Pohjola Bank plc's Interim Report for 1 January–30 September 2011


Q3

Pohjola

Pohjola Group Performance for January–September 2011

- Consolidated earnings before tax came to EUR 245 million (242). Earnings before tax at fair value were EUR 65 million (273) and return on equity at fair value stood at 2.8% (11.7).
- Banking earnings before tax rose to EUR 135 million (93). These included EUR 36 million (89) in impairment charges on receivables. The loan portfolio increased by 8% from its level on 31 December 2010 and the average margin decreased to 1.32% (1.36).
- Within Non-life Insurance, insurance premium revenue rose by 7% and the balance on technical account was good. Excluding amortisation on intangible assets arising from company acquisition, the operating combined ratio stood at 89.4% (88.6). Within Non-life Insurance, return on investments at fair value was –1.8% (5.2).
- Asset Management increased its earnings before tax by 11% to EUR 19 million (18) and assets under management amounted to EUR 31.5 billion (35).
- The Group Functions reported earnings of EUR 20 million (48) before tax.
- Outlook: The Group's operational profitability is expected to remain good during the rest of the year. However, fourth-quarter consolidated earnings will be eroded by a reduction of an estimated 0.1–0.3 percentage points in the discount rate and higher technical provisions due to a change in the mortality model. The growth in the amount of technical provisions will become clear towards the end of this year. Consolidated earnings before these non-recurring items and tax are expected to be at somewhat the same level in 2011 as in 2010 (Previous estimate: Consolidated earnings before tax in 2011 are expected to be higher than in 2010.) It is estimated that Non-life Insurance's operating combined ratio will vary between 89 and 93% (unchanged). For more detailed information on the outlook, see “Outlook towards the year end” below.

July–September 2011

- Consolidated earnings before tax amounted to EUR 47 million (103). Loss before tax at fair value was EUR 101 million (earnings of 165). The euro area's debt crisis and the resulting weak developments in capital markets reduced earnings before tax posted by investment operations and the Markets division by a total of over EUR 60 million, year on year.
- Banking earnings before tax amounted to EUR 43 million (38). Impairment charges on receivables and their recoveries were EUR 1 million (28) in net terms.
- Within Non-life Insurance, the operating combined ratio stood at 85.2% (82.8) and the return on investments at fair value was –2.8% (2.6).
- Earnings before tax recorded by Asset Management improved by 6% to EUR 6 million and the cost/income ratio stood at 49% (51).
- The Group Functions reported a loss of EUR 4 million (earnings of 18) before tax.

Earnings before tax, € million	**Q1–3/ 2011**	**Q1–3/ 2010**	**Change, %**	**Q3/ 2011**	**Q3/ 2010**	**Change, %**	**2010**
Banking	135	93	46	43	38	13	133
Non-life Insurance	71	84	-16	3	42	-94	83
Asset Management	19	18	11	6	6	6	31
Group Functions	20	48	-59	-4	18		61
Total	**245**	**242**	**1**	**47**	**103**	**-54**	**308**
Change in fair value reserve	-180	31		-148	62		-17
Earnings/loss before tax at fair value	**65**	**273**	**-76**	**-101**	**165**		**291**
Earnings per share, €	0.57	0.56		0.11	0.24		0.72
Earnings per share at fair value, €	0.15	0.63		-0.23	0.38		0.68
Equity per share, €	7.20	7.39					7.44
Average personnel	3,135	2,996		3,247	3,007		3,005

Financial targets	**Q1–3/ 2011**	**Q1–3/ 2010**	**Q3/ 2011**	**Q3/ 2010**	**2010**	**Target**
Return on equity at fair value, %	2.8	11.7	-12.7	21.1	9.3	13.0
Tier 1 ratio, %	11.0	12.3			12.5	>9.5
Operating cost/income ratio by Banking, %	37	34	41	33	35	<40
Operating combined ratio, %	89.4	88.6	85.2	82.8	89.7	92.0
Operating expense ratio, %	20.6	21.3	21.1	20.0	21.3	<20
Solvency ratio, %	81	99			86	70
Operating cost/income ratio by Asset Management, %	49	52	49	51	53	<50
AA rating affirmed by at least two credit rating agencies	3	3			3	≥ 2
Dividend payout ratio a minimum of 50%, provided that Tier 1 > 9.5%					55	>50

President and CEO Mikael Silvennoinen:

Our customer business performed well during the reporting period. We have continued to strengthen our market position in both Banking and Non-life Insurance, and our operational profitability has remained good.

Our January–September consolidated earnings before tax were on a par with those reported a year ago.

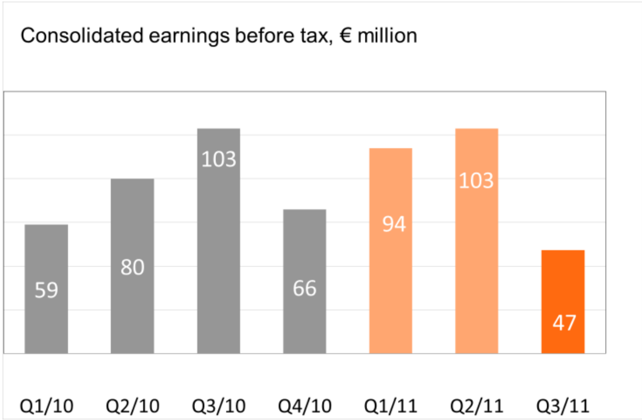
July–September earnings before tax were eroded by the euro area's debt crisis and the resulting weak financial performance of investment operations. Earnings before tax for the third quarter were less than half than those reported a year earlier and in the second quarter of the current year.

Our loan portfolio grew at a rate above the market average during the third quarter. The loan portfolio grew by 8% from its 2010-end level and in September our market share of euro-denominated corporate loans increased to over 20% for the first time. Impairment charges were markedly lower than a year ago. The Markets division showed favourable development in client income but trading business was weak due to the exceptional market situation. The Baltics business developed favourably during the reporting period.

Insurance premium revenue continued to grow vigorously. We received over 27,000 new loyal customer households during the reporting period, their number totalling over half a million. The balance on technical account was at the same good level as the year before. Investment income turned negative during the third quarter, due to the market effects arising from the euro area's debt crisis and to impairment charges transferred from the fair value reserve to the income statement.

Asset Management showed slightly improved earnings year on year although assets under management decreased from their 2010-end level. The cost/income ratio was better than targeted.

We have typically been able to strengthen our market position in difficult market conditions. A gradual slackening of competition, our customer-focused approach coupled with our investments in customer service resources this year provide us with solid foundations for strengthening our position in the current, exceptional market situation too.



Pohjola Group Interim Report for 1 January–30 September 2011

Contents

Operating environment....5
Consolidated earnings....6
Group risk exposure....9
Capital adequacy....10
Credit ratings....11
Financial performance and risk exposure by business segment....12
Banking....12
Non-life Insurance....14
Asset Management....17
Group Functions....18
Shares and shareholders....19
Management....20
Events after the balance sheet date....20
Outlook towards the year end....20

Consolidated income statement....22
Consolidated statement of comprehensive income....22
Consolidated balance sheet....23
Consolidated statement of changes in equity....24
Consolidated cash flow statement....25
Segment information....26
Notes to the financial statements....29
Accounting policies....29
Formulas for key figures and ratios....29

Operating environment

We were overshadowed by great economic uncertainty in July–September 2011. Management of the European sovereign debt crisis and the global economic situation have become a widespread concern reflected in lower consumer and business confidence.

Successful handling of the European sovereign debt crisis is vital to future economic development. Failure to handle the crisis may have dire consequences, while successful solutions can restore confidence in the euro system and thereby prevent a recession.

So far industrialised economies have done better than feared. US industrial production and consumer spending took a turn for the better in the third quarter, with industrial production also growing in the euro area. Emerging economies slowed down only marginally.

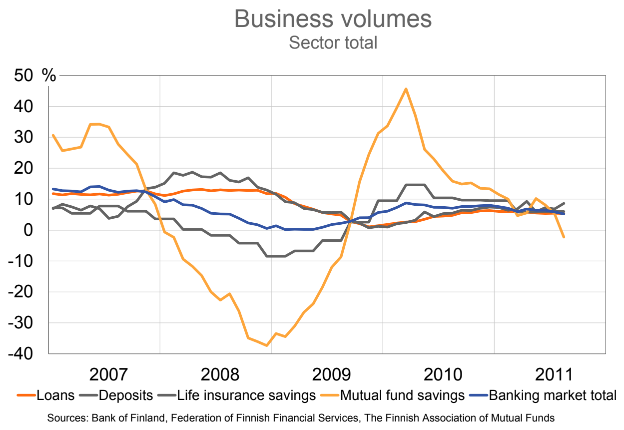
Global economic jitters have also had repercussions in Finland: households' and companies' expectations of economic growth have faded. On the other hand, statistics on industrial production and retail trade indicate that economic activity has remained relatively high throughout the summer and autumn.

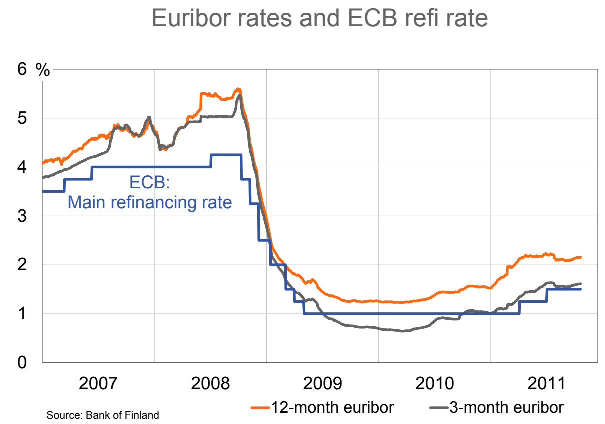
Gloomier global economic outlook and doubts concerning how the debt crisis in the euro area will be handled resulted in major movements in the money and capital markets during the third quarter. Market rates were low and key share prices fell globally by about 15% and in Finland by about 20%. This uncertainty has also increased risk premiums in the money markets. The European Central Bank has supported the markets by increasing liquidity in an attempt to boost the markets and reduce risk premiums. Interest rates will remain low or decrease slightly towards the year end.

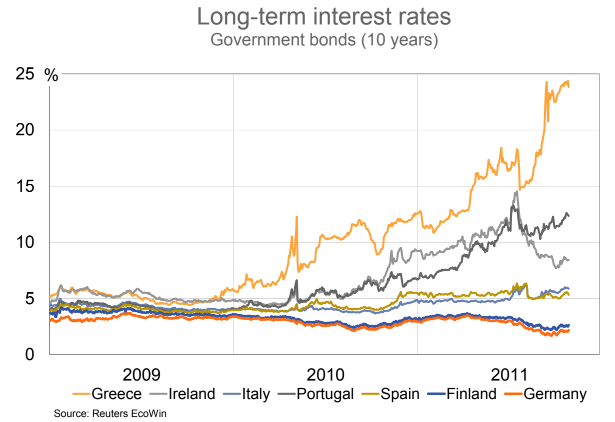
The euro area's debt crisis has had only minor effects on the increase in the Finnish banking sector's loan portfolio. Year on year, the loan portfolio increased by about 5% in July–September. Despite lower consumer confidence, consumer loans continued to grow at a steady rate and the housing market was still lively. On the other hand, growth of the corporate loan portfolio slowed down somewhat, its annual growth remaining at about 3%.

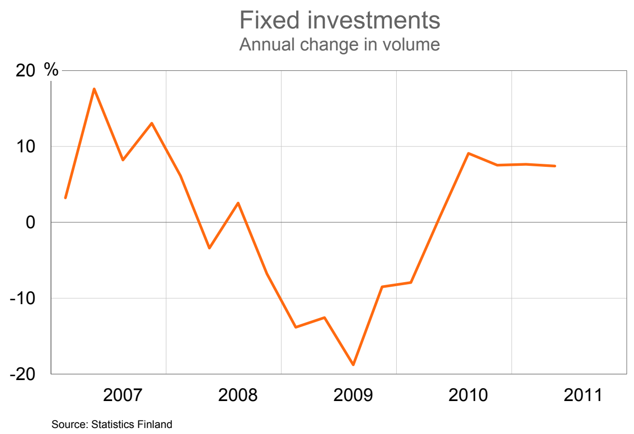
Mutual fund and insurance savings fell even more in the third quarter owing to poor capital market performance. Net asset inflows were clearly negative and the sales of new life insurance policies were low. On the positive side, deposits increased as the number of current accounts and payment transfer accounts went up.

In the non-life insurance sector, premiums written for Q1–3 rose by about 4% year on year. Claims expenditure still grew much faster than premiums written. Slower economic growth is nevertheless expected to offset higher claims expenditure relative to higher premiums written. On the other hand, uncertainties over the investment environment and the low interest rates are expected to increase challenges related to investment by insurance companies.









Consolidated earnings

Earnings analysis	2011	2010	Change	2011	2010	Change	Rolling	2010
€ million	**Q1–3**	**Q1–3**	**%**	**Q3**	**Q3**	**%**	**12-month**	
Net interest income								
Corporate and Baltic Banking	130	128	2	43	43	0	175	172
Markets	46	13	250	16	3	421	60	27
Other operations	28	48	-41	6	16	-63	39	59
Total	205	189	8	65	62	4	273	258
Net commissions and fees	119	118	1	39	37	5	165	164
Net trading income	-5	34		-24	18		-3	35
Net investment income	17	21	-20	3	6	-45	27	31
Net income from Non-life Insurance								
Insurance operations	287	279	3	105	106	-1	334	327
Investment operations	43	69	-37	-17	26		67	92
Other items	-35	-34	2	-12	-11	2	-31	-30
Total	296	314	-6	76	120	-36	371	388
Other operating income	30	32	-5	10	11	-8	48	50
Total income	**663**	**708**	**-6**	**170**	**255**	**-33**	**881**	**926**
Personnel costs	156	144	9	46	44	3	211	199
IT expenses	58	56	4	19	18	9	78	76
Depreciation and amortisation	42	57	-26	14	23	-39	58	72
Other expenses	124	121	2	40	40	-1	170	168
Total expenses	**380**	**378**	**1**	**119**	**125**	**-5**	**517**	**514**
Earnings before impairments of receivables	**283**	**330**	**-14**	**51**	**130**	**-61**	**364**	**412**
Impairments of receivables	40	88	-55	4	27	-84	55	104
Share of associates' profits	2			1			2	**0**
Earnings before tax	**245**	**242**	**1**	**47**	**103**	**-54**	**310**	**308**
Change in fair value reserve	-180	31		-148	62		-227	-17
Earnings/loss before tax at fair value	**65**	**273**	**-76**	**-101**	**165**		**83**	**291**

January–September earnings

Consolidated earnings before tax were somewhat at the previous year's level, EUR 245 million (242). Year on year, total income dropped by 6% and total expenses rose by 1%. Impairment charges for receivables shrank by EUR 48 million to EUR 40 million (88).

The European sovereign debt crisis and capital market uncertainty deteriorated earnings before tax at fair value by EUR 180 million from their year-start level. Earnings before tax at fair value were EUR 65 million against EUR 273 million recorded a year earlier.

Net interest income was up by 8%. Corporate Banking increased its net interest income, thanks to growth in the loan portfolio. Corporate loan margins shrank slightly in the first quarter but since then they have remained steady. Funding costs continued to rise as expected.

The Markets division increased its net interest income but net trading income came down.

Net commissions and fees were at around the same level as the year before. Net commissions and fees from securities brokerage increased whereas those from securities issuance decreased.

Net investment income was slightly lower than a year ago. The reported earnings included EUR 7 million (22) in realised capital gains recognised on the liquidity portfolio. Dividend income was markedly higher than a year earlier.

Insurance premium revenue continued its strong growth and the balance on technical account was at the level recorded a year ago. Net investment income within Non-life Insurance included EUR 21 million (29) in impairment charges, the largest individual impairment loss, EUR 16 million, being recognised on Greek government bonds. Capital gains were markedly lower than a year ago.

Personnel costs rose by 9% year on year. Non-life Insurance sales, claims settlement and wellbeing-at-work business as well as Baltic Banking reinforced their personnel. The number of Group employees on 30 September was 294 higher than on 31 December 2010. Amortisation on intangible assets related to company acquisitions was lower than the year before. Amortisation/depreciation a year ago also included a non-recurring item of EUR 7 million.

July–September earnings

Consolidated earnings before tax was markedly lower than the year before, amounting to EUR 47 million (103). The euro area's debt crisis and the resulting weak developments in capital markets reduced earnings before tax posted by investment operations and the Markets division by a total of over EUR 60 million, year on year.

Total income fell by 33% to EUR 170 million (255) and total expenses decreased by 5%. Impairment charges for receivables and their recoveries in net terms reduced earnings by EUR 4 million (27).

With the euro-area debt crisis deepening during the third quarter, the Group reported a loss of EUR 101 million before tax at fair value as against earnings of EUR 165 million a year ago.

Net interest income grew at a slower rate than in the previous quarters. While net interest income from Corporate Banking was at the previous year's level, net interest income posted by Markets continued to rise although market instability markedly deteriorated net trading income. Higher funding costs eroded net interest income from other operations.

Net commissions and fees increased by 5% year on year.

Insurance premium revenue rose by 7% and the balance on technical account was good. As a result of the European sovereign debt crisis and capital market uncertainties, Non-life Insurance net investment income turned negative. Net investment income within Non-life Insurance included almost EUR 20 million in impairment charges, EUR 16 million of which being recognised on Greek government bonds.

Personnel costs rose by 3%. Amortisation/depreciation a year ago included a non-recurring item of EUR 7 million.

Earnings analysis by quarter

€ million	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
Net interest income							
Corporate and Baltic Banking	40	44	43	45	43	44	43
Markets	6	4	3	14	12	18	16
Other operations	14	19	16	10	13	9	6
Total	60	67	62	69	68	72	65
Net commissions and fees	40	41	37	46	41	40	39
Net trading income	7	8	18	2	14	5	-24
Net investment income	18	-3	6	10	11	2	3
Net income from Non-life Insurance							
Insurance operations	74	99	106	47	68	115	105
Investment operations	17	26	26	24	37	23	-17
Other items	-11	-11	-11	4	-12	-12	-12
Total	79	114	120	75	94	126	76
Other operating income	11	10	11	18	11	10	10
Total income	**215**	**239**	**255**	**218**	**239**	**254**	**170**
Personnel costs	47	52	44	55	55	55	46
IT expenses	19	19	18	20	19	20	19
Depreciation and amortisation	18	16	23	16	15	14	14
Other expenses	39	43	40	46	41	43	40
Total expenses	**123**	**130**	**125**	**137**	**129**	**132**	**119**
Earnings before impairments of receivables	**92**	**109**	**130**	**81**	**110**	**122**	**51**
Impairments of receivables	33	29	27	16	15	20	4
Share of associates' profits	0	0	0	0	0	1	1
Earnings before tax	**59**	**80**	**103**	**66**	**94**	**103**	**47**
Change in fair value reserve	61	-92	62	-47	-21	-11	-148
Earnings/loss before tax at fair value	**119**	**-11**	**165**	**18**	**74**	**92**	**-101**

Group risk exposure

The Group's risk exposure remained favourable as impairment charges decreased from their level a year earlier and investment-grade exposures remained high. It is currently exceptionally difficult to assess the future macroeconomic development. Doubtful receivables remained low relative to the loan and guarantee portfolio.

Net loan losses and impairment losses recognised for January–September reduced earnings by EUR 40 million (88), accounting for 0.27% (0.63) of the loan and guarantee portfolio. Final loan losses recognised for the period totalled EUR 46 million (41) and impairment charges EUR 60 million (98). Loan loss recoveries and allowances for impairments totalled EUR 67 million (51). The majority of the impairment losses were those recognised on an individual basis.

The third quarter saw no major change in doubtful receivables, totalling EUR 46 million (31), or accounting for 0.31% (0.22) of the loan and guarantee portfolio. Past due payments came to EUR 22 million (17), representing 0.15% (0.12) of the loan and guarantee portfolio.

No major changes took place in Non-life Insurance's underwriting risks. The investment portfolio risk exposure underwent a slight reduction.

The financial and liquidity position remained strong. Short-term funding performed well in the third quarter. The exceptional market situation raised long-term funding costs. In the present liquidity position, there was no need for new long-term issues. Pohjola Bank plc maintains OP-Pohjola Group's liquidity reserve which mainly consists of notes and bonds eligible as collateral for central bank refinancing. This liquidity portfolio plus other items included in OP-Pohjola Group's balance sheet and eligible for central bank refinancing constitute the total liquidity buffer, which can be used to cover OP-Pohjola Group's wholesale funding maturities for at least 24 months.

Determining the value of the available-for-sale financial assets at fair value through profit or loss and included in the liquidity portfolio is based on mark-to-market valuations.

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.

The table below shows Pohjola Group's direct exposure to GIIPS sovereign bonds as of 30 September. Non-life Insurance's investments are measured at market value. Those of the Group Functions are stated at amortised cost.

€ million	Banking	Non-life Insurance	Group Functions	Total
Greece	0	20	0	20
Italy	0	30	0	30
Ireland	0	5	41	46
Portugal	0	17	0	17
Spain	0	16	0	16
Total	**0**	**88**	**41**	**129**

Capital adequacy

Capital structure and capital adequacy

€ million	30 Sept. 2011	31 Dec. 2010
Tier 1 capital	1,589	1,692
Tier 2 capital	0	111
Total capital base	1,589	1,803
Risk-weighted assets		
Credit and counterparty risk	12,899	12,314
Market risk	605	467
Operational risk	913	739
Total	14,416	13,520
Capital adequacy ratio, %	11.0	13.3
Tier 1 ratio, %	11.0	12.5
Core Tier 1, %*)	10.2	10.5

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

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

€ million	30 Sept. 2011	31 Dec. 2010
Conglomerate's capital base	1,903	2,154
Conglomerate's minimum capital base	1,347	1,259
Conglomerate's capital adequacy	556	895
Conglomerate's capital adequacy ratio	1.41	1.71

The capital adequacy ratio under the Act on Credit Institutions was 11.0%, exceeding the minimum statutory requirement of 8%. Pohjola Group's Tier 1 target ratio stands at a minimum of 9.5% over the economic cycle.

Tier 1 capital was 6% lower than at the end of December 2010, because EUR 159 million in the shortfall of Tier 2 capital were deducted from Tier 1 capital. Pohjola Bank plc redeemed the Lower Tier 2 debenture loan of EUR 150 million in March and the Lower Tier 2 subordinated notes of USD 325 million in September. Pohjola Bank plc issued Lower Tier 2 subordinated notes of CHF 100 million in July and of EUR 100 million in September. These four transactions decreased Pohjola Group's capital adequacy ratio by 1.5 percentage points, Tier 1 ratio by 1.1 percentage points and capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates by 0.16, in net terms.

Risk-weighted assets increased by 7%, or EUR 896 million, from their 2010-end level.

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 the Act, measured using the consolidation method, decreased to 1.41 (1.71).

On 18 October 2011, the Financial Supervisory Authority granted OP-Pohjola Group permission to adopt the Internal Ratings-based Approach (IRBA) to credit risk in capital adequacy measurement as of 31 December 2011, applying to exposure amounts involving OP-Pohjola Group's retail, corporate and credit institution customers. The previous permission to use IRBA applied to Pohjola Bank plc's corporate and institutional exposures. This adoption will increase OP-Pohjola Group's Tier 1 ratio by an estimated 2.6 percentage points and capital adequacy ratio under the abovementioned Act by an estimated 0.3 percentage points. For Pohjola, IRBA will improve the capital adequacy ratio under the Act on Credit Institutions by an estimated 0.2 percentage points (pro forma)

The European Banking Authority (EBA) published its EU-wide forward-looking stress test results in July. Just like last year, OP-Pohjola Group's capital adequacy clearly exceeded the stress test's threshold level. In the adverse scenario, the Group's capital adequacy remained on a solid basis and clearly above the test's minimum requirement. The Group's Core Tier 1 capital ratio would fall no lower than 11.5%, while the minimum level in the test is 5%. Pohjola's data are included in OP-Pohjola Group's results.

As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous in an effort 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. These changes are still under preparation, due to be effective between 2013 and 2019, and it is too early to predict precisely what their effects will be. From Pohjola Group's viewpoint, the most significant changes in the new regulations are related to allowances for insurance company holdings and liquidity risk requirements whose treatment will most likely to be finalised only in national legislation.

Credit ratings

Pohjola Bank plc's credit ratings remained unchanged during the reporting period.

On 10 August 2011, Moody's put Pohjola Bank plc's Aa2 rating for long-term debt and Pohjola Non-life Insurance Ltd's insurance financial strength (IFRS) A2 on review for a possible credit rating downgrade.

On 13 October 2011, as part of its extensive review of the global and European banking sector, Fitch Ratings put OP-Pohjola Group's and Pohjola Bank plc's credit ratings under review for a possible downgrade. Credit rating AA- for OP-Pohjola Group's and Pohjola's long-term debt and credit rating F1+ for short-term debt are under review. Fitch's reassessment applies to several large global and European banks with a relatively high credit rating.

S&P's credit ratings have not undergone any changes, and the outlook is stable.

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
S&P	A-1+	Stable	AA-	Stable
Moody's	P-1	Negative	Aa2*	Negative
Fitch	F1+*	Stable	AA-*	Negative

* Credit rating put on review for a possible downgrade

Financial performance and risk exposure by business segment

Banking

- Earnings before tax for January–September amounted to EUR 135 million (93). Impairment charges on receivables fell by EUR 53 million to EUR 36 million.
- The loan portfolio grew by 8% from its 2010-end level and by slightly over 8% from its level a year ago.
- In the third quarter, Corporate Banking doubled its earnings before tax to EUR 42 million (20) but Markets posted an earnings reduction of EUR 19 million, year on year. Earnings before tax reported by Baltic Banking came to EUR 0 million (–4).
- Operating cost/income ratio stood at 37% (34), which was better than the strategic target of 40%.

Banking: financial results and key figures and ratios

€ million	Q1–3/ 2011	Q1–3/ 2010	Change, %	Q3/ 2011	Q3/ 2010	Change, %	2010
Net interest income							
Corporate and Baltic Banking	130	128	2	43	43	0	172
Markets	46	13	250	16	3	421	27
Total	176	141	25	59	46	27	199
Net commissions and fees	74	69	7	24	21	15	93
Net trading income	1	45	-97	-16	21	-175	47
Other income	21	22	-6	6	8	307	29
Total income	**272**	**277**	**-2**	**74**	**97**	**-24**	**368**
Expenses							
Personnel costs	42	39	8	12	12	-4	54
IT expenses	20	17	13	6	5	14	24
Depreciation and amortisation	16	19	-16	5	6	-18	25
Other expenses	23	20	15	7	7	-2	27
Total expenses	**101**	**95**	**6**	**30**	**31**	**-4**	**130**
Earnings before impairments of receivables	**171**	**182**	**-6**	**43**	**65**	**-34**	**238**
Impairments of receivables	36	89	-59	1	28	-98	105
Earnings before tax	**135**	**93**	**46**	**43**	**38**	**13**	**133**
Earnings before tax at fair value	126	92	37	34	38	13	133
Loan portfolio, € billion	12.3	11.3	8				11.4
Guarantee portfolio, € billion	2.5	2,6	-5				2.6
Margin on corporate loan portfolio, %	1.32	1.38					1.36
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.31	0.21					0.22
Ratio of impairments of receivables to loan and guarantee portfolio, %	0.24	0.64					0.75
Operating cost/income ratio, %	37	34		41	33		35
Personnel	734	654	12				657

January–September earnings

Earnings before tax improved to EUR 135 million (93), based on a EUR 53 million reduction in impairment charges which amounted to EUR 36 million in net terms.

The loan portfolio grew by EUR 0.9 billion from its 2010-end level, or by 8%, to EUR 12.3 billion. The market share of euro-denominated corporate loans increased to over 20% for the first time. The guarantee portfolio declined by EUR 0.1 billion from its 2010-end level, standing at EUR 2.5 billion. Committed standby credit facilities decreased by almost EUR 0.1 billion to EUR 2.8 billion.

On 30 September, the corporate loan margin averaged 1.32%, or 4 basis points lower than on 31 December 2010. The average corporate loan margin shrank in the first quarter but has since then remained steady. Thanks to the growth in the portfolio, net interest income from Corporate Banking rose although funding costs increased by 2% year on year.

Net commissions and fees were 7% higher than a year ago. Total commission income from loans and guarantees was one million euros higher than in the previous year. Net commissions and fees from securities brokerage increased by over EUR 2 million.

Earnings before tax, € million	Q1–3/ 2011	Q1–3/ 2010	Change %
Corporate Banking	97	50	94
Markets	38	46	-17
Baltic Banking	0	-4	
Total	**135**	**93**	46

Earnings improvement by Corporate Banking was due to lower impairment charges. Syndicated loan arrangements in particular, in which Corporate Banking has strengthened its position further, were behind higher net interest income and net commissions and fees. Net commissions and fees from syndicated loans were higher than a year ago.

Earnings before tax reported by Markets decreased by EUR 8 million, year on year. Client income remained at the previous year's level but income from trading was down as a result of the challenging market situation.

Baltic Banking showed favourable development in its financial performance, its earnings before tax improving by EUR 4 million and totalling around zero. The loan portfolio doubled to EUR 0.2 billion from its 2010-end level.

July–September earnings

Earnings before tax were EUR 43 million, or EUR 5 million higher than the year before. This improvement was mainly based on the reduction of impairment charges by EUR 27 million.

The loan portfolio grew by 3% to EUR 12.3 billion, which compensated for the effect of higher financing costs on net interest income.

Market instability eroded net trading income. Client income remained at the somewhat same level as a year ago.

Earnings before tax, € million	Q3/ 2011	Q3/ 2010	Change, %
Corporate Banking	42	20	110
Markets	0	19	-98
Baltic Banking	0	-1	
Total	**43**	**38**	13

Risk exposure by Banking

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

During January–September, total exposure decreased by EUR 0.3 billion to EUR 21.5 billion. This decrease was to a large extent due to the adoption of the netting of derivative contracts during the second quarter, reducing exposures by EUR 2.5 billion. In particular, this change is reflected in investment-grade exposures. On a comparable basis, total exposures grew by EUR 2.2 billion from their 2010-end level. The ratio of investment-grade exposure – i.e. ratings 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 65% (67). The share of ratings 11–12 was 1.4% (1.7) and that of non-rated exposure 1.0% (1.0).

Corporate exposure (including housing corporations) accounted for 80% (76) of total exposure within Banking. Of corporate exposure, the share of investment-grade exposure stood at 61% (61) and the exposure of the lowest two rating categories amounted to EUR 289 million (360), accounting for 1.7% (2.2) of the total corporate exposure.

Significant corporate customer exposure increased to EUR 4.3 billion (3.4) in the third quarter. The Group's capital base for the purpose of calculating major customer exposure came to EUR 1,673 million (1,925). The distribution of corporate exposure by industry remained highly diversified. The most significant industries included Letting and Operation of Dwellings representing 10.5% (11.5), Manufacture of Machinery and Equipment 9.5% (9.5) and Operation of Other Real Estates 9.2% (8.5). 51% of exposures within Letting and Operation of Dwellings and 20% of exposures within Operation of Other Real Estates were guaranteed by general government.

January–September net loan losses and impairment losses within Banking came to EUR 36 million (89), accounting for 0.24% (0.64) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 46 million (41) and impairment charges EUR 57 million (98). Loan loss recoveries and allowances for impairments totalled EUR 67 million (50).

On 30 September, Baltic Banking exposures totalled EUR 0.3 billion (0.1), accounting for 2.1% (0.9) of the loan and guarantee portfolio. The Baltic Banking net loan losses and impairment losses for January–September amounted to EUR –1 million (1).

January–September interest rate risk exposure averaged EUR 8.2 million (4.3), based on the 1-percentage-point change in the interest rate.

Non-life Insurance

- Earnings before tax amounted to EUR 71 million (84). Investment income for the third quarter was EUR 43 million lower than a year ago as a result of the difficult market situation.
- Insurance premium revenue increased by 7% (2).
- The balance on technical account was good. The operating combined ratio stood at 89.4% (88.6).
- The number of loyal customer households totalled over 500,000. OP bonuses were used to pay over one million insurance premiums.
- Return on investments at fair value was –1.8% (5.2).

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

€ million	Q1–3/2010	Q1–3/2010	Change, %	Q3/2011	Q3/2010	Change, %	2010
Insurance premium revenue	773	723	7	266	250	7	964
Claims incurred	-532	-486	9	-176	-157	12	-694
Operating expenses	-159	-154	3	-50	-50	1	-205
Amortisation adjustment of intangible assets	-16	-25	-35	-5	-12	-57	-31
Balance on technical account	**66**	**58**	**14**	**34**	**30**	**12**	**33**
Net investment income	42	65	-35	-20	23	-186	87
Other income and expenses	-37	-38	-2	-12	-11	1	-37
Earnings before tax	**71**	**84**	**-16**	**3**	**42**	**-94**	**83**
Earnings/loss before tax at fair value	-21	164		-59	94		139
Combined ratio, %	91.5	92.0		87.2	87.8		96.6
Operating combined ratio, %	89.4	88.6		85.2	82.8		89.7
Operating expense ratio, %	20.6	21.3		18.9	20.0		21.3
Return on investments at fair value, %	-1.8	5.2		-2.8	2.6		5.1
Solvency ratio , %	81	99					86
Personnel	2,297	2,059	12				2,090

January–September earnings

Insurance operations

Insurance premium revenue continued to grow vigorously and the balance on technical account was good. Total insurance premium revenue was up by 7% (2). The operating balance on technical account totalled EUR 82 million (83) and the operating combined ratio stood at 89.4%% (88.6). These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue, € million	Q1–3/2011	Q1–3/2010	Change, %
Private Customers	383	355	8
Corporate Customers	353	331	7
Baltic States	37	37	-1
Total	**773**	**723**	**7**

Insurance premium revenue rose by 8% among Private Customers. With its increasingly stronger market position, Pohjola became the market leading insurer of private customers' motor vehicles. The number of loyal customer households increased by 27,143 (29,937).

On 30 September, the number of loyal customer households totalled 507,748, of which up to 65% also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member banks' and Helsinki OP Bank's customers can use their OP bonuses earned through banking transactions to pay Pohjola non-life insurance premiums. Since December 2010, OP bonus customers have earned bonuses from insurance premiums for Pohjola's home, family and motor vehicle policies. During January–September, OP bonuses were used to pay 1,030,000 insurance premiums, with 148,800 paid in full using bonuses only. Insurance premiums paid using bonuses totalled EUR 47 million.

The Finnish Tax Administration is revising its guidelines concerning corporate bonus practices late this year. As a result of such changes in tax treatment of bonuses, OP-Pohjola Group has changed its bonus system in such a way that customers will not have the option of encashing their unused bonuses from 31 October 2011 and of choosing for what their bonuses are used from 1 January 2012.

Insurance premium revenue from Corporate Customers rebounded by 7%, the strongest growth coming from SMEs. In the Baltic region, insurance premium revenue remained at somewhat the same level as the year before.

Claims incurred rose by 9%. Growth in the insurance portfolio and especially the higher number of material damage claims filed by private customers added to claims incurred.

The number of losses reported increased by 8%. Claims incurred due to major losses were at around the same level as a year ago. The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 174 (184) in January–September, with their claims incurred retained for own account totalling EUR 76 million (76). The operating loss ratio stood at 68.8% (67.2) and the risk ratio (excl. loss adjustment expenses) at 62.8% (61.4).

The operating expense ratio stood at 20.6% (21.3). Operating expenses rose by a moderate 3%. Pohjola has recruited more personnel for sales and claims services with a view to improving services for its growing customer base. During the reporting period, Pohjola Insurance Ltd also strengthened resources in its wellbeing-at-work business through some 40 wellbeing experts, the most of whom came from Excenta as a result of the company acquisition. The operating cost ratio (incl. indirect loss adjustment expenses) stood at 26.6% (27.2).

Operating balance on technical account and combined ratio (CR)	Q1–3/2011		Q1–3/2010	
	Balance	**CR**	**Balance**	**CR**
	€ million	**%**	**€ million**	**%**
Private Customers	57.8	84.9	61.6	82.7
Corporate Customers	27.0	92.4	21.7	93.4
Baltic States	-2.8	107.6	-0.6	101.6
Total	**82.0**	**89.4**	**82.7**	**88.6**

Within Private Customers, profitability remained good despite higher claims incurred. Within Corporate Customers, the operating balance on technical account improved as a result of the favourable development in claims expenditure. In the Baltic States, exceptional weather conditions added to claims resulting in a weaker profitability.

Investment operations

Capital market uncertainty was reflected in investment income. Return on investments at fair value stood at –1.8% (5.2). Net investment income recognised in the income statement amounted to EUR 42 million (65). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 21 million (29), EUR 16 million of which derived from Greek government bonds. Net investment income at fair value was EUR –50 million (145).

Investment portfolio by asset class, %	**30 Sept. 2011**	**30.6. 2011**	**31 Dec. 2010**
Bonds and bond funds	71	68	71
Alternative investments	5	7	7
Equities	9	11	12
Private equity	3	3	2
Real property	8	8	7
Money market instruments	4	3	1
Total	100	100	100

On 30 September 2011, the investment portfolio totalled EUR 2,853 million (2,924). The fixed-income portfolio by credit rating remained healthy, considering that investments under the "investment-grade" represented 90% (91) and 76% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.0 years (5.3) and the duration 4.0 years (4.1).

July–September earnings

Insurance operations

Insurance premium revenue continued to grow vigorously. The balance on technical account remained good despite higher claims incurred. Total insurance premium revenue was up by 7% (4). The operating balance on technical account totalled EUR 39 million (43) and the operating combined ratio stood at 85.2% (82.8).

Insurance premium revenue	Q3/2011	Q3/2010	Change, %
Private Customers	135	125	8
Corporate Customers	119	111	6
Baltic States	12	13	-7
Total	**266**	**250**	**7**

Within both Private Customers and Corporate Customers, insurance premium revenue continued to grow at the rate reported in the first half. The number of loyal customer households increased by 8,051 (12,070). Insurance premium revenue posted by the Baltic States was lower than a year earlier.

Claims incurred rose by 12%, with private customers showing the strongest growth. The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 60 (55) in July–September, with their claims incurred retained for own account totalling EUR 23 million (25). The operating loss ratio deteriorated, standing at 66.3% (62.8), and the risk ratio (excl. loss adjustment expenses) stood at 60.6% (57.5).

The operating expense ratio was 18.9% (20.0). Operating expenses amounted to EUR 50 million (50). The operating cost ratio (incl. loss adjustment expenses) stood at 25.4% (24.5).

Operating balance on technical account and combined ratio (CR)	Q3/2011		Q3/2010	
	Balance	**CR**	**Balance**	**CR**
	€ million	**%**	**€ million**	**%**
Private Customers	27.0	80.0	30.9	75.4
Corporate Customers	13.9	88.3	14.8	86.7
Baltic States	-1.6	113.2	-2.8	121.9
Total	**39.4**	**85.2**	**42.8**	**82.8**

Within both Private Customers and Corporate Customers, profitability remained good despite higher claims incurred. The Corporate Customers division made good progress in profitability and premium revenue continued its strong growth. Claims expenditure continued to develop unfavourably in the Baltic States.

Investment operations

The European sovereign debt crisis and capital market uncertainty eroded investment income. Return on investments at fair value was –2.8% (2.6). Net investment income recognised in the income statement amounted to EUR –20 million (23). Impairment charges recognised on Greek government bonds in the income statement totalled EUR 16 million. In addition, capital losses deteriorated the financial result. Net investment income at fair value was EUR –82 million (75).

Risk exposure by Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments and market risks associated with investment portfolios covering technical provisions.

Non-life Insurance's solvency capital stood at EUR 823 million (832) on September 30.

The ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 81% (86). Equalisation provisions rose to EUR 441 million (424).

Pohjola Insurance Ltd’s credit ratings remained unchanged: A2 by Moody's (outlook: negative) and A+ by Standard & Poor's (outlook: stable).

Investment risk exposure was slightly reduced.

Asset Management

- Earnings before tax increased by 11% to EUR 19.5 million (17.6).
- Assets under management totalled EUR 31.5 billion (35.0).
- Operating cost/income ratio stood at 49% (52).

Asset Management: financial results and key figures and ratios

€ million	Q1–3/2011	Q1–3/2010	Change, %	Q3/2011	Q3/2010	Change, %	2010
Net commissions and fees	37	39	-7	11	12	-7	58
Other income	3	2	71	1	1	75	9
Total income	**40**	**41**	**-3**	**12**	**13**	**-3**	**67**
Personnel costs	13	14	-8	4	4	-4	21
Other expenses	10	10	-4	3	3	-3	15
Total expenses	**22**	**24**	**-7**	**7**	**7**	**-3**	**35**
Share of associate's profit	2			1			0
Earnings before tax	**19**	**18**	**11**	**6**	**6**	**6**	**31**
Earnings before tax at fair value	19	18	11	6	6	6	31
Assets under management, € billion	31.5	35.2	-11	31.5	35.2	-11	35.0
Operating cost/income ratio, %	49	52		49	51		53
Personnel	153	168	-9				144

January–September earnings

Year on year, earnings before tax rose by 11% to EUR 19.5 million (17.6). The operating cost/income ratio stood at 49% (52). The reported earnings included EUR 0.9 million (0.3) in performance-based management fees. The Q1–3 earnings a year ago included income and expenses of Pohjola Capital Partners Ltd and Pohjola Private Equity Funds Ltd sold in December 2010. Earnings posted by these sold companies increased earnings before tax by EUR 2.3 million in January–September 2010. For the continuing operations, both income and expenses increased. Earnings before tax include EUR 1.7 million deriving from net profit shown by Access Capital Partners Group SA, an associated company acquired in December 2010, in proportion to Pohjola's shareholding.

Assets under management shrank by EUR 3.5 billion from their 2010-end level. The bear market for equities led to the reduction in assets under management.

July–September earnings

Earnings before tax amounted to EUR 6.0 million (5.6), showing a year-on-year improvement of 6%. The operating cost/income ratio improved to 49% (51). Q3/2010 earnings included EUR 0.7 million in earnings posted by companies sold in December 2010. Earnings include EUR 0.5 million in earnings recorded by Access Capital Partners Group SA.

Assets under management, € billion	30 Sept. 2011	30 June 2011	31 Dec. 2010
Institutional clients	18.7	19.0	19.5
OP mutual funds	10.1	11.6	12.0
Private	2.7	3.3	3.4
Total	31.5	33.9	35.0

Assets under management by asset class, %	30 Sept. 2011	30 June 2011	31 Dec. 2010
Money market investments	18	14	14
Bonds	39	38	39
Equities	24	28	29
Other	20	19	18
Total	100	100	100

Group Functions

- Earnings before tax amounted to EUR 20 million (48), eroded by lower net interest income and capital gains on notes and bonds.
- Earnings before tax at fair value fell by EUR 58 million year on year.
- Liquidity and the availability of funding remained good.

Group Functions: financial results and key figures and ratios

€ million	Q1–3/ 2011	Q1–3/ 2010	Change, %	Q3/ 2011	Q3/ 2010	Change, %	2010
Net interest income	27	51	-48	5	17	-70	64
Net trading income	-5	-9	-45	-5	0		-9
Net investment income	16	21	-25	3	6	-45	31
Other income	8	9	-14	2	2	20	12
Total income	**45**	**72**	**-37**	**6**	**25**	**-75**	**98**
Personnel costs	9	10	-11	2	4	-35	15
Other expenses	13	15	-14	4	5	-21	23
Total expenses	**22**	**25**	**-13**	**7**	**8**	**-15**	**38**
Earnings/loss before impairments of receivables	**23**	**47**	**-51**	**-1**	**17**		**60**
Impairments of receivables	3	-1		4	-1		-1
Earnings/loss before tax	**20**	**48**	**-59**	**-4**	**18**		**61**
Earnings/loss before tax at fair value	-59	-1		-82	28		-12
Liquidity portfolio, € billion	12.8	9.7	31				9.5
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	1.6	3.7	-57				3.4
Central Banking earnings, € million	10	9	9	3	2	43	12
Personnel	126	121	4				126

January–September earnings

Earnings before tax dropped by EUR 28 million to EUR 20 million, year on year. A decline in net interest income was due to higher funding costs. Net investment income included EUR 7 million in capital gains on notes and bonds (22) and EUR 10 million (3) in dividend income. Impairment charges recognised on shares and participations included in available-for-sale financial assets totalled EUR 1 million (4). Impairment charges recognised on bonds came to EUR 3 million (–1), which was EUR 4 million higher than a year ago.

The availability of funding remained good despite the exceptional market situation. During the reporting period, Pohjola increased its long-term funding by issuing in international capital markets one senior bond with a maturity of five years and worth EUR 500 million. In addition, OP Mortgage Bank issued two covered bonds each worth EUR 1 billion and with a maturity of five and seven years. In the third quarter in particular, banks' long-term funding costs rose as a result of the overall market situation, but Pohjola had no need for new long-term issues towards the end of the reporting period owing to its strong liquidity position.

On 30 September, the average wholesale funding margin was 31 basis points (22). Average funding costs will rise when maturing long-term debt is renewed with higher margins.

Earnings before tax at fair value were in the red, EUR –59 million, or EUR 58 million lower than the year before.

July–September earnings

Earnings before tax were in the red, EUR –4 million, or EUR 22 million lower than the year before. This reduction resulted from higher funding costs, lower capital gains on notes and bonds and higher impairment charges on notes and bonds recognised from bonds.

Earnings before tax at fair value were EUR 110 million lower than a year earlier. Uncertainty over the euro-area's economic development has widened credit spreads, which diminished the fair value reserve.

Risk exposure by Group Functions

Major risks within the Group Functions include those associated with the fair value change of assets included in the liquidity portfolio, and liquidity risks.

The Group Functions exposure totalled EUR 20.1 billion (18.1), consisting of assets held in the liquidity portfolio to secure OP-Pohjola Group's liquidity and of receivables from OP-Pohjola Group member banks. The liquidity portfolio amounted to EUR 12.8 billion (9.5), comprising primarily investments in notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, and in securitised assets.

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 first half.

Number of shares

Share series 30 Sept. 2011	No. of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,169,770	78.60	42.35
Pohjola K (POHKS)	68,381,645	21.40	57.65
Total	319,551,415	100.00	100.00

On 30 September 2011, one Series A share closed at EUR 7.94 (8.97). In January–September 2011, the share price reached a high of EUR 10.28 (on 11 April) and a low of EUR 6.96 (on 12 September).

Pohjola's market capitalisation amounted to EUR 2,536 million (2,866) on 30 September. 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 1,216 million in January–September 2011 as against EUR 1,028 million a year earlier, while in volume terms it came to 135 million shares (123).

Number of shareholders

	30 Sept. 2011	31 Dec. 2010	Change
Holders of Series A shares	34,082	34,903	-821
Holders of Series K shares	114	119	-5
Total*	34,088	34,910	-822

*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 30 September 2011, Pohjola had 34,088 shareholders, private individuals accounting for 95%. The number of nominee-registered shares totalled 51.8 million on 30 September 2011, increasing by 1.3 million shares from their level on 31 December 2010. On 30 September 2011, these shares accounted for 20.6% (20.1) of Series A shares.

Interest rate risk exposure averaged EUR 12.7 million (9.9) in January–September, based on the 1-percentage-point change in the interest rate.

Major shareholders

30 Sept. 2011	% of all shares	% of Series A shares	% of votes
1. OP-Pohjola Group Central Cooperative	37.24	23.23	60.96
2. Ilmarinen Mutual Pension Insurance Company	10.00	12.72	5.39
3. Oulun Osuuspankki	1.37	1.11	1.81
4. OP Bank Group Pension Fund	1.08	1.38	0.58
5. OP Bank Group Pension Foundation	0.73	0.93	0.39
6. State Pension Fund	0.63	0.80	0.34
7. Turun Seudun Osuuspankki	0.57	0.72	0.33
8. Varma Mutual Pension Insurance Company	**0.55**	0.71	0.30
9. Tampereen Seudun Osuuspankki	0.51	0.61	0.34
10. Suur-Savon Osuuspankki	0.47	0.53	0.36
Nominee-registered shares, total	16.20	20.61	8.73
Other	30.65	36.65	20.47
Total	100.00	100.00	100.00

Trading venues for Pohjola shares

In January–September 2011, 80.6% of euro-denominated trading in Series A shares took place on NASDAQ OMX. During the current year, around a fifth of trading has transferred to multilateral trading facilities (MTF).

Trading venue	% of euro-denominated trading
NASDAQ OMX	80.60
Chi-X	10.43
BATS	4.96
Turquoise	3.52
Burgundy	0.41
EuroNext Arca	0.08

Source: NASDAQ OMX Helsinki

Management

Pohjola Bank plc's Board of Directors appointed Tarja Ollilainen, M.Sc. (Econ. & Bus. Adm.) to act as Pohjola Group's new Senior Executive Vice President, Human Resources, and as member of the Group's Executive Committee. Taking up her new duties on 1 January 2012, she will be reporting to President and CEO Mikael Silvennoinen.

Events after the balance sheet date

Fitch's reassessment of credit rating for several global and European banks, including that for Pohjola
On 13 October 2011, as part of its extensive review of the global and European banking sector, Fitch Ratings, a credit rating agency, put OP-Pohjola Group's and Pohjola Bank plc's credit ratings under review for a possible downgrade. Credit rating AA- for OP-Pohjola Group's and Pohjola's long-term debt and credit rating F1+ for short-term debt are under review. Fitch's reassessment applies to several large global and European banks with a relatively high credit rating.

OP-Pohjola Group to adopt IRBA for capital adequacy determination

On 18 October 2011, the Financial Supervisory Authority granted OP-Pohjola Group permission to adopt the Internal Ratings-based Approach (IRBA) to credit risk in capital adequacy measurement as of 31 December 2011, applying to exposure amounts involving OP-Pohjola Group's retail, corporate and credit institution customers. The previous permission to use IRBA applied to Pohjola Bank plc's corporate and institutional exposures. This adoption will increase OP-Pohjola Group's Tier 1 ratio by an estimated 2.6 percentage points and capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates by an estimated 0.3 percentage points. For Pohjola, IRBA will improve the capital adequacy ratio under the Act on Credit Institutions by an estimated 0.2 percentage points (pro forma).

OP-Pohjola Group solid capital adequacy is well above the level required of European banks

The European Banking Authority (EBA) has come up with a new requirement concerning banks' capital buffers, raising the minimum Core Tier 1 ratio from 5% to 9%. The EBA also requires that changed market values of European sovereign bonds be considered in full in capital adequacy measurement. OP-Pohjola Group clearly exceeded the stricter requirements of this test, since it has a strong capital base and the risks associated with sovereign bonds are low. Calculated with the 30 June figures, OP-Pohjola Group's Core Tier 1 ratio was 11.5% in EBA's tests at the time. Pohjola's data are included in OP-Pohjola Group capital adequacy figures

Life expectancy in accounting for technical provisions

In their joint actuarial project launched in the spring of 2010, the Federation of Accident Insurance Institutions and the Finnish Motor Insurers' Centre examine whether the mortality model commonly used by Finnish insurers and applied to motor liability insurance and statutory workers' compensation insurance is up to date. On the basis of the preliminary findings based on the first stage of the project, Pohjola increased its technical provisions by EUR 35 million in 2010. On the basis of the final report, based on the second stage of the project, completed in early November, life expectancy has increased in Finland and the mortality model commonly used by insurance companies has been updated. Accordingly, Pohjola will include a non-recurring increase in technical provisions in its fourth-quarter income statement, this amount becoming clear towards the end of this year.

Outlook towards the year end

Companies' preparation for the future is the primary determinant that will keep up demand for loans. The prevailing market situation has somewhat eased competitive pressures, paving the way for a potential rise in the average corporate loan margin. Impairment charges for 2011 are expected to be lower than the year before. The greatest uncertainties related to Banking's financial performance in 2011 are associated with future impairment charges on the loan portfolio.

Insurance premium revenue is expected to continue to increase at an above-the-market-average rate among private customers. Insurance premium revenue from corporate customers has rebounded. In Non-life Insurance, the operating combined ratio is estimated to vary between 89% and 93% (unchanged) in 2011 if the number of large claims is not much higher than in 2010. Non-life Insurance investment income will be markedly lower than in 2010.

The greatest uncertainties related to Asset Management's financial performance in 2011 are associated with the actual performance-based commissions and 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 portfolio, any capital gains or losses on notes and bonds and any impairment charges recognised on notes and bonds in the income statement. Capital gains on notes and bonds will be lower than in 2010.

The Group's operational profitability is expected to remain good during the rest of the year. However, fourth-quarter consolidated earnings will be eroded by a reduction of an estimated 0.1–0.3 percentage points in the discount rate and higher technical provisions due to a change in the mortality model. The growth in the amount of technical provisions will become clear towards the end of this year. Consolidated earnings before these non-recurring items and tax are expected to be at somewhat the same level in 2011 as in 2010 (Previous estimate: Consolidated earnings before tax in 2011 are expected to be higher than in 2010.). The abovementioned non-recurring items will have no effect on the Non-life Insurance operating combined ratio.

There is exceptionally great uncertainty about economic outlook and the operating environment. A major risk that may undermine the economic outlook is the exacerbation of the fiscal crisis in certain euro countries. The crisis with its repercussions may have a significant impact on the entire financial sector's 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	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Net interest income	3	65	62	205	189
Impairments of receivables	4	4	27	40	88
Net interest income after impairments		**60**	**36**	**165**	**101**
Net income from Non-life Insurance	5	76	120	296	314
Net commissions and fees	6	39	37	119	118
Net trading income	7	-24	18	-5	34
Net investment income	8	3	6	17	21
Other operating income	9	10	11	30	32
Total income		**165**	**228**	**623**	**620**
Personnel costs		46	44	156	144
IT expenses		19	18	58	56
Depreciation/amortisation		14	23	42	57
Other expenses		40	40	124	121
Total expenses		**119**	**125**	**380**	**378**
Share of associates' profits/losses		1	0	2	0
Earnings before tax		**47**	**103**	**245**	**242**
Income tax expense		12	27	62	63
Profit for the period		**35**	**76**	**183**	**179**
Attributable to owners of the Parent		35	76	183	179
Total		**35**	**76**	**183**	**179**
Earnings per share (EPS), basic, EUR					
Series A		0.12	0.25	0.58	0.57
Series K		0.09	0.22	0.55	0.54

Consolidated statement of comprehensive income

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Profit for the period	**35**	**76**	**183**	**179**
Change in fair value reserve				
Measurement at fair value	-170	63	-196	32
Cash flow hedge	22	-1	16	-1
Translation differences	0	0	0	0
Income tax on other comprehensive income				
Measurement at fair value	-44	16	-51	8
Cash flow hedge	6	0	4	0
Total comprehensive income for the period	**-75**	**122**	**49**	**201**
Total comprehensive income attributable to owners of the Parent	-75	122	49	201
Total	**-75**	**122**	**49**	**201**

Consolidated balance sheet

EUR million	Note	30 Sept 2011	31 Dec 2010
Cash and cash equivalents		1,787	1,501
Receivables from credit institutions		9,868	8,033
Financial assets at fair value through profit or loss			
Financial assets held for trading		239	410
Financial assets at fair value through profit or loss at inception		13	12
Derivative contracts		2,839	1,962
Receivables from customers		12,622	12,433
Non-life Insurance assets	12	3,215	3,198
Investment assets		7,302	6,339
Investment in associates		27	25
Intangible assets	13	920	925
Property, plant and equipment (PPE)		81	97
Other assets		2,064	1,208
Tax assets		103	40
Total assets		**41,080**	**36,184**
Liabilities to credit institutions		6,007	4,960
Financial liabilities at fair value through profit or loss			
Financial assets held for trading		52	0
Derivative contracts		2,980	2,054
Liabilities to customers		6,968	4,231
Non-life Insurance liabilities	14	2,624	2,351
Debt securities issued to the public	15	15,959	16,685
Provisions and other liabilities		2,686	1,816
Tax liabilities		454	455
Subordinated liabilities		1,048	1,255
Total liabilities		**38,779**	**33,807**
Shareholders' equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	16	-146	-12
Other reserves		1,093	1,093
Retained earnings		926	868
Total shareholders' equity		**2,301**	**2,377**
Total liabilities and shareholders' equity		**41,080**	**36,184**

Consolidated statement of changes in equity

EUR million	Share capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2010	**428**	**0**		**1,093**	**746**	**2,267**
Total comprehensive income for the period		24	-1		178	201
Profit distribution					-107	-107
EUR 0.34 per Series A share					-85	-85
EUR 0.31 per Series K share					-21	-21
Equity-settled share-based payment					0	0
Other					0	0
Balance at 30 Sept 2010	**428**	**24**	**-1**	**1,093**	**818**	**2,361**

EUR million	Share capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2011	**428**	**-6**	**-6**	**1,093**	**868**	**2,377**
Total comprehensive income for the period		-145	12		183	49
Profit distribution					-126	-126
EUR 0.40 per Series A share					-100	-100
EUR 0.37 per Series K share					-25	-25
Equity-settled share-based payment					0	0
Other					0	0
Balance at 30 Sept 2011	**428**	**-151**	**5**	**1,093**	**926**	**2,301**

Consolidated cash flow statement

EUR million	Q1–3/ 2011	Q1–3/ 2010
Cash flow from operating activities		
Profit for the period	183	179
Adjustments to profit for the period	225	301
Increase (-) or decrease (+) in operating assets	**-3,841**	**-1,444**
Receivables from credit institutions	-1,594	206
Financial assets at fair value through profit or loss	-32	635
Derivative contracts	-12	-49
Receivables from customers	-224	-566
Non-life Insurance assets	-159	-154
Investment assets	-972	-1,100
Other assets	-848	-416
Increase (+) or decrease (-) in operating liabilities	**4,903**	**-104**
Liabilities to credit institutions	1,033	-982
Financial liabilities at fair value through profit or loss	52	-71
Derivative contracts	30	55
Liabilities to customers	2,737	297
Non-life Insurance liabilities	180	163
Provisions and other liabilities	871	434
Income tax paid	-79	-54
Dividends received	39	23
A. Net cash from operating activities	**1,430**	**-1,099**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	81	110
Acquisition of subsidiaries and associates, net of cash acquired	-3	0
Proceeds from sale of investment securities	0	2
Purchase of PPE and intangible assets	-22	-10
Proceeds from sale of PPE and intangible assets	0	0
B. Net cash used in investing activities	**56**	**101**
Cash flow from financing activities		
Increases in subordinated liabilities	186	77
Decreases in subordinated liabilities	-387	-60
Increases in debt securities issued to the public	28,312	33,933
Decreases in debt securities issued to the public	-28,941	-34,678
Dividends paid	-126	-107
C. Net cash used in financing activities	**-955**	**-835**
Net increase/decrease in cash and cash equivalents (A+B+C)	**530**	**-1,833**
Cash and cash equivalents at period-start	**1,758**	**3,250**
Cash and cash equivalents at period-end	**2,288**	**1,417**
Cash and cash equivalents		
Liquid assets*	1,794	974
Receivables from credit institutions payable on demand	495	444
Total	**2,288**	**1,417**

* Of which EUR 7 million (6) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q3 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	43					43
Markets	16					16
Other operations		-1	1	5	1	6
Total	59	-1	1	5	1	65
Net commissions and fees	24	5	11	-1	-1	39
Net trading income	-16		0	-5	-3	-24
Net investment income	0		0	3		3
Net income from Non-life Insurance						
From insurance operations		105				105
From investment operations		-20			3	-17
From other items		-12				-12
Total		73			3	76
Other operating income	6	1	1	3	-2	10
Total income	**74**	**79**	**12**	**6**	**-2**	**170**
Personnel costs	12	28	4	2		46
IT expenses	6	11	1	2	0	19
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	5	2	0	0		8
Other expenses	7	30	2	2	-2	40
Total expenses	**30**	**77**	**7**	**7**	**-2**	**119**
Earnings/loss before impairment of receivables	**43**	**3**	**5**	**-1**	**0**	**51**
Impairments of receivables	1			4		4
Share of associates' profits/losses		0	1		0	1
Earnings before tax	**43**	**3**	**6**	**-4**	**0**	**47**
Change in fair value reserve	-9	-62	0	-78	0	-148
Earnings/loss before tax at fair value	**34**	**-59**	**6**	**-82**	**0**	**-101**

Q3 earnings 2010, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	43					43
Markets	3					3
Other operations		-2	0	17	0	16
Total	46	-2	0	17	0	62
Net commissions and fees	21	5	12	0	-1	37
Net trading income	21		0	0	-2	18
Net investment income				6		6
Net income from Non-life Insurance						
From insurance operations		106				106
From investment operations		23			3	26
From other items		-11				-11
Total		118			3	120
Other operating income	8	1	0	2	-1	11
Total income	**97**	**122**	**13**	**25**	**-1**	**255**
Personnel costs	12	24	4	4		44
IT expenses	5	10	1	2	0	18
Amortisation on intangible assets related to company acquisitions		7	1			8
Other depreciation/amortisation and impairments	6	8	0	0		15
Other expenses	7	30	2	2	-1	40
Total expenses	**31**	**80**	**7**	**8**	**-1**	**125**
Earnings/loss before impairment of receivables	**65**	**42**	**6**	**17**	**0**	**130**
Impairments of receivables	28			-1		27
Share of associates' profits/losses		0				0
Earnings before tax	**38**	**42**	**6**	**18**	**0**	**103**
Change in fair value reserve	0	52	0	10	0	62
Earnings/loss before tax at fair value	**38**	**94**	**6**	**28**	**0**	**165**

Q1–3 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	130					130
Markets	46					46
Other operations		-2	2	27	2	28
Total	176	-2	2	27	2	205
Net commissions and fees	74	15	37	-2	-3	119
Net trading income	1		0	-5	-1	-5
Net investment income	1		0	16		17
Net income from Non-life Insurance						
From insurance operations		287				287
From investment operations		42			1	43
From other items		-35				-35
Total		295			1	296
Other operating income	20	4	2	10	-4	30
Total income	**272**	**311**	**40**	**45**	**-6**	**663**
Personnel costs	42	92	13	9		156
IT expenses	20	33	2	5	-1	58
Amortisation on intangible assets related to company acquisitions		16	2			18
Other depreciation/amortisation and impairments	16	6	1	1		24
Other expenses	23	93	5	7	-5	124
Total expenses	**101**	**241**	**22**	**22**	**-5**	**380**
Earnings/loss before impairment of receivables	**171**	**71**	**18**	**23**	**0**	**283**
Impairments of receivables	36	0		3		40
Share of associates' profits/losses		0	2		0	2
Earnings before tax	**135**	**71**	**19**	**20**	**0**	**245**
Change in fair value reserve	-9	-92	0	-79	-1	-180
Earnings/loss before tax at fair value	**126**	**-21**	**19**	**-59**	**-1**	**65**

Q1–3 earnings 2010, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	128					128
Markets	13					13
Other operations		-4	1	51	1	48
Total	141	-4	1	51	1	189
Net commissions and fees	69	14	39	-1	-3	118
Net trading income	45		0	-9	-2	34
Net investment income	0		0	21		21
Net income from Non-life Insurance						
From insurance operations		279				279
From investment operations		65			4	69
From other items		-34				-34
Total		310			4	314
Other operating income	22	2	1	10	-3	32
Total income	**277**	**321**	**41**	**72**	**-4**	**708**
Personnel costs	39	81	14	10	0	144
IT expenses	17	32	2	5	0	56
Amortisation on intangible assets related to company acquisitions		22	2			24
Other depreciation/amortisation and impairments	19	11	1	1		32
Other expenses	20	91	5	8	-4	121
Total expenses	**95**	**237**	**24**	**25**	**-4**	**378**
Earnings/loss before impairment of receivables	**182**	**84**	**18**	**47**	**0**	**330**
Impairments of receivables	89	0		-1		88
Share of associates' profits/losses		0				0
Earnings before tax	**93**	**84**	**18**	**48**	**0**	**242**
Change in fair value reserve	0	80	0	-49	-1	31
Earnings/loss before tax at fair value	**92**	**164**	**18**	**-1**	**-1**	**273**

Balance sheet 30 September 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	12,526			229	-133	12,622
Receivables from credit institutions	425	0	2	11,244	-17	11,655
Financial assets at fair value through profit or loss	313			-61		252
Non-life Insurance assets		3,499			-284	3,215
Investment assets	270	16	22	7,008	-15	7,302
Investments in associates		2	25			27
Other assets	3,899	783	117	1,275	-66	6,008
Total assets	**17,432**	**4,300**	**166**	**19,696**	**-514**	**41,080**
Liabilities to customers	3,315			3,742	-88	6,968
Liabilities to credit institutions	1,087			5,053	-133	6,007
Non-life Insurance liabilities		2,673			-48	2,624
Debt securities issued to the public				16,130	-171	15,959
Subordinated liabilities		50		998		1,048
Other liabilities	4,504	76	14	1,652	-74	6,172
Total liabilities	**8,906**	**2,799**	**14**	**27,575**	**-514**	**38,779**
Shareholders' equity						**2,301**
Average personnel	734	2,297	153	126		3,310
Capital expenditure, EUR million	8	14	0	1		22

Balance sheet 31 Dec 2010, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	11,544			977	-88	12,433
Receivables from credit institutions	249	2	1	9,300	-18	9,534
Financial assets at fair value through profit or loss	483			-60		422
Non-life Insurance assets		3,307			-109	3,198
Investment assets	83	16	41	6,231	-32	6,339
Investments in associates		2	23			25
Other assets	2,505	788	122	919	-101	4,232
Total assets	**14,865**	**4,115**	**186**	**17,366**	**-348**	**36,184**
Liabilities to customers	1,391			2,914	-74	4,231
Liabilities to credit institutions	1,245			3,804	-88	4,960
Non-life Insurance liabilities		2,357			-6	2,351
Debt securities issued to the public				16,760	-75	16,685
Subordinated liabilities		50		1,205		1,255
Other liabilities	2,811	143	17	1,460	-105	4,325
Total liabilities	**5,446**	**2,550**	**17**	**26,142**	**-349**	**33,807**
Shareholders' equity						**2,377**
Average personnel	657	2,090	144	126		3,016
Capital expenditure, EUR million	6	9	1	1		17

Notes

Note 1. Accounting policies

The Interim Report for 1 January–30 September 2011 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The Financial Statements 2010 contain a description of the accounting policies, which have been applied in the preparation of this Interim Report.

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

Note 2. Formulas for key figures and ratios

Return on equity (ROE) at fair value, %
Profit for the period + Change in fair value reserve after tax /
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

Earnings/share (EPS) at fair value
(Profit for the period attributable to owners of the Parent + Change in fair value reserve) /
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

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

Cost ratio
Operating expenses and loss adjustment expenses / 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

Values used in calculating the ratios

EUR million	30 Sept 2011	31 Dec 2010
Non-life Insurance		
Non-life Insurance net assets	1,501	1,564
Net tax liabilities for the period	24	-13
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	-7	2
Intangible assets	759	767

EUR million	30 Sept 2011	30 Sept 2010	31 Dec 2010
Non-recurring items			
Increase in technical provisions related to higher life expectancy			-35
Cancellation of provision for guarantee system			15
Items related to corporate transaction (Asset Management)			6

Note 3. Net interest income

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Loans and other receivables	97	77	273	225
Receivables from credit institutions and central banks	40	23	106	68
Notes and bonds	62	55	178	167
Derivatives (net)				
Derivatives held for trading	2	3	22	17
Derivatives under hedge accounting	-6	-4	-14	-28
Liabilities to credit institutions	-25	-13	-64	-40
Liabilities to customers	-16	-4	-35	-10
Debt securities issued to the public	-76	-62	-225	-171
Subordinated debt	-8	-8	-23	-24
Hybrid capital	-3	-3	-8	-8
Financial liabilities held for trading	0	0	0	-1
Other (net)	0	0	-1	-2
Net interest income before fair value adjustment under hedge accounting	**66**	**63**	**209**	**193**
Hedging derivatives	-93	-30	-93	-108
Value change of hedged items	92	29	88	104
Total net interest income	**65**	**62**	**205**	**189**

Note 4. Impairments of receivables

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Receivables eliminated as loan or guarantee losses	43	2	46	41
Receoveries of eliminated receivables	0	0	-1	0
Increase in impairment losses	20	29	60	98
Decrease in impairment losses	-58	-4	-66	-50
Total impairments of receivables	**4**	**27**	**40**	**88**

Note 5. Net income from Non-life Insurance

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Net insurance premium revenue				
Premiums written	196	186	930	850
Insurance premiums ceded to reinsurers	-4	-4	-52	-38
Change in provision for unearned premiums	83	75	-121	-94
Reinsurers' share	-9	-7	15	4
Total	**266**	**250**	**773**	**723**
Net Non-life Insurance claims				
Claims paid	173	153	526	477
Insurance claims recovered from reinsurers	-13	-2	-28	-19
Change in provision for unpaid claims	-10	9	-35	-19
Reinsurers' share	11	-17	23	4
Total	**161**	**144**	**486**	**443**

Net investment income, Non-life Insurance				
Interest income	15	16	47	48
Dividend income	3	1	29	19
Investment property	2	2	4	4
Capital gains and losses				
Notes and bonds	3	18	-5	53
Shares and participations	-9	-11	1	-16
Loans and receivables	0	0	0	-1
Investment property	0	0	0	2
Derivatives	-16	2	-10	-22
Fair value gains and losses				
Notes and bonds	-15	0	-16	0
Shares and participations	-1	-7	-9	-23
Loans and receivables	0	-1	-1	-3
Investment property	1	1	1	1
Derivatives	-1	4	-1	4
Other	1	1	4	3
Total	**-17**	**26**	**43**	**69**
Unwinding of discount	-12	-11	-35	-34
Other	0	0	0	-1
Total net income from Non-life Insurance	**76**	**120**	**296**	**314**

Note 6. Net commissions and fees

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Commission income				
Lending	8	8	26	26
Payment transfers	4	4	10	10
Securities brokerage	7	6	24	21
Securities issuance	2	1	6	8
Asset management and legal services	13	14	41	44
Insurance operations	5	5	15	14
Guarantees	4	4	12	12
Other	2	1	4	4
Total commission income	**45**	**43**	**139**	**139**
Commission expenses				
Payment transfers	0	0	1	2
Securities brokerage	2	2	8	8
Securities issuance	0	2	4	4
Asset management and legal services	2	0	5	5
Other	1	1	2	2
Total commission expenses	**5**	**6**	**20**	**21**
Total net commissions and fees	**39**	**37**	**119**	**118**

Note 7. Net trading income

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Financial assets and liabilities held for trading				
Capital gains and losses				
Notes and bonds	5	7	1	19
Shares and participations	0	0	0	0
Derivatives	-24	4	-17	-13
Fair value gains and losses				
Notes and bonds	2	-1	4	2
Shares and participations	0	0	0	0
Derivatives	-3	3	11	10
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses				
Notes and bonds				0
Fair value gains and losses				
Notes and bonds	-1	0	0	2
Net income from foreign exchange operations	-3	5	-4	14
Total net trading income	**-24**	**18**	**-5**	**34**

Note 8. Net investment income

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	2	5	10	22
Shares and participations		0	0	1
Dividend income	4	0	10	3
Impairments	-1	0	-1	-4
Carried at amortised cost				
Capital gains and losses				
Loans and other receivables	-2	1	-1	0
Total	**3**	**6**	**18**	**21**
Investment property	0	0	0	0
Total net investment income	**3**	**6**	**17**	**21**

Note 9. Other operating income

EUR million	Q3/ 2011	Q3/ 2010	Q1–3/ 2011	Q1–3/ 2010
Central banking service fees	2	2	6	7
Realisation of repossessed items	0	0	0	1
Rental income from assets rented under operating lease	5	6	14	18
Other	3	2	10	6
Total	**10**	**11**	**30**	**32**

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	1,787					1,787
Receivables from credit institutions and central banks	9,868					9,868
Derivative contracts			2,682		157	2,839
Receivables from customers	12,622					12,622
Non-life Insurance assets**	594		102	2,518		3,215
Notes and bonds***		851	252	6,348		7,451
Shares and participations				76		76
Other receivables	3,196		26			3,222
Total 30 September 2011	**28,067**	**851**	**3,061**	**8,943**	**157**	**41,080**
Total 31 December 2010	**24,912**	**928**	**2,408**	**7,838**	**98**	**36,184**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		6,007		6,007
Financial liabilities held for trading (excl. derivatives)	52			52
Derivative conctracts	2,656		323	2,980
Liabilities to customers		6,968		6,968
Non-life Insurance liabilities	4	2,620		2,624
Debt instruments issued to the public		15,959		15,959
Subordinated liabilities		1,048		1,048
Other liabilities		3,140		3,140
Total 30 September 2011	**2,712**	**35,744**	**323**	**38,779**
Total 31 December 2010	**1,854**	**31,751**	**202**	**33,807**

* 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 30 September 2011, notes and bonds included EUR 13 million (12) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 30 September 2011, the fair value of these debt instruments was EUR 23 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair value are lower than their carrying amount, but determining fair values involves uncertainty.

Note 11. Financial instruments recognised at fair value, grouped by valuation technique

Fair value of assets on 30 September 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	163	85	4	252
Non-life Insurance			6	6
Derivative financial instruments				
Banking	13	2,765	62	2,839
Non-life Insurance	2	0		2
Available-for-sale				
Banking	5,361	1,051	13	6,425
Non-life Insurance	1,691	573	254	2,518
Total	**7,229**	**4,474**	**339**	**12,042**

Fair value of assets on 31 December 2010, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	307	112	4	422
Non-life Insurance			8	8
Derivative financial instruments				
Banking	32	1,794	137	1,962
Non-life Insurance	0	0		1
Available-for-sale				
Banking	4,782	588	15	5,385
Non-life Insurance	1,577	653	223	2,453
Total	**6,699**	**3,146**	**386**	**10,231**

Fair value of liabilities on 30 September 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	43	9		52
Derivative financial instruments				
Banking	13	2,933	34	2,980
Non-life Insurance	1	3		4
Total	**56**	**2,945**	**34**	**3,035**

Fair value of liabilities on 31 December 2010, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		0		0
Derivative financial instruments				
Banking	22	2,020	12	2,054
Non-life Insurance	1	0		2
Total	**24**	**2,020**	**12**	**2,056**

* 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 2011, EUR 49 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

Note 12. Non-life Insurance assets

EUR million	30 Sept 2011	31 Dec 2010
Investments		
Loans and other receivables	150	254
Shares and participations	415	400
Property	94	87
Notes and bonds	1,547	1,500
Derivatives	2	1
Other participations	562	561
Total	**2,771**	**2,802**
Other assets		
Prepayments and accrued income	34	38
Other		
From direct insurance	281	228
From reinsurance	85	87
Cash in hand and at bank	7	4
Other receivables	36	39
Total	**444**	**396**
Total Non-life insurance assets	**3,215**	**3,198**

Note 13. Intangible assets

EUR million	30 Sept 2011	31 Dec 2010
Goodwill	519	516
Brands	173	173
Customer relationships	161	179
Other	67	56
Total	**920**	**925**

Note 14. Non-life Insurance liabilities

EUR million	30 Sept 2011	31 Dec 2010
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,103	1,108
Other provision for unpaid claims	743	739
Total	1,846	1,847
Provision for unearned premiums	498	377
Derivatives	4	2
Other liabilities	277	125
Total	**2,624**	**2,351**

Note 15. Debt securities issued to the public

EUR million	30 Sept 2011	31 Dec 2010
Bonds	7,131	6,861
Certificates of deposit, commercial papers and ECPs	8,538	9,563
Other	290	262
Total	**15,959**	**16,685**

Note 16. Fair value reserve after income tax

EUR million	30 Sept 2011	31 Dec 2010
Loans and other receivables		
Reclassified notes and bonds	-4	-8
Available-for-sale financial assets		
Notes and bonds	-130	-57
Equities and mutual funds with equity risk	-13	28
Other funds	-4	31
Derivatives		
Cash flow hedge	5	-6
Total	**-146**	**-12**

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 –197 million (–17) and the related deferred tax asset amounted to EUR 51 million (5). On 30 September, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 57 million and negative mark-to-market valuations EUR 79 million. In January–September, impairment charges recognised from the fair value reserve in the income statement totalled EUR 19 million, of which equity instruments accounted for EUR 2 million.

Note 17. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	30 Sept 2011	31 Dec 2010	Change
1–2	2.3	2.4	-0.1
3–5	11.2	11.8	-0.6
6–7	4.8	4.2	0.6
8–9	1.8	2.1	-0.2
10	0.1	0.1	0.0
11–12	0.3	0.4	-0.1
Non-rated	0.2	0.2	0.0
Total	**20.6**	**21.0**	**-0.4**

* excl. private customers

Sensitivity analysis of market risk

			30 Sept 2011		31 Dec 2010	
Banking, EUR million	Risk parameter	Change	Effect on results	Effect on shareholders' equity	Effect on results	Effect on shareholders' equity
Interest-rate risk	Interest	1 percentage point	3		4	
Currency risk	Market value	20 percentage points	3		1	
Volatility risk						
Interest-rate volatility	Volatility	20 percentage points	2		2	
Currency volatility	Volatility	10 percentage points	0		0	
Credit risk premium*	Credit spread	0.5 percentage points	10		12	

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 reserves.

Note 18. Risk exposure by Non-life Insurance

Risk parameter	Total amount 30 Sept 2011, EUR million	Change in risk parameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*	1,014	Up 1%	Up 0.9 percentage points	10
Claims incurred*	740	Up 1%	Down 0.7 percentage points	-7
Major loss of over EUR 5 million		1 loss	Down 0.5 percentage points	-5
Personnel costs*	115	Up 8%	Down 0.9 percentage points	-9
Expenses by function*/**	271	Up 4%	Down 1.1 percentage points	-11
Inflation for collective liability	506	Up 0.25 percentage points	Down 0.3 percentage points	-3
Life expectancy for discounted insurance contract liability	1,377	Up 1 year	Down 3.1 percentage points	-32
Discount rate for discounted insurance contract liability	1,377	Down 0.1 percentage point	Down 1.6 percentage points	-17

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

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 30 Sept 2011	%	Fair value 31 Dec 2010	%
Money market instruments	109	4 %	14	0 %
Bonds and bond funds	2,033	71 %	2,074	71 %
Equities	337	12 %	422	14 %
Alternative investments	134	5 %	207	7 %
Real property	240	8 %	207	7 %
Total	**2,853**	**100 %**	**2,924**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 30 September 2011*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	29	199	193	94	159	89	763	36 %
Aa1−Aa3	181	46	57	36	16	63	400	19 %
A1−A3	29	156	158	55	33	16	447	21 %
Baa1−Baa3	39	124	56	64	15	5	302	14 %
Ba1 or lower	24	53	56	29	6	5	173	8 %
Internally rated	4	2	1	8	10	3	28	1 %
Total	**306**	**580**	**520**	**286**	**238**	**182**	**2,112**	**100 %**

* Excludes credit derivatives.

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

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million 30 Sept 2011	31 Dec 2010
Bonds and bond funds1)	Interest rate	1 percentage point	86	92
Equities 2)	Market value	20 percentage points	63	83
Venture capital funds and unquoted equities	Market value	20 percentage points	19	16
Commodities	Market value	20 percentage points	0	5
Real property	Market value	10 percentage points	24	21
Currency	Value of currency	20 percentage points	40	48
Credit risk premium 3)	Credit spread	0.5 percentage points	44	47
Derivatives 4)	Volatility	10 percentage points	5	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
4) 20 percentage points for equity derivatives, 10 percentage points for interest-rate derivatives and 5 percentage points for currency derivatives.

Note 19. Risk exposure by Group Functions

Total exposure by rating category, EUR billion

Rating category	30 Sept 2011	31 Dec 2010	Change
1–2	14.8	13.5	1.3
3–5	4.8	4.3	0.5
6–7	0.3	0.1	0.2
8–9	0.1	0.1	0.0
10	0.0	0.0	0.0
11–12	0.0	0.0	0.0
Non-rated	0.0	0.0	0.0
Total	**20.1**	**18.1**	**2.0**

Sensitivity analysis of market risk

			30 Sept 2011		31 Dec 2010	
Group Functions, 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 rate	1 percen-tage point	28		6	0
Interest-rate volatility	Volatility	20 percen-tage points	1		0	
Credit risk premium*	Credit spread	0.5 percen-tage points		119	0	121
Price risk						
Equity portfolio	Market value	20 percen-tage points		1		2
Private equity funds	Market value	20 percen-tage points		5		6
Property risk	Market value	10 percen-tage points	3		4	

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 reserves.

Financial assets included in liquidity reserve by maturity and credit rating on 30 September 2011*, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	4,422	950	1,932	1,079	577	27	8,988	70 %
Aa1−Aa3	143	1,101	489	76	221		2,029	16 %
A1−A3	202	353	171	0	10		736	6 %
Baa1−Baa3	248	162	213	34	0	0	657	5 %
Ba1 or lower	33	22	18	24			97	1 %
Internally rated	79	43	58	65			244	2 %
Total	**5,127**	**2,630**	**2,880**	**1,278**	**808**	**27**	**12,751**	**100 %**

The residual maturity of liquidity reserves averages 3.8 years.
* Based on carrying amounts

Note 20. Capital base and capital adequacy

EUR million	30 Sept 2011	31 Dec 2010
Tier 1 capital		
Equity capital	2,301	2,377
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	109	93
Fair value reserve, transfer to Tier 2	101	36
Tier 1 capital before deductions and hybrid capital	**2,510**	**2,505**
Hybrid capital	274	274
Intangible assets	-167	-165
Excess funding of pension liability and fair value measurement of investment property	-30	-30
Dividend distribution proposed by Board of Directors		-126
Planned dividend distribution	-91	
Investments in insurance companies and financial institutions	-704	-705
Impairments – shortfall of expected losses	-42	-61
Shortfall of Tier 2 capital	-159	
Total Tier 1 capital for calculating capital adequacy	**1,589**	**1,692**
Tier 2 capital		
Fair value reserve	-106	-29
Perpetual bonds	299	299
Debenture loans	395	608
Investments in insurance companies and financial institutions	-704	-705
Impairments – shortfall of expected losses	-42	-61
Transfer to Tier 1 capital	159	
Tottal Tier 2 capital for calculating capital adqeuacy		**111**
Total capital base	**1,589**	**1,803**
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,409	-1,410
Impairments – shortfall of expected losses	-85	-122
Total	-1,493	-1,531
Risk-weighted assets	**14,416**	**13,520**

Capital adequacy ratio, %	**11.0**	**13.3**
Tier 1 ratio, %	**11.0**	**12.5**

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola has used the Internal Ratings Based Approach for corporate exposures.

OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions stood at 11.6% and Tier 1 ratio at 11.6%.

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

EUR million	**30 Sept 2011**	**31 Dec 2010**
Pohjola Group's equity capital	2,301	2,377
Business-segment-specific items	1,013	1,230
Goodwill and intangible assets	-862	-862
Equalisation provision	-326	-314
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-222	-277
Conglomerate's capital base, total	**1,903**	**2,154**
Regulatory capital requirement for credit institutions	1,153	1,082
Regulatory capital requirement for insurance operations	193	177
Total minimum amount of conglomerate's capital ba	**1,347**	**1,259**
Conglomerate's capital adequacy	**556**	**895**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.41**	**1.71**

OP-Pohjola Group's capital adequacy ratio was 1.49.

Note 22. Collateral given

EUR million	**30 Sept 2011**	**31 Dec 2010**
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	6,563	6,026
Other	540	349
Total collateral given	**7,103**	**6,376**
Total collateralised liabilities	**709**	**651**

Note 23. Off-balance-sheet commitments

EUR million	**30 Sept 2011**	**31 Dec 2010**
Guarantees	1,073	1,125
Other guarantee liabilities	1,269	1,333
Loan commitments	4,004	3,912
Commitments related to short-term trade transactions	148	140
Other	488	463
Total off-balance-sheet commitments	**6,982**	**6,972**

Note 24. Derivative contracts

30 Sept 2011, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	59,294	95,268	35,630	190,193	2,482	2,601
Currency derivatives	17,165	2,363	674	20,202	462	414
Equity and index derivatives	98	1,109	6	1,213	40	1
Credit derivatives	33	146	34	214	1	6
Other derivatives	3,756	345	5	4,106	21	38
Total derivatives	**80,346**	**99,232**	**36,350**	**215,928**	**3,006**	**3,060**

31 Dec 2010, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	45,688	66,499	28,059	140,246	1,471	1,505
Currency derivatives	16,373	2,081	675	19,129	326	409
Equity and index derivatives	160	967	29	1,156	128	0
Credit derivatives	13	162		175	5	0
Other derivatives	3,925	263		4,188	30	47
Total derivatives	**66,160**	**69,972**	**28,763**	**164,894**	**1,961**	**1,962**

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

Derivatives netting is applied at Pohjola Group, but in this document derivative transactions are presented in gross amounts.

Note 25. Other contingent liabilities and commitments

On 30 September 2011, Banking commitments to venture capital funds amounted to EUR 11 million and Non-Life Insurance commitments to EUR 145 million. They are included in the section 'Off-balance-sheet commitments'.

Note 26. 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 2010.

Helsinki, 2 November 2011

Pohjola Bank plc
Board of Directors

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

Analyst meeting, conference call and live webcast

Pohjola will hold a briefing in English for analysts and investors on 2 November 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:

UK, International +44 203 043 24 36
US +1 866 458 40 87
FIN +358 923 101 527
Password: Pohjola

Press conference

Mikael Silvennoinen, Pohjola Bank plc's President and CEO, will present the interim results in a press conference on OP-Pohjola Group's premises (Teollisuuskatu 1b, Vallila, Helsinki), on 2 November, starting at noon.

Financial reporting in 2012

Schedule for Financial Statements Bulletin for 2011 and Interim Reports in 2012:

Financial Statements Bulletin 2011	8 February 2012
Interim Report Q1/2012	3 May 2012
Interim Report H1/2012	1 August 2012
Interim Report Q1−3/2012	31 October 2012

DISTRIBUTION
NASDAQ OMX Helsinki Ltd
London Stock Exchange
SIX Swiss Exchange
Major media
www.pohjola.fi, www.op.fi

For additional information, please contact
Mikael Silvennoinen, President and CEO, tel. +358 (0)10 252 2549
Vesa Aho, CFO, tel. +358 (0)10 252 2336
Tarja Ollilainen, Senior Vice President, Investor Relations, tel. +358 (0)10 252 4494