

Segment information

The segment analysis has been prepared in accordance with IFRS 8 Operating Segments. Financial information serves as the basis of this standard, which the executive in charge monitors regularly. Defining segments and presentation are based on management reporting.

Pohjola Group is organised into three business segments – Banking, Non-life Insurance and Asset Management – and the Group Functions which together constitute the Group's operating segments. The Board of Directors is the executive body in charge of deciding on the Group's operations, which allocates resources to the reportable segments and assesses their performance.

Following the realisation of OP Cooperative's public voluntary bid, Pohjola Group is planning structural changes, meaning for example, that the Asset Management segment would be transferred from Pohjola Group to be directly owned by OP Cooperative during 2015. For this reason, the Asset Management segment is reported, according to IFRS 5, as discontinued operations in the income statement and assets and liabilities classified as held for distribution to owners in the balance sheet. Banking, Non-life and the Group Functions segments are reported under continuing operations.

Segment accounting policies

Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Income, expenses, assets and liabilities which are considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to the business segments are reported under the Group Functions. Inter-segment Group eliminations are reported under the "Eliminations" column. Intra-Group transfer prices are based on market prices. The acquisition costs of intangible and PPE assets are presented as investments. The number of employees in each segment is presented as the number of employees at the end of the period.

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 2 notes/bonds.

Banking

Pohjola's Banking provides corporate and institutional customers with solutions for their financing and financial management needs. Banking consists of the following divisions: Corporate Banking, Markets and Baltic Banking.

Corporate Banking provides corporate and institutional customers with financing and cash management services and financing services for foreign trade, and grants loans and guarantees as well as leasing and factoring services. Its income derives mainly from lending margins and commissions and fees resulting from the arrangement of financing and the management of payment transactions.

The Markets division's services range from the arrangement of debt issues, corporate finance services and custody, equity, foreign exchange, money market and derivative products to investment research. The division executes both its clients' and the Bank's orders in international financial markets and is also an active player in international derivatives markets, the government bond market in the euro area and corporate bond markets. Its income derives from net commissions and fees and income from trading. Pohjola Corporate Finance Ltd merged with Pohjola Bank plc on 31 December 2013 and is part of the Markets division.

Baltic Banking provides finance-company products in Estonia, Latvia and Lithuania. Pohjola has established itself in Estonia, Latvia and Lithuania through its own branch offices.

Non-life Insurance

The following three Group companies conduct Non-life Insurance business in Finland: Pohjola Insurance Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. Non-life insurance business in Estonia is conducted by Seesam Insurance AS with a branch in both Latvia and Lithuania. On 30 October 2014, Pohjola Health Ltd merged with Pohjola Insurance Ltd.

The Non-life Insurance segment also includes Omasairaala Oy which started its business in early 2013.

The range of Non-life Insurance products includes non-life policies for corporate and private customers. In addition, the domestic service network provides corporate customers with OP Financial Group's life and pension policies and Ilmarinen Mutual Pension Insurance Company's employment pension policies while being in charge of customer service for Suomi Mutual Life Assurance Company and Ilmarinen. Furthermore, commissions and fees come from managing certain statutory charges and from risk management services.

Non-life Insurance pre-tax earnings consist of the balance on technical account, investment income and other income and expenses. The balance on technical account refers to insurance premium revenue less claims incurred and operating expenses. The most important profitability indicator is the combined ratio showing the proportion of claims incurred and operating expenses to insurance premium revenue. With respect to investment operations, Non-life Insurance is tasked with investing assets covering insurance liabilities and equity in a safe and profitable way conducting a policy of sufficient risk diversification.

Asset Management

The Asset Management business line comprises Pohjola Asset Management Ltd, Pohjola Asset Management Execution Services Ltd, Pohjola Property Management Ltd and the associated company Access Capital Partners Group SA. Pohjola Asset Management Ltd provides Finnish institutional clients and wealthy private individuals with discretionary and advisory investment management services. Furthermore, the portfolio management of OP Fund Management Company Ltd's mutual funds is mainly centralised within Pohjola Asset Management. In addition to its own portfolio management, Pohjola Asset Management has some 30 international partners boasting a wide range of funds for the needs of both institutional and private clients. Pohjola Property Management Ltd focuses on real property investment in Finland and on the selection of real estate funds in international markets. The division's income comes mainly from management commissions and fees.

Group Functions

Group Functions supports Pohjola Group's and its business segments financing.

It is responsible for the management of financing and liquidity for OP Financial Group's retail banks and Pohjola Group, as well as for OP Financial Group's wholesale funding. Income, expenses, investments and capital which have not been allocated to the business segments are reported under the Group Functions. Group taxes are allocated to the Group Functions in their entirety.

Eliminations

Inter-segment eliminations are presented under the "Eliminations" column.

Segment information

2014, EUR million	Continuing operations			Discon- tinued operations	Elimi- nations	Group total
	Banking	Group Functions	Non-life Insurance	Asset Manage- ment		
Net interest income						
Corporate Banking and Baltic Banking	255					255
Markets	28					28
Other operations		-3	-26	2	1	-26
Total	283	-3	-26	2	1	257
Net commissions and fees	103	4	15	64	-8	178
Net trading income	84	-8	0	0	1	77
Net investment income	5	55		0	4	64
Net income from Non-life Insurance						
From insurance operations			466		0	466
From investment operations			171		2	173
From other items			-42			-42
Total			595		2	597
Other operating income	13	9	11	1	-1	33
Total income	488	56	595	67	-1	1,206
Personnel costs	55	6	102	14	0	177
ICT costs	34	5	53	3	1	97
Amortisation on intangible assets related to company acquisitions			21	2		24
Other depreciation/amortisation and impairments	14	1	16	1		31
Other expenses	57	24	180	11	-2	269
Total expenses	160	36	372	31	-1	598
Earnings/loss before impairment of receivables	328	20	223	36	0	608
Impairments of receivables	25					25
Share of associates' profits/losses			0	1	0	2
Earnings before tax	303	20	223	38	0	584
Change in fair value reserve	-1	33	49	0	-1	79
Gains/(losses) arising from remeasurement of defined benefit plans	-42	-5	-2	0		-50
Total comprehensive income for the period, before tax	259	48	270	37	-1	613

2013, EUR million	Continuing operations			Discon- tinued operations	Elimi- nations	Group total
	Banking	Group Functions	Non-life Insurance	Asset Manage- ment		
Net interest income						
Corporate Banking and Baltic Banking Markets	227					227
Other operations	-3	27	-24	3	1	-3
Total	224	27	-24	3	1	230
Net commissions and fees	100	-1	17	51	-4	162
Net trading income	101	-12	0	0	3	93
Net investment income	0	46		0		46
Net income from Non-life Insurance						
From insurance operations			440			440
From investment operations			131		-1	131
From other items			-43			-43
Total			529		-1	528
Other operating income	17	9	10	1	0	38
Total income	443	69	532	55	-1	1,097
Personnel costs	57	6	107	14		184
ICT costs	31	5	50	3	1	90
Amortisation on intangible assets related to company acquisitions			21	2		24
Other depreciation/amortisation and impairments	15	1	14	1		31
Other expenses	54	15	174	11	-2	252
Total expenses	157	27	366	32	-1	581
Earnings/loss before impairment of receivables	285	41	166	24	0	516
Impairments of receivables	35	2				37
Share of associates' profits/losses			0	0	0	0
Earnings before tax	251	39	166	24	0	479
Change in fair value reserve	9	-6	-17	0	-1	-15
Gains/(losses) arising from remeasurement of defined benefit plans	0	0	0	0		
Total comprehensive income for the period, before tax	260	33	149	24	-1	465

31 Dec 2014, EUR million	Banking	Group Functions	Non-life Insurance	For distri- bution to owners	Elimi- nations	Group total
				Asset Manage- ment		
Receivables from customers	15,222	537			-246	15,513
Receivables from credit institutions	483	13,566	5	7	-24	14,037
Financial assets at fair value through profit or loss	373	-13				360
Non-life Insurance assets			4,150		-297	3,854
Investment assets	553	7,581	16	9	-9	8,151
Investments in associates			2	27		29
Other assets	6,335	1,721	732	136	-165	8,759
Total assets	22,968	23,392	4,905	180	-741	50,703
Liabilities to customers	8,434	3,233			-226	11,442
Liabilities to credit institutions	609	4,878			-246	5,241
Non-life Insurance liabilities			3,116		-144	2,972
Debt securities issued to the public	1,672	16,157			-46	17,782
Subordinated liabilities	-20	1,054	50			1,084
Other liabilities	7,043	1,685	79	10	-44	8,773
Total liabilities	17,738	27,007	3,245	10	-705	47,295
Shareholders' equity						3,408
Average personnel	616	33	1,766	88		2503
Capital expenditure, EUR million	10	2	14	2		28

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