

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



Pohjola Group Performance for January–June 2011

- Consolidated earnings before tax improved to EUR 197 million (139). Earnings before tax at fair value were EUR 166 million (108) and return on equity at fair value stood at 10.5% (7.1).
- Banking earnings before tax rose to EUR 92 million (55). These earnings included EUR 36 million (62) in impairment charges on receivables. The loan portfolio increased by 5% from its level on 31 December 2010 and by 6% in the year to June.
- Within Non-life Insurance, insurance premium revenue rose by 7% and profitability was good. Excluding amortisation on intangible assets arising from company acquisition, the operating combined ratio stood at 91.6% (91.6). Within Non-life Insurance, return on investments at fair value was 1.0% (2.6).
- Asset Management increased its earnings before tax by 13% to EUR 13.5 million (11,9) and assets under management amounted to EUR 33.9 billion (35).
- The Group Functions reported earnings of EUR 24 million (30) before tax.
- Outlook: Consolidated earnings before tax for 2011 are expected to be higher than in 2010. It is estimated that the Non-life Insurance operating combined ratio will vary between 89% and 93% (previous estimate: 89–94%). For more detailed information on outlook, see "Outlook towards the year end" below.

April–June 2011

- Consolidated earnings before tax improved to EUR 103 million (80). Earnings before tax at fair value amounted to EUR 92 million (–11).
- Earnings of EUR 39 million (29) before tax posted by Banking included EUR 20 million (29) in impairment charges on receivables.
- Within non-life Insurance, the operating combined ratio stood at 83.3% (88) and the return on investments at fair value was 0.6% (–0.6).
- Earnings before tax recorded by Asset Management improved by 15% to EUR 7 million (6) and the cost/income ratio stood at 48% (52).
- The Group Functions' earnings of EUR 7 million (8) before tax were at somewhat the same level as the year before.

Earnings before tax, € million

	H1/ 2011	H1/ 2010	Change, %	Q2/ 2011	Q2/ 2010	Change, %	2010
Banking	92	55	69	39	29	36	133
Non-life Insurance	68	42	61	49	37	35	83
Asset Management	13	12	13	7	6	15	31
Group Functions	24	30	-21	7	8	-14	61
Total	197	139	42	103	80	28	308
Change in fair value reserve	-32	-31		-11	-92		-17
Earnings/loss before tax at fair value	166	108	54	92	-11		291
Earnings per share, €	0.46	0.32		0.23	0.19		0.72
Earnings per share at fair value, €	0.39	0.25		0.21	-0.03		0.68
Equity per share, €	7.43	7.01					7.44
Average personnel	3,083	2,999		3,141	3,007		3,005

Financial targets

	H1/ 2011	H1/ 2010	Q2/ 2011	Q2/ 2010	2010	Target
Return on equity at fair value, %	10.5	7.1	11.4	-1.6	9.3	13.0
Tier 1 ratio, %	12.2	12.0			12.5	>9.5
Operating cost/income ratio by Banking, %	36	35	38	36	35	<40
Operating combined ratio, %	91.6	91.6	83.3	88.0	89.7	92.0
Operating expense ratio, %	21.5	22.0	21.1	22.2	21.3	<20
Solvency ratio, %	86	91			86	70
Operating cost/income ratio by Asset Management, %	49	53	48	52	53	<50
AA rating affirmed by at least two credit rating agencies	3	3			3	≥2
Dividend payout ratio a minimum of 50%, provided that Tier 1 > 9.5%					55	>50

President and CEO Mikael Silvennoinen:

Our first-half consolidated earnings before tax were record high, amounting to almost EUR 200 million. Our second-quarter earnings were also good, showing a year-on-year improvement.

All of our business segments improved their first-half financial performance from that reported a year earlier. Total income and total expenses increased by 9% and 3%, respectively. Furthermore, impairment charges decreased considerably. The European sovereign debt crisis cast uncertainty over economic growth, weakened stock markets, raised interest rates and widened credit spreads. As a result, our earnings before tax at fair value were EUR 166 million (108).

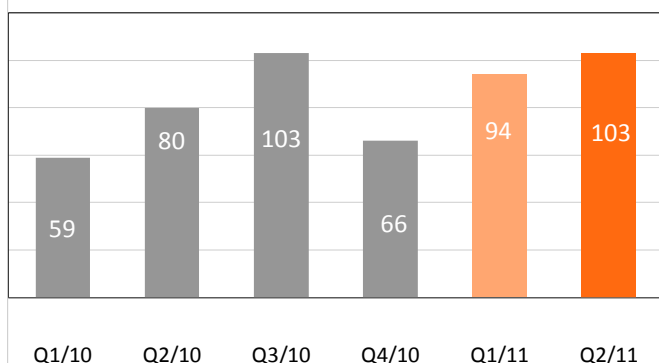
The loan portfolio held by Banking grew by 5% from its 2010-end level and showed growth of 6% in the year to June. Within Corporate Banking, growth in net interest income has levelled off due to smaller lending margins and higher financing costs. The Markets division posted good financial performance in both client trading and trading business.

Insurance premium revenue continued to grow and developments in claims normalised after the first quarter. Our second-quarter balance on technical account was excellent. In the first half, it was at the same good level as the year before.

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

The results of the EU-wide forward-looking stress test published in July proved that OP-Pohjola Group has a strong capital base and will also withstand a possible deterioration in the operating environment. Pohjola's test results are included in those of OP-Pohjola Group. This strong capital base will provide good opportunities for growth based on our strategy. During the first half, we continued to strengthen our customer service resources in order to be able to better meet the needs of a growing number of customers.

Consolidated earnings before tax, € million



Pohjola Group Interim Report for 1 January–30 June 2011

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Operating environment

World economic growth slowed down somewhat in the second quarter of 2011 but was still relatively brisk on average. The growth was impeded by expensive oil, the repercussions of the natural catastrophe in Japan and the fast growth of emerging economies losing some of its momentum. Debt problems in the US and the euro area have also weakened Finland's economic outlook considerably.

Growth in the US remained subdued in the first half, but the US economy is expected to recover in the second half. Growth in the euro area remained moderate. Growth was moderate in the euro area. Emerging economies are still growing at a rapid rate, but some of the sharpness is gone owing to accelerating inflation, which has led many countries to tighten their economic policy.

The Finnish economy grew at a brisk rate in the first half of 2011, but the economic growth spurt seems to be over. Nevertheless, Finland is experiencing broad-based growth. Capital spending has gradually expanded from housing investment to other areas. Retail sales increased well in the spring and the consumer growth outlook is stable, although spending power is being eroded by higher inflation.

Short-term market rates increased in the first six months of 2011 after the European Central Bank began to raise the main refinancing rate. The rates are expected to go up further towards the end of the year.

Sovereign debt jitters have continued in the euro area. The ECB has continued its exceptional measures to secure market liquidity, as banks in the troubled countries are largely dependent on ECB funding.

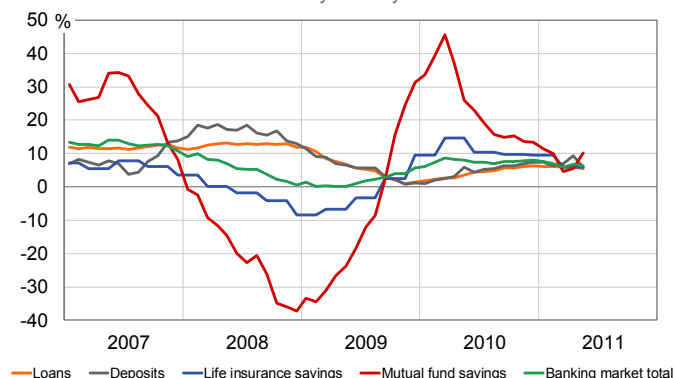
Slower growth of the world economy and the more critical situation in Greece affected money and capital market developments towards the end of the report period. During Q2, key share prices fell globally by almost 10% and in Finland by a bit more, about 13%.

In the first half, the loan portfolio in the financial sector continued to grow steadily at an annual average rate of around 6%. Consumer lending increased steadily despite rising short-term market rates, and the housing market was lively. A pickup in investments has not yet converted into growth in corporate loans, which has remained slightly slower than that in consumer loans.

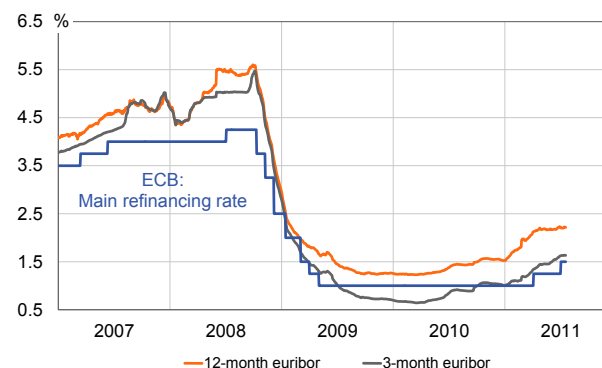
Growth in mutual fund and insurance savings levelled off in the industry as a result of weak capital market performance. Net asset inflows turned negative in the second quarter, whereas total deposits continued to grow at a relatively steady rate. An increase in money market rates sped up growth in term deposits, resulting in more moderate growth in current and payment transfer accounts.

Premiums written in Non-life Insurance increased in the industry at an annual rate of 5% in the first half of 2011. This growth is expected to remain above average in the second half of the year, supported by favourable economic development. Growth in claims incurred flattened out in the second quarter, but was nevertheless faster in the first half of 2011 than premiums written owing to the previous winter's difficult weather conditions.

Growth in business volumes
Growth year-on-year

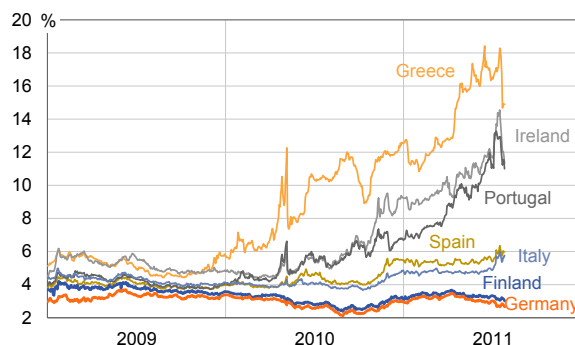


Euribor rates and ECB refi rate



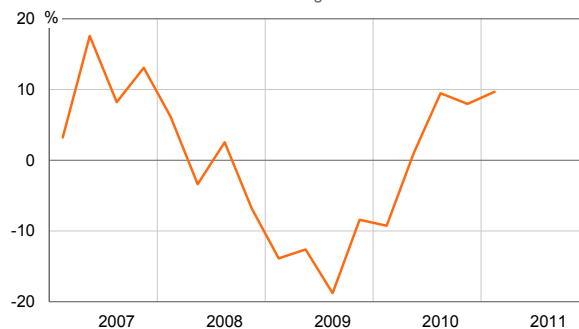
Source: Bank of Finland

Long-term interest rates
Government bonds (10 y)



Source: Reuters EcoWin

Investments
annual change in volume



Source: Statistics Finland

Consolidated earnings

Earnings analysis	2011	2010	Change	2011	2010	Change	Rolling	2010
€ million	H1	H1	%	Q2	Q2	%	12-month	
Net interest income								
Corporate and Baltic Banking	87	84	3	44	44	0	175	172
Markets	31	10	201	18	4	327	47	27
Other operations	23	32	-31	9	19	-50	49	59
Total	140	127	10	72	67	7	271	258
Net commissions and fees	80	81	-1	40	41	-3	163	164
Net trading income	19	15	22	5	8	-44	39	35
Net investment income	14	15	-10	2	-3		30	31
Net income from Non-life Insurance								
Insurance operations	183	173	5	115	99	15	336	327
Investment operations	60	43	40	23	26	-13	109	92
Other items	-23	-23	2	-12	-11	2	-31	-30
Total	219	193	13	126	114	10	414	388
Other operating income	21	21	-3	10	10	-6	49	50
Total income	493	453	9	254	239	7	966	926
Personnel costs	110	99	11	55	52	6	210	199
IT expenses	39	38	2	20	19	7	77	76
Depreciation and amortisation	28	34	-17	14	16	-16	67	72
Other expenses	84	82	3	43	43	1	170	168
Total expenses	261	253	3	132	130	2	523	514
Earnings before impairments of receivables	232	200	16	122	109	12	443	412
Impairments of receivables	35	62	-43	20	29	-30	78	104
Share of associates' profits	1	0		1	0		1	0
Earnings before tax	197	139	42	103	80	28	366	308
Change in fair value reserve	-32	-31		-11	-92		-17	-17
Earnings/loss before tax at fair value	166	108	54	92	-11		349	291

January–June earnings

Consolidated earnings before tax improved by 42% to EUR 197 million (139). Total income and total expenses rose by 9% and 3%, respectively. Impairment charges for receivables shrank by EUR 26 million to EUR 35 million. Impairment charges for the reporting period were mainly based on a single customer's exposures

Although the period saw a negative change in the fair value reserve, earnings before tax at fair value, totalling EUR 166 million, were markedly higher than a year ago (108).

Net interest income was up by 10%. Corporate Banking continued to increase its net interest income, thanks to growth in the loan portfolio. However, corporate loan margins began to shrink and funding costs rose. The Markets division increased its net interest income, thanks to successful risk exposure management and increased client trading. Higher funding costs decreased net interest income from other operations.

Net commissions and fees were almost at the same level as the year before. Net commissions and fees from securities brokerage improved markedly and lending commissions also showed growth. Net commissions and fees from securities issuance were on the wane.

Net investment income was slightly lower than a year ago. The reported earnings included EUR 7 million (16) in realised capital gains recognised on the liquidity portfolio. Dividend income was higher than a year earlier.

Growth in insurance premium revenue remained strong and profitability improved as growth in claims expenditure levelled off in the second quarter. Impairment charges of EUR 2 million (25) were included in net investment income from Non-life Insurance.

Personnel costs rose by 11% year on year. The number of Group employees was 195 higher on 30 June than a year ago. Amortisation on intangible assets related to company acquisitions was lower than the year before.

April–June earnings

Consolidated earnings before tax improved by 28% to EUR 103 million (80). Total income and total expenses rose by 7% and 2%, respectively. Impairments of receivables fell by a third to EUR 20 million (29).

Earnings before tax at fair value, EUR 92 million, were considerably higher than in the previous year (–11).

Net interest income was up by 7%. While net interest income from Corporate Banking was at the previous year's level, the Markets division showed vigorous growth in its net interest income.

Net interest income from other operations was eroded by higher financing costs.

Net commissions and fees were at around the same level as the year before.

Net income from Non-life Insurance continued its good progress. Insurance premium revenue was up by 6% while claims incurred and net investment income were at the previous year's level.

The growth rate of personnel costs levelled off in the reporting period, standing at 6%.

Earnings analysis by quarter

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

Group risk exposure

The Group's risk exposure remained favourable as impairment charges decreased from their level a year earlier and investment-grade exposures remained high. The improved economic situation was reflected in higher creditworthiness among corporate customers although some corporate customers continued to feel the effects of the economic crisis. Uncertainties related to macroeconomic development will pose the greatest threat to this continued positive trend. Doubtful receivables remained low relative to the loan and guarantee portfolio.

Net loan losses and impairment losses recognised for January–June reduced earnings by EUR 35 million (62), accounting for 0.24% (0.43) of the loan and guarantee portfolio. Final losses recognised for the period totalled EUR 4 million EUR (40) and impairment charges EUR 41 million (69). Impairment charges mainly came from a single customer's exposures. Loan loss recoveries and allowances for impairments totalled EUR 9 million (47). The majority of the net loan losses and impairments were those recognised on an individual basis.

Doubtful receivables increased by EUR 15 million to EUR 46 million in the first half but remained low, accounting for 0.31% (0.22) of the loan and guarantee portfolio. Past due payments came to EUR 15 million (17), representing 0.11% (0.12) of the loan and guarantee portfolio.

No major changes took place in Non-life Insurance's underwriting risks and investment portfolio risk exposure.

The financial and liquidity position remained strong. Both short-term and long-term funding performed 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. This liquidity portfolio plus other items included in OP-Pohjola Group's balance sheet and eligible for central bank refinancing constitute the total liquidity buffer, which can be used to cover OP-Pohjola Group's wholesale funding maturities for at least 24 months.

Determining the value of the available-for-sale financial assets at fair value through profit or loss and included in the liquidity portfolio is based on mark-to-market valuations. During the period, Pohjola did not recognise any impairment charges on the liquidity portfolio and kept market risks moderate.

Capital adequacy

Capital structure and capital adequacy

€ million	30 Jun 2011	31 Dec 2010
Tier 1 capital	1,703	1,692
Tier 2 capital	0	111
Total capital base	1,703	1,803
Risk-weighted assets		
Credit and counterparty risk	12,295	12,314
Market risk	744	467
Operational risk	913	739
Total	13,953	13,520
Capital adequacy ratio, %	12.2	13.3
Tier 1 ratio, %	12.2	12.5
Core Tier 1, %	10.2	10.5

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

€ million	30 Jun 2011	31 Dec 2010
Conglomerate's capital base	2,075	2,154
Conglomerate's minimum capital base	1,307	1,259
Conglomerate's capital adequacy	768	895
Conglomerate's capital adequacy ratio	1.59	1.71

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

Tier 1 capital was at the 2010-end level. The early redemption in March of the Lower Tier 2 subordinated debenture loan of EUR 150 million reduced the total capital base. Risk-weighted assets increased by 3%, or EUR 433 million, from their 2010-end level.

Pohjola Group belongs to OP-Pohjola Group whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. Pohjola Group's capital adequacy ratio under the Act, measured using the consolidation method, decreased to 1.59 (1.71), due to the redemption of the debenture loan, but remained markedly above the statutory minimum of 1.0.

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

Credit ratings

Pohjola Bank plc's credit ratings remained unchanged during the first half of 2011.

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

Financial performance and risk exposure by business segment

Banking

- Earnings before tax for January–June Improved to EUR 92 million (55). Impairment charges on receivables fell by EUR 26 million to EUR 36 million.
- The loan portfolio grew by 5% from its 2010-end level and by 6% from its level a year ago. The average margin of the corporate loan portfolio decreased by 4 basis points to 1.32% from the 2010-end level.
- All business divisions improved their earnings year on year.
- Operating cost/income ratio stood at 36% (35), which was markedly better than the strategic target of 40%.

Banking: financial results and key figures and ratios

€ million	H1/ 2011	H1/ 2010	Change, %	Q2/ 2011	Q2/ 2010	Change, %	2010
Net interest income							
Corporate and Baltic Banking	87	84	3	44	44	0	172
Markets	31	10	201	18	4	327	27
Total	118	95	24	63	48	29	199
Net commissions and fees	49	47	4	24	23	2	93
Net trading income	17	24	-31	2	12	-87	47
Other income	15	14	5	7	7	13	29
Total income	198	180	10	95	90	6	368
Expenses							
Personnel costs	30	26	14	15	14	10	54
IT expenses	13	12	13	7	6	16	24
Depreciation and amortisation	11	13	-15	5	6	-14	25
Other expenses	16	13	25	8	6	32	27
Total expenses	70	64	10	36	32	11	130
Earnings before impairments of receivables	128	116	10	59	58	3	238
Impairments of receivables	36	62	-42	20	29	-30	105
Earnings before tax	92	55	69	39	29	36	133
Earnings before tax at fair value	92	55	67	38	29	38	133
Loan portfolio, € billion	12.0	11.2	6				11.4
Guarantee portfolio, € billion	2.6	2.8	-7				2.6
Margin on corporate loan portfolio, %	1.32	1.38					1.36
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.31	0.28					0.22
Ratio of impairments of receivables to loan and guarantee portfolio, %	0.24	0.44					0.75
Operating cost/income ratio, %	36	35		38	36		35
Personnel	700	647	8				657

January–June earnings

Earnings before tax amounted to EUR 92 million (55). Impairment charges on receivables fell to EUR 36 million (62).

The loan portfolio grew by 5% from its 2010-end level to EUR 12.0 billion. The market share of corporate loans remained unchanged, standing at almost 20%. The guarantee portfolio remained at somewhat the 2010-end level, standing at EUR 2.5 billion. Committed standby credit facilities decreased by EUR 0.2 billion to EUR 2.6 billion.

Fiercer competition made new corporate loan margins turn down, with the average margin standing at 1.32% on 30 June, or 6 basis points lower than the year before. However, Corporate Banking increased its net interest income by 3%, thanks to growth in the loan portfolio.

Net commissions and fees were 4% higher than a year ago. In spite of tougher price competition, total commission income from loans and guarantees were one million euros higher than in the previous year. Pohjola holds a strong position in capital markets. Net commissions and fees from securities brokerage increased by over one million euros and those from custody by two million euros.

Earnings before tax	H1/ 2011	H1/ 2010	Change, %
Corporate Banking	54	30	83
Markets	38	28	38
Baltic Banking	0	-3	
Total	92	55	69

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

The good first-half performance shown by the Markets division was based on larger client trading volumes and successful risk exposure management. In particular, structured bonds sold well and client income improved by EUR 5 million.

Pohjola extended the range of its services in the Baltic countries by opening a branch office in Tallinn in June. These new services for corporate customers in Estonia cover payment and liquidity management as well as working capital finance and investment financing. Baltic Banking showed favourable development in its financial performance and posted better year-on-year earnings. The loan portfolio grew by 70% from its level at the end of 2010, standing at EUR 180 million on 30 June 2011.

The cost/income ratio was good, standing at 36%.

April–June earnings

Earnings before tax were EUR 39 million, or EUR 10 million higher than the year before. This improvement was mainly

based on the reduction of impairment charges by EUR 9 million.

The loan portfolio grew by EUR 0.3 billion, which compensated for the effect of lower margins and higher financing costs on net interest income.

All business divisions reported better earnings year on year.

Earnings before tax	Q2/ 2011	Q2/ 2010	Change, %
Corporate Banking	27	21	27
Markets	14	11	29
Baltic Banking	-1	-3	
Total	39	29	36

Risk exposure by Banking

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

During January–June, total exposure decreased by EUR 0.9 billion to EUR 20.9 billion. This decrease was to a large extent due to the adoption of the netting of derivative contracts during the second quarter, reducing exposures by EUR 1.5 billion. In particular, this is reflected in the lower ratio of investment-grade exposure to total exposure. On a comparable basis, exposures grew by EUR 0.6 billion. The ratio of investment-grade exposure – i.e. ratings 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 63% (67). The share of ratings 11–12 was 1.8% (1.7) and that of non-rated exposure 1.2% (1.0).

Corporate exposure (including housing corporations) accounted for 81% (76) of total exposure within Banking. Of corporate exposure, the share of investment-grade exposure stood at 59% (61) and the exposure of the lowest two rating categories amounted to EUR 368 million (360), accounting for 2.2% (2.2) of the total corporate exposure.

Significant corporate customer exposure totalled EUR 3.2 billion (3.4). The distribution of corporate exposure by industry remained highly diversified. The most significant industries included Letting and Operation of Dwelling representing 11.1% (11.5), Trade 9.1% (9.2) and Manufacture of Machinery and Equipment 8.9% (9.5).

January–June net loan losses and impairment charges within Banking came to EUR 36 million (62), accounting for 0.24% (0.44) of the loan and guarantee portfolio. Final losses recognised for the period totalled EUR 3 million EUR (40) and impairment charges EUR 41 million (69). Impairment charges mainly came from a single customer's exposures. Loan loss recoveries and allowances for impairment charges totalled EUR 9 million (47).

On 30 June, Baltic Banking exposures totalled EUR 243 million (124), accounting for 1.7% (0.9) of the loan and guarantee portfolio. The Baltic Banking net loan losses and impairment losses for January–June amounted to EUR –1 million (1).

Interest rate risk exposure averaged EUR 8.7 million (4.1) in the first half, based on the 1-percentage-point change in the interest rate.

Non-life Insurance

- Earnings before tax improved to EUR 68 million (42).
- Insurance premium revenue increased by 7% (0%).
- The operating combined ratio improved to the level reported a year ago, standing at 91.6% (91.6). The balance on technical account developed favourably during the second quarter.
- The number of loyal customer households increased by 19,092 (17,867).
- Return on investments at fair value was 1.0% (2.6).

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

€ million	H1/ 2011	H1/ 2010	Change, %	Q2/ 2011	Q2/ 2010	Change, %	2010
Insurance premium revenue	507	473	7	261	246	6	964
Claims incurred	-356	-329	8	-163	-162	1	-694
Operating expenses	-109	-104	5	-55	-55	1	-205
Amortisation adjustment of intangible assets	-11	-12	-13	-5	-6	-13	-31
Balance on technical account	32	27	16	38	23	64	33
Net investment income	62	42	49	24	26	-7	87
Other income and expenses	-26	-27	-4	-13	-12	7	-37
Earnings before tax	68	42	61	49	37	35	83
Earnings before tax at fair value	38	71	-46	43	-4		139
Combined ratio, %	93.7	94.2		85.3	90.5		96.6
Operating combined ratio, %	91.6	91.6		83.3	88.0		89.7
Operating expense ratio, %	21.5	22.0		21.1	22.2		21.3
Return on investments at fair value, %	1.0	2.6		0.6	-0.6		5.1
Solvency ratio, %	86	91					86
Personnel	2,227	2,073	6				2,090

January–June earnings

Insurance operations

Insurance premium revenue continued to grow, and the balance on technical account was good. Total insurance premium revenue was up by 7% (0), with all divisions reporting growth in their premium revenue. With growth in claims incurred flattening out, profitability developed favourably. The operating balance on technical account totalled EUR 43 million (40) and the operating combined ratio stood at 91.6% (91.6). These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue	H1/ 2011	H1/2010	Change, %
Private Customers	248	229	8
Corporate Customers	234	219	7
Baltic States	25	24	2
Total	507	473	7

Insurance premium revenue continued to grow among Private Customers. The number of loyal customer households increased by 19,092 (17,867). Pohjola continued to strengthen its market position among Private Customers.

The June-end number of loyal customer households totalled 499,697, of which up to 64% 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–June, OP bonuses were used to pay 679,000 insurance premiums, with 98,800 paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 31 million.

Insurance premium revenue from Corporate Customers rebounded by 7% in the wake of the end of the recession. The strongest growth came from SMEs.

Growth in claims incurred flattened out in the second quarter, and they rose by 8% in January–June. Growth in the insurance portfolio, greater economic activity and two successive winters with a thick snow cover added to the number of losses reported, their number increasing by 7%. The higher amount of claims incurred that followed the major losses levelled off in the first half of 2011. 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 113 (102) in January–June, with their claims incurred retained for own account totalling EUR 52 million (50). The operating loss ratio stood at 70.1% (69.6) and the risk ratio (excl. loss adjustment expenses) at 64.0% (63.4).

The operating expense ratio stood at 21.5% (22.0). Operating expenses rose to EUR 109 million (104), stemming mainly from personnel costs. Pohjola has recruited more personnel for sales and claims services with

a view to improving services for the growing customer base. In the first half, Pohjola Insurance also strengthened resources in its wellbeing-at-work business through some 40 wellbeing experts, the most of whom came from Excenta as a result of the company acquisition. The operating cost ratio (incl. indirect loss adjustment expenses) stood at 27.6% (28.2).

Operating balance on technical account and combined ratio (CR)	H1/2011		H1/2010	
	Balance	CR	Balance	CR
	€ million	%	€ million	%
Private Customers	30.8	87.6	30.7	86.6
Corporate Customers	13.0	94.4	6.9	96.8
Baltic States	-1.2	104.9	2.2	91.0
Total	42.6	91.6	39.8	91.6

Within Private Customers, profitability developed as expected and the operating balance on technical account remained unchanged on a year earlier. Within Corporate Customers, the operating balance on technical account improved as a result of the favourable development in claims expenditure. In the Baltic States, the snowy winter added to claims and the unfavourable first-quarter development was still reflected in profitability.

Investment operations

The first-half remained volatile for capital markets. Return on investments at fair value stood at 1.0% (2.6). Net investment income recognised in the income statement amounted to EUR 62 million (42). Dividend income recognised in the income statement totalled EUR 25 million (18). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 2 million (25). Net investment income at fair value was EUR 32 million (70).

Investment portfolio by asset class, %	30 Jun 2011	31 March 2011	31 Dec 2010
Bonds and bond funds	68	70	71
Alternative investments	7	7	7
Equities	11	11	12
Private equity	3	2	2
Real property	8	7	7
Money market instruments	3	2	1
Total	100	100	100

On 30 June 2011, the investment portfolio totalled EUR 2,947 million (2,924). The fixed-income portfolio by credit rating remained healthy, considering that investments under the "investment-grade" represented 90% (91) and 77% of the investments were rated at least A-. The average residual term to maturity of the fixed-income portfolio was 4.8 years (5.3) and the duration 3.9 years (4.1).

April-June earnings

Insurance operations

Insurance premium revenue continued to grow, and the balance on technical account was very good. Total insurance premium revenue was up by 6% (2). Claims expenditure developed favourably and claims incurred remained almost at the level reported a year ago. The operating balance on technical account totalled EUR 44 million (30) and the operating combined ratio stood at 83.3% (88.0).

Insurance premium revenue	Q2/2011	Q2/2010	Change, %
Private Customers	131	123	6
Corporate Customers	118	111	7
Baltic States	12	12	2
Total	261	246	6

Insurance premium revenue and the number of customers continued to grow among Private Customers. The number of loyal customer households increased by 7,637 (9,187). Insurance premium revenue continued to grow at the first-quarter rate in Corporate Customers and the Baltic States.

Claims incurred rose by less than 1%. Claims incurred among Private Customers continued to increase as a result of growth in the insurance portfolio, whereas those among Corporate Customers were lower than a year ago as a result of favourable claims developments. 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 61 (52) in April-June, with their claims incurred retained for own account totalling EUR 20 million (25). The operating loss ratio improved to 62.2% (65.8) and the risk ratio (excl. loss adjustment expenses) stood at 56.1% (59.5).

The operating expense ratio was 21.1% (22.2). Operating expenses amounted to EUR 55 million (55). The operating cost ratio (incl. loss adjustment expenses) stood at 27.1% (28.4).

Operating balance on technical account and combined ratio (CR)	Q2/2011		Q2/2010	
	Balance € million	CR %	Balance € million	CR %
Private Customers	25.9	80.2	25.4	79.4
Corporate Customers	17.6	85.1	2.1	98.1
Baltic States	0.2	98.4	2.0	83.1
Total	43.7	83.3	29.5	88.0

Within Private Customers, profitability remained at the level reported a year earlier. The Corporate Customers division made excellent progress in profitability and premium revenue continued its strong growth. In the Baltic States, the balance on technical account was weaker year on year.

Investment operations

Return on investments at fair value stood at 0.6% (–0.6). Net investment income recognised in the income statement amounted to EUR 24 million (26). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 1 million (9). Net investment income at fair value was EUR 17 million (–15).

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.

On 30 June, Non-life Insurance solvency capital came to EUR 857 million (832) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 86% (86). Equalisation provisions rose to EUR 429 million (424).

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

No major changes occurred in investment risk exposure.

Asset Management

- Earnings before tax improved by 13% to EUR 13.5 million (11.9).
- Assets under management totalled EUR 33.9 billion (35.0).
- Operating cost/income ratio improved to 49% (53).

Asset Management: financial results and key figures and ratios

€ million	H1/2011	H1/2010	Change, %	Q2/ 2011	Q2/ 2010	Change, %	2010
Net commissions and fees	25	27	-7	13	14	-7	58
Other income	2	1	69	1	1	81	9
Total income	27	28	-3	14	15	-3	67
Personnel costs	9	10	-10	4	5	-9	21
Other expenses	6	7	-5	3	3	-2	15
Total expenses	15	16	-8	8	8	-6	35
Share of associate's profit	1	0		1	0		0
Earnings before tax	13	12	13	7	6	15	31
Earnings before tax at fair value	13	12	13	7	6	15	31
Assets under management, € billion	33.9	33.6	1	33.9	33.6	1	35.0
Operating cost/income ratio, %	49	53		48	52		53
Personnel	149	170	-12				144

January–June earnings

Year on year, earnings before tax rose by 13% to EUR 13.5 million (11.9). The operating cost/income ratio improved to 49% (53). The first-half earnings included EUR 0.9 million (1.2) in performance-based management fees. The first-half earnings a year ago included income and expenses of Pohjola Capital Partners Ltd and Pohjola Private Equity Funds Ltd sold in December 2010. Earnings posted by these sold companies increased earnings before tax by EUR 1.5 million in the first half of 2010. For the continuing operations, both income and expenses increased. Earnings before tax include EUR 1.2 million deriving from net profit shown by Access Capital Partners Group SA, an associated company acquired in December 2010, in proportion to Pohjola's shareholding.

Assets under management shrank by EUR 1.0 billion from their 2010-end level. At the end of the second quarter in particular, market uncertainty made clients lower their investment risk levels, which led to a reduction in assets under management.

April–June earnings

Earnings before tax amounted to EUR 7.3 million (6.4). Year on year, earnings improved by 15%. The operating cost/income ratio improved to 48% (52). Q2/2010 earnings included EUR 0.7 million in earnings posted by companies sold in December 2010. Earnings include EUR 0.8 million in earnings recorded by Access Capital Partners Group SA.

Assets under management diminished by EUR 0.8 billion.

Assets under management, € billion	30 Jun 2011	31 March 2011	31 Dec 2010
Institutional clients	19.0	19.4	19.5
OP mutual funds	11.6	12.0	12.0
Private	3.3	3.4	3.4
Total	33.9	34.8	35.0

Assets under management by asset class, %	30 Jun 2011	31 March 2011	31 Dec 2010
Money market investments	14	13	14
Bonds	38	40	39
Equities	28	29	29
Other	19	18	18
Total	100	100	100

Group Functions

- Earnings before tax amounted to EUR 24 million (30), eroded by lower net interest income and capital gains on notes and bonds.
- Earnings before tax at fair value improved by EUR 52 million year on year.
- Liquidity and the availability of funding remained good.

Group Functions: financial results and key figures and ratios

€ million	H1/ 2011	H1/ 2010	Change, %	Q2/ 2011	Q2/ 2010	Change, %	2010
Net interest income	22	34	-37	9	20	-56	64
Net trading income	-1	-9	94	2	-3		-9
Net investment income	13	15	-18	1	-3		31
Other income	5	7	-23	3	4	-26	12
Total income	39	47	-18	14	17	-17	98
Personnel costs	7	7	2	3	4	-11	15
Other expenses	8	11	-20	4	6	-26	23
Total expenses	15	17	-12	7	9	-20	38
Earnings before impairments of receivables	24	30	-21	7	8	-14	60
Impairments of receivables	0			0			-1
Earnings before tax	24	30	-21	7	8	-14	61
Earnings before tax at fair value	22	-29		4	-43		-12
Liquidity portfolio, € billion	11.9	12.5	-5				9.5
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	2.8	3.3	-15				3.4
Central Banking earnings, € million	7	7	-2	3	3	-2	12
Personnel	132	123	7				126

January–June earnings

Earnings before tax dropped by EUR 6 million to EUR 24 million, year on year. Net interest income decreased as a result of funding costs. Net investment income included EUR 7 million in capital gains on notes and bonds (16) and EUR 6 million (3) in dividend income. Impairment charges recognised on shares and participations included in available-for-sale financial assets totalled EUR 1 million (4).

The availability of funding remained good. During the reporting period, Pohjola increased its long-term funding by issuing in international capital markets one senior bond with a maturity of five years and worth EUR 500 million. In addition, OP Mortgage Bank issued a covered bond worth EUR 1 billion and with a maturity of five years.

In July, OP Mortgage Bank issued a covered bond worth EUR 1 billion and with a maturity of seven years.

On 30 June, the average wholesale funding margin was 37 basis points (26). Average funding costs will rise when maturing long-term debt is renewed with higher margins.

Earnings before tax at fair value came to EUR 22 million, which is EUR 52 million higher than a year earlier.

April–June earnings

Earnings before tax were EUR 7 million, or one million euros lower than the year before.

Earnings before tax at fair value were EUR 47 million higher than a year earlier. Uncertainty over economic development in the euro area has kept credit spreads wide.

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 19.4 billion (18.1), consisting of assets held in the liquidity portfolio to secure OP-Pohjola Group's liquidity and of receivables from OP-Pohjola Group member banks. The liquidity portfolio amounted to EUR 11.9 billion (12.5), comprising primarily investments in notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, and in securitised assets.

Interest rate risk exposure averaged EUR 13.8 million (9.7) in the first half, based on the 1-percentage-point change in the interest rate.

Shares and shareholders

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

Number of shares

Share series 30 Jun 2011	Number of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,169,770	78.6	42.4
Pohjola K (POHKS)	68,381,645	21.4	57.6
Total	319,551,415	100	100

On 30 June 2011, one Series A share closed at EUR 8.88 (31 December 2010: 8.97). In the first half of 2011, the share price reached a high of EUR 10.27 (11 April 2011) and a low of EUR 8.04 (27 June 2011). A dividend payable on one Series A share and one Series K share for 2010 amounted to EUR 0.40 and EUR 0.37, respectively.

Pohjola's market capitalisation amounted to EUR 2,836 million (2,866) on 30 June. In calculating the market capitalisation, Series K shares were valued at the price of Series A shares.

Trading in Series A shares in euro terms amounted to EUR 865 million in the first half of 2011 as against EUR 647 million a year earlier, while in volume terms it came to 90 million shares (80).

Number of shareholders

On 30 June 2011, Pohjola had 34,146 shareholders, private individuals accounting for 95%. The number of nominee-registered shares increased by 3.1 million from that on 31 December 2010. On 30 June 2011, these shares accounted for 21.3% (20.1) of Series A shares.

	30 Jun 2011	31 Dec 2010	Change
Holders of Series A shares	34,140	34,903	-763
Holders of Series K shares	114	119	-5
Total*	34,146	34,910	-764

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

On 5 May 2011, Suomi Mutual sold OP-Pohjola all of its Pohjola Series A shares accounting for 7.26% of all shares and 3.91% of all votes conferred by the shares. As a result of this transaction, Suomi Mutual's shareholding decreased below one-twentieth (1/20) and OP-Pohjola's shareholding increased to over three-tenth (3/10).

Major shareholders

30 Jun 2011	% of all shares	% of Series A shares	% of votes
OP-Pohjola Group Central Cooperative	37.24	23.23	60.96
Ilmarinen Mutual Pension Insurance Company	10.00	12.72	5.39
Oulun Osuuspankki	1.37	1.11	1.81
OP Bank Group Pension Fund	1.08	1.38	0.58
OP Bank Group Pension Foundation	0.73	0.93	0.39
State Pension Fund	0.56	0.72	0.30
Turun Seudun Osuuspankki	0.56	0.70	0.32
Varma Mutual Pension Insurance Company	0.55	0.71	0.30
Suur-Savon Osuuspankki	0.47	0.53	0.36
Tampereen Seudun Osuuspankki	0.47	0.56	0.32
Nominee-registered shares, total	16.77	21.33	9.03
Other	30.20	36.08	20.24
Total	100.00	100.00	100.00

Management

In May, Pohjola Bank plc's Board of Directors decided that Pohjola would join OP-Pohjola Group's new long-term incentive schemes. OP-Pohjola's Group-level targets apply to these schemes and conform to those covering a new, share-based management incentive scheme and OP Personnel Fund for the entire Group's personnel.

The common, Group-level long-term performance indicators applying to all personnel will help OP-Pohjola Group implement its strategy.

Group restructuring

In May, Pohjola Insurance Ltd acquired Excenta, a strategic corporate wellness services provider, from its management and Elisa Corporation. This acquisition strengthened Pohjola's new wellbeing business and diversified Pohjola Health Ltd's services for corporate customers.

Events after the balance sheet date

In July, Pohjola Bank plc issued Lower Tier 2 subordinated notes of CHF 100 million. The notes will increase Pohjola Group's capital adequacy ratio by around 0.6 percentage points and Tier 1 ratio by 0.2 percentage points.

The European Banking Authority (EBA) published its EU-wide forward-looking stress tests in July. Just like last year, OP-Pohjola Group's capital adequacy clearly exceeded the stress test's threshold level. In the adverse scenario, the Group's capital adequacy remained on a solid basis and clearly above the test's minimum requirement. The Group's Core Tier 1 capital ratio would fall no lower than 11.5%, while the minimum level in the test is 5%. At the end of 2012, the Group's Core Tier 1 ratio was 11.6% in the stress scenario. Pohjola's data are included in OP-Pohjola Group's results.

On 21 July 2011, the heads of state or government of the euro area and EU institutions made a statement concerning the stability of the euro area and the Greek sovereign debt crisis, which contains views on the voluntary contribution of the private sector to help Greece. Pohjola Group's direct exposure to Greek sovereign bonds had a market value of EUR 28 million on 31 July. The table below shows Pohjola Group's direct exposure to GIIPS sovereign bonds as of 31 July.

€ million	Banking	Non-life Insurance	Group Functions	Total
Greece	0	28	0	28
Italy	0	30	0	30
Ireland	0	4	40	44
Portugal	0	16	0	16
Spain	0	15	0	15
Total	0	93	40	133

Outlook towards the year end

The economic recovery has been reflected in demand for corporate loans, with the result that the corporate loan portfolio has begun to grow. The average corporate loan margin has turned down and tougher competition is expected to send the margin on new loans down. With continued economic growth, impairment charges for 2011 are expected to be lower than the year before. The greatest uncertainties related to Banking's financial performance in 2011 are associated with future impairment charges on the loan portfolio.

Insurance premium revenue is expected to continue to increase at an above-the-market-average rate among private customers. Insurance premium revenue from corporate customers has rebounded. In Non-life Insurance, the operating combined ratio is estimated to vary between 89% and 93% (previous estimate: 89–94%) 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, assets under management are expected to increase during the rest of the year, 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 commissions and fees tied to the success of investments and the amount of assets under management.

The key determinants affecting the Group Functions' financial performance include net interest income arising from assets in the liquidity portfolio, any capital gains or losses on notes and bonds and any impairment charges recognised on notes and bonds in the income statement. Capital gains on notes and bonds 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 economic outlook and the operating environment. A major risk that may undermine this outlook is the exacerbation of the fiscal crisis in certain euro countries and any repercussions on the entire financial sector may be rapid and significant.

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

Consolidated income statement

EUR million	Note	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Net interest income	3	72	67	140	127
Impairments of receivables	4	20	29	35	62
Net interest income after impairments		52	38	105	65
Net income from Non-life Insurance	5	126	114	219	193
Net commissions and fees	6	40	41	80	81
Net trading income	7	5	8	19	15
Net investment income	8	2	-3	14	15
Other operating income	9	10	10	21	21
Total income		234	210	457	392
Personnel costs		55	52	110	99
IT expenses		20	19	39	38
Depreciation/amortisation		14	16	28	34
Other expenses		43	43	84	82
Total expenses		132	130	261	253
Share of associates' profits/losses		1	0	1	0
Earnings before tax		103	80	197	139
Income tax expense		28	21	50	36
Profit for the period		75	59	148	102
Attributable to owners of the Parent		75	59	148	102
Total		75	59	148	102
Earnings per share (EPS), basic, EUR					
Series A		0.24	0.19	0.47	0.33
Series K		0.21	0.16	0.44	0.30

Consolidated statement of comprehensive income

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Profit for the period	75	59	148	102
Change in fair value reserve				
Measurement at fair value	-18	-91	-26	-31
Cash flow hedge	8	0	-6	0
Translation differences	0	0	0	0
Income tax on other comprehensive income				
Measurement at fair value	-5	-24	-7	-8
Cash flow hedge	2	0	-2	0
Total comprehensive income for the period	67	-9	124	79
Total comprehensive income attributable to owners of the Parent	67	-9	124	79
Total	67	-9	124	79

Consolidated balance sheet

EUR million	Note	30 June 2011	31 Dec 2010
Cash and cash equivalents		3,331	1,501
Receivables from credit institutions		7,976	8,033
Financial assets at fair value through profit or loss			
Financial assets held for trading		361	410
Financial assets at fair value through profit or loss at inception		13	12
Derivative contracts		1,741	1,962
Receivables from customers		12,294	12,433
Non-life Insurance assets	12	3,369	3,198
Investment assets		7,154	6,339
Investment in associates		26	25
Intangible assets	13	924	925
Property, plant and equipment (PPE)		86	97
Other assets		1,367	1,208
Tax assets		48	40
Total assets		38,691	36,184
Liabilities to credit institutions		5,970	4,960
Financial liabilities at fair value through profit or loss			
Financial assets held for trading		24	0
Derivative contracts		1,971	2,054
Liabilities to customers		6,181	4,231
Non-life Insurance liabilities	14	2,606	2,351
Debt securities issued to the public	15	15,938	16,685
Provisions and other liabilities		2,111	1,816
Tax liabilities		444	455
Subordinated liabilities		1,071	1,255
Total liabilities		36,316	33,807
Shareholders' equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	16	-36	-12
Other reserves		1,093	1,093
Retained earnings		890	868
Total shareholders' equity		2,375	2,377
Total liabilities and shareholders' equity		38,691	36,184

Consolidated statement of changes in equity

EUR million	Share capital	Fair value reserve Measure- ment at fair value	Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2010	428	0		1,093	746	2,267
Total comprehensive income for the period		-23	0		102	79
Profit distribution					-107	-107
EUR 0.34 per Series A share					-85	-85
EUR 0.31 per Series K share					-21	-21
Equity-settled share-based payment					0	0
Other					0	0
Balance at 30 June 2010	428	-23	0	1,093	742	2,239

EUR million	Share capital	Fair value reserve Measure- ment at fair value	Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2011	428	-6	-6	1,093	868	2,377
Total comprehensive income for the period		-19	-5		148	124
Profit distribution					-126	-126
EUR 0.40 per Series A share					-100	-100
EUR 0.37 per Series K share					-25	-25
Equity-settled share-based payment					0	0
Other					0	0
Balance at 30 June 2011	428	-25	-11	1,093	890	2,375

Consolidated cash flow statement

EUR million	Q1-2/ 2011	Q1-2/ 2010
Cash flow from operating activities		
Profit for the period	148	102
Adjustments to profit for the period	257	294
Increase (-) or decrease (+) in operating assets	-1,139	-1,664
Receivables from credit institutions	292	183
Financial assets at fair value through profit or loss	-204	118
Derivative contracts	-15	-37
Receivables from customers	86	-442
Non-life Insurance assets	-223	-154
Investment assets	-917	-1,327
Other assets	-157	-7
Increase (+) or decrease (-) in operating liabilities	3,399	2,345
Liabilities to credit institutions	1,012	1,075
Financial liabilities at fair value through profit or loss	24	-37
Derivative contracts	32	34
Liabilities to customers	1,949	799
Non-life Insurance liabilities	90	53
Provisions and other liabilities	292	421
Income tax paid	-61	-33
Dividends received	32	22
A. Net cash from operating activities	2,635	1,066
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	74	82
Acquisition of subsidiaries and associates, net of cash acquired	-3	0
Purchase of PPE and intangible assets	-16	-6
Proceeds from sale of PPE and intangible assets	0	0
B. Net cash used in investing activities	55	76
Cash flow from financing activities		
Increases in subordinated liabilities	0	69
Decreases in subordinated liabilities	-156	-10
Increases in debt securities issued to the public	19,959	22,535
Decreases in debt securities issued to the public	-20,296	-22,664
Dividends paid	-126	-107
C. Net cash used in financing activities	-619	-178
Net increase/decrease in cash and cash equivalents (A+B+C)	2,071	964
Cash and cash equivalents at period-start	1,758	3,250
Cash and cash equivalents at period-end	3,829	4,214
Cash and cash equivalents		
Liquid assets*	3,341	3,784
Receivables from credit institutions payable on demand	488	430
Total	3,829	4,214

* Of which EUR 10 million (5) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q2 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking Markets	44					44
Other operations	18					18
		0	1	9	1	9
Total	63	0	1	9	1	72
Net commissions and fees	24	5	13	-1	-1	40
Net trading income	2		0	2	1	5
Net investment income	1		0	1		2
Net income from Non-life Insurance						
From insurance operations		115				115
From investment operations		24			-1	23
From other items		-12				-12
Total		127			-1	126
Other operating income	6	1	1	3	-1	10
Total income	95	132	14	14	-2	254
Personnel costs	15	32	4	3		55
IT expenses	7	11	1	2	0	20
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	5	2	0	0		8
Other expenses	8	32	2	2	-2	43
Total expenses	36	83	8	7	-2	132
Earnings/loss before impairment of receivables	59	49	6	7	0	122
Impairments of receivables	20			0		20
Share of associates' profits/losses		0	1		0	1
Earnings before tax	39	49	7	7	0	103
Change in fair value reserve	-1	-7	0	-3	0	-11
Earnings/loss before tax at fair value	38	43	7	4	0	92

Q2 earnings 2010, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking Markets	44					44
Other operations	4					4
		-1	0	20	0	19
Total	48	-1	0	20	0	67
Net commissions and fees	23	5	14	0	-1	41
Net trading income	12		0	-3	0	8
Net investment income	0		0	-3		-3
Net income from Non-life Insurance						
From insurance operations		99				99
From investment operations		26			1	26
From other items		-11				-11
Total		114			1	114
Other operating income	7	1	0	4	-1	10
Total income	90	118	15	17	-1	239
Personnel costs	14	30	5	4	0	52
IT expenses	6	10	1	2	0	19
Amortisation on intangible assets related to company acquisitions		8	1			8
Other depreciation/amortisation and impairments	6	2	0	0		8
Other expenses	6	32	2	4	-1	43
Total expenses	32	81	8	9	-1	130
Earnings/loss before impairment of receivables	58	37	6	8	0	109
Impairments of receivables	29					29
Share of associates' profits/losses		0				0
Earnings before tax	29	37	6	8	0	80
Change in fair value reserve	0	-41	0	-51	0	-92
Earnings/loss before tax at fair value	29	-4	6	-43	0	-11

Q1–2 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking	87					87
Markets	31					31
Other operations		-1	1	22	1	23
Total	118	-1	1	22	1	140
Net commissions and fees	49	9	25	-1	-2	80
Net trading income	17		0	-1	2	19
Net investment income	1		0	13		14
Net income from Non-life Insurance						
From insurance operations		183				183
From investment operations		62			-2	60
From other items		-23				-23
Total		221			-2	219
Other operating income	13	3	1	7	-3	21
Total income	198	232	27	39	-4	493
Personnel costs	30	65	9	7		110
IT expenses	13	22	1	3	0	39
Amortisation on intangible assets related to company acquisitions		11	1			12
Other depreciation/amortisation and impairments	11	4	1	1		16
Other expenses	16	63	4	5	-3	84
Total expenses	70	164	15	15	-4	261
Earnings/loss before impairment of receivables	128	68	12	24	0	232
Impairments of receivables	36	0		0		35
Share of associates' profits/losses		0	1		0	1
Earnings before tax	92	68	13	24	0	197
Change in fair value reserve	0	-30	0	-1	-1	-32
Earnings/loss before tax at fair value	92	38	13	22	-1	166

Q1–2 earnings 2010, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking	84					84
Markets	10					10
Other operations		-3	0	34	1	32
Total	95	-3	0	34	1	127
Net commissions and fees	47	9	27	-1	-2	81
Net trading income	24		0	-9	0	15
Net investment income	0		0	15		15
Net income from Non-life Insurance						
From insurance operations		173				173
From investment operations		42			1	43
From other items		-23				-23
Total		192			1	193
Other operating income	14	1	1	8	-2	21
Total income	180	200	28	47	-2	453
Personnel costs	26	57	10	7	0	99
IT expenses	12	21	1	4	0	38
Amortisation on intangible assets related to company acquisitions		15	1			16
Other depreciation/amortisation and impairments	13	3	1	1		17
Other expenses	13	61	4	6	-2	82
Total expenses	64	157	16	17	-2	253
Earnings/loss before impairment of receivables	116	42	12	30	0	200
Impairments of receivables	62	0				62
Share of associates' profits/losses		0				0
Earnings before tax	55	42	12	30	0	139
Change in fair value reserve	0	28	0	-59	0	-31
Earnings/loss before tax at fair value	55	71	12	-29	0	108

Balance sheet 30 June 2011, EUR million	Banking	Non-life Insurance	Asset Manage- ment	Group Functions	Elimi- nations	Group total
Receivables from customers	12,116			298	-120	12,294
Receivables from credit institutions	364	0	2	10,958	-17	11,307
Financial assets at fair value through profit or loss	443			-68		375
Non-life Insurance assets		3,507			-138	3,369
Investment assets	216	16	18	6,913	-9	7,154
Investments in associates		2	24			26
Other assets	2,465	785	118	837	-39	4,166
Total assets	15,603	4,311	162	18,938	-323	38,691
Liabilities to customers	2,378			3,891	-89	6,181
Liabilities to credit institutions	798			5,294	-122	5,970
Non-life Insurance liabilities		2,623			-17	2,606
Debt securities issued to the public				15,983	-45	15,938
Subordinated liabilities		50		1,021		1,071
Other liabilities	3,226	69	13	1,292	-50	4,549
Total liabilities	6,402	2,742	13	27,482	-322	36,316
Shareholders' equity						2,375
Average personnel	700	2,227	149	132		3,207
Capital expenditure, EUR million	5	11	0	0		17

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

Notes

Note 1. Accounting policies

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

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

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

Note 2. Formulas for key figures and ratios

Return on equity (ROE) at fair value, %

$$\frac{\text{Profit for the period} + \text{Change in fair value reserve after tax}}{\text{Shareholders' equity (average of the beginning and end of period)}} \times 100$$

Earnings/share (EPS)

$$\frac{\text{Profit for the period attributable to owners of the Parent}}{\text{Average share-issue adjusted number of shares during the period}}$$

Earnings/share (EPS) at fair value

$$\frac{(\text{Profit for the period attributable to owners of the Parent} + \text{Change in fair value reserve})}{\text{Average share-issue adjusted number of shares during the period}}$$

Equity/share

$$\frac{\text{Shareholders' equity}}{\text{Share-issue adjusted number of shares on the balance sheet date}}$$

Dividend per share (DPS)

$$\frac{\text{Dividends paid for the financial year}}{\text{Share-issue adjusted number of shares on the balance sheet date}}$$

Market capitalisation

$$\text{Number of shares} \times \text{closing price on the balance sheet date}$$

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

$$\frac{\text{Conglomerate's total capital}}{\text{Conglomerate's total minimum capital requirement}}$$

Capital adequacy ratio, %

$$\frac{\text{Total capital}}{\text{Total minimum capital requirement}} \times 8$$

Tier 1 ratio, %

$$\frac{\text{Total Tier 1 capital}}{\text{Total minimum capital requirement}} \times 8$$

Core Tier 1, %

$$\frac{\text{Total Tier 1 capital, excl. hybrid capital}}{\text{Total minimum capital requirement}} \times 8$$

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)

$$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Expense ratio

$$\frac{\text{Operating expenses} + \text{Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \times 100$$

Risk ratio (excl. unwinding of discount)

Claims excl. loss adjustment expenses / Net insurance premium revenue x 100

Cost ratio

Operating expenses and loss adjustment expenses / Net insurance premium revenue x 100

Combined ratio (excl. unwinding of discount)

Loss ratio + expense ratio

Risk ratio + cost ratio

Solvency ratio

(+ Non-life Insurance net assets

+ Subordinated loans

+ Net tax liability for the period

- Deferred tax to be realised in the near future and other items deducted from the solvency margin

- Intangible assets)/

Insurance premium revenue x 100

OPERATING KEY RATIOS**Operating cost/income ratio**

(+ Personnel costs

+ Other administrative expenses

+ Other operating expenses excl. amortisation on intangible assets and goodwill related to Pohjola acquisition) /

(+ Net interest income

+ Net income from Non-life Insurance

+ Net commissions and fees

+ Net trading income

+ Net investment income

+ Other operating income) x 100

Operating loss ratio, %

Claims incurred, excl. changes in reserving bases/

Insurance premium revenue, excl. net changes in reserving bases x 100

Operating expense ratio

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio

Values used in calculating the ratios

EUR million	30 June 2011	31 Dec 2010	
Non-life Insurance			
Non-life Insurance net assets	1,569	1,564	
Net tax liabilities for the period	-1	-13	
Own subordinated loans	50	50	
Deferred tax to be realised in the near future and other items deducted from the solvency margin of the companies	-3	2	
Intangible assets	763	767	
EUR million	30 June 2011	30 June 2010	31 Dec 2010
Non-recurring items			
Increase in technical provisions related to higher life expectancy			-35
Cancellation of provision for guarantee system			15
Items related to corporate transaction (Asset Management)			6

Note 3. Net interest income

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Loans and other receivables	92	75	176	148
Receivables from credit institutions and central banks	35	22	66	45
Notes and bonds	60	58	116	112
Derivatives (net)				
Derivatives held for trading	14	4	20	14
Derivatives under hedge accounting	-5	-7	-8	-24
Liabilities to credit institutions	-21	-14	-38	-27
Liabilities to customers	-12	-3	-19	-6
Debt securities issued to the public	-77	-53	-148	-110
Subordinated debt	-8	-8	-15	-16
Hybrid capital	-3	-2	-5	-5
Financial liabilities held for trading	0	0	0	-1
Other (net)	0	-1	-1	-1
Net interest income before fair value adjustment under hedge accounting	74	70	143	129
Hedging derivatives	-29	-37	1	-78
Value change of hedged items	27	34	-3	76
Total net interest income	72	67	140	127

Note 4. Impairments of receivables

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Receivables eliminated as loan or guarantee losses	2	15	4	40
Recoveries of eliminated receivables	0	0	0	0
Increase in impairment losses	25	28	41	69
Decrease in impairment losses	-7	-14	-9	-47
Total impairments of receivables	20	29	35	62

Note 5. Net income from Non-life Insurance

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Net insurance premium revenue				
Premiums written	260	218	734	665
Insurance premiums ceded to reinsurers	-18	-6	-48	-34
Change in provision for unearned premiums	14	39	-204	-169
Reinsurers' share	5	-6	25	12
Total	261	246	507	473
Net Non-life Insurance claims				
Claims paid	176	147	353	324
Insurance claims recovered from reinsurers	-11	-2	-15	-17
Change in provision for unpaid claims	-30	1	-25	-28
Reinsurers' share	11	0	12	21
Total	147	146	325	300

Net investment income, Non-life Insurance				
Interest income	16	16	32	32
Dividend income	4	2	25	18
Investment property	2	1	3	3
Capital gains and losses				
Notes and bonds	1	4	-8	35
Shares and participations	4	15	10	-5
Loans and receivables	0	-1	-1	-1
Investment property		2	0	2
Derivatives	-1	-17	6	-25
Fair value gains and losses				
Notes and bonds	0	0	0	1
Shares and participations	-2	0	-7	-16
Loans and receivables	0	-1	-1	-2
Investment property	0	0	0	0
Derivatives	-1	4	0	0
Other	1	1	3	2
Total	23	26	60	43
Unwinding of discount	-12	-11	-23	-22
Other	0	0	0	0
Total net income from Non-life Insurance	126	114	219	193

Note 6. Net commissions and fees

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Commission income				
Lending	10	10	19	18
Payment transfers	3	3	7	6
Securities brokerage	7	8	17	15
Securities issuance	3	3	4	7
Asset management and legal services	15	16	28	30
Insurance operations	5	5	9	9
Guarantees	4	4	8	8
Other	1	1	2	3
Total commission income	47	50	95	96
Commission expenses				
Payment transfers	0	1	1	1
Securities brokerage	2	3	5	5
Securities issuance	2	1	3	2
Asset management and legal services	2	4	3	5
Other	1	1	2	1
Total commission expenses	8	9	14	15
Total net commissions and fees	40	41	80	81

Note 7. Net trading income

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Financial assets and liabilities held for trading				
Capital gains and losses				
Notes and bonds	0	8	-4	13
Shares and participations	0	0	0	0
Derivatives	1	-5	7	-17
Fair value gains and losses				
Notes and bonds	2	-1	2	3
Shares and participations	0	0	0	0
Derivatives	3	0	14	7
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses				
Notes and bonds		0		0
Fair value gains and losses				
Notes and bonds	0	1	1	1
Net income from foreign exchange operations	-2	5	0	9
Total net trading income	5	8	19	15

Note 8. Net investment income

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	3	3	7	16
Shares and participations		0	0	1
Dividend income	0	0	6	3
Impairments	0	-1	-1	-4
Carried at amortised cost				
Capital gains and losses				
Loans and other receivables	0	-5	1	-1
Total	3	-3	14	15
Investment property	0	0	0	0
Total net investment income	2	-3	14	15

Note 9. Other operating income

EUR million	Q2/ 2011	Q2/ 2010	Q1-2/ 2011	Q1-2/ 2010
Central banking service fees	2	2	4	5
Realisation of repossessed items	0	0	0	1
Rental income from assets rented under operating lease	4	6	10	12
Other	3	2	7	4
Total	10	10	21	21

Note 10. Classification of financial instruments

Assets, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Cash and balances with central banks	3,331					3,331
Receivables from credit institutions and central banks	7,976					7,976
Derivative contracts			1,652		90	1,741
Receivables from customers	12,294					12,294
Non-life Insurance assets**	675		101	2,593		3,369
Notes and bonds***		856	375	6,188		7,419
Shares and participations				83		83
Other receivables	2,451		26			2,477
Total 30 June 2011	26,727	856	2,153	8,865	90	38,691
Total 31 December 2010	24,912	928	2,408	7,838	98	36,184

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,970		5,970
Financial liabilities held for trading (excl. derivatives)	24			24
Derivative contracts	1,773		199	1,971
Liabilities to customers		6,181		6,181
Non-life Insurance liabilities	2	2,604		2,606
Debt instruments issued to the public		15,938		15,938
Subordinated liabilities		1,071		1,071
Other liabilities		2,555		2,555
Total 30 June 2011	1,798	34,319	199	36,316
Total 31 December 2010	1,854	31,751	202	33,807

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.

** Non-life Insurance assets are specified in Note 12.

*** On 30 June 2011, notes and bonds included EUR 13 million (10) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 30 June 2011, the fair value of these debt instruments was EUR 8 million lower than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair value are lower than their carrying amount, but determining fair values involves uncertainty.

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

Fair value of assets on 30 June 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	294	77	4	375
Non-life Insurance			6	6
Derivative financial instruments				
Banking	10	1,628	104	1,741
Non-life Insurance	1	1		2
Available-for-sale				
Banking	5,405	795	72	6,272
Non-life Insurance	1,739	612	242	2,593
Total	7,448	3,112	429	10,988
Fair value of assets on 31 December 2010, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	307	112	4	422
Non-life Insurance			8	8
Derivative financial instruments				
Banking	32	1,794	137	1,962
Non-life Insurance	0	0		1
Available-for-sale				
Banking	4,782	588	15	5,385
Non-life Insurance	1,577	653	223	2,453
Total	6,699	3,146	386	10,231
Fair value of liabilities on 30 June 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	24	0		24
Derivative financial instruments				
Banking	3	1,951	18	1,971
Non-life Insurance	1	0		2
Total	28	1,951	18	1,996
Fair value of liabilities on 31 December 2010, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		0		0
Derivative financial instruments				
Banking	22	2,020	12	2,054
Non-life Insurance	1	0		2
Total	24	2,020	12	2,056

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

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

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

Transfers between levels of the fair value hierarchy

During 2011, EUR 47 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

Note 12. Non-life Insurance assets

EUR million	30 June 2011	31 Dec 2010
Investments		
Loans and other receivables	157	254
Shares and participations	437	400
Property	93	87
Notes and bonds	1,529	1,500
Derivatives	2	1
Other participations	633	561
Total	2,851	2,802
Other assets		
Prepayments and accrued income	31	38
Other		
From direct insurance	318	228
From reinsurance	116	87
Cash in hand and at bank	10	4
Other receivables	42	39
Total	518	396
Total Non-life insurance assets	3,369	3,198

Note 13. Intangible assets

EUR million	30 June 2011	31 Dec 2010
Goodwill	519	516
Brands	173	173
Customer relationships	167	179
Other	65	56
Total	924	925

Note 14. Non-life Insurance liabilities

EUR million	30 June 2011	31 Dec 2010
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,105	1,108
Other provision for unpaid claims	740	739
Total	1,845	1,847
Provision for unearned premiums	581	377
Derivatives	2	2
Other liabilities	179	125
Total	2,606	2,351

Note 15. Debt securities issued to the public

EUR million	30 June 2011	31 Dec 2010
Bonds	6,853	6,861
Certificates of deposit, commercial papers and ECPs	8,815	9,563
Other	270	262
Total	15,938	16,685

Note 16. Fair value reserve after income tax

EUR million	30 June 2011	31 Dec 2010
Loans and other receivables		
Reclassified notes and bonds	-5	-8
Available-for-sale financial assets		
Notes and bonds	-59	-57
Equities and mutual funds with equity risk	28	28
Other funds	12	31
Derivatives		
Cash flow hedge	-11	-6
Total	-36	-12

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

The fair value reserve before tax totalled EUR –49 million (–31) and the related deferred tax asset amounted to EUR 13 million (8). On 30 June, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 72 million and negative mark-to-market valuations EUR 20 million. In January–June, impairment charges recognised from the fair value reserve in the income statement totalled one million euros.

Note 17. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	30 June 2011	31 Dec 2010	Change
1–2	2.2	2.4	-0.2
3–5	10.5	11.8	-1.2
6–7	4.8	4.2	0.6
8–9	1.9	2.1	-0.2
10	0.1	0.1	0.0
11–12	0.4	0.4	0.0
Non-rated	0.2	0.2	0.0
Total	20.0	21.0	-1.0

* excl. private customers

Sensitivity analysis of market risk

Banking, EUR million	Risk parameter	Change	30 June 2011		31 Dec 2010	
			Effect on results	Effect on share- holders' equity	Effect on results	Effect on share- holders' equity
Interest-rate risk	Interest	1 percen- tage point	13		4	
Currency risk	Market value	20 percen- tage points	3		1	
Volatility risk						
Interest-rate volatility	Volatility	20 percen- tage points	5		2	
Currency volatility	Volatility	10 percen- tage points	1		0	
Credit risk premium*	Credit spread	0.5 percen- tage points	11		12	

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

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

Note 18. Risk exposure by Non-life Insurance

Risk parameter	Total amount 30 June 2011, EUR million	Change in risk parameter	Effect on combined ratio	Effect on share- holders' equity, EUR million
Insurance portfolio or insurance premium revenue*	998	Up 1%	Up 0.9 percentage points	10
Claims incurred*	721	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*	112	Up 8%	Down 0.9 percentage points	-9
Expenses by function*/**	269	Up 4%	Down 1.1 percentage points	-11
		Up 0.25 percentage points	Down 0.3 percentage points	
Inflation for collective liability	499			-3
Life expectancy for discounted insurance contract liability	1,376	Up 1 year	Down 3.2 percentage points	-32
		Down 0.1 percentage point		
Discount rate for discounted insurance contract liability	1,376		Down 1.7 percentage points	-17

* Moving 12-month

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

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 30 June 2011	%	Fair value 31 Dec 2010	%
Money market instruments	92	3 %	14	0 %
Bonds and bond funds	2,020	69 %	2,074	71 %
Equities	411	14 %	422	14 %
Alternative investments	201	7 %	207	7 %
Real property	223	8 %	207	7 %
Total	2,947	100 %	2,924	100 %

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

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	11	214	193	77	112	73	679	32 %
Aa1–Aa3	116	92	72	46	28	81	434	20 %
A1–A3	89	164	165	34	29	32	514	24 %
Baa1–Baa3	50	115	48	41	17	5	276	13 %
Ba1 or lower	35	87	30	33	8	8	201	10 %
Internally rated	1	2	0	9	0	3	15	1 %
Total	302	675	508	239	194	201	2,120	100 %

* Excludes credit derivatives.

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

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million	
			30 June 2011	31 Dec 2010
Bonds and bond funds 1)	Interest rate	1 percentage point	88	92
Equities 2)	Market value	20 percentage points	78	83
Venture capital funds and unquoted equities	Market value	20 percentage points	19	16
Commodities	Market value	20 percentage points	0	5
Real property	Market value	10 percentage points	22	21
Currency	Value of currency	20 percentage points	48	48
Credit risk premium 3)	Credit spread	0.5 percentage points	42	47
Derivatives 4)	Volatility	10 percentage points	3	0

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

2) Include hedge funds and equity derivatives

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

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

Note 19. Risk exposure by Group Functions

Total exposure by rating category, EUR billion

Rating category	30 June 2011	31 Dec 2010	Change
1–2	14.5	13.5	1.0
3–5	4.6	4.3	0.3
6–7	0.2	0.1	0.1
8–9	0.1	0.1	0.0
10	0.0	0.0	0.0
11–12	0.0	0.0	0.0
Non-rated	0.0	0.0	0.0
Total	19.4	18.1	1.3

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	30 June 2011		31 Dec 2010	
			Effect on results	Effect on shareholders' equity	Effect on results	Effect on shareholders' equity
Interest-rate risk	Interest rate	1 percentage point	6		6	0
Interest-rate volatility	Volatility	20 percentage points	2		0	
Credit risk premium*	Credit spread	0.5 percentage points		127	0	121
Price risk						
Equity portfolio	Market value	20 percentage points		1		2
Private equity funds	Market value	20 percentage points		6		6
Property risk	Market value	10 percentage points	3		4	

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

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

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

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	3,502	769	1,877	1,033	812	11	8,004	67 %
Aa1–Aa3	97	1,255	467	76	214		2,109	18 %
A1–A3	211	481	209	22	0	1	925	8 %
Baa1–Baa3	218	118	131	5	0	0	471	4 %
Ba1 or lower		34	17	20			70	1 %
Internally rated	61	52	103	102			318	3 %
Total	4,089	2,708	2,804	1,258	1,027	12	11,898	100 %

The residual maturity of liquidity reserves averages 4.0 years.

Note 20. Capital base and capital adequacy

EUR million	30 June 2011	31 Dec 2010
Tier 1 capital		
Equity capital	2,375	2,377
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	65	93
Fair value reserve, transfer to Tier 2	37	36
Tier 1 capital before deductions and hybrid capital	2,476	2,505
Hybrid capital	274	274
Intangible assets	-167	-165
Excess funding of pension liability and fair value measurement of investment property	-30	-30
Dividend distribution proposed by Board of Directors		-126
Planned dividend distribution	-74	
Investments in insurance companies and financial institutions	-704	-705
Impairments – shortfall of expected losses	-48	-61
Shortfall of Tier 2 capital	-23	
Total Tier 1 capital for calculating capital adequacy	1,703	1,692
Tier 2 capital		
Fair value reserve	-26	-29
Perpetual bonds	299	299
Debenture loans	457	608
Investments in insurance companies and financial institutions	-704	-705
Impairments – shortfall of expected losses	-48	-61
Transfer to Tier 1 capital	23	
Total Tier 2 capital for calculating capital adequacy		111
Total capital base	1,703	1,803
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,409	-1,410
Impairments – shortfall of expected losses	-97	-122
Total	-1,506	-1,531
Risk-weighted assets	13,953	13,520
Capital adequacy ratio, %	12.2	13.3
Tier 1 ratio, %	12.2	12.5

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

OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions stood at 12.0% and Tier 1 ratio at 12.0%.

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

EUR million	30 June 2011	31 Dec 2010
Pohjola Group's equity capital	2,375	2,377
Business-segment-specific items	1,079	1,230
Goodwill and intangible assets	-865	-862
Equalisation provision	-317	-314
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-197	-277
Conglomerate's capital base, total	2,075	2,154
Regulatory capital requirement for credit institutions	1,116	1,082
Regulatory capital requirement for insurance operations	191	177
Total minimum amount of conglomerate's capital base	1,307	1,259
Conglomerate's capital adequacy	768	895
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	1.59	1.71

OP-Pohjola Group's capital adequacy ratio was 1.61.

Note 22. Collateral given

EUR million	30 June 2011	31 Dec 2010
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	6,379	6,026
Other	413	349
Total collateral given	6,793	6,376
Total collateralised liabilities	733	651

Note 23. Off-balance-sheet commitments

EUR million	30 June 2011	31 Dec 2010
Guarantees	1,112	1,125
Other guarantee liabilities	1,273	1,333
Loan commitments	3,889	3,912
Commitments related to short-term trade transactions	194	140
Other	467	463
Total off-balance-sheet commitments	6,934	6,972

Note 24. Derivative contracts

30 June 2011, EUR million	Nominal values/residual term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	61,137	89,101	31,325	181,563	1,318	1,322
Currency derivatives	15,811	2,246	652	18,709	215	468
Equity and index derivatives	77	1,086	6	1,168	84	0
Credit derivatives	23	152		175	4	0
Other derivatives	3,795	318	1	4,114	16	47
Total derivatives	80,843	92,903	31,983	205,729	1,636	1,838

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

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

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

Note 25. Other contingent liabilities and commitments

On 30 June 2011, Banking commitments to venture capital funds amounted to EUR 11 million and Non-Life Insurance commitments to EUR 122 million. They are included in the section 'Off-balance-sheet commitments'.

Note 26. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2010.

Helsinki, 3 August 2011

Pohjola Bank plc
Board of Directors

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

Analyst meeting, conference call and live webcast

Pohjola will hold a briefing in English for analysts and investors on 3 August starting at 3.00 pm Finnish time, EET (2.00 pm CET, 1.00 pm UK time, 8am US EST). The briefing is a combined analyst meeting, conference call and live webcast.

Analysts and investors may attend the briefing in one of the following two ways:

1) By viewing the briefing as live webcast via the internet. The link will be available on the IR website before the briefing begins. Questions on the internet are welcome via a question button available in the webcast window. An on-demand webcast of the briefing can be viewed via the IR website afterwards.

2) By dialling one of the regional conference call numbers shown below. Questions are welcome by telephone in the Q&A session according to instructions. To participate via a conference call, please dial in 5–10 minutes before the beginning of the event:

UK, International +44 203 043 24 36

US +1 866 458 40 87

FIN +358 923 101 527

Password: Pohjola

Press conference

Mikael Silvennoinen, Pohjola Bank plc's President and CEO, will present the interim results in a press conference on OP-Pohjola Group's premises (Teollisuuskatu 1b, Vallila, Helsinki), on 3 August, starting at noon.

Financial reporting in 2011

Schedule for Interim Reports in 2011:

Interim Report Q1–3/2011

2 November 2011

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www.pohjola.fi, www.op.fi

For additional information, please contact

Mikael Silvennoinen, President and CEO, tel. +358 (0)10 252 2549

Vesa Aho, CFO, tel. +358 (0)10 252 2336

Tarja Ollilainen, Senior Vice President, Investor Relations, tel. +358 (0)10 252 4494