# OP Financial Group´s Interim Report for 1 January–31 March 2015

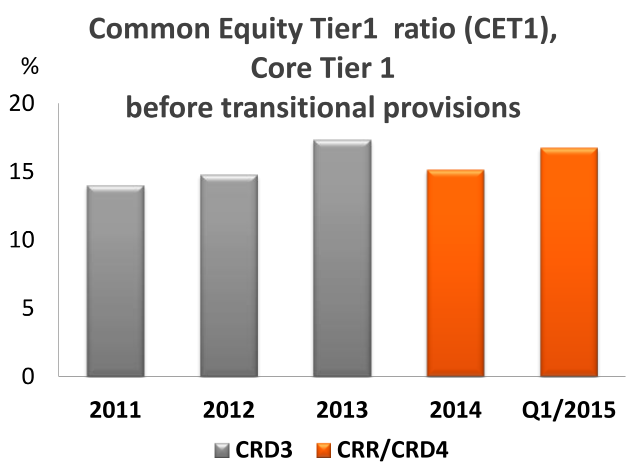
## OP: Strong Q1 performance, new "Putting Finland on a new growth path" openings

- Earnings before tax for the first quarter were EUR 320 million (257), year-on-year improvement 24%. Total income increased by 8% while expenses decreased by almost 3% year on year.
- Supported by the strong financial performance, the Group's CET1 ratio improved to 16.7% (15.1).
- The strong capital base, therefore, made it possible for its part to increase lending at a rate above the market average:
    - The home loan portfolio grew by 2.7% year on year
    - The corporate loan portfolio increased by 6.1%
    - The total loan portfolio increased by 4.4% and the number of loans drawn down by 7.5%
- The home loan repayment grace period offered by the Group was used for over 62,000 loans by the release date of this report.
- New customer bonuses for January–March totalled EUR 48 million
- Each of the three business segments improved its performance:
    - Banking earnings before tax increased by 21% to EUR 192 million (158). The cost/income ratio improved by 5 percentage points to 51%. The deposit portfolio grew 2.5%. Impairment loss on receivables was at a low level of 0.12% of the loan and guarantee portfolio.
    - Earnings before tax by Non-life Insurance increased by 6.5% to EUR 66 million (62). The operating combined ratio was 87.2%. Insurance premium revenue rose by 5%.
    - Wealth Management earnings before tax increased by 34% to EUR 93 million (69). Assets under management grew by 24% to EUR 67 billion.
- Full-year earnings for 2015 are expected to equal or exceed those of 2014. For more information, see "Outlook towards the year end".

## OP Financial Group's key indicators

| | Q1/2015 | Q1/2014 | Change, % | 2014 |
|---|---|---|---|---|
| Earnings before tax, € million | 320 | 257 | 24.3 | 915 |
| Banking | 192 | 158 | 21.3 | 570 |
| Non-Life Insurance | 66 | 62 | 6.5 | 223 |
| Wealth Management | 93 | 69 | 34.0 | 167 |
| | | | | |
| New accrued customer bonuses | 48 | 46 | 5.1 | 189 |
| | | | | |
| | **31 March 2015** | **31 March 2014** | **Change, %** | **31 Dec. 2014** |
| Common Equity Tier 1 (CET1) ratio, % | 16.7 | 15.5 | 1.2* | 15.1 |
| Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % | 167 | 200 | -33* | 189 |
| Ratio of receivables more than 90 days overdue to loan and guarantee portfolio, % | 0.42 | 0.42 | 0.00* | 0.37 |
| Joint banking and insurance customers (1,000) | 1,604 | 1,535 | 4.5 | 1,590 |

* Change in ratio

## Comments by Reijo Karhinen, President and Group Executive Chairman

OP Financial Group's performance for the first quarter of 2015 made good progress according to our plans and targets. We have taken determined steps to implement our reform programme that has extended to the core of our business. At the same time, we showed excellent business performance. Our earnings that increased to a record level strengthened our capital base. Our solid capital base enabled us to again increase the volume of home and corporate loans faster than our competitors. Wealth Management showed the strongest growth, where assets under management increased by as much as a quarter.

It was gratifying to see the significant improvement in our first-quarter financial performance and how it was built on a steady, positive development shown on almost every line in our income statement. Income increased and expenses decreased in line with our strategy. Income grew at a brisk rate although growth in net interest income slowed down as expected. The prolonged low and an almost zero interest rate environment will present challenging conditions for all our business segments. Slow economic growth combined with low interest rates and the fast-spreading digitisation with new investments will require very strict cost control in the future too.

Our return to a financial services group wholly owned by customers culminated in our plan announced in the reporting period to change Helsinki OP Bank Plc to a cooperative bank at the beginning of 2016 that allows customer ownership. Our unified ownership base will create clarity, consistency and new efficiency for our operations. The bases for our management and goal-setting will also sharpen. In our business role we create prosperity that we utilise in our social role for the benefit of our customer-owners and operating environment.

Customer ownership combined with our core values obliges us to use our results to strengthen our capital base, develop our services further and, for example, for new "#PuttingFinland on new growth path" openings. In our social role, we launched in the first quarter two large #PuttingFinland on new growth path projects related to our businesses. Our launch of the home loan repayment grace period and a single financing process model for SMEs is aimed at increasing economic activity nationwide by providing solutions and creating a more positive mood for economic debate. Great interest has been shown in our new openings.

OP Financial Group's success and ability to be a strong partner with its customers depend substantially in the long run on Finnish economic development. In this respect, the outlook is still weak. A large number of economic problems are, however, self-inflicted ones and, thus, Finland also has to solve them itself.

Finland must return its economy to a sustainable growth path and rebalance its public finances. A solution-seeking and confidence-enhancing atmosphere must be created in the entire society. While the economy of the rest of the euro area shows signs of slight recovery thanks to the robust monetary policy measures taken by the ECB, our threat is a divergence from the euro area core with potentially fatal consequences and leaving without support from the others. Finland needs to focus the most important corrective measures on improving its external competitiveness. This is the only way the Finnish economy can return to the growth path. Near future will see whether our key policymakers can show genuine responsibility and the appropriate crisis awareness. Confidence in the future is created only through acts.

# OP Financial Group's Interim Report for 1 January–31 March 2015

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## Operating environment

The world economy grew at quite a slow rate during the first quarter of 2015. The harsh winter in the USA slowed down economic growth temporarily, while the eurozone economic recovery was stronger than expected. In many developed economies, consumer prices decreased due to a reduction in crude oil prices.

In March, the European Central Bank (ECB) extended its purchase programme to cover public sector assets. Within the framework of the extended asset purchase programme, the ECB will buy bonds worth EUR 60 billion per month until September 2016. Market interest rates continued to decrease as a result of the ECB's policy. The one-month and three month Euribor became negative.

The Finnish economy remained weak in the first half of 2015. Exports shrank with the exception of the euro area. Manufacturing production decreased and unemployment increased. On the positive side, consumer confidence improved and the inflation rate decelerated.

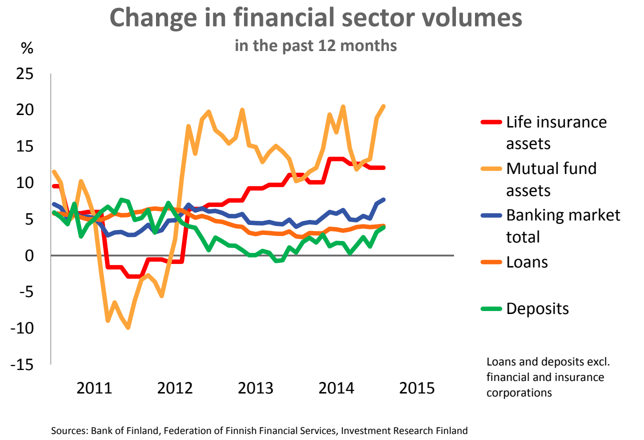
The euro area's moderate economic recovery is expected to continue this year, supported by the ECB's expansionary monetary policy and the weakened euro. Euribor rates will hover around zero this year. Greece will remain an uncertain factor. The Finnish economy should see a slight recovery but, on the whole, the economy is expected to remain weak.

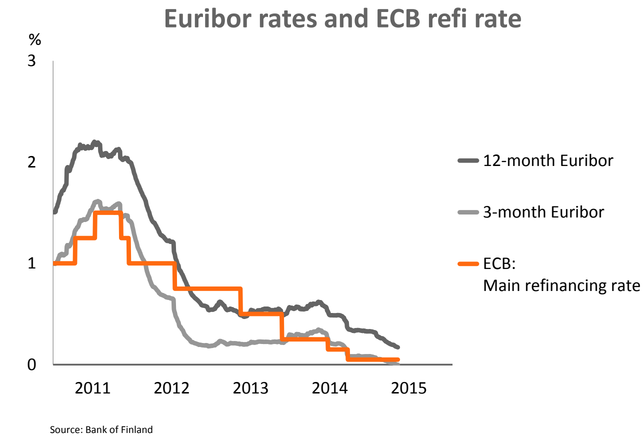
Banks' total consumer loan volumes increased during the first quarter at an annual rate of 2%. The volume of new home loans drawn down remained low but the repayment grace period used by borrowers multiplied. Growth in the total corporate loans remained faster than that in the total consumer loans, led by working capital finance. Demand for loans is expected to pick up slightly but to remain below average.

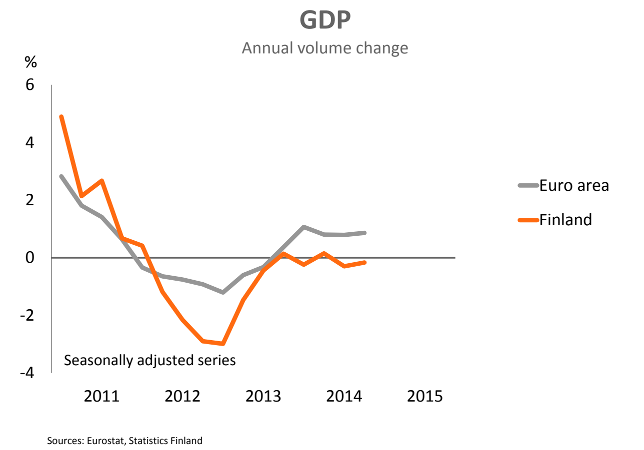
Bank deposits increased at a rate of 4% in the first quarter as deposits made by public-sector entities increased faster than earlier. Household deposits remained at the level reported a year ago. Term deposits continued to decrease vigorously, as assets were allocated to current accounts and riskier savings and investments.

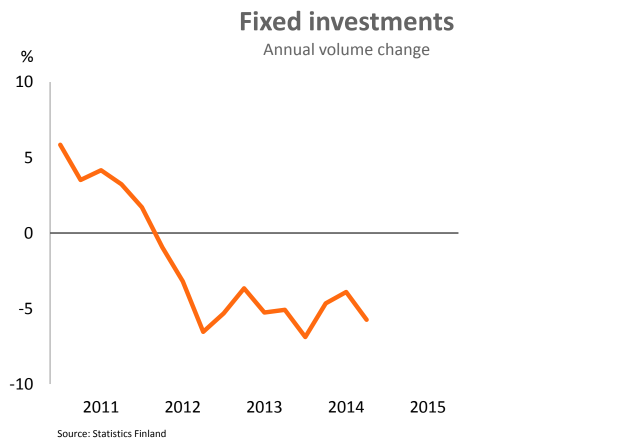
Capital market performance continued strongly during the first quarter of 2015. In particular, the European equities markets have been buoyant. Mutual fund assets and insurance savings in Finland increased by around 20% on a year earlier. Net asset inflows rose sharply, with demand for corporate financing focusing mostly on bond and balanced funds. Premiums written reported by Life Insurance increased by almost 37% over the period a year ago.

Premiums written reported in the first quarter by Non-life Insurance continued to increase at a brisk annual rate of well over 6%. However, claims paid out were, according to preliminary estimates, at the same level as in the first quarter a year ago.



## OP Financial Group's earnings analysis and some key balance sheet indicators

| **Earnings analysis, € million** | **Q1/2015** | **Q1/2014** | **Change, %** | **Q4/2014** | **Change, %** | **2014** |
|---|---|---|---|---|---|---|
| Banking | 192 | 158 | 21.3 | 112 | 71.7 | 570 |
| Non-life Insurance | 66 | 62 | 6.5 | 33 | | 223 |
| Wealth Management | 93 | 69 | 34.0 | 22 | | 167 |
| **Earnings before tax** | **320** | **257** | **24.3** | **176** | **82.1** | **915** |
| Gross change in fair value reserve | 159 | -4 | | 48 | | 152 |
| **Earnings before tax at fair value** | **479** | **253** | **89.4** | **224** | | **1,067** |
| | | | | | | |
| Return on economic capital, % *) | 17.1 | 15.5 | 1.7* | | | 16.5 |
| Return on economic capital at fair value, % *) | 22.4 | 15.6 | 6.8* | | | 19.1 |
| | | | | | | |
| **Income** | | | | | | |
| Net interest income | 255 | 251 | 1.6 | 269 | -5.0 | 1,043 |
| Net income from Non-life Insurance | 169 | 150 | 12.4 | 138 | 21.9 | 589 |
| Net income from Life Insurance | 104 | 80 | 30.0 | 29 | | 197 |
| Net commissions and fees | 199 | 192 | 4.1 | 175 | 14.2 | 707 |
| Net trading and investment income | 42 | 43 | -1.4 | 27 | 60.0 | 162 |
| Other operating income | 15 | 10 | 51.7 | 17 | -9.4 | 55 |
| **Other income, total** | **530** | **475** | **11.6** | **385** | **37.4** | **1,710** |
| **Total income** | **785** | **726** | **8.1** | **654** | **20.0** | **2,753** |
| | | | | | | |
| **Expenses** | | | | | | |
| Personnel costs | 214 | 195 | 10.1 | 190 | 13.1 | 741 |
| Other administrative expenses | 102 | 112 | -9.5 | 101 | 0.5 | 414 |
| Other operating expenses | 82 | 102 | -19.4 | 102 | -19.1 | 401 |
| **Total expenses** | **399** | **410** | **-2.7** | **393** | **1.5** | **1,555** |
| | | | | | | |
| **Impairment loss on receivables** | **21** | **10** | | **38** | **-44.2** | **88** |
| | | | | | | |
| **Accrued customer bonuses** | **44** | **46** | **-4.1** | **48** | **-7.8** | **189** |

*) 12-month rolling, change in percentage

| **Other key indicators, € million** | **31 March 2015** | **31 March 2014** | **Change, %** | **31 Dec. 2014** |
|---|---|---|---|---|
| Receivables from customers | 71,357 | 68,392 | 4.3 | 70,683 |
| Life Insurance assets | 12,502 | 10,114 | 23.6 | 11,238 |
| Non-life Insurance assets | 4,129 | 3,771 | 9.5 | 3,797 |
| Liabilities to customers | 51,429 | 49,581 | 3.7 | 51,163 |
| Debt securities issued to the public | 26,054 | 24,595 | 5.9 | 24,956 |
| Equity capital | 7,711 | 7,078 | 9.0 | 7,213 |
| Total assets | 116,389 | 104,584 | 11.3 | 110,427 |

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2014. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2014 are used as comparatives.

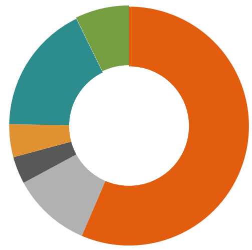
## OP Financial Group and its cooperative bases

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its customer-owners, customers and operating regions through its local presence. OP's operations are based on cooperative ideals, a strong capital base and capable risk management. OP's cooperative values emphasis People-first approach, Responsibility and Prospering together. As a financial services provider owned by its customers, the Group has not only its business role but also a significant social role.

The Group with a cooperative foundation aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's customer-owners need. In its business role, OP must provide the services needed by its customers in a competitive manner. Its business role also involves safeguarding operational efficiency and a strong capital base that generates a competitive advantage. The Group uses its earnings for the benefit of its customers and to further strengthen its balance sheet. The strong capital base enables OP Financial Group to successfully lead its double role. OP maintains its capital adequacy markedly above the regulated level to secure its role as a finance and insurance provider for businesses and even during a prolonged recession. Meanwhile, according to the Group strategy, OP will keep risk-taking moderate vis-à-vis the risk-bearing capacity.

OP's business is primarily guided by the interests of customers. A long-term customer-driven approach is reflected in OP Financial Group's continuous renewal. The Group develops its services and products to meet customer needs OP takes different customer groups as well as the regional coverage and availability of financial services effectively into consideration. Group member cooperative banks and their offices across Finland, together with user-friendly electronic services, enable effective interaction with customers and the local community. In addition to financial benefits, customer-owners have a genuine opportunity to contribute to their own cooperative bank's decisions and, thus, influence developments in their neighbourhood.

It follows naturally from OP Financial Group's cooperative basis that the benefit and added value of the business operations are channelled, via customer relationships, to customer-owners and customers. Member cooperative banks use their profits for the benefit of their customers by providing loyalty benefits and other financial benefits and by developing their service capabilities. Furthermore, a cooperative as a type of business organisation and the cooperative ideology create continuity and community spirit in OP's operating region. Cooperative banks are often among the largest taxpayers in their localities. After expenses required for business, OP Financial Group allocated its earnings during the reporting period, as follows:




*) Estimate of the allocation of period earnings, which is confirmed after the end of the reporting period

A significant part of OP's economic impacts also involves indirect impacts on local and regional economic vitality.

### *January–March*

Earnings before tax for the first quarter were the highest ever recorded for a quarter. Earnings before tax increased by 24% to EUR 320 million (257), this improvement being due especially to strong growth in income. Net income from Life Insurance and Non-life Insurance increased the most, due to better insurance profitability and higher investment income. Net commissions and fees also increased during the reporting period.

Total expenses decreased by 2.7%, being EUR 11 million lower than a year ago. A non-recurring provision recognised for personnel costs of EUR 9 million related to the reorganisation of the central cooperative consolidated announced in February. Higher personnel costs are also explained by social expenses rising by EUR 8 million. Statutory contributions to the Deposit Guarantee Fund and the bank levy (EUR 18 million) plus the non-recurring expenses incurred due to the purchase of Pohjola Bank plc shares (EUR 8 million) increased other operating expenses in the first quarter a year ago.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 23 million (22), of which EUR 21 million (10) concerned loans and receivables. Net impairment loss on loans and other receivables were low, at 0.12% (0.06) of the loan and guarantee portfolio.

Earnings before tax recorded by Banking amounted to EUR 192 million (158). The earnings performance by Banking was especially supported by higher net trading income and investment income. Expenses decreased by 3.5% to EUR 263 million (272). Statutory government charges, totalling EUR 18 million, increased expenses a year ago.

Non-life Insurance showed a low operating combined ratio of 87.2% (89.3). Profitability improved due to an increase in insurance premiums and favourable claims development The expense ratio also developed favourably.

Earnings before tax posted by the Wealth Management segment improved as net commissions and fees and net investment income by Life Insurance increased year on year. The segment's net commissions and fees were 12% higher than a year ago owing to a higher volume of wealth under management.

OP Financial Group's fair value reserve before tax totalled EUR 683 million (531) on 31 March. Earnings before tax at fair value amounted to EUR 479 million (253).

Equity capital amounted to EUR 7.7 billion (7.2) on 31 March. The Group's earnings and the issuance of Profit Shares added to equity capital. On 31 March, EUR 1.8 billion (1.6) in Profit Shares were included in equity.

***OP Financial Group's financial targets***

| OP Financial Group's financial targets | 31 March 2015 | 31 March 2014 | Target |
|---|---|---|---|
| Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, % | 167 | 200 | 160% |
| CET1 ratio, %* | 16.7 | 15.5 | 18%* |
| Return on economic capital, % (12-month rolling) | 17.1 | 15.5 | 20% |
| Growth differential between income and expenses, Group level, pps (for 3 years) | 19.6 | -5.1 | > 0 |
| Growth differential between income and expenses, Banking, pps (12.month rolling) | 8.4 | 1.3 | > 0 |
| Growth differential between income and expenses, Wealth Management, pps (12-month rolling) | 26.0 | 6.0 | > 0 |
| Operating combined ratio by Non-life Insurance, % | 87.2 | 89.3 | < 92% |

* By 2016

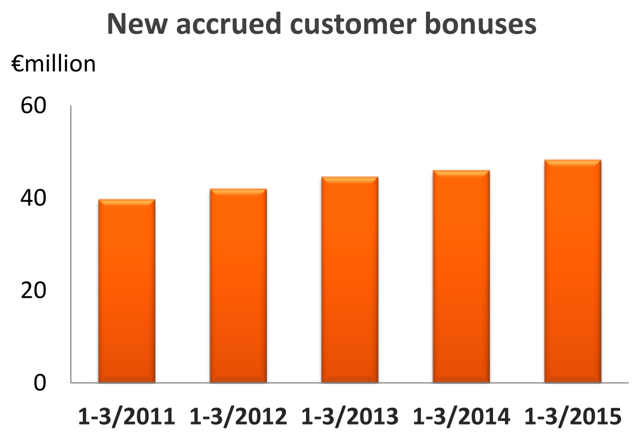
## Customer relationships and customer benefits

On 31 March, Group member cooperative banks had 1.4 million customer-owners, or 10,000 more than at the turn of 2014 and 2015. Contributions made by member cooperative banks' customer-owners to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.2 billion (1.9) on 31 March.

OP Financial Group had 4,289,000 customers in Finland on 31 March. The number of private customers totalled 3,852,000 and that of corporate customers 437,000. The number of joint banking and non-life insurance customers increased in the year to March by 69,000 to 1,604,000 as a result of cross-selling.

Member cooperative banks' customer-owners and Helsinki OP Bank customers earn OP bonuses if their personal or family's banking and/or insurance transactions come to at least 5,000 euros. Loans, savings and purchases paid using OP Visa as a credit card, as well as insurance premiums for home, family and motor vehicle policies are included in such transactions. OP bonuses can be used to pay bank service charges and fees, insurance premiums and OP-Kiinteistökeskus real estate commissions.

The combined amount of new bonuses earned by OP bonus customers for January–March for using OP as their main bank and insurer was worth EUR 48 million (46). Bonuses used to pay for banking services totalled EUR 23 million (24) for wealth management services EUR 4 million (4) and for non-life insurance premiums EUR 25 (22). Bonuses were used to pay 500,000 insurance bills (451,000), with 64,000 (59,000) of them paid in full using bonuses.




Non-life Insurance loyal customer households were provided with EUR 18 million (17) in loyalty discounts during the reporting period.

Member cooperative banks are anticipated to pay interest on Profit Shares and supplementary cooperative capital contributions for 2014 totalling EUR 27 million (11). Interest payable on the Profit Shares and supplementary cooperative capital contributions accrued during the reporting period is estimated to total EUR 15 million (3). The return target for Profit shares is 3.25%, calculated from the date the investment was made.

## Service channels

OP Financial Group's service network consists of multichannel online and mobile services, telephone services and the country's most extensive branch network. The Group's own service network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

A change in customer behaviour and the general trend of digitisation of a number of aspects in people's daily lives will considerably change the way how financial services providers meet their customers. OP Financial Group is prepared for this change in a many ways. There is a clear shift in the use of financial services being accessed more and more through digital channels. Digital channels accounted for around 95% of customer touchpoints during the reporting period.

OP Financial Group has made significant investments in the development of mobile and online services. In particular, mobile services are playing an increasing role in services used by both private and corporate customers. OP is at the cutting edge of development by introducing new and innovative digital services to customers, as evidenced by the launch of an easy contactless payment function for the Pivo mobile application in the Mobile World Congress in Barcelona.

Customers were highly satisfied with OP-mobile. Measured by the Net Promoter Score (NPS), it is one of the most recommended mobile applications in Finland. During the reporting period, the number of users of OP-mobile increased by 8%, to 584,000. The number of the Group's Pivo mobile wallet users grew by 10% during the period. The number of visitors at op.fi remained at a steady high level, or more than 10 million visitors per month.

The Group has Finland's most extensive branch network, the figure at the end of March being 454 (456). This branch network is supplemented with an extensive network of agents.

## Acquisition of Pohjola Bank plc shares

OP Cooperative has completed its public voluntary bid announced in February 2014 and obtained ownership of all Pohjola Bank plc shares by decision of the Arbitral Tribunal. Pohjola's series A shares were delisted from NASDAQ OMX Helsinki on 30 September 2014, and OP Cooperative was entered as the only shareholder in Pohjola's Shareholder Register on 7 October 2014.

OP Cooperative paid the undisputed portion of the redemption price to Pohjola's minority shareholders on 29 October 2014.

The Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce issued its award on 20 February 2015 regarding the squeeze-out of Pohjola's minority shareholders. Based on the award, the squeeze-out price is EUR 16.13 which equals the price offered by OP Cooperative for Pohjola shares in the public voluntary bid.

## Capital base and capital adequacy

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

On 31 March, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 2,768 million (2,984). The buffer under the Act was increased by the Group's earnings, Profit Share issues and a decrease in the risk-weighted assets under consolidated capital adequacy and, on the other hand, the buffer was decreased by the capital conservation buffer of 2.5% adopted in the consolidated capital adequacy of credit institutions in Finland at the beginning of 2015. The capital conservation buffer increased the consolidated capital adequacy requirement from 8% to 10.5%, calculated as percentage of risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 167% (189), with the requirement for the capital conservation buffer reducing the ratio by 44 percentage points. As a result of the buffer requirements, the capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates does no longer reflect the minimum level of capital base of the conglomerate under the Act but the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

The entry into force of the Capital Requirements Directive and Regulation (CRD IV/CRR) on 1 January 2014 tightened the capital adequacy regime for banks. The changes that implement the standards under Basel III will be phased in by 2019. The most significant effects of the changes on OP Financial Group’s capital adequacy under the abovementioned Act will depend on the level of credit institutions’ capital buffer requirements and the calculation method.

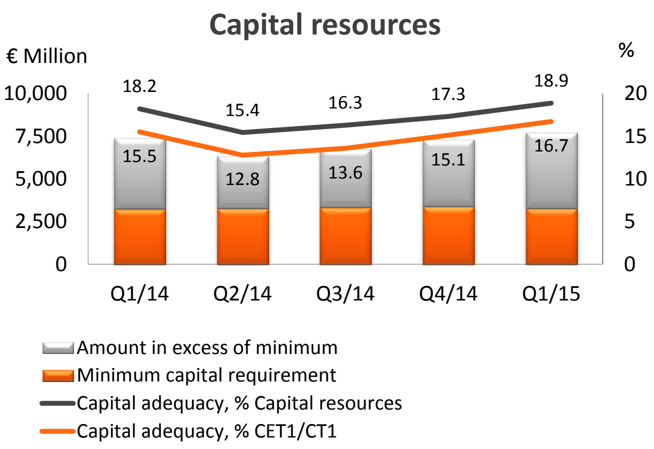
The solvency regulations of the insurance sector are changing, too. Taking effect at the beginning of 2016, the regulations will on the one hand increase capital requirements, and on the other increase the capital base, which will decrease the capital adequacy ratio on a net basis under the Act on the Supervision of Financial and Insurance Conglomerates.

According to the current estimate, capital adequacy under the Act will, however, remain on a solid basis.

***Consolidated capital adequacy for credit institutions***

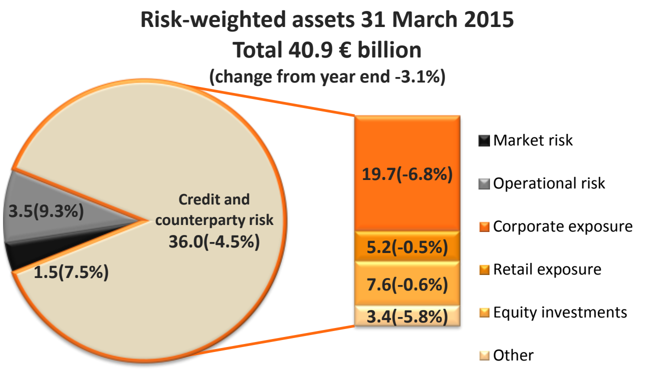
The Group's CET1 ratio was 16.7% (15.1) on 31 March. The issues of Profit Shares increased the CET1 ratio by about 0.7 percentage points. In the first quarter, OP adopted updated probabilities of default (PD) according to permission from the supervisor. This adoption improved CET1 ratio by about 0.8 percentage points. The Group's CET1 target is 18% by the end of 2016. In March 2015, the central cooperative's Executive Board decided to continue the issue of Profit Shares up to the EUR 2.3 billion target.

OP Financial Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the CET1 ratio to 7%.




The Group's consolidated CET1 capital was EUR 6,843 million on 31 March (6,384). CET1 capital was increased by the issue of Profit Shares, Banking performance for the period and dividends from the Group's insurance institutions. Profit Shares accounted for EUR 1,846 million of CET1 capital at the end of March. A total of EUR 289 million (339) were deducted from CET1 capital as a shortfall of expected losses and impairment losses.

On 31 March, risk-weighted assets totalled EUR 40,937 million (42,252), or 3.1% lower than on 31 December 2015. The updated PD values for corporate exposure reduced risk-weighted assets by around 4.2%. Average risk weights of other major exposure classes went down slightly.




Equity investments include EUR 6,446 million in risk-weighted assets of the Group's internal insurance holdings.

On 27 November 2013, OP Financial Group received permission from the Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The permission was valid from 1 January to 31 December 2014, because the ECB took up single supervisory responsibility. The method applied to insurance holdings leads to a risk weight of approximately 280%. A request for an extension is being processed by the ECB. Meanwhile, OP Financial Group applies the treatment of insurance holdings based on the previous permission from the Financial Supervisory Authority. Any potential change in the treatment of insurance holdings would neither jeopardise OP Financial Group's capital adequacy position nor affect the Group's CET1 target.

The requirements for capital buffers implemented through national legislation will add to capital requirements further. Since the beginning of 2015, the capital conservation buffer requirement has been 2.5% of risk-weighted assets. The Financial Supervisory Authority has not yet confirmed the requirement for the O-SII buffer for the Group, effective as of the beginning of 2016, relevant to the financing system. In March 2015, the Financial Supervisory Authority decided not to impose a countercyclical capital buffer requirement on banks, nor has it otherwise tightened macroprudential policy. The upcoming liquidity regulation will add to liquidity management costs. Profitability will play a key role when preparing for regulatory changes.

The upcoming regulations include a ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 6.6% based on the existing interpretations, calculated using the March-end figures, with the minimum level in the draft regulations being 3%.

### *Non-life and Life Insurance*

The solvency regulations of the insurance sector are changing. 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.

On 31 March, the preliminary Non-life Insurance capital base under Solvency II were EUR 809 million (804) and the solvency capital requirement EUR 744 million (685). The solvency ratio conforming to Solvency II was 109% (117). These figures do not include the effects of transitional provisions. The transitional provisions will improve the capital adequacy position and the solvency ratio is over 130% when taking the provisions into account. The use of the transitional provisions is subject to permission from the Financial Supervisory Authority.

On March 31, the preliminary Life Insurance capital base under Solvency II amounted to EUR 852 million (804) and the preliminary solvency capital requirement to EUR 940 million (806). The solvency ratio conforming to Solvency II was 91% (100). These figures do not include the effects of transitional provisions. The transitional provisions will improve the capital adequacy position and the solvency ratio is over 120% when taking the provisions into account. The use of the transitional provisions is subject to permission from the Financial Supervisory Authority.

### *ECB banking supervision*

OP Financial Group is supervised by the ECB Owing to the transfer of supervisory responsibility, the ECB conducted a comprehensive assessment, which consisted of risk assessment, asset quality review (AQR) and a stress test on OP Financial Group as a credit institution during 2014.

On the basis of the comprehensive risk assessment, the ECB has imposed on OP Financial Group a discretionary capital requirement buffer as part of the supervisory review and evaluation process (SREP) **.** When taking account of this discretionary buffer, the requirement for CET1 capital is 8.3%. In view of OP Financial Group's strong capital base and national capital buffer requirements, the discretionary buffer requirement has no practical implications for the Group's capital adequacy position or business. To OP

Financial Group's knowledge, the ECB has imposed on banks under its supervision a discretionary buffer requirement based on the results of the comprehensive assessment.

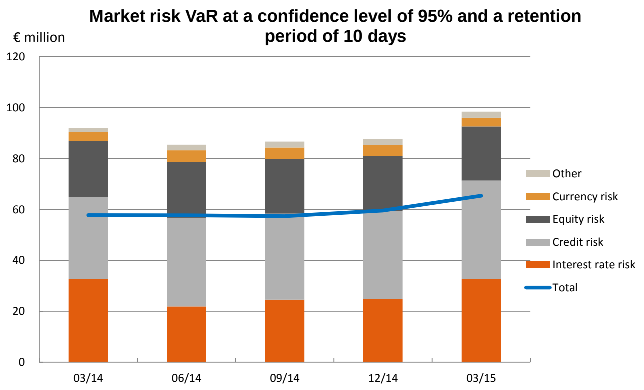
## Risk exposure

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

The credit risk exposure remained stable despite the weak economic situation. The poor development of the economy nevertheless overshadows the Group's future prospects.

OP Financial Group's funding and liquidity position is strong. OP Financial Group's access to funding has remained excellent. During the reporting period, the Group issued long-term bonds worth EUR 1.6 billion. The loan-to-deposit ratio remained stable during the report period.

OP Financial Group's market risk exposure was stable during the reporting period. The Group's VaR, a measure of market risk, was EUR 65 million (60) on 31 March. The Group's VaR includes the balance sheet total of the insurance institutions, trading liquidity buffer and the internal bank's interest rate risk exposure.




OP Financial Group's level of operative risks has remained moderate. After the denial-of-service attacks on op.fi at the turn of 2014 and 2015, the Group has enhanced its preparedness to prevent such attacks.

Key risks associated with the Group's defined benefit pension plans relate to the discount rate for pension obligation and return on investment assets covering the pension obligation. The increase in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period weakened comprehensive income before tax by EUR 175 million.

### *Banking*

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

Banking's credit risk exposure remained stable, at a moderate risk level. During the reporting period, the loan and guarantee portfolio increased by EUR 0.6 billion to EUR 74.2 billion. Doubtful receivables totalled EUR 1.9 billion (1.7). Doubtful receivables refer to receivables that are more than 90 days overdue, other receivables classified as risky and forborne receivables. Forbearance measures consist of concessions to contractual payment terms towards customers to make it easier for them to manage through temporary payment difficulties. Member cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties.

Corporate customers' (including housing corporations) exposures represented 36% (36) of the loan and guarantee portfolio. Of corporate exposure, investment-grade exposure represented 49% (49) and the exposure of the lowest two rating categories amounted to EUR 577 million (501), accounting for 1.7% (1.5) of the total corporate exposure.

Of the six main categories for private customer exposure, 82% (81) of the exposures belonged to the top two categories, and 3% (4) in the two poorest.

The Banking capital base covering major customer exposure amounted to EUR 7.7 billion (7.3). No single customer's exposure exceeded 10% of the capital base.

On 31 March, Banking's interest rate risk measured as a one-percentage point decrease on 12-month net interest income was EUR 16 million (30). This reduction resulted from a decrease in market interest rates during the first quarter.

### *Non-life Insurance*

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

No significant changes took place in Non-life Insurance's underwriting risks. Low market interest rates increased the risk level of the discount rate associated with Non-life Insurance's insurance liability. The Group has reduced credit risk associated with the investment portfolio and at the same time increased duration to a moderate extent. As a whole, no major changes took place in investment risk levels.

### *Wealth Management*

The key risks associated with Wealth Management are the market risks of investment assets, the interest rate used for the discounting of insurance liabilities and the faster-than-expected life expectancy increase.

No major changes took place in Life Insurance's underwriting risks or its investment risk level. OP Financial Group is prepared for any change in the interest rate used for the discounting of insurance liabilities by hedging the exposure using interest rate derivatives. The Group continues to further develop comprehensive ALM in 2015.

### *Other Operations*

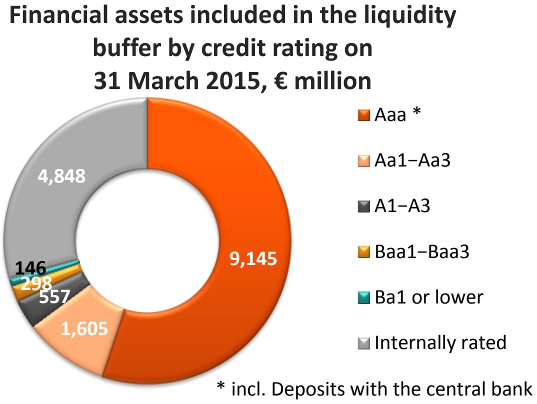
Major risks exposed by Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The market risk is highest in notes and bonds included in the liquidity buffer.

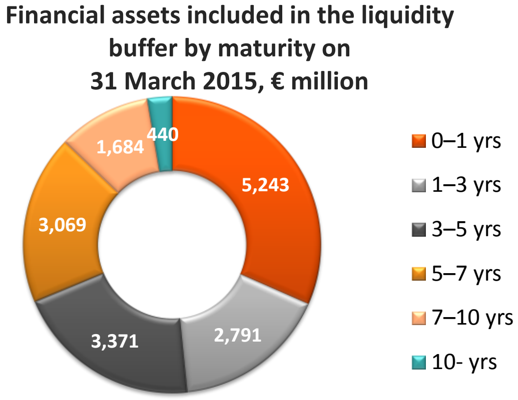
The market risks of investments in the liquidity buffer increased during the reporting period as a result of an increase in the liquidity buffer and allocation changes.

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

| Liquidity buffer, € billion | 31 March 2015 | 31 Dec. 2014 | Change, % |
|---|---|---|---|
| Deposits with central banks | 4.3 | 3.8 | 12 |
| Notes and bonds eligible as collateral | 8.7 | 7.8 | 12 |
| Corporate loans eligible as collateral | 4.1 | 4.3 | -4 |
| **Total** | **17.1** | **15.9** | **8** |
| Receivables ineligible as collateral | 0.7 | 0.7 | -2 |
| **Liquidity buffer at market value** | **17.8** | **16.6** | **7** |
| Collateral haircut | -1.1 | -1.1 | -1 |
| **Liquidity buffer at collateral value** | **16.7** | **15.5** | **8** |

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




## Credit ratings

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

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

The credit ratings of OP Financial Group and Pohjola did not change during the first quarter.

On 17 March 2015, 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 negative to stable as part of its more extensive review in connection of change of the credit rating methodology.

## Outlook towards the year end

There are first signs of economic recovery in Europe. Despite the ECB's expansionary monetary policy measures, the economic growth rate is, however, expected to remain modest this year. The Finnish economy is also expected to remain sluggish. International political tensions will continue to cause uncertainty to the Finnish economic development.

Weak economic growth will undermine growth expectations in the financial sector. The continued reduction in interest rates places a further burden on the net interest income of banks and erode the investment income of insurance institutions. Then again, low interest rates support customers' loan repayment capacity that has remained stable despite the prolonged period of slow growth. Capital adequacy and profitability have come to play an ever-increasing role because of the unstable operating environment and the tighter regulatory framework.

In spite of the challenging operating environment, OP Financial Group expects its earnings before tax to equal or exceed those in 2014. The most significant uncertainties associated with the earnings estimate are related to the effects of low interest rates, impairment loss on receivables and unfavourable changes in the investment 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 developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

## Operations and earnings by business segment

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

**Summary of earnings by business segment**

| € million | Income | Expenses | Other items *) | Earnings before tax Q1/2015 | Earnings before tax Q1/2014 | Change, % |
|---|---|---|---|---|---|---|
| Banking | 513 | 263 | -61 | 192 | 158 | 21.3 |
| Non-life Insurance | 145 | 78 | 0 | 66 | 62 | 6.5 |
| Wealth Management | 121 | 28 | 0 | 93 | 69 | 34.0 |
| Other Operations | 119 | 147 | 0 | -28 | -30 | 6.8 |
| Eliminations | -116 | -118 | -6 | -3 | -3 | 31.7 |
| **Total** | **785** | **399** | **-67** | **320** | **257** | **24.3** |

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

## Banking

- Earnings before tax increased by 21% to EUR 192 million (158).
- The earnings improvement resulted from strong growth in income and a reduction in expenses.
- OP Financial Group's market position remained stable. The loan portfolio grew by 4.4% in the year to March.
- Growth in deposits came mainly from payment transaction accounts, increasing by 14% in the year to March.
- Impairment losses increased to EUR 21 million (10), being at a low level of 0.12% of the loan and guarantee portfolio.

**Banking: key figures and ratios**

| € million | Q1/2015 | Q1/2014 | Change, % | 2014 |
|---|---|---|---|---|
| **Income** | | | | |
| Net interest income | 272 | 267 | 1.8 | 1,092 |
| Net commissions and fees | 184 | 177 | 3.7 | 655 |
| Net trading and investment income | 51 | 33 | 52.9 | 114 |
| Other operating income | 10 | 8 | 22.6 | 41 |
| **Total income** | **513** | **485** | **6.3** | **1,903** |
| **Expenses** | | | | |
| Personnel costs | 123 | 119 | 3.9 | 446 |
| Other administrative expenses | 90 | 86 | 5.1 | 345 |
| Other operating expenses | 50 | 68 | -27.0 | 276 |
| **Total expenses** | **263** | **272** | **-3.5** | **1,068** |
| Impairment loss on receivables | 21 | 10 | 106.0 | 88 |
| Returns to customer-owners and accrued customer bonuses | 40 | 45 | -10.2 | 176 |
| **Earnings before tax** | **192** | **158** | **21.3** | **570** |
| | | | | |
| **Cost/income ratio, %** | **51.0** | **56.1** | **-5.2** | **56.2** |
| | | | | |
| **€ million** | | | | |
| Home loans drawn down | 1 385 | 1 222 | 13.4 | 5,977 |
| Corporate loans drawn down | 1 308 | 1 421 | -7.9 | 6,468 |
| No. of brokered property transactions | 2 646 | 2 834 | -6.6 | 12,341 |
| | | | | |
| **€ billion** | **31 March 2015** | **31 March 2014** | | **31 Dec. 2014** |
| Loan portfolio | | | | |
| Home loans | 34.1 | 33.2 | 2.7 | 34.0 |
| Corporate loans | 17.3 | 16.3 | 6.1 | 16.9 |
| Other loans | 20.0 | 18.9 | 5.3 | 19.8 |
| **Total** | **71.3** | **68.4** | **4.4** | **70.7** |
| Guarantee portfolio | 2.8 | 2.9 | -2.6 | 2.9 |
| | | | | |
| Deposits | | | | |
| Current and payment transfer | 30.3 | 26.6 | 13.7 | 29.8 |
| Investment deposits | 18.3 | 20.8 | -11.9 | 19.0 |

| | | | | |
|---|---|---|---|---|
| **Total deposits** | **48.6** | **47.4** | **2.5** | **48.8** |
| | | | | |
| **Market share, %*** | **31 March** 2015 | **31 March 2014** | **Change, %** | **31 Dec. 2014** |
| Loans | 34.4 | 34.4 | 0.0** | 34.4 |
| Deposits | 37.2 | 36.8 | 0.4** | 37.6 |

*) Excluding financial and insurance institutions' loans and deposits on 28 February 2015.
**) Change in ratio

Weak economic growth kept demand for loans low during the first quarter too. The loan portfolio grew by 4.4% in the year to March. The volume of new loans drawn down increased year on year by 7.5% to almost EUR 5 billion. In particular, the volume of new loans raised by households increased and the volume of consumer loans was markedly higher than a year ago. In the first quarter, the loan portfolio grew by 1.0%, especially as a result of growth in corporate and housing corporation loans.

The deposit portfolio increased by 2.5% in the year to March, whereas it decreased by 0.3 percentage points in the first quarter. The volume of investment deposits continued to decline in the first quarter too, due to low interest rates and lower term deposit margins. However, the volume of deposits in payment transaction accounts grew in the year to March by 13.7% and by 1.7% in the first quarter led mainly by corporate and institutional deposits.

The Group’s market share of home loans increased between the end of March 2014 and the end of February 2015 by 0.4 percentage points to 38.1%. The market share of corporate loans increased during the same period by 0.9 percentage points. The market share of total euro deposits grew by 0.4 percentage points to 37.2%.

The combined amount of Profit Shares and supplementary cooperative contributions of the member cooperative banks increased by EUR 0.3 billion in the first quarter, amounting to EUR 2.0 billion on 31 March.

The housing market remained sluggish during the first quarter too, with the volume of homes sold and bought through the OP Kiinteistökeskus real estate agents decreasing by 6.6% over the previous year.

The home loan repayment grace period offered by the Group as part of the "Finland on a new growth parth" –project was used for over 62,000 loans by the release date of this Interim Report. The deferred repayment of these loans totals an estimated over EUR 290 million.

In April, OP announced a new single financing process model for companies that need both bank loan and risk financing but are not ready to abandon their current ownership. This financing package is targeted at companies with net sales of EUR 10–50 million. In the initial stage, OP Financial Group's own insurance and pension institutions will reserve 50 million euros in investments mainly made in the form of subordinated loans.

***Earnings***

Earnings before tax increased to EUR 192 million (158). Income increased by 6.3% and expenses decreased by 3.5%. Impairment losses increased to EUR 21 (10) million, being still at a low 0.12% (0.06) level in relation to the loan and guarantee portfolio.

Net interest income rose by EUR 5 million to EUR 272 million (267) as a result of an increase in the loan portfolio and a higher average loan portfolio margin and lower deposit funding costs. As a result of a decrease in the Markets division's net interest income, net interest income increased, however, by 1.8%.

Net commissions and fees increased by EUR 7 million year on year. Commissions and fees related to wealth management increased by EUR 7 million and those to non-life insurance by EUR 3 million, but financing fees decreased.

Net trading and investment income increased markedly as a result of higher customer income generated by the Markets division. Trading income fell by EUR 11 million.

Expenses decreased by 3.5% to EUR 263 million (272). The reorganisation of the central cooperative consolidated had no major impact on Banking in terms of expenses. Statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 18 million, increased other operating expenses in the first quarter a year ago.

Personnel costs increased by EUR 5 million to EUR 123 million due mainly to higher social expenses.

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## Non-life Insurance

- Earnings before tax amounted to EUR 66 million (62). Earnings before tax at fair value were EUR 108 million (61).
- Insurance premium revenue increased by 5% (8).
- Operating profitability showed an improvement. The operating combined ratio was 87.2% (89.3) and operating expense ratio 17.9% (18.5). The combined ratio was 88.8% (91.0).
- Return on investments at fair value was 2.6% (1.4).
- The number of loyal customer households increased by 31,000 in the year to March and by 1,000 (10,000) during the reporting period.

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

| € million | Q1/2015 | Q1/2014 | Change, % | 2014 |
|---|---|---|---|---|
| Insurance premium revenue | 336 | 320 | 5.1 | 1,310 |
| Claims incurred | 233 | 227 | 2.9 | 930 |
| Operating expenses | 60 | 59 | 1.8 | 242 |
| Amortisation adjustment of intangible assets | 5 | 5 | 0.0 | 21 |
| **Balance on technical account** | **38** | **29** | **30.0** | **117** |
| Net investment income | 49 | 49 | -0.3 | 171 |
| Other income and expenses | -20 | -16 | 28.7 | -66 |
| **Earnings before tax** | **66** | **62** | **6.5** | **223** |
| Earnings before tax at fair value | 108 | 61 | 76.9 | 272 |
| | | | | |
| Combined ratio, % | 88.8 | 91.0 | | 91.0 |
| Operating combined ratio, % | 87.2 | 89.3 | | 84.7 |
| Operating loss ratio, % | 69.3 | 70.8 | | 66.3 |
| Operating expense ratio, % | 17.9 | 18.5 | | 18.4 |
| Operating risk ratio, % | 63.8 | 64.4 | | 60.2 |
| Operating cost ratio, % | 23.4 | 24.9 | | 24.4 |
| Return on investments at fair value, % | 2.6 | 1.4 | | 6.7 |
| Solvency ratio , % | 82 | 76 | | 75 |
| Solvency ratio (Solvency II), % *) | 109 | 134 | | 117 |
| Large claims incurred retained for own account | -9 | -17 | | -79 |
| Changes in claims for provisions of previous years (run-off result) | 18 | 5 | | 27 |
| Personnel | 1,735 | 1,856 | | 1,766 |

* The figure is shown without the effect of transitional provision.

Growth in premium revenue from Private Customers remained strong. Insurance premium revenue from Corporate Customers also rebounded. Insurance sales increased slightly year on year. Claims developments were favourable due to the mild winter and lower large claims.

According to preliminary figures, OP Financial Group's market share of non-life insurance premiums written in 2014 was 31.5% (30.3). Measured by this market share, OP Financial Group is still Finland's largest non-life insurer.

The number of loyal customer households increased in the year to March by 31,000 to 656,000 (625,000), of which up to 75% (73) also use OP Financial Group member cooperative banks as their main bank

Developing claims services further has been one of the Non-life Insurance priorities. In particular, Non-life Insurance has developed its electronic services in both online and mobile services. The reporting period saw the launch of a new loss report service on OP-mobile. Over up to 50% of loss reports are filed online and over up to 75% of loss reports on personal injuries are filed online.

Using electronic services in managing non-life policies and claims has increased considerably. During the last 12 months, the number of customers receiving their insurance-related mail electronically has almost doubled to 479,000 (243,000).

***Earnings***

Earnings before tax improved to EUR 66 million (62) as a result of an increase in the balance on technical account.

OP Financial Group changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. On 31 March, the average discount rate was 2.4%. The reduced discount rate increased claims incurred by EUR 17 million. According to the new valuation model, a change in the discount rate also affects the calculation of operating ratios.

The balance on technical accounts improved due to an increase in insurance premiums and favourable claims development. The operating combined ratio was 87.2%

(89.3). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

**Insurance premium revenue**

| € million | Q1/2015 | Q1/2014 | Change, % |
|---|---|---|---|
| Private Customers | 174 | 162 | 7.2 |
| Corporate Customers | 149 | 145 | 3.0 |
| Baltic States | 14 | 13 | 1.6 |
| **Total** | **336** | **320** | **5.1** |

Growth in premium revenue from Private Customers remained strong. Insurance premium revenue from Corporate Customers rebounded.A year ago, the economic recession affected premium revenue from Corporate Customers, especially in the second half of the year.

Claims incurred, excluding the reduction in the discount rate, were lower than a year ago. Developments in large claims were favourable. Claims incurred arising from new large claims were lower 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 17 (18), with their claims incurred retained for own account totalling EUR 9 million (17). The change in provisions for unpaid claims under statutory pension also decreased year on year. Change in provisions for unpaid claims under statutory pension was EUR 6 million (7) in January–March.

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 18 million (5). The operating loss ratio was 69.3% (70.8) The operating risk ratio excluding indirect loss adjustment expenses was 63.8% (64.4).

Operating expenses grew by 2%, being EUR 1 million higher than a year ago, due to higher sales commissions and portfolio management fees. A non-recurring provision recognised in the first quarter for personnel costs totalled EUR 3 million, related to the reorganisation of the central cooperative consolidated.  The operating expense ratio improved thanks to higher income to 17.9% (18.5). The operating cost ratio (including indirect loss adjustment expenses) was 23.4% (24.9).

**Operating balance on technical account and combined ratio (CR)**

| | Q1/2015 | | Q1/2014 | |
|---|---|---|---|---|
| | Balance, € million | CR, % | Balance, € million | CR, % |
| Private Customers | 29 | 83.3 | 26 | 83.8 |
| Corporate Customers | 14 | 90.5 | 6 | 95.7 |
| Baltic States | 0 | 101.7 | 2 | 86.3 |
| **Total** | **43** | **87.2** | **34** | **89.3** |

Profitability improved both among Private and Corporate Customers despite the reduced discount rate. This improvement was supported by strong growth in income from Private Customers and favourable large claims developments among Corporate Customers. In Baltics, profitability weakened because of individual large claims.

***Investment***

Return on investments at fair value was better than a year ago, due to the exceptionally high returns in equity markets, amounting to EUR 91 million (48), or 2.6% (1.4). Net investment income recognised in the income statement amounted to EUR 49 million (49).

**Investment portfolio by asset class**

| % | 31 March 2015 | 31 Dec. 2014 |
|---|---|---|
| Bonds and bond funds | 73 | 73 |
| Alternative investments | 1 | 1 |
| Equities | 7 | 7 |
| Private equity | 3 | 3 |
| Real property | 11 | 11 |
| Money markets | 5 | 5 |
| **Total** | **100** | **100** |

Non-life Insurance's investment portfolio totalled EUR 3,675 million (3,522) on 31 March. The fixed-income portfolio by credit rating remained healthy, considering that investments within the “investment-grade” category accounted for 94% (94), and 72% (71) of the investments were rated at least A-. The average residual term to maturity of the fixed-income portfolio was 4.9 years (4.5) and the duration 4.8 years (4.3).

The running yield for direct bond investments averaged 1.8% (1.9) at the end of March.

## Wealth Management

- Earnings before tax increased to EUR 93 million (69); earnings before tax at fair value were EUR 136 million (54).
- The gross amount of assets managed by the Group increased by 24% in the year to March, totalling EUR 67 billion on 31 March.
- The number of investor and saver customers grew by 11,000 in the reporting period.
- Electronic channels accounted for 39% (23) of OP Mutual Fund sales.

**Wealth Management: key figures and ratios**

| € million | Q1/2015 | Q1/2014 | Change, % | 2014 |
|---|---|---|---|---|
| **Net commissions and fees** | | | | |
| Funds and asset management | 50 | 39 | 28.5 | 175 |
| Life insurance | 48 | 47 | 3.5 | 166 |
| Expenses | 43 | 36 | 19.0 | 133 |
| of which accrued customer bonuses | 5 | 4 | 27.3 | 18 |
| **Total net commissions and fees** | **55** | **49** | **11.8** | **208** |
| Life Insurance's net risk results | 6 | 3 | 90.6 | 20 |
| Net investment income from Life Insurance | 59 | 45 | 29.1 | 47 |
| Other income | 0 | 1 | -68.1 | 1 |
| Personnel costs | 9 | 8 | 9.8 | 32 |
| Other expenses | 19 | 22 | -13.0 | 80 |
| **Earnings before tax** | **93** | **69** | **34.0** | **167** |
| Gross change in fair value reserve | 44 | -15 | | 51 |
| **Earnings before tax at fair value** | **136** | **54** | **153.6** | **218** |
| | | | | |
| **€ billion** | **31 March 2015** | **31 March 2014** | | **31 Dec. 2014** |
| **Assets under management (gross)** | | | | |
| Mutual funds | 19.4 | 14.7 | 31.5 | 17.5 |
| Institutional clients | 24.7 | 22.3 | 10.5 | 23.5 |
| Private Banking | 14.4 | 10.4 | 38.1 | 12.8 |
| Unit-linked insurance savings | 8.6 | 6.5 | 32.2 | 7.6 |
| **Total assets under management (gross)** | **67.0** | **53.9** | **24.1** | **61.3** |
| | | | | |
| **€ million** | **Q1/2015** | **Q1/2014** | | **2014** |
| **Net inflows** | | | | |
| Investor and saver customers | 289 | 167 | 73.1 | 674 |
| Private Banking clients | 121 | 21 | 476.2 | 1 411 |
| Institutional clients | -150 | -155 | 3.2 | 454 |
| **Total net inflows** | **260** | **33** | **687.9** | **2,539** |
| | | | | |
| **Market share, %** | **31 March 2015** | **31 March 2014** | **Change, %** | **31 Dec. 2014** |
| Mutual funds | 20.2 | 19.0 | 1.2* | 20.5 |

*As change in ratio.

Low interest rates and favourable value performance in the equity market supported Wealth Management business growth during the reporting period. The gross amount of assets managed by the Group increased by 9% during the period, being EUR 67,0 billion (61.3). This amount includes EUR 14.9 billion in assets of the companies belonging to OP Financial Group.

Customers' interest remained strong in investment products with higher return expectations. Net inflows were EUR 260 million (33), with particularly strong net inflows from investor and saver customer as well as Private Banking clients. Net inflows were negative among institutional clients.

The number of investor and saver customers grew by 11,000 in the reporting period, totalling 766,000 on 31 March. In particular, the number of customers of savings funds made good progress, with the number of unitholders increasing by 18,000 from the end of 2014.

OP Financial Group extended the range of mutual funds investing in alternative asset classes with OP-Forest Owner non-UCITS fund which invests its assets in forest holdings in Finland. The fund's assets amounted to EUR 11 million on 31 March.

The risk-adjusted return of OP Mutual Funds remained good in the reporting period. The Morningstar rating for OP Mutual Funds was 3.24 (3.28).

During the reporting period, the Group continued to further develop electronic sales and transactions for Wealth

Management. Electronic channels accounted for 39% (23) of OP Mutual Fund sales.

***Earnings***

Earnings before tax rose to EUR 93 million (69). Earnings after a change in the fair value reserve amounted to EUR 136 million (54).

Net commissions and fees increased by 12%, owing to growth in wealth under management year on year, to EUR 55 million (49). Net commissions and fees accounted for 0.36% (0.32) of the gross amount of the assets under management.

Life Insurance's return on investments at fair value was 2.4% (1.4). Life Insurance's investment income excluding the performance of derivatives that hedge the interest rate risk of insurance liabilities and the technical rate of interest totalled EUR 58 million (64).

Expenses were EUR 2 million lower than a year ago. Personnel costs increased due to a provision related to the staff reorganisation in the central cooperative consolidated. Other expenses declined by EUR 3 million. Wealth Management's operating cost/income ratio improved to 42.5% (51.1). Expenses accounted for 0.15% (0.17) of the gross amount of the assets under management.

Life Insurance is prepared for any change in the interest rate used for the discounting of insurance liabilities by hedging the exposure using interest rate derivatives. Supplementary interest rate provisions related to insurance liabilities totalled EUR 533 million (475) on 31 March. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 42 million (54) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4,307 million (4,216). Investments within the “investment-grade” category accounted for 95% (94) of the fixed-income portfolio. On 31 March, the portfolio’s modified duration was 3.9 (3.1).

**Investment portfolio by asset class**

| **%** | **31 March 2015** | **31 Dec. 2014** |
|---|---|---|
| Bonds and bond funds | 72 | 68 |
| Alternative investments | 6 | 6 |
| Equities and equity funds | 6 | 7 |
| Real property | 6 | 6 |
| Money markets | 10 | 12 |
| **Total** | **100** | **100** |

## Other Operations

**Other Operations: key figures and ratios**

| € million | Q1/2015 | Q1/2014 | Change, % | 2014 |
|---|---|---|---|---|
| Net interest income | -9 | -13 | -27.8 | -33 |
| Net trading income | -4 | -4 | 8.5 | -9 |
| Net investment income | 9 | 14 | -36.9 | 60 |
| Other income | 124 | 112 | 10.7 | 473 |
| Expenses | 147 | 139 | 5.9 | 524 |
| **Earnings before tax** | **-28** | **-30** | **-6.8** | **-33** |
| | | | | |
| **€ billion** | **31 March 2015** | **31 March 2014** | **Change, %** | **31 Dec. 2014** |
| Receivables from credit institutions | 10 | 17 | -40.4 | 10 |
| Investment assets | 14 | 10 | 44.3 | 13 |
| | | | | |
| Liabilities to credit institutions | 5 | 5 | 3.8 | 5 |
| Debt securities issued to the public | 17 | 19 | -8.7 | 17 |

***Earnings***

Earnings before tax reported by Other Operations amounted to EUR –28 million (–30). Growth in other income improved earnings whereas growth in expenses eroded earnings.

Net interest income was EUR –9 million (–13). On 31 March, the average margin of OP Financial Group's senior wholesale funding was 43 basis points (41).

Net investment income decreased to EUR 9 million (14) as a result of lower capital gains and dividend income.

Other income increased to EUR 124 million (112), being EUR 12 million larger than a year ago. Other income consists to a large extent of intra-Group service charges, which are presented as business segment expenses.

Expenses rose by 5.9% to EUR 147 million (139). Non-recurring expense items, totalling EUR 5 million, related to the reorganisation of the central cooperative consolidated, added to the expenses for the reporting period. A non-recurring EUR 8 million expense item related to the tender offer for Pohjola Bank plc shares was recognised in 'Other operating expenses' a year ago.

## Changes in OP Financial Group’s structure

OP Financial Group's consolidated financial statements include the accounts of 181 member cooperative banks (181) including Group companies, OP Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

The Supervisory Board of OP Financial Group's central cooperative has made a decision in principle whereby Helsinki OP Bank Plc will be converted from a limited liability company to a cooperative bank during 2016. The new bank will be renamed OP Helsinki. This decision has made customer ownership within OP Financial Group possible across Finland.

OP Helsinki as subsidiary will be part of OP Financial Group central cooperative consolidated according to plan. Since the central cooperative will continue to play a major role in capitalising the new bank, the bank's bylaws are meant to be formulated in such a way that OP Financial Group has a controlling interest of 2/3 in the bank.

The abovementioned planned changes require regulatory approval from the relevant authorities.

At the beginning of 2016, Pohjola Bank plc will be renamed OP Corporate Bank plc.

Itä-Uudenmaan Osuuspankki and Porvoon Osuuspankki have accepted a merger plan, according to which Itä-Uudenmaan Osuuspankki will merge into Porvoon Osuuspankki, taking the name Itä-Uudenmaan Osuuspankki. The planned date for the merger is 31 July 2015.

Sotkamon Osuuspankki and Kainuun Osuuspankki have accepted a merger plan, according to which Sotkamon Osuuspankki will merge into Kainuun Osuuspankki. The planned date for the merger is 31 May 2015.

Mynämäen Osuuspankki and Nousiaisten Osuuspankki have accepted a merger plan, according to which Mynämäen Osuuspankki will merge into Nousiaisten Osuuspankki that is to be renamed Mynämäen-Nousiaisten Osuuspankki. The planned date for the merger is 31 August 2015.

Hartolan Osuuspankki, Sysmän Osuuspankki and Etelä-Päijänteen Osuuspankki have accepted a merger plan, according to which Hartolan Osuuspankki and Sysmän Osuuspankki will merge into Etelä-Päijänteen Osuuspankki that is to be renamed Järvi-Hämeen Osuuspankki. The planned date for the merger is 31 August 2015.

Myrskylän Osuuspankki and Orimattilan Osuuspankki have accepted a merger plan, according to which Myrskylän Osuuspankki will merge into Orimattilan Osuuspankki. The planned date for the merger is 30 September 2015.

Pyhälaakson Osuuspankki and Suomenselän Osuuspankki have accepted a merger plan, according to which Pyhälaakson Osuuspankki will merge into Suomenselän

Osuuspankki. The planned date for the merger is 31 December 2015.

The process of planning and examination of different options regarding the restructuring of OP Financial Group central cooperative consolidated and the implementation of legal structures of the organisation is still underway. There is a plan to transfer, for example, the Non-life Insurance and Wealth Management segments from Pohjola Group direct ownership of the central cooperative. The transfer of Wealth Management is scheduled during 2015. At the same time, the transfer of OP Financial Group's central banking operations, being presently part of Pohjola Bank plc, to a another subsidiary wholly owned by OP Cooperative, is also under consideration. OP has not yet made decisions on the implementation method of the separation of central banking and the transfer of Non-life Insurance and the related schedule.

Osuuspankki Poppia, Laihian Osuuspankki, Multian Osuuspankki, Petäjäveden Osuuspankki and Tuusniemen Osuuspankki, which are part of POP Group, have decided to join OP Financial Group as independent cooperative banks. According to the current plan, these banks will officially become Group member cooperative banks in mid-May. This also means that these banks' customers will fall within the scope of deposit insurance and the banks within the scope of OP Financial Group's joint liability.

Keiteleen Osuuspankki, which is part of POP Group, and Pielaveden Osuuspankki of OP Financial Group have accepted a merger plan, according to which Keiteleen Osuuspankki will merge into Pielaveden Osuuspankki, to be renamed Nilakan Seudun Osuuspankki. The planned date for the merger is 30 April 2016.

## Personnel and remuneration

On 31 March, OP Financial Group had 12,185 employees (12,356). The number of employees averaged 12,220 (12,548). The reorganisation and streamlining measures carried out in member cooperative banks, their subsidiaries and OP Cooperative reduced the number of employees during the reporting period.

OP has completed the information and consultation of employees process initiated in February 2015 and applying to the restructuring of the central cooperative consolidated personnel. As a result, a maximum of 278 jobs will be cut. The process covered some 4,300 employees.

During the reporting period, 54 OP Financial Group employees (84) retired, at an average age of 61.4 years (61.4).

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

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

The long-term management incentive scheme was extended by a new three-year performance period for 2014–2016. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the Group's incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.
As a rule, the remuneration scheme for 2014–2016 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance indicators: OP Financial Group's EBT, the Group's CET1 and the growth rate of customers using OP as their main bank and insurer. The Group-level targets are congruent both in the management incentive scheme and OP Financial Group’s Personnel Fund.

## Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting 19 March 2015. The Meeting elected for the term of 2015–2018 the following members to the Supervisory Board to replace those who were due to resign: Managing Director Jari Anttila, R&D Director Ilmo Aronen, Managing Director Kalle Arvio, Managing Director Tapani Eskola, Professor Jarna Heinonen, BSc(Econ) Jorma Hyrskyluoto, Senior Lecturer Ulla Järvi, Executive Director Jukka-Pekka Kataja, Managing Director Simo Kauppi, Director Jaakko Kiander, farmer Seppo Kietäväinen, Headmaster Juha Kiiskinen, Lecturer Jaakko Korkonen, Managing Director Tuomas Kupsala, Managing Director Petri Krohns, Assistant Director Jukka Kääriäinen, Director Ari Mikkola, Managing Director Esko Mononen, Director, Administration Annukka Nikola, Managing Director Juha Pullinen, Managing Director Olli Tarkkanen, and Managing Director Ari Väänänen. In addition, Lecturer Sirkka Keuru was elected for the remaining term of 2015–2017 to replace Marita Marttila, Senior Nursing Officer, who had requested resignation from the Supervisory Board.The Supervisory Board comprises 34 members.
At its first meeting following election, the Supervisory Board elected Professor Jaakko Pehkonen as Chairman and Senior Lecturer Mervi Väisänen and Managing Director Vesa Lehikoinen as Vice Chairmen.
The Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Raija-Leena Hankonen, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

## OP Financial Group forms a single group in terms of competition laws

On 26 February 2015, the Finnish Competition and Consumer Authority issued a decision in which it approved OP Financial Group's application for OP Financial Group being considered as forming a single conglomerate in terms of competition laws. The application was technically filed as a merger control report. The application was based on the Act on the Amalgamation of Deposit Banks, member cooperative banks' bylaws and agreements between OP Cooperative and member cooperative banks. As a result of the decision, OP Financial Group is now considered a single group in terms of competition laws from the perspective of the competition authorities.

## OP Financial Group's efficiency-enhancement programme

OP Financial Group decided towards the end of 2012 on an efficiency-enhancement programme, the objective of which was to achieve annual cost savings of EUR 150 million until the end of 2015.

Based on the actions completed by 31 March, annualised savings reached about EUR 141 million, of which personnel-related costs account for EUR 55 million.

## Capital expenditure and service development

OP Cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT capital expenditure and related specifications make up a significant portion of the costs of developing these services.

OP Cooperative Consolidated's development expenditure for January–March totalled EUR 30 million (28). These include licence fees, purchased services and capitalised expenses for development work within OP Cooperative Consolidated.

ICT capital expenditure for the reporting period capitalised in the balance sheet totalled EUR 21 million (14). Banking accounted for EUR 16 million (12), Non-life Insurance for EUR 5 million (1) and Wealth Management for EUR 0 million (1) of the capital expenditure for the reporting period.

OP Financial Group began to rebuild its premises in the Vallila campus in 2012, which is due to be completed by the summer of 2015. The total costs will be almost EUR 250 million. By the end of the reporting period, realised costs totalled some EUR 184 million.

## OP Financial Group income statement

| EUR million | Note | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|---|
| Interest income | | 644 | 651 | -1 | 2,685 |
| Interest expenses | | 388 | 399 | -3 | 1,642 |
| **Net interest income before impairment losses** | 4 | **255** | **251** | **2** | **1,043** |
| Impairments of receivables | 5 | 21 | 10 | | 88 |
| **Net interest income after impairments** | | **234** | **241** | **-3** | **955** |
| Net income from Non-life Insurance operations | 6 | 169 | 150 | 12 | 589 |
| Net income from Life Insurance operations | 7 | 104 | 80 | 30 | 197 |
| Net commissions and fees | 8 | 199 | 192 | 4 | 707 |
| Net trading income | 9 | 24 | 27 | -12 | 88 |
| Net investment income | 10 | 19 | 16 | 16 | 74 |
| Other operating income | 11 | 12 | 10 | 19 | 52 |
| **Total net income** | | **760** | **715** | **6** | **2,662** |
| Personnel costs | | 214 | 195 | 10 | 741 |
| Other administrative expenses | | 102 | 112 | -10 | 414 |
| Other operating expenses | | 82 | 102 | -19 | 401 |
| **Total expenses** | | **399** | **410** | **-3** | **1,555** |
| Returns to customer-owners and accrued customer bonuses | | 46 | 49 | -7 | 195 |
| Share of associates' profits/losses accounted for using the equity method | | 4 | 0 | | 3 |
| **Earnings before tax for the period** | | **320** | **257** | **24** | **915** |
| Income tax expense | | 63 | 61 | 3 | 308 |
| **Profit for the period** | | **257** | **196** | **31** | **607** |
| | | | | | |
| **Attributable to, EUR million** | | | | | |
| Profit for the period attributable to owners | | 256 | 195 | 31 | 599 |
| Profit for the period attributable to non-controlling interest | | 1 | 1 | | 8 |
| **Total** | | **257** | **196** | **31** | **607** |

## OP Financial Group statement of comprehensive income

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| **Profit for the period** | **257** | **196** | **31** | **607** |
| Items that will not be reclassified to profit or loss | | | | |
| Gains/(losses) arising from remeasurement of defined benefit plans | -175 | -50 | | -380 |
| Items that may be reclassified to profit or loss | | | | |
| Change in fair value reserve | | | | |
| Measurement at fair value | 152 | -25 | | 85 |
| Cash flow hedge | 7 | 20 | -65 | 67 |
| Translation differences | 0 | 0 | -91 | 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 | -35 | -10 | | -76 |
| Items that may be reclassified to profit or loss | | | | |
| Measurement at fair value | 30 | -5 | | 17 |
| Cash flow hedge | 1 | 4 | -65 | 13 |
| **Total comprehensive income for the period** | **245** | **153** | **60** | **424** |
| | | | | |
| **Attributable to, EUR million** | | | | |
| Profit for the period attributable to owners | 237 | 150 | 59 | 393 |
| Profit for the period attributable to non-controlling interest | 7 | 3 | | 32 |
| **Total** | **245** | **153** | **60** | **424** |

## OP Financial Group balance sheet

| EUR million | Note | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|---|
| Cash and cash equivalents | | 4,355 | 820 | | 3,888 |
| Receivables from credit institutions | | 480 | 4,807 | -90 | 686 |
| Financial assets at fair value through profit or loss | | 403 | 508 | -21 | 427 |
| Derivative contracts | | 7,731 | 3,703 | | 5,920 |
| Receivables from customers | | 71,357 | 68,392 | 4 | 70,683 |
| Non-life Insurance assets | 14 | 4,129 | 3,771 | 10 | 3,797 |
| Life Insurance assets | 15 | 12,502 | 10,114 | 24 | 11,238 |
| Investment assets | | 10,516 | 8,480 | 24 | 9,500 |
| Investment accounted for using the equity method | | 68 | 54 | 26 | 56 |
| Intangible assets | | 1,331 | 1,332 | 0 | 1,332 |
| Property, plant and equipment (PPE) | | 795 | 740 | 7 | 781 |
| Other assets | | 2,523 | 1,755 | 44 | 1,951 |
| Tax assets | | 198 | 108 | 83 | 168 |
| **Total assets** | | **116,389** | **104,584** | **11** | **110,427** |
| | | | | | |
| Liabilities to credit institutions | | 2,106 | 1,250 | 69 | 1,776 |
| Financial liabilities at fair value through profit or loss | | 1 | 3 | -68 | 4 |
| Derivative contracts | | 6,685 | 3,390 | 97 | 5,489 |
| Liabilities to customers | | 51,429 | 49,581 | 4 | 51,163 |
| Non-life Insurance liabilities | 16 | 3,360 | 3,104 | 8 | 2,972 |
| Life Insurance liabilities | 17 | 12,338 | 10,117 | 22 | 11,230 |
| Debt securities issued to the public | 18 | 26,054 | 24,595 | 6 | 24,956 |
| Provisions and other liabilities | | 4,474 | 3,168 | 41 | 3,447 |
| Tax liabilities | | 1,016 | 850 | 20 | 964 |
| Supplementary cooperative capital | | 169 | 588 | -71 | 192 |
| Subordinated liabilities | | 1,046 | 862 | 21 | 1,020 |
| **Total liabilities** | | **108,678** | **97,506** | **11** | **103,214** |
| **Equity capital** | | | | | |
| **Share of OP Financial Group's owners** | | | | | |
| Share and cooperative capital | | 1,993 | 309 | | 1,709 |
| Share capital | | 0 | 138 | | 0 |
| Membership capital contributions | | 147 | 144 | 2 | 148 |
| Profit shares | | 1,846 | 27 | | 1,561 |
| Fair value reserve | 19 | 546 | 323 | 69 | 425 |
| Other reserves | | 2,216 | 2,600 | -15 | 1,996 |
| Retained earnings | | 2,889 | 3,747 | -23 | 3,014 |
| **Non-controlling interests** | | 66 | 99 | -33 | 69 |
| **Total equity capital** | | **7,711** | **7,078** | 9 | **7,213** |
| **Total liabilities and equity capital** | | **116,389** | **104,584** | **11** | **110,427** |

## Changes in OP Financial Group's equity capital

| EUR million | Share and cooperative capital | Fair value reserve** | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity capital |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **339** | **328** | **2,739** | **4,218** | **7,625** | **100** | **7,724** |
| Total comprehensive income for the period | - | 18 | - | 150 | **168** | 3 | **171** |
| Profit for the period | | | | 195 | **195** | 1 | **196** |
| Other comprehensive income | - | 18 | - | -45 | **-27** | 2 | **-25** |
| Holdings in Pohjola Bank plc purchased from non-controlling interests* | -61 | -23 | -157 | -524 | **-765** | - | **-765** |
| Increase in cooperative capital | 31 | - | - | - | **31** | - | **31** |
| Transfer of reserves | - | - | 16 | -16 | **-** | - | - |
| Profit distribution | - | - | - | -75 | **-75** | - | **-75** |
| Share-based payments | - | - | - | 0 | **0** | - | **0** |
| Other | 0 | - | 2 | -6 | **-4** | -3 | **-8** |
| **Balance at 31 March 2014** | **309** | **323** | **2,600** | **3,747** | **6,979** | **99** | **7,078** |

| EUR million | Share and cooperative capital | Fair value reserve** | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity capital |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | **1,709** | **425** | **1,996** | **3,014** | **7,144** | **69** | **7,213** |
| Total comprehensive income for the period | - | 121 | - | 116 | **237** | 7 | **245** |
| Profit for the period | | | | 256 | **256** | 1 | **257** |
| Other comprehensive income | - | 121 | - | -140 | **-18** | 6 | **-12** |
| Increase in cooperative capital | 285 | | - | - | **285** | - | **285** |
| Transfer of reserves | - | - | 220 | -220 | **-** | - | - |
| Profit distribution | - | - | - | -19 | **-19** | - | **-19** |
| Other | - | - | - | -2 | **-2** | -10 | **-12** |
| **Balance at 31 March 2015** | **1,993** | **546** | **2,216** | **2,889** | **7,645** | **66** | **7,711** |

* The total purchase price paid by OP Cooperative for Pohjola Bank plc shares based on the tender offer has been subtracted from equity capital

** Note 19

## Cash flow statement

| EUR million | Q1/2015 | Q1/2014 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit for the period | 257 | 196 |
| Adjustments to profit for the period | 298 | 361 |
| **Increase (-) or decrease (+) in operating assets** | **-2,762** | **-4,452** |
| Receivables from credit institutions | 83 | -3,936 |
| Financial assets at fair value through profit or loss | 166 | 62 |
| Derivative contracts | -35 | 8 |
| Receivables from customers | -710 | -257 |
| Non-life Insurance assets | -319 | -248 |
| Life Insurance assets | -382 | -73 |
| Investment assets | -1,078 | 315 |
| Other assets | -487 | -322 |
| **Increase (+) or decrease (-) in operating liabilities** | **1,817** | **217** |
| Liabilities to credit institutions | 331 | 208 |
| Financial liabilities at fair value through profit or loss | -3 | -1 |
| Derivative contracts | 46 | 11 |
| Liabilities to customers | 265 | -576 |
| Non-life Insurance liabilities | 104 | 90 |
| Life Insurance liabilities | 303 | 145 |
| Provisions and other liabilities | 770 | 340 |
| Income tax paid | -36 | -31 |
| Dividends received | 33 | 35 |
| **A. Net cash from operating activities** | **-392** | **-3,673** |
| Cash flow from investing activities | | |
| Increases in held-to-maturity financial assets | - | 0 |
| Decreases in held-to-maturity financial assets | 52 | 55 |
| Purchase of PPE and intangible assets | -55 | -44 |
| Proceeds from sale of PPE and intangible assets | 1 | 1 |
| **B. Net cash used in investing activities** | **-3** | **12** |
| Cash flow from financing activities | | |
| Decreases in subordinated liabilities | 0 | - |
| Increases in debt securities issued to the public | 9,284 | 17,074 |
| Decreases in debt securities issued to the public | -8,840 | -13,987 |
| Increases in cooperative and share capital | 2,278 | 104 |
| Decreases in cooperative and share capital | -2,016 | -91 |
| Dividends paid and interest on cooperative capital | -2 | - |
| Holdings in Pohjola Bank plc purchased from non-controlling interests | - | -765 |
| **C. Net cash from financing activities** | **704** | **2,335** |
| **Net change in cash and cash equivalents (A+B+C)** | **309** | **-1,326** |
| | | |
| **Cash and cash equivalents at period-start** | **4,176** | **2,476** |
| **Cash and cash equivalents at period-end** | **4,485** | **1,150** |
| | | |
| **Interest received** | **638** | **668** |
| **Interest paid** | **-498** | **-489** |
| | | |
| **Cash and cash equivalents** | | |
| Liquid assets* | 4,373 | 830 |
| Receivables from credit institutions payable on demand | 111 | 320 |
| **Total** | **4,485** | **1,150** |

***Of which Non-life Insurance liquid assets amount to 6 million euros (8) and Life Insurance liquid assets 12 million euros (3).

## OP Financial Group segment reporting

The new organisation of OP Cooperative Consolidated entered into force on 1 October 2014. The management system of the new OP Financial Group is founded on the following three business segments: Banking, Non-life Insurance, and Wealth Management. As a result of the new organisations, OP Financial Group has made the following changes in its segment reporting, effective as of 1 January 2015: Pohjola Markets Equities has been transferred from Banking to be reported in the Wealth Management segment. In addition, Pivo Wallet Oy, Checkout Finland Oy and OP Bank Group Mutual Insurance Company have been transferred from Banking to be reported in the Other operations segment. Other operations support the business segments. The segment information has been restated for the previous periods to correspond to the new segments. These transfers had no substantial impact on segment reporting.

OP Financial Group's segment reporting is based on accounting policies applied in its financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments and inter-segment Group eliminations are reported under 'Group eliminations'. The segments' earnings and profitability are assessed in terms of EBT.

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to retail banking in such a way that the CET1 ratio is 18% (11%). Capital has been allocated to Insurance operations in such a way that the Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

**Income statement and balance sheet by segment 1 Jan.-31 March 2015**

| Income statement, EUR million | Banking | Non-life Insurance | Wealth Management | Other operations | Elimi-nations | OP Financial Group |
|---|---|---|---|---|---|---|
| Interest income | 700 | 0 | 0 | 99 | -156 | 644 |
| Interest expenses | 428 | 6 | 1 | 108 | -154 | 388 |
| **Net interest income before impairment losses** | **272** | **-6** | **0** | **-9** | **-1** | **255** |
| - of which internal net income before tax | -6 | -5 | 0 | 10 | 0 | **0** |
| Impairment losses on receivables | 21 | - | - | 0 | 0 | 21 |
| **Net interest income after impairment losses** | **251** | **-6** | **0** | **-9** | **-1** | **234** |
| Net income from Non-life Insurance | - | 162 | - | -1 | 8 | 169 |
| Net income from Life Insurance | - | - | - | - | 104 | 104 |
| Life Insurance’s net interest and risk result | - | - | 65 | - | -65 | 0 |
| Net commissions and fees | 184 | -12 | - | 4 | 24 | 199 |
| Commissions and fees from fund and asset management | - | - | 43 | - | -43 | 0 |
| Commissions and fees from life insurance | - | - | 48 | - | -48 | 0 |
| Commission expenses | - | - | -43 | - | 43 | 0 |
| Net trading income | 39 | - | 0 | -4 | -12 | 24 |
| Net investment income | 11 | - | 0 | 9 | -1 | 19 |
| Other operating income | 7 | 1 | 0 | 120 | -116 | 12 |
| Personnel costs | 123 | 30 | 9 | 52 | 0 | 214 |
| Other administrative expenses | 90 | 30 | 11 | 63 | -93 | 102 |
| Other operating expenses | 50 | 18 | 9 | 31 | -25 | 82 |
| Returns to customer-owners and accrued customer bonuses | 40 | - | - | - | 5 | 46 |
| Share of associates' profits/losses | 3 | 0 | 0 | - | 0 | 4 |
| **Earning before tax** | **192** | **66** | **93** | **-28** | **-3** | **320** |
| Income tax expense | | | | | | 63 |
| **Profit for the period** | | | | | | **257** |

| Balance sheet 31 March 2015, EUR million | Banking | Non-life Insurance | Wealth Management | Other operations | Elimi-nations | OP Financial Group |
|---|---|---|---|---|---|---|
| Liquid assets | 121 | 0 | - | 4,234 | - | 4,355 |
| Receivables from credit institutions | 4,478 | 5 | 30 | 10,366 | -14,399 | 480 |
| Financial assets at fair value through profit or loss | 546 | - | - | -132 | -11 | 403 |
| Derivative contracts | 7,905 | - | - | 320 | -495 | 7,731 |
| Receivables from customers | 71,984 | - | 0 | 533 | -1,160 | 71,357 |
| Non-life Insurance assets | - | 4,493 | - | 0 | -364 | 4,129 |
| Life Insurance assets | - | - | 13,146 | - | -644 | 12,502 |
| Investment assets | 5,223 | 16 | 0 | 13,731 | -8,454 | 10,516 |
| Investment in associates | 38 | 2 | 28 | 0 | 0 | 68 |
| Intangible assets | 64 | 702 | 366 | 203 | -3 | 1,331 |
| Property, plant and equipment | 486 | 50 | 9 | 263 | -13 | 795 |
| Other assets | 1,225 | 8 | 45 | 1,532 | -287 | 2,523 |
| Tax assets | 114 | 7 | 7 | 41 | 29 | 198 |
| **Total assets** | **92,184** | **5,283** | **13,631** | **31,093** | **-25,802** | **116,389** |

| Balance sheet 31 March 2015, EUR million | Banking | Non-life Insurance | Wealth Management | Other operations | Elimi-nations | OP Financial Group |
|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 11,210 | - | - | 5,080 | -14,184 | 2,106 |
| Financial liabilities at fair value through profit or loss | 1 | - | - | - | - | 1 |
| Derivative contracts | 6,866 | - | - | 337 | -517 | 6,685 |
| Liabilities to customers | 49,439 | - | 8 | 2,954 | -972 | 51,429 |
| Non-life Insurance liabilities | - | 3,381 | - | - | -21 | 3,360 |
| Life Insurance liabilities | - | - | 12,375 | - | -37 | 12,338 |
| Debt securities issued to the public | 9,954 | - | - | 17,088 | -987 | 26,054 |
| Provisions and other liabilities | 2,562 | 82 | 51 | 2,081 | -302 | 4,474 |
| Tax liabilities | 449 | 120 | 95 | 346 | 6 | 1,016 |
| Cooperative capital | 313 | - | - | 4,606 | -4,750 | 169 |
| Subordinated liabilities | 69 | 50 | 91 | 1,058 | -222 | 1,046 |
| **Total liabilities** | **80,862** | **3,633** | **12,619** | **33,551** | **-21,987** | **108,678** |
| **Equity capital** | | | | | | **7,711** |

**Income statement and balance sheet by segment 1 Jan.-31 March 2014**

| Income statement, EUR million | Banking | Non-life Insurance | Wealth Management | Other operations | Elimi-nations | OP Financial Group |
|---|---|---|---|---|---|---|
| Interest income | 694 | 0 | 1 | 142 | -185 | 651 |
| Interest expenses | 427 | 6 | 0 | 155 | -188 | 399 |
| **Net interest income before impairment losses** | **267** | **-6** | **0** | **-13** | **3** | **251** |
| - of which internal net income before tax | 1 | -5 | 0 | 4 | **0** | **0** |
| Impairment losses on receivables | 10 | - | - | - | 0 | 10 |
| **Net interest income after impairment losses** | **257** | **-6** | **0** | **-13** | **3** | **241** |
| Net income from Non-life Insurance | - | 152 | - | - | -2 | 150 |
| Net income from Life Insurance | - | - | - | - | 80 | 80 |
| Life Insurance's net interest and risk result | - | - | 49 | - | -49 | - |
| Net commissions and fees | 177 | -10 | - | 4 | 21 | 192 |
| Commissions and fees from fund and asset management | - | - | 33 | - | -33 | - |
| Commissions and fees from life insurance | - | - | 47 | - | -47 | - |
| Commission expenses | - | - | -36 | - | 36 | - |
| Net trading income | 29 | 0 | 0 | -4 | 1 | 27 |
| Net investment income | 4 | - | 0 | 14 | -2 | 16 |
| Other operating income | 8 | 2 | 0 | 108 | -109 | 10 |
| Personnel costs | 119 | 27 | 8 | 41 | 0 | 195 |
| Other administrative expenses | 86 | 30 | 12 | 67 | -82 | 112 |
| Other operating expenses | 68 | 19 | 11 | 30 | -26 | 102 |
| Returns to customer-owners and accrued customer bonuses | 45 | - | - | - | 4 | 49 |
| Share of associates' profits/losses | 0 | 0 | 0 | 0 | 0 | 0 |
| **Earning before tax** | **158** | **62** | **69** | **-30** | **-3** | **257** |
| Income tax expense | | | | | | 61 |
| **Profit for the period** | | | | | | **196** |

| Balance sheet 31 March 2014, EUR million | Banking | Non-life Insurance | Wealth Management | Other operations | Elimi-nations | OP Financial Group |
|---|---|---|---|---|---|---|
| Liquid assets | 130 | 0 | - | 690 | - | 820 |
| Receivables from credit institutions | 4,821 | 5 | 17 | 17,395 | -17,430 | 4,807 |
| Financial assets at fair value through profit or loss | 595 | - | - | -27 | -60 | 508 |
| Derivative contracts | 3,756 | - | - | 259 | -312 | 3,703 |
| Receivables from customers | 69,035 | - | - | 357 | -999 | 68,392 |
| Non-life Insurance assets | - | 4,076 | - | 0 | -304 | 3,771 |
| Life Insurance assets | - | - | 10,845 | - | -731 | 10,114 |
| Investment assets | 4,670 | 16 | 16 | 9,514 | -5,736 | 8,480 |
| Investment in associates | 23 | 2 | 27 | 1 | 1 | 54 |
| Intangible assets | 64 | 720 | 383 | 169 | -5 | 1,332 |
| Property, plant and equipment | 514 | 54 | 9 | 177 | -13 | 740 |
| Other assets | 1,245 | 8 | 31 | 910 | -439 | 1,755 |
| Tax assets | 58 | 3 | 6 | 20 | 22 | 108 |
| **Total assets** | **84,909** | **4,884** | **11,335** | **29,464** | **-26,008** | **104,584** |

| Balance sheet 31 March 2014, EUR million | Banking | Non-life Insurance | Wealth Management | Other operations | Elimi-nations | OP Financial Group |
|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 11,990 | - | - | 4,675 | -15,415 | 1,250 |
| Financial liabilities at fair value through profit or loss | 3 | - | - | - | - | 3 |
| Derivative contracts | 3,507 | - | - | 226 | -343 | 3,390 |
| Liabilities to customers | 47,842 | - | - | 4,590 | -2,852 | 49,581 |
| Non-life Insurance liabilities | - | 3,114 | - | - | -10 | 3,104 |
| Life Insurance liabilities | - | - | 10,155 | - | -38 | 10,117 |
| Debt securities issued to the public | 7,184 | - | - | 18,717 | -1,306 | 24,595 |
| Provisions and other liabilities | 2,467 | 61 | 26 | 1,116 | -503 | 3,168 |
| Tax liabilities | 332 | 101 | 65 | 354 | -2 | 850 |
| Cooperative capital | 729 | - | - | 2,893 | -3,035 | 588 |
| Subordinated liabilities | 179 | 50 | 91 | 955 | -413 | 862 |
| **Total liabilities** | **74,234** | **3,326** | **10,337** | **33,526** | **-23,917** | **97,506** |
| **Equity capital** | | | | | | **7,078** |

## Note 1. Accounting policies

The Interim Report for 1 January–31 March 2015 has been prepared in accordance with the accounting policies of IAS 34 (Interim Financial Reporting) and with those presented in the Consolidated Financial Statements 2014, with the exception of changes in the accounting policies described below.

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

**Amortisation of the effect of a reduction in the discount rate**

OP Financial Group has changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. Previously, the discount rate was subject to quarterly assessment in which case the effect of the change deteriorated the comparability between reporting periods. As a result of the change, OP has since 1 January 2015 assessed changes in the discount rate on a monthly basis and their effects on financial results are spread evenly over the financial year thereby providing more reliable and relevant information on the Group's financial results in accordance with IFRS 4.22. Because this concerns a change in the accounting estimate, no comparatives have been restated. Since the beginning of 2015, a change in the discount rate has also affected the calculation of the operating combined ratio (CR).

**Presentation of Non-life Insurance commission income and expenses**

The presentation of the consolidated financial statements has changed with respect to certain sales and reinsurance commissions related to Non-life Insurance. Items previously presented under "Other operating income" have been, according to its nature, transferred to be presented under "Net commission income". In addition, impairment loss related to non-life insurance has been transferred to "Net income from Non-life Insurance". Likewise, Life Insurance management fees previously presented under "Other operating income" have been transferred to be presented under "Net commissions and fees". These changes will harmonise accounting for commissions and fees related to non-life insurance operations in OP Financial Group and give a more accurate picture of the nature of the items. The changes will have no impact on earnings and segment reporting. OP has applied the changes retrospectively, providing more reliable and relevant information on the Group's financial results.

**Effect on consolidated income statement for 1 Jan.−31 Dec. 2014**

| EUR million | 1 Jan.–31 March 2014 (as presented previously) | Effect of change in accounting policy | 1 Jan.−31 March 2014 (restated) | 1 Jan.–31 Dec. 2014 (as presented previously) | Effect of change in accounting policy | 1 Jan.−31 Dec. 2014 (restated) |
|---|---|---|---|---|---|---|
| Interest income | 651 | | 651 | 2,685 | | 2,685 |
| Interest expenses | 399 | | 399 | 1,642 | | 1,642 |
| **Net interest income before impairment losses** | **251** | | **251** | **1,043** | | **1,043** |
| Impairments of receivables | 10 | | 10 | 88 | | 88 |
| **Net interest income after impairments** | **241** | | **241** | **955** | | **955** |
| Net income from Non-life Insurance operations | 151 | -1 | 150 | 593 | -4 | 589 |
| Net income from Life Insurance operations | 80 | | 80 | 197 | | 197 |
| Net commissions and fees | 198 | -6 | 192 | 727 | -20 | 707 |
| Net trading income | 27 | | 27 | 88 | | 88 |
| Net investment income | 16 | | 16 | 74 | | 74 |
| Other operating income | 13 | -3 | 10 | 64 | -12 | 52 |
| **Total net income** | **726** | **-11** | **715** | **2,698** | **-37** | **2,662** |
| Personnel costs | 195 | | 195 | 741 | | 741 |
| Other administrative expenses | 112 | | 112 | 414 | | 414 |
| Other operating expenses | 113 | -11 | 102 | 437 | -37 | 401 |
| **Total expenses** | **420** | **-11** | **410** | **1,592** | **-37** | **1,555** |
| Returns to customer-owners and accrued customer bonuses | 49 | | 49 | 195 | | 195 |
| Share of associates' profits/losses | 0 | | 0 | 3 | | 3 |
| **Earnings before tax for the period** | **257** | | **257** | **915** | | **915** |
| Income tax expense | 61 | | 61 | 308 | | 308 |
| **Profit for the period** | **196** | | **196** | **607** | | **607** |
| | | | | | | |
| **Attributable to, EUR million** | | | | | | |
| Owners | 195 | | 195 | 599 | | 599 |
| Non-controlling interests | 1 | | 1 | 8 | | 8 |
| **Total** | **196** | | **196** | **607** | | **607** |

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

| | Q1/ 2015 | Q1/ 2014 | Q1–Q4/ 2014 |
|---|---|---|---|
| Return on equity, % | 14.0 | 10.8 | 8.1 |
| Return on equity at fair value, % | 13.3 | 8.4 | 5.7 |
| Return on assets, % | 0.92 | 0.77 | 0.57 |
| Cost/income ratio, % | 51 | 56 | 56 |
| Average personnel | 12,220 | 12,685 | 12,548 |
| Full-time | 11,318 | 11,757 | 11,663 |
| Part-time | 902 | 928 | 885 |

**Return on equity (ROE), %**

$$\frac{\text{Profit for the period}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$$

**Return on equity at fair value, %**

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

**Return on assets (ROA), %**

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

**Equity ratio, %**

$$\frac{\text{Equity capital}}{\text{Total assets}} \times 100$$

**Cost/income ratio, %**

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

**Common Equity Tier 1 ratio, % (CET1)***

$$\frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk-weighted assets}} \times 100$$

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

**Tier 1 ratio, %**

$$\frac{\text{Total Tier 1 capital}}{\text{Total risk-weighted assets}} \times 100$$

**Capital adequacy ratio, %**

$$\frac{\text{Total capital}}{\text{Total risk-weighted assets}} \times 100$$

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

$$\frac{\text{Conglomerate's total capital}}{\text{Conglomerate's total minimum capital requirement}} \times 100$$

**Return on economic capital, %**

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

**Non-life Insurance:**

**Combined ratio (excl. unwinding of discount), %**

Loss ratio + expense ratio
Risk ratio + cost ratio

**Loss ratio (excl. unwinding of discount)**

$$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \text{ x 100}$$

**Expense ratio**

$$\frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \text{ x 100}$$

**Risk ratio (excl. unwinding of discount), %**

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

**Operating combined ratio, %**

Operating loss ratio + Operating expense ratio
Operating risk ratio + operating cost ratio

**Operating risk ratio (excl. unwinding of discount)**

$$\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \text{ x 100}$$

**Operating loss ratio, %**

$$\frac{\text{Claims incurred, excl. changes in reserving bases}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \text{ x 100}$$

**Operating expense ratio**

$$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \text{ x 100}$$

**Cost ratio, %**

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

**Operating cost ratio**

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \text{ x 100}$$

**Solvency ratio, %**

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

**Solvency ratio, %*)**

$$\frac{\text{Capital base}}{\text{Capital requirement (SCR)}} \text{ x 100}$$

*) According to the proposed Solvency II framework

**Life Insurance:**

**Operating cost ratio, %**

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

## Note 3. OP Financial Group quarterly performance

| | 2014 | | | | 2015 |
|---|---|---|---|---|---|
| **EUR million** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** |
| Interest income | 651 | 682 | 692 | 660 | 644 |
| Interest expenses | 399 | 428 | 424 | 391 | 388 |
| **Net interest income** | **251** | **254** | **269** | **269** | **255** |
| Impairments of receivables | 10 | 23 | 17 | 38 | 21 |
| **Net interest income after impairments** | **241** | **231** | **252** | **231** | **234** |
| Net income from Non-life Insurance operations | 150 | 158 | 142 | 138 | 169 |
| Net income from Life Insurance operations | 80 | 41 | 47 | 29 | 104 |
| Net commissions and fees | 192 | 169 | 172 | 175 | 199 |
| Net trading income | 27 | 28 | 28 | 5 | 24 |
| Net investment income | 16 | 30 | 7 | 21 | 19 |
| Other operating income | 10 | 13 | 14 | 14 | 12 |
| Personnel costs | 195 | 190 | 166 | 190 | 214 |
| Other administrative expenses | 112 | 102 | 98 | 101 | 102 |
| Other operating expenses | 102 | 98 | 98 | 102 | 82 |
| Returns to customer-owners and accrued customer bonuses | 49 | 49 | 49 | 48 | 46 |
| Share of associates' profits/losses | 0 | 1 | 0 | 2 | 4 |
| **Earnings before tax for the period** | **257** | **231** | **251** | **176** | **320** |
| Income tax expense | 61 | 155 | 56 | 36 | 63 |
| **Profit for the period** | **196** | **76** | **196** | **140** | **257** |
| **Other comprehensive income** | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Gains/(losses) arising from remeasurement of defined benefit plans | -50 | -15 | -162 | -153 | -175 |
| Items that may be reclassified to profit or loss | | | | | |
| Change in fair value reserve | | | | | |
| Measurement at fair value | -25 | 54 | 14 | 41 | 152 |
| Cash flow hedge | 20 | 22 | 17 | 7 | 7 |
| 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 | -10 | -3 | -32 | -31 | -35 |
| Items that may be reclassified to profit or loss | | | | | |
| Measurement at fair value | -5 | 11 | 3 | 8 | 30 |
| Cash flow hedge | 4 | 4 | 3 | 1 | 1 |
| **Total comprehensive income for the period** | **153** | **125** | **91** | **56** | **245** |

## Note 4. Net interest income

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Loans and other receivables | 322 | 326 | -1 | 1,328 |
| Receivables from credit institutions and central banks | -1 | 2 | | 4 |
| Notes and bonds | 44 | 50 | -12 | 198 |
| Derivatives (net) | | | | |
| Derivatives held for trading | 21 | 30 | -29 | 133 |
| Derivatives under hedge accounting | 15 | 22 | -32 | 64 |
| Ineffective portion of cash flow hedge | 1 | 0 | | 2 |
| Liabilities to credit institutions | -1 | -1 | -16 | -3 |
| Liabilities to customers | -40 | -59 | -32 | -210 |
| Debt securities issued to the public | -90 | -107 | -16 | -424 |
| Subordinated debt | -9 | -9 | 7 | -36 |
| Hybrid capital | -2 | -2 | 14 | -6 |
| Financial liabilities held for trading | 0 | 0 | -51 | 0 |
| Other (net) | -3 | 0 | | -4 |
| **Net interest income before fair value adjustment under hedge accounting** | **256** | **252** | **2** | **1,045** |
| Hedging derivatives | -4 | -75 | -94 | -121 |
| Value change of hedged items | 3 | 75 | -95 | 119 |
| **Total net interest income** | **255** | **251** | **2** | **1,043** |

## Note 5. Impairments of receivables

| EUR million | Q1/2015 | Q1/ 2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Receivables eliminated as loan or guarantee losses | 17 | 8 | | 71 |
| Recoveries of receivables written off | -3 | -3 | -2 | -13 |
| Increase in impairment losses on individually assessed receivables | 24 | 14 | 65 | 110 |
| Decrease in impairment losses on individually assessed receivables | -17 | -7 | | -87 |
| Collectively assessed impairment losses | 1 | -2 | | 7 |
| **Total** | **21** | **10** | | **88** |

## Note 6. Net income from Non-life Insurance

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Net insurance premium revenue | | | | |
| Premiums written | 629 | 618 | 2 | 1,393 |
| Insurance premiums ceded to reinsurers | -22 | -25 | 10 | -54 |
| Change in provision for unearned premiums | -281 | -285 | 1 | -29 |
| Reinsurers' share | 10 | 12 | -17 | 1 |
| **Total** | **336** | **320** | **5** | **1,310** |
| | | | | |
| Net Non-life Insurance claims | | | | |
| Claims paid | 209 | 215 | -3 | 828 |
| Insurance claims recovered from reinsurers | -9 | -4 | | -29 |
| Change in provision for unpaid claims | -3 | -3 | -3 | 61 |
| Reinsurers' share | 15 | -3 | | -15 |
| **Total** | **212** | **205** | **3** | **845** |
| | | | | |
| Net investment income, Non-life Insurance | | | | |
| Interest income | 11 | 15 | -27 | 55 |
| Dividend income | 10 | 11 | -10 | 18 |
| Property | 1 | 1 | 65 | 5 |
| Capital gains and losses | | | | |
| Notes and bonds | 8 | 3 | | 60 |
| Shares and participations | 31 | 30 | 4 | 53 |
| Loans and receivables | - | - | | 0 |
| Property | 0 | 0 | 100 | 0 |
| Derivatives | -1 | -12 | 90 | -22 |
| Fair value gains and losses | | | | |
| Notes and bonds | 2 | 0 | | 2 |
| Shares and participations | 0 | 0 | | -1 |
| Loans and receivables | 1 | 0 | | 1 |
| Property | -1 | 1 | | 2 |
| Derivatives | -6 | 0 | | -2 |
| Impairments | -1 | -1 | 30 | -2 |
| Other | 0 | 0 | | 1 |
| **Total** | **56** | **47** | 19 | **169** |
| | | | | |
| Unwinding of discount | -10 | -11 | 5 | -41 |
| Other | -2 | -1 | -5 | -5 |
| **Net income from Non-life Insurance** | **169** | **150** | **12** | **589** |

## Note 7. Net income from Life Insurance

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Premiums written | 376 | 302 | 24 | 1,230 |
| Reinsurers' share | -5 | -5 | -3 | -23 |
| **Total** | **371** | **297** | **25** | **1,207** |
| | | | | |
| Claims incurred | | | | |
| Benefits paid | -207 | -200 | -3 | -738 |
| Change in provision for unpaid claims | -1 | -3 | 52 | -9 |
| Reinsurers' share | 3 | 2 | 48 | 9 |
| Change in insurance liabilities | | | | |
| Change in life insurance provision | -806 | -197 | | -168 |
| Reinsurers' share | 4 | 0 | | 1 |
| **Total** | **-1,009** | **-399** | | **-905** |
| | | | | |
| Other | -168 | -54 | | -1,215 |
| **Total** | **-805** | **-156** | | **-914** |
| | | | | |
| Net investment income, Life Insurance | | | | |
| Interest income | 11 | 12 | -6 | 50 |
| Dividend income | 16 | 17 | -6 | 42 |
| Property | 1 | 0 | | 0 |
| Capital gains and losses | | | | |
| Notes and bonds | 10 | 3 | | 33 |
| Shares and participations | 45 | 38 | 19 | 63 |
| Loans and receivables | 1 | 0 | | 1 |
| Property | 0 | 0 | | 0 |
| Derivatives | -25 | -8 | | 249 |
| Fair value gains and losses | | | | |
| Notes and bonds | 2 | 0 | | 1 |
| Shares and participations | 0 | 0 | | -1 |
| Loans and receivables | 0 | 0 | | 1 |
| Property | 0 | 0 | 34 | 1 |
| Derivatives | 85 | 81 | 4 | 40 |
| Impairments | -4 | -6 | 38 | -13 |
| Other | 0 | 7 | -98 | 1 |
| Assets serving as cover for unit-linked policies | | | | |
| Shares and participations | | | | |
| Capital gains and losses | 31 | 16 | 99 | 81 |
| Fair value gains and losses | 721 | 63 | | 511 |
| Other | 14 | 12 | 17 | 51 |
| **Total** | **909** | **236** | | **1,111** |
| | | | | |
| **Net income from Life Insurance** | **104** | **80** | **30** | **197** |

## Note 8. Net commissions and fees

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Commission income | | | | |
| Lending | 52 | 55 | -7 | 207 |
| Deposits | 1 | 1 | -4 | 5 |
| Payment transfers | 60 | 56 | 8 | 238 |
| Securities brokerage | 7 | 6 | 2 | 23 |
| Securities issuance | 3 | 3 | 19 | 11 |
| Mutual funds brokerage | 34 | 23 | 47 | 109 |
| Asset management and legal services | 24 | 24 | -2 | 82 |
| Insurance brokerage | 31 | 31 | 0 | 67 |
| Guarantees | 5 | 5 | 0 | 22 |
| Other | 22 | 23 | -7 | 95 |
| **Total** | **239** | **228** | **5** | **859** |
| Commission expenses | 39 | 37 | 7 | 152 |
| **Net commissions and fees** | **199** | **192** | **4** | **707** |

## Note 9. Net trading income

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Capital gains and losses | | | | |
| Notes and bonds | 1 | 4 | -68 | 7 |
| Shares and participations | 2 | 2 | 18 | 4 |
| Derivatives | 44 | -2 | | 25 |
| Changes in fair value | | | | |
| Notes and bonds | 0 | 1 | -80 | 2 |
| Shares and participations | 4 | 0 | | 1 |
| Derivatives | -25 | 16 | | 21 |
| Dividend income | 0 | 0 | 34 | 1 |
| Net income from foreign exchange operations | -3 | 7 | | 28 |
| **Total** | **24** | **27** | **-12** | **88** |

## Note 10. Net investment income

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Available-for-sale financial assets | | | | |
| Capital gains and losses | | | | |
| Notes and bonds | 4 | 10 | -54 | 15 |
| Shares and participations | 7 | 1 | | 23 |
| Dividend income | 7 | 7 | 2 | 39 |
| Impairment losses | 0 | -3 | -92 | -4 |
| Carried at amortised cost | | | | |
| Capital gains and losses | -2 | 0 | | 0 |
| **Total** | **16** | **15** | **4** | **73** |
| | | | | |
| Investment property | | | | |
| Rental income | 11 | 11 | 0 | 43 |
| Maintenance charges and expenses | -7 | -8 | 11 | -36 |
| Changes in fair value, capital gains and losses | 0 | -1 | -69 | -6 |
| Other | 0 | 0 | -10 | 0 |
| **Total** | **3** | **1** | | **1** |
| Other | - | 0 | -100 | 0 |
| **Net investment income** | **19** | **16** | **16** | **74** |

## Note 11. Other operating income

| EUR million | Q1/2015 | Q1/2014 | Change, % | Q1–Q4/ 2014 |
|---|---|---|---|---|
| Income from property and business premises in own use | 4 | 5 | -10 | 15 |
| Rental income from assets rented under operating lease | 1 | 1 | 43 | 3 |
| Other | 6 | 4 | 45 | 33 |
| **Total** | **12** | **10** | **19** | **52** |

## Note 12. Classification of financial assets and liabilities

| EUR million | Loans and other receivables | Invest-ments held to maturity | Financial assets at fair value through profit or loss* | Available-for-sale financial assets | Hedging derivatives | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 4,355 | - | - | - | - | 4,355 |
| Receivables from credit institutions | 480 | - | - | - | - | 480 |
| Derivative contracts | - | - | 7,125 | - | 605 | 7,731 |
| Receivables from customers | 71,357 | - | - | - | - | 71,357 |
| Non-life Insurance assets** | 824 | - | 191 | 3,114 | - | 4,129 |
| Life Insurance assets*** | 225 | - | 8,725 | 3,551 | - | 12,502 |
| Notes and bonds | - | 139 | 326 | 9,364 | - | 9,830 |
| Shares and participations | - | - | 76 | 514 | - | 591 |
| Other financial assets | 2,523 | - | - | - | - | 2,523 |
| **Financial assets** | **79,765** | **139** | **16,444** | **16,544** | **605** | **113,498** |
| Other than financial instruments | | | | | | 2,892 |
| **Total 31 March 2015** | **79,765** | **139** | **16,444** | **16,544** | **605** | **116,389** |
| **Total 31 March 2014** | **79,472** | **216** | **10,647** | **13,752** | **497** | **104,584** |
| **Total 31 Dec. 2014** | **80,915** | **191** | **13,620** | **15,129** | **572** | **110,427** |

| EUR million | Financial liabilities at fair value through profit or loss | Other liabilities | Hedging derivatives | Total |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Liabilities to credit institutions | - | 2,106 | - | 2,106 |
| Financial liabilities held for trading (excl. derivatives) | 1 | - | - | 1 |
| Derivative contracts | 6,321 | - | 364 | 6,685 |
| Liabilities to customers | - | 51,429 | - | 51,429 |
| Non-life Insurance liabilities**** | 2 | 3,357 | - | 3,360 |
| Life Insurance liabilities***** | 8,507 | 3,831 | - | 12,338 |
| Debt securities issued to the public | - | 26,054 | - | 26,054 |
| Subordinated loans | - | 1,046 | - | 1,046 |
| Other financial liabilities | - | 3,377 | - | 3,377 |
| **Financial liabilities** | **14,831** | **91,201** | **364** | **106,396** |
| Other than financial liabilities | | | | 2,282 |
| **Total 31 March 2015** | **14,831** | **91,201** | **364** | **108,678** |
| **Total 31 March 2014** | **9,656** | **87,598** | **252** | **97,506** |
| **Total 31 Dec. 2014** | **12,630** | **90,198** | **386** | **103,214** |

*Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies and investment contracts.
**Non-life Insurance assets are specified in Note 14.
***Life Insurance assets are specified in Note 15.
****Non-life Insurance liabilities are specified in Note 16.
*****Life Insurance liabilities are specified in Note 17.

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March, the fair value of these debt instruments was approximately EUR 540 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Subordinated liabilities are carried at amortised cost.

## Note 13. Recurring fair value measurements by valuation technique

| Fair value of assets on 31 March 2015, EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Banking | 154 | 248 | - | 403 |
| Non-life Insurance | - | 10 | - | 10 |
| Life Insurance* | 8,128 | 346 | 7 | 8,481 |
| Derivative financial instruments | | | | |
| Banking | 6 | 7,501 | 224 | 7,731 |
| Non-life Insurance | 1 | 19 | - | 20 |
| Life Insurance | - | 143 | - | 143 |
| Available-for-sale | | | | |
| Banking | 7,361 | 2,497 | 20 | 9,878 |
| Non-life Insurance | 1,631 | 1,219 | 264 | 3,114 |
| Life Insurance | 1,960 | 1,234 | 357 | 3,551 |
| **Total** | **19,242** | **13,218** | **873** | **33,332** |

*Includes 8,472 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 8,128 million and Level 2 for 344 million euros.

| Fair value of assets on 31 Dec 2014, EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Banking | 183 | 244 | 0 | 427 |
| Non-life Insurance | - | 7 | - | 7 |
| Life Insurance* | 7,202 | 289 | 7 | 7,499 |
| Derivative financial instruments | | | | |
| Banking | 7 | 5,711 | 202 | 5,920 |
| Non-life Insurance | 1 | 11 | - | 12 |
| Life Insurance | - | 66 | - | 66 |
| Available-for-sale | | | | |
| Banking | 6,631 | 2,150 | 27 | 8,807 |
| Non-life Insurance | 1,546 | 1,156 | 258 | 2,960 |
| Life Insurance | 1,944 | 1,076 | 341 | 3,362 |
| **Total** | **17,514** | **10,710** | **835** | **29,060** |

*Includes 7,492 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 7,202 million euros and Level 2 for 289 million euros.

| **Fair value of liabilities on 31 March 2015, EUR million** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Banking | - | 1 | - | 1 |
| Life Insurance* | 8,155 | 347 | | 8,502 |
| Derivative financial instruments | | | | |
| Banking | 39 | 6,542 | 104 | 6,685 |
| Non-life Insurance | 2 | 0 | - | 2 |
| Life Insurance | - | 5 | - | 5 |
| **Total** | **8,197** | **6,894** | **104** | **15,195** |

| **Fair value of liabilities on 31 Dec 2014, EUR million** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Banking | - | 4 | - | 4 |
| Life Insurance* | 7,223 | 290 | - | 7,513 |
| Derivative financial instruments | | | | |
| Banking | 57 | 5,303 | 130 | 5,489 |
| Non-life Insurance | 2 | 0 | - | 2 |
| Life Insurance | - | 8 | - | 8 |
| **Total** | **7,282** | **5,604** | **130** | **13,016** |

*Includes the fair value of liabilities of unit-linked policies and unit-linked investment contracts.

**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 2015, EUR 56.3 million were transferred from level 1 to 2 and EUR 16.7 million in bonds were transferred from level 2 to level 1, due to changes in credit ratings.

**Reconciliation of Level 3 items**

**Specification of financial assets and liabilities**

| Financial assets, EUR million | Financial assets at fair value through profit or loss | | Derivative contracts | | Available-for-sale financial assets | | |
|---|---|---|---|---|---|---|---|
| | Banking | Insurance | Banking | Insurance | Banking | Insurance | Total assets |
| Opening balance 1 Jan 2015 | 0 | 7 | 202 | - | 27 | 599 | 835 |
| Total gains/losses in profit or loss | 0 | 0 | 22 | - | 1 | -13 | 10 |
| Total gains/losses in other comprehensive income | - | - | - | - | 1 | 44 | 45 |
| Purchases | - | - | - | - | 1 | 13 | 13 |
| Sales | | - | - | - | -10 | -22 | -32 |
| **Closing balance 31 March 2015** | **-** | **7** | **224** | **-** | **20** | **621** | **873** |

| Financial liabilities, EUR million | Financial assets at fair value through profit or loss | | Derivative contracts | | |
|---|---|---|---|---|---|
| | Banking | Insurance | Banking | Insurance | Total assets |
| Opening balance 1 Jan 2015 | - | - | 130 | - | 130 |
| Total gains/losses in profit or loss | - | - | -25 | - | -25 |
| **Closing balance 31 March 2015** | **-** | **-** | **104** | **-** | **104** |

**Total gains/losses included in profit or loss by item on 31 March 2015**

| EUR Million | Net interest income or net trading income | Net investment income | Net income from Non-life Insurance | Net income from Life Insurance | Statement of comprehensive income/ Change in fair value reserve | Net gains/losses on assets and liabilities held on 31 March |
|---|---|---|---|---|---|---|
| Realised net gains (losses) | 0 | - | -1 | -12 | - | **-13** |
| Unrealised net gains (losses) | 47 | 1 | 11 | 33 | 45 | **138** |
| **Total net gains (losses)** | **47** | **1** | **10** | **22** | **45** | **125** |

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. Level 3 derivatives relate to structured bonds issued by Pohjola, whose return is determined by the value performance of an embedded derivative instrument. 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 2015.

## Note 14. Non-life Insurance assets

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Investments | | | | |
| Loan and other receivables | 48 | 19 | | 14 |
| Shares and participations | 477 | 389 | 23 | 463 |
| Property | 161 | 152 | 5 | 161 |
| Notes and bonds | 2,467 | 2,194 | 12 | 2,297 |
| Derivatives | 20 | 0 | | 12 |
| Other participations | 180 | 294 | -39 | 207 |
| **Total** | **3,353** | **3,049** | **10** | **3,154** |
| Other assets | | | | |
| Prepayments and accrued income | 31 | 38 | -17 | 33 |
| Other | | | | |
| Arising from direct insurance operations | 546 | 483 | 13 | 404 |
| Arising from reinsurance operations | 102 | 111 | -8 | 100 |
| Cash in hand and at bank | 6 | 8 | -25 | 41 |
| Other receivables | 90 | 83 | 9 | 66 |
| **Total** | **776** | **722** | **7** | **643** |
| **Non-life Insurance assets** | **4,129** | **3,771** | **10** | **3,797** |

## Note 15. Life Insurance assets

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Investments | | | | |
| Loan and other receivables | 76 | 67 | 13 | 59 |
| Shares and participations | 962 | 1,161 | -17 | 1,160 |
| Property | 101 | 108 | -7 | 101 |
| Notes and bonds | 2,599 | 1,990 | 31 | 2,209 |
| Derivatives | 143 | 136 | 5 | 66 |
| **Total** | **3,881** | **3,463** | **12** | **3,594** |
| Assets covering unit-linked insurance contracts | | | | |
| Shares, participations and other investments | 8,472 | 6,521 | 30 | 7,492 |
| Other assets | | | | |
| Prepayments and accrued income | 52 | 47 | 12 | 49 |
| Other | | | | |
| Arising from direct insurance operations | 3 | 5 | -42 | 11 |
| Arising from reinsurance operations | 82 | 76 | | 79 |
| Cash in hand and at bank | 12 | 3 | | 13 |
| **Total** | **149** | **130** | **14** | **153** |
| **Life Insurance assets** | **12,502** | **10,114** | **24** | **11,238** |

## Note 16. Non-life Insurance liabilities

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Provision for unpaid claims | | | | |
| Provision for unpaid claims for annuities | 1,335 | 1,261 | 6 | 1,316 |
| Other provision for unpaid claims | 886 | 847 | 5 | 886 |
| Reserve for decreased discount rate* | 12 | | | 12 |
| Total | 2,233 | 2,108 | 6 | 2,213 |
| Provisions for unearned premiums | 804 | 778 | 3 | 523 |
| Other liabilities | 322 | 218 | 48 | 235 |
| **Total** | **3,360** | **3,104** | **8** | **2,972** |

*Value of hedges of insurance liability

## Note 17. Life Insurance liabilities

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Liabilities for unit-linked insurance | 6,954 | 5,227 | 33 | 6,164 |
| Investment contracts | 1,548 | 1,287 | 20 | 1,349 |
| Insurance liabilities | 3,678 | 3,445 | 7 | 3,649 |
| Other liabilities | 157 | 158 | 0 | 68 |
| **Total** | **12,338** | **10,117** | **22** | **11,230** |

Insurance liabilities include EUR 114 million (47) in value dependent on valuation tied to market interest rates. A one percentage-point increase in interest rates reduces insurance liabilities by EUR 209 million.

## Note 18. Debt securities issued to the public

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Bonds | 11,046 | 9,928 | 11 | 10,100 |
| Covered bonds | 7,837 | 6,889 | 14 | 7,811 |
| Certificates of deposit, commercial papers and ECPs | 7,156 | 7,742 | -8 | 7,031 |
| Other | 16 | 35 | -56 | 14 |
| **Total** | **26,054** | **24,595** | **6** | **24,956** |

## Note 19. Fair value reserve after income tax

| EUR million | Available-for-sale financial assets: Notes and bonds | Available-for-sale financial assets: Shares, participations and mutual funds | Cash flow hedging | Total |
|---|---|---|---|---|
| **Opening balance 1 Jan. 2014** | **63** | **238** | **27** | **328** |
| Fair value changes | 54 | 26 | 29 | 109 |
| Capital gains transferred to income statement | -7 | -73 | - | -79 |
| Impairment loss transferred to income statement | - | 0 | - | 0 |
| Transfers to net interest income | - | - | -7 | -7 |
| Holdings in Pohjola Bank plc purchased from non-controlling interests | -8 | -19 | -2 | -29 |
| Deferred tax | -8 | 13 | -4 | 1 |
| **Closing balance 31 March 2014** | **95** | **185** | **43** | **323** |

| EUR million | Available-for-sale financial assets: Notes and bonds | Available-for-sale financial assets: Shares, participations and mutual funds | Cash flow hedging | Total |
|---|---|---|---|---|
| **Opening balance 1 Jan. 2015** | **139** | **206** | **80** | **425** |
| Fair value changes | 98 | 109 | 16 | 223 |
| Capital gains transferred to income statement | -10 | -55 | - | -64 |
| Impairment loss transferred to income statement | - | 2 | - | 2 |
| Transfers to net interest income | - | - | -9 | -9 |
| Deferred tax | -18 | -11 | -1 | -30 |
| **Closing balance 31 March 2015** | **210** | **251** | **86** | **546** |

The fair value reserve before tax amounted to EUR 683 million (531) and the related deferred tax liability amounted to EUR 136 million (106). On 31 March, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 360 million (315) million and negative mark-to-market valuations EUR 7 million (15).

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

## Note 20. Impairment loss and doubtful receivables

| Receivables from credit institutions and customers, and impairment loss, EUR million | 31 March 2015 | 31 Dec 2014 |
|---|---|---|
| Receivables from credit institutions and customers (gross) | 72,327 | 71,851 |
| Total impairment loss, of which | 490 | 483 |
| Individually assessed | 424 | 417 |
| Collectively assessed | 66 | 65 |
| **Receivables from credit institutions and customers (net)** | **71,837** | **71,369** |

| Doubtful receivables 31 March 2015, EUR million | Performing receivables from credit institutions and customers (gross) | Non-performing receivables from credit institutions and customers (gross) | Receivables from credit institutions and customers, total (gross) | Individually assessed | Receivables from credit institutions and customers (net) |
|---|---|---|---|---|---|
| More than 90 days past due | | 514 | 514 | 236 | 278 |
| Classified as defaulted | | 625 | 625 | 154 | 471 |
| **Forborne receivables** | | | | | |
| Zero-interest | 4 | 2 | 6 | 1 | 6 |
| Renegotiated | 1,006 | 163 | 1,168 | 33 | 1,136 |
| **Total** | **1,010** | **1,304** | **2,314** | **424** | **1,890** |

| Doubtful receivables 31 Dec 2014, EUR million | Performing receivables from credit institutions and customers (gross) | Non-performing receivables from credit institutions and customers (gross) | Receivables from credit institutions and customers, total (gross) | Individually assessed | Receivables from credit institutions and customers (net) |
|---|---|---|---|---|---|
| More than 90 days past due | | 511 | 511 | 241 | 270 |
| Classified as defaulted | | 507 | 507 | 149 | 359 |
| **Forborne receivables** | | | | | |
| Zero-interest | 7 | 1 | 8 | 1 | 8 |
| Renegotiated | 836 | 205 | 1,041 | 27 | 1,014 |
| **Total** | **985** | **1,225** | **2,067** | **417** | **1,650** |

| Key ratio, % | 31 March 2015 | 31 Dec 2014 |
|---|---|---|
| Exposures individually assessed for impairment, % of doubtful receivables | 18.3 % | 20.2 % |

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 more than three months. Contracts with the lowest two credit ratings (11-12) are reported as defaulted. Forborne receivables include zero-interest and receivables that have been renegotiated due to the customer's financial difficulties. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6-12 months. Underpriced receivables previously reported under doubtful receivables have been removed from the definition of forborne loans.

### Note 21. Capital structure and capital adequacy

The Group has presented its capital base and capital adequacy in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

| **Capital structure and capital adequacy, EUR million** | **31 March 2015** | **31 March 2014** | **Change, %** | **31 Dec 2014** |
|---|---|---|---|---|
| OP Financial Group's equity capital | 7,711 | 7,078 | 9 | 7,213 |
| The effect of insurance companies on the Group's shareholders' equity is excluded | -170 | -262 | -35 | -40 |
| Fair value reserve, cash flow hedging | -86 | -43 | 99 | -80 |
| Supplementary cooperative capital to which transitional provision applies | 169 | 494 | | 192 |
| **Common Equity Tier 1 (CET1) before deductions** | **7,625** | **7,267** | **5** | **7,285** |
| Intangible assets | -457 | -426 | 7 | -450 |
| Excess funding of pension liability and valuation adjustments | -1 | -54 | -98 | -1 |
| Planned profit distribution and profit distribution unpaid for the previous period | -35 | -12 | | -22 |
| Unrealised gains under transitional provisions | - | -96 | -100 | -90 |
| Shortfall of impairments – expected losses | -289 | -378 | -24 | -339 |
| **Common Equity Tier 1 (CET1)** | **6,843** | **6,300** | **9** | **6,384** |
| Instruments included in other Tier 1 capital | | | | |
| Subordinated loans to which transitional provision applies | 141 | 161 | | 161 |
| **Additional Tier 1 capital (AT1)** | **141** | **161** | | **161** |
| **Tier 1 capital (T1)** | **6,983** | **6,461** | **8** | **6,544** |
| Debenture loans | 708 | 669 | 6 | 708 |
| OVY's equalisation provision | 36 | 230 | -84 | 35 |
| Unrealised gains under transitional provisions | - | 40 | -100 | 29 |
| **Tier 2 Capital (T2)** | **744** | **940** | **-21** | **772** |
| **Total capital base** | **7,727** | **7,401** | **4** | **7,316** |
| **Risk-weighted assets** | | | | |
| Credit and counterparty risk | 35,979 | 36,518 | -1 | 37,693 |
| Central government and central banks exposure | 23 | 22 | 1 | 30 |
| Credit institution exposure | 1,302 | 1,258 | 4 | 1,275 |
| Corporate exposure | 19,743 | 20,088 | -2 | 21,173 |
| Retail exposure | 5,208 | 5,255 | -1 | 5,234 |
| Equity investments*) | 7,614 | 7,881 | -3 | 7,663 |
| Other**) | 2,089 | 2,014 | 4 | 2,318 |
| Market risk | 1,480 | 957 | 55 | 1,377 |
| Operational risk | 3,477 | 3,182 | 9 | 3,182 |
| **Total** | **40,937** | **40,656** | **1** | **42,252** |

| Ratios, % | 31 March 2015 | 31 March 2014 | Change, percentage point | 31 Dec 2014 |
|---|---|---|---|---|
| CET1 capital ratio | 16.7 | 15.5 | 1.2 | 15.1 |
| Tier 1 ratio | 17.1 | 15.9 | 1.2 | 15.5 |
| Capital adequacy ratio | 18.9 | 18.2 | 0.7 | 17.3 |

| Basel I floor, EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Capital base | 7,727 | 7,401 | 4 | 7,316 |
| Basel I capital requirements floor | 3,730 | 3,528 | 6 | 3,642 |
| Capital buffer for Basel I floor | 3,997 | 3,873 | 3 | 3,674 |

**Leverage ratio**

| EUR million | 31 March 2015 | 31 Dec 2014 |
|---|---|---|
| Tier 1 capital (T1) | 6,983 | 6,544 |
| Total exposure | 105,576 | 102,050 |
| Leverage ratio, % | 6.6 | 6.4 |

*) The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP Financial Group.

**) EUR 354 million of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

OP Financial Group has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans A total of 70% of the amounts outstanding on 31 December 2012 are included in the capital base.

Unrealised valuations are included in CET1 capital. Negative unrealised valuations a year ago were included in CET1 capital and positive unrealised valuations in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

The leverage ratio that describes a company's debt levels is presented in accordance with the new draft rules. According to these rules, the minimum leverage ratio is three per cent. The calculated leverage ratio is based on March-end figures.

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

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| OP Financial Group's equity capital | 7,711 | 7,078 | 9 | 7,213 |
| Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds | 1,029 | 1,335 | -23 | 1,072 |
| Other sector-specific items excluded from capital base | -70 | -81 | -13 | -72 |
| Goodwill and intangible assets | -1,287 | -1,300 | -1 | -1,286 |
| Equalisation provisions | -182 | -202 | -10 | -179 |
| Proposed profit distribution | -35 | -12 | | -22 |
| Items under IFRS deducted from capital base* | -18 | -83 | -78 | -79 |
| Shortfall of impairments – expected losses | -263 | -352 | -25 | -313 |
| **Conglomerate's capital base, total** | **6,884** | **6,383** | **8** | **6,334** |
| Regulatory capital requirement for credit institutions** | 3,621 | 2,737 | 32 | 2,864 |
| Regulatory capital requirement for insurance operations*** | 495 | 455 | 9 | 485 |
| **Conglomerate's total minimum capital requirement** | **4,116** | **3,191** | **29** | **3,350** |
| **Conglomerate's capital adequacy** | **2,768** | **3,191** | **-13** | **2,984** |
| **Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)** | **167** | **200** | | **189** |

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

** Risk-weighted assets x 10.5%

*** Minimum solvency margin

## Note 23. Collateral given

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| **Collateral given on behalf of own liabilities and commitments** | | | | |
| Mortgages | 1 | 1 | | 1 |
| Pledges | 5 | 7 | -22 | 6 |
| Loans (as collateral for covered bonds) | 9,258 | 8,697 | 6 | 8,937 |
| Other | 1,469 | 518 | | 999 |
| Other collateral given | | | | |
| Pledges* | 5,109 | 5,973 | -14 | 6,273 |
| **Total** | **15,843** | **15,196** | **4** | **16,216** |
| Other secured liabilities | 513 | 468 | 10 | 474 |
| Covered bonds | 7,837 | 6,889 | 14 | 7,811 |
| **Total secured liabilities** | **8,350** | **7,357** | **14** | **8,285** |

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

## Note 24. Off-balance-sheet items

| EUR million | 31 March 2015 | 31 March 2014 | Change, % | 31 Dec 2014 |
|---|---|---|---|---|
| Guarantees | 836 | 928 | -10 | 878 |
| Other guarantee liabilities | 1,990 | 1,974 | 1 | 2,007 |
| Pledges | 3 | 3 | | 3 |
| Loan commitments | 9,446 | 8,665 | 9 | 8,839 |
| Commitments related to short-term trade transactions | 262 | 206 | 27 | 319 |
| Other | 578 | 472 | 22 | 522 |
| **Total off-balance-sheet items** | **13,114** | **12,249** | **7** | **12,567** |

## Note 25. Derivative contracts

| | Nominal values / remaining term to maturity | | | | Fair values* | |
|---|---|---|---|---|---|---|
| **31 March 2015, EUR million** | **<1 year** | **1-5 years** | **>5 years** | **Total** | **Assets** | **Liabilities** |
| Interest rate derivatives | 53,214 | 99,993 | 56,750 | 209,957 | 6,170 | 5,566 |
| Cleared by the central counterparty | 4,408 | 29,881 | 20,180 | 54,469 | 1,130 | 1,258 |
| Currency derivatives | 20,197 | 9,325 | 5,917 | 35,438 | 2,131 | 1,639 |
| Equity and index derivatives | 264 | 202 | - | 465 | 52 | 0 |
| Credit derivatives | 9 | 72 | 104 | 186 | 15 | 3 |
| Other derivatives | 527 | 582 | 46 | 1,155 | 97 | 62 |
| **Total derivatives** | **74,211** | **110,174** | **62,817** | **247,202** | **8,466** | **7,269** |

| | Nominal values / remaining term to maturity | | | | Fair values* | |
|---|---|---|---|---|---|---|
| **31 Dec 2014, EUR million** | **<1 year** | **1-5 years** | **>5 years** | **Total** | **Assets** | **Liabilities** |
| Interest rate derivatives | 52,318 | 94,284 | 48,599 | 195,201 | 5,144 | 4,719 |
| Cleared by the central counterparty | 4,370 | 24,526 | 15,008 | 43,904 | 876 | 867 |
| Currency derivatives | 16,170 | 9,028 | 5,639 | 30,837 | 1,034 | 975 |
| Equity and index-linked derivatives | 266 | 285 | - | 551 | 37 | 1 |
| Credit derivatives | 9 | 73 | 102 | 184 | 12 | 5 |
| Other derivatives | 232 | 840 | 56 | 1,129 | 73 | 67 |
| **Total derivatives** | **68,995** | **104,510** | **54,396** | **227,901** | **6,301** | **5,766** |

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

## Note 26. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

**Financial assets**

| 31 March 2015, 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 | 8,823 | -1,092 | 7,731 | -4,734 | -1,554 | 1,443 |
| Life Insurance derivatives | 143 | - | 143 | -5 | - | 139 |
| Non-life Insurance derivatives | 20 | - | 20 | -1 | - | 19 |
| **Total derivatives** | **8,986** | **-1,092** | **7,894** | **-4,740** | **-1,554** | **1,601** |

**Financial liabilities**

| 31 March 2015, 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 | 7,899 | -1,214 | 6,685 | -4,734 | -1,261 | 690 |
| Life Insurance derivatives | 5 | - | 5 | -5 | - | 0 |
| Non-life Insurance derivatives | 2 | - | 2 | -1 | - | 1 |
| **Total derivatives** | **7,906** | **-1,214** | **6,692** | **-4,740** | **-1,261** | **691** |

**Financial assets**

| 31 Dec 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 | 6,791 | -871 | 5,920 | -3,956 | -722 | 1,242 |
| Life Insurance derivatives | 66 | - | 66 | -8 | - | 58 |
| Non-life Insurance derivatives | 12 | - | 12 | -1 | - | 11 |
| **Total derivatives** | **6,869** | **-871** | **5,998** | **-3,965** | **-722** | **1,311** |

**Financial liabilities**

| 31 Dec 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 | 6,351 | -862 | 5,489 | -3,956 | -862 | 671 |
| Life Insurance derivatives | 8 | - | 8 | -8 | - | 0 |
| Non-life Insurance derivatives | 2 | - | 2 | -1 | - | 2 |
| **Total derivatives** | **6,361** | **-862** | **5,499** | **-3,965** | **-862** | **672** |

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -122 (9) million euros.

**Fair values excluding accrued interest

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

**Central counterparty clearing for OTC derivatives**

In February 2013, OP Financial Group adopted central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. 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 OP Financial Group will apply to derivative transactions between OP Financial Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

## Note 27. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2014.

OP Financial Group's financial performance will be presented to the media by Executive Chairman and CEO Reijo Karhinen in a press conference on 29 April 2015 at 12 noon at Vääksyntie 4, Vallila, Helsinki.

Pohjola Bank plc will publish its own Interim Report.

**Financial reporting in 2015**

Schedule for Interim Reports in 2015:

| | |
|---|---|
| Interim Report H1/2015 | 5 August 2015 |
| Interim Report Q1−3/2015 | 28 October 2015 |

**OP Cooperative**
**Executive Board**

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