains (losses)				
Unrealised net gains (losses)	7	2		9
Total net gains (losses)	**7**	**2**		**9**

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

Changes in the levels of hierarchy
No major changes occurred in valuation techniques in 2014.

Note 12. Intangible assets

EUR million	**30 June 2014**	**31 Dec 2013**
Goodwill	13	519
Brands		172
Customer relationships		108
Other	67	111
Total	**80**	**910**

Note 13. Debt securities issued to the public

EUR million	30 June 2014	31 Dec 2013
Bonds	11,173	9,226
Certificates of deposit, commercial papers and ECPs	7,245	6,769
Other	36	101
Liabilities allocated to assets for distribution to owners as part of demerger	-1,075	
Total	**17,380**	**16,097**

Note 14. Fair value reserve after income tax

		Available-for-sale financial assets		
EUR million	**Notes and bonds**	**Shares, partici-pations and mutual funds**	**Cash flow hedging**	**Total**
Opening balance 1 Jan. 2013 restated*	50	97	23	171
Fair value changes	-31	1	-6	-37
Transfers to net interest income			-7	-7
Capital gains transferred to income statement		-32		-32
Impairment loss transferred to income statement		1		1
Deferred tax	8	7	3	18
Closing balance 30 June 2013	**27**	**75**	**13**	**115**

		Available-for-sale financial assets		
EUR million	**Notes and bonds**	**Shares, partici-pations and mutual funds**	**Cash flow hedging**	**Total**
Opening balance 1 Jan. 2014	44	113	11	168
Fair value changes	66	20	12	98
Transfers to net interest income			-6	-6
Capital gains transferred to income statement		-38		-38
Impairment loss transferred to income statement		0		0
Deferred tax	-13	4	-1	-11
Closing balance 30 June 2014	**97**	**99**	**17**	**212**

Fair value reserve after tax is as follows:	
Continuing operations	54
Discontinued operations	158
Total	**212**

The fair value reserve before tax totalled EUR 265 million (210) and the related deferred tax liability EUR 53 million (42). On 30 June, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 129 million (152) and negative mark-to-market valuations EUR 8 million (13). In January–June, impairment losses recognised through profit or loss in the fair value reserve totalled EUR 0 million (1), of which equity instruments accounted for EUR 0 million (1).

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

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 15. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	30 June 2014	31 Dec 2013	Change
1–2	2.4	2.4	0.0
3–5	13.1	12.3	0.7
6–7	6.7	6.5	0.2
8–9	2.2	2.2	0.0
10	0.1	0.2	-0.1
11–12	0.3	0.3	0.0
Total	**24.8**	**24.0**	**0.8**

* excl. private customers

Sensitivity analysis of market risk

			30 June 2014		31 Dec 2013	
Banking, EUR million	**Risk parameter**	**Change**	**Effect on results**	**Effect on shareholders' equity**	**Effect on results**	**Effect on shareholders' equity**
Interest-rate risk	Interest	1 percentage point	5		12	
Currency risk	Market value	10%	6		3	
Volatility risk						
Interest-rate volatility	Volatility	10 percentage points	7		5	
Currency volatility	Volatility	10 percentage points	1		1	
Credit risk premium*	Credit spread	0.1 percentage points	1	2	1	1

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.
* The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity buffer.

Note 16. Risk exposure by Non-life Insurance

Risk parameter	Total amount 30 June 2014, EUR million	Change in risk parameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*	1,294	Up 1%	Up 0.9 percentage points	13
Claims incurred*	892	Up 1%	Down 0.7 percentage points	-9
Major loss of over EUR 5 million		1 loss	Down 0.4 percentage points	-5
Personnel costs*	105	Up 8%	Down 0.7 percentage points	-8
Expenses by function*/**	314	Up 4%	Down 1.0 percentage points	-13
Inflation for collective liability	589	Up 0.25 percentage points	Down 0.3 percentage points	-4
Life expectancy for discounted insurance liability	1,565	Up 1 year	Down 3.0 percentage points	-38
Discount rate for discounted insurance liability	1,565	Down 0.1 percentage point	Down 1.6 percentage points	-20

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

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 30 June 2014	%	Fair value 31 Dec 2013	%
Money market instruments	188	5 %	113	4 %
Bonds and bond funds	2,539	73 %	2,309	72 %
Public sector	532	15 %	573	18 %
Financial institutions	1,237	35 %	1,130	35 %
Corporate	665	19 %	533	17 %
Bond funds	71	2 %	46	1 %
Other	34	1 %	27	1 %
Equities	288	8 %	330	10 %
Private equity investments	106	3 %	95	3 %
Alternative investments	35	1 %	41	1 %
Real property	334	10 %	329	10 %
Total	**3,489**	**100 %**	**3,219**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 30 June 2014*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	25	336	174	150	96	46	827	31 %
Aa1−Aa3	189	70	112	9	33	19	432	16 %
A1−A3	43	228	219	115	37	0	643	24 %
Baa1−Baa3	27	95	211	183	66	22	604	22 %
Ba1 or lower	43	70	41	17	3	4	178	7 %
Internally rated	3	0	3	0			7	0 %
Total	**331**	**799**	**761**	**474**	**235**	**90**	**2,690**	**100 %**

* Excludes credit derivatives.

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

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million 30 June 2014	31 Dec 2013
Bonds and bond funds1)	Interest rate	1 percentage point	99	72
Equities 2)	Market value	10%	31	35
Venture capital funds and unquoted equities	Market value	10%	11	10
Commodities	Market value	10%	1	1
Real property	Market value	10%	33	33
Currency	Value of currency	10%	17	14
Credit risk premium 3)	Credit spread	0.1 percentage points	10	8
Derivatives	Volatility	10 percentage points	1	2

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

Note 17. Risk exposure by Group Functions

Total exposure by rating category, EUR billion

Rating category	30 June 2014	31 Dec 2013	Change
1–2	19.4	16.8	2.6
3–5	2.9	2.7	0.2
6–7	0.1	0.1	0.0
8–9	0.1	0.1	0.0
10	0.0		0.0
Total	**22.6**	**19.8**	**2.8**

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	30 June 2014 Effect on results	30 June 2014 Effect on share-holders' equity	31 Dec 2013 Effect on results	31 Dec 2013 Effect on share-holders' equity
Interest-rate risk	Interest rate	1 percentage point	4		27	
Interest-rate volatility	Volatility	10 percentage points			0	
Credit risk premium*	Credit spread	0.1 percentage points		34		30
Price risk						
Equity portfolio	Market value	10%				0
Private equity funds	Market value	10%		2		2
Property risk	Market value	10%	3		3	

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.
* The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity buffer.

Note 18. Impairment loss and doubtful receivables

Receivables from credit institutions and customers, and impairment loss, EUR million	30 June 2014	31 Dec 2013*
Receivables from credit institutions and customers (gross)	25,705	24,668
Total impairment loss, of which	264	259
Individually assessed	248	241
Collectively assessed	17	17
Receivables from credit institutions and customers (net)	**25,441**	**24,409**

Doubtful receivables 30 June 2014, EUR million	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Receivables more than 90 days past due	147	102	45
Zero-interest	6		6
Underpriced	0	0	
Renegotiated	23		23
Impaired	177	145	32
Total	**354**	**248**	**106**

Doubtful receivables 31 Dec 2013, EUR million	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Receivables more than 90 days past due	99	59	40
Zero-interest	6	6	0
Underpriced	0	0	
Renegotiated	18		18
Impaired	209	175	34
Total	**333**	**241**	**92**

Key ratio, %	30 June 2014	31 Dec 2013
Exposures individually assessed for impairment, % of doubtful receivables	70.0 %	72.4 %

Doubtful receivables include receivables more than 90 days past due, zero-interest and under-priced receivables as well as receivables that are subject to individually assessed impairment or receivables that have been renegotiated due to customer's financial difficulties. The Group reports as the amount of a receivable that is more than 90 days past due, whose interest or principal amount has been past due and outstanding for over three months. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. Under-priced receivables have been priced below market prices to secure customer payment capacity. Impaired receivables include those that are subject to impairment but cannot be classified under any of the above categories. In addition, receivables which have not been classified under any of the above categories but the terms and conditions of the contract have been renegotiated to allow the borrower sufficient ability to service the debt are reported as renegotiated receivables. Renegotiated receivables were added to the definition of doubtful receivables in 2013 to also cover forborne receivables.

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Note 19. Liquidity buffer

Liquidity buffer by maturity and credit rating on 30 June 2014, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa*	3,641	534	1,430	1,828	853	23	8,309	54 %
Aa1−Aa3	106	36	409	517	495		1,564	10 %
A1−A3	177	363	78	16	6	2	642	4 %
Baa1−Baa3	128	128	54	66	16	2	394	3 %
Ba1 or lower	17	121	29	2	46	9	224	1 %
Internally rated**	552	1,739	1,134	353	141	437	4,355	28 %
Total	**4,620**	**2,921**	**3,136**	**2,782**	**1,557**	**472**	**15,488**	**100 %**

* incl. deposits with the central bank
** PD </= 0.40%
The liquidity buffer’s (excl. deposits with the central bank) residual term to maturity averages 4.8 years.

Note 20. Capital base and capital adequacy

The Group has presented its capital base and capital adequacy of 30 June 2014 in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR) entered into force on 1 January 2014. Comparatives for 2013 are presented according to CRD III in force on 31 December 2013. In addition, an estimate of the figures a year ago under CRR is presented in column CRR 1 Jan. 2014.

EUR million	CRR 30 June 2014	CRR 1 Jan 2014	CRD3 31 Dec 2013
Shareholders' equity	3,236	3,150	3,150
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	-282	-137	-137
Fair value reserve, cash flow hedging	-17	-11	-11
Common Equity Tier 1 (CET1) before deductions	**2,937**	**3,001**	**3,001**
Intangible assets	-194	-193	-193
Excess funding of pension liability, indirect holdings and deferred tax assets for losses	-2	-8	-4
Planned profit distribution / profit distribution as proposed by the Board	-82	-212	-212
Unrealised gains under transitional provisions	-38	-31	-31
Investments in insurance companies and financial institutions			-703
Shortfall of impairments – expected losses	-123	-115	-50
Common Equity Tier 1 (CET1)*)	**2,498**	**2,441**	**1,808**
Subordinated loans to which transitional provision applies	219	219	274
Shortfall of Tier 2 capital			-38
Additional Tier 1 capital (AT1)	**219**	**219**	**235**
Tier 1 capital (T1)	**2,717**	**2,660**	**2,043**
Debenture loans	683	683	683
Unrealised gains under transitional provisions	38	31	31
Investments in insurance companies and financial institutions			-703
Shortfall of impairments – expected losses			-50
Reclassification into AT1			38
Tier 2 Capital (T2)	**721**	**714**	
Total capital base	**3,438**	**3,375**	**2,043**
Risk-weighted assets			
Credit and counterparty risk			
Central government and central banks exposure***)	61	106	82
Credit institution exposure	1,217	1,368	1,140
Corporate exposure	11,433	10,848	10,965
Retail exposure	981	941	941
Equity investments**)	4,153	4,205	195
Other	922	989	684
Market risk	1,073	958	958
Operational risk	1,137	1,083	1,083
Total	**20,977**	**20,499**	**16,048**
Ratios, %			
CET1 capital ratio	11.9	11.9	11.3
Tier 1 ratio	13.0	13.0	12.7
Capital adequacy ratio	16.4	16.5	12.7
Basel I floor, EUR million			
Capital base	3,438	3,375	
Basel I capital requirements floor	1,368	1,239	
Capital buffer for Basel I floor	2,070	2,136	

*) The row of CET1 based on CRD III figures shows Core Tier as defined by the EBA

**) The risk weight of equity investments includes EUR 4,1 billion in insurance holdings within OP-Pohjola Group. Based on permission from the Financial Supervisory Authority, OP-Pohjola treats insurance holdings as risk-weighted assets according to the PD/LGD method.

***) Of the risk weight of "Central government and central banks' exposure", EUR 18 million represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

Pohjola has applied transitional provisions regarding old capital instruments to subordinated loans. A total of 80% of the amounts outstanding on 31 December 2012 are included in the capital base.

Negative unrealised valuations are included in common equity tier 1 capital. Positive unrealised valuations are included in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

Under CRR, the Basel I floor does not apply to RWAs and becomes a minimum capital requirement. The table above shows capital resources that exceed the Basel I floor.

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

EUR million	30 June 2014	1 Jan 2014	31 Dec 2013
Pohjola Group's equity capital	3,236	3,150	3,150
Hybrid instruments, perpetual bonds and debenture bonds	845	952	1,007
Other sector-specific items excluded from capital base	107	-5	-5
Goodwill and intangible assets	-870	-880	-880
Equalisation provision	-216	-198	-198
Proposed profit distribution	-82	-212	-212
Items under IFRS deducted from capital base*	-126	-126	-122
Shortfall of impairments – expected losses	-107	-99	-99
Conglomerate's capital base, total	**2,789**	**2,581**	**2,639**
Regulatory capital requirement for credit institutions**	1,364	1,326	1,284
Regulatory capital requirement for insurance operations***	238	222	222
Conglomerate's total minimum capital requirement	**1,602**	**1,548**	**1,506**
Conglomerate's capital adequacy	**1,186**	**1,033**	**1,134**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.74**	**1.67**	**1.75**

* 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

OP-Pohjola Group's capital adequacy ratio was 1.69 (1.90).

Note 22. Collateral given

EUR million	30 June 2014	31 Dec 2013
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	4	5
Other	549	485
Other collateral given		
Pledges*	6,372	5,705
Total collateral given	**6,925**	**6,196**
Total collateralised liabilities	**500**	**490**

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

Note 23. Off-balance-sheet commitments

EUR million	30 June 2014	31 Dec 2013
Guarantees	905	914
Other guarantee liabilities	1,772	1,568
Loan commitments	4,143	4,728
Commitments related to short-term trade transactions	247	247
Other*	352	359
Total off-balance-sheet commitments	**7,420**	**7,816**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 79 million (98).

Note 24. Derivative contracts

30 June 2014, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	76,009	107,154	50,018	233,180	3,963	3,913
Cleared by the central counterparty	2,826	18,167	9,731	30,724	302	368
Currency derivatives	16,902	9,288	5,261	31,451	428	384
Equity and index derivatives	288	392		680	66	0
Credit derivatives	13	114	69	196	14	3
Other derivatives	244	721	95	1,061	67	56
Total derivatives	**93,457**	**117,668**	**55,443**	**266,568**	**4,539**	**4,357**

31 Dec 2013, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	43,525	112,782	43,071	199,378	2,997	2,821
Cleared by the central counterparty	2,390	10,634	5,020	18,044	76	69
Currency derivatives	16,270	2,522	1,524	20,317	342	412
Equity and index derivatives	194	582		776	77	
Credit derivatives	4	99	15	118	13	0
Other derivatives	390	652	172	1,214	65	64
Total derivatives	**60,383**	**116,637**	**44,783**	**221,803**	**3,494**	**3,297**

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

Note 25. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

30 June 2014, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Collateral received	Net amount
Banking derivatives	4,862	-296	4,566	-3,309	-543	714
Total derivatives	**4,862**	**-296**	**4,566**	**-3,309**	**-543**	**714**

31 Dec. 2013, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Collateral received	Net amount
Banking derivatives	3,515	-71	3,444	-2,393	-359	691
Non-life Insurance derivatives	4		4			4
Total derivatives	**3,518**	**-71**	**3,447**	**-2,393**	**-359**	**695**

Financial liabilities

30 June 2014, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Collateral given	Net amount
Banking derivatives	4,776	-360	4,416	-3,309	-472	635
Total derivatives	**4,776**	**-360**	**4,416**	**-3,309**	**-472**	**635**

31 Dec. 2013, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Collateral given	Net amount
Banking derivatives	3,484	-64	3,420	-2,393	-408	619
Total derivatives	**3,484**	**-64**	**3,420**	**-2,393**	**-408**	**619**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -66 (8) million euros.
** Fair values excluding accrued interest.
*** It is Pohjola Bank plc's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

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

Other bilaterally cleared OTC derivative contracts

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

Note 26. Other contingent liabilities and commitments

On 30 June 2014, the Group Functions commitments to venture capital funds amounted to EUR 9 million (9) and Non-Life Insurance commitments to EUR 79 million (98). They are included in the section 'Off-balance-sheet commitments'.

Note 27. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2013.

Helsinki, 6 August 2014

Pohjola Bank plc
Board of Directors

This Interim Report is available at www.pohjola.com > Media > Releases, where background information on the Report can also be found.

Financial reporting in 2014

Schedule for Interim Reports in 2014:

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