



Pohjola



Pohjola Bank plc's Financial Statements
Bulletin 1 January–31 December 2010

Pohjola Bank plc
 Company Release, 9 February 2011, 8.00 am
 Release category: Annual financial statement

Pohjola Bank plc Financial Statements Bulletin for 1 January–31 December 2010

January–December

- Year on year, consolidated earnings before tax improved to EUR 308 million (265). Earnings before tax without non-recurring items amounted to EUR 322 million. Earnings include EUR 104 million (129) in impairment charges on receivables. Earnings before tax at fair value were EUR 291 million (508) and return on equity at fair value stood at 9.3% (19.2).
- Banking posted earnings before tax of EUR 133 million (117), with impairment charges on receivables eroding its earnings by EUR 105 million (117). The operating cost/income ratio stood at 35% (35).
- Excluding changes in reserving bases and amortisation on intangible assets arising from company acquisition, Non-life Insurance's operating combined ratio stood at 89.7% (87.7). Within Non-life Insurance, return on investments at fair value was 5.1% (10.7).
- Asset Management reported earnings before tax of EUR 31 million (21), which included EUR 6 million in net non-recurring income related to corporate transactions. Assets under management increased to EUR 35 billion (33.1).
- Capital gains on notes and bonds improved earnings before tax posted by the Group Functions.
- The Board of Directors proposes that a per-share dividend of EUR 0.40 (0.34) be paid on Series A shares and EUR 0.37 (0.31) on Series K shares. This means a dividend payout ratio of 55%.
- Outlook: Consolidated earnings before tax in 2011 are expected to be higher than in 2010. For more detailed information on outlook, see "Outlook for 2011" below).

October–December

- Consolidated earnings before tax amounted to EUR 66 million (55). Excluding non-recurring items (an increase in technical provisions of EUR –35 million due to higher life expectancy, removal of EUR 15 million provision for the joint guarantee system and net income of EUR 6 million from corporate transactions within Asset Management), earnings before tax were EUR 80 million. Earnings before tax at fair value came to EUR 18 million (84).
- Banking earnings before tax amounted to EUR 40 million (18) and impairment charges on receivables were EUR 15 million (33).
- Non-life Insurance's operating combined ratio stood at 93.1% (90.9). Within Non-life Insurance, return on investments at fair value was –0.1% (1.6).
- Asset Management reported earnings before tax of EUR 14 million (11), which included EUR 6 million in net non-recurring income related to corporate transactions.

Earnings before tax, €million	2010	2009	Change, %	Q4/ 2010	Q4/ 2009	Change, %
Banking	133	117	14	40	18	128
Non-life Insurance	83	102	-19	-2	13	
Asset Management	31	21	47	14	11	27
Group Functions	61	25	148	13	13	-1
Total	308	265	16	66	55	20
Change in fair value reserve	-17	243		-47	30	
Earnings before tax at fair value	291	508	-43	18	84	-78

Key indicators	2010	2009	Q4/ 2010	Q4/ 2009	Target
Earnings before tax, € million	308	265	66	55	
Profit for the period, € million	229	194	50	39	
Return on equity at fair value, %	9.3	19.2	2.5	10.8	13.0
Balance sheet total, € billion	36.2	35.5			
Shareholders' equity, € billion	2.4	2.3			
Tier 1 ratio, %	12.5	11.8			>9.5
Earnings per share, €	0.72	0.66	0.16	0.12	
Earnings per share, incl. change in fair value, €	0.68	1.27	0.05	0.19	
Equity per share, €	7.44	7.09			
Average personnel	3,005	2,966	3,036	2,979	

Deputy President and CEO Jouko Pölönen:

Our consolidated earnings before tax in 2010 improved markedly year on year, totalling over EUR 300 million. Fourth-quarter earnings before tax were also better than a year ago although they were eroded by non-recurring items totalling EUR 14 million. It was gratifying to see strong growth in net interest income, especially from Corporate Banking. In line with our expectations, our impairment charges on receivables were lower than in 2009 and were markedly lower in the second half than a year ago. The investment environment was highly volatile during 2010, which is why consolidated earnings before tax at fair value were lower than the record figure reported in the previous year.

Greater demand for corporate loans led to a 6% increase in our corporate loan portfolio. Thanks to this increase and the higher average margin on the corporate loan portfolio, net interest income showed strong growth. Tougher competition put an end to the trend of the rising average corporate loan margin and sent the margin on new loans down in the second half. The Markets division reported good financial performance and client trading volumes were on the rise. Banking showed a marked improvement in its earnings.

Within Non-life Insurance, the balance on technical account remained good despite the claims filed in the aftermath of the bad winter conditions and the late summer storms. Insurance premium revenue grew and its growth above market average among private customers in particular remained strong throughout the year. We had set a strategic target in 2005 of serving 450,000 loyal customer households by the end of 2010, but reached it already in August, and this growth remained vigorous in the fourth quarter too. Non-life Insurance posted lower earnings before tax than the year before. Excluding non-recurring items, its earnings were, however, at the previous year's excellent level.

Within Asset Management, assets under management increased to EUR 35 billion and earnings before tax were better than a year ago. Earnings included EUR 6 million in net income from corporate transactions, related mainly to the internationalisation of the private equity fund business.

The Finnish economy is expected to continue its recovery in 2011, which will also provide growth potential in the financial sector. As specified in our strategy, we aim to strengthen our market position. Our strong capital base, good profitability and extensive service offering will provide good opportunities to meet this aim.

Operating environment

World economic growth in 2010 was almost as brisk as during the best years of the last few decades. However, it started from the recession and the recovery was exceptionally uneven between countries. The recovery of economies continued to involve uncertainty and confidence indicators varied a lot throughout the year.

In 2011, the world economy is expected to grow at a rate above the long-term average. US economic growth will be supported by stronger consumer spending, buttressed by improved employment. Monetary stimulation will also contribute to economic growth. Economic outlook in the euro area is relatively favourable despite the debt crisis in some EU member countries. Growth in emerging economies is expected to remain brisk, with some economies aiming to avoid overheating by tightening their economic policy.

The Finnish economy recovered vigorously in 2010, supported not only by livelier exports but also higher consumer spending and housing investment. The unemployment rate began to decrease in the first half of 2010. The number of bankruptcies decreased notably after a short increase. Public deficit also turned out to be a positive surprise. The Finnish economy is expected to continue its recovery at a brisk pace in 2011. Economic growth will be more broad-based than last year because of stronger capital spending. Unemployment is expected to continue decreasing and the public deficit to remain small.

The Euribor rates began to edge up during 2010 when liquidity in the market gradually started to normalise. The European Central Bank (ECB) kept the main refinancing rate unchanged. In order to ensure the performance of government bond markets, the ECB launched its government bond purchase programme. The inflation outlook remains moderate but energy and food price increases may keep the inflation rate above the ECB's target. The Euribor rates will probably rise somewhat during 2011.

The economic recovery gave an impetus to growth in the Finnish financial market in 2010. Capital markets were characterised by uneven developments and greater uncertainty. The Finnish stock market made strong progress as evidenced by the 22% rise in the weight capped OMX Helsinki Cap Index from its year-start level. However, the recovery in the global stock market faltered over the previous year. The debt crisis hit by some euro-zone

peripheral economies added to debt market uncertainty considerably while hampering wholesale funding among banks and investment among insurers.

In 2010, the total loan portfolio in the Finnish banking sector rebounded, with the corporate loan portfolio recovering from the year start as a result of companies' greater needs for working capital, buttressed by the economic recovery. A gradual recovery in corporate investments is expected to boost growth in the corporate loan portfolio in 2011. Growth in personal loans also intensified slightly during 2010 and this upward trend is expected to continue steadily in 2011 supported by low interest rates, improved employment and buoyant home sales.

Growth in deposits picked up slightly in 2010. Strong growth in payment transfer accounts slowed down whereas the marked decline in the number of fixed-term accounts bottomed out in early autumn. Total deposits are expected to increase steadily in 2011.

Capital invested in mutual funds registered in Finland continued to grow strongly in 2010 although the growth rate levelled off slightly year on year. Net asset inflows remained positive but fell considerably from their previous year's level in the wake of the European sovereign debt crisis. Mutual funds investing in emerging equity markets and fixed-income securities showed the strongest growth.

The strong profitability of Non-life Insurance was affected by the exceptional weather conditions in 2010. An increase in premiums written remained low as in the previous year, due to the declining premiums paid by the corporate sector. Greater economic activity is expected to increase claims incurred more than premiums written during 2011.

Consolidated earnings

Earnings analysis €million	2010	2009	Change %	2010 Q4	2009 Q4	Change %
Net interest income						
Corporate and Baltic Banking	172	138	25	45	37	20
Markets	27	27	-2	14	4	278
Other operations	59	75	-22	10	23	-54
Total	258	241	7	69	63	8
Net commissions and fees	164	143	14	46	41	12
Net trading income	35	71	-50	2	11	-86
Net investment income	31	-13		10	-5	
Net income from Non-life Insurance						
Insurance operations	327	382	-15	47	92	-49
Investment operations	92	64	45	24	15	57
Other items	-30	-44	-30	4	-11	-133
Total	388	402	-3	75	96	-22
Other operating income	50	50	-1	18	17	4
Total income	926	895	4	218	224	-3
Personnel costs	199	190	5	55	48	14
IT expenses	76	75	1	20	20	0
Depreciation and amortisation	72	72	1	16	21	-27
Other expenses	168	164	3	46	45	2
Total expenses	514	501	3	137	135	1
Earnings before impairments of receivables	412	394	5	81	89	-8
Impairments of receivables	104	129	-19	16	34	-54
Earnings before tax	308	265	16	66	55	20
Change in fair value reserve	-17	243		-47	30	
Earnings before tax at fair value	291	508	-43	18	84	-78

January–December earnings

Earnings before tax amounted to EUR 308 million (265), up by 16% year on year, and earnings excluding non-recurring items were EUR 322 million. Non-life Insurance non-recurring items under net income derives from an increase in technical provisions due to higher life expectancy and the removal of provision for the joint guarantee system, with their negative net effect on earnings totalling EUR 20 million. Net income related to corporate transactions within Asset Management improved earnings by EUR 6 million.

Earnings before impairment charges on receivables totalled EUR 412 million (394), or 5% higher than a year ago. These impairment charges were EUR 25 million lower than the year before, or EUR 104 million (129).

Earnings before tax at fair value came to EUR 291 million (508).

Total income increased by 4% to EUR 926 million (895) and expenses by 3% to EUR 514 million (501).

Net interest income rose to EUR 258 million (241), up by 7% year on year. Net interest income from Corporate Banking showed rose by 25%, thanks to growth in the loan portfolio and a rise in the average margin.

Net commissions and fees increased to EUR 164 million (143), up by 14% year on year, due mainly to higher net commissions and fees reported by Asset Management, in addition to those from securities issuance and brokerage.

Net trading income amounted to EUR 35 million (71). Income reported a year ago was exceptionally high because of the favourable market situation.

Net investment income totalled EUR 31 million (–13). This figure includes realised capital gains of EUR 29 million recognised on the notes and bonds. Adjustments for real property acquisition costs reduced net investment income a year ago.

Net income from Non-life Insurance totalled EUR 388 million (402), or 3% lower than in the previous year. Net income includes a non-recurring increase of EUR–35 million in technical provisions due to higher life expectancy and a non-recurring income of EUR 15 million due to the removal of provision for the joint guarantee system.

Other operating income includes EUR 7 million in capital gains arising from corporate transactions within Asset Management.

Expenses rose by 3% to EUR 514 million (501). Personnel costs increased by 5% year on year, due mainly to higher pension costs. The number of Group employees increased by 41 from their level on 31 December 2009. Other expenses include million euros in non-recurring expenses related to an Asset Management corporate transaction.

The fair value reserve before tax decreased by EUR 17 million (increase of 243). On 31 December, the fair value reserve after tax stood at EUR –12 million, as against EUR 0 million on 31 December 2009.

October–December earnings

Earnings before tax were EUR 66 million (55), showing a marked year-on-year improvement. Excluding non-recurring items, earnings came to EUR 80 million (55).

Earnings before impairments of receivables amounted to EUR 81 million (89). Impairments of receivables decreased by EUR 18 million year on year to EUR 16 million (34).

Higher interest rates and widening credit spreads in the fourth quarter weakened earnings before tax at fair value, amounting to EUR 18 million (84).

Total income decreased by 3% to EUR 218 million (224). Non-recurring items recognised in the fourth quarter affected this decrease. Without them, total income would be 4% higher than a year ago. Expenses rose by 1% to EUR 137 million (135).

Consolidated net interest income was higher a year ago, amounting to EUR 69 million (63). Within Corporate Banking, net interest income increased by one-fifth on a year earlier.

Net commissions and fees amounted to EUR 46 million (41). Commission income from loans increased considerably over the previous year.

Net investment income totalled EUR 10 million (–5). This figure includes realised capital gains of EUR 7 million recognised on the notes and bonds within the liquidity buffer.

Net trading income was lower than a year ago, totalling EUR 2 million (11).

Net income from Non-life Insurance totalled EUR 75 million (96). Non-recurring items, higher life expectancy and the removal of provision for the joint guarantee system eroded Non-life Insurance income by EUR 20 million. Growth in insurance premium revenue intensified. The number of major losses was greater than a year ago, increasing claims incurred.

Other operating income includes EUR 7 million in non-recurring capital gains arising from corporate transactions within Asset Management, and expenses include one million euros in the related non-recurring expenses.

Earnings analysis by quarter €million	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net interest income								
Corporate and Baltic Banking	32	33	36	37	40	44	43	45
Markets	10	12	2	4	6	4	3	14
Other operations	10	22	21	23	14	19	16	10
Total	52	67	58	63	60	67	62	69
Net commissions and fees	30	36	36	41	40	41	37	46
Net trading income	25	8	27	11	7	8	18	2
Net investment income	-9	0	1	-5	18	-3	6	10
Net income from Non-life Insurance								
Insurance operations	83	101	107	92	74	99	106	47
Investment operations	-2	32	19	15	17	26	26	24
Other items	-11	-11	-11	-11	-11	-11	-11	4
Total	70	122	114	96	79	114	120	75
Other operating income	11	11	11	17	11	10	11	18
Total income	179	245	247	224	215	239	255	218
Personnel costs	45	50	47	48	47	52	44	55
IT expenses	19	18	19	20	19	19	18	20
Depreciation and amortisation	17	17	17	21	18	16	23	16
Other expenses	41	40	36	45	39	43	40	46
Total expenses	122	125	119	135	123	130	125	137
Earnings before impairments of receivables	57	119	128	89	92	109	130	81
Impairments of receivables	21	33	41	34	33	29	27	16
Earnings before tax	36	87	87	55	59	80	103	66
Change in fair value reserve	4	100	109	30	61	-92	62	-47
Earnings/loss before tax at fair value	41	186	196	84	119	-11	165	18

Group risk exposure

Major risks exposed by Pohjola Group include credit, credit spread, interest rate, currency, equity, commodity and liquidity risks, underwriting risks and market risks associated with investments as well as strategic and operational risks associated with business.

The Group's risk exposure remained favourable. Impairment charges in the fourth quarter were markedly lower than in the previous quarters of the year and those in full year 2010 by around one-fifth lower than a year ago. Investment-grade exposures remained at good levels. The creditworthiness of corporate customers with a lower rating showed stabilisation in the wake of the economic recovery and the ratio of doubtful receivables to the loan and guarantee portfolio remained low.

Pohjola's financial position and liquidity remained at a healthy level in 2010, with short-term and long-term funding performing well. Pohjola Bank plc maintains OP-Pohjola Group's liquidity portfolio, which mainly consists of notes and bonds eligible as collateral for central bank refinancing. The liquidity portfolio totalled EUR 9.5 billion (11.7) on 31 December 2010. 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 some 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. In 2010, Pohjola recognised EUR 0.5 million in recovery of impairment losses on the liquidity portfolio while impairment losses on the portfolio a year ago totalled EUR 12 million.

The Group kept market risks moderate throughout the financial year.

Net loan losses and impairment losses reduced earnings by EUR 16 million (34) in the fourth quarter. Net loan losses and impairment losses recognised for the financial year amounted to EUR 104 million (129), accounting for 0.73% (0.94) of the loan and guarantee portfolio. Final loan losses recognised for the year totalled EUR 45 million (15) and impairment charges EUR 111 million (140). Loan loss recoveries and allowances for impairments totalled EUR 52 million (26). Almost all of the net loan losses and impairment losses were those recognised on an individual basis.

Doubtful receivables rose by EUR 2 million to EUR 31 million in the fourth quarter, accounting for 0.22% (0.32) of the loan and guarantee portfolio.

The most significant, identified operational risks pertain to systems, business processes, the accuracy of documentation, and the allocation of resources. Materialised operational risks resulted in EUR 3.3 million (3.2) in costs in 2010.

Capital adequacy

Capital adequacy under the Act on Credit Institutions remained strong. The capital adequacy ratio stood at 13.3% (13.5) as against the statutory minimum requirement of 8%. Tier 1 ratio was 12.5% (11.8). Pohjola Group's Tier 1 target ratio stands at a minimum of 9.5% over the economic cycle. Excluding hybrid capital, Tier 1 ratio stood at 10.5% (9.7).

Tier 1 capital came to EUR 1,692 million (1,541) and the total capital base amounted to EUR 1,803 million (1,753). Hybrid capital accounted for EUR 274 million (274) of Tier 1 capital. The minimum regulatory capital requirement to cover credit risk amounted to EUR 985 million (957), that to cover market risk EUR 37 million (36) and that to cover operational risks EUR 59 million (49).

On 31 December 2010, risk-weighted assets totalled EUR 13,520 million, as against EUR 13,024 million a year earlier.

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, stood at 1.71 (1.73). Accordingly, the capital base totalled EUR 2,147 million (2,103) and the minimum capital requirement EUR 1,258 million (1,213), i.e. the total capital base exceeded the minimum regulatory requirement by EUR 889 million (890).

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 2018, 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, as follows:

Rating agency	Short-term debt	Long-term debt
Standard & Poor's	A-1+	AA-
Moody's	P-1	Aa2
Fitch	F1+	AA-

Pohjola's credit rating outlook issued by Standard & Poor's is stable. Fitch Rating has issued a negative outlook for the long-term debt ratings of Pohjola but the outlook for the short-term debt ratings is stable. Moody's Investor Service has affirmed negative outlook for Pohjola's long-term debt rating. The main reason for the negative outlook is the prior years' rapid deterioration of the Finnish economy and its potential effects on Pohjola and OP-Pohjola Group mainly operating in Finland.

Financial targets and actuals

Financial targets	2010	2009	Target
Group			
Return on equity at fair value, %	9.3	19.2	13
Tier 1 ratio, %	12.5	11.8	>9.5
Banking			
Operating cost/income ratio, %	35	35	<40
Non-life Insurance			
Operating combined ratio, %	89.7	87.7	92
Operating expense ratio, %	21.3	22.2	<20
Solvency ratio, %	86	88	70
Asset Management			
Operating cost/income ratio, %	53 ¹⁾	53	<50
Rating			
AA rating affirmed by at least two credit rating agencies	3	3	>2
Dividend policy			
Dividend payout ratio a minimum of 50%, provided that Tier 1 a minimum of 9.5%.	55	51	>50

1) Excl. items related to corporate transaction

The financial targets are set over the economic cycle.

Performance by business line

Banking

- Earnings before tax amounted to EUR 133 million (117). Impairment charges on receivables dropped by EUR 12 million to EUR 105 million.
- The corporate loan portfolio was up by 6% and the average margin rose by 3 basis points to 1.36%, improving net interest income by a quarter.
- The Markets division's financial performance was good although net trading income decreased from the exceptionally good level posted a year ago in the wake of the normalisation of markets.
- Operating cost/income ratio stood at 35%, which was at the previous year's level and markedly above the strategic target.

Banking: financial results and key figures and ratios

Financial results, €million	2010	2009	Change, %	Q4/ 2010	Q4/ 2009	Change, %
Net interest income						
Corporate and Baltic Banking	172	138	25	45	37	20
Markets	27	27	-2	14	4	278
Total	199	165	20	58	41	43
Net commissions and fees	93	85	9	24	20	21
Net trading income	47	78	-39	2	14	-87
Other income	29	30	-3	6	7	-11
Total income	368	358	3	91	82	11
Expenses						
Personnel costs	54	50	8	16	11	37
IT expenses	24	21	14	6	5	22
Depreciation and amortisation	25	28	-10	6	7	-22
Other expenses	27	25	6	7	7	7
Total expenses	130	125	5	35	31	14
Earnings before impairments of receivables	238	234	2	56	51	9
Impairments of receivables	105	117	-10	15	33	-54
Earnings before tax	133	117	14	40	18	128
Earnings before tax at fair value	133	120	11	40	19	109
Loan and guarantee portfolio, € billion	14.0	13.4	4			
Margin on corporate loan portfolio, %	1.36	1.33				
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.22	0.32				
Ratio of impairments of receivables to loan and guarantee portfolio, %	0.74	0.87				
Operating cost/income ratio, %	35	35		39	37	
Personnel	657	607	8			

January–December earnings

Earnings before tax amounted to EUR 133 million (117). Impairment charges on receivables decreased to EUR 105 million (117).

The loan portfolio grew by 6% from its year-end level to over EUR 11.4 billion, whereas it shrank by 7% in 2009. The market share of corporate loans remained stable, standing at almost 20%. The guarantee portfolio decreased by less than EUR 0.1 billion to EUR 2.6 billion from its year-end level. Committed standby credit facilities remained unchanged at EUR 2.8 billion.

Due to fiercer competition, new corporate loan margins stopped rising. The average corporate loan margin of 1.36% was 3 basis points higher on 31 December than the year before. Thanks to the larger loan portfolio and the higher average margin, Corporate Banking improved its net interest income by a quarter.

Net commissions and fees were 8% higher than a year ago. Pohjola holds a strong position as an arranger of issues and a securities broker. Net commissions from securities issuance and securities brokerage rose by a total of EUR 7 million. Tougher price competition was reflected in lower commission income from loans.

The Markets division reported its second best annual results ever. Corporate customers increased considerably their use of derivatives in an effort to hedge against risks associated with their assets and liabilities, and customer trading volumes grew over the previous year in foreign exchange and derivative products in particular. Net trading income decreased from the exceptionally good level posted a year ago in the wake of the normalisation of markets.

Baltic Banking showed favourable development in its financial performance and its loss halved to EUR 4 million, as a result of higher net interest income and lower impairment charges on receivables.

The cost/income ratio remained good, standing at 35%. Total expenses grew by 5%.

October–December earnings

Earnings before tax were EUR 40 million, or EUR 22 million higher than the year before. This improvement was based on higher net interest income and net commissions and fees and lower impairment charges on receivables. All divisions reported a significant increase in net interest income. Commission income from loans totalled EUR 9 million, i.e. EUR 4 million more than a year ago.

The loan and guarantee portfolio remained at the third quarter's level. The average margin decreased by 2 basis points to 1.36% from the previous quarter but was greater than a year ago. As a result of several syndicated credit facilities arranged, committed standby credit facilities increased by EUR 0.3 billion.

Risk exposure by Banking

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

Total exposure increased by EUR 0.2 billion to EUR 21.8 billion during the fourth quarter. Total exposure grew by EUR 0.7 billion from the beginning of 2010. The ratio of investment-grade exposure – i.e. ratings 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 67% (64). The share of ratings 11–12 was 1.7% (1.6) and that of non-rated exposure 1% (1).

Corporate exposure (including housing corporations) accounted for 76% (78) of total exposure within Banking. Of corporate exposure, the share of investment-grade exposure stood at 61% (57) and the exposure of the lowest two rating categories amounted to EUR 360 million (321), accounting for 2.2% (2.0) of the total corporate exposure. The distribution of corporate exposure by industry remained highly diversified and none of the industries represented over 12% of corporate exposure on 31 December. The most significant industries included Letting and Operation of Dwellings representing 11.5% (11.2), Manufacture of Machinery and Equipment 9.5% (9.7) and Trade 9.2% (10.9).

Significant corporate customer exposure increased to EUR 3.7 billion (2.9). The ratio of doubtful receivables to the loan and guarantee portfolio continued to remain low, standing at EUR 31 million (44), 0.22% (0.32). Past due payments came to EUR 17 million (70), representing 0.12% (0.22) of the loan and guarantee portfolio. Net loan losses and impairment losses reduced results by EUR 15 million (33) in October–December and by EUR 104 million (117) in 2010, accounting for 0.75% (0.87) of the loan and guarantee portfolio.

On 31 December 2010, Baltic Banking exposures totalled EUR 124 million, accounting for less than 1% of the loan and guarantee portfolio. The Baltic Banking share of net loan losses and impairment losses for January–December amounted to EUR 1 million (5).

Interest rate risk exposure averaged EUR 6.4 million in the fourth quarter and EUR 4.8 million in January–December, based on the 1-percentage-point change in the interest rate.

Non-life Insurance

- Earnings before tax amounted to EUR 83 million (102) and those without non-recurring items amounted to EUR 103 million.
- The balance on technical account remained good. The operating combined ratio stood at 89.7% (87.7).
- Insurance premium revenue grew at a higher rate, increasing by 2% in January–December and by 4% October–December.
- Insurance premiums paid using OP bonuses amounted to EUR 56 million. Customers used OP bonuses to pay over one million insurance premiums.
- Return on investments at fair value was 5.1% (10.7).

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

Financial results, €million	2010	2009	Change, %	Q4/ 2010	Q4/ 2009	Change, %
Insurance premium revenue	964	943	2	241	231	4
Claims incurred	-694	-617	12	-208	-154	35
Operating expenses	-205	-210	-2	-51	-55	-7
Amortisation adjustment of intangible assets	-31	-28	12	-6	-9	-31
Balance on technical account	33	88	-62	-25	12	
Net investment income	87	61	43	22	13	76
Other income and expenses	-37	-46	-19	1	-11	-108
Earnings/loss before tax	83	102	-19	-2	13	-113
Earnings/loss before tax at fair value	139	290	-52	-26	42	
Combined ratio, %	96.6	90.7		110.2	94.9	
Operating combined ratio, %	89.7	87.7		93.1	90.9	
Operating expense ratio, %	21.3	22.2		21.3	24.0	
Return on investments at fair value, %	5.1	10.7		-0.1	1.6	
Solvency ratio, %	86	88				
Personnel	2,090	2,070				

January–December earnings

Earnings before tax amounted to EUR 83 million (102) and those without non-recurring items amounted to EUR 103 million. Higher life expectancy in the mortality model commonly used by insurance companies added to technical provisions and increased claims incurred by EUR 35 million. As a result of legislative amendments, removing a provision for the guarantee scheme under statutory workers' compensation insurance and motor liability insurance, for its part, increased other income by EUR 15 million.

The balance on technical account remained good. The balance on technical account before amortisation on intangible assets stood at EUR 64 million (116), the change in the mortality model reducing the balance by EUR 35 million. The operating balance on technical account amounted to EUR 99 million (116), excluding the change in the mortality model.

2010 was volatile in capital markets, which was reflected in investment income. Net investment income amounted to EUR 87 million (61) and net investment income at fair value reached EUR 143 million (249).

We had set a strategic target in 2005 of serving 450,000 loyal customer households by the end of 2010, but reached it already in August. In 2005, Pohjola set a target of achieving annual revenue synergies of EUR 17 million by the end of 2010, resulting from growth in the number of loyal customer households, which Pohjola already achieved in March.

The year-end number of loyal customer households totalled 471,199, of which up to 60% 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–December, OP bonuses were used to pay 1,088,800 insurance premiums, with 195,400 paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 56 million.

Insurance business

Profitability remained good despite the larger number of losses reported. The operating balance on technical account totalled EUR 99 million (116) and the operating combined ratio stood at 89.7% (87.7). These operating figures exclude non-recurring items, changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue increased by 2% to EUR 964 million (943). Its growth remained strong within Private Customers, which became the largest division within Non-life Insurance. The recession continued to affect the corporate sector, reducing insurance premium revenue from corporate customers. This downward trend slowed down as the year progressed and the second-half premium revenue reached the level reported a year earlier. The recession also resulted in lower insurance premium revenue in the Baltic region.

Insurance premium revenue from Private Customers improved by 11% to EUR 470 million (424). The number of loyal customer households grew by 46,485 (35,448). Insurance policies sold well both in OP-Pohjola Group member banks and at car dealerships. Pohjola improved market position among private customers.

Insurance premium revenue from Corporate Customers dropped by 4% to EUR 445 million (461). The recession affected the corporate sector, reducing insurance premiums based on companies' payroll bills, net sales and operating profit. Statutory workers' compensation insurance was affected the most, with the level of premiums being lowered for 2010.

In the Baltic States, insurance premium revenue decreased by 14% to EUR 49 million (57). The economic recession has strongly affected the insurance market in the Baltic region with the result that the total market in the region shrank by almost one fifth during January–December.

Claims incurred totalled EUR 694 million (617). The changed mortality model increased claims incurred by EUR 35 million and without this change they rose by 7%. Claims reported due to bad weather conditions early in the year and later-summer storms and the increasing number of major losses together with strong growth in the private customer insurance portfolio added to claims incurred. The operating loss ratio deteriorated to 68.4% (65.5) and the risk ratio (excl. loss adjustment expenses) stood at 62.5% (59.4). 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 224 (190) in January–December, with their claims incurred retained for own account totalling EUR 109 million (85).

Operating expenses amounted to EUR 205 million (210). The operating expense ratio was 21.3% (22.2). The operating cost ratio (incl. loss adjustment expenses) stood at 27.2% (28.2).

The operating balance on technical account within Private Customers improved to EUR 76 million (48) because growth in claims incurred were lower than that in insurance premium revenue. The operating balance on technical account within Corporate Customers fell to EUR 24 million (62) as a result of lower insurance premium revenue and the larger number of major losses. The balance on technical account recorded by the Baltic States stood at EUR –1 million (6).

Investment

Return on investments at fair value was 5.1% (10.7). Net investment income recognised in the income statement amounted to EUR 87 million (61) and net investment income at fair value was EUR 143 million (249). Impairment charges recognised in the income statement totalled EUR 40 million.

On 31 December 2010, the investment portfolio totalled EUR 2,924 million (2,851), bonds and bond funds accounting for 71% (76) and listed equities for 12% (10). Unlisted equity investments plus the aforementioned equities represented a total of 14% (13). The fixed-income portfolio by credit rating remained healthy, considering that investments under "investment-grade" represented 91% (94) and 77% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.3 years (4.9) and the duration 4.1 years (3.3).

October–December earnings

Loss before tax amounted to EUR 2 million (13) and earnings before tax without non-recurring items amounted to EUR 18 million.

The balance on technical account before amortisation on intangible assets stood at EUR –18 million (21), the change in the mortality model reducing the balance by EUR 35 million. Capital market uncertainty was reflected in investment income at fair value. Net investment income amounted to EUR 22 million (13) and net investment income at fair value reached EUR –2 million (42). The removal of provision for the joint guarantee system increased other income by EUR 15 million on a non-recurring basis.

Insurance business

Growth in insurance premium revenue intensified. Growth in premium revenue remained strong within Private Customers and the decline in insurance premium revenue from Corporate Customers came to an end. Major losses weakened the balance on technical account. The operating balance on technical account totalled EUR 17 million (21) and the operating combined ratio stood at 93.1% (90.9).

Insurance premium revenue increased by 4% to EUR 241 million (231).

Insurance premium revenue from Private Customers rose by 11% to EUR 115 million (104). The growth rate of the number of loyal customer households continued to accelerate, their number increasing by 16,548 (12,661) in October–December.

Insurance premium revenue from Corporate Customers remained at the same level as the year before, coming to EUR 114 million (114). In the Baltic countries, the decline in insurance premium revenue slowed down, premium revenue decreasing by 7% to EUR 12 million (13).

Claims incurred totalled EUR 208 million (154). The changed mortality model increased claims incurred by EUR 35 million and without this change they rose by 11%. The number of major losses increased year on year. The operating loss ratio stood at 71.8% (66.9) and the risk ratio (excl. loss adjustment expenses) at 58.3% (57.2). 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 67 (49) in October–December, with their claims incurred retained for own account totalling EUR 34 million (18).

Operating expenses amounted to EUR 51 million (54). The operating expense ratio was 21.3% (24.0). The operating cost ratio (incl. loss adjustment expenses) stood at 26.6% (28.5).

The operating balance on technical account within Private Customers improved to EUR 15 million (6) because growth in claims incurred were lower than that in insurance premium revenue. The operating balance on technical account within Corporate Customers fell to EUR 2 million (13) as a result of the larger number of major losses. The balance on technical account recorded by the Baltic States stood at EUR 0 million (2).

Investment

Return on investments at fair value was –0.1% (1.6). Net investment income recognised in the income statement amounted to EUR 22 million (13) and net investment income at fair value was EUR –2 million (42). Impairment charges recognised in the income statement totalled EUR 11 million.

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 increased its solvency capital, standing at EUR 832 million (827) on 31 December 2010. The solvency ratio, i.e. the ratio of solvency capital to insurance premium revenue, was 86% (88). Equalisation provisions rose to EUR 424 million (417), which the removal of provision for the joint guarantee system increased by EUR 15 million.

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. The preliminary findings based on the first stage of the project reveals that life expectancy has increased in Finland, which is why Pohjola increased its technical provisions by EUR 35 on a non-recurring basis. The spring of 2011 should see more specified results.

Credit rating affirmed by Standard & Poor's for Pohjola Insurance Ltd is A+ (December 2010).

No major changes occurred in the investment portfolio's risk exposure.

Asset Management

- Earnings improved by 47% to EUR 31 million (21), including net income of EUR 6 million deriving from corporate transactions.
- Assets under management increased by 6% to EUR 35.0 billion (33.1).
- Operating cost/income ratio stood at 53% (53).

Asset Management: financial results and key figures and ratios

Financial results, €million	2010	2009	Change, %	Q4/ 2010	Q4/ 2009	Change, %
Net commissions and fees	58	50	16	18	20	-9
Other income	9	2	283	7	0	
Total income	67	52	29	26	20	27
Personnel costs	21	17	19	7	6	21
Other expenses	15	13	13	5	4	36
Total expenses	35	30	16	12	9	27
Earnings before tax	31	21	47	14	11	27
Earnings before tax at fair value	31	21	47	14	11	27
Assets under management, € billion	35.0	33.1	6			
Operating cost/income ratio, %	53 ¹⁾	53		55 ¹⁾	43	
Personnel	144	162	-11			

1) Excl. items related to corporate transaction

January–December earnings

Year on year, earnings before tax improved by 47% to EUR 31 million (21), including net income of EUR 6 million deriving from corporate transactions. Net commissions and fees rose by 16% despite a reduction in performance-based management fees amounting to EUR 4 million (9). The operating cost/income ratio stood at 53% (53).

Year on year, assets under management increased by 6%, totalling EUR 35.0 billion (33.1) on 31 December. A good net assets inflow and favourable market developments contributed to this increase. Of the assets under management, institutional clients accounted for EUR 19.5 billion (19.2), OP mutual funds for EUR 12.0 billion (11.4) and Pohjola Private for EUR 3.4 billion (2.5).

Of the assets under management, money-market investments represented 14% (11), bonds 39% (42), equities 29% (27) and other investments 18% (20).

October–December earnings

Earnings before tax improved year on year, amounting to EUR 14 million (11). A fall in net commissions and fees resulted from lower performance-based management fees year on year, totalling EUR 4 million (9) in October–December. Other income includes EUR 7 million in capital gains on the sale of Pohjola Capital Partners Ltd and Pohjola Private Equity Funds Ltd, adjusted for expenses of EUR 6 million related to the corporate transactions. The operating cost/income ratio improved to 55% (43).

Asset Management internationalised its private equity fund business as Pohjola Bank plc bought a 40% shareholding in Access Capital Partners Group SA, a manager and advisor of private equity funds of funds. The acquiree's results will be included in the 2011 financial results of Asset Management in proportion to its shareholding.

Group Functions

- Earnings before tax totalled EUR 61 million (25). Capital gains on notes and bonds and lower impairment charges year on year contributed to this improvement.
- With the European sovereign debt crisis widening credit spreads, earnings before tax at fair value fell by EUR 88 million year on year.
- Liquidity and the availability of funding remained good.
- Long-term funding increased by EUR 2.3 billion aimed at strengthening the financial position.

Group Functions: financial results and key figures and ratios

Financial results, €million	2010	2009	Change, %	Q4/ 2010	Q4/ 2009	Change, %
Net interest income	64	75	-14	12	24	-47
Net trading income	-9	-7		1	-3	
Net investment income	31	-13		10	-5	
Other income	12	17	-29	3	7	-52
Total income	98	72	36	26	23	16
Personnel costs	15	13	18	5	3	53
Other expenses	23	23	0	8	6	48
Total expenses	38	36	7	13	9	50
Earnings before impairments of receivables	60	36	66	13	14	-4
Impairments of receivables	-1	12		0	1	
Earnings before tax	61	25	148	13	13	-1
Earnings/loss before tax at fair value	-12	76		-11	10	
Liquidity portfolio, € billion	9.5	11.7	-19			
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	3.4	2.9				
Personnel	126	136				

January–December earnings

Earnings before tax increased by EUR 36 million to EUR 61 million, year on year. Net investment income included EUR 29 million in capital gains on notes and bonds. Impairments recognised on shares and participations included in available-for-sale financial assets totalled EUR 4 million (9). Impairments recognised on bonds came to EUR –1 million (12), or EUR 13 million lower than a year ago.

The availability of funding remained good. During the financial year, Pohjola increased its long-term funding by issuing bonds totalling EUR 2.3 million in international capital markets. Debt instruments issued to the public totalled EUR 17 billion on 31 December 2010, equalling the amount reported a year earlier.

Average funding costs will rise when maturing long-term debt is renewed at higher market rates. On 31 December, the average wholesale funding margin was 26 basis points (14).

Pohjola Bank plc's net receivables from OP-Pohjola Group retail banks and entities increased to EUR 3.4 billion. On 31 December 2010, the net position amounted to EUR 2.9 billion.

With the European sovereign debt crisis widening credit spreads, loss before tax at fair was EUR 12 million, or EUR 88 million lower than the year before.

October–December earnings

Earnings before tax were at the same level as a year earlier, or EUR 13 million. Net interest income was lower than a year ago, as expected. Net investment income included EUR 7 million in capital gains on notes and bonds within the liquidity buffer. Year on year, impairment charges went down by one million euros.

Uncertainty over the euro-area economic development was reflected in widening credit spreads and shrinking market liquidity. As a result, the fair value of bonds and notes fell year on year and the Group Functions showed a loss of EUR 11 million before tax at fair value (earnings of EUR 10 million).

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 18.1 billion (18.3), consisting of assets in the liquidity portfolio and receivables from OP-Pohjola Group member banks. Almost all of the exposure was based on investment-grade counterparties.

The Group Functions maintains the liquidity portfolio in order to secure OP-Pohjola Group's liquidity. The liquidity portfolio amounted to EUR 9.5 billion (11.7), comprising primarily investments in notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, and in securitised assets.

Interest rate risk exposure averaged EUR 14.1 million in the fourth quarter and EUR 11.0 million in January–December, based on the 1-percentage-point change in the interest rate.

Shares and shareholders

On 31 December 2010, the number of Pohjola Bank plc shares totalled 319,551,415 and votes conferred by the shares 593,077,995. On the same date, the number of Series A shares listed on NASDAQ OMX Helsinki Ltd totalled 251,169,770, representing 78.6% of all Pohjola shares and 42.4% of all votes. The number of unlisted Series K shares totalled 68,381,645, representing 21.4% of all Pohjola shares and 57.6% of all votes.

On 31 December 2010, one Series A share closed at EUR 8.97, as against EUR 7.55 a year earlier. In January–December, the share price reached a high of EUR 9.79 (3 August 2010) and a low of EUR 6.97 (7 May 2010).

Trading in Pohjola shares increased in euro terms from EUR 1,160 million in 2009 to EUR 1,311 million in 2010. In volume terms, share trading decreased from 175 million shares reported a year ago to 154 million.

On 31 December 2010, Pohjola Bank plc had 34,910 shareholders, down by 2,090 in the year to December, private individuals accounting for 95% of all shareholders. The largest shareholder was OP-Pohjola Group Central Cooperative, representing 29.98% of all shares and 57.05% of all votes. The number of nominee-registered shares increased by 11.2 million and they accounted for 20% of Series A shares on 31 December (16% on 31 December 2009).

Management

President and CEO Mikael Silvennoinen took sick leave for 6–8 weeks from the beginning of January 2011. During this period, Jouko Pölonen, President of Pohjola Insurance Ltd, is deputising for Mr Silvennoinen.

Group restructuring

Pohjola Insurance is branching out into the wellbeing-at-work business in 2011. For this purpose, it established a subsidiary, Pohjola Health Ltd, to provide expert services related to the analysis, management and measurement of employee wellbeing.

The merger of Pohjola Insurance Ltd and Pohjantähti Mutual Insurance Company was cancelled in December as a result of the rejection of the merger plan by Pohjantähti's Extraordinary General Meeting on 8 December 2010. A two-thirds vote in favour of the plan was required for the adoption. The merger plan was seconded by 32% of the votes. The merger plan prepared by both companies' Board of Directors was announced on 29 September 2010.

In December, all of the share capital of Pohjola Capital Partners Ltd, which makes direct equity investments in unlisted Finnish companies, was bought by the company's existing management and the company was renamed Vaaka Partners Ltd. The management buyout had no major effect on Pohjola Bank plc's financial results.

In December, Pohjola Bank plc bought a 40% shareholding in Access Capital Partners Group SA, a manager and advisor of private equity funds of funds, for EUR 28 million. At the same time, Pohjola sold Pohjola Private Equity Funds Ltd to Access Capital for EUR 16 million.

Events after the balance sheet date

Vesa Aho, M.Sc. (Econ. & Bus. Adm.), aged 36, will take up his duties as Pohjola Group's CFO on 1 March 2011.

Pohjola Bank plc's Board proposal for the allocation of distributable funds

On 31 December 2010, the shareholders' equity of Pohjola Bank plc totalled EUR 1,605,505,584.07, EUR 490,106,196.36 of which represented distributable equity.

The following funds are at the AGM's disposal for profit distribution:

	€
Profit for 2010	193,705,180.62
Retained earnings	1,899,747.73
Reserve for invested non-restricted equity	307,931,364.75
Other non-restricted reserves	23,449,472.31
less negative fair value reserve	-36,879,569.05
Total	490,106,196.36

The Board of Directors proposes that the Company's distributable funds be distributed as follows:

EUR 0.40 per share payable on 251,169,770 Series A shares, totalling EUR 100,467,908.00, and EUR 0.37 per share payable on 68,381,645 Series K shares, totalling EUR 25,301,208.65, i.e. the proposed total dividend distribution amounts to EUR 125,769,116.65.

The Board of Directors proposes that EUR 125,769,116.65 out of the profit for 2010 be allocated to dividend distribution. Accordingly, EUR 364,337,079.71 remains in the Company's distributable equity. Pohjola Bank plc has EUR 582 million in voluntary provisions in its balance sheet, and their reversal enables an increase of distributable funds by EUR 431 million.

In addition, the Board of Directors proposes that a maximum of EUR 200,000 be available to the Board of Directors reserved from the distributable funds for donations and other contributions to the public good.

The Company's financial position has not undergone any material changes since the end of the financial year 2010. The Company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

The Board of Directors proposes that the dividend be paid to shareholders who have been entered in the Shareholder Register, maintained by Euroclear Finland Ltd, by the dividend record date on 1 April 2011 and that the dividend be paid within the book-entry securities system on 12 April 2011.

Outlook for 2011

The economic recovery underway has been reflected in demand for corporate loans, with the result that the corporate loan portfolio has begun to grow. The trend of the rising average corporate loan margin has come to an end and tougher competition is expected to send the margin on new loans down. Enabled by the economic recovery, the operating environment is expected to improve in the corporate sector and impairment charges to decrease in 2011. The greatest uncertainties related to Banking's financial performance in 2011 are associated with future impairment charges recognised on the loan portfolio.

Insurance premium revenue is expected to continue to increase at an above-the-market-average rate among private customers and that from corporate customer is anticipated to rebound. In Non-life Insurance, the operating combined ratio is estimated to vary between 89% and 94% in 2011 if the number of large claims is not much higher than in 2010. Expected long-term returns on investment within Non-life Insurance stand at 5.1%. Returns will largely depend on developments in the investment environment. The most significant uncertainties related to Non-life Insurance's financial performance in 2011 pertain to the investment environment and the effect of large claims on claims expenditure.

Within Asset Management, the upward trend in assets under management is expected to continue, their amounts being affected by market developments and the net inflow of assets. The greatest uncertainties related to Asset Management's financial performance in 2011 are associated with the actual performance-based fees tied to the success of investments and the amount of assets under management.

The key determinants affecting the Group Functions' financial performance include net interest income arising from assets in the liquidity 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 are expected to decrease in 2011.

Consolidated earnings before tax in 2011 are expected to be higher than in 2010.

There is still great uncertainty about future economic development and the overall operating environment, and these factors are beyond the Group management's control.

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.

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Consolidated income statement

EUR million	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Net interest income (Note 2)	69	63	258	241
Impairments of receivables (Note 3)	16	34	104	129
Net interest income after impairments	53	29	154	112
Net income from Non-life Insurance (Note 4)	75	96	388	402
Net commissions and fees (Note 5)	46	41	164	143
Net trading income (Note 6)	2	11	35	71
Net investment income (Note 7)	10	-5	31	-13
Other operating income (Note 8)	18	17	50	50
Total income	202	190	822	766
Personnel costs	55	48	199	190
IT expenses	20	20	76	75
Depreciation/amortisation	16	21	72	72
Other expenses	46	45	168	164
Total expenses	137	135	514	501
Share of associates' profits/losses	0	0	0	0
Earnings before tax	66	55	308	265
Income tax expense	15	16	79	71
Profit for the period	50	39	229	194
Attributable to owners of the Parent	50	39	229	194
Attributable to non-controlling interest				0
Total	50	39	229	194
Earnings per share (EPS), basic, EUR				
Series A	0.16	0.13	0.72	0.66
Series K	0.13	0.10	0.69	0.63

Consolidated statement of comprehensive income

EUR million				
Profit for the period	50	39	229	194
Change in fair value reserve				
Measurement at fair value	-40	30	-8	243
Cash flow hedge	-7		-8	
Translation differences	0	0	0	0
Income tax on other comprehensive income				
Measurement at fair value	-10	8	-2	63
Cash flow hedge	-2		-2	
Total comprehensive income for the period	15	61	216	374
Total comprehensive income attributable to owners of the Parent	15	61	216	374
Total comprehensive income attributable to non-controlling interest				0
Total	15	61	216	374

Consolidated balance sheet

EUR million	31 Dec 2010	31 Dec 2009
Cash and cash equivalents	1,501	3,102
Receivables from credit institutions	8,033	7,630
Financial assets at fair value through profit or loss		
Financial assets held for trading	410	1,224
Financial assets at fair value through profit or loss at inception	12	55
Derivative contracts	1,962	1,443
Receivables from customers	12,433	11,323
Non-life Insurance assets (Note 10)	3,198	3,156
Investment assets	6,339	5,415
Investment in associates	25	2
Intangible assets (Note 11)	925	960
Property, plant and equipment (PPE)	97	117
Other assets	1,208	1,068
Tax assets	40	15
Total assets	36,184	35,510
Liabilities to credit institutions	4,960	4,984
Financial liabilities at fair value through profit or loss		
Financial assets held for trading	0	71
Derivative contracts	2,054	1,456
Liabilities to customers	4,231	4,133
Non-life Insurance liabilities (Note 12)	2,351	2,279
Debt securities issued to the public (Note 13)	16,685	17,295
Provisions and other liabilities	1,816	1,291
Tax liabilities	455	434
Subordinated liabilities	1,255	1,300
Total liabilities	33,807	33,244
Shareholders' equity		
Capital and reserves attributable to owners of the Parent		
Share capital	428	428
Fair value reserve (Note 14)	-12	0
Other reserves	1,093	1,093
Retained earnings	868	746
Non-controlling interest		
Total shareholders' equity	2,377	2,267
Total liabilities and shareholders' equity	36,184	35,510

Consolidated statement of changes in equity

EUR million

	Fair value reserve					Total equity
	Share capital	Measurement at fair value	Cashflow hedge	Other reserves	Retained earnings	
Balance at 1 January 2009	428	-180		795	597	1,640
Rights issue				308		308
Issue expenses				-10		-10
Transfer of reserves				0	0	
Profit distribution					-45	-45
EUR 0.23 per Series A share*					-37	-37
EUR 0.20 per Series K share*					-9	-9
Total comprehensive income for the period		180			194	374
Equity-settled share-based transactions					0	0
Other					0	0
Balance at 31 December 2009	428	0		1,093	746	2,267

	Fair value reserve					Total equity
	Share capital	Measurement at fair value	Cashflow hedge	Other reserves	Retained earnings	
Balance at 1 January 2010	428	0		1,093	746	2,267
Profit distribution					-107	-107
EUR 0.34 per Series A share					-85	-85
EUR 0.31 per Series K share					-21	-21
Total comprehensive income for the period		-6	-6		229	216
Equity-settled share-based transactions					1	1
Other					0	0
Balance at 31 December 2010	428	-6	-6	1,093	868	2,377

*Due to Pohjola Bank plc's rights issue and new shares entered in the Trade Register on 4 May 2009, the number of shares has been adjusted in such a way that the adjusted dividend per share is as follows: 2009: EUR 0.19 per Series A share and EUR 0.16 per Series K share.

Capital base and capital adequacy

EUR million	31 Dec 2010	31 Dec 2009
Tier 1 capital		
Equity capital	2,377	2,267
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	93	92
Fair value reserve, transfer to Tier 2	36	-18
Non-controlling interest		0
Tier 1 capital before deductions and hybrid capital	2,505	2,341
Hybrid capital	274	274
Intangible assets	-165	-145
Excess funding of pension liability and fair value measurement of investment property	-30	-31
Dividend distribution proposed by Board of Directors	-126	-107
Investments in insurance companies and financial institutions 50%	-705	-715
Impairments – shortfall of expected losses 50%	-61	-76
Total Tier 1 capital for calculating capital adequacy	1,692	1,541

Tier 2 capital		
Fair value reserve	-29	18
Perpetual bonds	299	299
Debenture loans	608	687
Investments in insurance companies and financial institutions 50%	-705	-715
Impairments – shortfall of expected losses 50%	-61	-76
Total Tier 2 capital for calculating capital adequacy	111	212
Total capital base	1,803	1,753
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,410	-1,430
Impairments – shortfall of expected losses	-122	-153
Total	-1,531	-1,583
Risk-weighted assets, excl. transitional rules	13,520	13,024
Risk-weighted assets according to transitional rules	13,520	13,024
Ratios, excl. transitional rules:		
Capital adequacy ratio, %	13.3	13.5
Tier 1 ratio, %	12.5	11.8
Ratios according to transitional rules:		
Capital adequacy ratio, %	13.3	13.5
Tier 1 ratio, %	12.5	11.8

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

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

EUR million	31 Dec 2010	31 Dec 2009
Pohjola Group's equity capital	2,377	2,267
Business-segment-specific items	1,230	1,309
Goodwill and intangible assets	-862	-869
Equalisation provision	-314	-309
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-277	-296
Conglomerate's capital base, total	2,154	2,103
Regulatory capital requirement for credit institutions	1,082	1,042
Regulatory capital requirement for insurance operations	177	171
Total minimum amount of conglomerate's capital base	1,259	1,213
Conglomerate's capital adequacy	895	890
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	1.71	1.73

OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions stood at 12.8% and Tier 1 ratio at 12.8%. OP-Pohjola Group's capital adequacy ratio calculated using the consolidation method, under the Act on the Supervision of Financial and Insurance Conglomerates, was 1.70.

Consolidated cash flow statement

EUR million	Q1-4/ 2010	Q1-4/ 2009
Cash flow from operating activities		
Profit for the period	229	194
Adjustments to profit for the period	318	433
Increase (-) or decrease (+) in operating assets	-2,021	-2,634
Receivables from credit institutions	-296	-1,035
Financial assets at fair value through profit or loss	972	1,805
Derivative contracts	-89	-36
Receivables from customers	-1,241	837
Non-life Insurance assets	-92	-331
Investment assets	-1,133	-4,106
Other assets	-140	232
Increase (+) or decrease (-) in operating liabilities	672	1,707
Liabilities to credit institutions	-28	1,340
Financial liabilities at fair value through profit or loss	-71	-67
Derivative contracts	94	-4
Liabilities to customers	98	625
Non-life Insurance liabilities	54	43
Provisions and other liabilities	525	-231
Income tax paid	-79	-12
Dividends received	25	9
A. Net cash from operating activities	-855	-303
Cash flow from investing activities		
Increases in held-to-maturity financial assets		-170
Decreases in held-to-maturity financial assets	165	219
Acquisition of subsidiaries and associates, net of cash acquired	-28	0
Disposal of subsidiaries and associates, net of cash disposed	14	1
Purchase of investment securities		
Proceeds from sale of investment securities	2	
Purchase of PPE and intangible assets	-17	-18
Proceeds from sale of PPE and intangible assets	2	1
B. Net cash used in investing activities	138	33
Cash flow from financing activities		
Increases in subordinated liabilities	77	160
Decreases in subordinated liabilities	-130	-184
Increases in debt securities issued to the public	45,401	53,151
Decreases in debt securities issued to the public	-46,016	-52,294
Increases in invested unrestricted equity		298
Dividends paid	-107	-45
C. Net cash used in financing activities	-775	1,085
Net increase/decrease in cash and cash equivalents (A+B+C)	-1,492	815
Cash and cash equivalents at period-start	3,250	2,435
Cash and cash equivalents at period-end	1,758	3,250
Interest received	1,633	1,959
Interest paid	-1,286	-1,873
Adjustments to profit for the period		
Non-cash transactions		
Impairments of receivables	105	133
Unrealised net earnings in Non-life Insurance	123	106
Change in fair value for trading	99	-100
Unrealised net gains on foreign exchange operations	-114	157
Change in fair value of investment property	-1	7

Planned amortisation /depreciation	72	72
Share of associates' profits	0	0
Other	42	58
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-7	0
Capital losses, share of cash flow from investing activities	1	
Total adjustments	318	433
Cash and cash equivalents		
Liquid assets *	1,505	3,106
Receivables from credit institutions payable on demand	253	144
Total	1,758	3,250

*Of which EUR 4 million (4) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q4 earnings EUR million	Banking		Non-life Insurance		Asset Management	
	2010	2009	2010	2009	2010	2009
Net interest income						
Corporate Banking and Baltic Banking	45	37				
Markets	14	4				
Other operations			-2	-1	-1	0
Total	58	41	-2	-1	-1	0
Net commissions and fees	24	20	5	3	18	20
Net trading income	2	14		0	0	0
Net investment income					0	
Net income from Non-life Insurance						
From insurance operations			47	92		
From investment operations			22	13		
From other items			4	-11		
Total			73	93		
Other operating income	6	7	1	4	8	0
Total income	91	82	78	99	26	20
Personnel costs	16	11	28	28	7	6
IT expenses	6	5	11	12	0	1
Amortisation on intangible assets related to company acquisitions			6	8	1	1
Other depreciation/amortisation and impairments	6	7	2	5	0	0
Other expenses	7	7	31	34	3	2
Total expenses	35	31	79	86	12	9
Earnings/loss before impairment of receivables	56	51	-2	13	14	11
Impairments of receivables	15	33				
Earnings before tax	40	18	-2	13	14	11
Change in fair value reserve	0	1	-24	29	0	0
Earnings/loss before tax at fair value	40	19	-26	42	14	11

Q4 earnings EUR million	Group Functions		Eliminations		Group total	
	2010	2009	2010	2009	2010	2009
Net interest income						
Corporate Banking and Baltic Banking					45	37
Markets					14	4
Other operations	12	24	0	1	10	23
Total	12	24	0	1	69	63
Net commissions and fees	0	0	-2	-2	46	41
Net trading income	1	-3	-1	0	2	11
Net investment income	10	-5			10	-5
Net income from Non-life Insurance						
From insurance operations					47	92
From investment operations			2	2	24	15
From other items					4	-11
Total			2	2	75	96
Other operating income	3	7	-1	-1	18	17
Total income	26	23	-2	0	218	224
Personnel costs	5	3	0	0	55	48
IT expenses	1	2	0	0	20	20
Amortisation on intangible assets related to company acquisitions					7	8
Other depreciation/amortisation and impairments	0	1			9	13
Other expenses	6	3	-2	0	46	45
Total expenses	13	9	-2	0	137	135
Earnings/loss before impairment of receivables	13	14	0	0	81	89
Impairments of receivables	0	1			16	34
Earnings before tax	13	13	0	0	66	55
Change in fair value reserve	-24	-3	0	2	-47	30
Earnings/loss before tax at fair value	-11	10	0	2	18	84

Q 1–4 earnings EUR million	Banking		Non-life Insurance		Asset Management	
	2010	2009	2010	2009	2010	2009
Net interest income						
Corporate Banking and Baltic Banking	172	138				
Markets	27	27				
Other operations			-6	-2	0	1
Total	199	165	-6	-2	0	1
Net commissions and fees	93	85	19	16	58	50
Net trading income	47	78			0	0
Net investment income	0	0			0	0
Net income from Non-life Insurance						
From insurance operations			327	382		
From investment operations			87	61		
From other items			-30	-44		
Total			383	400		
Other operating income	29	30	3	6	9	2
Total income	368	358	399	419	67	52
Personnel costs	54	50	109	110	21	17
IT expenses	24	21	43	44	2	2
Amortisation on intangible assets related to company acquisitions			29	30	3	3
Other depreciation/amortisation and impairments	25	28	14	8	1	1
Other expenses	27	25	123	125	9	7
Total expenses	130	125	316	317	35	30
Earnings/loss before impairment of receivables	238	234	83	102	31	21
Impairments of receivables	105	117	0	0		
Earnings before tax	133	117	83	102	31	21
Change in fair value reserve	0	3	56	188	0	0
Earnings/loss before tax at fair value	133	120	139	290	31	21

Q 1–4 earnings EUR million	Group Functions		Eliminations		Group total	
	2010	2009	2010	2009	2010	2009
Net interest income						
Corporate Banking and Baltic Banking					172	138
Markets					27	27
Other operations	64	75	1	2	59	75
Total	64	75	1	2	258	241
Net commissions and fees	-1	-1	-5	-7	164	143
Net trading income	-9	-7	-3		35	71
Net investment income	31	-13			31	-13
Net income from Non-life Insurance						
From insurance operations					327	382
From investment operations			5	3	92	64
From other items					-30	-44
Total			5	3	388	402
Other operating income	13	18	-4	-5	50	50
Total income	98	72	-6	-7	926	895
Personnel costs	15	13	0		199	190
IT expenses	7	9	0	0	76	75
Amortisation on intangible assets related to company acquisitions					31	33
Other depreciation/amortisation and impairments	1	2			41	39
Other expenses	15	13	-6	-6	168	164
Total expenses	38	36	-6	-7	514	501
Earnings/loss before impairment of receivables	60	36	0	0	412	394
Impairments of receivables	-1	12			104	129
Earnings before tax	61	25	0	0	308	265
Change in fair value reserve	-72	52	0	1	-17	243
Earnings/loss before tax at fair value	-12	76	0	1	291	508

Balance sheet	Banking		Non-life Insurance		Asset Management	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
EUR million						
Receivables from customers	11,544	10,880				
Receivables from credit institutions	249	278	2		1	5
Financial assets at fair value through profit or loss	483	932				
Non-life Insurance assets			3,307	3,202		
Investment assets	83	18	16	0	41	17
Investments in associates			2	2	23	
Other assets	2,505	2,012	788	829	122	131
Total assets	14,865	14,119	4,115	4,033	186	153
Liabilities to customers	1,391	1,263				
Liabilities to credit institutions	1,245	747				
Non-life Insurance liabilities			2,357	2,279		
Debt securities issued to the public						
Subordinated liabilities			50	50		
Other liabilities	2,811	1,872	143	108	17	15
Total liabilities	5,446	3,882	2,550	2,437	17	15
Shareholders' equity						
Average personnel	657	607	2,090	2,070	144	162
Capital expenditure, EUR million	6	7	9	9	1	1

Balance sheet	Group Functions		Eliminations		Group total	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
EUR million						
Receivables from customers	977	527	-88	-84	12,433	11,323
Receivables from credit institutions	9,300	10,468	-18	-20	9,534	10,732
Financial assets at fair value through profit or loss	-60	347			422	1,279
Non-life Insurance assets			-109	-47	3,198	3,156
Investment assets	6,231	5,387	-32	-6	6,339	5,415
Investments in associates					25	2
Other assets	919	691	-101	-58	4,232	3,604
Total assets	17,366	17,421	-348	-215	36,184	35,510
Liabilities to customers	2,914	2,915	-74	-45	4,231	4,133
Liabilities to credit institutions	3,804	4,320	-88	-84	4,960	4,984
Non-life Insurance liabilities			-6		2,351	2,279
Debt securities issued to the public	16,760	17,323	-75	-28	16,685	17,295
Subordinated liabilities	1,205	1,250			1,255	1,300
Other liabilities	1,460	1,318	-105	-59	4,325	3,253
Total liabilities	26,142	27,126	-349	-216	33,807	33,244
Shareholders' equity					2,377	2,267
Average personnel	126	136			3,016	2,975
Capital expenditure, EUR million	1	1			17	18

Banking	Income		Earnings/loss before tax		Income		Earnings/loss before tax	
	Q4/2010	Q4/2009	Q4/2010	Q4/2009	Q1-4/2010	Q1-4/2009	Q1-4/2010	Q1-4/2009
Corporate Banking	67	59	32	6	263	236	82	48
Markets	21	22	9	13	98	117	55	77
Baltic Banking	2	2	0	-1	7	5	-4	-8
Total	91	82	40	18	368	358	133	117

Non-life Insurance	Insurance premium revenue		Balance on technical account		Insurance premium revenue		Balance on technical account	
	Q4/2010	Q4/2009	Q4/2010	Q4/2009	Q1-4/2010	Q1-4/2009	Q1-4/2010	Q1-4/2009
Private Customers	115	104	8	6	470	424	69	48
Corporate Customers	114	114	-26	13	445	461	-4	62
Baltic States	12	13	0	2	49	57	-1	6
Amortisation adjustment of intangible assets			-6	-9			-31	-28
Total	241	231	-25	12	964	943	33	88

Group Functions	Q4/2010	Q4/2009	Q1-4/2010	Q1-4/2009
Central Banking earnings before tax, EUR million	3	4	12	18
		31 Dec 2010		31 Dec 2009
Receivables from OP-Pohjola Group entities, EUR million	7,323	6,314		
Liabilities to OP-Pohjola Group entities, EUR million	3,893	3,412		

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

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

(€million)	31 Dec 2010	31 Dec 2009
Non-life Insurance		
Net tax liabilities for the period	-13	-14
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	2	6
Intangible assets	767	800
€million		
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	

Notes

Note 1. Accounting policies

The Financial Statements for 1 January–31 December 2010 have been prepared in accordance with IAS 34 (Interim Financial Reporting), as approved by the EU.

The Financial Statements 2010 contain a description of the accounting policies applied. During the financial year 2010, Pohjola Group applied cash flow hedging when hedging future cash flows from variable-rate debt or other variable-rate assets and liabilities. Interest rate swaps are used as hedging instruments. Derivative contracts documented as cash flow hedges and provide effective hedges are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. Fair value changes recognised in shareholders' equity are included in the income statement in the period when hedged items affect net income.

Information in the Financial Statements Bulletin 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.

Summary of presentation of income statement:

Net interest income	Received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging, as well as commissions and fees regarded as compensation for risk associated with a financial instrument and taken by the bank are deemed to be an integral part of the financial instrument's effective interest and are recognised in interest income or interest expenses
Net income from Non-life Insurance	Premiums written, claims paid, change in provision for unearned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net trading income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends
Net investment income	Realised capital gains and losses on available-for-sale financial assets, impairments, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income, central banking service fee
Personnel costs	Wages and salaries, pension costs, social expenses
Other administrative expenses	Office expenses, IT costs, other administrative expenses
Other operating expenses	Depreciation/amortisation, other Non-life Insurance expenses, rents

Notes to the income statement and balance sheet

Note 2. Net interest income

EUR million	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Loans and other receivables	87	65	308	406
Receivables from credit institutions and central banks	27	24	96	139
Notes and bonds	-46	49	279	269
Derivatives held for trading (net)	11	12	1	41
Liabilities to credit institutions	-16	-13	-56	-61
Liabilities to customers	-6	-4	-16	-32
Debt securities issued to the public	-24	-53	-235	-352
Subordinated debt	-8	-9	-32	-37
Hybrid capital	-4	-3	-10	-15
Financial liabilities held for trading	0	-1	-1	-5
Other (net)	-2	-1	-3	-1
Net interest income, excluding derivatives for hedging purposes	19	67	329	349
Derivatives under hedge accounting (net)	49	-3	-71	-112
Total net interest income	69	63	258	241

Note 3. Impairments of receivables

EUR million	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Receivables eliminated as loan or guarantee losses	3	1	45	15
Recoveries from receivables eliminated as loan or guarantee losses	0	-2	0	-2
Increase in impairment provisions	15	37	111	140
Decrease in impairment provisions	-3	-1	-51	-24
Total impairments of receivables	16	34	104	129

Note 4. Net income from Non-life Insurance

EUR million	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Net insurance premium revenue				
Premiums written	173	166	1,023	1,005
Insurance premiums ceded to reinsurers	-2	-9	-40	-51
Change in provision for unearned premiums	81	76	-13	-15
Reinsurers' share	-10	-2	-6	4
Total	241	231	964	943
Net Non-life Insurance claims				
Claims paid	178	152	655	595
Insurance claims recovered from reinsurers	-10	-11	-29	-20
Change in provision for unpaid claims	38	-13	19	-30
Reinsurers' share	-12	11	-8	15
Total	194	139	637	560
Net investment income, Non-life Insurance				
Interest income	16	16	65	70
Dividend income	2	0	21	7
Investment property	-2	2	2	6
Realised fair value gains and losses				
Notes and bonds	0	12	53	7
Shares and participations	15	-4	-2	15
Loans and receivables	2		1	0
Investment property	1	1	3	1

Derivatives	2	-4	-20	-21
Unrealised fair value gains and losses				
Notes and bonds	0	1	0	1
Shares and participations	-10	-10	-33	-20
Loans and receivables	-1	-1	-4	-4
Investment property	0	0	1	1
Derivatives	-4	2	0	-2
Other	1	1	5	3
Total	24	15	92	64
Unwinding of discount	-11	-11	-45	-43
Other	15	0	14	-1
Total net income from Non-life Insurance	75	96	388	402

Note 5. Net commissions and fees

EUR million	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Commission income				
Lending	9	5	35	38
Payment transfers	3	3	13	13
Securities brokerage	8	6	29	21
Securities issuance	2	5	10	8
Asset management and legal services	19	20	63	52
Insurance operations	5	4	19	17
Guarantees	5	4	17	16
Other	1	7	5	13
Total commission income	53	55	192	178
Commission expenses				
Payment transfers	0	1	2	2
Securities brokerage	3	2	10	8
Securities issuance	2	2	6	9
Asset management and legal services	2	2	7	7
Other	1	7	2	9
Total commission expenses	7	14	28	35
Total net commissions and fees	46	41	164	143

Note 6. Net trading income

EUR million	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Financial assets and liabilities held for trading				
Realised changes in fair value				
Notes and bonds	-1	6	18	41
Shares and participations	0	0	0	0
Derivatives	15	3	2	118
Unrealised changes in fair value				
Notes and bonds	-3	-9	-1	-24
Shares and participations	0	0	0	0
Derivatives	-10	7	0	-77
Financial assets and liabilities at fair value through profit or loss				
Realised changes in fair value				
Notes and bonds		0	0	-9
Unrealised changes in fair value				
Notes and bonds	0	0	2	10
Net income from foreign exchange operations	0	4	14	13
Total net trading income	2	11	35	71

Note 7. Net investment income
EUR million

	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	7	1	29	1
Shares and participations	0	0	1	0
Dividend income	1		4	2
Impairments	0	-5	-4	-9
Carried at amortised cost				
Capital gains and losses				
Loans and other receivables	0		0	
Total	8	-5	30	-6
Investment property	1	0	2	-7
Total net investment income	10	-5	31	-13

Note 8. Other operating income
EUR million

	Q4/ 2010	Q4/ 2009	Q1-4/ 2010	Q1-4/ 2009
Central banking service fees	2	2	9	9
Realisation of repossessed items	-1	0	0	0
Rental income from assets rented under operating lease	5	6	23	25
Other	11	9	17	15
Total	18	17	50	50

Note 9. Classification of financial instruments

	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Assets, EUR million						
Cash and balances with central banks	1,501					1,501
Receivables from credit institutions and central banks	8,033					8,033
Derivative contracts			1,864		98	1,962
Receivables from customers	12,433					12,433
Non-life Insurance assets**	650		96	2,453		3,198
Notes and bonds***		928	422	5,304		6,653
Shares and participations				82		82
Other receivables	2,295		26			2,321
Total 31 December 2010	24,912	928	2,408	7,838	98	36,184
Total 31 December 2009	24,986	1,086	2,767	6,613	59	35,510

	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities, EUR million				
Liabilities to credit institutions		4,960		4,960
Financial liabilities held for trading (excl. derivatives)	0			0
Derivative contracts	1,852		202	2,054
Liabilities to customers		4,231		4,231
Non-life Insurance liabilities	2	2,349		2,351
Debt instruments issued to the public		16,685		16,685
Subordinated liabilities		1,255		1,255
Other liabilities		2,271		2,271
Total 31 December 2010	1,854	31,751	202	33,807
Total 31 December 2009	1,377	31,716	150	33,244

*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 10.

*** On 31 December 2010, notes and bonds included EUR 12 million (55) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 31 December 2010, the fair value of these debt instruments was EUR 45 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 reliably is difficult in the current market situation.

Note 10. Non-life Insurance assets

EUR million	31 Dec 2010	31 Dec 2009
Investments		
Loans and other receivables	254	380
Shares and participations	400	387
Property	87	78
Notes and bonds	1,500	1,392
Derivatives	1	1
Other participations	561	530
Total	2,802	2,766
Other assets		
Prepayments and accrued income	38	37
Other		
From direct insurance	228	214
From reinsurance	87	89
Cash in hand and at bank	4	4
Other receivables	39	44
Total	396	389
Total Non-life insurance assets	3,198	3,156

Note 11. Intangible assets

EUR million	31 Dec 2010	31 Dec 2009
Goodwill	516	516
Brands	173	173
Customer relationships	179	203
Other	56	68
Total	925	960

Note 12. Non-life Insurance liabilities

EUR million	31 Dec 2010	31 Dec 2009
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,108	1,058
Other provision for unpaid claims	739	726
Total	1,847	1,784
Provision for unearned premiums	377	361
Derivatives	2	0
Other liabilities	125	134
Total	2,351	2,279

Note 13. Debt securities issued to the public

EUR million	31 Dec 2010	31 Dec 2009
Bonds	6,861	6,549
Certificates of deposit, commercial papers and ECPs	9,563	10,519
Other	262	227
Total	16,685	17,295

Note 14. Fair value reserve after income tax

EUR million	31 Dec 2010	31 Dec 2009
Loans and other receivables		
Reclassified notes and bonds	-8	-17
Available-for-sale financial assets		
Notes and bonds	-57	53
Equities and mutual funds with equity risk	28	-35
Other funds	31	0
Derivatives		
Cash flow hedge	-6	
Total	-12	0

The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments. Only the value changes in the fair value reserve are recognised which the management deems to fulfil the relevant requirements.

The fair value reserve before tax totalled EUR –17 million (–0) and the related deferred tax asset amounted to EUR 5 million (0). On 31 December, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 77 million and negative mark-to-market valuations EUR 5 million. In January–December, impairments recognised from the fair value reserve in the income statement totalled EUR 35 million.

Notes to risk management

Note 15. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	31 Dec 2010	31 Dec 2009	Change
1–2	2.4	2.2	0.2
3–5	11.8	10.9	0.8
6–7	4.2	4.2	0.0
8–9	2.1	2.4	-0.3
10	0.1	0.1	-0.1
11–12	0.4	0.3	0.0
Non-rated	0.2	0.2	0.0
Total	21.0	20.3	0.7

*) excl. private customers

Sensitivity analysis of market risk

Banking, EUR million	Risk parameter	Change	31 Dec 2010	31 Dec 2009
			Effect on results	Effect on results
			Effect on shareholders' equity	Effect on shareholders' equity
Interest-rate risk	Interest	1 percentage point	4	5
Currency risk	Market value	20 percentage points	1	1
Volatility risk				
Interest-rate volatility	Volatility	20 percentage points	2	4
Currency volatility	Volatility	10 percentage points	0	0
Credit risk premium *)	Credit spread	0.5 percentage points	12	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 16. Risk exposure by Non-life Insurance

Risk parameter	Total amount 31 Dec 2010, EUR million	Change in riskparameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*)	964	Up 1%	Up 0.9 percentage points	10
Claims incurred*)	694	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*)	110	Up 8%	Down 0.9 percentage points	-9
Expenses by function*) **)	267	Up 4% Up 0.25 percentage points	Down 1.1 percentage points	-11
Inflation for collective liability	497	percentage points	Down 3.2 percentage points	-3
Life expectancy for discounted insurance contract liability	1,378	Up 1 year	Down 1.7 percentage points	-32
Discount rate for discounted insurance contract liability	1,378	Down 0.1 percentage point	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

EUR million

Portfolio allocation	Fair value		Fair value	
	31 Dec 2010	%	31 Dec 2009	%
Money market instruments	14	0 %	101	4 %
Bonds and bond funds	2,074	71 %	2,067	72 %
Equities	422	14 %	364	13 %
Alternative investments	207	7 %	155	5 %
Real property	207	7 %	164	6 %
Total	2,924	100 %	2,851	100 %

Non-life Insurance fixed-income portfolio by maturity and credit rating on 31 December 2010*

EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	31	108	195	59	50	71	514	24 %
Aa1–Aa3	87	112	120	38	23	32	413	19 %
A1–A3	79	211	205	90	68	79	732	34 %
Baa1–Baa3	42	93	85	35	36	0	290	14 %
Ba1 or lower	50	58	31	19	5	17	180	8 %
Internally rated	5	1	5		1	3	16	1 %
Total	295	583	641	241	184	203	2,145	100 %

* Excludes credit derivatives.

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

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million	
			31 Dec 2010	31 Dec 2009
Bonds and bond funds ¹⁾	Interest rate	1 percentage point	92	73
Equities ²⁾	Market value	20 percentage points	83	73
Venture capital funds and unquoted equities	Market value	20 percentage points	16	14
Commodities	Market value	20 percentage points	5	5
Real property	Market value	10 percentage points	21	16
Currency	Value of currency	20 percentage points	48	45
Credit risk premium ³⁾	Credit spread	0.5 percentage points	47	39
Derivatives ⁴⁾	Volatility	10 percentage points	0	0

1) Include money-market investments, convertible bonds and interest-rate derivatives

2) Include hedge funds and equity derivatives

3) Includes bonds and money-market investments, including government bonds and interest-rate derivatives issued by developed countries

4) 20 percentage points for equity derivatives, 10 percentage points for interest-rate derivatives and 5 percentage points for currency derivatives.

Note 17. Risk exposure by Group Functions**Total exposure by rating category*, EUR billion**

Rating category	31 Dec 2010	31 Dec 2009	Change
1–2	13.5	13.6	-0.1
3–5	4.3	4.6	-0.3
6–7	0.1	0.0	0.1
8–9	0.1	0.0	0.1
10	0.0	0.0	0.0
11–12	0.0		0.0
Non-rated	0.0	0.0	0.0
Total	18.1	18.3	-0.2

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	31 Dec 2010		31 Dec 2009	
			Effect on results	Effect on shareholders' equity	Effect on results	Effect on shareholders' equity
Interest-rate risk	Interest rate	1 percentage point	6	0	2	3
Interest-rate volatility	Volatility	20 percentage points	0		1	
Credit risk premium *)	Credit spread	0.5 percentage points	0	121	0	68
Price risk						
Equity portfolio	Market value	20 percentage points		2		2
Private equity funds	Market value	20 percentage points		6		6
Property risk	Market value	10 percentage points	4		3	

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.

*) The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity reserves.

Financial assets included in liquidity reserve by maturity and credit rating on 31 December 2010**EUR million**

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	1,654	696	1,730	858	811	2	5,752	61 %
Aa1–Aa3	87	978	603	120	215	0	2,003	21 %
A1–A3	96	755	100	27		0	979	10 %
Baa1–Baa3	106	176	51	5	0		337	4 %
Ba1 or lower		30	35	29			94	1 %
Internally rated	62	99	99	40			300	3 %
Total	2,006	2,735	2,618	1,079	1,026	2	9,466	100 %

The residual maturity of liquidity reserves averages 4.0 years.

Other notes

Note 18. Collateral given

EUR million	31 Dec 2010	31 Dec 2009
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	6,019	5,839
Other	349	308
Total collateral given	6,369	6,147
Total collateralised liabilities	651	1,023

Note 19. Off-balance-sheet commitments

EUR million	31 Dec 2010	31 Dec 2009
Guarantees	1,125	1,296
Other guarantee liabilities	1,333	1,283
Loan commitments	3,912	4,140
Commitments related to short-term trade transactions	140	98
Other	463	447
Total off-balance-sheet commitments	6,972	7,264

Note 20. Derivative contracts

31 Dec 2010 EUR million	Nominal values/residual term to maturity			Total	Fair values	
	<1 year	1–5 years	>5 years		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

31 Dec 2009 EUR million	Nominal values/residual term to maturity			Total	Fair values	
	<1 year	1–5 years	>5 years		Assets	Liabilities
Interest rate derivatives	44,063	51,231	13,013	108,307	1,167	1,235
Currency derivatives	11,513	1,959	489	13,962	243	338
Equity and index derivatives	177	814	41	1,032	87	
Credit derivatives	56	178		234	4	2
Other derivatives	3,850	252		4,102	3	24
Total derivatives	59,660	54,435	13,543	127,638	1,505	1,599

Note 21. Other contingent liabilities and commitments

On 31 December 2010, Banking commitments to venture capital funds amounted to EUR 14 million and Non-Life Insurance commitments to EUR 124 million. They are included in the section 'Off-balance-sheet commitments'.

Note 22. Related-party transactions

Pohjola Group's related parties comprise its parent company, associates and administrative personnel and other related-party companies. Pohjola Group's Parent Company is OP-Pohjola Group Central Cooperative.

Pohjola Group's associates were Autovahinkokeskus Oy and Access Capital Partners Group S.A. on 31 December 2010 and Autovahinkokeskus Oy on 31 December 2009.

Pohjola Group's administrative personnel comprises Pohjola Bank plc's President and CEO, members of the Board of Directors and their close family members.

Normal loan terms and conditions apply to loans granted to the management. Tied to generally used reference rates, these loans with normal collateral are repaid according to the agreed repayment schedule.

Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP-Pohjola Group Central Cooperative Consolidated.

Related-party transactions by 31 December 2010

EUR million	Parent company	Associates	Administrative personnel	Others
Loans	230	7		3,865
Other receivables	34			147
Deposits	15			531
Other liabilities	3			333
Interest income	2			172
Interest expenses	4			195
Dividend income	0			1
Net income from Non-life Insurance	2			4
Net commissions and fees	-1	0	0	29
Net trading income	0			28
Other operating income	1			6
Operating expenses	77			3
Off-balance-sheet commitments				
Guarantees				71
Irrevocable commitments	8			
Salaries and other short-term benefits, and performance-based pay				
Salaries and short-term benefits			1	
Related-party holdings				
Number of shares	95,798,479		125,687	6,609,338

Related-party transactions by 31 December 2009

EUR million	Parent company	Associates	Administrative personnel	Others
Loans	250			3,064
Other receivables	89			316
Deposits	8			319
Other liabilities	7			308
Interest income	5			196
Interest expenses	6			180
Dividend income	0			2
Net income from Non-life Insurance	2			4
Net commissions and fees	-1		0	24
Net trading income				-3
Other operating income	4			5
Operating expenses	76			4
Off-balance-sheet commitments				
Guarantees				75
Irrevocable commitments	8			
Salaries and other short-term benefits, and performance-based pay				
Salaries and short-term benefits			1	
Related-party holdings				
Number of shares	95,798,479		103,402	6,622,475

Helsinki, 9 February 2011

Pohjola Bank plc
Board of Directors

This Financial Statements Bulletin is available at www.pohjola.fi/english > Media > Material Service. Background information on the Bulletin can also be found at the same address.

Analyst meeting, conference call and live webcast

Pohjola will hold a collective briefing in English for analysts and investors on Pohjola Asset Management Ltd premises in Helsinki on February 9 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

Jouko Pölönen, Pohjola Bank plc's Deputy President and CEO, will present the financial results in a press conference on OP-Pohjola Group premises (Teollisuuskatu 12.00 b, Vallila, Helsinki), on 9 February, starting at noon.

Annual General Meeting

Pohjola Bank plc will hold its Annual General Meeting (AGM) in the Congress Wing of the Helsinki Exhibition & Convention Centre on Tuesday 29 March 2011, starting at 2.00 pm. Proposals by the Board of Directors to the AGM will be published as a company release on 9 February 2011 and notice of the Meeting on 21 February 2011, after which the notice will appear in Helsingin Sanomat and Hufvudstadsbladet. Thereafter, the Report by the Board of Directors and the Financial Statements and other AGM documentation will also be available on the company's website at www.pohjola.fi.

Financial reporting in 2011

Schedule for Interim Reports in 2011:

Interim Report Q1/2011	4 May 2011
Interim Report H1/2011	3 August 2011
Interim Report Q1-3/2011	2 November 2011

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