Pohjola Bank plc´s
Interim Report for 1 January - 30 June 2012

Pohjola

Pohjola Group Performance for January–June[1)]

- Consolidated earnings before tax came to EUR 203 million (198) and earnings before tax at fair value were EUR 433 million (166). Return on equity at fair value stood at 27.7% (10.4).
- Earnings before tax recorded by Banking improved to EUR 121 million (92). These included EUR 19 million (36) in impairment charges for receivables. The loan portfolio increased by 6% from its level on 31 December 2011 and by 10% in the year to June. The average corporate loan portfolio margin stood at 1.43% (1.34).
- Within Non-life Insurance, insurance premium revenue rose by 8%. The combined ratio was 94.5% (93.7). Excluding the changes in reserving bases and amortisation on intangible assets arising from company acquisition, the operating combined ratio stood at 92.5% (91.6). Return on investments at fair value was 5.5% (1.0).
- Earnings before tax posted by Asset Management amounted to EUR 12 million (13) and assets under management were EUR 31.1 billion (31.3) at the end of the reporting period.
- Earnings before tax recorded by the Group Functions amounted to EUR 16 million (24).
- Unchanged outlook: Consolidated earnings before tax for 2012 are expected to be markedly higher than in 2011. For more detailed information on outlook, see “Outlook towards the year end” below.

April–June

- Consolidated earnings before tax came to EUR 99 million (103). Earnings before tax at fair value were EUR 97 million (92) and return on equity at fair value stood at 11.8% (11.1).
- Banking improved its earning to EUR 55 million (40) before tax. These included EUR 11 million (20) in impairment charges on receivables.
- Within Non-life Insurance, insurance premium revenue rose by 7%. The combined ratio stood at 87.3% (85.3) while the operating combined ratio was 85.4% (83.3). Return on investments at fair value was 0.6% (0.6).
- Earnings before tax recorded by Asset Management amounted to EUR 6 million (7).
- The Group Functions reported a loss of EUR 1 million (earnings of 7) before tax.

Earnings before tax, € million	**H1/ 2012**	**H1/ 2011**	**Change, %**	**Q2/ 2012**	**Q2/ 2011**	**Change, %**	**FY2011**
Banking	121	92	31	55	40	39	198
Non-life Insurance	54	68	-20	39	49	-20	8
Asset Management	12	13	-15	6	7	-19	27
Group Functions	16	24	-32	-1	7		24
Total	**203**	**198**	**3**	**99**	**103**	**-4**	**258**
Change in fair value reserve	231	-32		-2	-11		-180
Earnings before tax at fair value	**433**	**166**	**161**	**97**	**92**	**5**	**78**
Earnings per share, €	0.49	0.46		0.24	0.23		0.67
Equity per share, €	7.85	7.37					7.22
Average personnel	3,419	3,083		3,432	3,141		3,189

Financial targets	**H1/ 2012**	**H1/ 2011**	**Q2/ 2012**	**Q2/ 2011**	**FY2011**	**Target**
Return on equity at fair value, %	27.7	10.4	11.8	11.1	3.1	13.0
Tier 1 ratio, %	11.6	12.2			10.6	>9.5
Core Tier 1 ratio, %	9.8	10.4			10.3	
Operating cost/income ratio by Banking, %	34	35	34	38	35	<40
Operating combined ratio, %	92.5	91.6	85.4	83.3	89.8	92.0
Operating expense ratio, %	23.1	21.5	22.3	21.1	21.8	<20
Solvency ratio, %	86	86			77	70
Operating cost/income ratio by Asset Management, %	53	49	53	48	49	<50
AA rating affirmed by at least two credit rating agencies	2	3			2	≥ 2
Dividend payout ratio a minimum of 50%, provided that Tier 1 > 9.5%					60	>50

1) Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2011 are used as comparatives. As a result of change in the recognition of defined benefit pension plans, the comparatives have been restated.

President and CEO Mikael Silvennoinen:

Pohjola's second-quarter business performance was in line with our expectations. Consolidated earnings before tax were good, amounting to almost EUR 100 million. Our first-half consolidated earnings before tax exceeded EUR 200 million.

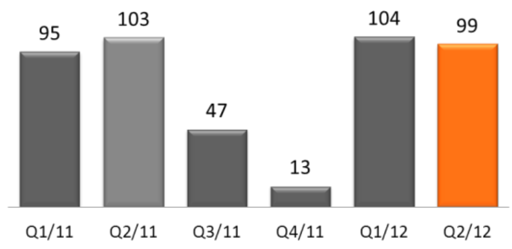
Lower interest rates and narrower credit spreads improved the fair value reserve by over EUR 200 million. With the greater market uncertainty during the second quarter, the fair value reserve remained at the first-quarter level.

Banking reported excellent financial results once again. The loan portfolio grew by 6% from its level at the turn of the year and the average margin of the corporate loan portfolio improved by 9 basis points to 1.43%. The profit improvement was due to a strong increase in net interest income, good financial performance shown by Markets, and a reduction in impairment charges.

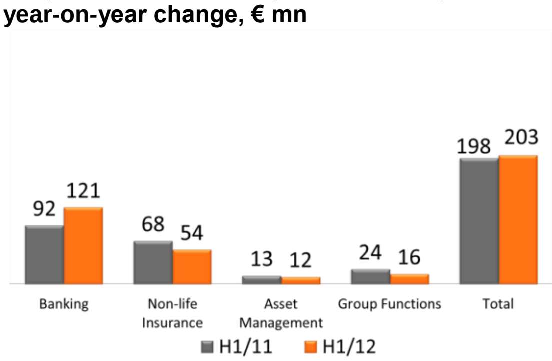
Within Non-life Insurance, growth in insurance premium revenue remained strong, showing a growth rate above the market average. During the first half, the number of loyal customer households increased by almost 24,000. The second-quarter operating combined ratio stood at 85.4%, which was almost at the same level as the year before. Growth in expenses slowed down slightly during the second quarter and we expect this growth rate to continue to slow towards the end of the year. During the second quarter, return on investments at fair value flattened out after the strong first quarter. Investment income at fair value for January–June was notably higher than a year ago, although income recognised in the income statement was somewhat lower than a year earlier.

Despite the uncertain operating environment, we believe that our operations will continue to perform well during the rest of the year.

Pohjola Group's earnings before tax by quarter, € mn



Pohjola Group's earnings before tax by business line, year-on-year change, € mn



Pohjola Group Interim Report for 1 January–30 June 2012

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Operating environment

During the second quarter, world economic growth slowed down and the economic outlook became bleaker after the European sovereign debt crisis took a turn for the worse.

The US economy continued to recover slowly and fewer jobs were created than in the first quarter. A slowdown of emerging economies was reflected in statistics on industrial output. The second quarter was characterised by the sovereign debt crisis in the euro area, as worries about Greek election results and the Spanish banking sector increased.

Although the debt crisis escalated, the European Central Bank (ECB) kept its main refinancing rate at 1.0% during the second quarter. The ECB wanted to find out how the three-year, long-term refinancing operations it had carried out earlier would contribute to the euro-area economy. Ample liquidity kept market rates low.

Economic growth in Finland slowed down after the first quarter's fairly brisk growth rate. Growth in retail sales slowed down. Industrial production and construction were also sluggish. Despite this weaker economic development, employment continued to improve.

During the current year, the Finnish economy will grow at a sluggish rate, growth in consumer spending will slow and exports will suffer from euro-area problems.

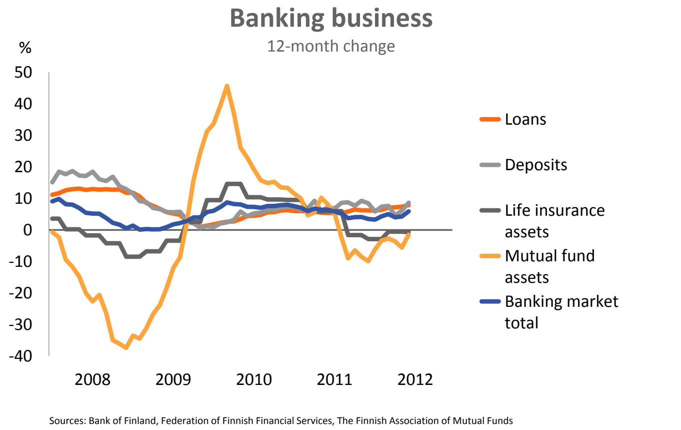
Great uncertainty is associated with the world economic outlook. However, the rest of the year is expected to see a relatively fair growth rate. The euro-area economy is hovering on the brink of a recession. A slower inflation rate will enable stimulus packages from central banks.

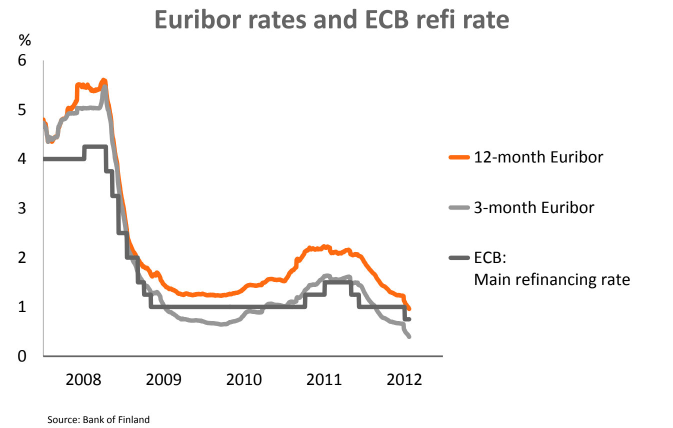
The ECB cut its main refinancing rate to 0.75% in July and will continue to conduct an easy monetary policy. Market interest rates are expected to be lower towards the year end than in the second quarter.

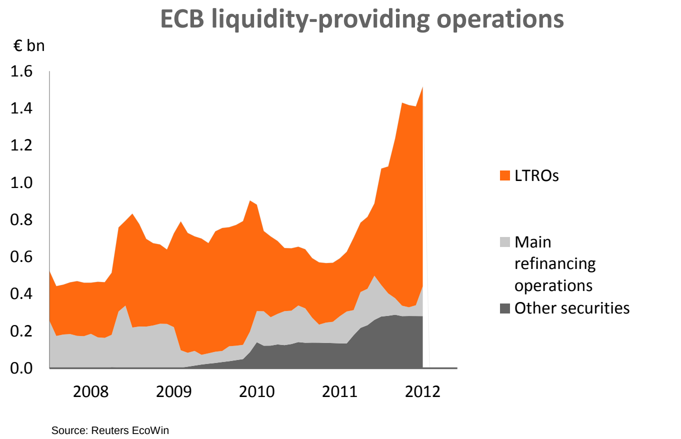
In the Finnish banking sector, the loan portfolio grew at a steady annual rate of around 8% during the second quarter. Loans to households continued their steady growth, supported by lower market rates. The corporate loan portfolio grew at a rate slightly higher than that, but the bleaker outlook is expected to slow this rate during the second half.

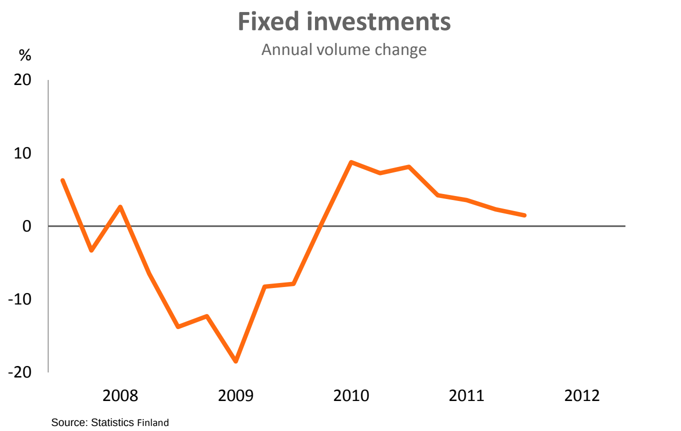
As a result of greater uncertainty in the financial market, growth in mutual fund assets and insurance assets stalled after an improvement in the first quarter. In Finland, stock prices fell by an average of 16% during the second quarter. Mutual funds' net asset inflows remained positive. Total deposits increased to 9%.

In the second quarter, non-life insurance premiums written rose by roughly 6% over the previous year. Growth in claims paid out was faster than that in premiums written. Uncertainty in financial markets and lower interest rates will add to challenges associated with insurers' investment operations.









Consolidated earnings

Earnings analysis

€ million	2012 H1	2011 H1	Change %	2012 Q2	2011 Q2	Change %	Rolling 12-month	FY2011
Net interest income								
Corporate and Baltic Banking	98	87	13	48	44	9	191	180
Markets	19	31	-38	9	18	-50	46	58
Other operations	22	23	-4	8	9	-19	37	38
Total	139	140	-1	65	72	-10	274	276
Net commissions and fees	82	80	2	40	40	2	162	161
Net trading income	45	19	141	15	5	228	52	26
Net investment income	-2	14		-7	2		8	23
Net income from Non-life Insurance								
Insurance operations	205	183	12	123	115	7	354	332
Investment operations	49	60	-18	18	23	-21	21	32
Other items	-23	-23	-2	-11	-12	-7	-46	-46
Total	231	219	5	130	126	3	329	318
Other operating income	19	21	-10	10	10	-1	39	41
Total income	**513**	**493**	**4**	**253**	**254**	**-1**	**864**	**843**
Personnel costs	120	110	9	58	55	5	222	212
ICT costs	43	39	10	21	20	4	85	81
Depreciation and amortisation	25	28	-10	13	14	-9	54	57
Other expenses	102	84	21	51	43	18	195	177
Total expenses	**290**	**261**	**11**	**143**	**132**	**8**	**556**	**527**
Earnings before impairment loss on receivables	**223**	**232**	**-3**	**110**	**122**	**-10**	**308**	**316**
Impairment loss on receivables	21	35	-40	12	20	-42	46	60
Share of associates' profit/loss	0	1		0	1		2	2
Earnings before tax	**203**	**198**	**3**	**99**	**103**	**-4**	**263**	**258**
Change in fair value reserve	231	-32	-2	-2	-11		83	-180
Earnings before tax at fair value	**433**	**166**	**162**	**97**	**92**	**5**	**346**	**78**

January–June earnings

Consolidated earnings before tax amounted to EUR 203 million (198). Total income and total expenses rose by 4% and 11%, respectively. Impairment charges for receivables fell to EUR 21 million (35).

The fair value reserve before tax grew by EUR 231 million during the reporting period, reaching EUR 34 million on 30 June. Earnings before tax at fair value amounted to EUR 433 million (166).

Corporate Banking increased its net interest income considerably, thanks to growth in the loan portfolio and a rise in the average margin of the portfolio. The loan portfolio grew by 6% from the 2011-end level and by 10% in the year to June. The corporate loan portfolio's average margin rose by 9 basis points to 1.43% (1.34) during the reporting period and by 11 basis points within the last 12 months. The Markets division's net interest income decreased but then again net trading income doubled. The Group's combined net interest income decreased by 1%.

Net commissions and fees were slightly higher than a year earlier. Commission income from lending and securities issuance increased, whereas that from securities brokerage and asset management decreased.

Net investment income was lower than a year ago. Recognised dividend income and net capital gains were EUR 3 million and EUR 13 million lower than the year before, respectively.

Net income from Non-life Insurance improved by 5% year on year. Insurance premium revenue increased by 8% and claims incurred by 7%. Operating profitability was at the previous year's level. Investment income recognised in the income statement was EUR 11 million lower than the year before. Impairment charges recognised on investments totalled EUR 7 million (2). Return on investments at fair value was 5.5% (1.0).

Other operating income fell by almost 10% as a result of lower lease income.

Personnel costs rose by 9% year on year. On 30 June 2012, the Group had a staff of 3,451, showing an increase of 71 from 31 December 2011 and 244 from the number a year ago.

ICT costs rose as a result of capital expenditure on system development. Growth in insurance sales commissions and higher personnel-related expenses increased other expenses. Depreciation and amortisation were lower as a result of lower depreciation on leases.

April–June earnings

Consolidated earnings before tax were EUR 99 million (103). Year on year, total income dropped by 1% and total expenses rose by 8%. Impairment charges for receivables fell to EUR 12 million (20).

The fair value reserve did not undergo any changes. Earnings before tax at fair value amounted to EUR 97 million (92).

Net interest income from Corporate Banking was up by 9%. The loan portfolio grew by 3% and the average margin of the corporate loan portfolio by 5 basis points. The Markets division's net interest income decreased by 50% but then again net trading income increased vigorously. The recognition practice applied to the Markets division's products has a major effect on the development between net interest income and net trading income. Higher long-term funding costs added to the Group's interest expenses. The Group's combined net interest income decreased by 10%.

Net commissions and fees were at around the same level as the year before. Net investment income was weakened by capital losses on bonds and notes.

Net income from Non-life Insurance improved by 3% year on year. Insurance premium revenue increased by 7% and claims incurred by 9%. Operating profitability was at the previous year's level. Investment income recognised in the income statement was EUR 5 million lower than the year before. Return on investments at fair value was 0.6% (0.6).

The growth rate of expenses slowed down. Personnel costs rose by 5%. Growth in ICT and other expenses also slowed down slightly.

Earnings analysis by quarter

	2011				2012	
€ million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Net interest income						
Corporate and Baltic Banking	43	44	43	50	50	48
Markets	12	18	16	11	10	9
Other operations	13	9	6	9	14	8
Total	68	72	65	71	74	65
Net commissions and fees	41	40	39	41	42	40
Net trading income	14	5	-24	30	30	15
Net investment income	11	2	3	6	5	-7
Net income from Non-life Insurance						
Insurance operations	68	115	105	45	82	123
Investment operations	37	23	-17	-11	31	18
Other items	-12	-12	-12	-12	-12	-11
Total	94	126	76	22	101	130
Other operating income	11	10	10	10	9	10
Total income	**239**	**254**	**170**	**181**	**261**	**253**
Personnel costs	55	55	46	57	62	58
ICT costs	19	20	19	23	22	21
Depreciation and amortisation	15	14	14	15	13	13
Other expenses	41	43	40	54	51	51
Total expenses	**129**	**132**	**118**	**148**	**147**	**143**
Earnings before impairment loss on receivables	**110**	**122**	**51**	**33**	**113**	**110**
Impairment loss on receivables	15	20	4	21	10	12
Share of associates' profit/loss	0	1	1	0	0	0
Earnings before tax	**95**	**103**	**47**	**13**	**104**	**99**
Change in fair value reserve	-21	-11	-148	0	233	-2
Earnings before tax at fair value	**74**	**92**	**-101**	**13**	**337**	**97**

Group risk exposure

The Group's risk exposure has remained stable despite the weak economic development in the euro area. The Group has a good risk-bearing capacity sufficient to secure business continuity even if economic growth remained weak. No major changes took place in credit risk exposure. Investment-grade exposure remained high while impairment charges, doubtful receivables and past due payments declined from their level on 31 December 2011. Final loan losses increased year on year.

January–June final loan losses recognised totalled EUR 33 million (4) and impairment losses EUR 25 million (41). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 37 million (9).

	H1/2012	H1/2011	FY2011
Net loan losses and impairment losses, € million	21	35	60
% of the loan and guarantee portfolio	0.13	0.24	0.40
Doubtful receivables, € million	42	46	62
% of the loan and guarantee portfolio	0.26	0.39	0.41
Past due payments, € million	22	15	23
% of the loan and guarantee portfolio	0.14	0.10	0.15

No major changes took place in Non-life Insurance's underwriting risks. When it came to investment risks, the Group reduced equity risk during the second quarter.

The financial and liquidity position remained strong. Short-term funding performed well during the second quarter. The European sovereign debt crisis has occasionally hampered banks' access to long-term funding, but the position of Nordic banks as a safe haven has remained unchanged.

Liquidity buffer

€ billion, based on market values	30 June 2012	31 Dec 2011	Change, %
Deposits with central banks	4.8	4.2	12.9
Notes and bonds eligible as collateral	6.5	7.5	-13.2
Corporate loans eligible as collateral	2.8	2.6	6.4
Total	**14.1**	**14.4**	**-1.9**
Receivables ineligible as collateral	0.7	0.6	10.2
Liquidity buffer at market value	**14.7**	**15.0**	**-1.4**
Collateral haircut	-1.0	-1.0	-2.4
Liquidity portfolio at collateral value	**13.8**	**14.0**	**-1.4**

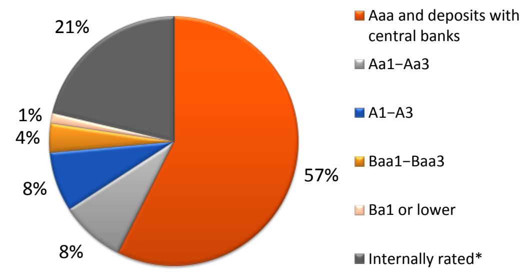
As OP-Pohjola Group's central bank, Pohjola maintains a liquidity buffer which consists mainly of deposits with central banks and notes, bonds and loans eligible for central bank refinancing. The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies with all showing good credit ratings, securitised assets and corporate loans eligible as collateral.

The second-quarter saw an increase in cash within the liquidity buffer.

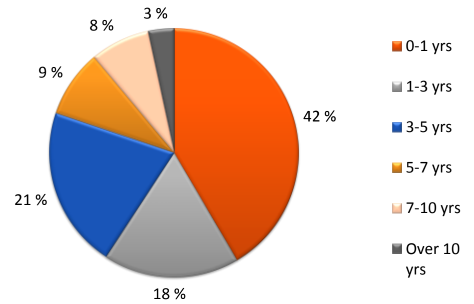
Measurement of the notes and bonds included in the liquidity buffer table above is based on mark-to-market valuations.

The liquidity buffer maintained by Pohjola plus other items based on OP-Pohjola Group's contingency funding plan can be used to cover wholesale funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

Financial assets included in the liquidity buffer by credit rating 30 June 2012, %



Financial assets included in the liquidity buffer by maturity on 30 June 2012, %



The market value of the Group's direct GIIPS sovereign debt exposures totalled EUR 22 million on 30 June. All of them were based on investments made in assets to cover Non-life Insurance technical provisions.

Major risks related to the Group's business are associated with developments in the overall economic environment and capital markets, as well as upcoming regulatory changes in the financial sector.

Capital adequacy

€ million	30 June 2012	31 Dec 2011
Core Tier 1 capital	1,517	1,486
Tier 1 capital	1,791	1,521
Tier 2 capital	352	0
Total capital	2,143	1,521
Risk-weighted assets		
Credit and counterparty risk	13,642	12,890
Market risk	767	606
Operational risk	1,020	913
Total	15,429	14,409
Core Tier 1 ratio, %	9.8	10.3
Tier 1 ratio, %	11.6	10.6
Capital adequacy ratio, %	13.9	10.6

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

€ million	30 June 2012	31 Dec 2011
Conglomerate's capital base	2,514	1,891
Conglomerate's minimum capital base	1,432	1,339
Conglomerate's capital adequacy	1,082	552
Conglomerate's capital adequacy ratio	1.76	1.41

The capital adequacy ratio under the Act on Credit Institutions improved to 13.9% (10.6) as against the statutory minimum requirement of 8%. Tier 1 ratio improved to 11.6% (10.6). Pohjola Group's Tier 1 target ratio stands at a minimum 9.5% over the economic cycle. Core tier 1 ratio stood at 9.8% (10.3).

Tier 1 capital came to EUR 1,791 million (1,521) and the total capital base amounted to EUR 2,143 million (1,521). Hybrid capital accounted for EUR 274 million (274) of Tier 1 capital.

Pohjola Bank plc's issue in late February of Lower Tier 2 subordinated notes of EUR 500 million contributed to the growth in the capital base. The notes have a maturity of 10 years and Pohjola applied for the notes to be admitted to trading on the London Stock Exchange. Under the terms and conditions of the note, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital.

On 30 June, risk-weighted assets totalled EUR 15,429 million (14,409), up by 7%, or approximately EUR 1 billion, from their level on 31 December 2011.

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, showed an improvement, standing at 1.76 (1.41) on 30 June.

As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous in an effort, for example, 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 is most likely to be finalised only in national legislation.

The solvency regulations of the insurance sector are changing, too. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital adequacy requirements and harmonise insurance sector solvency requirements in Europe. The regulations are still being processed, and are estimated to come into effect at the beginning of 2014, at the earliest. According to current interpretations, Solvency II will tighten capital requirements but also increase the capital base.

Credit ratings

Pohjola Bank plc's credit ratings on 30 June 2012

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's Credit Market Services Europe Limited	A-1+	Stable	AA-	Stable
Moody's Investors Service Ltd	P-1	Stable	Aa3	Stable
Fitch Ratings Limited	F1	Stable	A+	Stable

Pohjola Insurance Ltd's financial strength ratings on 30 June 2012

Rating agency	Rating	Outlook
Standard & Poor's Credit Market Services Europe Limited	AA-	Stable
Moody's Investors Service Ltd	A3	Stable

Standard & Poor's affirmed on 16 May 2012 Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+, and Pohjola Insurance Ltd's financial strength rating at AA-, retaining their outlooks as stable.

Moody's Investors Service downgraded on 31 May 2012 Pohjola Bank plc's debt and deposit ratings by one notch from Aa2 to Aa3, still affirming the rating as strong, while Pohjola Bank plc's Prime-1 short-term debt and deposit ratings remained unchanged. The insurance financial strength rating of Pohjola Insurance Ltd was downgraded from A2 to A3, with a stable outlook for these ratings.

Ratings by Fitch remained unchanged in January–June 2012.

Financial performance and risk exposure by business segment

Banking

January–June in brief

- Earnings before tax improved to EUR 121 million (92).
- The loan portfolio grew by 6% to EUR 13.2 billion (12.4), showing an increase of 10% in the year to June.
- The average corporate loan portfolio margin increased, standing at 1.43% (1.34) at the end of June.
- Impairment charges for receivables fell to EUR 19 million (36).
- The Markets division showed improved client income and was successful in managing risk exposures.
- Operating cost/income ratio was 34%.

Banking: financial results and key figures and ratios

€ million	H1/2012	H1/2011	Change, %	Q2/2012	Q2/2011	Change, %	FY2011
Net interest income							
Corporate and Baltic Banking	98	87	13	48	44	9	180
Markets	19	31	-38	9	18	-50	58
Total	117	118	0	57	63	-9	238
Net commissions and fees	49	49	0	24	24	-1	97
Net trading income	36	17	114	16	2	890	18
Other income	10	15	-33	5	7	-38	31
Total income	**212**	**198**	**7**	**101**	**95**	6	**384**
Expenses							
Personnel costs	32	30	8	15	15	0	56
ICT costs	13	13	0	6	7	-9	26
Depreciation and amortisation	8	11	-30	4	5	-26	21
Other expenses	19	16	17	9	8	9	32
Total expenses	**72**	**70**	**2**	**35**	**36**	-4	**135**
Earnings before impairment loss on receivables	**140**	**128**	**9**	**67**	**59**	12	**248**
Impairment loss on receivables	19	36	-46	11	20	-43	49
Earnings before tax	**121**	**92**	**31**	**55**	**40**	39	**199**
Earnings before tax at fair value	121	92	32	52	39	33	189
Loan portfolio, € billion	13.2	12.0	10				12.4
Guarantee portfolio, € billion	2.7	2.6	6				2.6
Margin on corporate loan portfolio, %	1.43	1.32	8				1.34
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.27	0.40					0.41
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.12	0.24					0.33
Operating cost/income ratio, %	34	35		34	38		35
Personnel	761	700	9				748

January–June earnings

Earnings before tax amounted to EUR 121 million (92). Impairment charges for receivables fell to EUR 19 million (36).

The loan portfolio increased by EUR 0.8 billion, or 6%, from its 2011-end level, amounting to EUR 13.2 billion on 30 June. The average margin of the corporate loan portfolio rose by 11 basis points in the year to June and by 9 basis points during the reporting period. The market share of euro-denominated corporate loans remained strong.

The guarantee portfolio grew by EUR 0.2 billion to EUR 2.7 billion, year on year. Committed standby credit facilities stood at EUR 3.3 billion on 30 June, up by 27% compared with the June-end figure a year ago.

The combined net interest income from Corporate Banking and Baltic Banking improved by 13% over the previous year, as a result growth in the loan portfolio and a rise in the average margin.

Net commissions and fees were at the level reported a year ago. Commission income related to lending increased by EUR 3 million whereas commission income from securities brokerage decreased by the same amount as a result of lower equity trading volumes.

A decrease in other income and depreciation was due to a reduction in the maintenance lease portfolio.

Growth in expenses remained moderate. Higher expenses were due mainly to year-on-year growth in the number of employees.

Earnings before tax by division

€ million	H1/2012	H1/2011	Change, %
Corporate Banking	81	55	49
Markets	40	38	3
Baltic Banking	0	0	
Total	**121**	**92**	**30**

Corporate Banking improved its earnings before tax because its net interest income and lending commissions rose and its impairment charges halved. Corporate Banking net commissions and fees improved by 11% year on year.

The Markets division was successful in managing risk exposures and its client income increased over the same period a year ago.

April–June earnings

Earnings before tax were EUR 55 million, or EUR 16 million higher than the year before. All business divisions continued to show good profit performance. The improved performance stemmed from a rise in net interest income reported by Corporate Banking and in client income shown by Markets, and from a 9-million-euro reduction in impairment charges.

The loan portfolio grew by EUR 0.4 billion.

Earnings before tax by division

€ million	Q2/2012	Q2/2011	Change, %
Corporate Banking	38	27	43
Markets	17	14	25
Baltic Banking	-1	-1	-42
Total	**55**	**40**	**39**

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 increased by EUR 1.3 billion to EUR 23.8 billion. The ratio of investment-grade exposure – i.e. rating categories 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 62% (65). The share of rating categories 11–12 was 1.3% (1.3). Corporate exposure (incl. housing corporations) accounted for 81% (82) 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 282 million (274), accounting for 1.5% (1.5) of the total corporate exposure.

Large corporate customer exposures amounted to EUR 3.0 billion (4.5) on 30 June. The Group's capital base for the purpose of calculating major customer exposure totalled EUR 2.3 billion (1.6).

Corporate exposure by industry remained highly diversified. The most significant industries included Renting and Operating of Residential Real Estate representing 10.7% (10.5), Manufacture of Machinery and Equipment 9.7% (9.9) and Wholesale and Retail Trade 9.3% (9.1). A total of 49% of exposures within Renting and Operating of Residential Real Estate and 18% of exposures within Renting and Operating of Other Real Estate were guaranteed by general government.

January–June net loan losses and impairment losses within Banking came to EUR 19 million (36), accounting for 0.12% (0.24) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 5 million (3) and impairment losses EUR 23 million (41). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 8 million (9).

On 30 June 2012, Baltic Banking exposures totalled EUR 0.4 billion (0.3), accounting for 1.7% (1.5) of total Banking exposures.

The Baltic Banking net loan losses and impairment losses for the first half amounted to EUR –1 million (–1).

January–June interest rate risk exposure averaged EUR 7.3 million (8.7), based on the 1-percentage-point change in the interest rate.

Non-life Insurance

January–June in brief

- Earnings before tax amounted to EUR 54 million (68). Earnings before tax at fair value were EUR 161 million (38).
- Insurance premium revenue increased by 8% (7) and claims incurred by 7% (8).
- The number of loyal customer households grew by 23,848 (19,092).
- The operating combined ratio stood at 92.5% (91.6).
- Return on investments at fair value was 5.5% (1.0).

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

€ million	H1/2012	H1/2011	Change, %	Q2/2012	Q2/2011	Change, %	FY2011
Insurance premium revenue	549	507	8	281	261	7	1,024
Claims incurred	-381	-356	7	-177	-163	9	-754
Operating expenses	-127	-109	16	-63	-55	14	-223
Amortisation adjustment of intangible assets	-11	-11	0	-5	-5	0	-22
Balance on technical account	**30**	**32**	**-5**	**36**	**38**	**-7**	**24**
Net investment income	52	62	-16	18	24	-23	36
Other income and expenses	-28	-26	8	-15	-13	15	-52
Earnings before tax	**54**	**68**	**-20**	**39**	**49**	**-20**	**8**
Earnings before tax at fair value	161	38	319	38	43	-11	-39
Combined ratio, %	94.5	93.7		87.3	85.3		97.7
Operating combined ratio, %	92.5	91.6		85.4	83.3		89.8
Operating expense ratio, %	23.1	21.5		22.3	21.1		21.8
Return on investments at fair value, %	5.5	1.0		0.6	0.6		-0.4
Solvency ratio , %	86	86					77
Personnel	2,402	2,227	8				2,355

January–June earnings

Insurance premium revenue continued to grow vigorously and the balance on technical account developed as expected. Insurance premium revenue increased by 8% (7). The operating balance on technical account totalled EUR 41 million (43) and the operating combined ratio stood at 92.5% (91.6). These operating figures exclude amortisation on intangible assets arising from the corporate acquisition. The combined ratio, including the abovementioned items, was 94.5% (93.7).

Earnings before tax were lower than a year ago mainly because net investment income fell from its level a year ago. However, return on investments at fair value was clearly higher than a year ago.

Insurance premium revenue

€ million	H1/2012	H1/2011	Change, %
Private Customers	273	248	10
Corporate Customers	253	234	8
Baltic States	22	25	-10
Total	**549**	**507**	**8**

The strongest growth in insurance premium revenue came from Private Customers among whom the increase in the number loyal customer households was at the record level during the first half. Their number increased by 23,848 (19,092). The June-end number of loyal customer households totalled 547,184, of which up to 67% also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member cooperative banks' and Helsinki OP Bank's customers used OP bonuses that they had earned through the use of banking and insurance services to pay 799,000 insurance premiums (679,000) with 122,000 (99,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 39 million (31).

Sales of policies to Private Customers rose by 20% and to Corporate Customers by 6% over the previous year.

Insurance premium revenue from Corporate Customers grew strongly. Insurance premium revenue decreased in the Baltic States. Competition has become fiercer in the Baltic insurance market.

Claims incurred increased less than insurance premium revenue, and they increased by 7%. Claims incurred due to new major losses were at around the same level as a year ago. The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 134 (114) in January–June, with their claims incurred retained for own account totalling EUR 53 million (53). Provision for claims reserved for loss events occurred in prior financial years was EUR 16 million (17) higher than claims paid out. The operating loss ratio was 69.5% (70.1) and the risk ratio (excl. loss adjustment expenses) stood at 62.7% (64.0).

Higher commissions arising from sales growth and the larger number of employees added to operating expenses. Last year, Pohjola recruited more personnel for sales and claims services with a view to improving services for its growing customer base. The operating expense ratio was 23.1% (21.5). The end of the reporting period already saw growth in operating expenses levelling off. The effects of this will be more clearly felt in the latter half of 2012. The operating cost ratio (incl. indirect loss adjustment expenses) stood at 29.8% (27.6).

Operating balance on technical account and combined ratio (CR)

	H1/2012 Balance, € million	CR, %	H1/2011 Balance, € million	CR, %
Private Customers	31.6	88.4	30.8	87.6
Corporate Customers	4.3	98.3	13.0	94.4
Baltic States	5.0	77.6	-1.2	104.9
Total	**40.9**	**92.5**	**42.6**	**91.6**

Within Private Customers, profitability was at the same level as a year ago. Profitability within Corporate Customers was weaker than the year before as unfavourable claims developments in the first quarter continued to affect profits. Favourable claims developments improved profitability considerably in the Baltic States.

Investment

Return on investments at fair value was 5.5% (1.0). Net investment income recognised in the income statement amounted to EUR 52 million (62). Impairment charges recognised in the income statement totalled EUR 7 million (2). Net investment income at fair value was EUR 158 million (32).

Investment portfolio by asset class

%	30 June 2012	31 March 2012	31 Dec 2011
Bonds and bond funds	74	70	72
Alternative investments	4	4	5
Equities	6	11	11
Private equity	3	3	3
Real property	9	8	9
Money market instruments	4	3	2
Total	**100**	**100**	**100**

On 30 June 2012, the investment portfolio totalled EUR 3,071 million (2,863). The fixed-income portfolio by credit rating remained healthy, considering that investments under the “investment-grade” represented 89% (91) and 74% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.8 years (4.8) and the duration 4.0 years (3.9).

April–June earnings

Insurance premium revenue continued to grow, and the balance on technical account was good. The operating balance on technical account totalled EUR 41 million (44) and the operating combined ratio stood at 85.4% (83.3). The combined ratio, which includes amortisation on intangible assets arising from the corporate acquisition, was 87.3% (85.3).

Insurance premium revenue

€ million	Q2/2012	Q2/2011	Change, %
Private Customers	142	131	9
Corporate Customers	128	118	8
Baltic States	11	12	-13
Total	**281**	**261**	**7**

Total insurance premium revenue was up by 7% (6). Growth in premium revenue from Private and Corporate Customers remained strong. The number of loyal customer households increased by 9,424 (7,637). Premium revenue continued its downward trend in the Baltic States.

Sales of policies to Private Customers increased by 13%, whereas sales to Corporate Customers were 22% lower than a year earlier when sales were boosted by campaigns.

Claims incurred rose by 9%. A larger number of reported losses was reflected in claims incurred, especially among Private Customers. The reporting period saw more major losses than a year ago. The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 64 (61) in April–June, with their claims incurred retained for own account totalling EUR 24 million (20). Provision for claims reserved for loss events occurred in prior financial years was EUR 13 million (3) higher than claims paid out. The operating loss ratio was 63.0% (62.2) and the risk ratio (excl. loss adjustment expenses) stood at 56.3% (56.1).

Growth in operating expenses levelled off during the second quarter. The operating expense ratio stood at 22.3% (21.1). The operating cost ratio (incl. loss adjustment expenses) stood at 29.1% (27.1).

Operating balance on technical account and combined ratio (CR)

	Q2/2012 Balance, € million	CR, %	Q2/2011 Balance, € million	CR, %
Private Customers	18.5	87.0	25.9	80.2
Corporate Customers	19.4	84.8	17.6	85.1
Baltic States	3.1	70.6	0.2	98.4
Total	**41.1**	**85.4**	**43.7**	**83.3**

Vigorous growth in claims incurred eroded profitability within Private Customers. Within Corporate Customers, claims developments normalised and profitability was good. The Baltic States reported a very good profitability due to favourable claims developments.

Investment

Return on investments at fair value was 0.6% (0.6). Net investment income recognised in the income statement amounted to EUR 18 million (24). Impairment charges recognised in the income statement totalled EUR 5 million (1). Net investment income at fair value was EUR 17 million (17). The Group reduced equity risk during the second quarter.

Risk exposure by Non-life Insurance

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

On 30 June, Non-life Insurance solvency capital totalled EUR 917 million (787) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 86% (77). Equalisation provisions decreased to EUR 331 million (353).

Asset Management

January–June in brief

- Earnings before tax amounted to EUR 12 million (13).
- Assets under management were at their 2011-end level, totalling EUR 31.1 billion (31.3).
- Investment performance was good during the reporting period.

Asset Management: financial results and key figures and ratios

€ million	H1/2012	H1/2011	Change, %	Q2/2012	Q2/2011	Change, %	FY2011
Net commissions and fees	24	25	-4	12	13	-5	50
Other income	2	2	14	1	1	8	6
Total income	**27**	**27**	**-3**	**14**	**14**	**-4**	**56**
Personnel costs	9	9	2	5	4	4	18
Other expenses	7	6	5	3	3	2	13
Total expenses	**16**	**15**	**3**	**8**	**8**	**3**	**31**
Share of associate's profit/loss	0	1	-64	0	1		2
Earnings before tax	**12**	**13**	**-15**	**6**	**7**	**-19**	**27**
Earnings before tax at fair value	12	13	-15	6	7	-19	27
Assets under management, € billion	31.1	33.9	-8	31.1	33.9	-8	31.3
Operating cost/income ratio, %	53	49		53	48		49
Personnel	158	149	6				149

January–June earnings

Earnings before tax were EUR 12 million (13) and the operating cost/income ratio stood at 53% (49). Thanks to the good first-half performance of investment operations, performance-based management fees included in earnings climbed to EUR 1.2 million (0.8). Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

Assets under management were at their 2011-end level, totalling EUR 31.1 billion. Institutional client and Private client assets grew from their 2011-end level, whereas OP Mutual Funds' assets under management were down.

April–June earnings

Earnings before tax amounted to EUR 6 million (7). The operating cost/income ratio stood at 53% (48). Second-quarter earnings included EUR 1.2 million (0.8) in performance-based management fees.

Assets under management diminished by EUR 0.9 billion to EUR 31.1 billion.

Assets under management

€ billion	30 June 2012	31 March 2012	31 Dec 2011
Institutional clients	18.8	19.2	18.5
OP mutual funds	9.0	9.7	9.9
Private	3.2	3.1	2.8
Total	**31.1**	**32.0**	**31.3**

Assets under management by asset class

%	30 June 2012	31 March 2012	31 Dec 2011
Money market investments	18	17	17
Bonds	39	39	39
Equities	23	25	26
Other	20	18	19
Total	**100**	**100**	**100**

Group Functions

January–June in brief

- Earnings before tax amounted to EUR 16 million (24).
- Earnings were eroded by capital losses on notes and bonds.
- Earnings before tax at fair value improved by EUR 119 million year on year to EUR 141 million (22).
- Liquidity and the availability of funding remained good.

Group Functions: financial results and key figures and ratios

€ million	H1/2012	H1/2011	Change, %	Q2/2012	Q2/2011	Change, %	FY2011
Net interest income	22	22	1	9	9	-1	35
Net trading income	6	-1		-1	2		3
Net investment income	-2	13		-7	1		18
Other income	9	5	79	6	3	140	11
Total income	**35**	**39**	**-10**	**7**	**14**	**-50**	**67**
Personnel costs	7	7	7	4	3	13	13
Other expenses	10	8	16	5	4	12	18
Total expenses	**17**	**15**	**12**	**8**	**7**	**12**	**31**
Earnings before impairment loss on receivables	**18**	**24**	**-24**	**-1**	**7**		**36**
Impairment loss on receivables	2	0		0	0	479	11
Earnings before tax	**16**	**24**	**-32**	**-1**	**7**		**24**
Earnings before tax at fair value	**141**	**22**	**529**	**1**	**4**	**-88**	**-98**
Liquidity buffer, € billion	14.7						15.0
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	2.0	2.8	-30				1.7
Central Banking earnings, € million	4	7	-34	2	3		13
Personnel	131	132	-1				129

January–June earnings

Earnings before tax were EUR 16 million, or EUR 8 million lower than in the previous year. Net investment income was decreased by capital losses on notes and bonds amounting to EUR 5 million. Capital gains a year ago totalled EUR 7 million. Dividend income was EUR 3 million (6). Impairment charges recognised on bonds totalled EUR 2 million (0).

The availability of funding remained good.
Pohjola increased its long-term funding by issuing in international capital markets in March one senior bond of EUR 750 million with a maturity of five years. In addition, OP Mortgage Bank, which is part of OP-Pohjola Group, issued in May a covered bond of EUR 1.25 billion with a maturity of five years.

On 30 June, the average wholesale funding margin of senior bonds was 32 basis points (27). Average funding costs will rise when maturing long-term debt is renewed with higher margins.

Earnings before tax at fair value came to EUR 141 million, or EUR 119 million higher than the year before. In the wake of the ECB's liquidity-providing long-term refinancing operations, markets calmed down and credit spreads narrowed.

April–June earnings

Capital losses on notes and bonds reduced second-quarter result: loss before tax amounted to EUR 1 million, or EUR 8 million weaker than a year ago.

Earnings before tax at fair value were EUR 4 million lower than a year earlier.

Risk exposure by Group Functions

Major risks within the Group Functions include credit and market risks associated with the liquidity buffer and liquidity risks.

The Group Functions exposure totalled EUR 20.4 billion (20.1), consisting of notes and bonds to secure OP-Pohjola Group's liquidity, deposits with the central bank and receivables from OP-Pohjola Group member banks.

Interest rate risk exposure averaged EUR 10.9 million (13.8) in January–June, based on the 1-percentage-point change in the interest rate.

As a result of changes based on Basel III, the new regulatory framework for liquidity risks will require banks to establish more stable, long-term sources of funding with the result that funding costs will rise.

Personnel and remuneration

On 30 June 2012, the Group had a staff of 3,451, up by 71 from 31 December 2011 and by 244 over the previous year.

Personnel by segment

	30 June 2012	31 Dec 2011
Banking	761	748
Non-life Insurance	2,402	2,355
Asset Management	158	149
Group Functions	131	129
Total	**3,451**	**3,380**

A total of 383 (360) of the Group's employees worked abroad. The scheme for variable remuneration within OP-Pohjola Group and Pohjola consists of short-term, company-specific incentives and OP-Pohjola Group-wide long-term incentives. More detailed information on remuneration can be found in the Notes to the Financial Statements 2011.

Pohjola Group subsidiaries – Pohjola Asset Management Ltd and Pohjola Corporate Finance Ltd – has had a shareholding scheme in place, under which each company's key employees have held some shares in the company. The Board of Directors decided on 9 February 2012 that these ownership-based incentive schemes would be cancelled altogether.

Shares and shareholders

The total number of Pohjola Series A shares, quoted on the NASDAQ OMX Helsinki, and unquoted Series K shares changed during the reporting period.

A total of 773,028 Series K shares held by OP-Pohjola Group member cooperative banks were converted into Series A shares, with the resulting changes registered in the Trade Register on 10 April 2012. Trading in the converted Series A shares began on the NASDAQ OMX Helsinki on 11 April 2012. As a result of the conversion, the number of Series K shares decreased from 68,381,645 to 67,608,617 while that of Series A shares quoted on the NASDAQ OMX Helsinki increased from 251,169,770 to 251,942,798. The conversions have not changed the total number of shares outstanding, amounting to 319,551,415 shares. The post-conversion number of votes conferred by the shares totals 589,985,883.

On 30 June 2012, Pohjola Bank plc had a total of 300 Series A shares (0) in its temporary possession, based on stock lending related to customer trading, these shares accounting for 0.00% of all shares and 0.00% of all votes. After the end of the reporting period on 5 July 2012, Pohjola Bank plc returned the shares.

Number of shares

Share series 30 June 2012	Number of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,942,798	78.84	42.70
Pohjola K (POHKS)	67,608,617	21.16	57.30
Total	319,551,415	100.00	100.00

On the last trading day of the reporting period, 29 June 2012, one Series A share closed at EUR 9.19 (7.51). In January–June 2012, the share price reached a high of EUR 9.19 (29 June) and a low of EUR 7.34 (9 January). Pohjola paid a dividend of EUR 0.41 per Series A share and EUR 0.38 per Series K share for 2011.

Pohjola's market capitalisation amounted to EUR 2,937 million (2,400) on 30 June 2012. In calculating the market capitalisation, Series K shares were valued at the price of Series A shares.

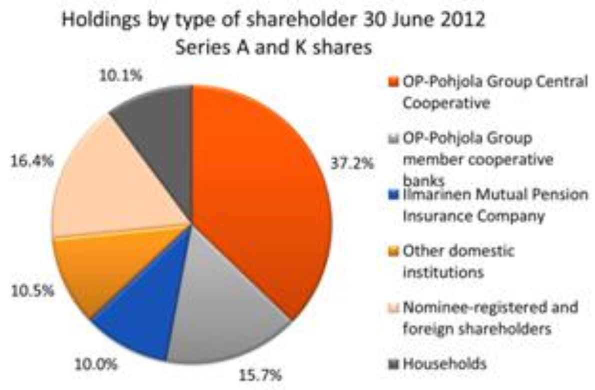
Trading in Series A shares in euro terms amounted to EUR 649 million in the first half of 2012 as against EUR 865 million a year earlier, while in volume terms it came to 77 million shares (90).

Number of shareholders

	30 June 2012	31 Dec 2011	Change
Holders of Series A shares	33 358	33 956	-598
Holders of Series K shares	111	114	-3
Total*	33 363	33 962	-599

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

On 30 June 2012, Pohjola had 33,363 shareholders, private individuals accounting for 95.2%. The number of nominee-registered shares totalled 49.1 million on 30 June 2012, falling by 1.7 million shares from their level on 31 December 2011. On 30 June 2012, these shares accounted for 19.5% (20.2) of all Series A shares.



Major shareholders

30 June 2012	% of all shares	% of Series A shares	% of votes
1. OP-Pohjola Group Central Cooperative	37.24	23.16	61.28
2. Ilmarinen Mutual Pension Insurance Company	10.00	12.68	5.42
3. Oulun Osuuspankki	1.37	1.10	1.82
4. OP Bank Group Pension Fund	1.08	1.37	0.59
5. State Pension Fund	0.82	1.04	0.44
6. Varma Mutual Pension Insurance Company	0.80	1.02	0.44
7. OP Bank Group Pension Foundation	0.73	0.92	0.39
8. Turun Seudun Osuuspankki	0.57	0.71	0.33
9. Tampereen Seudun Osuuspankki	0.51	0.60	0.34
10. Suur-Savon Osuuspankki	0.47	0.54	0.37
Nominee-registered shares, total	15.36	19.48	8.32
Other	31.05	37.37	20.26
Total	100.00	100.00	100.00

In January–June 2012, 74.3% of euro-denominated trading in Series A shares took place on NASDAQ OMX and around a quarter of trading took place on multilateral trading facilities (MTF).

Trading venues for Pohjola shares

Trading venue	% of euro–denominated trading in H2/2012
NASDAQ OMX	74.27
Chi-X	17.69
BATS	4.32
Turquoise	3.07
Burgundy	0.65
EuroNext Arca	0.01

Source: NASDAQ OMX Helsinki

Events after the balance sheet date

Pohjola Group will reduce the discount rate for technical provisions related to Non-life Insurance pension liabilities by 0.3 percentage points from 3.3% to 3.0% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 50 million in the third quarter.

Outlook towards the year end

Within Banking, the loan portfolio is expected to continue to grow during the rest of 2012. For the year as a whole, the loan portfolio is expected to grow at least at the same rate as in 2011 when the rate was 9%. The average corporate loan portfolio margin is expected to remain at least at its current level. The operating environment for the corporate sector will remain challenging. The greatest uncertainties related to Banking’s financial performance in 2012 are associated with future impairment loss on the loan portfolio.

Insurance premium revenue is expected to increase at an above-the-market-average rate. The operating combined ratio for the full year 2012 is estimated to vary between 89% and 94% if the number of large claims is not much higher than in 2011. Expected investment returns are largely dependent on developments in the investment environment. The most significant uncertainties related to Pohjola Insurance’s financial performance in 2012 pertain to the investment environment and the effect of large claims on claims expenditure.

The greatest uncertainties related to Asset Management’s financial performance in 2012 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 buffer, any capital gains or losses on notes and bonds and any impairment charges that may be recognised on notes and bonds in the income statement.

Consolidated earnings before tax in 2012 are expected to be markedly higher than in 2011.This estimate includes the earnings effect arising from a reduction of the discount rate decided after the balance sheet date.

The treatment of insurance company investments in capital adequacy measurement has a major effect on Pohjola Group’s capital adequacy. The related regulatory framework, based on the CRD IV, which is currently being revised, is expected to be specified during 2012.

There is still great uncertainty about the economic outlook and the operating environment. A major risk that may undermine the economic outlook is the exacerbation of the fiscal crisis in certain euro countries. The crisis with its repercussions may have a significant impact on the entire financial sector’s operating environment.

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

Consolidated income statement

EUR million	Note	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Net interest income	3	65	72	139	140
Impairments of receivables	4	12	20	21	35
Net interest income after impairments		**53**	**52**	**117**	**105**
Net income from Non-life Insurance	5	130	126	231	219
Net commissions and fees	6	40	40	82	80
Net trading income	7	15	5	45	19
Net investment income	8	-7	2	-2	14
Other operating income	9	10	10	19	21
Total income		**241**	**234**	**492**	**457**
Personnel costs		58	55	120	110
ICT costs		21	20	43	39
Depreciation/amortisation		13	14	25	28
Other expenses		51	43	102	84
Total expenses		**143**	**132**	**290**	**261**
Share of associates' profits/losses		0	1	0	1
Earnings before tax		**99**	**103**	**203**	**198**
Income tax expense		24	28	47	50
Profit for the period		**76**	**75**	**155**	**148**
Attributable to owners of the Parent		76	75	155	148
Total		**76**	**75**	**155**	**148**
Earnings per share (EPS), EUR					
Series A		0.24	0.24	0.49	0.47
Series K		0.21	0.21	0.46	0.44

Consolidated statement of comprehensive income

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Profit for the period	**76**	**75**	**155**	**148**
Change in fair value reserve				
Measurement at fair value	-8	-18	220	-26
Cash flow hedge	6	8	11	-6
Actuarial gains/losses on post-employment benefit obligations	-1	-3	2	-3
Translation differences	0	0	0	0
Income tax on other comprehensive income				
Measurement at fair value	-2	-5	54	-7
Cash flow hedge	1	2	3	-2
Actuarial gains/losses on post-employment benefit obligations	0	-1	1	-1
Total comprehensive income for the period	**73**	**64**	**332**	**122**
Total comprehensive income attributable to owners of the Parent	73	64	332	122
Total	**73**	**64**	**332**	**122**

Consolidated balance sheet

EUR million	Note	30 June 2012	31 Dec 2011
Cash and cash equivalents		4,792	4,247
Receivables from credit institutions		8,447	7,367
Financial assets at fair value through profit or loss			
Financial assets held for trading		212	170
Financial assets at fair value through profit or loss at inception		9	13
Derivative contracts		4,035	3,326
Receivables from customers		13,504	12,701
Non-life Insurance assets	12	3,616	3,256
Investment assets		6,413	7,341
Investment in associates		28	27
Intangible assets	13	920	920
Property, plant and equipment (PPE)		78	82
Other assets		1,707	1,572
Tax assets		55	87
Total assets		**43,818**	**41,111**
Liabilities to credit institutions		6,206	5,935
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading		13	1
Derivative contracts		4,187	3,460
Liabilities to customers		8,913	8,025
Non-life Insurance liabilities	14	2,810	2,508
Debt securities issued to the public	15	14,735	15,179
Provisions and other liabilities		2,436	2,235
Tax liabilities		450	411
Subordinated liabilities		1,560	1,050
Total liabilities		**41,309**	**38,804**
Shareholders' equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	16	26	-149
Other reserves		1,093	1,093
Retained earnings		962	934
Total shareholders' equity		**2,508**	**2,306**
Total liabilities and shareholders' equity		**43,818**	**41,111**

Consolidated statement of changes in equity

EUR million	Share capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2011	**428**	**-6**	**-6**	**1,093**	**851**	**2,359**
Total comprehensive income for the period		-19	-5	0	146	122
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**	**871**	**2,356**

EUR million	Share capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2012	**428**	**-159**	**10**	**1,093**	**934**	**2,306**
Total comprehensive income for the period		166	8	0	157	332
Profit distribution					-129	-129
EUR 0.41 per Series A share					-103	-103
EUR 0.38 per Series K share					-26	-26
Equity-settled share-based payment					0	0
Other					0	0
Balance at 30 June 2012	**428**	**8**	**18**	**1,093**	**962**	**2,508**

Consolidated cash flow statement

EUR million	Q2/ 2012	Q2/ 2011
Cash flow from operating activities		
Profit for the period	155	148
Adjustments to profit for the period	251	257
Increase (-) or decrease (+) in operating assets	**-1,273**	**-1,139**
Receivables from credit institutions	-1,065	292
Financial assets at fair value through profit or loss	184	-204
Derivative contracts	3	-15
Receivables from customers	-815	86
Non-life Insurance assets	-547	-223
Investment assets	1,098	-917
Other assets	-131	-157
Increase (+) or decrease (-) in operating liabilities	**1,487**	**3,399**
Liabilities to credit institutions	256	1,012
Financial liabilities at fair value through profit or loss	12	24
Derivative contracts	-2	32
Liabilities to customers	888	1,949
Non-life Insurance liabilities	136	90
Provisions and other liabilities	199	292
Income tax paid	-36	-61
Dividends received	25	32
A. Net cash from operating activities	**609**	**2,635**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	227	74
Acquisition of subsidiaries and associates, net of cash acquired	-1	-3
Purchase of PPE and intangible assets	-23	-16
Proceeds from sale of PPE and intangible assets		0
B. Net cash used in investing activities	**202**	**55**
Cash flow from financing activities		
Increases in subordinated liabilities	502	0
Decreases in subordinated liabilities	-3	-156
Increases in debt securities issued to the public	13,543	19,959
Decreases in debt securities issued to the public	-14,162	-20,296
Dividends paid	-129	-126
Other decreases in equity items	0	
C. Net cash used in financing activities	**-249**	**-619**
Net increase/decrease in cash and cash equivalents (A+B+C)	**562**	**2,071**
Cash and cash equivalents at period-start	**4,612**	**1,758**
Cash and cash equivalents at period-end	**5,174**	**3,829**
Cash and cash equivalents		
Liquid assets*	4,799	3,341
Receivables from credit institutions payable on demand	374	488
Total	**5,174**	**3,829**

* Of which EUR 7 million (10) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q2 earnings 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	48					48
Markets	9					9
Other operations		-3	1	9	1	8
Total	57	-3	1	9	1	65
Net commissions and fees	24	6	12	-1	-1	40
Net trading income	16	0	0	-1	0	15
Net investment income		0		-7		-7
Net income from Non-life Insurance						
From insurance operations		123				123
From investment operations		18			0	18
From other items		-11				-11
Total		130			0	130
Other operating income	5	-1	0	7	-2	10
Total income	**101**	**133**	**14**	**7**	**-2**	**253**
Personnel costs	15	35	5	4		58
ICT costs	6	12	1	1	0	21
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	4	2	0	0		7
Other expenses	9	39	2	3	-2	51
Total expenses	**35**	**94**	**8**	**8**	**-2**	**143**
Earnings/loss before impairment of receivables	**67**	**39**	**6**	**-1**	**0**	**110**
Impairments of receivables	11			0		12
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**55**	**39**	**6**	**-1**	**0**	**99**
Change in fair value reserve	-3	-2	0	2	0	-2
Actuarial gains/losses on post-employment benefit obligations	-1			0		-1
Total comprehensive income for the period, before tax	**52**	**38**	**6**	**0**	**0**	**96**

Q2 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	44					44
Markets	18					18
Other operations		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
ICT costs	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	**40**	**49**	**7**	**7**	**0**	**103**
Change in fair value reserve	-1	-7	0	-3	0	-11
Actuarial gains/losses on post-employment benefit obligations	-3			-1		-3
Total comprehensive income for the period, before tax	**36**	**43**	**7**	**4**	**0**	**89**

Q1–2 earnings 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	98					98
Markets	19					19
Other operations		-3	1	22	1	22
Total	117	-3	1	22	1	139
Net commissions and fees	49	11	24	-1	-2	82
Net trading income	36	0	0	6	3	45
Net investment income	0		0	-2		-2
Net income from Non-life Insurance						
From insurance operations		205				205
From investment operations		52			-3	49
From other items		-23				-23
Total		234			-3	231
Other operating income	10	1	1	11	-3	19
Total income	**212**	**243**	**27**	**35**	**-4**	**513**
Personnel costs	32	72	9	7		120
ICT costs	13	25	1	3	0	43
Amortisation on intangible assets related to company acquisitions		11	1			12
Other depreciation/amortisation and impairments	8	5	1	1		14
Other expenses	19	77	4	6	-4	102
Total expenses	**72**	**189**	**16**	**17**	**-4**	**290**
Earnings/loss before impairment of receivables	**140**	**54**	**11**	**18**	**0**	**223**
Impairments of receivables	19			2		21
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**121**	**54**	**12**	**16**	**0**	**203**
Change in fair value reserve	0	106	0	125	0	231
Actuarial gains/losses on post-employment benefit obligations	2			0		2
Total comprehensive income for the period, before tax	**122**	**161**	**12**	**141**	**0**	**436**

Q1–2 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	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
ICT costs	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**	**198**
Change in fair value reserve	0	-30	0	-1	-1	-32
benefit obligations	-3			-1		-3
Total comprehensive income for the period, before tax	**90**	**38**	**13**	**22**	**-1**	**163**

Balance sheet 30 June 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	13,359			294	-148	13,504
Receivables from credit institutions	459	0	2	12,792	-13	13,240
Financial assets at fair value through profit or loss	361			-139		221
Non-life Insurance assets		3,793			-177	3,616
Investment assets	376	16	16	6,013	-8	6,413
Investments in associates		2	26			28
Other assets	4,587	781	116	1,362	-51	6,795
Total assets	**19,142**	**4,593**	**159**	**20,321**	**-398**	**43,818**
Liabilities to customers	4,307			4,708	-102	8,913
Liabilities to credit institutions	868			5,486	-148	6,206
Non-life Insurance liabilities		2,831			-21	2,810
Debt securities issued to the public				14,802	-67	14,735
Subordinated liabilities		50		1,510		1,560
Other liabilities	5,127	70	13	1,935	-59	7,086
Total liabilities	**10,302**	**2,951**	**13**	**28,441**	**-397**	**41,309**
Shareholders' equity						**2,508**
Average personnel	761	2,402	158	131		3,451
Capital expenditure, EUR million	8	12	0	0		21

Balance sheet 31 Dec 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	12,627			207	-132	12,701
Receivables from credit institutions	363	0	3	11,261	-13	11,614
Financial assets at fair value through profit or loss	250			-67		183
Non-life Insurance assets		3,352			-97	3,256
Investment assets	281	16	28	7,026	-11	7,341
Investments in associates		2	25			27
Other assets	3,850	780	115	1,297	-53	5,988
Total assets	**17,371**	**4,150**	**171**	**19,723**	**-306**	**41,111**
Liabilities to customers	3,084			4,989	-48	8,025
Liabilities to credit institutions	924			5,143	-132	5,935
Non-life Insurance liabilities		2,543			-36	2,508
Debt securities issued to the public				15,202	-23	15,179
Subordinated liabilities		50		1,005	-5	1,050
Other liabilities	4,252	69	14	1,834	-61	6,107
Total liabilities	**8,261**	**2,662**	**14**	**28,173**	**-305**	**38,804**
Shareholders' equity						**2,306**
Average personnel	748	2,355	149	129		3,380
Capital expenditure, EUR million	12	20	1	1		33

Notes

Note 1. Accounting policies

The Interim Report for 1 January–30 June 2012 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

In the preparation of this Interim Report, Pohjola substantially applied the same accounting policies as in the financial statements 2011, except a change in the recognition of actuarial gains and losses on defined benefit pension plan.

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.

Change in accounting policies

Pohjola Group has decided to voluntarily abandon as of the beginning of 2012 the so-called corridor method in the recognition of actuarial gains and losses on defined benefit pension plans. On transition to IFRS in 2005, Pohjola Group elected to recognise actuarial gains and losses in the income statement over the expected average remaining working lives of the active employees in the plan to the extent that they exceed 10% of the present value of the defined benefit obligation or the fair value of the plan assets. In accordance with the revised recognition method under IAS 19, actuarial gains and losses are recognised in other comprehensive income in the period in which they occur. When recognising actuarial gains and losses in other comprehensive income, these gains and losses cannot be reclassified through profit or loss in subsequent periods.

This change in the accounting policies results in faster recognition of actuarial gains and losses than in the previously applied corridor method. By adopting this method, Pohjola is also preparing for the requirements of the revised IAS 19 effective for financial years starting on or after 1 January 2013. The actuarial gains of EUR 2 million recognised in other comprehensive income in the H1/2012 Interim Report arise from a change in the fair value of plan assets. Pohjola has applied the change in the accounting policy retrospectively. The change has no effect on the earnings per share (EPS) ratio. The effects of the changed accounting policy on the comparatives of the consolidated balance sheet, income statement and statement of comprehensive income shown in this Interim Report are as follows:

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 1 Jan 2011			
Assets			
Other assets	1,208	1,185	-24
Tax assets	40	40	0
Liabilities			
Provisions and other liabilities	1,816	1,815	0
Tax liabilities	455	449	-6
Shareholders' equity			
Retained earnings	868	851	-17

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 31 Dec 2011			
Assets			
Other assets	1,604	1,572	-32
Tax assets	87	87	0
Liabilities			
Provisions and other liabilities	2,234	2,235	1
Tax liabilities	418	411	-8
Shareholders' equity			
Retained earnings	959	934	-25
Income statement 2011			
Personnel costs	213	212	-1
Income tax expense	42	43	0

Statement of comprehensive income 2011			
Actuarial gains/losses on post-employment benefit obligations		-10	-10
Income tax on actuarial gains/losses on post-employment benefit obligations		-2	-2

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 30 June 2011			
Assets			
Other assets	1,367	1,340	-27
Tax assets	48	48	0
Liabilities			
Provisions and other liabilities	2,111	2,110	0
Tax liabilities	444	437	-7
Shareholders' equity			
Retained earnings	890	871	-19
Income statment Q1–2/2011			
Personnel costs	110	110	0
Income tax expense	50	50	0
Statement of comprehensive income Q1–2/2011			
Actuarial gains/losses on post-employment benefit obligations		-3	-3
Income tax on actuarial gains/losses on post-employment benefit obligations		-1	-1

Note 2. Formulas for key figures and ratios

Return on equity (ROE) at fair value, %
Total comprehensive income for the period /
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

Equity/share
Shareholders' equity / Share-issue adjusted number of shares on the balance sheet date

Dividend per share (DPS)
Dividends paid for the financial year/ Share-issue adjusted number of shares on the balance sheet date

Market capitalisation
Number of shares x closing price on the balance sheet date

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates
Conglomerate's total capital / Conglomerate's total minimum capital requirement

Capital adequacy ratio, %
Total capital / Total minimum capital requirement x 8

Tier 1 ratio, %
Total Tier 1 capital / Total minimum capital requirement x 8

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

KEY RATIOS FOR NON-LIFE INSURANCE

The key ratio formulas for Non-life Insurance are based on regulations issued by the Finnish Financial Supervisory Authority, using the corresponding IFRS sections to the extent applicable. The ratios are calculated using expenses by function applied by non-life insurance companies, which are not presented on the same principle as in the Consolidated Income Statement.

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

Expense ratio
Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition /
Net insurance premium revenue x 100

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

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

Combined ratio (excl. unwinding of discount)
Loss ratio + expense ratio
Risk ratio + cost ratio

Solvency ratio
(+ Non-life Insurance net assets
+ Subordinated loans
+ Net tax liability for the period
- Deferred tax to be realised in the near future and other items deducted from the solvency margin
- Intangible assets)/
Insurance premium revenue x 100

OPERATING KEY RATIOS

Operating cost/income ratio
(+ Personnel costs
+ Other administrative expenses
+ Other operating expenses excl. amortisation on intangible assets and goodwill related to Pohjola acquisition) /
(+ Net interest income
+ Net income from Non-life Insurance
+ Net commissions and fees
+ Net trading income
+ Net investment income
+ Other operating income) x 100

Operating loss ratio, %
Claims incurred, excl. changes in reserving bases/
Insurance premium revenue, excl. net changes in reserving bases x 100

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

Operating combined ratio, %
Operating loss ratio + Operating expense ratio

Values used in calculating the ratios

EUR million	30 June 2012	31 Dec 2011
Non-life Insurance		
Non-life Insurance net assets	1,641	1,490
Net tax liabilities for the period	-25	4
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	-5
Intangible assets	752	756

EUR million	30 June 2012	30 June 2011	31 Dec 2011
Changes in reserving bases and non-recurring items			
Increase in technical provisions related to higher life expectancy			-27
Change in discount rate			-32

Note 3. Net interest income

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Loans and other receivables	88	92	185	176
Receivables from credit institutions and central banks	26	35	56	66
Notes and bonds	52	60	114	116
Derivatives (net)				
Derivatives held for trading	16	14	26	20
Derivatives under hedge accounting	7	-5	15	-8
Liabilities to credit institutions	-24	-21	-47	-38
Liabilities to customers	-12	-12	-25	-19
Debt securities issued to the public	-70	-77	-150	-148
Subordinated debt	-16	-8	-30	-15
Hybrid capital	-3	-3	-5	-5
Financial liabilities held for trading	0	0	0	0
Other (net)	0	0	0	-1
Net interest income before fair value adjustment under hedge accounting	**65**	**74**	**139**	**143**
Hedging derivatives	64	-29	83	1
Value change of hedged items	-64	27	-83	-3
Total net interest income	**65**	**72**	**139**	**140**

Note 4. Impairments of receivables

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Receivables eliminated as loan or guarantee losses	30	2	33	4
Receoveries of eliminated receivables	-1	0	-2	0
Increase in impairment losses	12	25	25	41
Decrease in impairment losses	-29	-7	-35	-9
Total impairments of receivables	**12**	**20**	**21**	**35**

Note 5. Net income from Non-life Insurance

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Net insurance premium revenue				
Premiums written	270	260	786	734
Insurance premiums ceded to reinsurers	-20	-18	-42	-48
Change in provision for unearned premiums	26	14	-210	-204
Reinsurers' share	5	5	14	25
Total	**281**	**261**	**549**	**507**
Net Non-life Insurance claims				
Claims paid	188	176	406	353
Insurance claims recovered from reinsurers	-27	-11	-31	-15
Change in provision for unpaid claims	-35	-30	-46	-25
Reinsurers' share	32	11	16	12
Total	**158**	**147**	**344**	**325**
Net investment income, Non-life Insurance				
Interest income	15	16	31	32
Dividend income	4	4	21	25
Investment property	2	2	4	3
Capital gains and losses				
Notes and bonds	12	1	14	-8
Shares and participations	-5	4	-9	10
Loans and receivables		0	-2	-1
Investment property			0	0
Derivatives	-5	-1	-4	6
Fair value gains and losses				
Notes and bonds	-1	0	-2	0
Shares and participations	-2	-2	-4	-7
Loans and receivables	1	0	0	-1
Investment property	0	0	0	0
Derivatives	-2	-1	-1	0
Other	1	1	2	3
Total	**18**	**23**	**49**	**60**
Unwinding of discount	-11	-12	-23	-23
Other	0	0	0	0
Total net income from Non-life Insurance	**130**	**126**	**231**	**219**

Note 6. Net commissions and fees

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Commission income				
Lending	12	10	22	19
Payment transfers	3	3	7	7
Securities brokerage	5	7	11	17
Securities issuance	3	3	6	4
Asset management and legal services	14	15	28	28
Insurance operations	6	5	12	9
Guarantees	4	4	8	8
Other	1	1	3	2
Total commission income	**47**	**47**	**96**	**95**
Commission expenses				
Payment transfers	1	0	1	1
Securities brokerage	2	2	4	5
Securities issuance	2	2	4	3
Asset management and legal services	2	2	3	3
Other	1	1	2	2
Total commission expenses	**7**	**8**	**14**	**14**
Total net commissions and fees	**40**	**40**	**82**	**80**

Note 7. Net trading income

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Financial assets and liabilities held for trading				
Capital gains and losses				
Notes and bonds	3	0	8	-4
Shares and participations	0	0	0	0
Derivatives	10	1	2	7
Fair value gains and losses				
Notes and bonds	-1	2	-1	2
Shares and participations	0	0	0	0
Derivatives	2	3	32	14
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses				
Notes and bonds	-1		-1	
Fair value gains and losses				
Notes and bonds	1	0	1	1
Net income from foreign exchange operations	2	-2	4	0
Total net trading income	**15**	**5**	**45**	**19**

Note 8. Net investment income

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	-7	3	-6	7
Shares and participations				0
Dividend income	0	0	3	6
Impairments	0	0	0	-1
Carried at amortised cost				
Capital gains and losses				
Loans and other receivables	0	0	1	1
Total	**-7**	**3**	**-2**	**14**
Investment property	0	0	0	0
Total net investment income	**-7**	**2**	**-2**	**14**

Note 9. Other operating income

EUR million	Q2/ 2012	Q2/ 2011	Q1–2/ 2012	Q1–2/ 2011
Central banking service fees	2	2	4	4
Realisation of repossessed items		0		0
Rental income from assets rented under operating lease	3	4	6	10
Other	5	3	8	7
Total	**10**	**10**	**19**	**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	4,792					4,792
Receivables from credit institutions and central banks	8,447					8,447
Derivative contracts			3,735		300	4,035
Receivables from customers	13,504					13,504
Non-life Insurance assets**	713		108	2,795		3,616
Notes and bonds***		488	221	5,819		6,528
Shares and participations			0	81		81
Other receivables	2,787		26			2,813
Total 30 June 2012	**30,244**	**488**	**4,090**	**8,695**	**300**	**43,818**
Total 31 December 2011	**27,597**	**716**	**3,439**	**9,159**	**200**	**41,111**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		6,206		6,206
Financial liabilities held for trading (excl. derivatives)	13			13
Derivative conctracts	3,762		426	4,187
Liabilities to customers		8,913		8,913
Non-life Insurance liabilities	3	2,807		2,810
Debt instruments issued to the public		14,735		14,735
Subordinated liabilities		1,560		1,560
Other liabilities		2,886		2,886
Total 30 June 2012	**3,777**	**37,106**	**426**	**41,309**
Total 31 December 2011	**3,084**	**35,342**	**378**	**38,804**

* 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 2012, notes and bonds included EUR 9 million (13) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 30 June 2012, the fair value of these debt instruments was EUR 162 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 reliable fair values involves uncertainty.

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

Fair value of assets on 30 June 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	159	56	6	221
Non-life Insurance			6	6
Derivative financial instruments				
Banking	14	3,988	33	4,035
Non-life Insurance	1	0		1
Available-for-sale				
Banking	4,776	1,109	15	5,900
Non-life Insurance	1,805	705	285	2,795
Total	**6,756**	**5,858**	**345**	**12,960**

Fair value of assets on 31 December 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	105	74	4	183
Non-life Insurance			6	6
Derivative financial instruments				
Banking	15	3,287	25	3,326
Non-life Insurance	0	0		0
Available-for-sale				
Banking	5,516	1,070	14	6,600
Non-life Insurance	1,743	557	259	2,559
Total	**7,379**	**4,988**	**308**	**12,675**

Fair value of liabilities on 30 June 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	6	7		13
Derivative financial instruments				
Banking	27	3,960	200	4,187
Non-life Insurance	3	0		3
Total	**36**	**3,967**	**200**	**4,203**

Fair value of liabilities on 31 December 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	1			1
Derivative financial instruments				
Banking	23	3,342	96	3,460
Non-life Insurance	0	0		1
Total	**24**	**3,342**	**96**	**3,462**

* 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 2012, EUR 39 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 2012	31 Dec 2011
Investments		
Loans and other receivables	124	141
Shares and participations	392	435
Property	100	98
Notes and bonds	1,922	1,562
Derivatives	1	0
Other participations	487	568
Total	**3,027**	**2,805**
Other assets		
Prepayments and accrued income	33	36
Other		
From direct insurance	355	262
From reinsurance	145	121
Cash in hand and at bank	7	6
Other receivables	49	26
Total	**589**	**451**
Total Non-life insurance assets	**3,616**	**3,256**

Note 13. Intangible assets

EUR million	30 June 2012	31 Dec 2011
Goodwill	519	519
Brands	172	172
Customer relationships	143	155
Other	86	74
Total	**920**	**920**

Note 14. Non-life Insurance liabilities

EUR million	30 June 2012	31 Dec 2011
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,157	1,155
Other provision for unpaid claims	763	789
Total	1,920	1,944
Provision for unearned premiums	632	422
Derivatives	3	1
Other liabilities	256	141
Total	**2,810**	**2,508**

Note 15. Debt securities issued to the public

EUR million	30 June 2012	31 Dec 2011
Bonds	7,915	6,769
Certificates of deposit, commercial papers and ECPs	6,520	8,113
Other	300	297
Total	**14,735**	**15,179**

Note 16. Fair value reserve after income tax

EUR million	30 June 2012	31 Dec 2011
Loans and other receivables		
Reclassified notes and bonds	-2	-4
Available-for-sale financial assets		
Notes and bonds	-43	-162
Equities and mutual funds with equity risk	36	7
Other funds	16	0
Derivatives		
Cash flow hedge	18	10
Total	**26**	**-149**

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 34 million (–197) and the related deferred tax liability amounted to EUR 8 million (deferred tax asset of 48). On 30 June, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 87 million (66) and negative mark-to-market valuations EUR 18 million (58). In January–June, impairment charges recognised from the fair value reserve in the income statement totalled EUR 4 million (1), of which equity instruments accounted for EUR 2 million (0).

Note 17. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	30 June 2012	31 Dec 2011	Change
1–2	2.4	2.3	0.1
3–5	11.8	11.6	0.2
6–7	5.8	5.1	0.7
8–9	2.0	1.9	0.1
10	0.1	0.1	0.0
11–12	0.3	0.3	0.0
Non-rated	0.3	0.2	0.0
Total	**22.8**	**21.6**	**1.2**

* excl. private customers

Sensitivity analysis of market risk

			30 June 2012		31 Dec 2011	
Banking, EUR million	Risk parameter	Change	Effect on results	Effect on shareholders' equity	Effect on results	Effect on shareholders' equity
Interest-rate risk	Interest	1 percentage point	7		4	
Currency risk	Market value	20 percentage points	8		8	
Volatility risk						
Interest-rate volatility	Volatility	20 percentage points	3		1	
Currency volatility	Volatility	10 percentage points	1		0	
Credit risk premium*	Credit spread	0.5 percentage points	2	6	1	5

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 buffer.

Note 18. Risk exposure by Non-life Insurance

Risk parameter	Total amount 30 June 2012, EUR million	Change in risk parameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*	1,065	Up 1%	Up 0.9 percentage points	11
Claims incurred*	780	Up 1%	Down 0.7 percentage points	-8
Major loss of over EUR 5 million		1 loss	Down 0.5 percentage points	-5
Personnel costs*	121	Up 8%	Down 0.9 percentage points	-10
Expenses by function*/**	302	Up 4%	Down 1.1 percentage points	-12
Inflation for collective liability	538	Up 0.25 percentage points	Down 0.4 percentage points	-4
Life expectancy for discounted insurance contract liability	1,430	Up 1 year	Down 3.2 percentage points	-33
Discount rate for discounted insurance contract liability	1,430	Down 0.1 percentage point	Down 1.6 percentage points	-16

* 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 2012	%	Fair value 31 Dec 2011	%
Money market instruments	123	4 %	99	3 %
Bonds and bond funds	2,280	74 %	1,999	70 %
Public sector	527	17 %	675	24 %
Financial institutions	863	28 %	502	18 %
Corporate	562	18 %	434	15 %
Bond funds	320	10 %	383	13 %
Other	7	0 %	6	0 %
Equities	184	6 %	287	10 %
Private equity investments	102	3 %	91	3 %
Alternative investments	109	4 %	132	5 %
Real property	274	9 %	254	9 %
Total	**3,071**	**100 %**	**2,863**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 30 June 2012*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	18	126	390	157	127	97	914	39 %
Aa1−Aa3	85	45	80	22	3	32	266	11 %
A1−A3	59	153	238	65	27	14	556	24 %
Baa1−Baa3	39	121	190	57	48	0	455	19 %
Ba1 or lower	14	68	13	48	3	4	150	6 %
Internally rated	0	1	1	0	0		2	0 %
Total	**216**	**514**	**912**	**348**	**207**	**147**	**2,343**	**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 2012	31 Dec 2011
Bonds and bond funds1)	Interest rate	1 percentage point	83	84
Equities 2)	Market value	20 percentage points	50	70
Venture capital funds and unquoted equities	Market value	20 percentage points	22	19
Commodities	Market value	20 percentage points	1	0
Real property	Market value	10 percentage points	27	25
Currency	Value of currency	20 percentage points	45	39
Credit risk premium 3)	Credit spread	0.5 percentage points	38	42
Derivatives 4)	Volatility	10 percentage points	3	4

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 2012	31 Dec 2011	Change
1–2	16.6	14.9	1.7
3–5	3.5	4.7	-1.2
6–7	0.1	0.3	-0.1
8–9	0.1	0.1	0.1
10	0.0	0.1	-0.1
11–12		0.0	0.0
Non-rated	0.0	0.0	0.0
Total	**20.4**	**20.1**	**0.3**

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	30 June 2012 Effect on results	30 June 2012 Effect on share-holders' equity	31 Dec 2011 Effect on results	31 Dec 2011 Effect on share-holders' equity
Interest-rate risk	Interest rate	1 percen-tage point	20		25	0
Interest-rate volatility	Volatility	20 percen-tage points	0		0	
Credit risk premium*	Credit spread	0.5 percen-tage points		109	0	116
Price risk						
Equity portfolio	Market value	20 percen-tage points		1		1
Private equity funds	Market value	20 percen-tage points		4		5
Property risk	Market value	10 percen-tage points	3		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 buffer.

Note 20. Liquidity buffer

Liquidity buffer by maturity and credit rating on 30 June 2012, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa*	4,935	824	1,394	652	640	20	8,466	57 %
Aa1−Aa3	80	206	427	316	215	1	1,245	8 %
A1−A3	264	625	231	3	16		1,140	8 %
Baa1−Baa3	176	221	142	5	7		551	4 %
Ba1 or lower	91	37	33	4	33	0	198	1 %
Internally rated**	582	688	863	313	232	469	3,146	21 %
Total	**6,129**	**2,601**	**3,090**	**1,293**	**1,143**	**490**	**14,746**	**100 %**

* incl. deposits with the central bank
** PD </= 0.40%
The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.5 years.

Note 21. Capital base and capital adequacy

EUR million	30 June 2012	31 Dec 2011
Tier 1 capital		
Equity capital	2,508	2,306
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	-11	112
Fair value reserve, transfer to Tier 2	42	136
Core Tier 1 capital before deductions and hybrid capital	**2,539**	**2,554**
Intangible assets	-175	-171
Excess funding of pension liability and fair value measurement of investment property	-10	-8
Dividend distribution proposed by Board of Directors		-129
Planned dividend distribution	-78	
Investments in insurance companies and financial institutions	-704	-704
Shortfall of impairments – expected losses	-55	-56
Core Tier 1 capital	**1,517**	**1,486**
Hybrid capital	274	274
Shortfall of Tier 2 capital		-238
Tier 1 capital	**1,791**	**1,521**
Tier 2 capital		
Fair value reserve	-60	-146
Perpetual bonds	299	294
Debenture loans	873	375
Investments in insurance companies and financial institutions	-704	-704
Shortfall of impairments – expected losses	-55	-56
Transfer to Tier 1 capital		238
Tier 2 capital	**352**	
Total capital base	**2,143**	**1,521**
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,408	-1,408
Impairments – shortfall of expected losses	-110	-112
Total	-1,519	-1,521
Risk-weighted assets	**15,429**	**14,409**

Core Tier 1 ratio, %	**9.8**	**10.3**
Tier 1 ratio, %	**11.6**	**10.6**
Capital adequacy ratio, %	**13.9**	**10.6**

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola has used the Internal Ratings Based Approach (IRBA) for corporate, credit institution and retail exposures as well as equity investments. Pohjola has used the Standardised Approach (SA) to measure credit risk for government exposures.

OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions stood at 15.1% and Tier 1 ratio at 15.1%.

Note 22. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	30 June 2012	31 Dec 2011
Pohjola Group's equity capital	2,508	2,306
Hybrid instruments, perpetual bonds and debenture bonds	1,496	992
Other sector-specific items excluded from capital base	-141	-2
Goodwill and intangible assets	-871	-869
Equalisation provision	-250	-266
Proposed profit distribution	-78	-129
Items under IFRS deducted from capital base*	-39	-28
Shortfall of impairments – expected losses	-110	-112
Conglomerate's capital base, total	**2,514**	**1,891**
Regulatory capital requirement for credit institutions**	1,234	1,153
Regulatory capital requirement for insurance operations***	198	186
Conglomerate's total minimum capital requirement	**1,432**	**1,339**
Conglomerate's capital adequacy	**1,082**	**552**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.76**	**1.41**

* Excess funding of pension liability, Fair value measurement of investment property, Portion of cash flow hedge of fair value reserve
** Risk-weighted assets x 8%
*** Minimum solvency margin

OP-Pohjola Group's capital adequacy ratio was 2.01.

Note 23. Collateral given

EUR million	30 June 2012	31 Dec 2011
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	5,653	6,832
Other	531	492
Total collateral given	**6,185**	**7,325**
Total collateralised liabilities	**610**	**765**

Note 24. Off-balance-sheet commitments

EUR million	30 June 2012	31 Dec 2011
Guarantees	1,055	1,004
Other guarantee liabilities	1,688	1,303
Loan commitments	5,080	4,952
Commitments related to short-term trade transactions		225
Other	364	359
Total off-balance-sheet commitments	**8,186**	**7,844**

Note 25. Derivative contracts

30 June 2012, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	51,055	86,381	41,910	179,345	3,748	3,788
Currency derivatives	16,835	2,478	532	19,844	527	371
Equity and index derivatives	218	1,012	6	1,236	37	2
Credit derivatives	129	95		224	3	1
Other derivatives	3,233	557	19	3,810	39	57
Total derivatives	**71,469**	**90,524**	**42,467**	**204,460**	**4,355**	**4,219**

31 Dec 2011, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	46,381	94,395	39,747	180,523	2,777	2,926
Currency derivatives	18,104	2,339	732	21,174	626	419
Equity and index derivatives	161	1,110	6	1,277	55	1
Credit derivatives	45	191		236	2	2
Other derivatives	3,561	360	22	3,943	27	39
Total derivatives	**68,252**	**98,394**	**40,507**	**207,153**	**3,487**	**3,388**

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

In derivatives business, Pohjola Group applies netting of derivatives. However, derivative contracts are presented in gross amounts in this note.

Note 26. Other contingent liabilities and commitments

On 30 June 2012, the Group Functions commitments to venture capital funds amounted to EUR 10 million and Non-Life Insurance commitments to EUR 129 million. They are included in the section 'Off-balance-sheet commitments'.

Note 27. 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 2011.

Helsinki, 1 August 2012

Pohjola Bank plc
Board of Directors

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

Analyst meeting, conference call and live webcast

Pohjola will hold a briefing in English for analysts and investors on 1 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 financial results in a press conference on OP-Pohjola Group's premises (Teollisuuskatu 1b, Vallila, Helsinki), on 1 August, starting at noon.

Financial reporting in 2012

Schedule for Interim Reports in 2012:

Interim Report Q1−3/2012	31 October

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