Pohjola Bank plc´s

Interim Report for 1 January—31 March 2013

Pohjola

Pohjola Group Performance for January–March [1)]

- Consolidated earnings before tax came to EUR 131 million (103) and consolidated earnings before tax at fair value amounted to EUR 114 million (336). Return on equity was 14.8% (13.5). Core Tier 1 ratio stood at 10.7% (10.6).
- Banking earnings before tax decreased to EUR 54 million (65). These included EUR 6 million (8) in impairment losses on receivables. The loan portfolio grew by 1.6% from its level at the turn of the year and by 7% in the year to March. The average corporate loan portfolio margin was 1.49% (1.52).
- Within Non-life Insurance, insurance premium revenue rose by 10%. The combined ratio improved substantially, coming to 94.2% (102.1). Excluding changes in reserving bases and amortisation on intangible assets arising from company acquisition, the operating combined ratio stood at 92.4% (100.1). Return on investments at fair value was 1.1% (4.8).
- Earnings before tax posted by Asset Management amounted to EUR 5 million (6) and assets under management were EUR 34.2 billion (32.7) at the end of the reporting period.
- The Group Functions reported earnings of EUR 17 million (17) before tax. The figure included EUR 12 million (1) in capital gains on notes and bonds.
- Cost savings out of the EUR 25 million estimated for 2013 based on the efficiency-enhancement programme amounted to EUR 7 million.
- Unchanged outlook: Consolidated earnings before tax in 2013 are expected to be higher than in 2012. It is estimated that Non-life Insurance's operating combined ratio will vary between 89 and 93%. For more detailed information on the outlook, see "Outlook for the rest of 2013" below.

Earnings before tax, € million	**Q1/ 2013**	**Q1/ 2012**	**Change, %**	**2012**
Banking	54	65	-18	221
Non-life Insurance	55	15	266	92
Asset Management	5	6	-13	32
Group Functions	17	17	-1	27
Total	**131**	**103**	**27**	**372**
Change in fair value reserve	-17	233	-107	418
Earnings before tax at fair value	**114**	**336**	**-66**	**790**
Earnings per share, €	0.31	0.25		0.89
Equity per share, €	8.47	7.62		8.67
Average personnel	2,655	3,403		3,421

Financial targets	**Q1/ 2013**	**Q1/ 2012**	**2012**	**Target**
Return on equity, %	14.8	13.5	11.2	13
Core Tier 1 ratio, %	10.7	10.1	10.6	≥ 11
Operating cost/income ratio by Banking, %	40	34	34	< 35
Operating combined ratio by Non-life Insurance, %	92.4	100.1	90.5	< 92
Operating expense ratio by Non-life Insurance, %	19.9	23.9	21.5	18
Solvency ratio by Non-life Insurance, %	77	85	81	70
Operating cost/income ratio by Asset Management, %	58	53	47	< 45
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors' level	2	2	2	2
Dividend payout ratio at least 50%, provided that Core Tier 1 ratio remains at least 10%			51	≥ 50

1) Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2012 are used as comparatives. As a result of change in the recognition of defined benefit pension plans, the comparatives have been restated.

President and CEO Mikael Silvennoinen:

We got off to a good start in 2013. Consolidated earnings before tax amounted to EUR 131 million and the return on equity was almost 15%.

Non-life Insurance showed a good balance on technical account during the first quarter that is typically a difficult period. Insurance premium revenue increased by 10%, showing a growth rate that was still above the market average. Claims expenditure developed favourably and operating expenses were lower than a year ago. In addition, capital gains arising from investments improved earnings reported by Non-life Insurance.

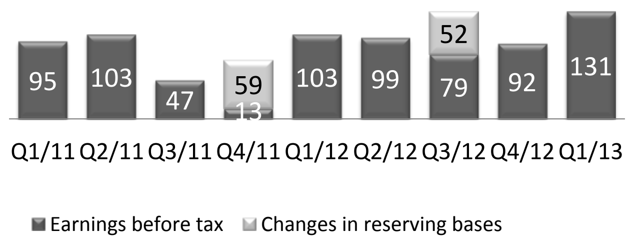
Banking earnings were lower than the year before due to a decrease in income generated by Markets. The loan portfolio increased by around 2% and the Corporate Banking net interest income by 5%. Net loan losses and impairment losses remained low and decreased from their level a year ago.

Within Asset Management, assets under management increased as a result of good progress in net asset inflows and positive developments in market values.

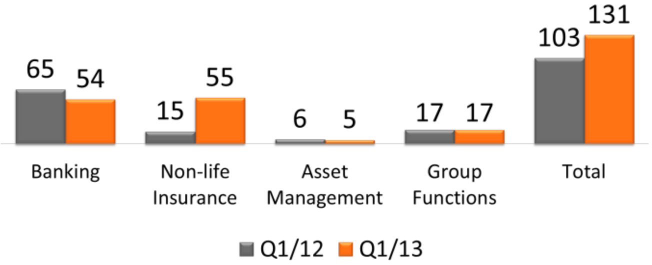
Omasairaala Oy began to operate in early 2013. The hospital has met with a favourable reception among customers.

Thanks to the efficiency-enhancement programme, Group expenses were 2% lower than a year ago. Cost savings out of the EUR 25 million estimated for 2013 came to EUR 7 million during the first quarter, resulting mainly from a reduction in personnel. The programme is proceeding as planned.

Consolidated earnings before tax by quarter, € million



Consolidated earnings before tax by business line, € million



Pohjola Group Interim Report for 1 January–31 March 2013

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Operating environment

World economic survey results have revealed improved sentiments but, based on statistics, there was not much to support optimism, especially in the euro area. Global economic development was uneven. Industrial production and consumer spending showed a reasonable growth rate in the USA whereas the euro area economies remained weak.

The euro area financial markets remained relatively stable. Nevertheless, Italy's post-election political gridlock and the Cypriot bailout package made markets somewhat nervous temporarily.

With improved confidence, banks repaid three-year ECB loans early. However, market liquidity remained ample. The ECB kept its main refinancing rate at 0.75% and market interest rates remained low.

Finland showed weak economic development during the first quarter, with retail trade sales falling, exports remaining stagnant, industrial production shrinking and the unemployment rate rising slightly. On the positive side, inflation decelerated.

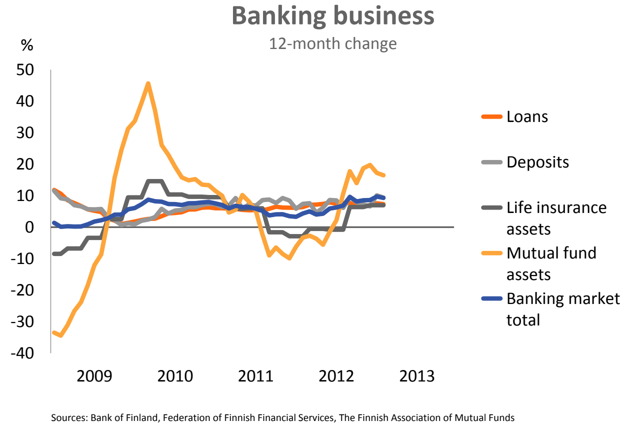
The world economic outlook for 2013 is weaker than the average. The euro area will see weak economic development. The Finnish economy is expected to grow only slightly at its best. The ECB will keep its key interest rate low and, if required, take extraordinary measures to support financial stability. Euribor rates will remain record low.

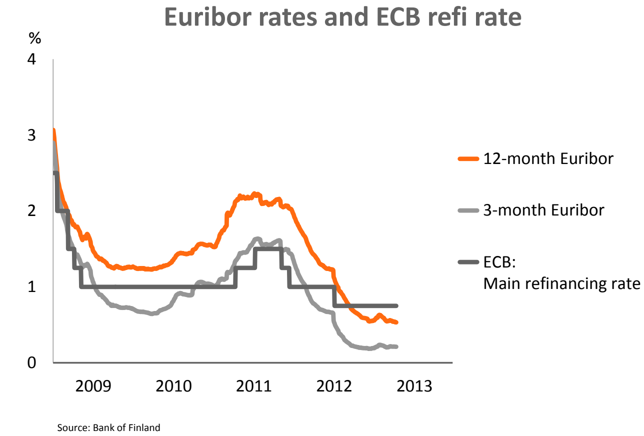
At the end of February, banking in Finland showed an annual growth rate of 9%. Mutual fund assets were the fastest-growing sector due to record-low interest rates and the improved situation in financial markets. In Finland, stock prices rose by around 6% during the first quarter.

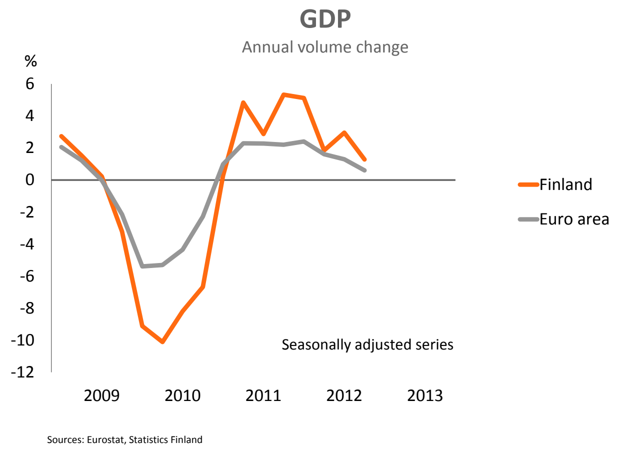
The first quarter saw a slight slowdown in the growth rate of the total loan volumes of banks. At the end of February, the annual growth rate of the total home loan volumes slowed to 5% and that of the total corporate loan volumes continued to slow, standing at 4%.

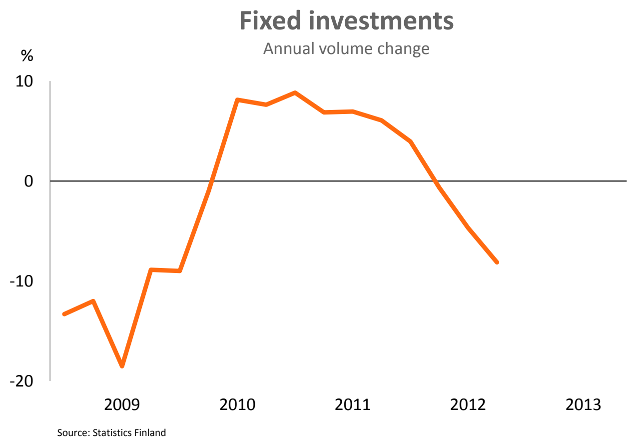
During the first quarter, the sector's total deposit volumes increased by almost ten per cent in annual terms. Corporate deposits increased by 5% in the year to March. Total private household deposits remained almost the same as a year ago

In the non-life insurance sector, premiums written continued to increase at an annual steady rate of around 6%. Claims paid increased more slowly than premiums written. In capital markets, low interest rates and narrow credit risk margins kept investment income relatively low despite favourable developments in stock markets.









Consolidated earnings

Earnings analysis

€ million	Q1/2013	Q1/2012	Change, %	Rolling 12-month	2012
Net interest income					
Corporate and Baltic Banking	52	50	5	202	199
Markets	0	10	-97	21	31
Other operations	3	14	-81	22	33
Total	55	74	-25	244	263
Net commissions and fees	36	42	-14	163	169
Net trading income	16	30	-45	65	79
Net investment income	20	5	269	28	13
Net income from Non-life Insurance					
Insurance operations	99	82	21	384	367
Investment operations	56	31	81	141	115
Other items	-11	-12	9	-44	-45
Total	145	101	43	481	438
Other operating income	10	9	14	38	37
Total income	**282**	**261**	**8**	**1 019**	**998**
Personnel costs	48	62	-23	218	232
ICT costs	22	22	4	88	87
Depreciation and amortisation	12	13	-4	50	50
Other expenses	62	51	20	210	200
Total expenses	**144**	**148**	**-2**	**566**	**569**
Earnings before impairment loss on receivables	**137**	**113**	**22**	**454**	**429**
Impairment loss on receivables	7	10	-33	54	57
Share of associates' profit/loss	0	0		1	1
Earnings before tax	**131**	**103**	**27**	**400**	**372**
Change in fair value reserve	-17	233	-107	168	418
Earnings before tax at fair value	**114**	**336**	**-66**	**568**	**790**

January–March earnings

Consolidated earnings before tax amounted to EUR 131 million (103). Total income rose by 8% and total expenses decreased by 2%. Without the bank levy of EUR 5 million, expenses would have dropped by 6%. Impairment loss on receivables decreased to EUR 7 million (10).

Due to the realisation of investments, the fair value reserve shrank by EUR 17 million during the reporting period, reaching EUR 155 million on 31 March. Earnings before tax at fair value amounted to EUR 114 million (336).

Net interest income from Corporate Banking was up by 5%. The loan portfolio grew by 1.6% from the 2012-end level and by 7% in the year to March. The corporate loan portfolio's average margin decreased by 3 basis points to 1.49% (1.52). The average margin rose by 11 basis points in the year to March.

However, the Group's combined net interest income fell by 25%. Structural changes made in the liquidity buffer in the last 12 months reduced net interest income. In addition, net trading income and the Markets division's net interest income decreased as income from trading was lower.

Net commissions and fees were down by 14% because of lower fees from lending, securities issuance and insurance operations. Fees increased in payment services.

Net investment income rose to EUR 20 million (5). Recognised dividend income and capital gains on notes and bonds were EUR 3 million and EUR 12 million higher than the year before, respectively.

Net income from Non-life Insurance improved considerably year on year. Insurance premium revenue increased by 10% and claims incurred by 5%. Favourable claims developments contributed to claims expenditure. Investment income was EUR 25 million higher than the year before. Investment income includes EUR 32 million (–3) in capital gains. Impairment loss recognised on investments totalled EUR 4 million (3). Return on investments at fair value was 1.1% (4.8).

Personnel costs fell by 23% year on year. This fall results from personnel reductions as part of the efficiency-enhancement programme and the transfer of employment contracts to other companies within OP-Pohjola Group Central Cooperative Consolidated.

Other expenses were up by 20%. Centralising staff and services within OP-Pohjola Group Central Cooperative Consolidated added to service charges. In addition, other expenses include EUR 5 million in bank levy (–).

Earnings analysis by quarter

	2012				2013
€ million	**Q1**	**Q1**	**Q3**	**Q4**	**Q1**
Net interest income					
Corporate and Baltic Banking	50	48	50	51	52
Markets	10	9	5	6	0
Other operations	14	8	8	4	3
Total	74	65	63	62	55
Net commissions and fees	42	40	34	53	36
Net trading income	30	15	15	19	16
Net investment income	5	-7	1	14	20
Net income from Non-life Insurance					
Insurance operations	82	123	73	90	99
Investment operations	31	18	45	21	56
Other items	-12	-11	-11	-11	-11
Total	101	130	107	100	145
Other operating income	9	10	10	8	10
Total income	**261**	**253**	**229**	**256**	**282**
Personnel costs	62	59	57	54	48
ICT costs	22	21	21	24	22
Depreciation and amortisation	13	13	12	13	12
Other expenses	51	51	46	52	62
Total expenses	**148**	**143**	**136**	**142**	**144**
Earnings before impairment loss on receivables	**113**	**110**	**93**	**113**	**137**
Impairment loss on receivables	10	12	15	21	7
Share of associates' profit/loss	0	0	0	0	0
Earnings before tax	**103**	**99**	**79**	**92**	**131**
Change in fair value reserve	233	-2	94	94	-17
Earnings before tax at fair value	**336**	**96**	**172**	**185**	**114**

Group risk exposure

The Group's risk exposure remained stable despite the weak economic development in the euro area. The Group has a strong risk-bearing capacity sufficient to secure business continuity even if economic growth remained weak.

No major changes occurred in credit risk exposure. Investment-grade exposures remained high and impairment losses and doubtful receivables were lower. Past due payments remained at the 2012-end level.

	Q1/2013	Q1/2012	2012
Net loan losses and impairment losses, € million	7	10	57
% of the loan and guarantee portfolio	0.04	0.06	0.35
Doubtful receivables, € million	38	50	34
% of the loan and guarantee portfolio	0.23	0.32	0.21
Past due payments, € million	22	18	21
% of the loan and guarantee portfolio	0.13	0.11	0.13

Final loan losses recognised totalled EUR 3 million (3) and impairment losses EUR 18 million (14). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 14 million (7).

No major changes took place in Non-life Insurance's underwriting risks. Pohjola has increased slightly the risk exposure of the Non-life Insurance investment portfolio by increasing equity risk.

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

Liquidity buffer

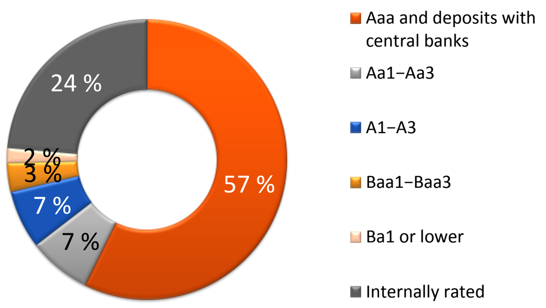
€ billion	31 March 2013	31 Dec 2012	Change, %
Deposits with central banks	5.4	5.6	-4.6
Notes and bonds eligible as collateral	5.3	5.4	-2.3
Corporate loans eligible as collateral	2.9	3.0	-2.6
Total	13.6	14.0	-3.3
Receivables ineligible as collateral	0.7	0.6	24.2
Liquidity buffer at market value	14.3	14.6	-2.2
Collateral haircut	-0.9	-0.9	1.0
Liquidity portfolio at collateral value	13.4	13.7	-2.4

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

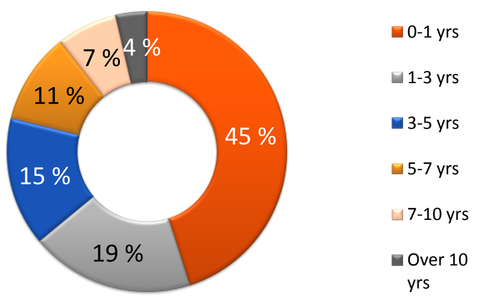
Measurement of the notes and bonds included in the liquidity buffer table below is based on mark-to-market valuations.

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

Financial assets included in the liquidity buffer by credit rating 31 March 2013, %



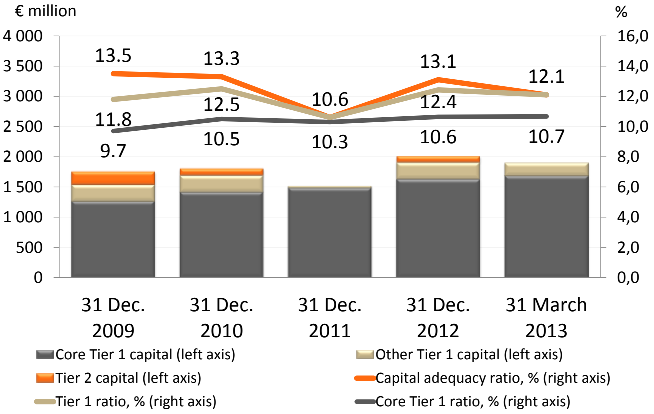
Financial assets included in the liquidity buffer by maturity on 31 March 2013, %



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

Capital adequacy

Capital base and capital adequacy

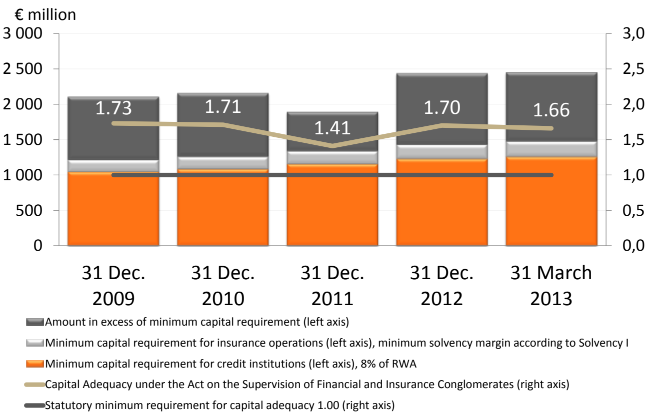


Pohjola Group's Core Tier 1 ratio improved to 10.7% (10.6) during the first quarter. In March, Pohjola Insurance Ltd paid an extra dividend of EUR 50 million to Pohjola Bank plc, which increased the Core Tier 1 ratio by 0.3 percentage points. The Group's target for its Core Tier 1 ratio is at least 11%.

The capital adequacy ratio under the Act on Credit Institutions decreased to 12.1% (13.1), as against the statutory minimum requirement of 8%. In March, Pohjola Bank plc redeemed a Lower Tier 2 subordinated note of EUR 170 million, thereby decreasing the Group's capital adequacy under the Act on Credit Institutions by 1.1 percentage points and the Tier 1 ratio by 0.4 percentage points. The Tier 1 ratio decreased due to the EUR 57 million shortfall of Tier 2 capital resulting from the redemption.

During the reporting period, risk-weighted assets increased by 2% due mainly to higher credit and counterparty risks. Risk-weighted assets totalled EUR 15.7 billion (15.3) on 31 March.

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



Pohjola Group belongs to OP-Pohjola Group whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. Pohjola Group's capital adequacy ratio under this Act stood at 1.66 (1.70) on 31 March.

As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous in an effort, for example, to improve the quality of their capital base, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. As things look now, these changes are due to be effective between 2014 and 2019. The EU Capital Requirements Regulation and Directive related to the changes are expected to be published during the summer. From Pohjola Group's viewpoint, the most significant changes in the new regulations are related to the treatment of insurance holdings with respect to capital adequacy requirements and liquidity risk requirements.

On 16 April 2013, the European Parliament adopted the Capital Requirements Directive and Regulation (CRD IV/CRR) that will implement Basel III within the EU. Following this adoption, it is probable that the new regulations will come into force on 1 January or 1 July 2014.

From Pohjola's perspective, the most important individual change in the regulations relates to the special treatment of insurance holdings within a banking-led financial and insurance conglomerate. Accordingly, insurance holdings within such a financial and insurance conglomerate can also be counted as risk-weighted assets in capital adequacy measurement. Currently, such holdings are deducted from the capital base. The new, alternative approach and the details of its application require permission from the regulator. If such permission is granted, Pohjola estimates that its Core Tier 1 ratio may increase by a maximum of around 3 percentage points.

Other changes caused by CRD IV are expected to slightly weaken capital adequacy on a net basis.

The solvency regulations of the insurance sector are changing, too. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe. The regulations are still being processed, and it is not known when they will come into effect. Pohjola estimates that its Non-life Insurance business already fulfils the solvency capital requirement under the proposed Solvency II. The solvency capital requirement (SCR) for Non-life Insurance under Solvency II would have amounted to EUR 713 million (pro forma) based on underwriting and investment risks on 31 March 2013. Non-life Insurance's solvency capital amounted to EUR 888 million on 31 March 2013 under the existing regulatory framework (Solvency I).

Credit ratings

Pohjola Bank plc's credit ratings on 31 March 2013

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's Credit Market Services Europe Limited	A-1+	Negative	AA-	Negative
Moody's Investors Service Ltd	P-1	Stable	Aa3	Stable
Fitch Ratings Limited	F1	Stable	A+	Stable

Pohjola Insurance Ltd's financial strength ratings on 31 March 2013

Rating agency	Rating	Outlook
Standard & Poor's Credit Market Services Europe Limited	AA-	Negative
Moody's Investors Service Ltd	A3	Stable

In the first quarter of 2013, no changes occurred in the credit ratings of Pohjola Bank plc and the financial strength ratings of Pohjola Insurance Ltd and their rating outlook.

After the reporting period on 4 April 2013, Fitch Ratings affirmed Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 while keeping the outlook stable.

Pohjola's efficiency-enhancement programme

In late 2012, Pohjola Group completed the Information and Consultation of Employees process related to its efficiency-enhancement programme which involved the termination of 281 employment contracts and the outsourcing of 22 jobs. Centralising functions within OP-Pohjola Group Central Cooperative Consolidated also formed an integral part of this programme. As part of the efficiency-enhancement programme, 618 employees transferred from Pohjola Group to other companies within OP-Pohjola Group Central Cooperative Consolidated.

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

Pohjola expects to achieve an estimated 50% of the total annual cost savings of EUR 50 million in 2013, 30% in 2014 and the rest by the end of 2015. Non-life Insurance is anticipated to account for over 60% of the cost savings, Banking for slightly over 30% and Asset Management for the rest.

Cost savings out of the EUR 25 million estimated for 2013 based on the efficiency-enhancement programme amounted to EUR 7 million in the first quarter, mostly coming from cuts in personnel costs. Non-life Insurance accounted for 54% of the cost savings, Banking for 36% and Asset Management for 10%.

Financial performance and risk exposure by business segment

Banking

- Earnings before tax amounted to EUR 54 million (65). Trading income from Markets was down by EUR 9 million.
- The loan portfolio grew by 1.6% to EUR 13.7 billion (13.5), up by 7% in the year to March.
- The average corporate loan portfolio margin was 1.49% (1.52).
- Impairment loss on receivables decreased to EUR 6 million (8).
- Cost/income ratio was 40% (34). The bank levy increased costs by EUR 4 million.

Banking: financial results and key figures and ratios

€ million	Q1/2013	Q1/2012	Change, %	2012
Net interest income				
Corporate and Baltic Banking	52	50	5	199
Markets	0	10	-97	31
Total	52	60	-12	230
Net commissions and fees	21	25	-18	96
Net trading income	23	21	10	72
Other income	4	5	-19	21
Total income	**100**	**111**	**-10**	**418**
Expenses				
Personnel costs	15	17	-16	64
ICT costs	8	7	22	27
Depreciation and amortisation	4	4	-13	15
Other expenses	14	9	46	37
Total expenses	**40**	**38**	**7**	**143**
Earnings before impairment loss on receivables	**60**	**73**	**-18**	**275**
Impairment loss on receivables	6	8	-20	54
Earnings before tax	**54**	**65**	**-18**	**221**
Earnings before tax at fair value	57	68	-15	226
Loan portfolio, € billion	13.7	12.8	7	13.5
Guarantee portfolio, € billion	2.7	2.6	3	2.7
Risk-weighted assets, € billion	13.8	12.6	9	13.4
Margin on corporate loan portfolio, %	1.49	1.38	8	1.52
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.23	0.33		0.21
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.04	0.05		0.34
Operating cost/income ratio, %	40.2	33.9		34
Personnel	638	747	-15	745

January–March earnings

Earnings before tax amounted to EUR 54 million (65). Impairment loss on receivables fell to EUR 6 million (8).

The loan portfolio increased by EUR 0.2 billion, or 1.6%, from its 2012-end level, amounting to EUR 13.7 billion on 31 March. The average margin on the corporate loan portfolio dropped by 3 basis points to 1.49% in the first quarter but rose by 11 basis points over the same period a year ago. The market share of euro-denominated corporate loans stood at 21.5% in February 2013.

The guarantee portfolio amounted to EUR 2.7 billion. and committed standby credit facilities were EUR 3.4 billion, both remaining at the 2012-end level.

Combined net interest income from Corporate Banking and Baltic Banking was up by 5% year on year.

Net commissions and fees decreased by EUR 5 million year on year. Net commissions and fees from securities issuance and lending were lower.

The Markets division’s net interest income and net trading income were EUR 9 million lower than a year ago as income from trading decreased. Client income was at the same level as a year ago.

A decrease in other income and depreciation was due mainly to a reduction in the maintenance lease portfolio.

Expenses increased by EUR 2 million, or 7%. The bank levy increased expenses by 4.3 million. Without the bank levy, expenses would have decreased by EUR 2 million.

Earnings before tax by division

€ million	Q1/2013	Q1/2012	Change, %
Corporate Banking	41	43	-4
Markets	12	22	-44
Baltic Banking	0	1	-78
Total	**54**	**65**	**-18**

Risk exposure by Banking

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

During January–March, total exposure increased by EUR 0.5 billion to EUR 24.9 billion. The ratio of investment-grade exposure – i.e. rating categories 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 62% (63). The share of rating categories 11–12 was 1.3% (1.4).

Corporate customer (incl. housing corporations) exposures represented 81% (81) of total Banking exposures. Of corporate exposure, the share of investment-grade exposure stood at 58% (59) and the exposure of the lowest two rating categories amounted to EUR 308 million (331), accounting for 1.5% (1.7) of the total corporate exposure.

The amount of large corporate customer exposures increased to EUR 3.5 billion (3.4) during the first quarter. Pohjola's own funds covering the Group's large customer exposure decreased to EUR 2.0 billion (2.1).

Corporate exposure by industry remained highly diversified. The most significant industries included Renting and Operating of Residential Real Estate representing 10.3% (10.3), Wholesale and Retail Trade 10.2% (9.6) and Manufacture of Machinery and Equipment 8.6% (8.9). A total of 50% of exposures within Renting and Operating of Residential Real Estate were guaranteed by general government.

Net loan losses and impairment losses within Banking came to EUR 6 million (8) during the reporting period, accounting for 0.04% (0.05) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 2 million (3) and impairment losses EUR 18 million (12). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 14 million (7).

On 31 March 2013, Baltic Banking exposures totalled EUR 0.5 billion (0.5), accounting for 2.2% (2.2) of total Banking exposures.

The Baltic Banking net loan losses and impairment losses for January–March amounted to EUR –1 million (–1).

The interest rate risk by Banking in the event of a one-percentage-point change in the interest rate averaged EUR 13.5 million (6.2).

Non-life Insurance

- Earnings before tax improved to EUR 55 million (15). Earnings before tax at fair value amounted to EUR 35 million (123).
- Insurance premium revenue increased by 10% (9) and claims incurred by 5% (6).
- The number of loyal customer households increased by 4,696 (14,418).
- The balance on technical account was good. Operating combined ratio stood at 92.4% (100.1) and operating expense ratio at 19.9% (23.9).
- Return on investments at fair value was 1.1% (4.8).

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

€ million	Q1/2013	Q1/2012	Change, %	2012
Insurance premium revenue	295	268	10	1 126
Claims incurred	-214	-204	5	-830
Operating expenses	-59	-64	-8	-242
Amortisation on intangible assets arising from company acquisition	-5	-5	0	-21
Balance on technical account	**17**	**-6**		**33**
Net investment income	55	34	62	115
Other income and expenses	-16	-13	25	-56
Earnings before tax	**55**	**15**	**266**	**92**
Earnings before tax at fair value	35	123		283
Combined ratio, %	94.2	102.1		97.1
Operating combined ratio, %	92.4	100.1		90.5
Operating loss ratio, %	72.5	76.2		69.1
Operating expense ratio, %	19.9	23.9		21.5
Operating risk ratio, %	66.4	69.4		62.8
Operating cost ratio, %	26.0	30.6		27.8
Return on investments at fair value, %	1.1	4.8		10.8
Solvency ratio , %	77	85		81
Personnel	1,805	2,381	-24	2,384

January–March earnings

The balance on technical account was better than a year ago. Insurance premium revenue continued to grow vigorously. Claims expenditure developed favourably and operating expenses were lower than a year ago. Total insurance premium revenue was up by 10% (9). The operating balance on technical account totalled EUR 23 million (0) and the operating combined ratio stood at 92.4% (100.1). These key operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition. The combined ratio, including the abovementioned items, was 94.2% (102.1).

Insurance premium revenue

€ million	Q1/2013	Q1/2012	Change, %
Private Customers	145	131	11
Corporate Customers	137	126	9
Baltic States	12	12	6
Total	**295**	**268**	**10**

Growth in premium revenue from Private and Corporate Customers remained strong. In the Baltic States, insurance premium revenue rebounded.

According to preliminary information, in 2012 Pohjola's market share in terms of premiums written was 29.1% (28.2). Measured by this market share, Pohjola is still Finland's largest non-life insurer.

The March-end number of loyal customer households totalled 574,690, of which up to 69% also use OP-Pohjola Group member banks as their main bank. OP-Pohjola Group member cooperative banks' and Helsinki OP Bank's customers used OP bonuses that they had earned through the use of banking and insurance services to pay 431,000 insurance bills (394,000) with 60,000 (62,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 21 million (20). The number of loyal customer households increased by 4,696 (14,418) from its 2012-end level.

Sales of insurance policies to private and corporate customers declined by 4% from their strong levels a year ago. Lower car sales year on year was partly reflected in policy sales.

Claims expenditure increased less than insurance premium revenue, or by 5%, and claims expenditure among Corporate Customers as a whole was lower than a year ago as a result of favourable claims developments. Claims incurred arising from new large claims were slightly lower than a year ago. The reported number of large claims (in excess of EUR 0.3 million) came to 49 (50) in January–March, with their claims incurred retained for own account totalling EUR 32 million (35). Changes in claims for previous years improved the balance on technical account by EUR 1 million (3). The operating loss ratio stood at 72.5% (76.2) and the risk ratio (excl. loss adjustment expenses) at 66.4% (69.4).

Operating expenses fell by 8% and the operating expense ratio improved to 19.9% (23.9). The efficiency-enhancement programme launched last year decreased costs. The programme and strong growth in income improved efficiency. The operating cost ratio (incl. indirect loss adjustment expenses) stood at 26.0% (30.6).

Other income and expenses increased by 25%. Change in the principle of capital allocation to businesses increased financing costs by EUR 5 million within Non-life Insurance.

Operating balance on technical account and combined ratio (CR)

	Q1/2013 Balance, € million	CR, %	Q1/2012 Balance, € million	CR, %
Private Customers	18	87.4	13	90.0
Corporate Customers	2	98.3	-15	112.0
Baltic States	2	84.3	2	84.0
Total	**22**	**92.4**	**0**	**100.1**

Profitability improved as a result of a strong increase in insurance premium revenue, favourable claims developments and a decrease in operating expenses. Profitability improved the most among corporate customers with favourable claims developments. Profitability among private customers and the Baltic States remained good.

Investment

Because of low interest rates, investment income at fair value was lower than a year ago despite positive developments in stock markets. Return on investments at fair value was 1.1% (4.8). Capital gains of EUR 32 million (– 3) added to investment income. Impairment losses recognised in the income statement totalled EUR 4 million (3). Net investment income at fair value was EUR 34 million (141).

Investment portfolio by asset class

%	31 March 2013	31 Dec 2012
Bonds and bond funds	71	75
Alternative investments	2	3
Equities	11	9
Private equity	3	3
Real property	9	9
Money market instruments	4	1
Total	**100**	**100**

On 31 March 2013, the investment portfolio totalled EUR 3,197 million (3,149). The fixed-income portfolio by credit rating remained healthy, considering that investments under the “investment-grade” represented 91% (92) and 77% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 3.8 years (4.2) and the duration 3.6 years (4.2).

Risk exposure by Non-life Insurance

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

On 31 March, Non-life Insurance solvency capital came to EUR 885 million (914) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 77% (81). Equalisation provisions decreased to EUR 267 million (273).

Pohjola has increased slightly the risk exposure of the Non-life Insurance investment portfolio by increasing equity risk. There were no other changes in the risk exposure.

Asset Management

- Earnings before tax amounted to EUR 5 million (6).
- Assets under management increased by 4% to EUR 34.2 billion (32.7) from their 2012-end level.
- Operating cost/income ratio declined to 58% (53).

Asset Management: financial results and key figures and ratios

€ million	Q1/2013	Q1/2012	Change, %	2012
Net commissions and fees	12	12	0	60
Other income	1	1	-18	5
Total income	**13**	**13**	**-2**	**65**
Personnel costs	4	4	-6	19
Other expenses	4	3	21	14
Total expenses	**8**	**8**	**6**	**33**
Share of associate's profit/loss	0	0	13	1
Earnings before tax	**5**	**6**	**-13**	**32**
Earnings before tax at fair value	5	6	-13	32
Assets under management, € billion	34.2	32.0	7	32.7
Operating cost/income ratio, %	58	53		47
Personnel	88	155	-43	153

January–March earnings

Earnings before tax amounted to EUR 5 million (6). Performance-based management fees worth EUR 1 million (0) were included in earnings. Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

The operating cost/income ratio was 58% (53).

Assets under management increased by 4% during the period, amounting to EUR 34.2 billion (32.7) on 31 March. This increase was based on good progress in net asset inflows and positive developments in market values, especially when it comes to Private clients and OP mutual funds. A total of 64% of mutual funds included in Asset Management portfolio management outperformed their benchmark index during the reporting period.

Assets under management

€ billion	31 March 2013	31 Dec 2012
Institutional Clients	19.8	19.5
OP Mutual Funds	10.3	9.5
Private	4.1	3.7
Total	**34.2**	**32.7**

Assets under management by asset class

%	31 March 2013	31 Dec 2012
Money market investments	17	16
Notes and bonds	38	40
Equities	28	27
Other	17	18
Total	**100**	**100**

Group Functions

- Earnings before tax amounted to EUR 17 million (17). These include EUR 12 million in capital gains on notes and bonds (1).
- Earnings before tax at fair value amounted to EUR 17 million (140).
- Liquidity and access to funding remained good.

Group Functions: financial results and key figures and ratios

€ million	Q1/2013	Q1/2012	Change, %	2012
Net interest income	8	13	-42	36
Net trading income	-5	6	-181	1
Net investment income	20	5	281	11
Other income	2	3	-39	16
Total income	**24**	**28**	**-14**	**65**
Personnel costs	1	4	-65	14
Other expenses	6	5	7	20
Total expenses	**7**	**9**	**-24**	**34**
Earnings before impairment loss on receivables	**11**	**19**	**-9**	**30**
Impairment loss on receivables	0	2	-89	3
Earnings before tax	**17**	**17**	**-1**	**27**
Earnings before tax at fair value	**17**	**140**		**250**
Liquidity buffer, € billion	14.3	15.2	-6	14.6
Risk-weighted assets, € billion	1.8	2.3	-19	1.7
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	3.4	2.2	56	3.2
Central Banking earnings, € million	2	2	9	8
Personnel	38	128	-70	123

January–March earnings

Earnings before tax were at the same level as a year ago. Earnings before tax at fair value came to EUR 17 million, or EUR 123 million lower than a year ago when higher liquidity resulting from the ECB's long-term refinancing operations calmed down markets and reduced credit risk margins.

Structural changes made in the liquidity buffer in the last 12 months decreased net interest income. Net trading income was lower year on year, as income from trading decreased.

Net investment income included EUR 12 million in capital gains on notes and bonds (1) and EUR 6 million (3) in dividend income. No impairment loss was recognised on shares and participations included in available-for-sale financial assets. Impairment loss recognised on bonds totalled EUR 0 million (2).

The bank levy increased other expenses by EUR 1 million.

Pohjola's access to funding remained good. During the reporting period, Pohjola Bank plc issued long-term bonds worth EUR 0.2 billion.

The period saw no issue of new benchmark-size senior bonds or covered bonds. Long-term funding was based on issuing private placement bonds.

On 31 March, the average margin of senior wholesale funding was 38 basis points (40). Growth in short-term wholesale funding from its 2012-end level contributed to lower funding costs.

Risk exposure by Group Functions

Major risks within the Group Functions include market risks associated with the liquidity buffer and liquidity risks.

The Group Functions exposure totalled EUR 20.8 billion (20.4), consisting of notes and bonds to secure OP-Pohjola Group's liquidity, deposits with central banks and receivables from OP-Pohjola Group member cooperative banks.

The interest rate risk by the Group Functions in the event of a one-percentage-point change in the interest rate averaged EUR 18.3 million (9.6)

Personnel and remuneration

On 31 March, the Group had a staff of 2,569, or 835 less than on 31 December 2012 and 841 less than a year ago. The majority of the personnel reductions are related to the transfer of employment contracts within OP-Pohjola Group Central Cooperative Consolidated.

Personnel by segment

	31 March 2013	31 Dec 2012
Banking	638	745
Non-life Insurance	1,805	2,384
Asset Management	88	153
Group Functions	38	123
Total	**2,569**	**3,404**

A total of 339 Group employees (344) worked abroad.

The scheme for variable remuneration within OP-Pohjola Group and Pohjola consists of short-term, company-specific incentives and OP-Pohjola Group-wide long-term incentives. More detailed information on remuneration can be found in the Notes to the Financial Statements 2012.

Decisions by the Annual General Meeting

Pohjola Bank plc's Annual General Meeting (AGM) of 22 March 2013 adopted the Financial Statements for 2012, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.46 per Series A share and EUR 0.43 per Series K share.

The AGM elected the following members to the Board of Directors until the closing of the next AGM: Jukka Hienonen, President and CEO; Jukka Hulkkonen, Managing Director; Mirja-Leena (Mirkku) Kullberg, Managing Director; Marjo Partio, Managing Director; Harri Sailas, President and CEO; and Tom von Weymarn. Marjo Partio is a new member of the Board of Directors.

In addition to the abovementioned Board members, Reijo Karhinen, Chairman of the Executive Board of the parent institution OP-Pohjola Group Central Cooperative and Executive Chairman and CEO, acts as the Chairman of the Board of Directors, by virtue of the “Laki talletuspankkien yhteenliittymästä” Act (Act on the Amalgamation of Deposit Banks), and Tony Vepsäläinen, Vice Chairman of the Executive Board of OP-Pohjola Group Central Cooperative and Chief Business Development Officer, as Vice Chairman, in accordance with the Articles of Association.

The AGM re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor with Sixten Nyman, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Decisions by the regrouping meeting of the Board of Directors

At its regrouping meeting held after the AGM of Pohjola Bank plc on 22 March 2013, the Board of Directors elected members to the Board committees.

The Audit Committee comprises Tom von Weymarn (Chairman); Marjo Partio (Vice Chairman), Managing Director; and Mirkku Kullberg, Managing Director.

The Risk Management Committee comprises Tony Vepsäläinen (Chairman), Chief Business Development Officer; Jukka Hulkkonen (Vice Chairman), Managing Director; and Harri Sailas, President and CEO.

The Remuneration Committee comprises Reijo Karhinen, Executive Chairman and CEO (Chairman); Tony Vepsäläinen (Vice Chairman), Chief Business Development Officer; and Jukka Hienonen, President and CEO.

The Board of Directors assessed the independence of its members and concluded that Jukka Hienonen, Mirkku Kullberg and Tom von Weymarn are non-executive members independent of the Company and its major shareholders.

Shares and shareholders

The total number of Pohjola Series A shares, quoted on the NASDAQ OMX Helsinki, and unquoted Series K shares did not change during the reporting period.

Number of shares

Share series 31 March 2013	Number of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,942,798	78.84	42.70
Pohjola K (POHKS)	67,608,617	21.16	57.30
Total	**319,551,415**	**100.00**	**100.00**

On the last trading date of the reporting period, 28 March 2013, one Series A share closed at EUR 11.34 (28 Dec. 2012: 11.27). In January–March, the share price reached a high of EUR 12.74 (1 February 2013) and a low of EUR 11.23 (27 March 2013).

Pohjola's market capitalisation amounted to EUR 3,624 million (3,601) at the end of March. In calculating the market capitalisation, Series K shares were valued at the price of Series A shares.

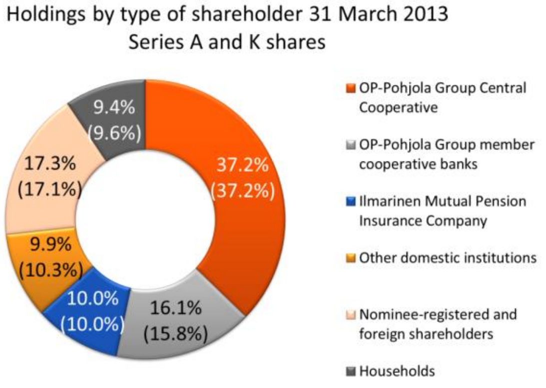
Trading in Series A shares in euro terms amounted to EUR 332 million in the first quarter of 2013 as against EUR 312 million a year earlier, whereas in volume terms it came to 27 million shares (37).

Number of shareholders

	31 March 2013	31 Dec 2012	Change
Holders of Series A shares	32,410	32,272	138
Holders of Series K shares	109	109	0
Total*	**32,416**	**32,278**	**138**

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

On 31 March 2013, Pohjola had 32,416 shareholders, private individuals accounting for 95.3%. The number of nominee-registered shares on 31 March 2013 totalled 52.6 million, increasing by 1.2 million from their number on 31 December 2012. On 31 March 2013, these shares accounted for 20.9% (31 December 2012: 20.4%) of all Series A shares.



Major shareholders

31 March 2013	% of all shares	% of Series A shares	% of votes
1. OP-Pohjola Group Central Cooperative	37.24	23.16	61.28
2. Ilmarinen Mutual Pension Insurance Company	10.00	12.68	5.42
3. Oulun Osuuspankki	1.37	1.10	1.82
4. OP Bank Group Pension Fund	1.08	1.37	0.59
5. OP Bank Group Pension Foundation	0.73	0.92	0.39
6. State Pension Fund	0.63	0.79	0.34
7. Nordea Fennia Fund	0.59	0.75	0.32
8. Turun Seudun Osuuspankki	0.57	0.71	0.33
9. Varma Mutual Pension Insurance Company	0.53	0.68	0.29
10. Tampereen Seudun Osuuspankki	0.51	0.60	0.34
Nominee-registered shares, total	16.45	20.87	8.91
Other	30.30	36.35	19.97
Total	**100.00**	**100.00**	**100.00**

In January–March 2013, 63.1% of euro-denominated trading in Series A shares took place on NASDAQ OMX (72.2% in 2012) and over a third on multilateral trading facilities (MTF).

Trading venues for Pohjola shares

Trading venue	% of euro-denominated trading in Q1/2013
NASDAQ OMX	63.1
BATS Chi-X CXE (Chi-X)	20.2
Turquoise	11.6
BATS Chi-X BXE (Bats)	4.5
Burgundy	0.5
NYSE Arca	0.1
Frankfurt	0.0
Düsseldorf	0.0

Source: Fidessa Fragmentation Index

Outlook for the rest of 2013

Within Banking, growth prospects on the loan portfolio are dimmer than last year. The operating environment for the corporate sector will remain challenging. The greatest uncertainties related to Banking's financial performance in 2013 are associated with future impairment loss on the loan portfolio.

Insurance premium revenue is expected to increase at a rate above the market average. The operating combined ratio for the full year 2013 is estimated to vary between 89% and 93% if the number of large claims is not much higher than in 2012. Expected investment returns are largely dependent on developments in the investment environment. The most significant uncertainties related to Non-life Insurance's financial performance in 2013 pertain to the investment environment and the effect of large claims on claims expenditure.

The greatest uncertainties related to Asset Management's financial performance in 2013 are associated with the actual performance-based fees tied to the success of investments and the amount of assets under management.

The key determinants affecting the Group Functions' financial performance include net interest income arising from assets in the liquidity buffer, any capital gains or losses on notes and bonds and any impairment loss that may be recognised on notes and bonds in the income statement. It is estimated that the Group Functions' net interest income will be lower than in 2012.

Consolidated earnings before tax in 2013 are expected to be higher than in 2012.

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

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

Consolidated income statement

EUR million	Note	Q1/ 2013	Q1/ 2012
Net interest income	3	55	74
Impairments of receivables	4	7	10
Net interest income after impairments		**49**	**64**
Net income from Non-life Insurance	5	145	101
Net commissions and fees	6	36	42
Net trading income	7	16	30
Net investment income	8	20	5
Other operating income	9	10	9
Total income		**275**	**251**
Personnel costs		48	62
ICT costs		22	22
Depreciation/amortisation		12	13
Other expenses		62	51
Total expenses		**144**	**148**
Share of associates' profits/losses		0	0
Earnings before tax		**131**	**103**
Income tax expense		31	24
Profit for the period		**100**	**80**
Attributable to owners of the Parent		100	80
Total		**100**	**80**
Earnings per share (EPS), EUR			
Series A		0.32	0.26
Series K		0.29	0.23

Consolidated statement of comprehensive income

EUR million	Q1/ 2013	Q1/ 2012
Profit for the period	**100**	**80**
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans		4
Items that may be reclassified to profit or loss		
Change in fair value reserve		
Measurement at fair value	-11	228
Cash flow hedge	-5	5
Translation differences	0	0
Income tax on other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans		1
Items that may be reclassified to profit or loss		
Measurement at fair value	-3	56
Cash flow hedge	-1	1
Total comprehensive income for the period	**87**	**258**
Total comprehensive income attributable to owners of the Parent	87	258
Total	**87**	**258**

Consolidated balance sheet

EUR million	Note	31 March 2013	31 Dec 2012
Cash and cash equivalents		5,377	5,643
Receivables from credit institutions		9,287	8,815
Financial assets at fair value through profit or loss			
Financial assets held for trading		296	246
Financial assets at fair value through profit or loss at inception		9	9
Derivative contracts		4,165	4,462
Receivables from customers		14,042	13,839
Non-life Insurance assets	12	3,736	3,523
Investment assets		5,417	5,431
Investment in associates		26	26
Intangible assets	13	923	922
Property, plant and equipment (PPE)		87	69
Other assets		2,298	1,600
Tax assets		28	36
Total assets		**45,691**	**44,623**
Liabilities to credit institutions		6,102	5,840
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading		14	3
Derivative contracts		4,144	4,557
Liabilities to customers		11,202	10,775
Non-life Insurance liabilities	14	3,047	2,592
Debt securities issued to the public	15	14,236	13,769
Provisions and other liabilities		2,650	2,556
Tax liabilities		491	485
Subordinated liabilities		1,097	1,275
Total liabilities		**42,984**	**41,854**
Shareholders' equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	16	155	167
Other reserves		1,093	1,093
Retained earnings		1,032	1,081
Total shareholders' equity		**2,707**	**2,769**
Total liabilities and shareholders' equity		**45,691**	**44,623**

Consolidated statement of changes in equity

EUR million	Share capital	Attributable to owners of Pohjola Group Fair value reserve Measure-ment at fair value	Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2012	**428**	**-159**	**10**	**1,093**	**934**	**2,306**
Total comprehensive income for the period		172	4	0	82	258
Profit distribution					-129	-129
EUR 0.41 per Series A share					-103	-103
EUR 0.38 per Series K share					-26	-26
Equity-settled share-based payment					0	0
Other					0	0
Balance at 31 March 2012	**428**	**14**	**14**	**1,093**	**887**	**2,436**

EUR million	Share capital	Attributable to owners of Pohjola Group Fair value reserve Measure-ment at fair value	Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2013	**428**	**144**	**23**	**1,093**	**1,081**	**2,769**
Total comprehensive income for the period		-8	-4	0	99	87
Profit distribution					-145	-145
EUR 0.46 per Series A share					-116	-116
EUR 0.43 per Series K share					-29	-29
Equity-settled share-based payment					0	0
Other					-4	-4
Balance at 31 March 2013	**428**	**136**	**19**	**1,093**	**1,032**	**2,707**

Consolidated cash flow statement

EUR million	Q1/ 2013	Q1/ 2012
Cash flow from operating activities		
Profit for the period	100	80
Adjustments to profit for the period	293	226
Increase (-) or decrease (+) in operating assets	**-1,999**	**-1,873**
Receivables from credit institutions	-535	-493
Financial assets at fair value through profit or loss	-254	-174
Derivative contracts	22	7
Receivables from customers	-215	-508
Non-life Insurance assets	-253	-321
Investment assets	-76	-228
Other assets	-688	-156
Increase (+) or decrease (-) in operating liabilities	**859**	**190**
Liabilities to credit institutions	268	65
Financial liabilities at fair value through profit or loss	11	6
Derivative contracts	11	-4
Liabilities to customers	427	-203
Non-life Insurance liabilities	186	235
Provisions and other liabilities	-45	92
Income tax paid	-13	-15
Dividends received	21	21
A. Net cash from operating activities	**-739**	**-1,372**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	23	128
Purchase of PPE and intangible assets	-11	-10
Proceeds from sale of PPE and intangible assets	0	1
B. Net cash used in investing activities	**13**	**118**
Cash flow from financing activities		
Increases in subordinated liabilities		507
Decreases in subordinated liabilities	-171	-3
Increases in debt securities issued to the public	6,470	8,896
Decreases in debt securities issued to the public	-5,908	-8,592
C. Net cash used in financing activities	**392**	**808**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-335**	**-445**
Cash and cash equivalents at period-start	**6,177**	**4,612**
Cash and cash equivalents at period-end	**5,842**	**4,167**
Cash and cash equivalents		
Liquid assets*	5,381	3,827
Receivables from credit institutions payable on demand	460	339
Total	**5,842**	**4,167**

* Of which EUR 5 million (7) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q1 earnings 2013, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	52					52
Markets	0					0
Other operations		-5	1	8	0	3
Total	52	-5	1	8	0	55
Net commissions and fees	21	4	12	0	-1	36
Net trading income	23		0	-5	-1	16
Net investment income	0		0	20		20
Net income from Non-life Insurance						
From insurance operations		99				99
From investment operations		55			2	56
From other items		-11				-11
Total		143			2	145
Other operating income	4	3	0	2	0	10
Total income	**100**	**145**	**13**	**24**	**0**	**282**
Personnel costs	15	28	4	1		48
ICT costs	8	12	1	2	0	22
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	4	3	0	0		6
Other expenses	14	42	3	4	0	62
Total expenses	**40**	**90**	**8**	**7**	**0**	**144**
Earnings/loss before impairment of receivables	**60**	**55**	**5**	**17**	**0**	**137**
Impairments of receivables	6			0		7
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**54**	**55**	**5**	**17**	**0**	**131**
Change in fair value reserve	4	-21	0	0	0	-17
Total comprehensive income for the period, before tax	**57**	**35**	**5**	**17**	**0**	**114**

Q1 earnings 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	50					50
Markets	10					10
Other operations		0	1	13	1	14
Total	60	0	1	13	1	74
Net commissions and fees	25	6	12	-1	-1	42
Net trading income	21	0	0	6	3	30
Net investment income	0	0	0	5		5
Net income from Non-life Insurance						
From insurance operations		82				82
From investment operations		34			-3	31
From other items		-12				-12
Total		104			-3	101
Other operating income	5	1	0	4	-2	9
Total income	**111**	**111**	**13**	**28**	**-2**	**261**
Personnel costs	17	37	4	4		62
ICT costs	7	13	1	1	0	22
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	4	2	0	0		7
Other expenses	9	38	2	3	-2	51
Total expenses	**38**	**95**	**8**	**9**	**-2**	**148**
Earnings/loss before impairment of receivables	**73**	**15**	**5**	**19**	**0**	**113**
Impairments of receivables	8			2		10
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**65**	**15**	**6**	**17**	**0**	**103**
Change in fair value reserve	2	108	0	123	0	233
Gains/(losses) arising from remeasurement of defined benefit plans	3	0	0	1		4
Total comprehensive income for the period, before tax	**71**	**123**	**6**	**141**	**0**	**340**

Balance sheet 31 March 2013, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	13,919			294	-171	14,042
Receivables from credit institutions	624	8	2	14,047	-16	14,664
Financial assets at fair value through profit or loss	378			-73		305
Non-life Insurance assets		3,989			-253	3,736
Investment assets	480	16	15	4,907		5,417
Investments in associates		2	24			26
Other assets	5,103	795	119	1,528	-46	7,500
Total assets	**20,504**	**4,811**	**160**	**20,702**	**-486**	**45,691**
Liabilities to customers	6,390			5,017	-205	11,202
Liabilities to credit institutions	1,382			4,889	-169	6,102
Non-life Insurance liabilities		3,055			-8	3,047
Debt securities issued to the public				14,280	-44	14,236
Subordinated liabilities		50		1,047		1,097
Other liabilities	5,058	69	16	2,215	-60	7,299
Total liabilities	**12,830**	**3,174**	**16**	**27,448**	**-485**	**42,984**
Shareholders' equity						**2,707**
Average personnel	680	1,778	73	38		2,569
Capital expenditure, EUR million	4	6	0	0		10

Balance sheet 31 Dec 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	13,723			286	-169	13,839
Receivables from credit institutions	433	5	3	14,037	-19	14,458
Financial assets at fair value through profit or loss	360			-104		256
Non-life Insurance assets		3,627			-104	3,523
Investment assets	457	16	23	4,943	-9	5,431
Investments in associates		2	24			26
Other assets	4,681	773	127	1,585	-77	7,090
Total assets	**19,653**	**4,423**	**178**	**20,748**	**-378**	**44,623**
Liabilities to customers	6,786			4,055	-66	10,775
Liabilities to credit institutions	1,225			4,784	-169	5,840
Non-life Insurance liabilities		2,595			-3	2,592
Debt securities issued to the public				13,817	-48	13,769
Subordinated liabilities		50		1,225		1,275
Other liabilities	5,573	124	12	1,985	-91	7,602
Total liabilities	**13,583**	**2,769**	**12**	**25,867**	**-377**	**41,854**
Shareholders' equity						**2,769**
Average personnel	745	2,384	153	123		3,404
Capital expenditure, EUR million	19	22	1	2		43

Notes

Note 1. Accounting policies

The Interim Report for 1 January–31 March 2013 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

In the preparation of its Interim Report, Pohjola has applied substantially the same accounting policies as in the preparation of its Financial Statements 2012, with the exception of the changes stated 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

IAS 19 Employee Benefits

Since 1 January 2013, Pohjola Group has applied the amendments to IAS 19 Employee Benefits. The revised standard removes the option for entities to apply the so-called corridor method in the recognition of actual gains and losses and changes the calculation of net interest income on the net defined benefit liability. Under the revised standard, the expected return on plan assets used in the calculation of net interest income is calculated based on the discount rate of the plan liability.

The table below shows the effect of the change in the accounting policy on personnel costs for Q1/2012 and financial year 2012 and on other items in comprehensive income. Pohjola voluntarily stopped using the corridor method from the beginning of 2012. The change has no effect on the earnings per share (EPS) ratio.

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Income statement 2012			
Personnel costs	230	232	2
Income tax expense	89	89	0
Statement of comprehensive income 2012			
Gains/(losses) arising from remeasurement of defined benefit plans	-12	-10	2
Income tax on gains/(losses) arising from remeasurement of defined benefit plans	-3	-2	0

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Income statment Q1/2012			
Personnel costs	62	62	0
Income tax expense	24	24	0
Statement of comprehensive income Q1/2012			
Gains/(losses) arising from remeasurement of defined benefit plans	3	4	0
Income tax on gains/(losses) arising from remeasurement of defined benefit plans	1	1	0

Other changes

Since the beginning of 2013, Pohjola Group has applied the following changed accounting policies presented in its Financial Statements for 2012:

1.5 Financial instruments
1.5.4 Classification and recognition
Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount reported in the balance sheet only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. Pohjola exercises the right of set-off to central counterparty clearing for OTC interest rate derivatives. London Clearing House is the central counterparty.

1.5.7 Derivative contracts
The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are shown as a net change in cash. Other derivatives are presented on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

Segment accounting policies
Capitalisation of Banking, Asset Management and the Group Functions is based on Pohjola Group's capital adequacy measurement under the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. The Group has allocated capital to its operating segments in such a way that the Core Tier 1 ratio stands at 11%.

Non-life Insurance capitalisation is based on the solvency capital requirement (SCR) within the proposed Solvency II framework plus intangible assets and goodwill arising from company acquisition. The SCR for Non-life Insurance has been covered by Core Tier 1 capital and the solvency requirement for intangible assets and goodwill by Tier notes/bonds.

Note 2. Formulas for key figures and ratios

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

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

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

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

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

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

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

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

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

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

KEY RATIOS FOR NON-LIFE INSURANCE

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

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

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

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

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

OPERATING KEY RATIOS

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

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

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

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

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

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

Values used in calculating the ratios

EUR million	31 March 2013	31 Dec 2012
Non-life Insurance		
Non-life Insurance net assets	1,637	1,654
Net tax liabilities for the period	-56	-49
Own subordinated loans	50	50
Deferred tax to be realised in the near future and other items deducted from the solvency margin of the companies	0	-6
Intangible assets	745	747

EUR million	31 March 2013	31 March 2012	31 Dec 2012
Changes in reserving bases and other non-recurring items			
Change in discount rate			-52

Note 3. Net interest income

EUR million	Q1/ 2013	Q1/ 2012
Loans and other receivables	72	96
Receivables from credit institutions and central banks	15	30
Notes and bonds	38	63
Derivatives (net)		
Derivatives held for trading	3	9
Derivatives under hedge accounting	14	9
Liabilities to credit institutions	-19	-23
Liabilities to customers	-7	-14
Debt securities issued to the public	-48	-80
Subordinated debt	-12	-14
Hybrid capital	-2	-3
Financial liabilities held for trading	0	0
Other (net)	0	0
Net interest income before fair value adjustment under hedge accounting	**55**	**74**
Hedging derivatives	-57	19
Value change of hedged items	57	-19
Total net interest income	**55**	**74**

Note 4. Impairments of receivables

EUR million	Q1/ 2013	Q1/ 2012
Receivables eliminated as loan or guarantee losses	3	3
Receoveries of eliminated receivables	-1	0
Increase in impairment losses	18	14
Decrease in impairment losses	-14	-7
Total impairments of receivables	**7**	**10**

Note 5. Net income from Non-life Insurance

EUR million	Q1/ 2013	Q1/ 2012
Net insurance premium revenue		
Premiums written	594	516
Insurance premiums ceded to reinsurers	-41	-22
Change in provision for unearned premiums	-280	-236
Reinsurers' share	22	10
Total	**295**	**268**
Net Non-life Insurance claims		
Claims paid	190	218
Insurance claims recovered from reinsurers	-4	-4
Change in provision for unpaid claims	18	-11
Reinsurers' share	-9	-16
Total	**196**	**186**
Net investment income, Non-life Insurance		
Interest income	15	16
Dividend income	15	17
Investment property	2	2
Capital gains and losses		
Notes and bonds	14	2
Shares and participations	20	-4
Loans and receivables		-2
Investment property	0	0
Derivatives	-2	1
Fair value gains and losses		
Notes and bonds	-1	-1
Shares and participations	-4	-2
Loans and receivables	0	0
Investment property	0	1
Derivatives	-3	1
Other	1	1
Total	**56**	**31**
Unwinding of discount	-11	-12
Other	0	0
Total net income from Non-life Insurance	**145**	**101**

Note 6. Net commissions and fees

EUR million	Q1/ 2013	Q1/ 2012
Commission income		
Lending	9	10
Payment transfers	6	4
Securities brokerage	6	7
Securities issuance	2	3
Asset management and legal services	14	13
Insurance operations	4	6
Guarantees	4	4
Other	1	1
Total commission income	**46**	**49**
Commission expenses		
Payment transfers	3	1
Securities brokerage	2	2
Securities issuance	2	2
Asset management and legal services	2	2
Other	3	1
Total commission expenses	**11**	**7**
Total net commissions and fees	**36**	**42**

Note 7. Net trading income

EUR million	Q1/ 2013	Q1/ 2012
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	2	4
Shares and participations	0	0
Derivatives	27	-8
Fair value gains and losses		
Notes and bonds	1	1
Shares and participations	0	0
Derivatives	-16	30
Financial assets and liabilities at fair value through profit or loss		
Fair value gains and losses		
Notes and bonds	0	1
Net income from foreign exchange operations	3	2
Total net trading income	**16**	**30**

Note 8. Net investment income

EUR million	Q1/ 2013	Q1/ 2012
Available-for-sale financial assets		
Capital gains and losses		
Notes and bonds	12	1
Shares and participations	1	
Dividend income	6	3
Impairments		0
Carried at amortised cost		
Capital gains and losses	0	0
Total	**20**	**5**
Investment property	0	1
Total net investment income	**20**	**5**

Note 9. Other operating income

EUR million	Q1/ 2013	Q1/ 2012
Central banking service fees	2	2
Rental income from assets rented under operating lease	3	3
Other	5	3
Total	**10**	**9**

Note 10. Classification of financial instruments

Assets, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Cash and balances with central banks	5,377					5,377
Receivables from credit institutions and central banks	9,287					9,287
Derivative contracts			3,807		358	4,165
Receivables from customers	14,042					14,042
Non-life Insurance assets**	839		116	2,780		3,736
Notes and bonds***		307	304	4,984		5,595
Shares and participations			1	102		103
Other receivables	3,362		25			3,387
Total 31 March 2013	**32,907**	**307**	**4,253**	**7,866**	**358**	**45,691**
Total 31 December 2012	**31,509**	**330**	**4,496**	**7,909**	**379**	**44,623**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		6,102		6,102
Financial liabilities held for trading (excl. derivatives)	14			14
Derivative conctracts	3,738		406	4,144
Liabilities to customers		11,202		11,202
Non-life Insurance liabilities	4	3,043		3,047
Debt instruments issued to the public		14,236		14,236
Subordinated liabilities		1,097		1,097
Other liabilities		3,141		3,141
Total 31 March 2013	**3,756**	**38,821**	**406**	**42,984**
Total 31 December 2012	**4,167**	**37,291**	**396**	**41,854**

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.
** Non-life Insurance assets are specified in Note 12.
*** On 31 March 2013, notes and bonds included EUR 9 million (9) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 31 March 2013, the fair value of these debt instruments was EUR 237 million (243) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their carrying amount, but determining reliable fair values involves uncertainty.

Note 11. Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2013, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	87	218		305
Non-life Insurance		12	7	18
Derivative financial instruments				
Banking	14	4,114	36	4,165
Non-life Insurance	0	0		0
Available-for-sale				
Banking	3,845	1,225	15	5,086
Non-life Insurance	1,771	772	237	2,780
Total	**5,718**	**6,342**	**295**	**12,355**

Fair value of assets on 31 December 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	125	115	16	256
Non-life Insurance		13	6	19
Derivative financial instruments				
Banking	7	4,427	28	4,462
Non-life Insurance	1	0		1
Available-for-sale				
Banking	4,060	1,001	16	5,076
Non-life Insurance	1,822	759	251	2,832
Total	**6,015**	**6,315**	**317**	**12,647**

Fair value of liabilities on 31 March 2013, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		14		14
Derivative financial instruments				
Banking	17	4,050	78	4,144
Non-life Insurance	0	4		4
Total	**17**	**4,068**	**78**	**4,162**

Fair value of liabilities on 31 December 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		3		3
Derivative financial instruments				
Banking	21	4,452	85	4,557
Non-life Insurance	3	0		3
Total	**23**	**4,455**	**85**	**4,563**

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

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

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

Transfers between levels of the fair value hierarchy

During 2013, EUR 17 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings. 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.

Valuation techniques whose input parameters involve uncertainty

Specification of financial assets and liabilities

Financial assets, EUR million	Recognised at fair value through profit or loss		Derivative financial instruments		Available-for-sale		
	Banking	Non-life Insurance	Banking	Non-life Insurance	Banking	Non-life Insurance	Total assets
Opening balance 1 Jan. 2013	16	6	28		16	251	317
Total gains/losses in profit or loss	-16		8		-1	-4	-12
Total gains/losses in other comprehensive income		0				1	1
Purchases						6	6
Sales						-17	-17
Closing balance 31 March 2013		**7**	**36**		**15**	**237**	**295**

Financial liabilities, EUR million	Recognised at fair value through profit or loss		Derivative financial instruments		
	Banking	Non-life Insurance	Banking	Non-life Insurance	Total liabilities
Opening balance 1 Jan. 2013			85		85
Total gains/losses in profit or loss			-7		-7
Closing balance 31 March 2013			**78**		**78**

Total gains/losses included in profit or loss by item for the financial year on 31 March 2013

EUR million	Net investment income	Net income from Non-life Insurance	Statement of compre-hensive income	Net interest income or net trading income	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Total gains/losses in profit or loss	-15	-1	-4	1	-18

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 value change of embedded derivatives are also presented in the itemised income statement.

Changes in the levels of hierarchy

The Group did not change classification between the levels of hierarchy in 2013.

Note 12. Non-life Insurance assets

EUR million	31 March 2013	31 Dec 2012
Investments		
Loans and other receivables	184	104
Shares and participations	490	409
Property	98	112
Notes and bonds	1,903	1,983
Derivatives	0	1
Other participations	406	459
Total	**3,081**	**3,069**
Other assets		
Prepayments and accrued income	37	42
Other		
From direct insurance	434	290
From reinsurance	133	91
Cash in hand and at bank	5	10
Other receivables	47	20
Total	**655**	**454**
Total Non-life insurance assets	**3,736**	**3,523**

Note 13. Intangible assets

EUR million	31 March 2013	31 Dec 2012
Goodwill	519	519
Brands	172	172
Customer relationships	125	131
Other	106	99
Total	**923**	**922**

Note 14. Non-life Insurance liabilities

EUR million	31 March 2013	31 Dec 2012
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,221	1,205
Other provision for unpaid claims	801	788
Total	2,022	1,993
Provision for unearned premiums	735	455
Derivatives	4	3
Other liabilities	286	141
Total	**3,047**	**2,592**

Note 15. Debt securities issued to the public

EUR million	31 March 2013	31 Dec 2012
Bonds	7,649	8,130
Certificates of deposit, commercial papers and ECPs	6,444	5,495
Other	142	144
Total	**14,236**	**13,769**

Note 16. Fair value reserve after income tax

EUR million	31 March 2013	31 Dec 2012
Loans and other receivables		
Reclassified notes and bonds	-1	-2
Available-for-sale financial assets		
Notes and bonds	45	52
Equities and mutual funds with equity risk	53	72
Other funds	38	22
Derivatives		
Cash flow hedge	19	23
Total	**155**	**167**

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

The fair value reserve before tax totalled EUR 204 million (221) and the related deferred tax liability EUR 50 million (54). On 31 March, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 119 million (121) and negative mark-to-market valuations EUR 8 million (8). In January–March, impairment losses recognised through profit or loss on equity instruments in the fair value reserve totalled EUR 1 million (1).

Note 17. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	31 March 2013	31 Dec 2012	Change
1–2	2.4	2.5	-0.1
3–5	12.5	12.3	0.2
6–7	6.2	5.8	0.4
8–9	2.2	2.2	0.0
10	0.2	0.2	0.0
11–12	0.3	0.3	0.0
Total	**23.8**	**23.4**	**0.4**

* excl. private customers

Sensitivity analysis of market risk

			31 March 2013		31 Dec 2012	
Banking, EUR million	Risk parameter	Change	Effect on results	Effect on share-holders' equity	Effect on results	Effect on share-holders' equity
Interest-rate risk	Interest	1 percen-tage point	10		8	
Currency risk	Market value	10%	4		2	
Volatility risk						
Interest-rate volatility	Volatility	10 percen-tage points	1		1	
Currency volatility	Volatility	10 percen-tage points	1		0	
Credit risk premium*	Credit spread	0.1 percen-tage points	1	2	1	2

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

Note 18. Risk exposure by Non-life Insurance

Risk parameter	Total amount 31 March 2013, EUR million	Change in risk parameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*	1,153	Up 1%	Up 0.9 percentage points	12
Claims incurred*	839	Up 1%	Down 0.7 percentage points	-8
Major loss of over EUR 5 million		1 loss	Down 0.4 percentage points	-5
Personnel costs*	131	Up 8%	Down 0.9 percentage points	-10
Expenses by function*/**	307	Up 4%	Down 1.1 percentage points	-12
Inflation for collective liability	553	Up 0.25 percentage points	Down 0.3 percentage points	-4
Life expectancy for discounted insurance liability	1,502	Up 1 year	Down 3.0 percentage points	-35
Discount rate for discounted insurance liability	1,502	Down 0.1 percentage point	Down 1.6 percentage points	-18

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

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 31 March 2013	%	Fair value 31 Dec 2012	%
Money market instruments	130	4 %	42	1 %
Bonds and bond funds	2,259	71 %	2,369	75 %
Public sector	592	19 %	615	20 %
Financial institutions	922	29 %	989	31 %
Corporate	606	19 %	628	20 %
Bond funds	117	4 %	120	4 %
Other	22	1 %	17	1 %
Equities	364	11 %	268	9 %
Private equity investments	99	3 %	99	3 %
Alternative investments	48	2 %	82	3 %
Real property	296	9 %	290	9 %
Total	**3,197**	**100 %**	**3,149**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 31 March 2013*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	193	90	302	49	114	77	825	36 %
Aa1−Aa3	234	32	52	0	14	27	359	16 %
A1−A3	83	173	192	74	35	0	556	25 %
Baa1−Baa3	50	63	85	81	29	23	330	15 %
Ba1 or lower	50	61	36	16	6	7	176	8 %
Internally rated	21	0	0	0			21	1 %
Total	**630**	**418**	**667**	**220**	**198**	**134**	**2,268**	**100 %**

* Excludes credit derivatives.

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

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million 31 March 2013	31 Dec 2012
Bonds and bond funds1)	Interest rate	1 percentage point	75	72
Equities 2)	Market value	10%	38	30
Venture capital funds and unquoted equities	Market value	10%	11	10
Commodities	Market value	10%	1	1
Real property	Market value	10%	30	29
Currency	Value of currency	10%	20	25
Credit risk premium 3)	Credit spread	0.1 percentage points	8	9
Derivatives	Volatility	10 percentage points	0	0

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

Note 19. Risk exposure by Group Functions

Total exposure by rating category, EUR billion

Rating category	31 March 2013	31 Dec 2012	Change
1–2	17.9	17.1	0.9
3–5	2.6	3.0	-0.4
6–7	0.1	0.2	0.0
8–9	0.1	0.1	0.0
10	0.0	0.0	0.0
Total	**20.8**	**20.4**	**0.4**

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	31 March 2013 Effect on results	31 March 2013 Effect on shareholders' equity	31 Dec 2012 Effect on results	31 Dec 2012 Effect on shareholders' equity
Interest-rate risk	Interest rate	1 percentage point	24		22	
Interest-rate volatility	Volatility	10 percentage points	0		0	
Credit risk premium*	Credit spread	0.1 percentage points		19		19
Price risk						
Equity portfolio	Market value	10%		0		0
Private equity funds	Market value	10%		2		3
Property risk	Market value	10%	3		3	

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

Note 20. Liquidity buffer

Liquidity buffer by maturity and credit rating on 31 March 2013, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa*	5,428	848	722	655	511	22	8,185	57 %
Aa1−Aa3	48	193	142	408	252	1	1,043	7 %
A1−A3	173	536	195	31	22	1	960	7 %
Baa1−Baa3	157	262	40	2	15		476	3 %
Ba1 or lower	63	69	67	9	41	0	249	2 %
Internally rated**	565	801	959	396	164	491	3,376	24 %
Total	**6,434**	**2,709**	**2,124**	**1,502**	**1,006**	**515**	**14,289**	**100 %**

* incl. deposits with the central bank
** PD </= 0.40%
The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.7 years.

Note 21. Capital base and capital adequacy

EUR million	31 March 2013	31 Dec 2012
Tier 1 capital		
Equity capital	2,707	2,769
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	14	-6
Fair value reserve, transfer to Tier 2	-39	-36
Core Tier 1 capital before deductions and hybrid capital	**2,682**	**2,728**
Intangible assets	-185	-182
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-7	-7
Dividend distribution proposed by Board of Directors		-145
Planned dividend distribution	-50	
Investments in insurance companies and financial institutions	-703	-703
Shortfall of impairments – expected losses	-55	-60
Core Tier 1 capital	**1,683**	**1,631**
Hybrid capital	274	274
Shortfall of Tier 2 capital	-56	
Tier 1 capital	**1,901**	**1,904**
Tier 2 capital		
Fair value reserve	20	13
Debenture loans	682	853
Investments in insurance companies and financial institutions	-703	-703
Shortfall of impairments – expected losses	-55	-60
Transfer to Tier 1 capital	56	
Tier 2 capital		**103**
Total capital base	**1,901**	**2,007**
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,406	-1,406
Impairments – shortfall of expected losses	-110	-121
Total	**-1,516**	**-1,527**

EUR million	31 March 2013 Risk-weighted assets	31 March 2013 Minimum capital requirement	31 Dec 2012 Risk-weighted assets	31 Dec 2012 Minimum capital requirement
Credit and counterparty risk				
Central government and central banks exposure	37	3	41	3
Credit institution exposure	1,170	94	1,193	95
Corporate exposure	11,083	887	10,814	865
Retail exposure	665	53	636	51
Other	925	74	893	71
Market risk	726	58	723	58
Operational risk	1,083	87	1,020	82
Total	**15,688**	**1,255**	**15,320**	**1,226**

	31 March 2013	31 Dec 2012
Ratios, %		
Capital adequacy ratio	12.1	13.1
Tier 1 capital ratio	12.1	12.4
Core Tier 1 capital ratio	10.7	10.6
Capital base*, EUR million	645	781

* Capital base above the minimum capital requirement

The IRBA transitional provision (Basel 1 floor) has no effect on capital adequacy ratios.

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola has used the Internal Ratings Based Approach (IRBA) for corporate, credit institution and retail exposures as well as equity investments. Pohjola has used the Standardised Approach (SA) to measure credit risk for government exposures.

OP-Pohjola Group’s capital adequacy ratio under the Act on Credit Institutions, Tier 1 ratio and Core Tier 1 ratio all stood at 14.1% (14.1).

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

EUR million	31 March 2013	31 Dec 2012
Pohjola Group's equity capital	2,707	2,769
Hybrid instruments, perpetual bonds and debenture bonds	1,006	1,177
Other sector-specific items excluded from capital base	0	-121
Goodwill and intangible assets	-878	-876
Equalisation provision	-201	-206
Proposed profit distribution	-50	-145
Items under IFRS deducted from capital base*	-26	-45
Shortfall of impairments – expected losses	-110	-121
Conglomerate's capital base, total	**2,448**	**2,432**
Regulatory capital requirement for credit institutions**	1,255	1,226
Regulatory capital requirement for insurance operations’	219	203
Conglomerate’s total minimum capital requirement	**1,475**	**1,429**
Conglomerate’s capital adequacy	**973**	**1,004**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.66**	**1.70**

* Excess funding of pension liability, Fair value measurement of investment property, Portion of cash flow hedge of fair value reserve
** Risk-weighted assets x 8%
*** Minimum solvency margin

OP-Pohjola Group's capital adequacy ratio was 1.85 (1.90).

Note 23. Collateral given

EUR million	31 March 2013	31 Dec 2012
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	4,171	4,630
Other	530	583
Total collateral given	**4,702**	**5,214**
Total collateralised liabilities	**577**	**592**

Note 24. Off-balance-sheet commitments

EUR million	31 March 2013	31 Dec 2012
Guarantees	890	882
Other guarantee liabilities	1,423	1,359
Loan commitments	5,432	5,342
Commitments related to short-term trade transactions	354	435
Other	310	301
Total off-balance-sheet commitments	**8,408**	**8,319**

Note 25. Derivative contracts

31 March 2013, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	47,187	96,586	39,734	183,507	3,821	3,711
cleared by the central counterparty		316	126	442	0	1
Currency derivatives	19,142	2,742	488	22,372	406	379
Equity and index derivatives	261	803		1,064	53	0
Credit derivatives	29	89	14	132	9	1
Other derivatives	333	555	112	1,001	43	38
Total derivatives	**66,952**	**100,775**	**40,348**	**208,076**	**4,332**	**4,128**

31 Dec 2012, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	45,199	91,926	39,553	176,678	4,293	4,168
Currency derivatives	19,844	2,747	517	23,107	294	340
Equity and index derivatives	303	819	6	1,127	50	0
Credit derivatives	122	92		214	10	2
Other derivatives	288	585	78	952	37	37
Total derivatives	**65,757**	**96,168**	**40,154**	**202,079**	**4,684**	**4,547**

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

Central counterparty clearing for OTC derivatives

In anticipation of entry into force of central counterparty clearing required by the European Market Infrastructure Regulation (Regulation (EU) No. 648/2012), Pohjola Bank plc started in February 2013 central counterparty clearing in London Clearing House for new interest rate derivatives covering standardised OTC derivative transactions entered into with financial counterparties. Since Pohjola Bank plc is not a direct member of London Clearing House, it will manage central counterparty clearing for OTC derivative transactions with a few, separately selected clearing brokers with which it has concluded clearing agreements. The central counterparty will become the derivatives counterparty at the end of the daily clearing process. Based on this operating model, 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). As a result of the change in the operating model, interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet. This change has not yet had any substantial effect on the consolidated balance sheet.

Other bilaterally cleared OTC derivative contracts

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

Note 26. Other contingent liabilities and commitments

On 31 March 2013, the Group Functions commitments to venture capital funds amounted to EUR 10 million (12) and Non-Life Insurance commitments to EUR 107 million (107). They are included in the section 'Off-balance-sheet commitments'.

Note 27. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2012.

Helsinki, 29 April 2013

Pohjola Bank plc
Board of Directors

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

Analyst meeting, conference call and live webcast

Pohjola will hold a briefing in English for analysts and investors on 29 April starting at 3.00 pm Finnish time, EET (2.00 pm CET, 1.00 pm UK time, 8am US EST). The briefing is a combined analyst meeting, conference call and live webcast.

Analysts and investors may attend the briefing in one of the following two ways:
1) By viewing the briefing as live webcast via the internet. The link will be available on the IR website before the briefing begins. Questions on the internet are welcome via a question button available in the webcast window. An on-demand webcast of the briefing can be viewed via the IR website afterwards.

2) By dialling one of the regional conference call numbers shown below. Questions are welcome by telephone in the Q&A session according to instructions. To participate via a conference call, please dial in 5−10 minutes before the beginning of the event:
FI: 09 23 11 3289
US: 1 86 6682 8490
UK: 08 445 718 957
International: +44 (0) 1452 555131
Password: Pohjola

Press conference

Mikael Silvennoinen, Pohjola Bank plc's President and CEO, will present the financial results in a press conference on OP-Pohjola Group's premises (Vääksyntie 4, Vallila, Helsinki), on 29 April, starting at noon.

Financial reporting in 2013

Schedule for Interim Reports in 2013:

Interim Report H1/2013	31 July 2013
Interim Report Q1−3/2013	30 October 2013

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