

# OP-Pohjola Group's Interim Report 1 January–31 March 2012



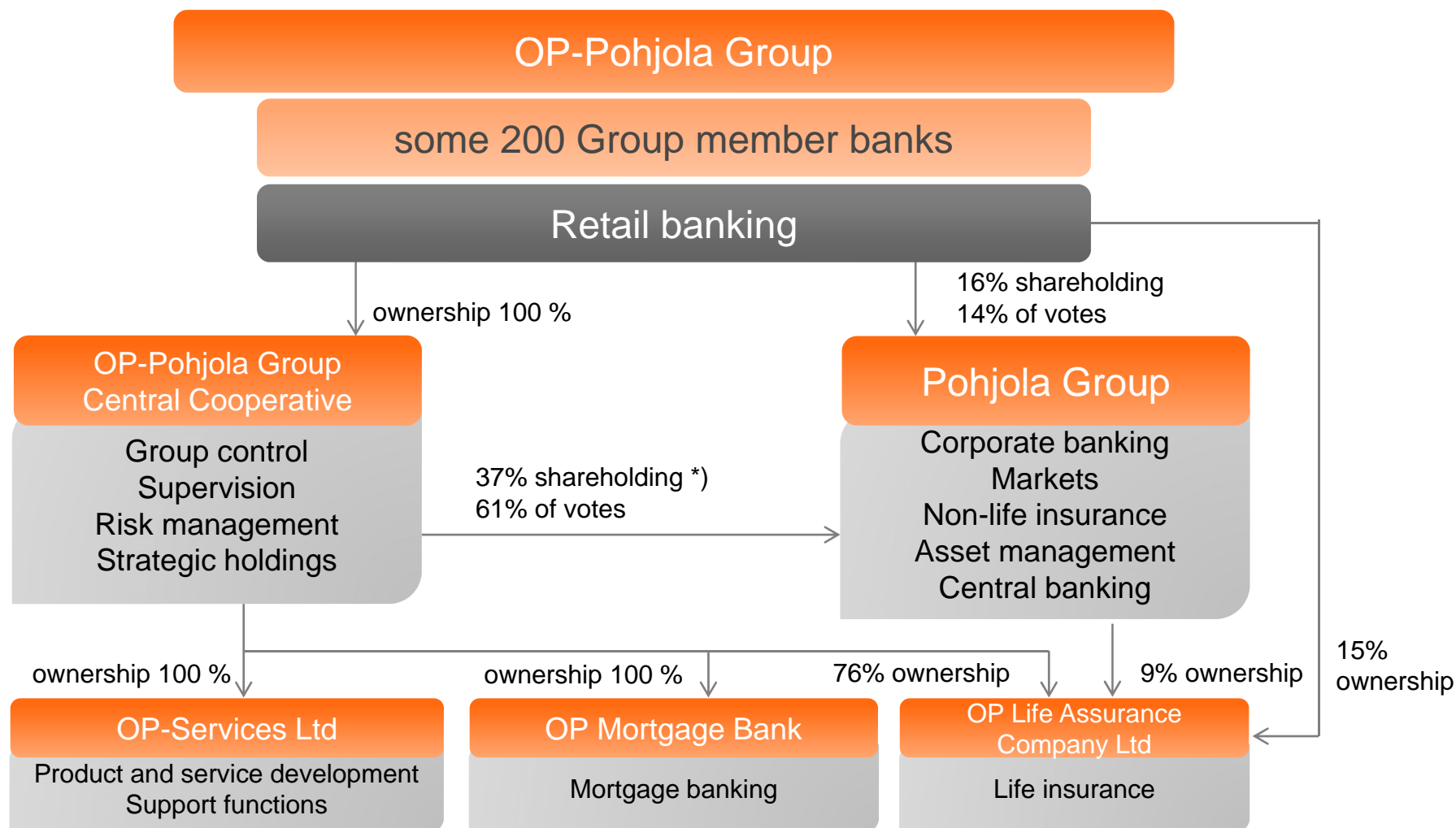
# Contents

- OP-Pohjola Group
- Year-on-year results
- Quarterly figures
- Capital adequacy
- Balance sheet
- Loans and customer funds
- Customers, owner-members etc.
- 5-year trends



OP-Pohjola Group

# OP-Pohjola Group Structure, Ownership Base and Division of Responsibilities



Credit institutions within OP-Pohjola Group are liable for each other's debts and commitments.

OP-Pohjola Group is supervised by FSA on a consolidated basis.

\*) Includes shareholding of 0.26% by OP-Pohjola Group Central Cooperative's subsidiary, OP Life Assurance Company Ltd

# OP-Pohjola Group Business Segments

## Banking

- Cooperative banks, Helsinki OP Bank Plc, OP-Kotipankki Oyj, OP Mortgage Bank and OP Fund Management Company Ltd.
- Pohjola Group's Banking and Asset Management segments
- OP Bank Group Mutual Insurance Company

## Non-life Insurance

- Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd and Seesam insurance companies in the Baltic countries

## Life Insurance

- OP Life Assurance Company Limited

## Other operations

- OP-Pohjola Group Central Cooperative, OP-Services Ltd and Pohjola's Group management

# OP-Pohjola Group Key Indicators

	Q1/2012	Q1/2011	Change, %	Q1-Q4/2011
<b>Earnings before tax, €million</b>	<b>203</b>	<b>210</b>	<b>-3.2</b>	<b>525</b>
<b>Banking</b>	<b>155</b>	<b>134</b>	<b>15.1</b>	<b>478</b>
<b>Non-life Insurance</b>	<b>15</b>	<b>19</b>	<b>-19.4</b>	<b>8</b>
<b>Life Insurance</b>	<b>19</b>	<b>37</b>	<b>-47.6</b>	<b>10</b>
<b>Returns to owner-members and OP-bonus customers, €million</b>	<b>44</b>	<b>42</b>	<b>5.4</b>	<b>176</b>
	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>Change, %</b>	<b>31 Dec. 2011</b>
<b>Ratio of capital base to minimum of capital base</b>	<b>2.02</b>	<b>1.67</b>	<b>0.36 *</b>	<b>1.80</b>
<b>Core Tier 1 ratio, %</b>	<b>15.1</b>	<b>12.7</b>	<b>2.5 *</b>	<b>14.0</b>
<b>Non-performing receivables/ loan and guarantee portfolio</b>	<b>0.53</b>	<b>0.43</b>	<b>0.10 *</b>	<b>0.47</b>
<b>Joint banking and insurance customers (1000)</b>	<b>1,329</b>	<b>1,222</b>	<b>8.8</b>	<b>1,299</b>

\*Change in ratio



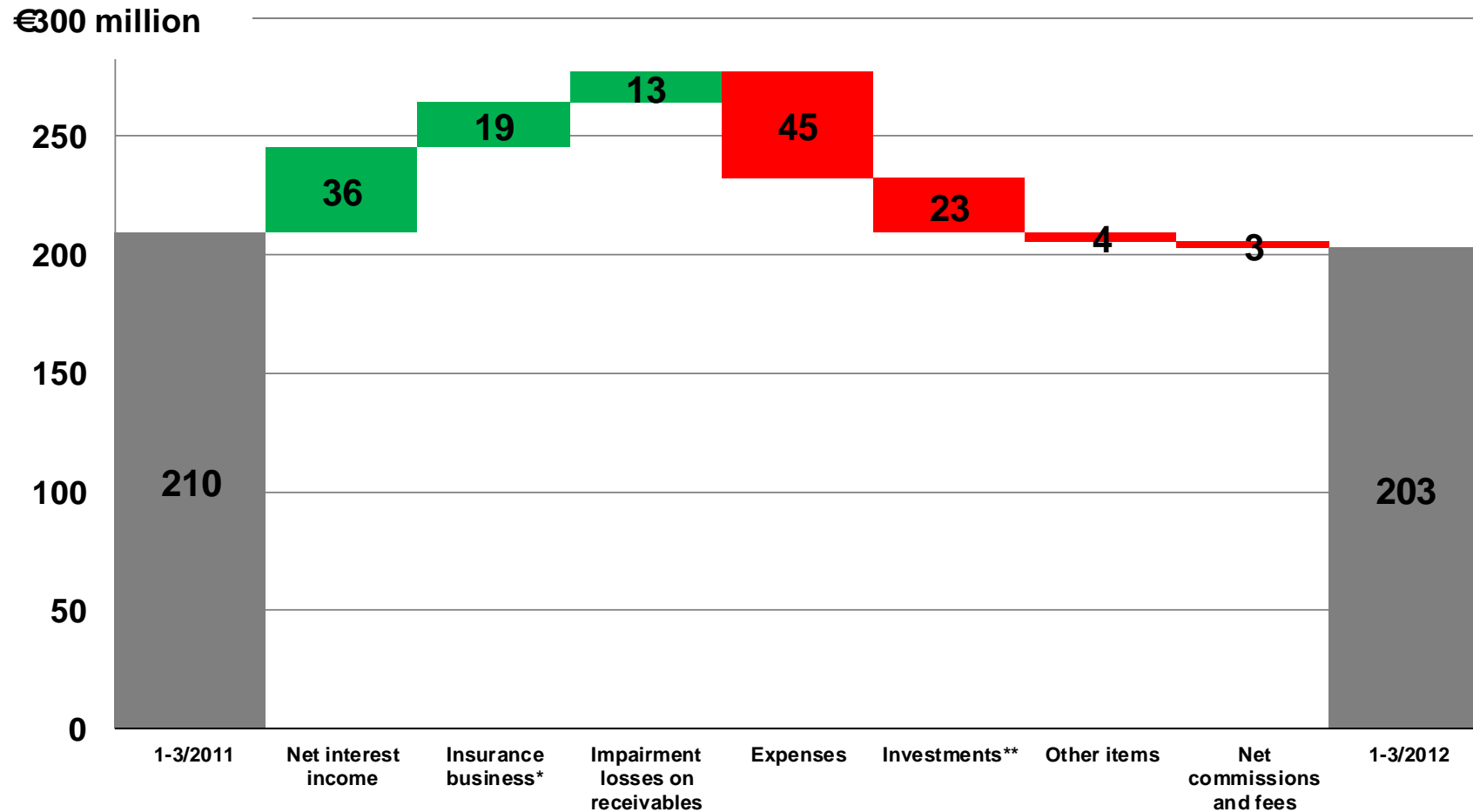
# Joint Liability, Deposit Insurance and Investors' Compensation

- Under the Laki talletuspankkien yhteenliittymästä Act (the Act on the Amalgamation of Deposit Banks), the amalgamation of the cooperative banks comprises the organisation's central institution (OP-Pohjola Group Central Cooperative), its member credit institutions and the companies belonging to their consolidation groups as well as credit and financial institutions and service companies in which the above-mentioned entities together hold more than half of the total votes.
- The central institution's members at the end of the report period comprised OP-Pohjola Group's member cooperative banks as well as Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj. OP-Pohjola Group's insurance companies and OP-Services Ltd do not fall within the scope of joint liability.
- By virtue of the Act on the Amalgamation of Deposit Banks, the central institution has both the right to control its credit institutions and the obligation to supervise their operations. The amalgamation of deposit banks is supervised on a consolidated basis. As laid down in applicable law, the member credit institutions and OP-Pohjola Group Central Cooperative are ultimately jointly and severally liable for each other's debts and commitments
- Deposit banks belonging to OP-Pohjola Group, i.e. its member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Plc and OP-Kotipankki Oyj, are regarded as a single bank with respect to deposit insurance. Under legislation governing the Investors' Compensation Fund, OP-Pohjola Group is also considered a single entity in respect of investors' compensation.

A photograph of a person sitting at an outdoor cafe table. The person is holding a smartphone. On the table is a white coffee cup, a glass of water, and a vase with blue flowers. The background shows a harbor with many sailboats and a cloudy sky.

# Year-on-year Results

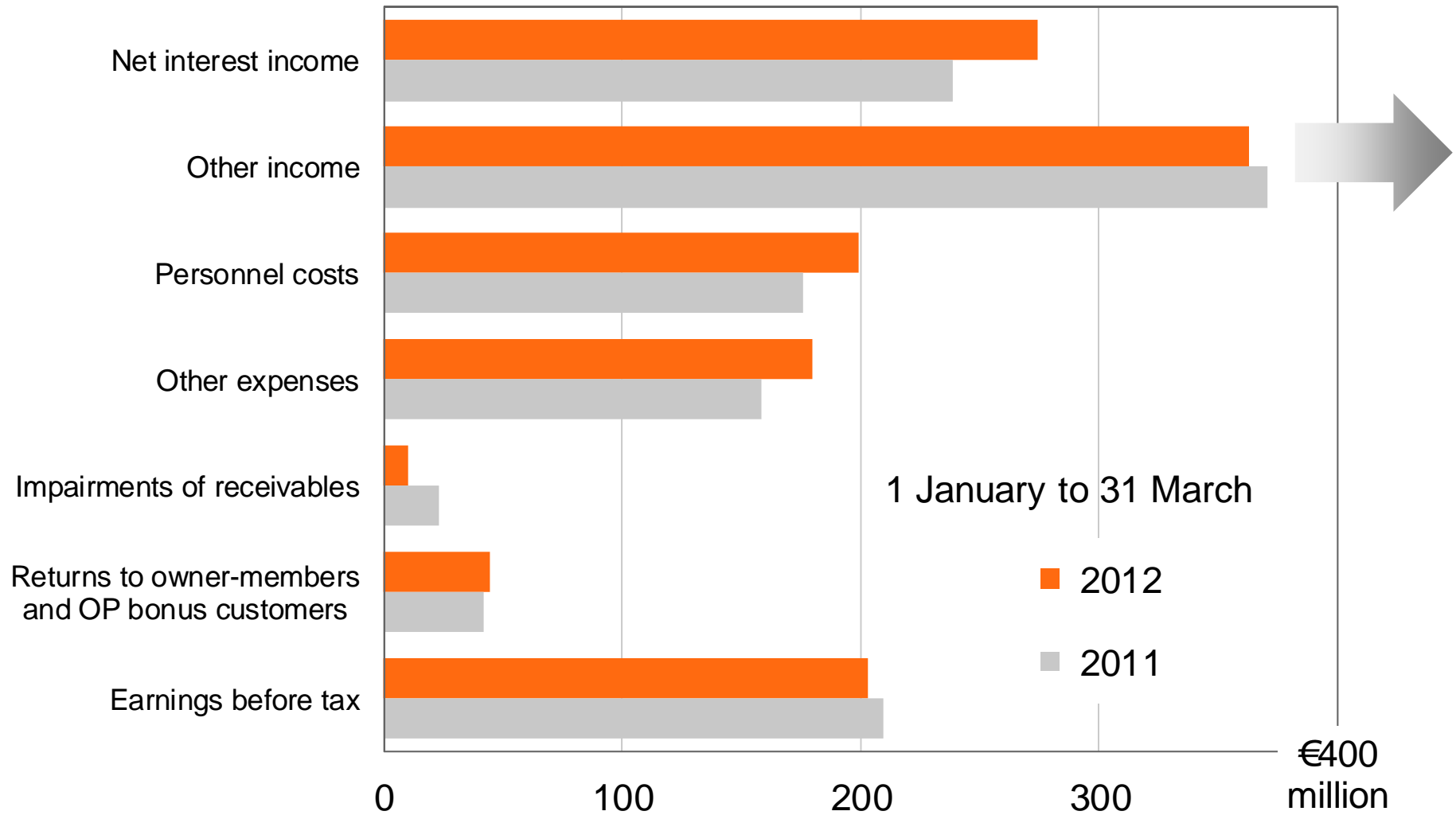
# OP-Pohjola Group Earnings before Tax

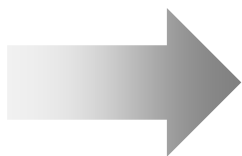


\*) Life and Non-life Insurance \*\*) Investments = Life insurance's investment income (excl. derivatives hedging technical provisions) and Non-life insurance investment income + Net trading and investment income

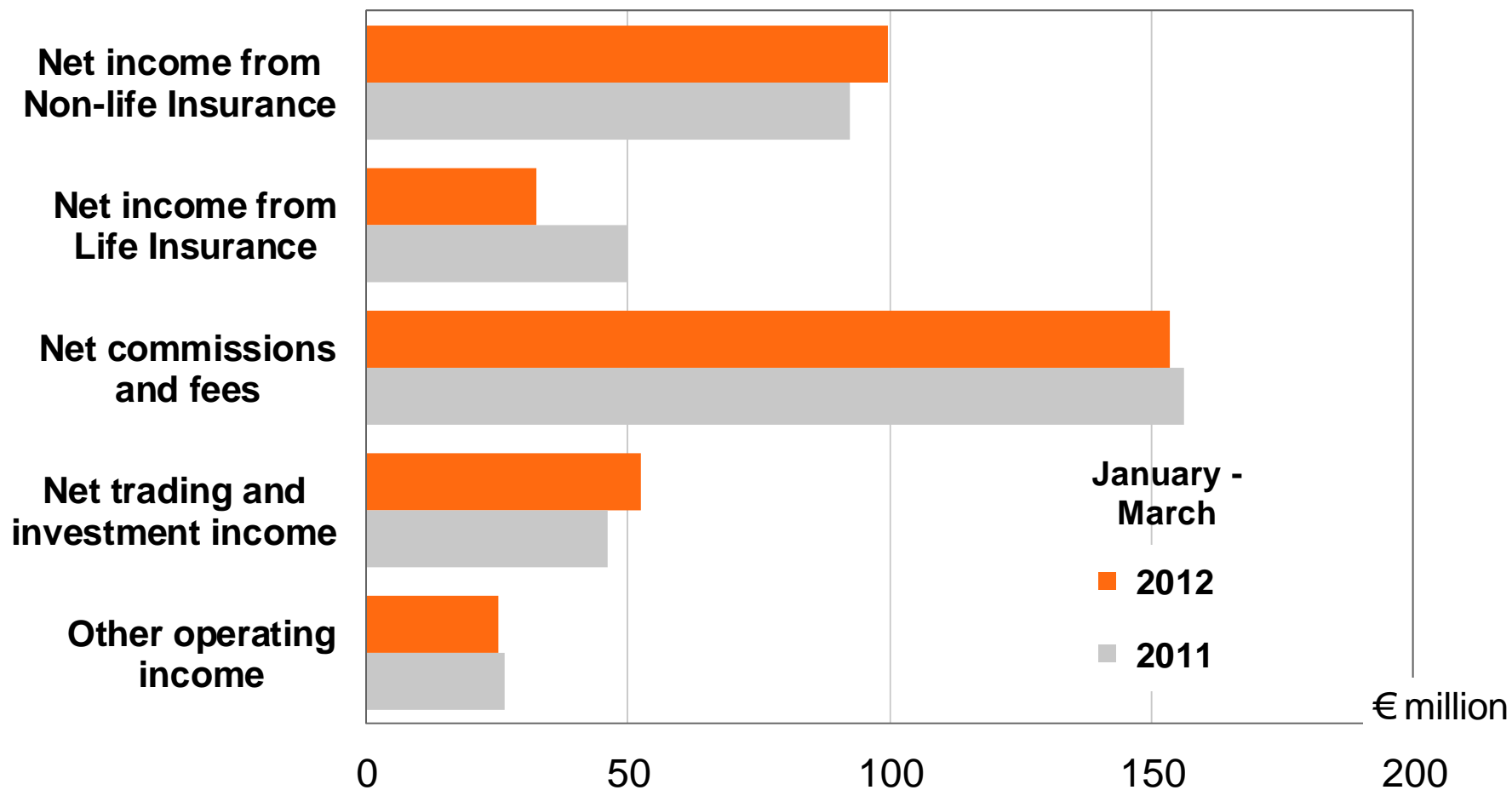


# OP-Pohjola Group Income Statement





## OP-Pohjola Group Other Income



## OP-Pohjola Group

# Income Statement

€million			Change	
1 January to 31 March	2012	2011	€million	%
Interest income	899	697	202	29.0
Interest expenses	625	458	166	36.3
<b>Net interest income</b>	<b>274</b>	<b>238</b>	<b>36</b>	<b>15.0</b>
Impairments of receivables	11	23	-13	-55.0
<b>Net interest income after impairment losses</b>	<b>264</b>	<b>215</b>	<b>49</b>	<b>22.6</b>
Net income from Non-life Insurance operations	100	92	7	8.1
Net income from Life Insurance operations	32	50	-17	-35.0
Net commissions and fees	153	156	-3	-1.7
Net trading income	38	19	18	93.1
Net investment income	15	26	-12	-44.1
Other operating income	25	26	-1	-4.0
Personnel costs	199	176	23	13.2
Other administrative expenses	93	80	13	15.6
Other operating expenses	87	78	9	11.8
Returns to owner-members and OP bonus customers	44	42	2	5.4
Share of associates' profits/losses	0	1	-1	
<b>Earnings before tax</b>	<b>203</b>	<b>210</b>	<b>-7</b>	<b>-3.2</b>

# OP-Pohjola Group

## Income Statement by Business Segment

1 January to 31 March 2012

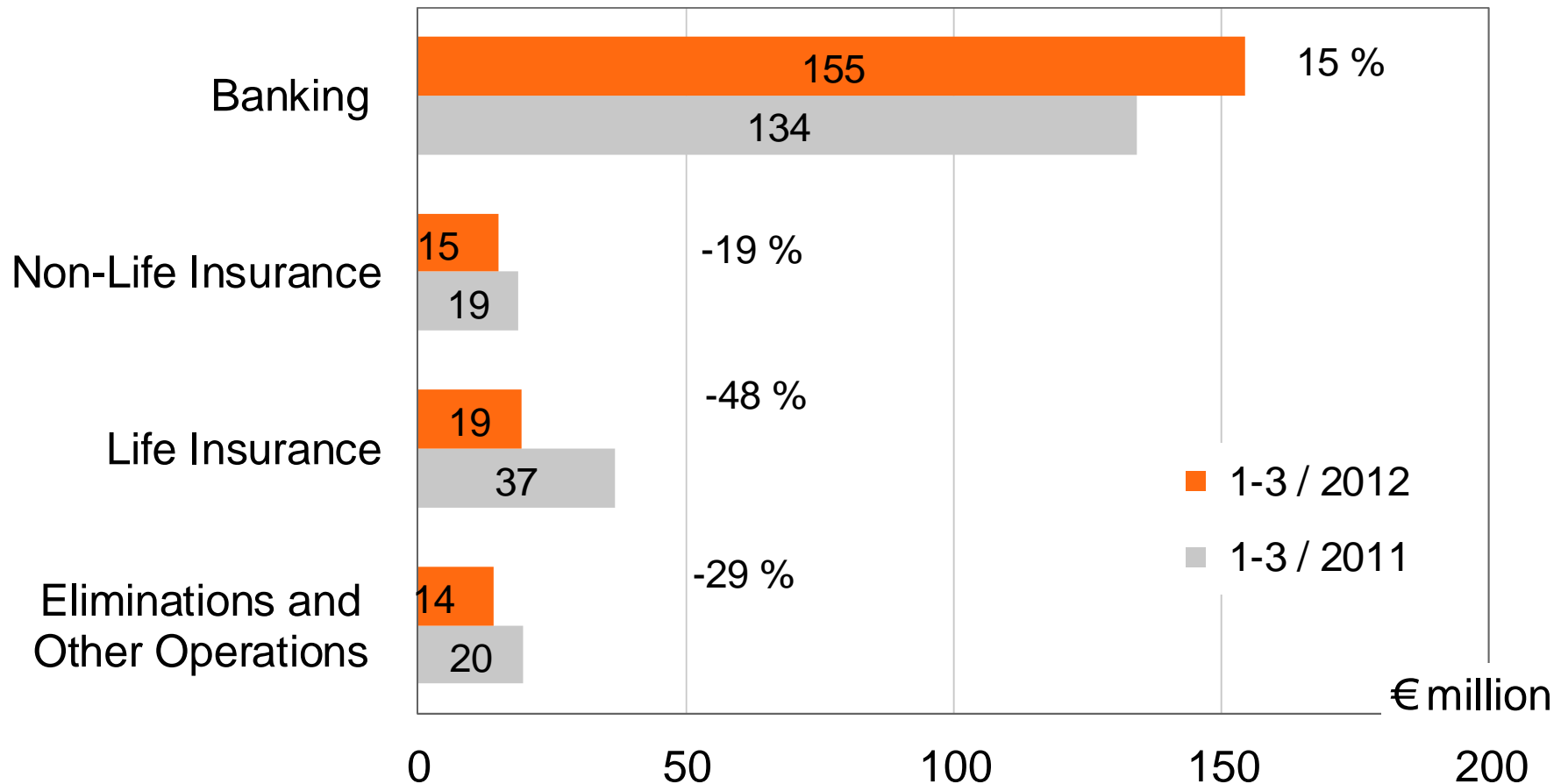
€million	Banking	Non-Life Insurance	Life Insurance	Eliminations and Other Operations	Total
Net interest income	257	0	0	17	275
Net income from non-life insurance	0	104	0	-4	100
Net income from life insurance	0	0	37	-5	32
Other income	209	7	10	5	231
Total income	466	111	47	13	638
Personnel costs	121	37	3	38	199
Other expenses	137	59	25	-41	180
Total expenses	258	96	28	-2	380
Impairment losses on receivables	9	0	0	2	11
Returns to owner-members	44	0	0	0	44
<b>Earnings before tax</b>	<b>155</b>	<b>15</b>	<b>19</b>	<b>14</b>	<b>203</b>

Cost /income ratio, %

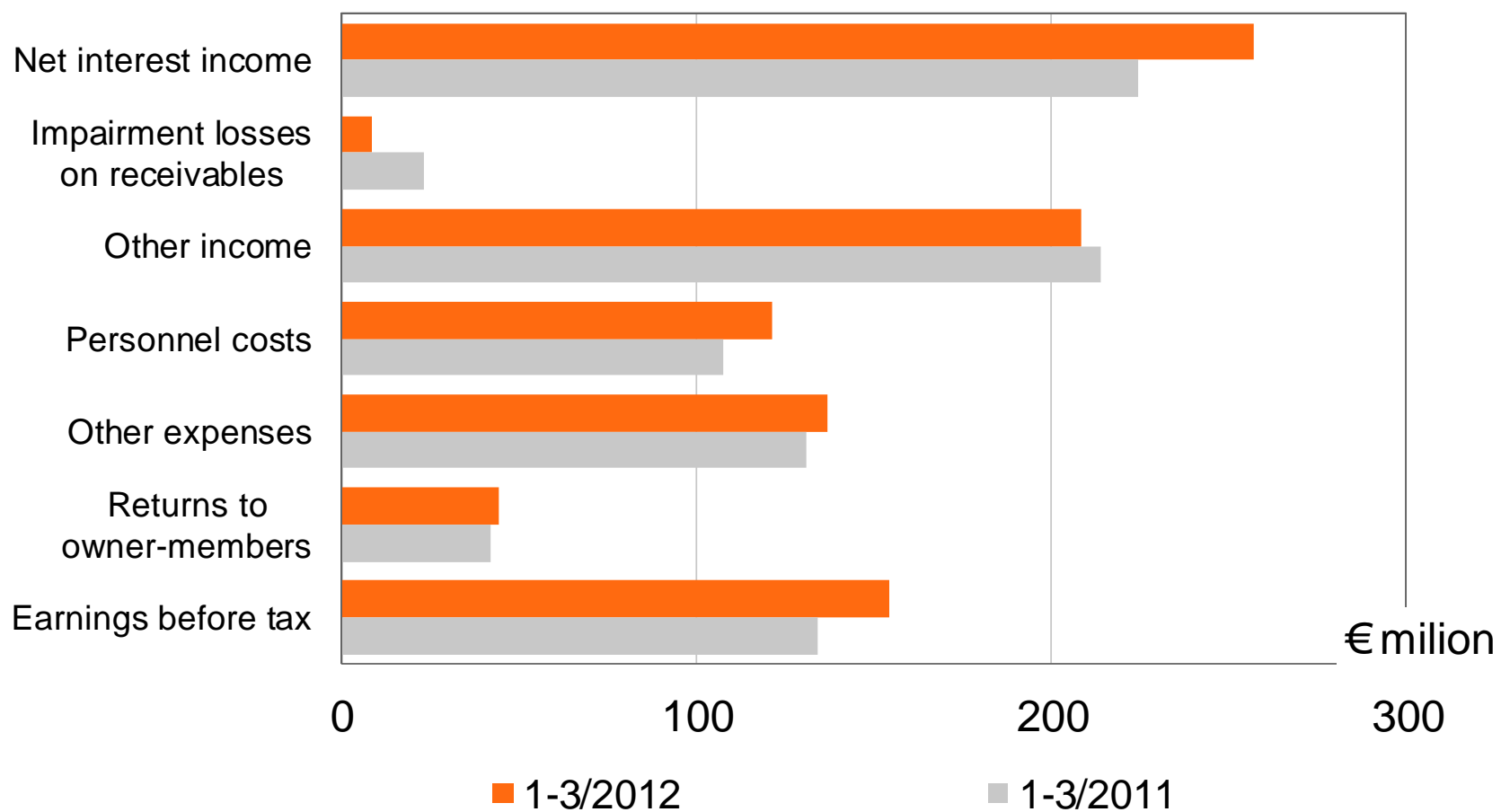
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# OP-Pohjola Group

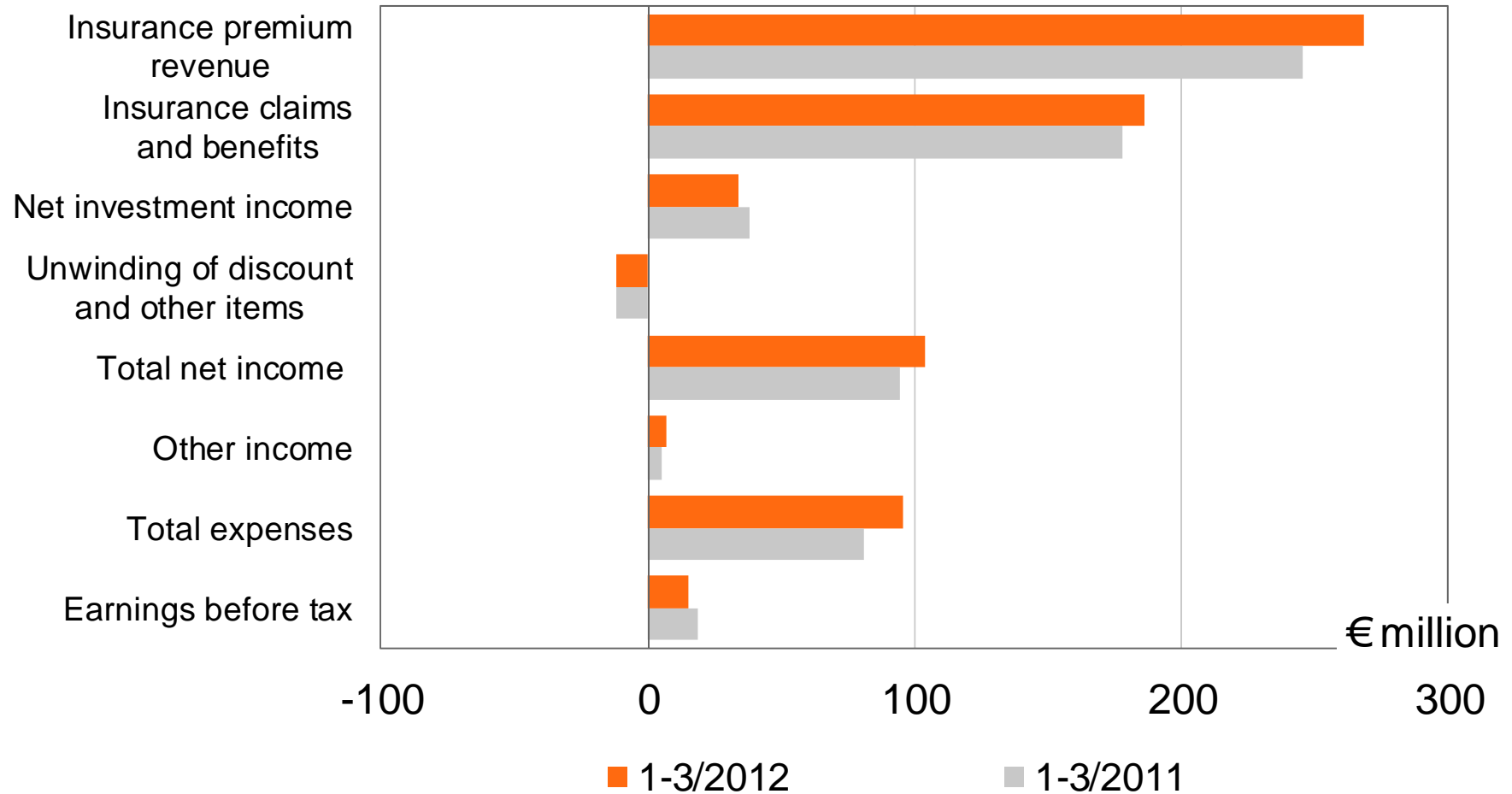
## Earnings before tax by Business Segment



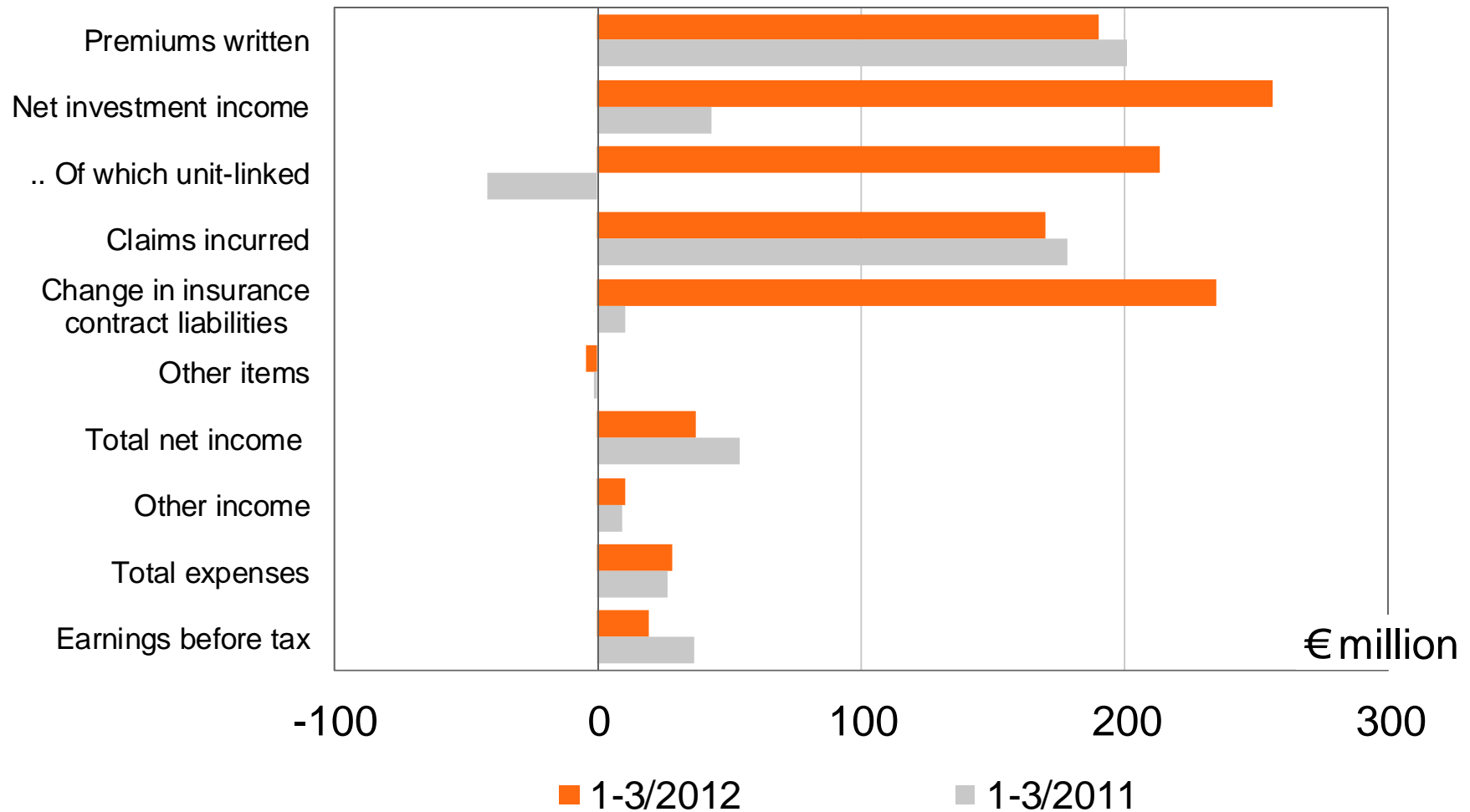
## OP-Pohjola Group Banking



## OP-Pohjola Group Non-life Insurance



# OP-Pohjola Group Life Insurance



A close-up photograph of a hand pointing at architectural blueprints. The blueprints show various building plans, including a large rectangular structure with internal divisions and a smaller structure labeled 'KALVARIOLINNA'. The background is slightly blurred, showing some outdoor elements like trees and a fence. A semi-transparent dark grey bar is overlaid across the middle of the image, containing the text 'Quarterly Figures' in white.

# Quarterly Figures

## OP-Pohjola Group Quarterly Performance

€million	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net interest income	238	255	261	275	274			
Other income	371	330	214	215	363			
Total income	609	585	476	490	637			
Personnel costs	176	186	147	180	199			
Other expenses	158	165	154	192	180			
Total expenses	334	350	301	372	379			
Impairments of receivables	23	31	10	37	11			
Returns to owner-members and OP bonus customers	42	47	43	44	44			
Earnings before tax	210	157	122	37	203			

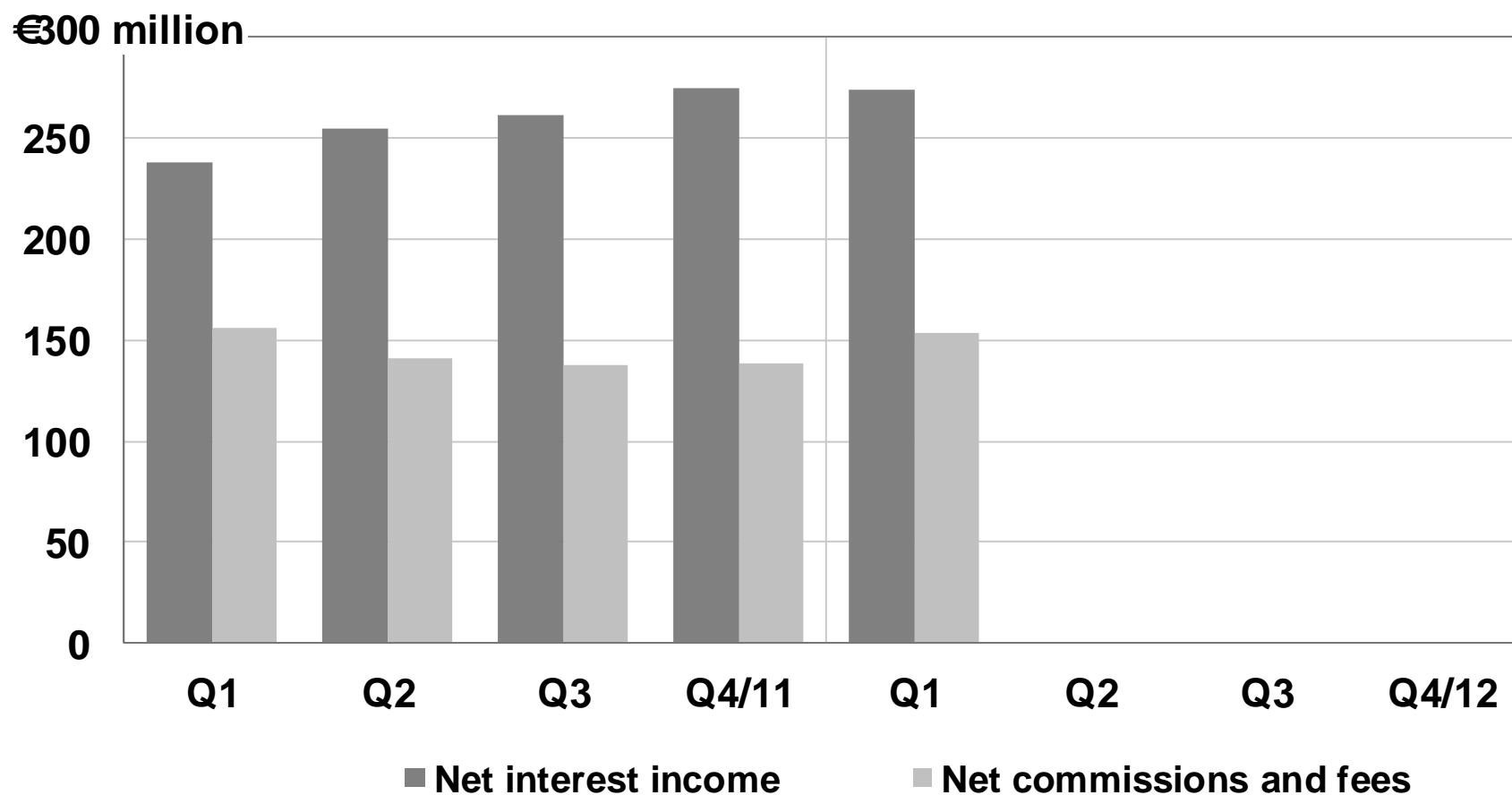
## OP-Pohjola Group

### Other Income by Quarter

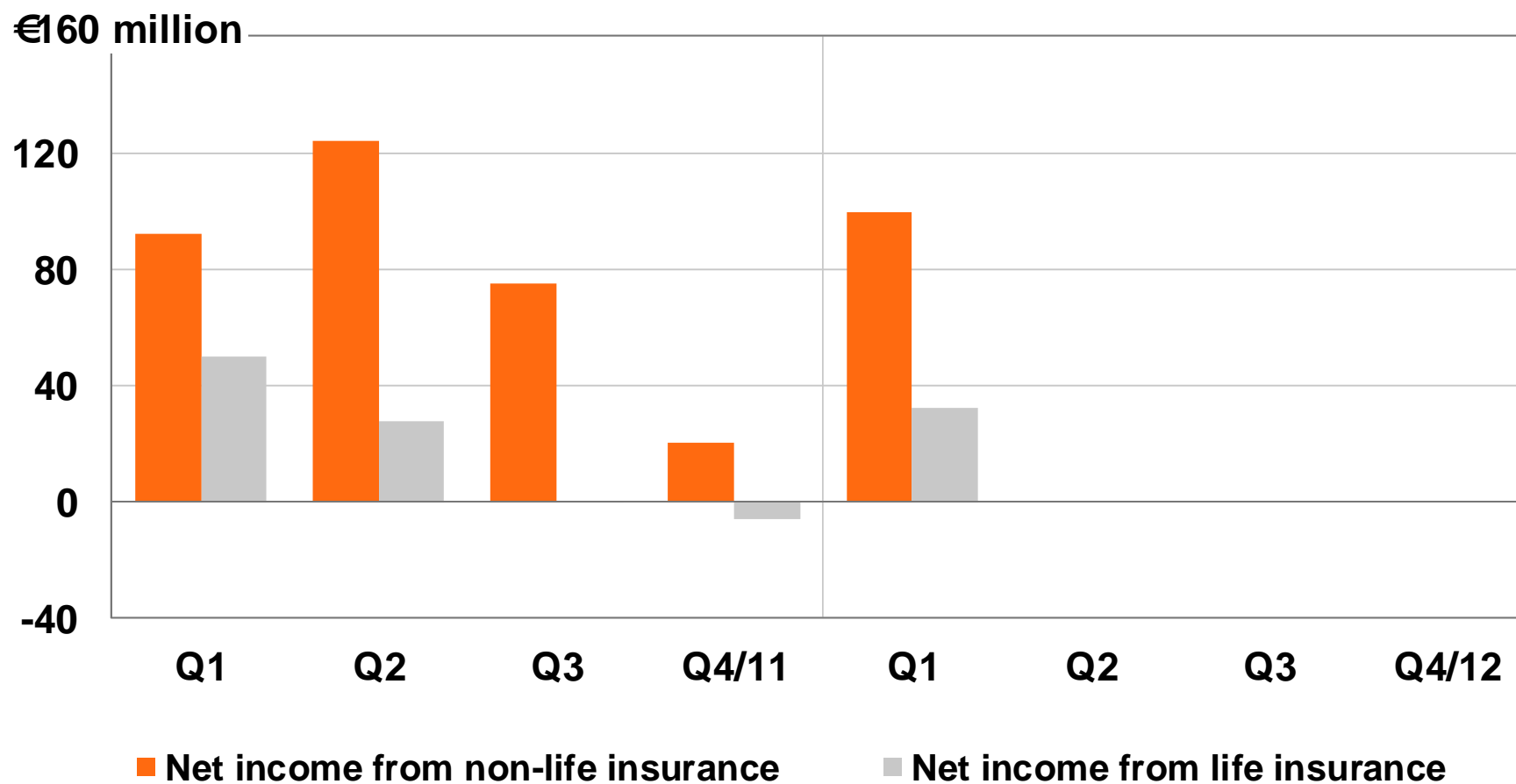
€million	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net income from non-life insurance	92	124	75	20	100			
Net income from life insurance	50	28	0	-6	32			
Net commissions and fees	156	141	138	138	153			
Net income from trading and investments	46	15	-19	38	52			
Other income	27	22	20	25	25			
<b>Total</b>	<b>371</b>	<b>330</b>	<b>214</b>	<b>215</b>	<b>363</b>			

# OP-Pohjola Group

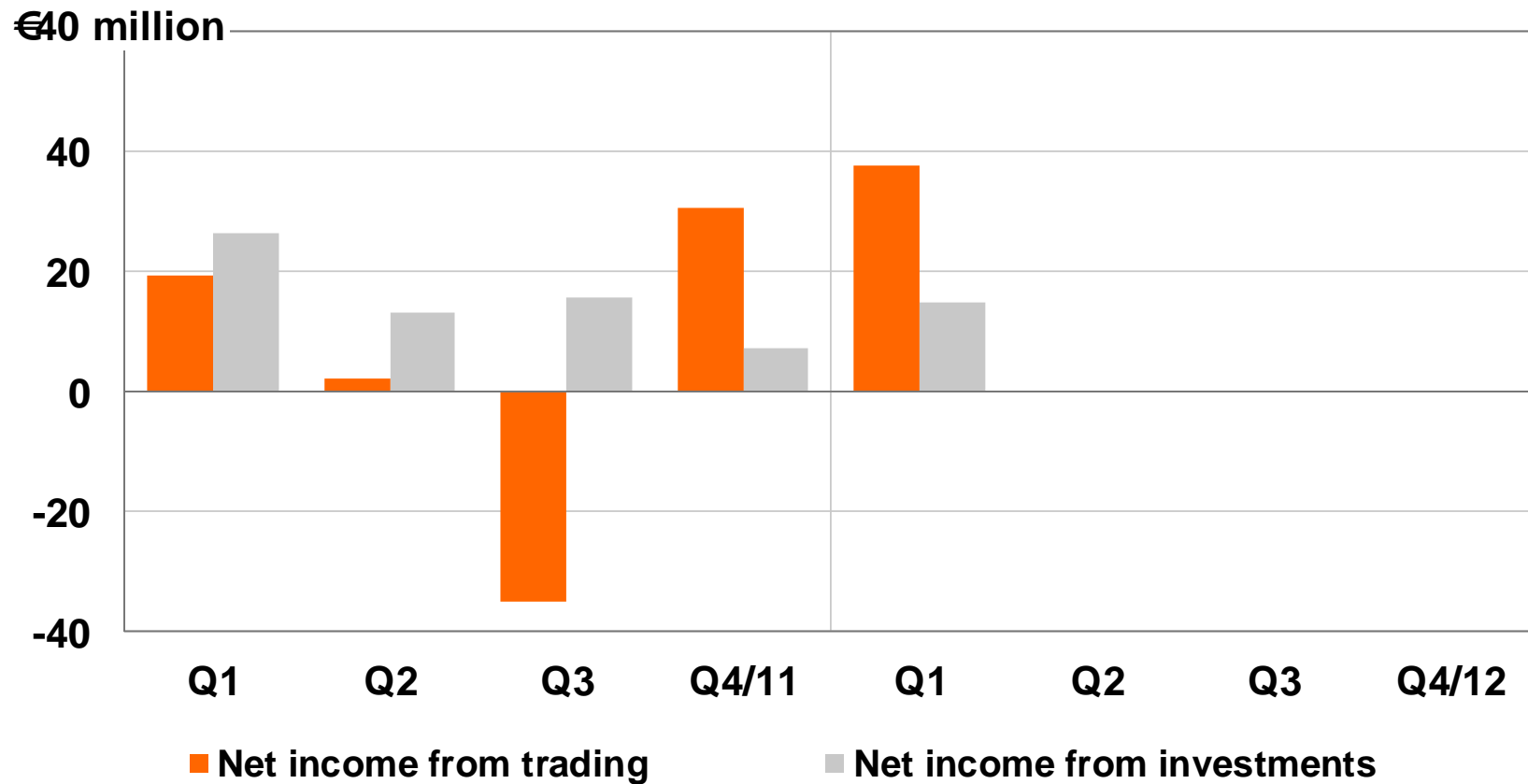
## Net Interest Income and Net Commissions and Fees



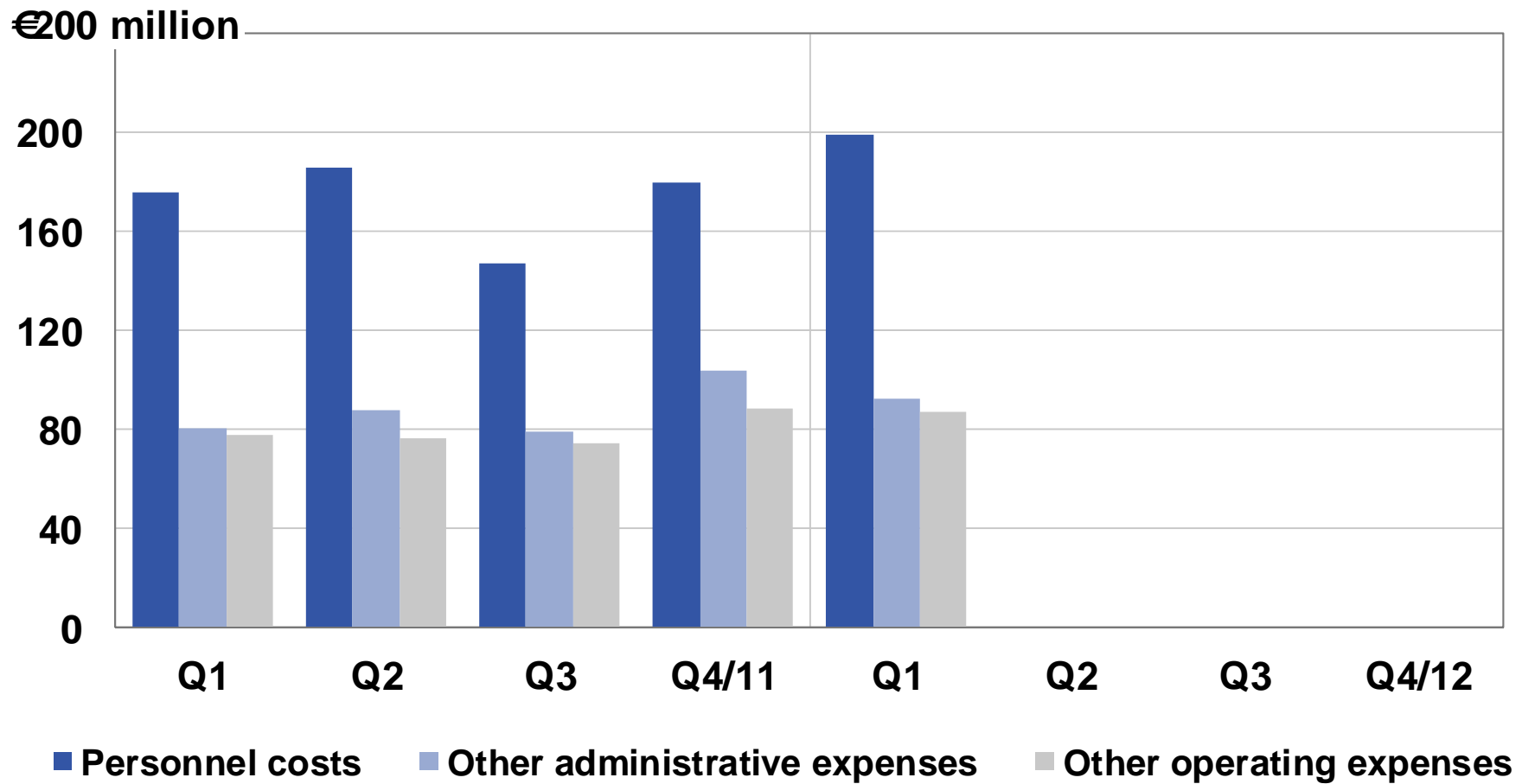
# OP-Pohjola Group Net Income from Non-life and Life Insurance



# OP-Pohjola Group Net Income from Trading and Investments

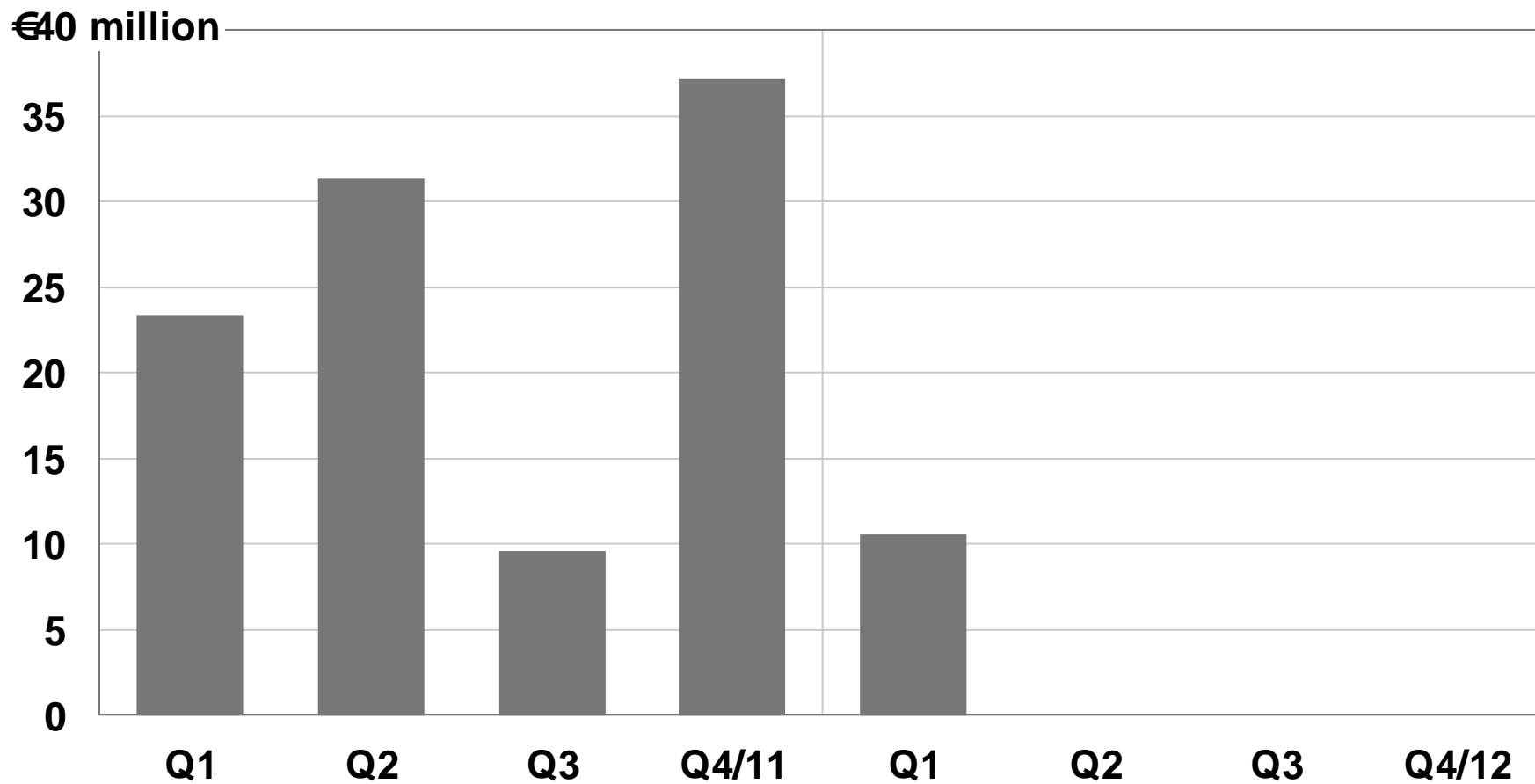


## OP-Pohjola Group Expenses

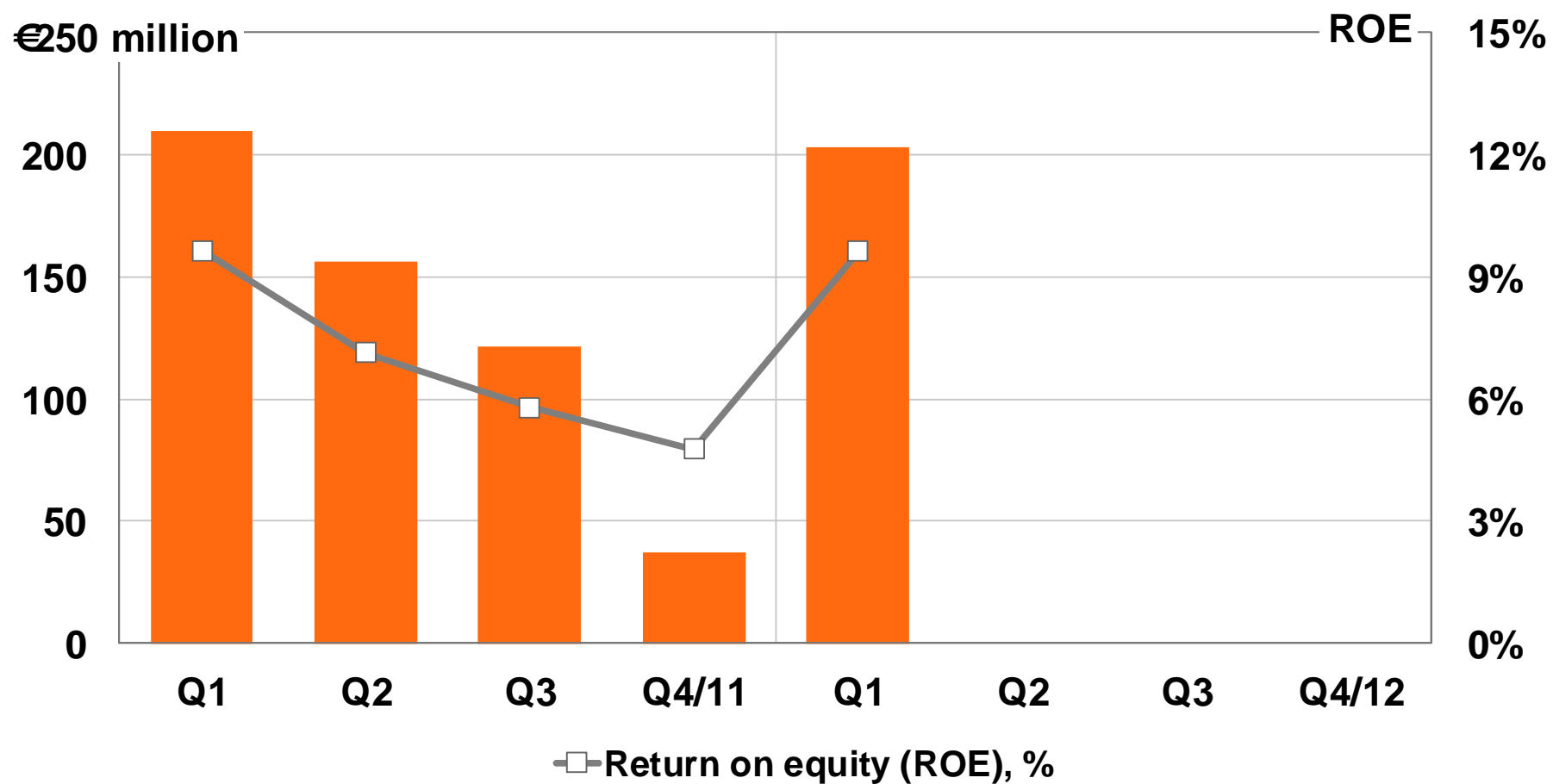


# OP-Pohjola Group

## Quarterly Impairments of Receivables

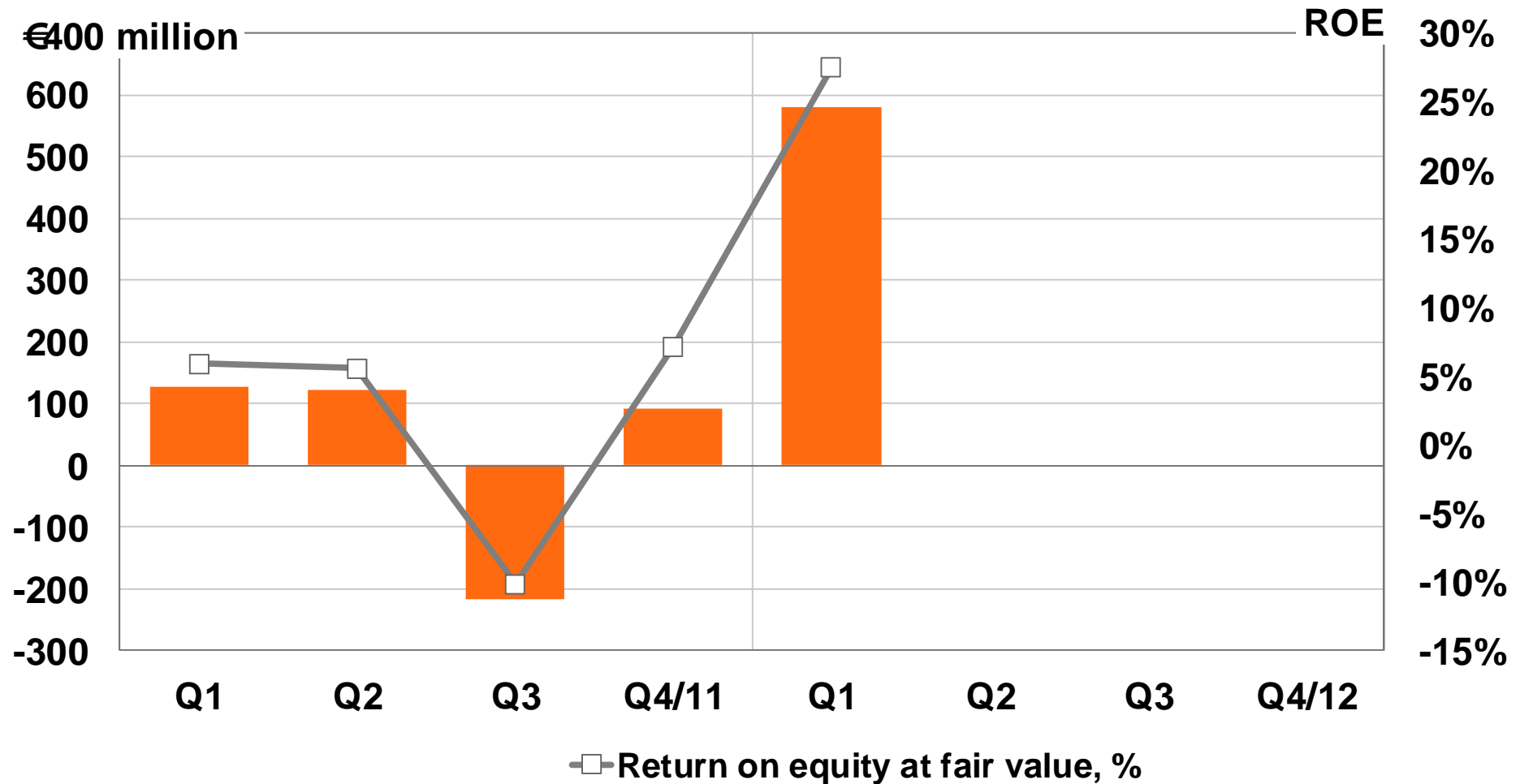


## OP-Pohjola Group Earnings before Tax

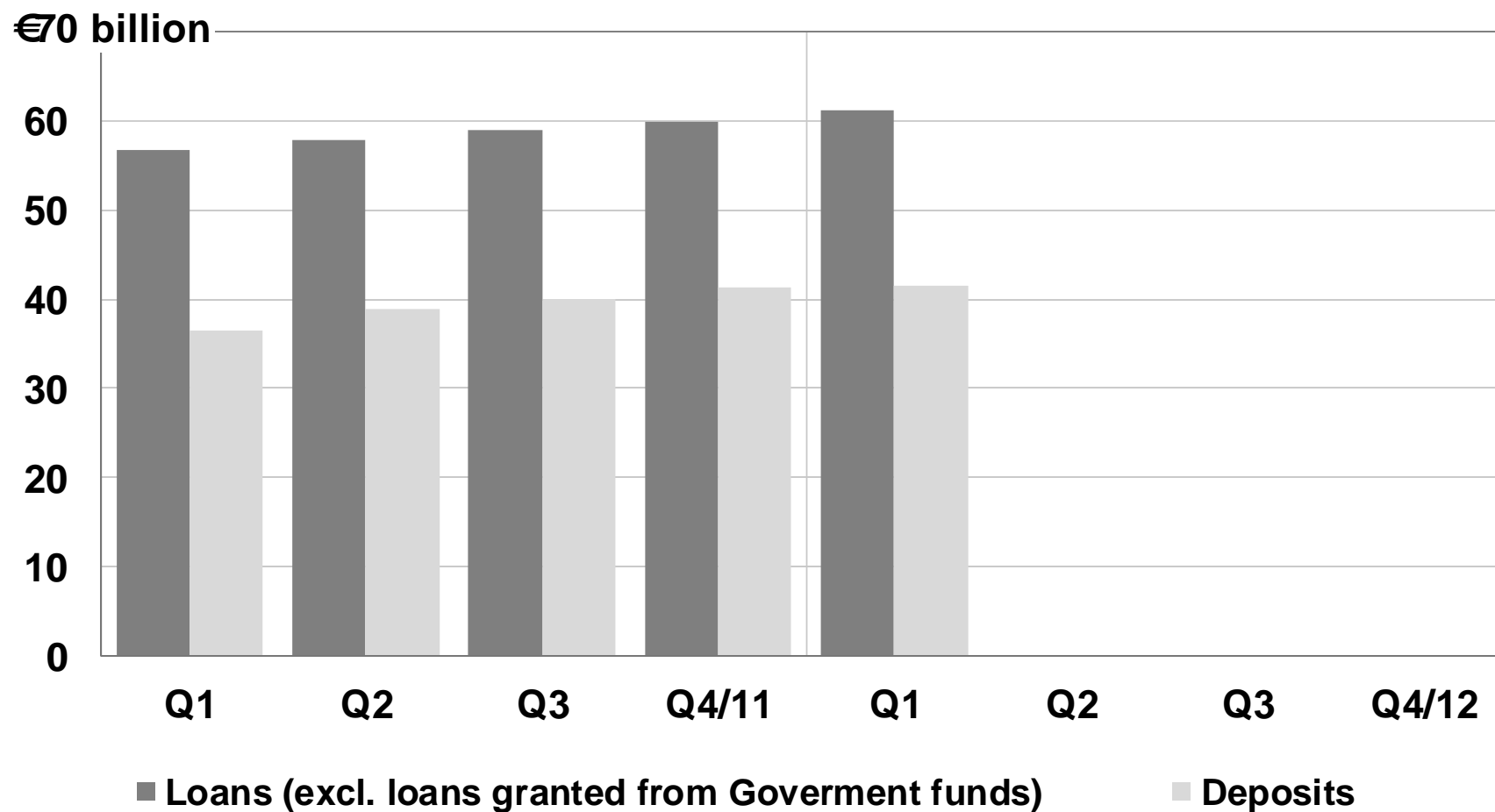


# OP-Pohjola Group

## Earnings before Tax at Fair Value

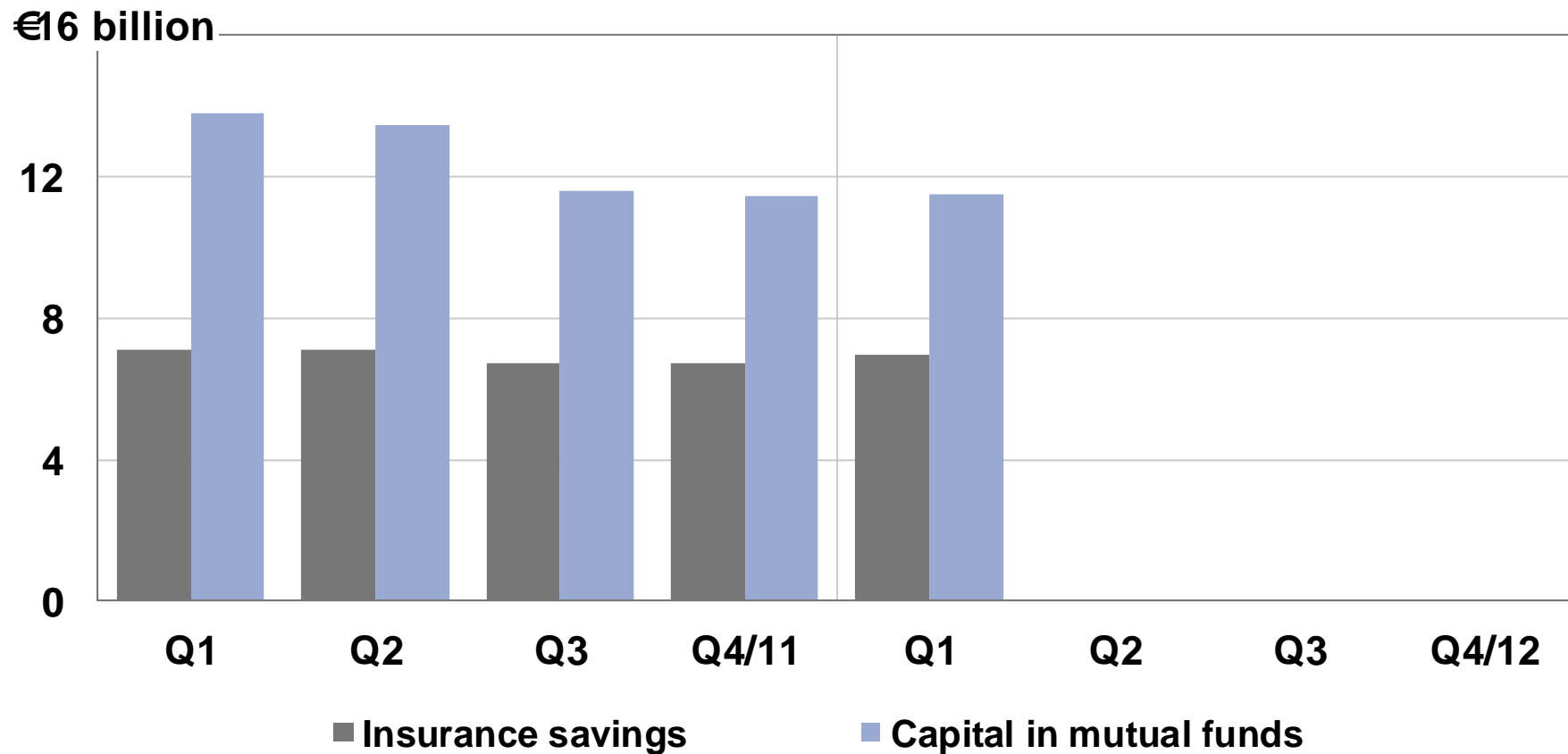


# OP-Pohjola Group Loans and Deposits



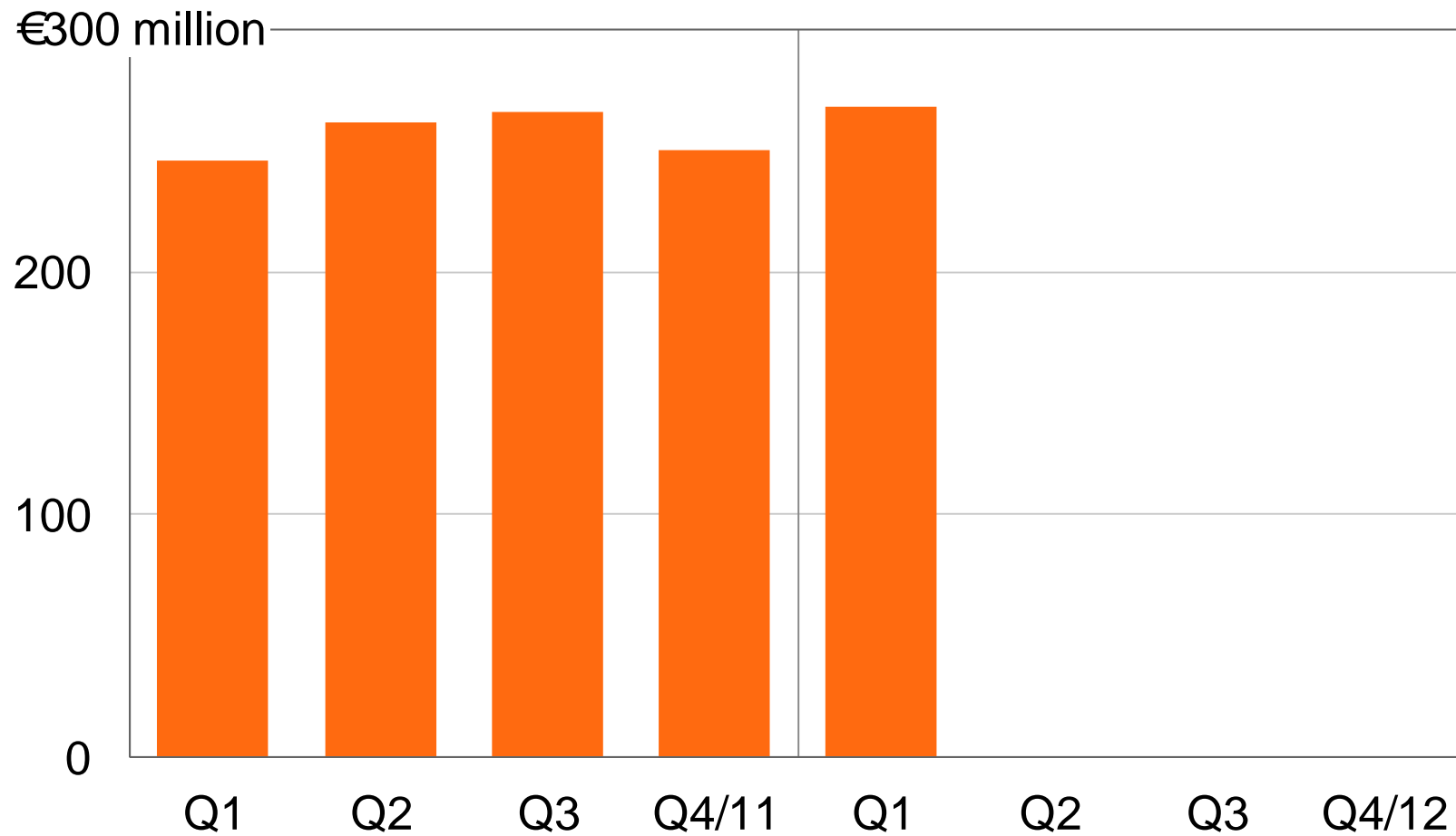
OP-Pohjola Group

# Life Insurance Savings and Capital in Mutual Funds

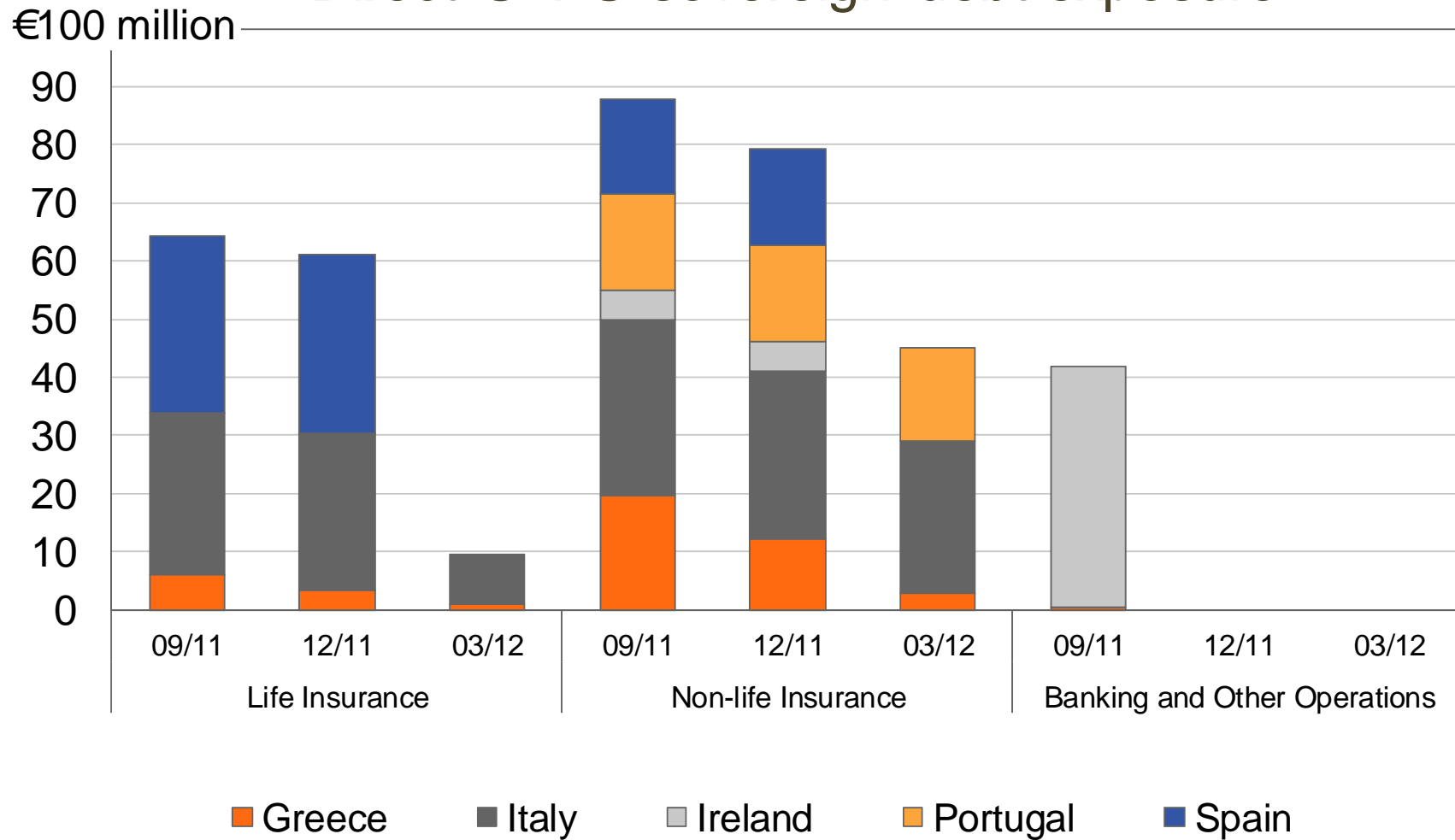


# OP-Pohjola Group

## Non-life Insurance Premium Revenue (IFRS)



# OP-Pohjola Group Direct GIIPS sovereign debt exposure





# Capital Adequacy

# Two Capital Adequacy Ratios

Consolidated capital adequacy =  
capital adequacy of the  
amalgamation of cooperative banks

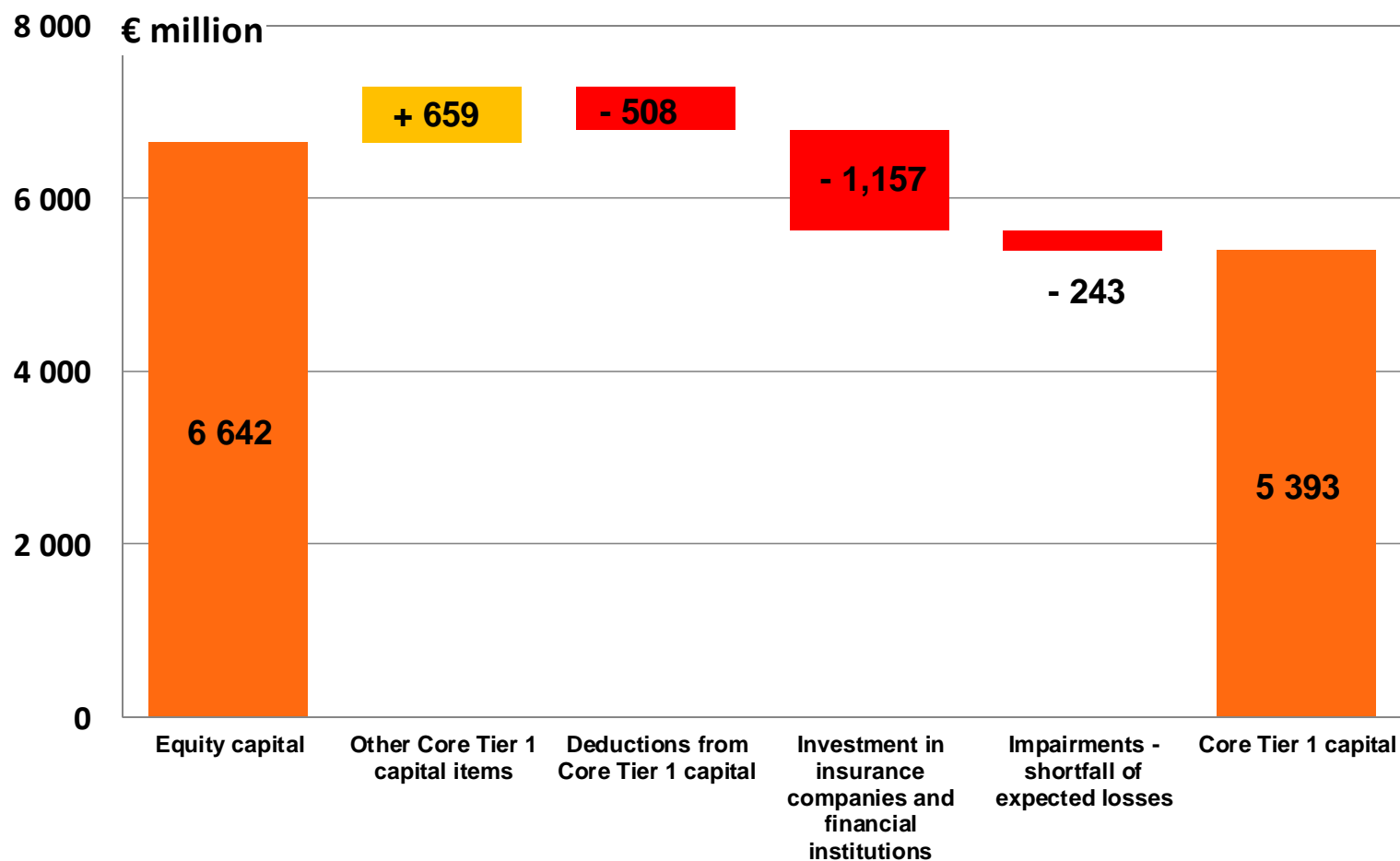
- The Group's operations are based on the Act on the Amalgamation of Deposit Banks that came into effect on 1 July 2010.
- The Act on the Amalgamation of Deposit Banks prescribes a minimum capital requirement for an amalgamation of cooperative banks. This is calculated using the provisions in the Act on Credit Institutions.
- The amalgamation of cooperative banks consists of the amalgamation's central institution (OP-Pohjola Group Central Cooperative), its member credit institutions and the companies belonging to their consolidation groups. Although OP-Pohjola Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions.

Capital adequacy ratio (under the Act on the Supervision of Financial and Insurance Conglomerates) = OP-Pohjola Group's capital adequacy

- OP-Pohjola Group is a financial and insurance conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is governed by specific provisions of the capital adequacy requirement.
- OP-Pohjola Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated using the consolidation method, whereby assets included in capital resources but not included in equity capital, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet.
  - Capital resources may not include items not available for covering the losses of other companies belonging to the conglomerate.
- The financial and insurance conglomerate's minimum capital requirement consists of the credit institutions' consolidated minimum capital requirement and the insurance companies' joint minimum operating capital.

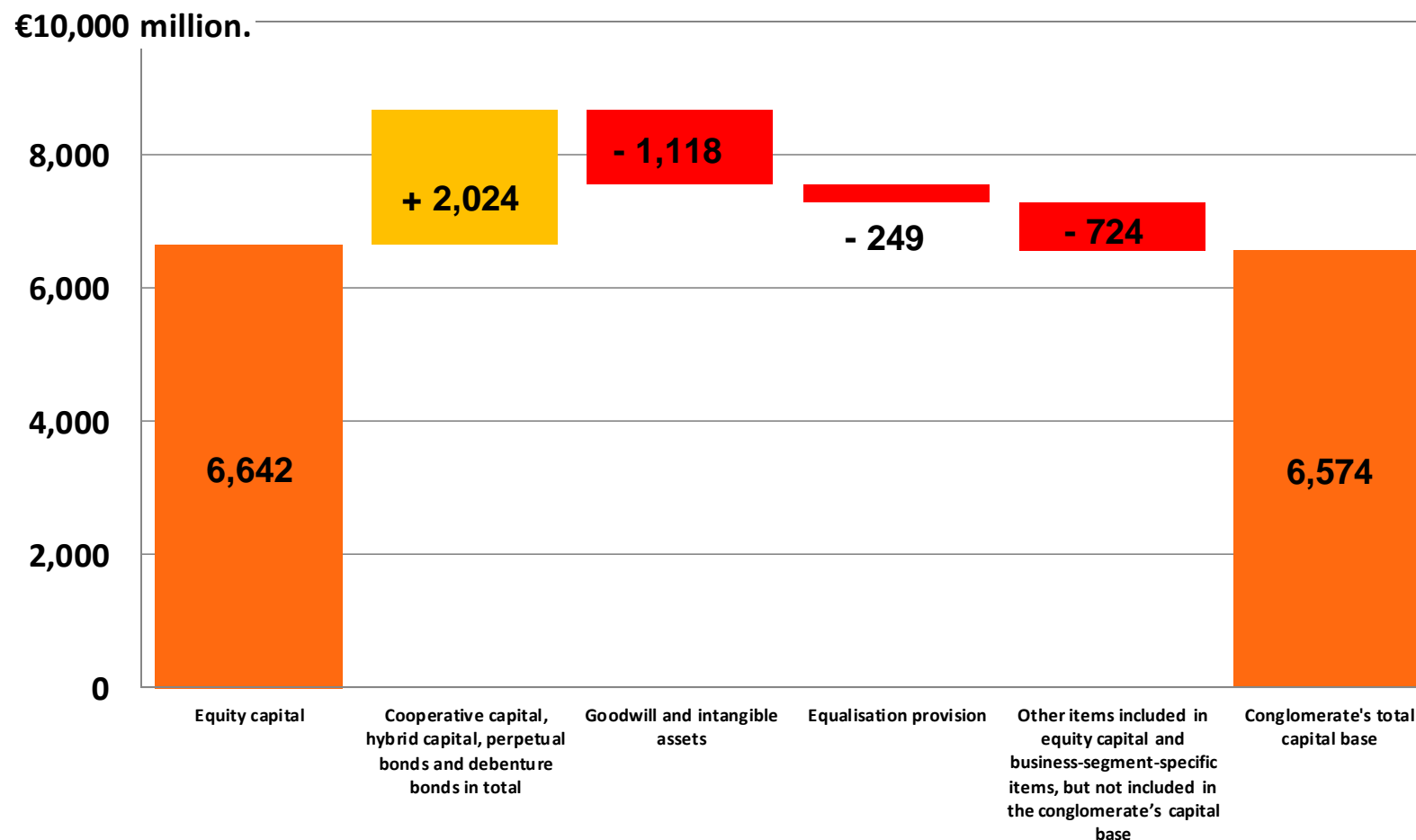
In view of both capital adequacy requirements,  
OP-Pohjola Group's risk-bearing capacity is strong.

# Tier 1 Capital under the Act on Credit Institutions 31 March 2012

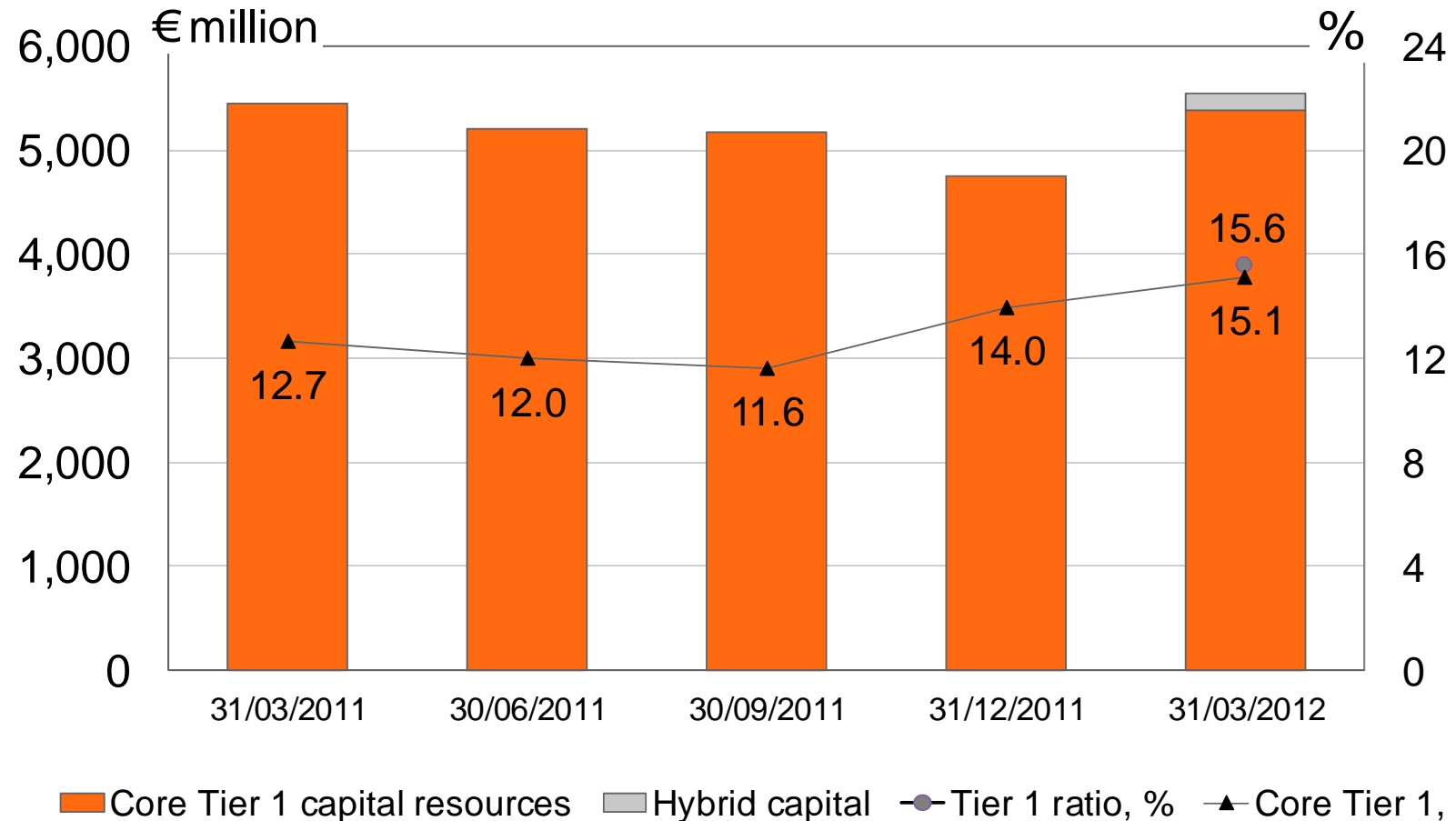


# Total Capital Base under the Act on the Supervision of Financial and Insurance Conglomerates

## 31 March 2012



## The amalgamation of the cooperative banks Capital Resources and Capital Adequacy



Dec. 2011: Effect of IRBA adoption around 2.6 percentage points

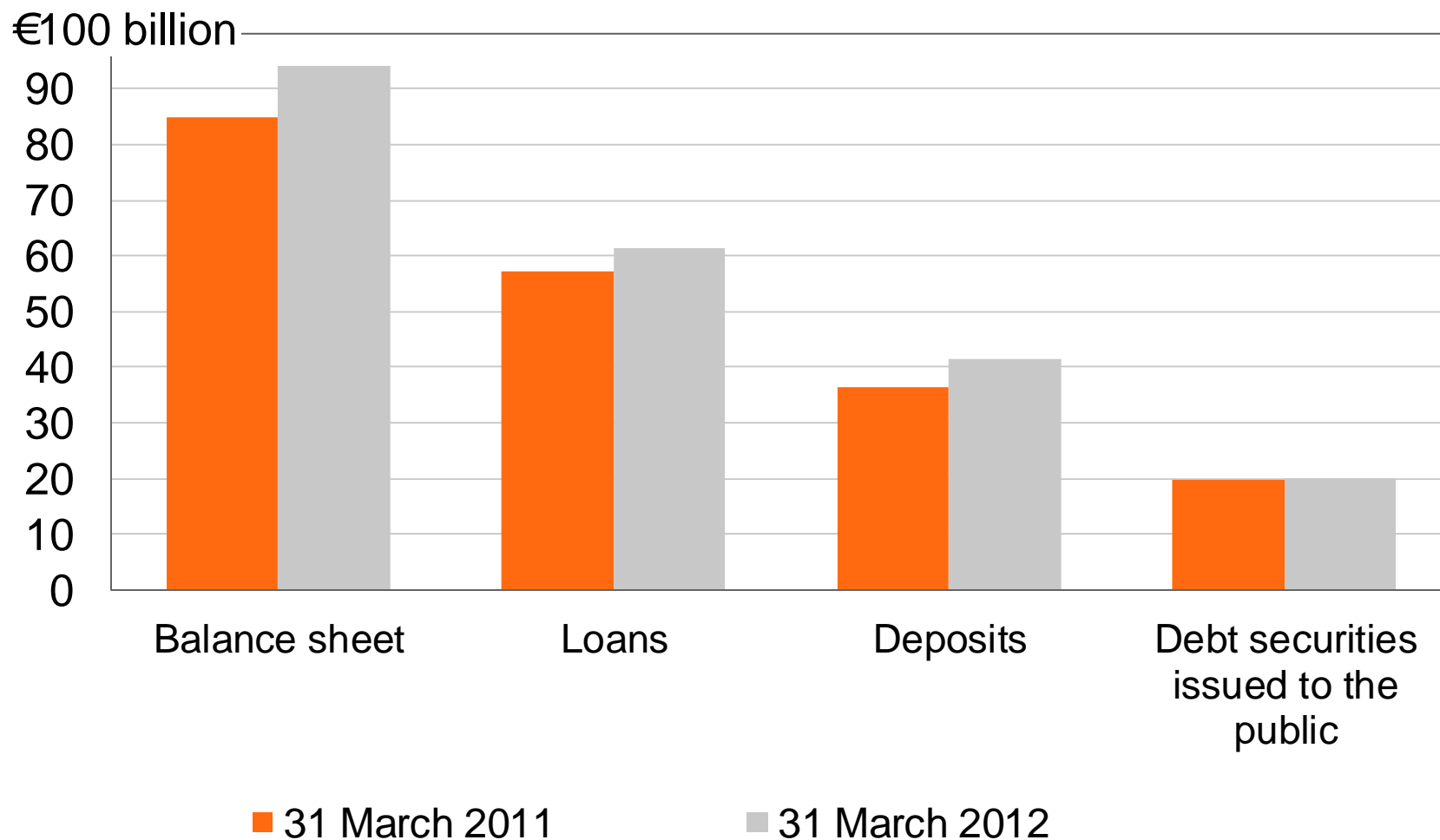
# Adopting the Internal Ratings Based Approach

- In its calculation of capital requirement for credit risk, OP-Pohjola Group phased in the Internal Ratings Based Approach (IRBA).
  - Pohjola Bank plc has used IRBA in its capital adequacy measurement for corporate and institutional customers' credit risks since 30 September 2008.
  - OP-Pohjola adopted IRBA to credit risk for other exposures in December 2011.
- The capital requirement for credit risk concerning state and central banks will continue to be calculated using the Standardised Approach.
- The same will apply to market risks.
- The use of the Internal Ratings Based Approach reduces the Group's capital requirement, but makes it more susceptible to market fluctuations.
- Adoption of IRBA improved capital adequacy under the Act on Credit Institutions by 2.6 percentage points.

A close-up photograph of a man in a dark suit, white shirt, and blue striped tie. He is holding a black folder or portfolio with both hands, looking down at it. The background is blurred.

# Balance Sheet

## OP-Pohjola Group Key Balance Sheet Items



# OP-Pohjola Group

## Balance sheet

€million	31 March 2012	31 March 2011	Change €million	%
Receivables from credit institutions	971	1,639	-668	-40.8
Financial assets at fair value through profit or loss	585	438	147	33.5
Receivables from customers	61,646	57,131	4,515	7.9
Non-life Insurance assets	3,628	3,415	214	6.3
Life Insurance assets	7,227	7,594	-367	-4.8
Investment assets	8,688	7,990	698	8.7
Other items	11,317	6,789	4,528	66.7
<b>Total assets</b>	<b>94,063</b>	<b>84,996</b>	<b>9,067</b>	<b>10.7</b>
Liabilities to credit institutions	2,039	1,879	160	8.5
Liabilities to customers	45,845	38,743	7,101	18.3
Non-life Insurance liabilities	2,940	2,782	158	5.7
Life Insurance liabilities	7,243	7,275	-32	-0.4
Debt securities issued to the public	20,125	19,844	281	1.4
Other liabilities	9,230	7,935	1,295	16.3
Equity capital	6,642	6,537	104	1.6
<b>Total liabilities and equity capital</b>	<b>94,063</b>	<b>84,996</b>	<b>9,067</b>	<b>10.7</b>

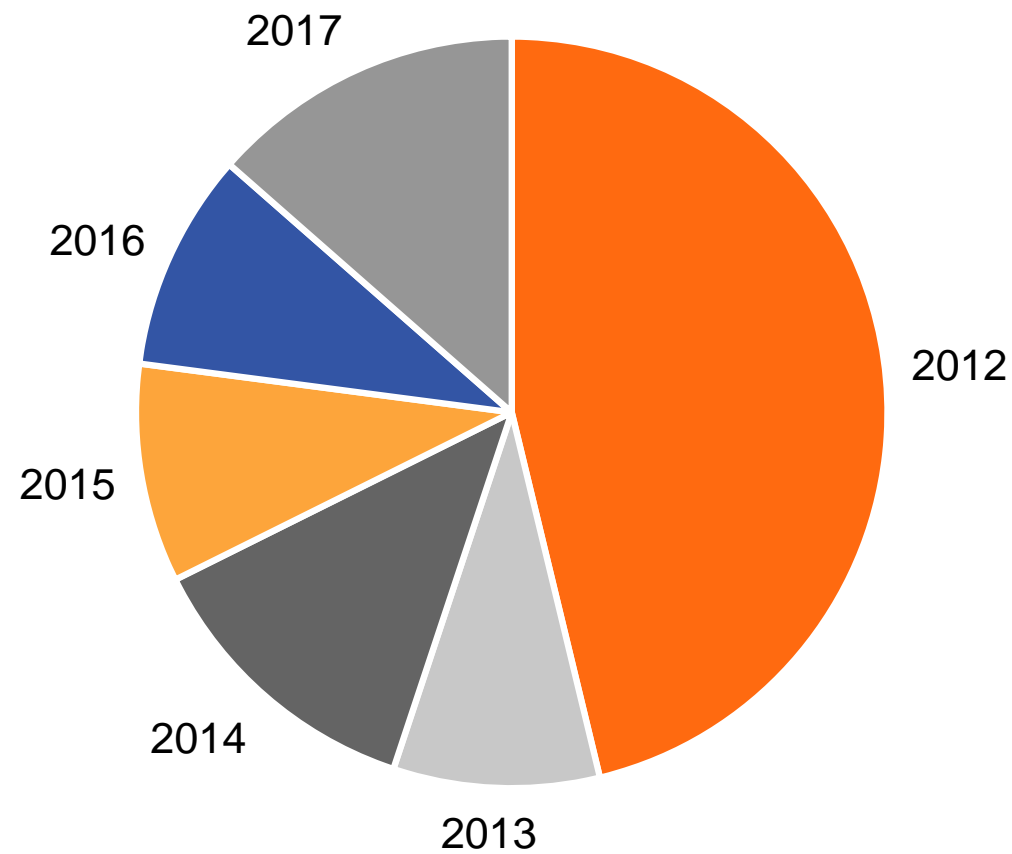


# OP-Pohjola Group

## Equity Capital and Cooperative Capital

€ million	31 March 2012	31 March 2011	Change € million	%
Share of OP-Pohjola Group's owners				
Share capital	200	234	-34	-14.5
Cooperative capital	133	130	3	2.4
Fair value reserve	98	52	46	89.1
Other reserves	2,652	2,684	-31	-1.2
Retained earnings	3,557	3,438	119	3.5
Minority interest	2	0	2	
Total equity capital	6,642	6,537	104	1.6
Cooperative capital not included in equity capital				
	632	655	-23	-3.5

OP-Pohjola Group  
Debt Securities Issued to the Public  
Maturity 31 March 2012  
total of €20.1 billion



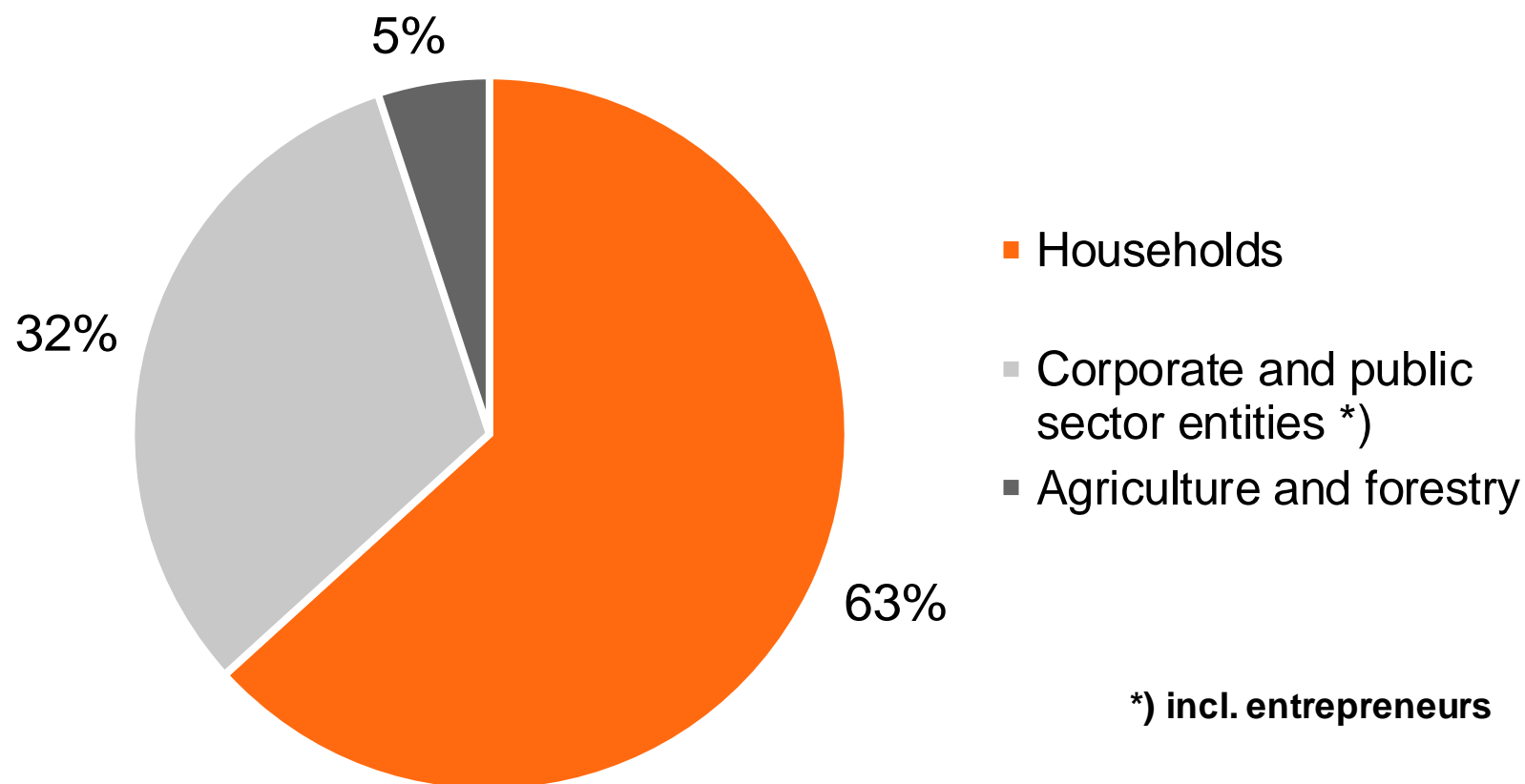


# Loans and Customer Funds

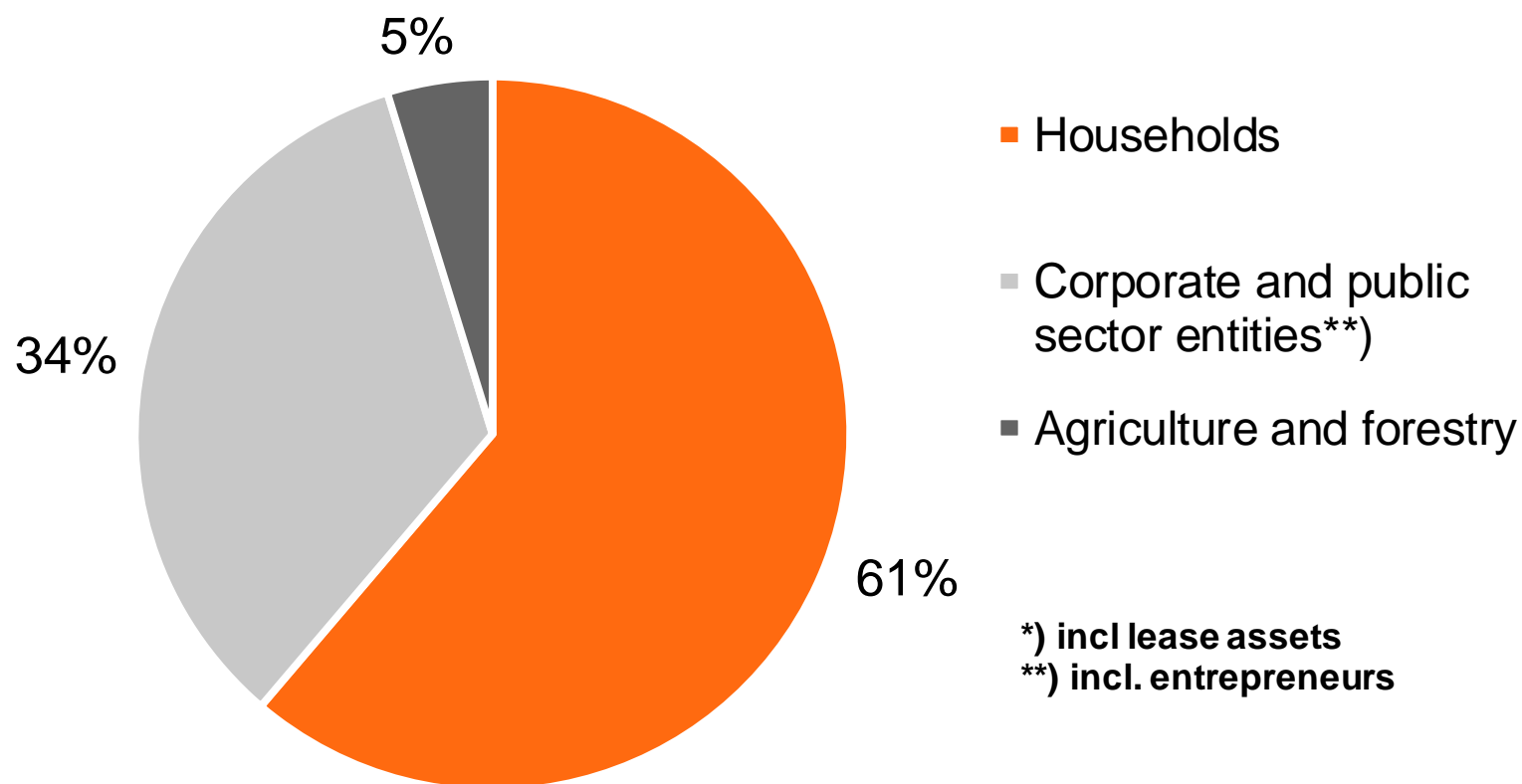
# OP-Pohjola Group

## Deposits by Customer Sector

31 March 2012



# OP-Pohjola Group Loans\* by Customer Sector 31 March 2012

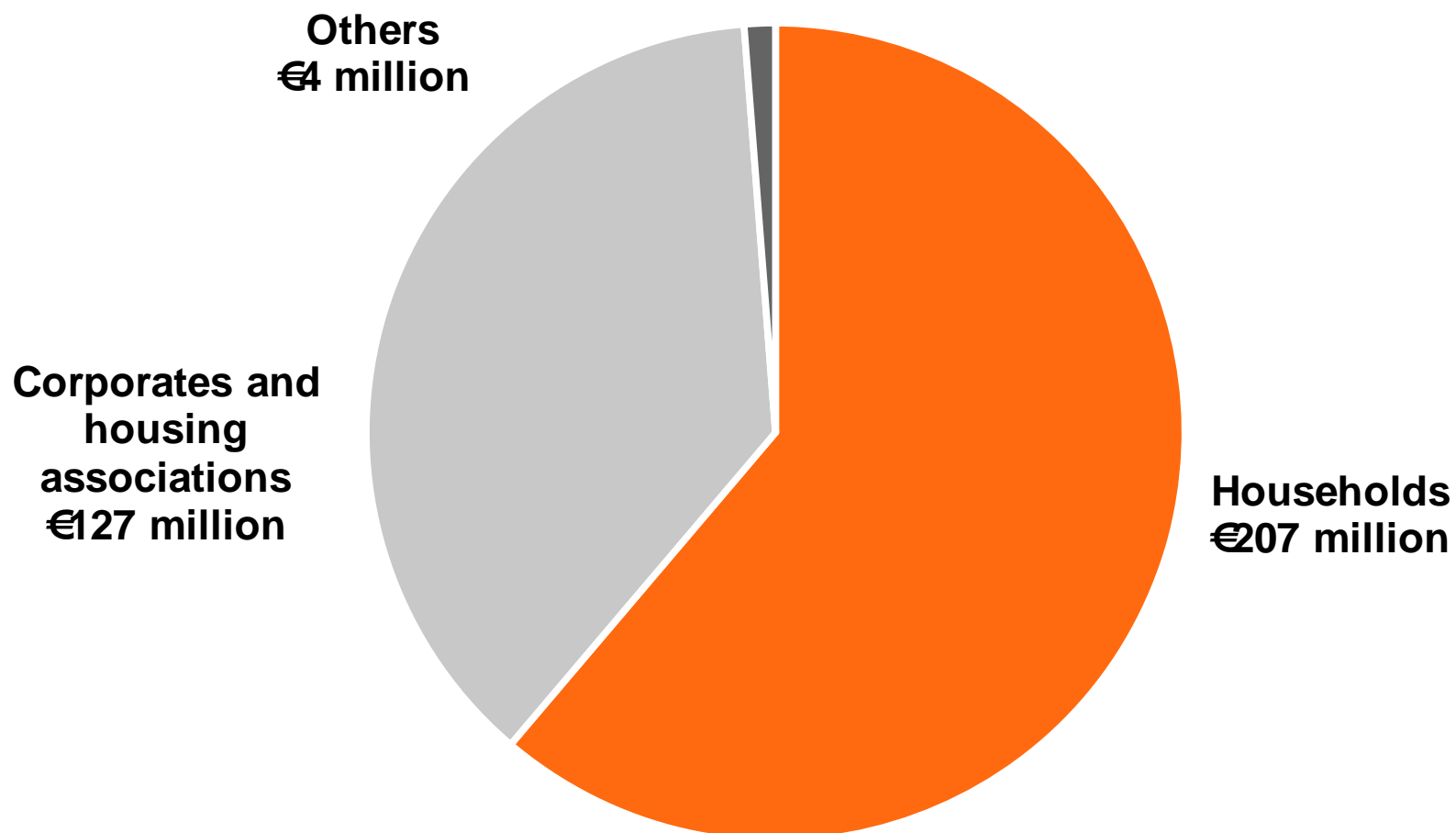


# OP-Pohjola Group

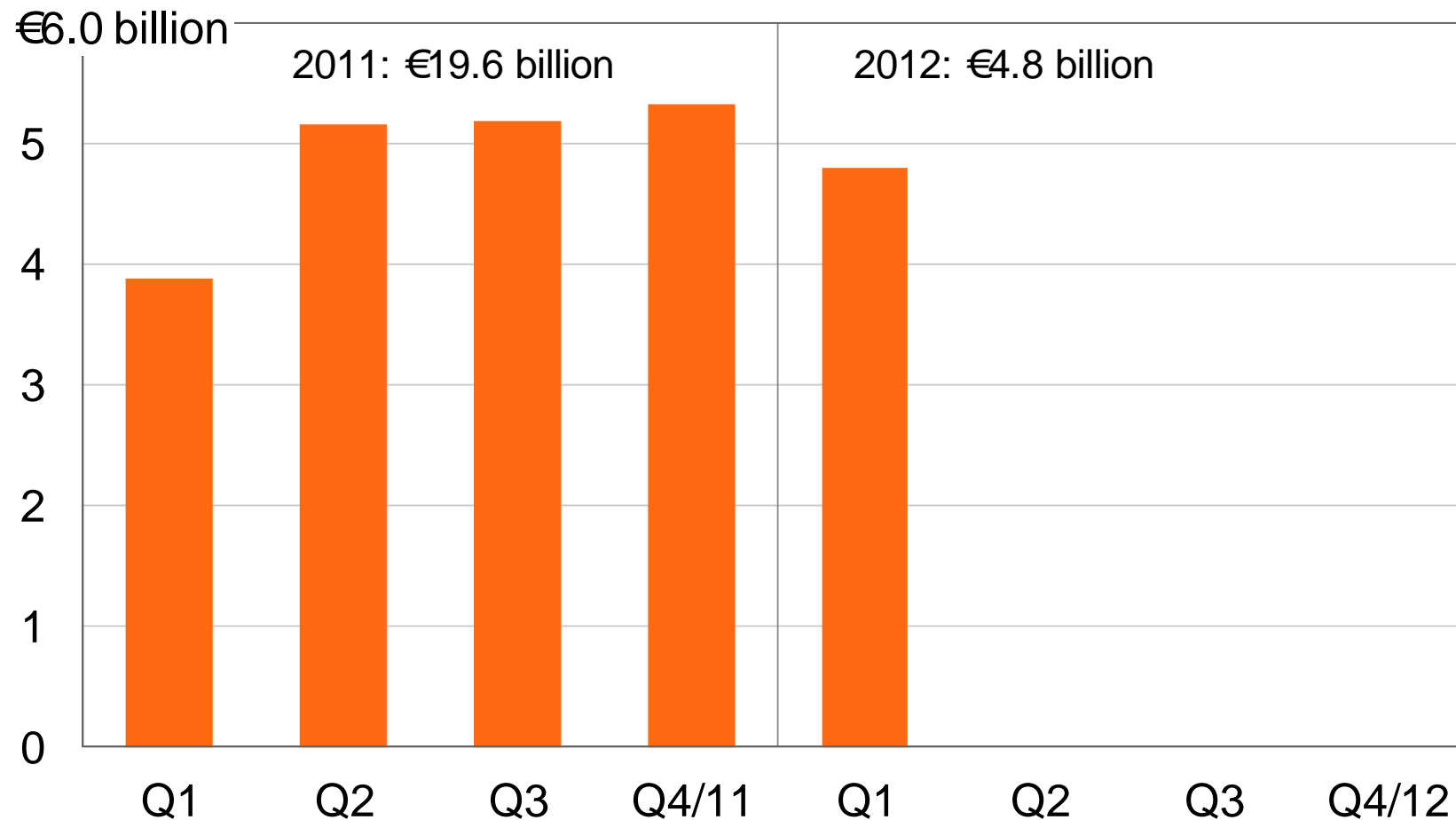
## Loan and Guarantee Portfolio by Sector

€million	31 March 2012	31 March 2011	€million	Change, %	Non-performing and zero-interest loans	
					€million	% of loan and guarantee portfolio
<b>Enterprises and housing associations</b>	<b>22,480</b>	<b>20,495</b>	<b>1,986</b>	<b>9.7</b>	<b>127</b>	<b>0.6 %</b>
Renting and operation of residential real estate						
incl. housing associations	4,413	3,913	500	12.8	3	0.1 %
Other renting and operating of real estate	2,828	2,591	237	9.1	11	0.4 %
Wholesale and retail trade	2,377	2,185	192	8.8	15	0.6 %
Construction	1,666	1,505	161	10.7	16	0.9 %
Services	1,607	1,530	77	5.0	13	0.8 %
Transportation and storage	1,445	1,361	84	6.2	9	0.6 %
Manufacture of machinery and equipment (incl. services)	1,285	1,137	148	13.0	12	0.9 %
Buying and selling of own real estate	1,046	883	163	18.5	2	0.2 %
Financial and insurance services	892	661	231	35.0	4	0.5 %
Agriculture, forestry and fishing	794	653	141	21.5	5	0.7 %
Forest Industry	756	734	22	3.1	21	2.7 %
Metal Industry	680	644	36	5.6	2	0.3 %
Food Industry	672	623	49	7.8	6	0.9 %
Energy	501	474	27	5.8	0	0.0 %
Chemical Industry	424	517	-93	-18.0	0	0.1 %
Other manufacturing	404	448	-44	-9.8	8	1.9 %
Other industries	691	637	54	8.6	2	0.3 %
<b>Public corporations and non-profit organisations</b>	<b>1,158</b>	<b>1,054</b>	<b>104</b>	<b>9.9</b>	<b>4</b>	<b>0.4 %</b>
<b>Households</b>	<b>40,489</b>	<b>38,054</b>	<b>2,436</b>	<b>6.4</b>	<b>207</b>	<b>0.5 %</b>
<b>Adjustments</b>	<b>32</b>	<b>11</b>	<b>21</b>	<b>191.2</b>	<b>0</b>	
<b>Total</b>	<b>64,160</b>	<b>59,613</b>	<b>4,547</b>	<b>7.6</b>	<b>339</b>	<b>0.53%</b>

OP-Pohjola Group  
Non-performing and Zero-interest Receivables  
31 March 2012  
€339 million

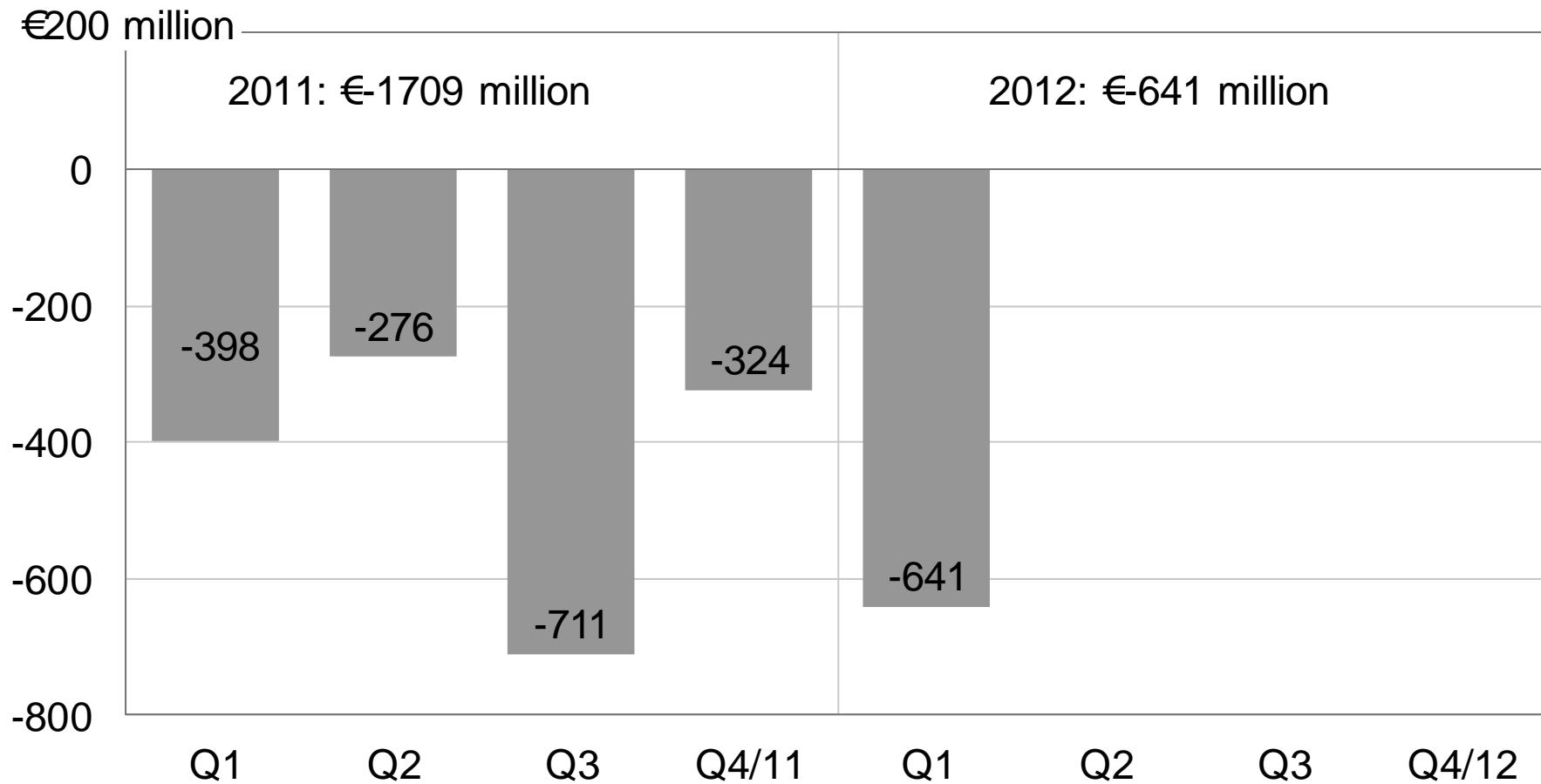


## OP-Pohjola Group New Loans by Quarter

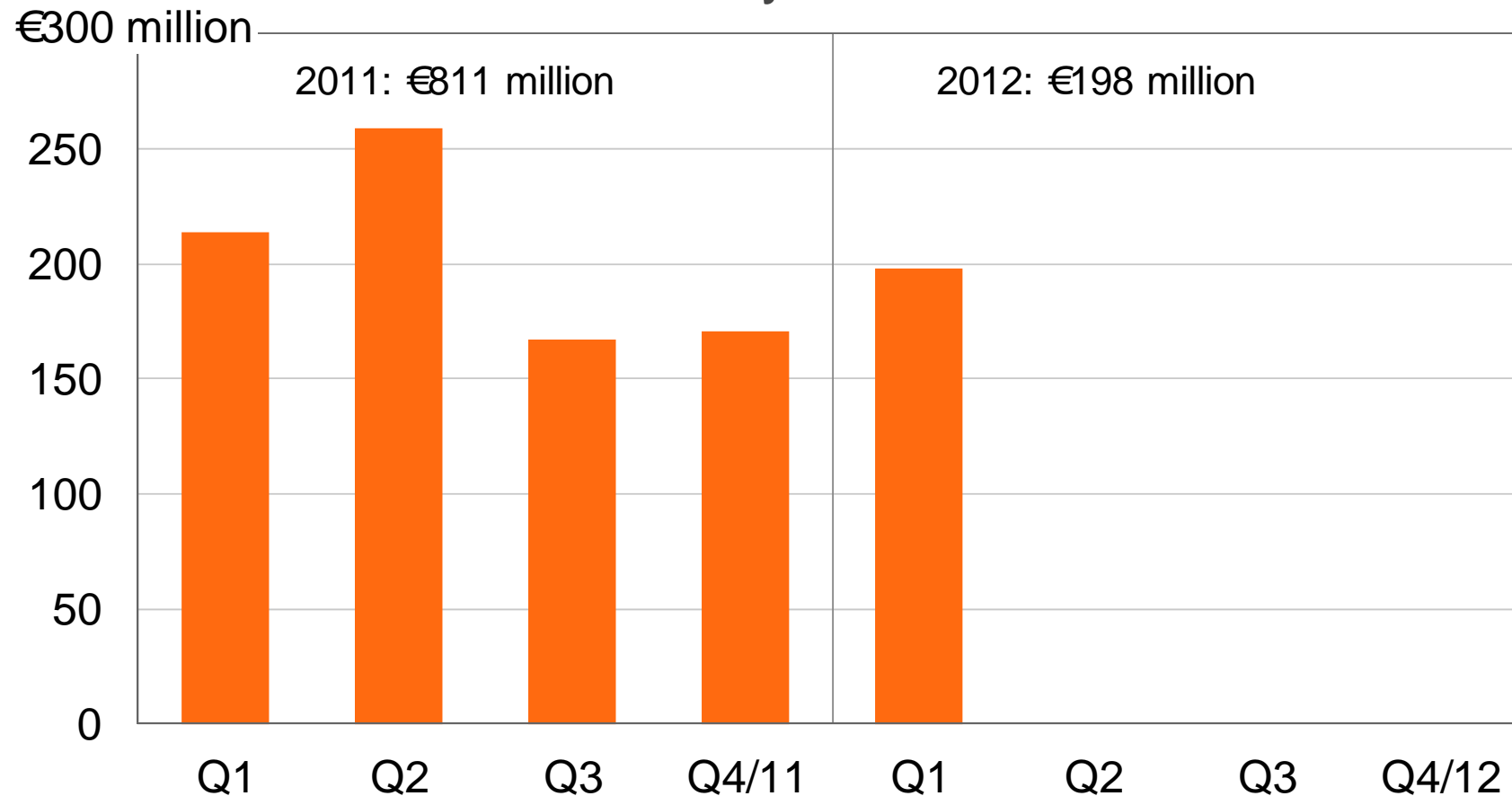


# OP-Pohjola Group

## Net Sales Inflow of Mutual Funds by Quarter



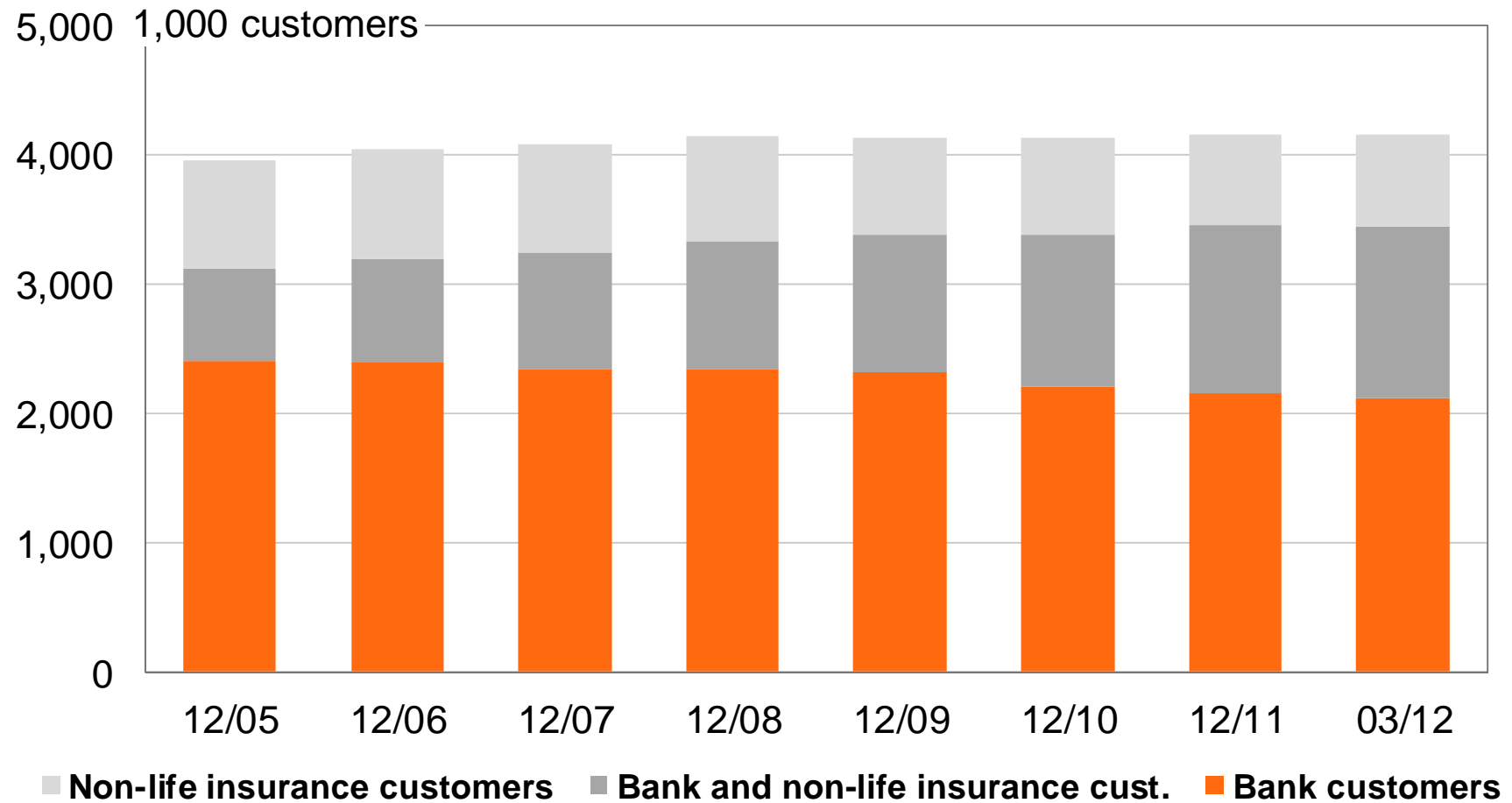
# OP-Pohjola Group Life and Pension Insurance Premiums Written by Quarter



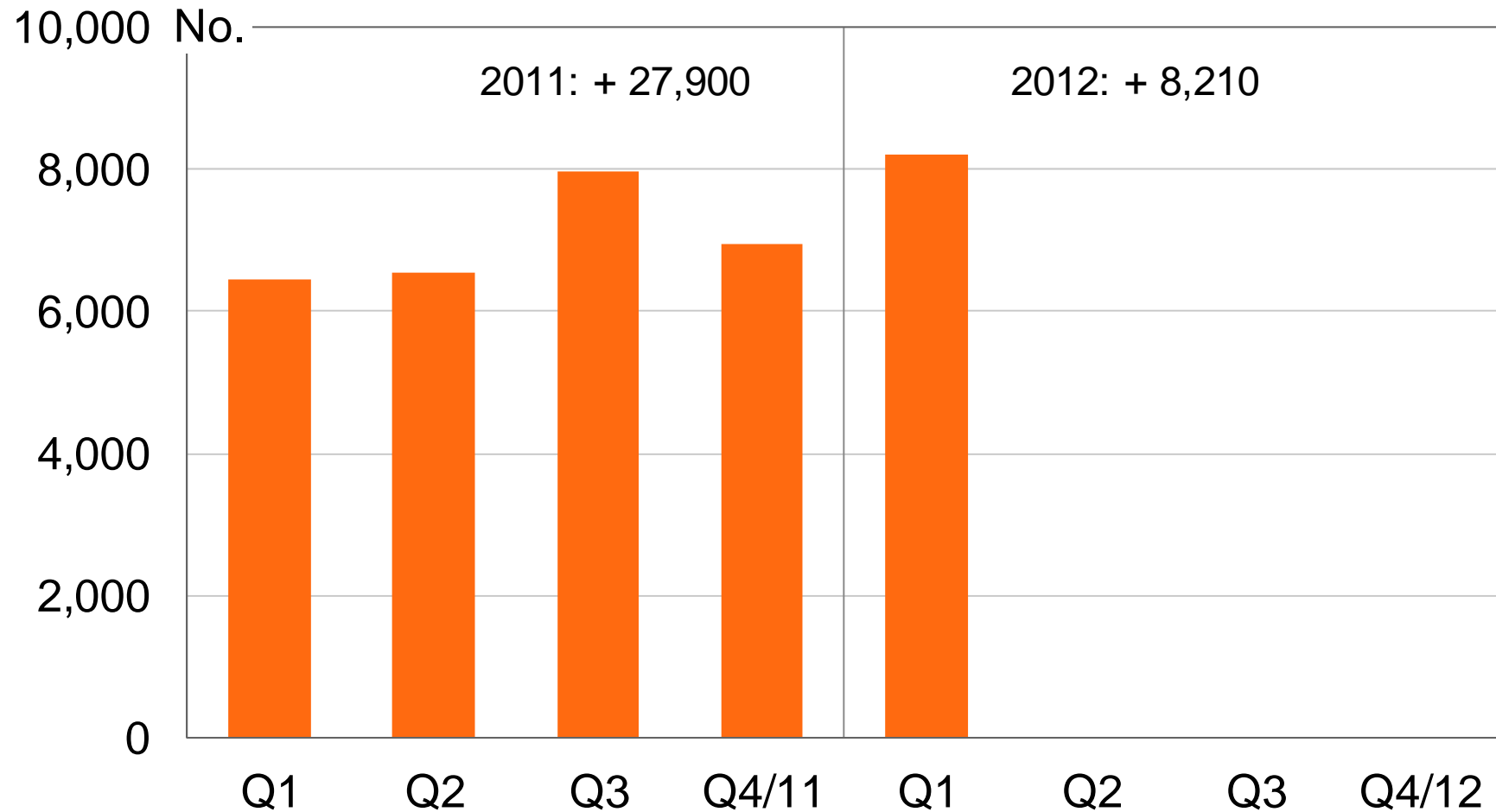


Customers, Owner-members etc.

## OP-Pohjola Group Breakdown of Customer Base



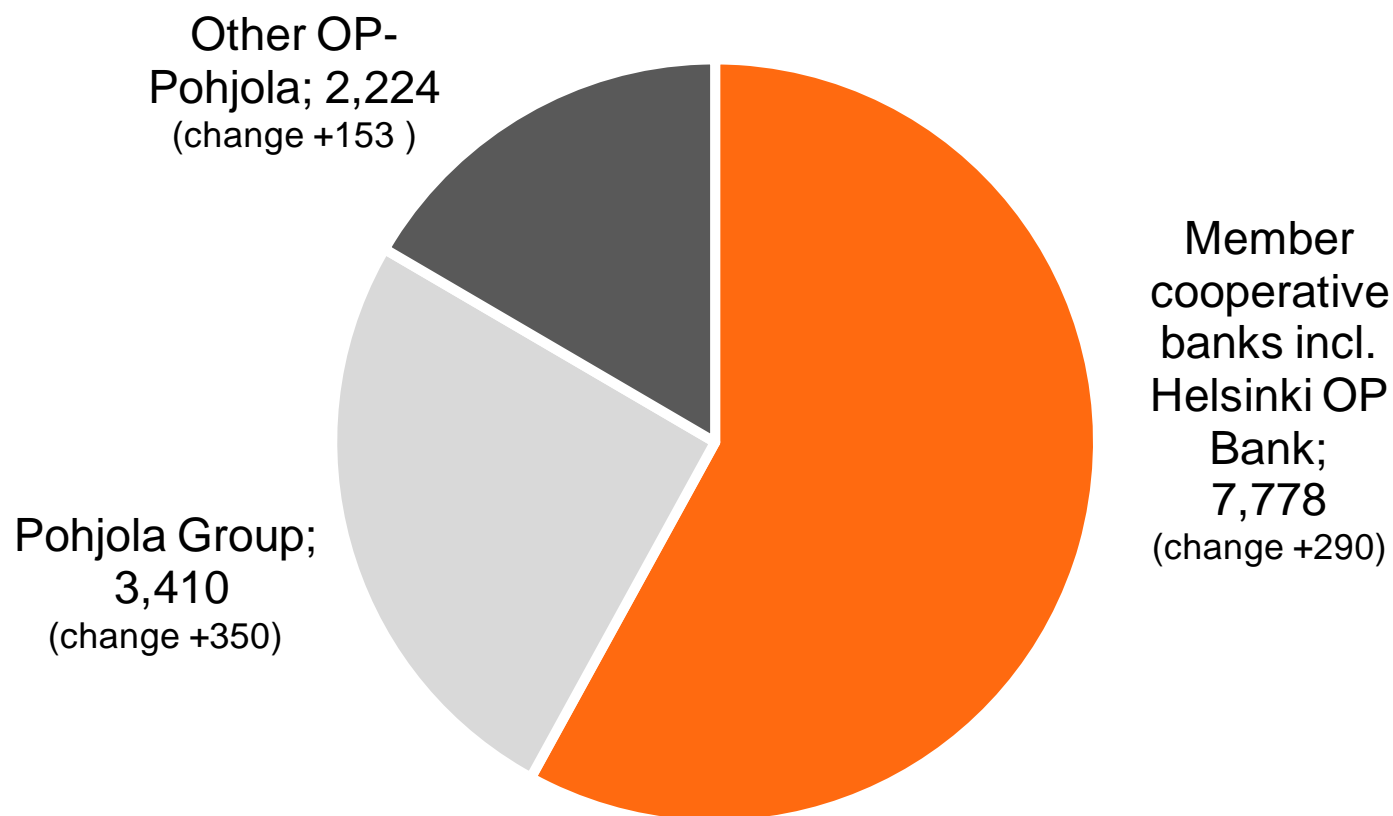
# OP-Pohjola Group Net Increase in Owner-members by Quarter



# OP-Pohjola Group's Personnel

## 31 March 2012

13,412 (+ 793 within 12 months)



## OP-Pohjola Group Service Network

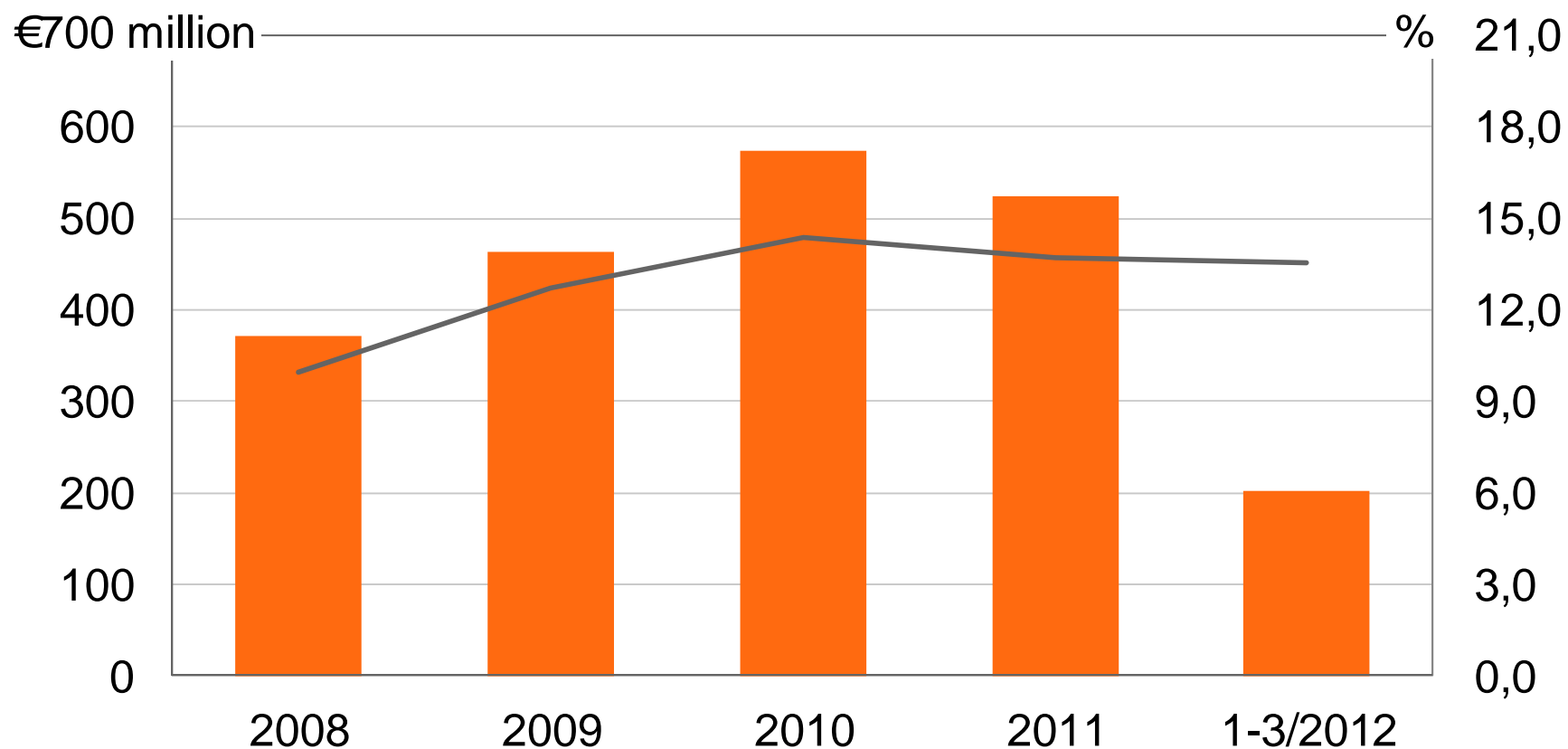
	31 March 2012	Change from year- end	12-month change
eServices Agreements	1,573,035	14,339	60,906
Locations	532	-3	-15
providing both banking and insurance services	345	0	20
Private banking locations	36	0	2
OP-Kiinteistökeskus estate agents	175	1	8
Online customer terminals	547	0	4



## 5-year Trends

# OP-Pohjola Group

## Earnings before Tax and Return on Economic Capital



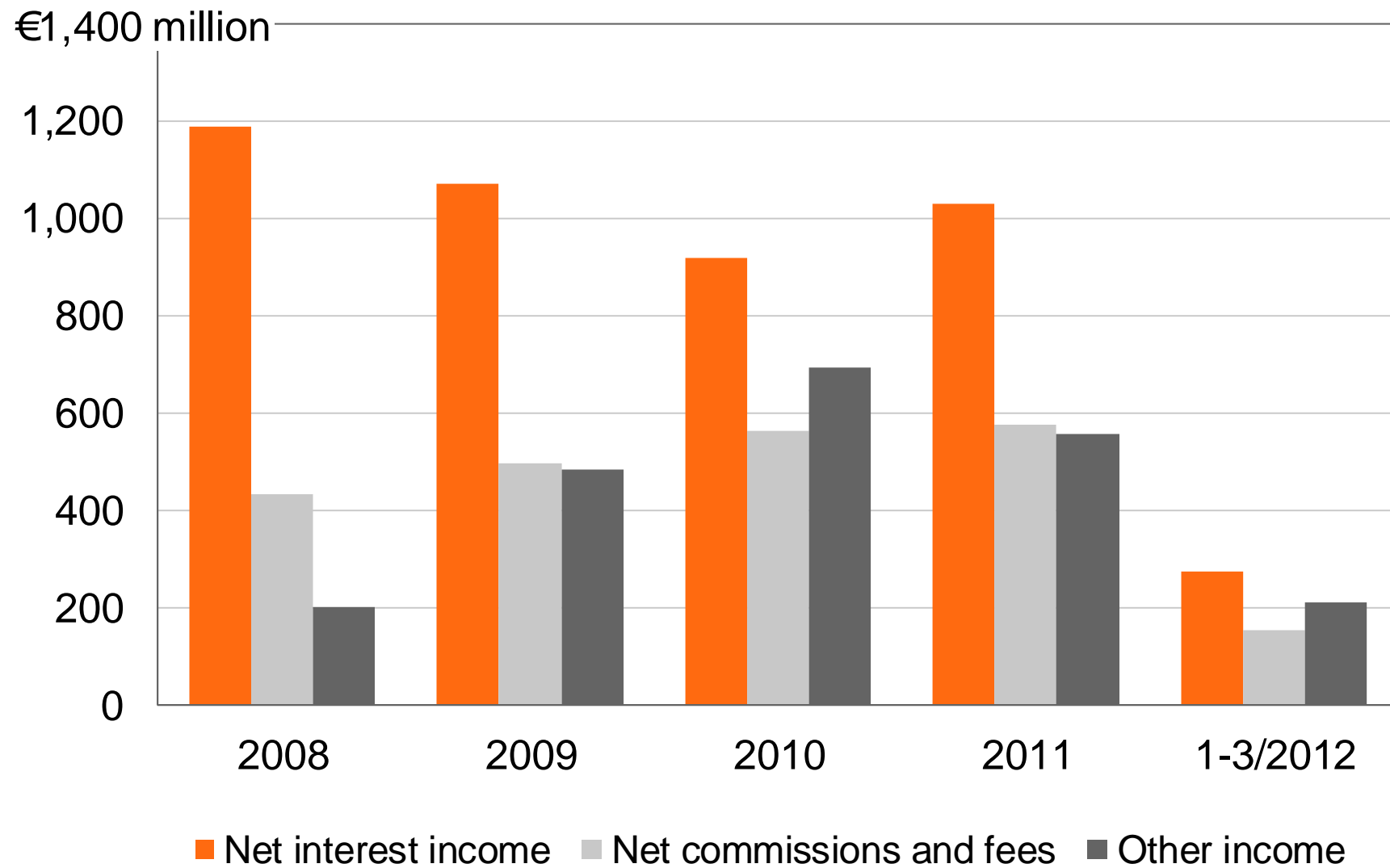
■ Earnings before tax — Return on economic capital (12-month rolling), %



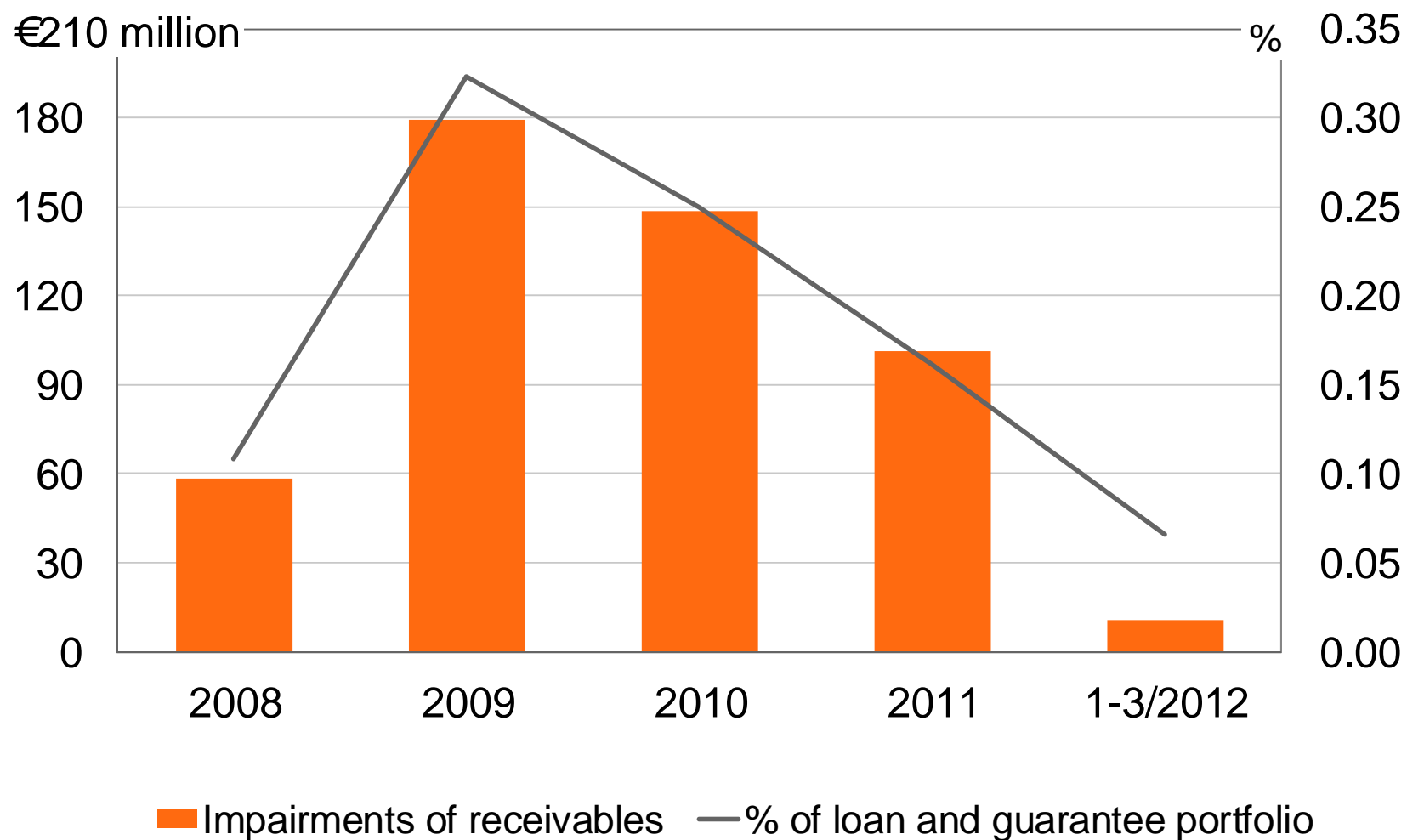
## OP-Pohjola Group Earnings before Tax



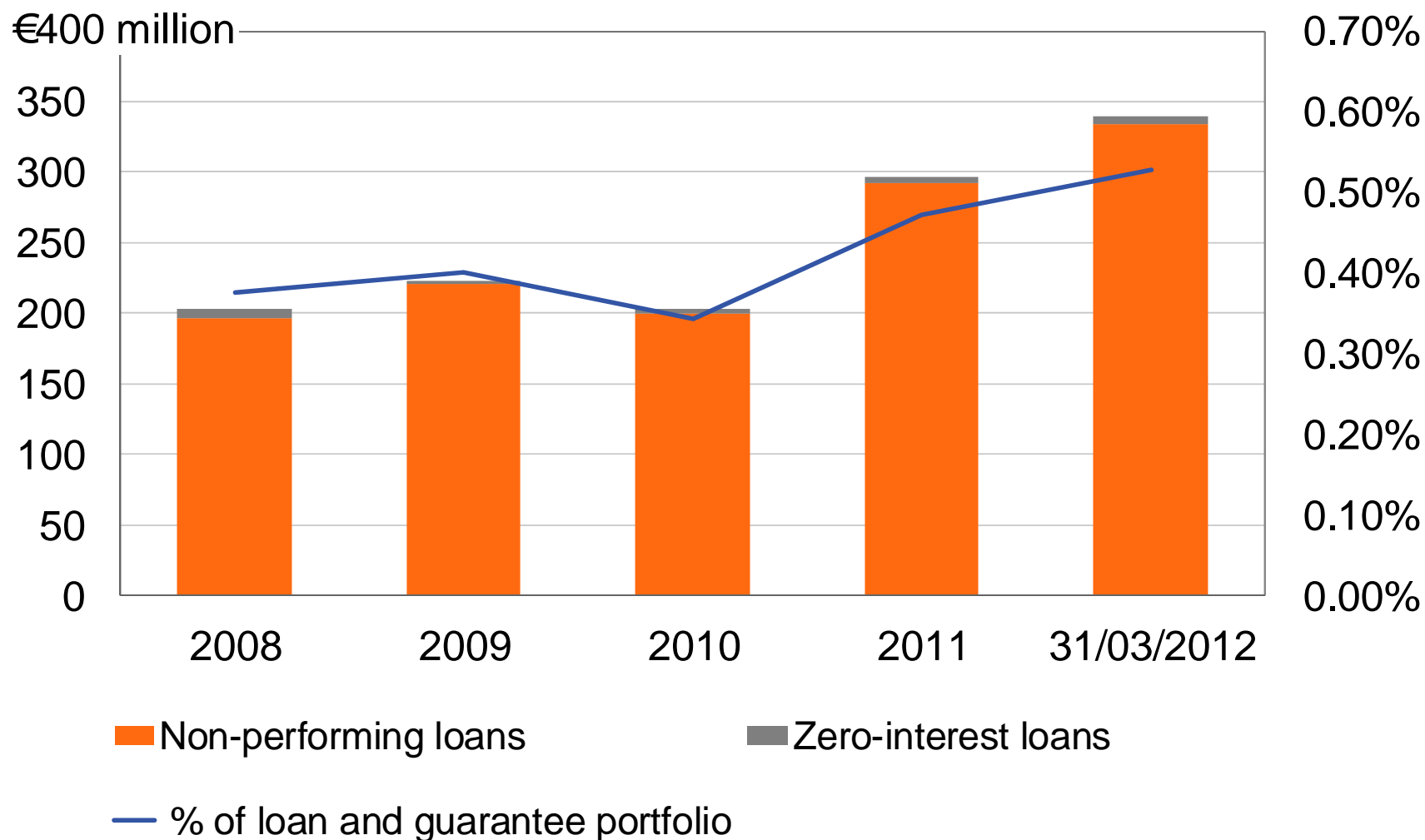
## OP-Pohjola Group Income



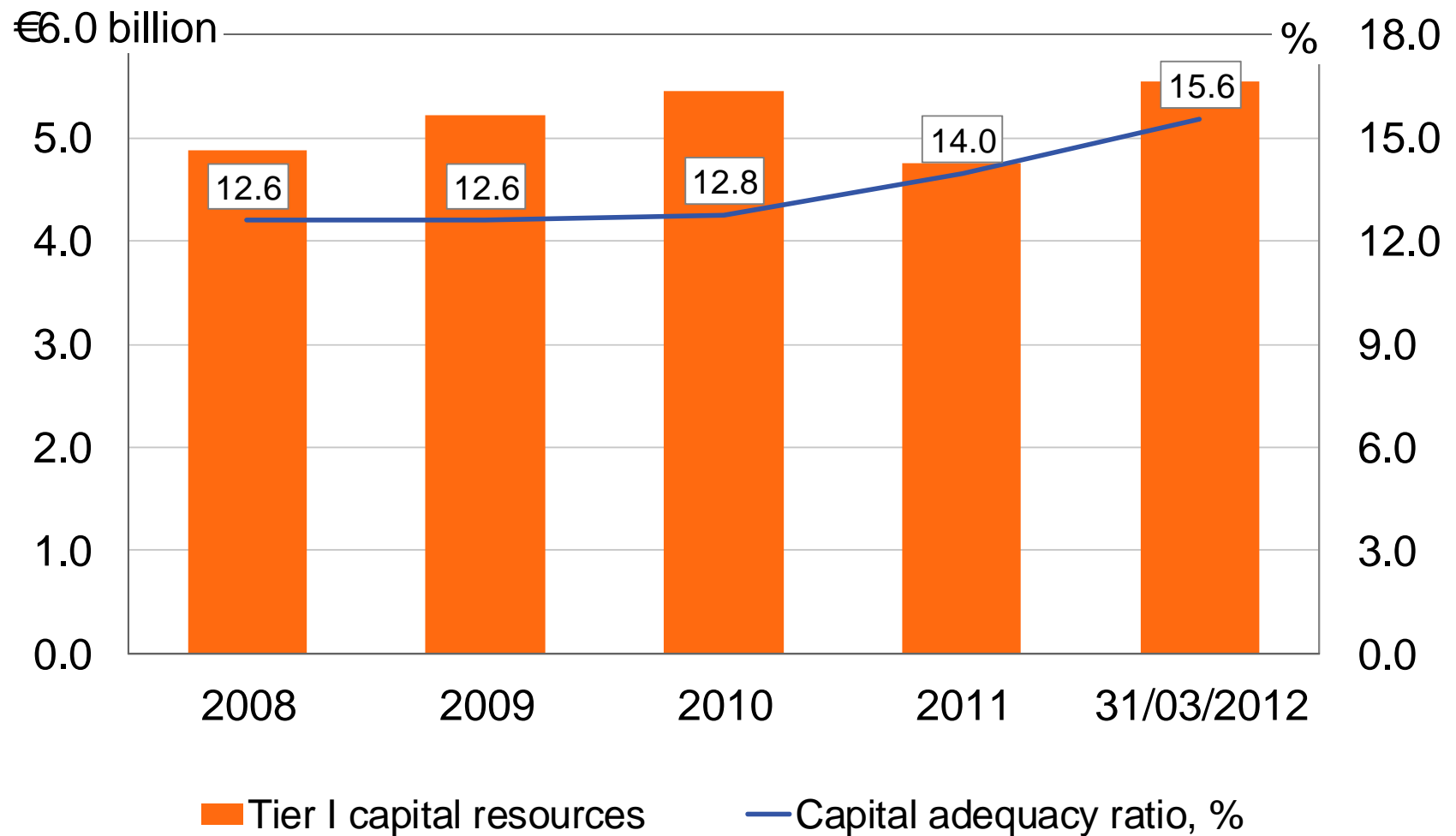
## OP-Pohjola Group Impairments of Receivables



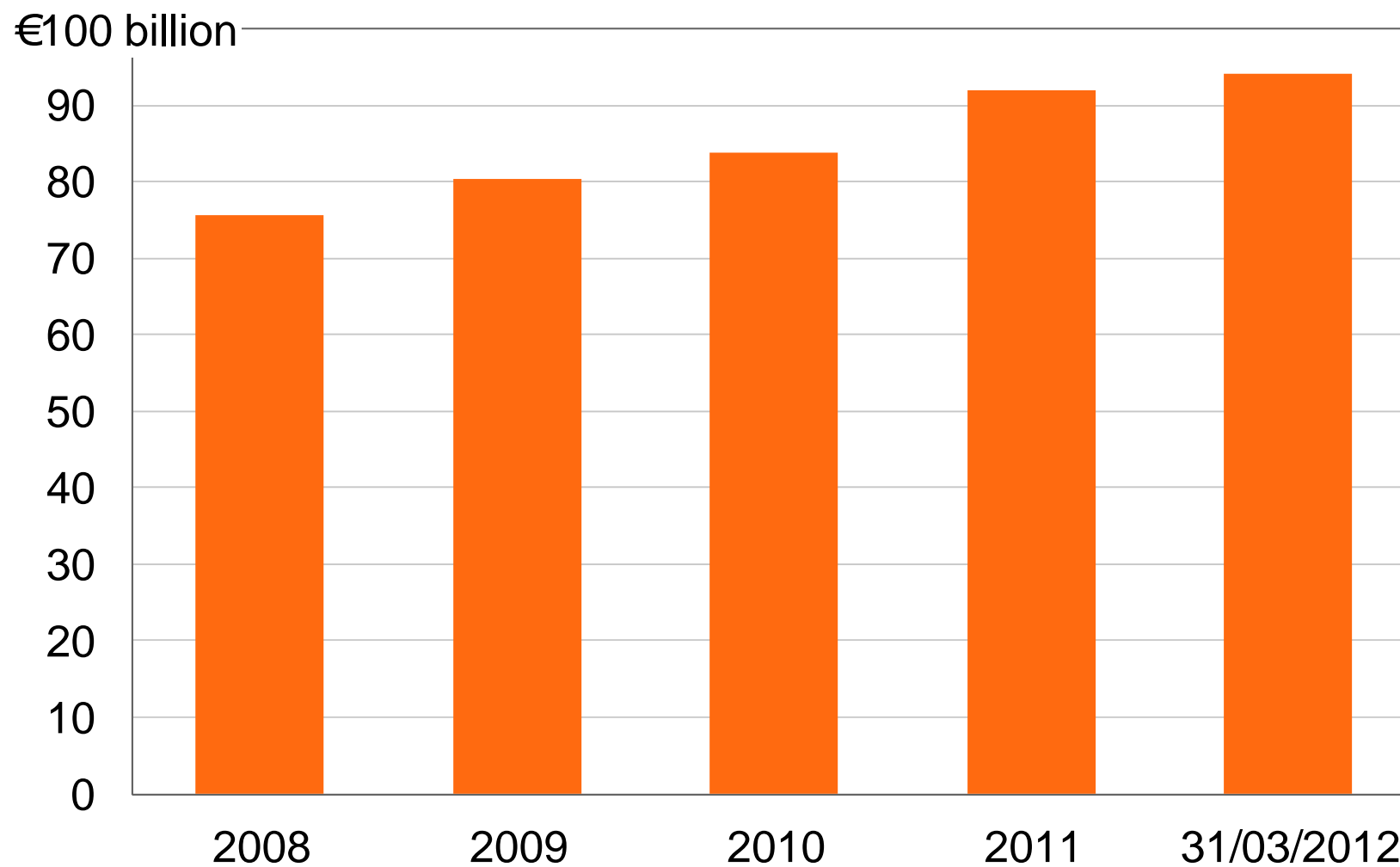
## OP-Pohjola Group Non-performing loans



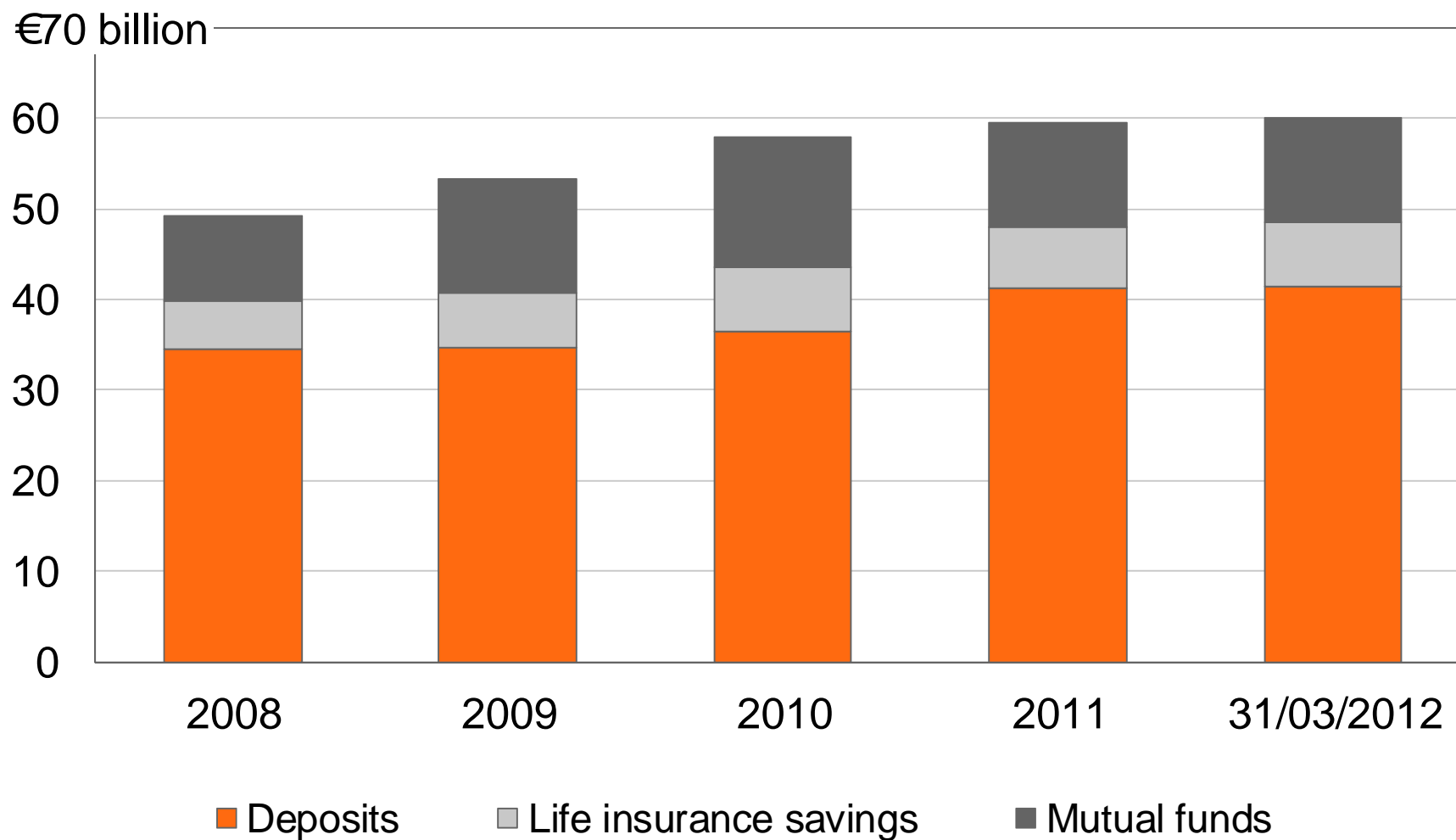
## The amalgamation of the cooperative banks Capital Base and Capital Adequacy Ratio



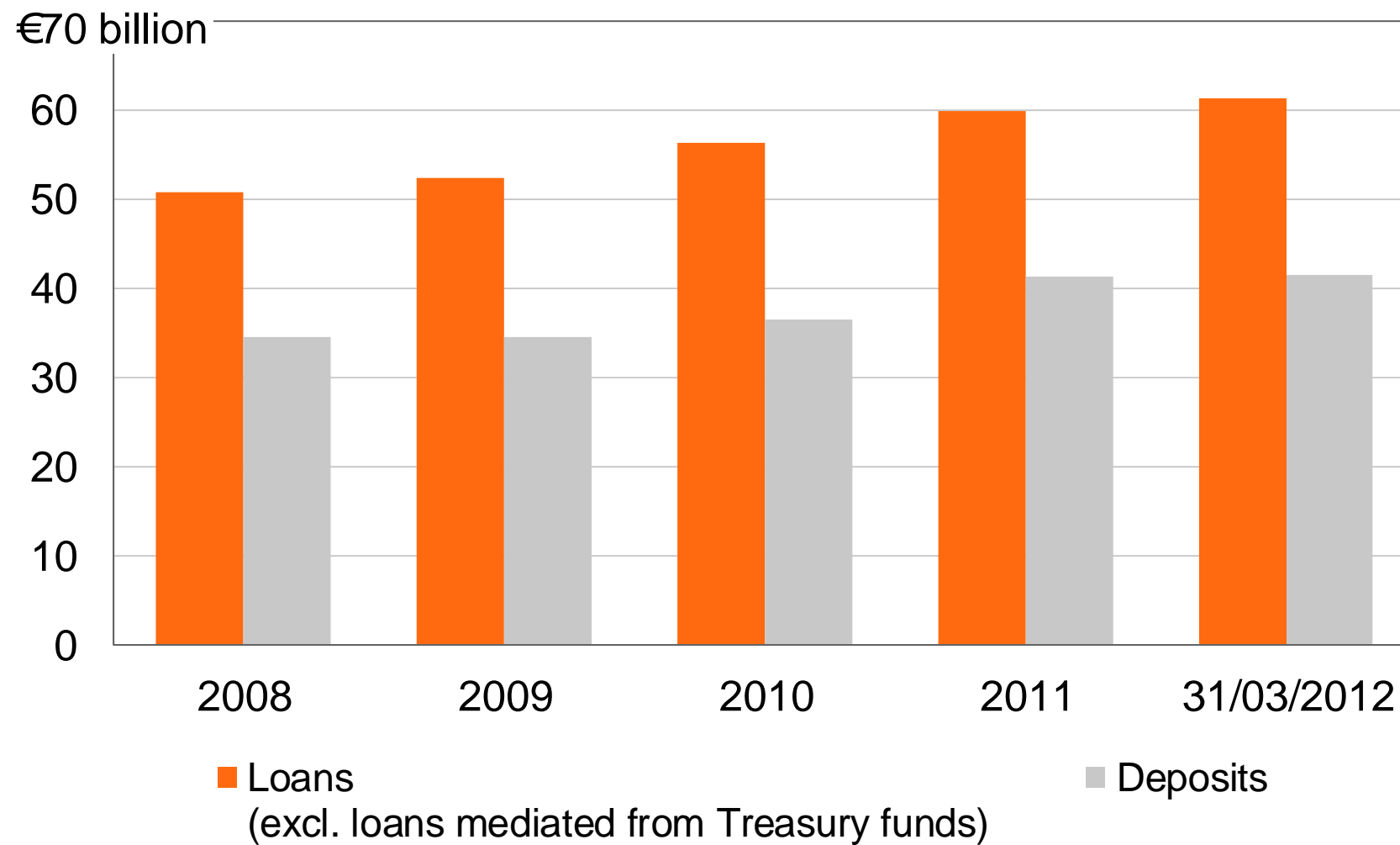
# OP-Pohjola Group Balance Sheet



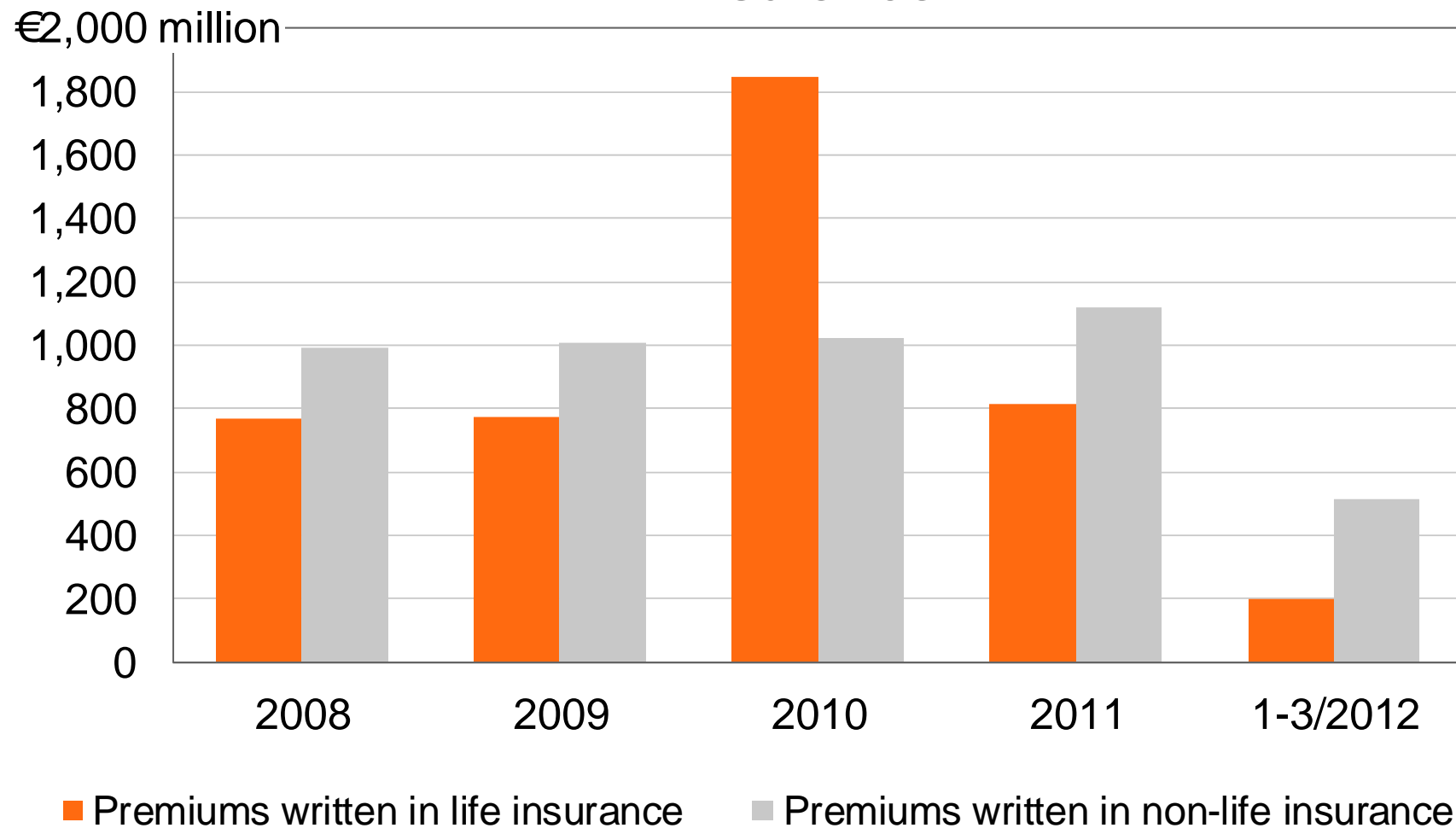
## OP-Pohjola Group Customer Funds



# OP-Pohjola Group Loans and Deposits



# OP-Pohjola Group Premiums Written in Life and Non-life Insurance



A close-up photograph of a person's hands holding a small, light-colored wooden model of a chair. The person is wearing a dark, patterned top and a ring on their finger. In the background, there are architectural drawings on a table, including a floor plan and a perspective drawing of a chair. The scene is indoors, with a warm, natural light.

Thank you