Pohjola Bank plc´s

Interim Report for 1 January—30 September 2013

Pohjola

Pohjola Group Performance for January–September[1)]

- Consolidated earnings before tax amounted to EUR 381 million (281) and consolidated earnings before tax at fair value to EUR 347 million (605). Return on equity was 13.7% (11.6). Core Tier 1 capital ratio was 10.7% (10.6).
- The loan portfolio held by Banking grew by 5% from its level at the turn of the year and by 6% in the year to September. The average corporate loan portfolio margin increased to 1.57% (1.52). Impairment loss on receivables decreased to EUR 29 million (34) and the bank levy reduced earnings by EUR 13 million (–).
- Within Non-life Insurance, insurance premium revenue increased by 10% (9). Combined ratio improved to 88.3% (97.1). A reduction in the discount rate for pension liabilities reduced earnings during the same period a year ago by EUR 52 million. Excluding the changes in reserving bases and amortisation on intangible assets arising from company acquisition, the operating combined ratio was 86.6% (89.0). Return on investments at fair value was 2.1% (8.6).
- Within Asset Management, assets under management increased by 11% to EUR 36.6 billion (32.8).
- The Group's total expenses remained at the previous year's level despite the bank levy of EUR 15 million. Cost savings out of the EUR 25 million estimated for 2013 based on the efficiency-enhancement programme amounted to EUR 22 million.
- Events after the reporting period: The reduction in the discount rate for Non-life Insurance pension liabilities will reduce fourth-quarter consolidated earnings by an estimated EUR 39 million.
- Outlook for the rest of 2013: Consolidated earnings before tax in 2013 are expected to be higher than in 2012. Within Banking, the loan portfolio growth rate is expected to remain below the 2012 rate (previous estimate: growth at the same rate as in 2012). It is estimated that the Non-life Insurance operating combined ratio will vary between 87% and 90% (previous estimate: 88–92%). Within Asset Management, performance-based management fees are expected to remain below the exceptionally high level reported a year ago. For more detailed information on the outlook, see "Outlook for the rest of 2013" below.

July–September

- Consolidated earnings before tax amounted to EUR 129 million (79) and consolidated earnings before tax at fair value to EUR 170 million (172). A reduction in the discount rate for pension liabilities reduced earnings a year earlier by EUR 52 million.
- Combined net interest income from Corporate Banking and Baltic Banking was up by 14% year on year. The loan portfolio decreased by 1% and the average margin of the corporate loan portfolio increased by 4 basis points. Impairment loss decreased to 10 million (15).
- Within Non-life Insurance, insurance premium revenue increased by 10% (11). Combined ratio was 83.3% (101.7) while operating combined ratio was 81.6% (82.2). Return on investments at fair value was 1.7% (3.0).

Earnings before tax, € million	**Q1–3/ 2013**	**Q1–3/ 2012**	**Change, %**	**Q3/ 2013**	**Q3/ 2012**	**Change, %**	**2012**
Banking	175	162	8	64	42	52	221
Non-life Insurance	162	82	98	63	27	129	92
Asset Management	18	17	10	7	5	34	32
Group Functions	26	20	29	-4	4		27
Total	**381**	**281**	**36**	**129**	**79**	**64**	**372**
Change in fair value reserve	-34	324		41	94	-56	418
Earnings before tax at fair value	**347**	**605**	**-43**	**170**	**172**	**-1**	**790**
Earnings per share, €	0.91	0.67		0.30	0.19		0.89
Equity per share, €	9.04	8.26					8.67
Average personnel	2,589	3,424		2,543	3,439		3,421

Financial targets	**Q1–3/ 2013**	**Q1–3/ 2012**	**Q3/ 2013**	**Q3/ 2012**	**2012**	**Target**
Return on equity, %	13.7	11.6	13.6	9.3	11.2	13
Core Tier 1 ratio, %	10.7	10.7			10.6	≥ 11
Operating cost/income ratio by Banking, %	36	35	33	39	34	< 35
Operating combined ratio by Non-life Insurance, %	86.6	89.0	81.6	82.2	90.5	< 92
Operating expense ratio by Non-life Insurance, %	18.4	21.8	16.2	19.2	21.5	18
Solvency ratio by Non-life Insurance, %	81	85			81	70
Operating cost/income ratio by Asset Management, %	52	54	47	54	47	< 45
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors' level	2	2			2	2
Dividend payout ratio at least 50%, provided that Core Tier 1 ratio remains at least 10%					51	≥ 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 2012 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:

In the third quarter, Pohjola reported good earnings before tax, amounting to EUR 129 million.
Our customer business made strong progress. Consolidated earnings before tax in January–September totalled EUR 381 million, which was markedly higher than a year ago. The January–September return on equity stood at 13.7%.

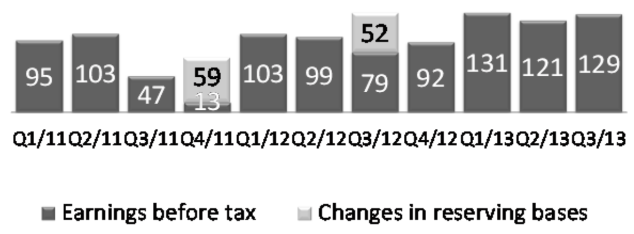
Banking reported clearly better earnings before tax in the third quarter. Both Corporate Banking and Markets improved their earnings on a year earlier. The average corporate loan portfolio margin increased by 4 basis points in the third quarter and the loan portfolio grew 6% year on year. Net loan losses and impairment losses declined.

Insurance premium revenue continued to grow vigorously within Non-life Insurance. The third-quarter balance on technical account was the best we have ever recorded and the operating combined ratio was 81.6%. Greater operating efficiency manifested itself in the substantially improved expense ratio. Return on investments at fair value in the third quarter was lower than a year ago, due mainly to an increase in market interest rates.

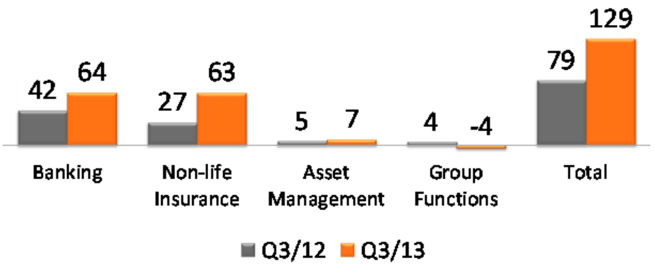
Within Asset Management, assets under management increased as a result of growth in OP mutual funds, good progress in net inflows and positive developments in market values.

The third quarter that ended was my 64th and last quarter that I report as Pohjola's President and CEO. I am delighted that my successor was found on the Group Executive Committee. Jouko Pölönen, President of Pohjola Non-life Insurance Ltd, will take up his duties as the new President and CEO on 15 November 2013. I would like to take this opportunity to thank our personnel, customers and shareholders for smooth cooperation and trust for the last 16 years in my capacity as President and CEO. I wish Jouko all success in his new position.

Consolidated earnings before tax by quarter, € million



Consolidated earnings before tax by business line, € million



Pohjola Group Interim Report for 1 January–30 September 2013

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Operating environment

Confidence in the global economy improved in the third quarter of 2013. According to preliminary information, economic growth remained slow.

The euro-area economy returned to slow growth last spring and, based on economic indicators, also continued to grow slightly in July–September. Economic surveys suggest that both consumer confidence and business confidence have improved but the economic situation has remained weak as a whole.

The European Central Bank (ECB) has announced that it will keep its key interest rates at their current levels or lower for an extended period. The ECB has kept its main refinancing rate at 0.50% Euribor rates remained relatively stable.

In the USA, the Federal Reserve monetary policy decisions caused uncertainty. Fluctuations in US bond yields were also reflected in euro-area longer term interest rates. The euro-area government bond market remained otherwise calm.

Economic development in Finland remained weak but there were more signs of a gradual recovery. GDP has begun to grow slowly and growth in unemployment has levelled off. The inflation rate continued to decelerate. In the context of economic policy, negotiations have started on moderate wage increases and on structural changes.

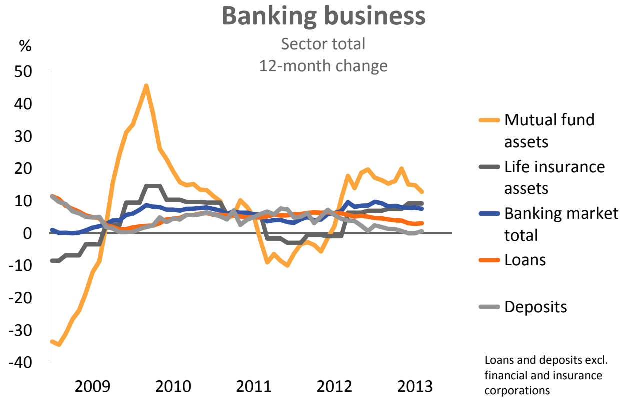
The world economy is expected to continue its gradual revival. Industrial countries in particular have shown improved trust in economic recovery. Yet, risks are higher than usual and developments may shake financial markets and economies in the future too. The Finnish economy is expected to grow slowly during the rest of 2013. The ECB is anticipated to adhere to its monetary stimulus policy and the Euribor rates are expected to remain record low.

The third quarter saw a continued slowdown in the growth rate of the total consumer loan volumes of banks. The annual growth rate of total home loan volumes decelerated to 3% and total consumer credit volumes continued to decrease slightly. Total corporate loan volumes continued to grow at an annual rate of 3%. Demand for loans is expected to remain sluggish during the rest of the year.

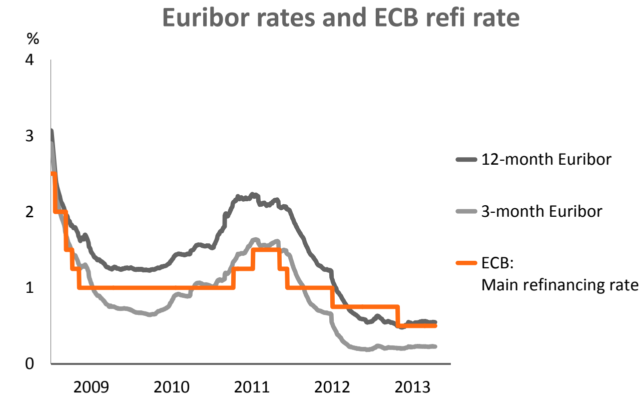
In August, the total deposit volumes of banks continued to grow at an annual rate of 6%, due largely to deposits made by financial institutions and insurance companies. The total deposits made by private and corporate customers were slightly down from their level a year ago, as assets were allocated to savings products with higher investment risks.

The third quarter saw a continued brisk growth in mutual fund assets and insurance savings as a result of positive developments in financial markets. Equity fund returns increased and net inflows remained strong. Life insurance premiums written for January–August improved by over 50% on a year earlier. The trend in insurance savings continued away from products with guaranteed technical interest to unit-linked products.

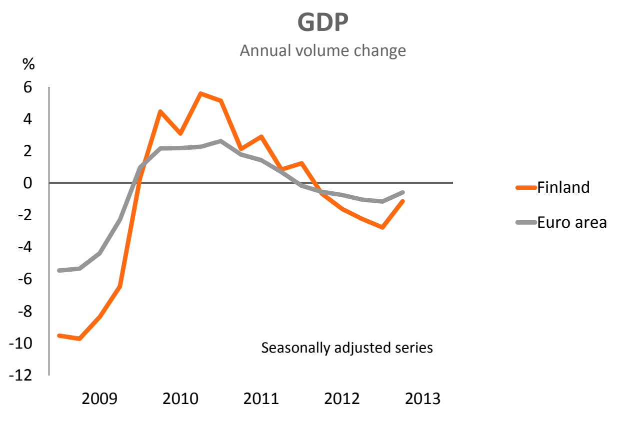
In the non-life insurance sector, the growth rate of premiums written slowed down slightly, suggesting an annual growth rate of 4–5% this year. Due to favourable claims developments, claims paid out increased more slowly than premiums written.



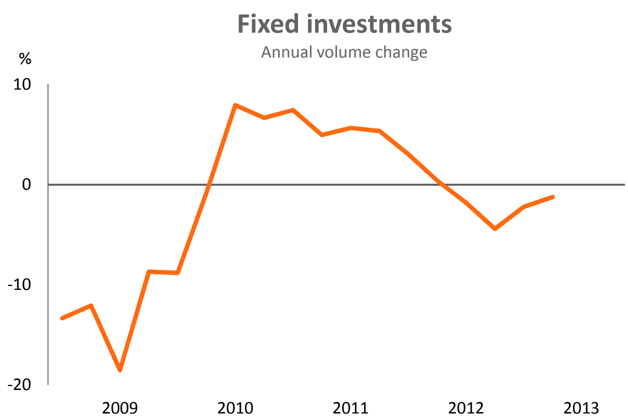
Sources: Bank of Finland, Federation of Finnish Financial Services, Investment Research Finland



Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland

Consolidated earnings analysis

€ million	2013 Q1–3	2012 Q1–3	Change %	2013 Q3	2012 Q3	Change %	Rolling 12 month	2012
Net interest income								
Corporate and Baltic Banking	166	148	12	58	50	14	218	199
Markets	-4	24		-1	5		2	31
Other operations	6	29	-80	1	8	-90	9	33
Total	168	201	-17	57	63	-9	229	263
Net commissions and fees	120	116	3	42	34	22	173	169
Net trading income	61	60	2	21	15	43	79	79
Net investment income	32	-1		0	1		46	13
Net income from Non-life Insurance								
Insurance operations	356	278	28	133	73	83	445	367
Investment operations	108	94	14	27	45	-41	129	115
Other items	-32	-34	-6	-11	-11	-4	-43	-45
Total	431	338	28	149	107	40	531	438
Other operating income	26	29	-11	7	10	-33	34	37
Total income	**837**	**743**	**13**	**276**	**229**	**20**	**1,093**	**998**
Personnel costs	138	177	-22	41	57	-28	192	232
ICT costs	65	64	3	21	21	3	89	87
Depreciation and amortisation	40	38	6	15	12	20	53	50
Other expenses	183	148	24	58	46	26	235	200
Total expenses	**426**	**427**	**0**	**135**	**136**	**0**	**569**	**569**
Earnings before impairment loss on receivables	**411**	**316**	**30**	**140**	**93**	**50**	**524**	**429**
Impairment loss on receivables	31	36	-14	12	15	-24	53	57
Share of associates' profit/loss	1	1	12	1	0	20	1	1
Earnings before tax	**381**	**281**	**36**	**129**	**79**	**64**	**473**	**372**
Change in fair value reserve	-34	324		41	94	-56	60	418
Earnings before tax at fair value	**347**	**605**	**-43**	**170**	**172**	**-1**	**533**	**790**

January–September earnings

Consolidated earnings before tax improved to EUR 381 million (281). Within Non-life Insurance, a reduction in the discount rate for pension liabilities reduced earnings a year earlier by EUR 52 million. Total income increased by 13% and total expenses remained at the previous year's level. Without the bank levy of EUR 15 million, expenses would have dropped by 4%. A non-recurring provision for expenses of EUR 6 million related to the efficiency-enhancement programme of OP-Pohjola Group Central Cooperative Consolidated added to personnel costs a year ago. Impairment loss on receivables decreased by EUR 5 million to EUR 31 million (36).

The fair value reserve before tax was down by EUR 34 million from its level at the beginning of 2013, reaching EUR 187 million on 30 September. Earnings before tax at fair value were EUR 347 million (605).

Combined net interest income from Corporate Banking and Baltic Banking was up by 12% year on year. The loan portfolio grew by 5% from the 2012-end level and by 6% in the year to September. The corporate loan portfolio's average margin increased by 5 basis points to 1.57% (1.52) during the reporting period. The average margin increased by 9 basis points in the year to September.

However, the Group's combined net interest income was down by 17% year on year. Changes made in the liquidity buffer in the last 12 months and net interest income reported by the Markets division decreased net interest income.

Net trading income increased slightly year on year. The Markets division reported an increase in net trading income whereas the Group Functions showed a decrease in net trading income due to fair value changes in derivatives.

Net commissions and fees were up by 3% because of higher net commissions and fees from securities issuance, asset management and payment transfers. Non-life Insurance posted lower fees because responsibility for the collection of unemployment insurance contributions transferred to the Unemployment Insurance Fund.

Net investment income increased to EUR 32 million (–1). Recognised dividend income was EUR 15 million higher than the year before, including the EUR 12 million interest on cooperative capital from Suomen Luotto-osuuskunta. Net capital loss on notes and bonds reduced income a year ago.

Net income from Non-life Insurance improved year on year. Insurance premium revenue increased by 10% and claims incurred by 3%. The 0.3 percentage point reduction in the discount rate for pension liabilities increased claims incurred by EUR 52 million a year ago. Excluding this change in the discount rate, claims incurred increased by 12% over the previous year. Investment income was EUR 14 million higher than the year before. Investment income includes EUR 37 million (34) in capital gains. Impairment loss recognised on investments totalled EUR 7 million (8). Return on investments at fair value was 2.1% (8.6).

Personnel costs were considerably lower than a year ago. These lower costs resulted from personnel reductions and the transfer of employment contracts to other companies within OP-Pohjola Group Central Cooperative Consolidated as part of the efficiency-enhancement programme.

Centralising staff and services within OP-Pohjola Group Central Cooperative Consolidated added to service charges included in other expenses. In addition, other expenses include EUR 15 million in the bank levy (–).

July–September earnings

Consolidated earnings before tax improved to EUR 129 million (79). Within Non-life Insurance, a reduction in the discount rate for pension liabilities reduced earnings a year earlier by EUR 52 million. Total income increased by 20% and total expenses remained at the previous year's level. A non-recurring provision for expenses of EUR 6 million related to the efficiency-enhancement programme of OP-Pohjola Group Central Cooperative Consolidated added to personnel costs a year ago. Impairment loss on receivables amounted to EUR 12 million (15).

The fair value reserve before tax grew by EUR 41 million (94) in the third quarter. Earnings before tax at fair value were EUR 170 million (172).

Combined net interest income from Corporate Banking and Baltic Banking was up by 14% year on year. The loan portfolio decreased by 1% and the average corporate loan portfolio margin increased by 4 basis points. However, the Group's combined net interest income was down by 9% year on year. Changes made in the liquidity buffer in the last 12 months and net interest income reported by the Markets division decreased net interest income.

Net commissions and fees increased by EUR 8 million over the previous year, resulting mainly from lending and securities issuance.

Net trading income was higher than the year before. The Markets division reported an increase in net trading income whereas the Group Functions showed a decrease in net trading income due to fair value changes in derivatives.

Insurance premium revenue improved by 10% (11). Claims incurred were up by 15%, excluding the reduced discount rate a year ago. Operating profitability was better than a year ago. Investment income was EUR 18 million lower than the year before. Return on investments at fair value was 1.7% (3.0).

Total expenses remained at the previous year's level. Excluding the bank levy, total expenses would have decreased by 3%. Lower personnel costs resulted from personnel reductions and the transfer of employment contracts to other companies within OP-Pohjola Group Central Cooperative Consolidated as part of the efficiency-enhancement programme.

Earnings analysis by quarter

	2012				2013		
€ million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Net interest income							
Corporate and Baltic Banking	50	48	50	51	52	56	58
Markets	10	9	5	6	0	-3	-1
Other operations	14	8	8	4	3	2	1
Total	74	65	63	62	55	55	57
Net commissions and fees	42	40	34	53	36	42	42
Net trading income	30	15	15	19	16	24	21
Net investment income	5	-7	1	14	20	12	0
Net income from Non-life Insurance							
Insurance operations	82	123	73	90	99	123	133
Investment operations	31	18	45	21	56	25	27
Other items	-12	-11	-11	-11	-11	-10	-11
Total	101	130	107	100	145	138	149
Other operating income	9	10	10	8	10	9	7
Total income	**261**	**253**	**229**	**256**	**282**	**280**	**276**
Personnel costs	62	59	57	54	48	49	41
ICT costs	22	21	21	24	22	22	21
Depreciation and amortisation	13	13	12	13	12	13	15
Other expenses	51	51	46	52	62	63	58
Total expenses	**148**	**143**	**136**	**142**	**144**	**147**	**135**
Earnings before impairment loss on receivables	**113**	**110**	**93**	**113**	**137**	**134**	**140**
Impairment loss on receivables	10	12	15	21	7	13	12
Share of associates' profit/loss	0	0	0	0	0	0	1
Earnings before tax	**103**	**99**	**79**	**92**	**131**	**121**	**129**
Change in fair value reserve	233	-2	94	94	-17	-58	41
Earnings before tax at fair value	**336**	**96**	**172**	**185**	**114**	**63**	**170**

Group risk exposure

Economic development in Finland remained weak but there were more signs of a gradual recovery. The Group's risk exposure remained stable. The Group has a strong risk-bearing capacity sufficient to secure business continuity.

No major changes occurred in credit risk exposure. Investment-grade exposures remained high. Doubtful receivables, past due payments and impairment losses remained low.

	Q1–3/2013	Q1–3/2012	2012
Net loan losses and impairment losses, € million	31	36	57
% of the loan and guarantee portfolio	0.18	0.22	0.35
Doubtful receivables*), € million	38	43	34
% of the loan and guarantee portfolio	0.22	0.26	0.21
Past due payments, € million	17	18	21
% of the loan and guarantee portfolio	0.10	0.11	0.13

*) Include non-performing, zero-interest and under-priced receivables

Final loan losses recognised in January–September totalled EUR 26 million (33) and impairment losses EUR 50 million (40). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 44 million (37).

After the reporting period, Pohjola decided to reduce the discount rate for Non-life Insurance pension liabilities by 0.2 percentage points from 3.0% to 2.8% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 39 million in the fourth quarter.
In other respects, no major changes occurred in the Non-life Insurance risk exposure.

The Group's funding and liquidity position remained strong. The Group had good access to funding during the reporting period.

Liquidity buffer

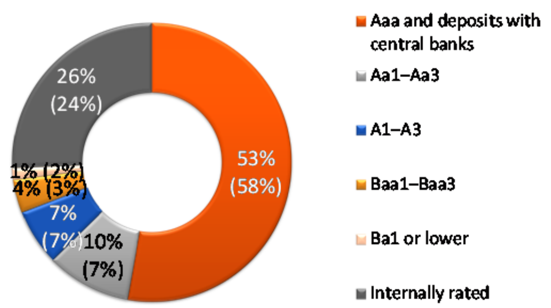
€ billion	30 Sept. 2013	31 Dec. 2012	Change, %
Deposits with central banks	3.4	5.6	-38.7
Notes and bonds eligible as collateral	6.6	5.4	21.6
Corporate loans eligible as collateral	3.0	3.0	-0.3
Total	**13.0**	**14.0**	**-7.2**
Receivables ineligible as collateral	0.9	0.6	44.0
Liquidity buffer at market value	**13.9**	**14.6**	**-5.1**
Collateral haircut	-1.0	-0.9	6.0
Liquidity portfolio at collateral value	**12.9**	**13.7**	**-5.9**

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.

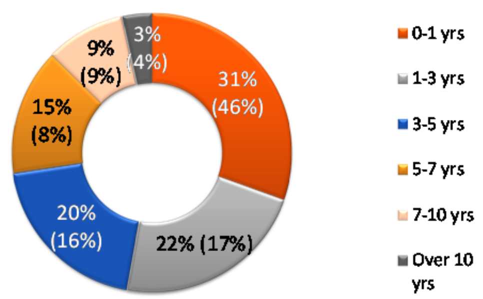
Measurement of the notes and bonds included in the liquidity buffer is based on mark-to-market valuations.

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 Sep. 2013, % (31 Dec. 2012, %)



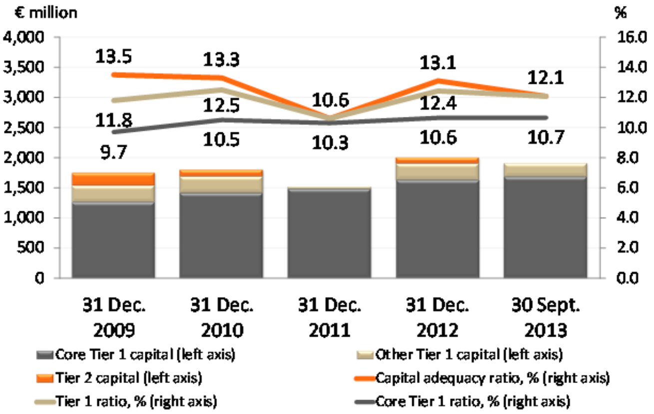
Financial assets included in the liquidity buffer by maturity on 30 Sep. 2013, % (31 Dec. 2012, %)



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

Capital base and capital adequacy

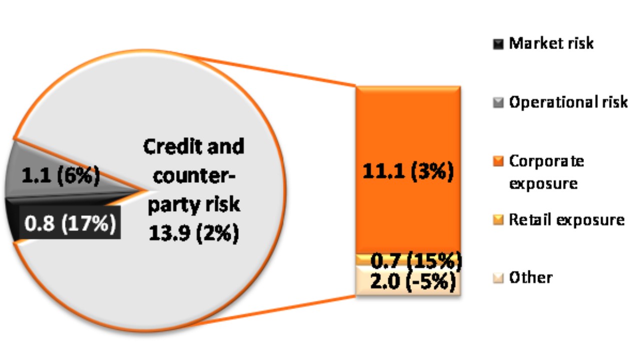


Pohjola Group's Core Tier 1 ratio improved to 10.7% (10.6) in January–September. In March, Pohjola Insurance Ltd paid an extra dividend of EUR 50 million to Pohjola Bank plc, which increased the Core Tier 1 ratio by 0.3 percentage points. The Group's target for its Core Tier 1 ratio is at least 11%.

The capital adequacy ratio under the Act on Credit Institutions decreased to 12.1% (13.1), as against the statutory minimum requirement of 8%. In March, Pohjola Bank plc redeemed a Lower Tier 2 subordinated note of EUR 170 million, thereby decreasing the Group's capital adequacy under the Act on Credit Institutions by 1.1 percentage points and the Tier 1 ratio by 0.4 percentage points. The Tier 1 ratio decreased due to the shortfall of Tier 2 capital resulting from the redemption.

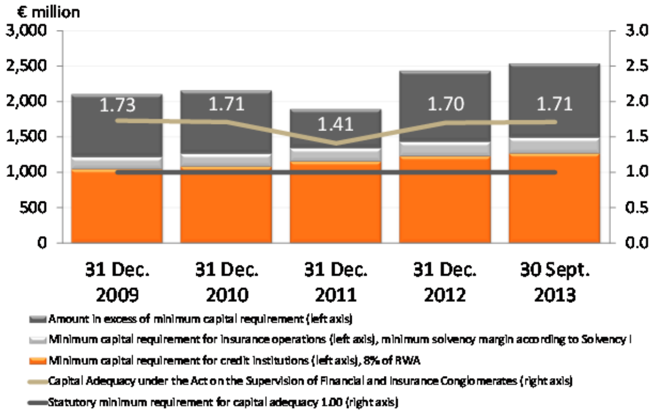
During January–September, risk-weighted assets increased by 3% due mainly to higher credit and counterparty risks. Risk-weighted assets totalled EUR 15.8 billion (15.3) on 30 September.

Risk-weighted assets Total 15.8 € billion
(change from year end 3.3%)



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. The Group's capital adequacy ratio under the Act was 1.71 (1.70) on 30 September.

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



Regulatory changes under Basel III and Solvency II

As a result of the financial crisis, the regulatory framework for banks' capital adequacy requirements is becoming more rigorous. The new Capital Requirements Directive and Regulation (CRD IV/CRR) was published in the EU Official Journal on 27 June 2013. These new rules and regulations will be phased in from 1 January 2014 and will implement the Basel III standards within the EU during 2014–19. These regulatory changes are aimed, for example, at improving the quality of banks' capital base, reducing the cyclic nature of capital requirements, decreasing banks' indebtedness and setting quantitative limits to liquidity risk.

From Pohjola's perspective, the most important individual change in the regulations relates to the treatment of insurance holdings within a banking-led financial and insurance conglomerate. Accordingly, insurance holdings within such a financial and insurance conglomerate can also be counted as risk-weighted assets in capital adequacy measurement. Currently, such holdings are deducted from the capital base. The new, alternative approach and the details of its application require permission from the regulator. Pohjola Group expects its Common Equity Tier 1 (CET1) ratio to be at least at the current level of the Core Tier 1 ratio or to improve slightly. The risk weight set for insurance holdings will have a material effect on the change to the capital adequacy ratio, on which the authorities are expected to take a stand towards the end of the year. Other changes caused by CRD IV/CRR are expected to have a minor one-off negative effect on capital adequacy.

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 requirements and harmonise insurance-sector solvency requirements in Europe. The regulations are still being processed, and are scheduled to come into effect at the beginning of 2016, at the earliest. The solvency capital requirement (SCR) for Non-life Insurance under Solvency II would have amounted to EUR 703 million (pro forma) based on underwriting and investment risks on 30 September 2013. Pohjola estimates that its Non-life Insurance business already fulfils the solvency capital requirement under the proposed Solvency II.

Credit ratings

Pohjola Bank plc's credit ratings on 30 September 2013

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	Negative	AA-	Negative
Moody's	P-1	Stable	Aa3	Stable
Fitch	F1	Stable	A+	Stable

Pohjola Insurance Ltd's financial strength ratings on 30 September 2013

Rating agency	Rating	Outlook
Standard & Poor's	AA-	Negative
Moody's	A3	Stable

In January–September of 2013, no changes occurred in the credit rating of Pohjola Bank plc and the financial strength rating of Pohjola Insurance Ltd affirmed by Fitch Ratings Limited, Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Services Ltd, including their rating outlook.

Standard & Poor's affirmed Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ on 31 July 2013, and Pohjola Insurance Ltd's financial strength rating at AA- on 5 July 2013, while keeping their outlook negative.

Pohjola's efficiency-enhancement programme

As a result of Pohjola Group's efficiency-enhancement programme, total expenses were at the previous year's level. Lower personnel costs resulted from personnel reductions as part of the programme and the transfer of employment contracts to other companies within OP-Pohjola Group Central Cooperative Consolidated.

The efficiency-enhancement programme is aimed at achieving annual cost savings of around EUR 50 million by the end of 2015, job cuts accounting for around 40% of the estimated cost savings. The remaining cost savings will arise from eliminating overlapping activities and standardising practices within the framework of OP-Pohjola Group Central Cooperative Consolidated's efficiency-enhancement programme. The programme aims at annual cost savings of EUR 150 million within OP-Pohjola Group Central Cooperative Consolidated by the end of 2015.

Pohjola expects to achieve an estimated 50% of the total annual cost savings of EUR 50 million in 2013, 30% in 2014 and the rest by the end of 2015. Non-life Insurance is anticipated to account for over 60% of the cost savings, Banking for slightly over 30% and Asset Management for the rest.

Cost savings out of the EUR 25 million estimated for 2013 based on the efficiency-enhancement programme amounted to EUR 22 million during January–September, mostly coming from cuts in personnel costs. Non-life Insurance accounted for 58% of the cost savings, Banking for 36% and Asset Management for 6%.

In September, OP-Pohjola decided to update its operating model for ICT services by outsourcing part of its application development and maintenance to Accenture and CGI. On 1 November 2013, a total of 496 OP-Services Ltd employees will join the payroll of the joint ventures to be established. OP-Pohjola Group seeks to achieve annual cost savings of over EUR 20 million through this outsourcing after the transitional period.

Financial performance and risk exposure by business segment

Banking

January–September in brief

- Earnings before tax amounted to EUR 175 million (162). Higher customer business volumes and margins and lower impairment losses contributed to this improvement.
- The loan portfolio grew by 5% to EUR 14.1 billion (13.5), up by 6% in the year to September.
- The average corporate loan portfolio margin improved to 1.57% (1.52).
- Impairment loss on receivables decreased to EUR 29 million (34), accounting for 0.17% of the loan and guarantee portfolio (0.21).
- Without the bank levy of EUR 13 million (–), expenses would have decreased by EUR 5 million. Operating cost/income ratio was 36% (35).

Banking: financial results and key figures and ratios

€ million	**Q1–3/2013**	**Q1–3/2012**	**Change, %**	**Q3/2013**	**Q3/2012**	**Change, %**	**2012**
Net interest income							
Corporate and Baltic Banking	166	148	12	58	50	14	199
Markets	-4	24		-1	5		31
Total	162	172	-6	56	55	2	230
Net commissions and fees	73	68	7	26	19	37	96
Net trading income	72	51	43	23	14	63	72
Other income	14	14	-6	5	5	3	21
Total income	**321**	**305**	**5**	**110**	**93**	18	**418**
Expenses							
Personnel costs	43	50	-15	13	17	-26	64
ICT costs	22	20	10	7	6	0	27
Depreciation and amortisation	11	11	-2	4	4	2	15
Other expenses	40	27	50	13	8	54	37
Total expenses	**116**	**108**	**7**	**36**	**36**	1	**143**
Earnings before impairment loss on receivables	**204**	**197**	**4**	**74**	**57**	30	**275**
Impairment loss on receivables	29	34	-15	10	15	-31	54
Earnings before tax	**175**	**162**	**8**	**64**	**42**	52	**221**
Earnings before tax at fair value	180	166	9	65	46	42	226
Loan portfolio, € billion	14.1	13.3	6				13.5
Guarantee portfolio, € billion	2.9	2.8	4				2.7
Risk-weighted assets, € billion	13.7	13.1	5				13.3
Margin on corporate loan portfolio, %	1.57	1.48	6				1.52
Ratio of doubtful receivables*) to loan and guarantee portfolio, %	0.22	0.27					0.21
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.17	0.21					0.34
Operating cost/income ratio, %	36	35		33	39		34
Personnel	634	758	-16				745

*) Include non-performing, zero-interest and under-priced receivables

January–September earnings

Earnings before tax amounted to EUR 175 million (162). Impairment loss on receivables was down by EUR 5 million year on year.

The loan portfolio increased by EUR 0.6 billion, or 5%, from its 2012-end level, amounting to EUR 14.1 billion on 30 September. The average margin on the corporate loan portfolio rose by 5 basis points to 1.57% during the reporting period and by 9 basis points over the same period a year ago.

The market share of euro-denominated corporate loans was 22.3% at the end of August.

The guarantee portfolio increased to EUR 2.9 billion (2.7). Committed standby credit facilities decreased by EUR 0.1 billion from their 2012-end level to EUR 3.2 billion.

Combined net interest income from Corporate Banking and Baltic Banking was up by 12% year on year.

Net commissions and fees increased by EUR 5 million year on year. Commissions and fees from financing and payment transfers were up by a total of EUR 7 million and those from securities issuance by EUR 3 million. As a result of the smaller finance guarantee portfolio, guarantee fees decreased by EUR 1 million and other commissions and fees by EUR 4 million.

Net interest income and net trading income from Markets were EUR 5 million lower than a year ago because of a decrease in trading income from foreign exchange and fixed income instruments measured at fair value. Trading income decreased by EUR 17 million whereas client income increased by EUR 11 million.

A decrease in other income and in depreciation and amortisation resulted mainly from a reduction in the maintenance lease portfolio.

Total expenses increased up by 7%. Total expenses would have reduced by 4% year on year without the bank levy of EUR 13 million.

Earnings before tax by division

€ million	Q1–3/2013	Q1–3/2012	Change, %
Corporate Banking	132	116	14
Markets	43	47	-8
Baltic Banking	0	-1	-92
Total	**175**	**162**	**8**

July–September earnings

Earnings before tax were EUR 64 million, or EUR 22 million higher than the year before. Impairment loss on receivables was EUR 5 million lower than a year ago.

The loan portfolio decreased by 1%. In spite of tougher competition, the average margin of the corporate loan portfolio increased by 4 basis points. Net commissions and fees increased by EUR 7 million year on year, resulting from lending and securities issuance.

Net interest income and net trading income recorded by Markets increased by a total of EUR 3 million, as a result of growth in client trading and income from trading.

Total expenses without the EUR 4 million bank levy decreased by 11% on a year earlier.

Earnings before tax by division

€ million	Q3/2013	Q3/2012	Change, %
Corporate Banking	47	35	36
Markets	16	8	100
Baltic Banking	0	-1	-154
Total	**64**	**42**	**52**

Risk exposure by Banking

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

During January–September, total exposure grew by EUR 0.5 billion to EUR 24.9 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% (63). The share of rating categories 11–12 was 1.4% (1.4).

Corporate customer (incl. housing corporations) exposures represented 82% (81) of total Banking exposures. Of corporate customer exposure, the investment-grade exposure accounted for 57% (59) and the exposure of the lowest two rating categories amounted to EUR 325 million (331), representing 1.6% (1.7) of the total corporate exposure.

The amount of large corporate customer exposures totalled EUR 3.7 billion (3.4) at the end of the third quarter. Pohjola's own funds covering the Group's large customer exposure amounted to EUR 2.0 billion (2.1).

Corporate exposure by industry remained highly diversified. The most significant industries included Renting and Operating of Residential Real Estate representing 10.1% (10.3), Wholesale and Retail Trade 9.9% (9.6) and Manufacture of Machinery and Equipment 8.9% (8.9). A total of 48% of the exposures within Renting and Operating of Residential Real Estate were guaranteed by general government.

January–September net loan losses and impairment losses within Banking amounted to EUR 29 million (34), accounting for 0.17% (0.21) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 16 million (5) and impairment losses EUR 50 million (38). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 37 million (8).

On 30 September, Baltic Banking exposures totalled EUR 0.7 billion (0.5), accounting for 3.0% (2.2) of total Banking exposures.

The Baltic Banking net loan losses and impairment losses for January–September amounted to EUR –1 million (–1), improving the result.

The interest rate risk by Banking in the event of a one-percentage-point change in the interest rate averaged EUR 13.1 million (7.2) in January–September.

Non-life Insurance

January–September in brief

- Earnings before tax improved to EUR 162 million (82). Earnings before tax at fair value were EUR 126 million (234). A reduction in the discount rate for pension liabilities reduced earnings by EUR 52 million during the same period a year ago.
- Insurance premium revenue increased by 10% (9).
- The number of loyal customer households increased by 30,483 (35,144).
- The balance on technical account improved. Operating combined ratio was 86.6% (89.0) and operating expense ratio 18.4% (21.8).
- Return on investments at fair value was 2.1% (8.6).

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

€ million	Q1–3/2013	Q1–3/2012	Change, %	Q3/2013	Q3/ 2012	Change, %	2012
Insurance premium revenue	930	843	10	324	294	10	1,126
Claims incurred	-634	-619	3	-212	-237	-11	-830
Operating expenses	-171	-184	-7	-52	-57	-8	-242
Amortisation adjustment of intangible assets	-16	-16	0	-5	-5	0	-21
Balance on technical account	**109**	**25**		**54**	**-5**		**33**
Net investment income	105	98	6	28	46	-40	115
Other income and expenses	-52	-42	25	-19	-14	35	-56
Earnings before tax	**162**	**82**	**98**	**63**	**27**	**129**	**92**
Earnings before tax at fair value	126	234	-46	90	74	22	283
Combined ratio, %	88.3	97.1		83.3	101.7		97.1
Operating combined ratio, %	86.6	89.0		81.6	82.2		90.5
Operating loss ratio, %	68.2	67.2		65.5	62.9		69.1
Operating expense ratio, %	18.4	21.8		16.2	19.2		21.5
Operating risk ratio, %	62.1	60.9		59.4	57.6		62.8
Operating cost ratio, %	24.4	28.0		22.3	24.6		27.8
Return on investments at fair value, %	2.1	8.6		1.7	3.0		10.8
Solvency ratio , %	81	85					81
Personnel	1,807	2,378	-24				2,384

January–September earnings

The balance on technical account was better than a year ago. Insurance premium revenue grew vigorously. The discount rate for pension liabilities was reduced from 3.3% to 3.0%, which increased claims incurred by EUR 52 million a year ago. Operating expenses were lower than the year before.

Total insurance premium revenue increased by 10% (9). The operating balance on technical account totalled EUR 125 million (93) and the operating combined ratio was 86.6% (89.0). These key operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition. The combined ratio, including the abovementioned items, was 88.3% (97.1).

Insurance premium revenue

€ million	Q1–3/2013	Q1–3/2012	Change, %
Private Customers	471	422	11
Corporate Customers	421	387	9
Baltic States	38	34	12
Total	**930**	**843**	**10**

In 2012, Pohjola's market share in terms of non-life insurance premiums written was 29.1% (28.2). Measured by this market share, Pohjola is Finland's largest non-life insurer. The market share is expected to have risen further during the current year.

On 30 September, the number of loyal customer households totalled 600,477 (558,480), of which up to 71% (68) also use OP-Pohjola Group cooperative banks as their main bank. OP-Pohjola Group 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 1,325,000 insurance bills (1,210,000) with 186,000 (185,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 65 million (60). The number of loyal customer households increased by 30,483 (35,144) from its 2012-end level.

Sales of policies to private and corporate customers increased by 2% over the previous year.

Excluding the effect of the reduction a year ago in the discount rate for pension liabilities, claims incurred increased by 12%, or at a slightly faster rate than insurance premium revenue. Claims incurred arising from new large claims were slightly higher than a year ago. The reported number of large claims (in excess of EUR 0.3 million) amounted to 149 (130) in January–September, with their claims incurred retained for own account totalling EUR 92 million (89). Changes in claims for previous years improved the balance on technical account by EUR 16 million (36). The operating loss ratio was 68.2% (67.2) and the risk ratio (excluding indirect loss adjustment expenses) 62.1% (60.9).

Operating expenses were down by 7% and the operating expense ratio improved to 18.4% (21.8). The efficiency-enhancement programme launched last year decreased costs, which together with strong growth in income improved efficiency. The operating cost ratio (incl. indirect loss adjustment expenses) was 24.4% (28.0).

Other income and expenses were up by EUR 10 million, which weakened the financial results. Change in the principle of capital allocation to businesses increased financing costs by EUR 13 million within Non-life Insurance.

Operating balance on technical account and combined ratio (CR)

	Q1–3/2013		Q1–3/2012	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	90.1	80.9	60.4	85.7
Corporate Customers	29.3	93.0	25.5	93.4
Baltic States	5.5	85.8	7.1	79.1
Total	**124.9**	**86.6**	**93.0**	**89.0**

Investment

Because of the unfavourable interest rate environment, investment income at fair value was lower than the year before. Return on investments at fair value was 2.1% (8.6). Net investment income amounted to EUR 105 million (98). Capital gains of EUR 37 million (34) added to investment income. Net investment income at fair value was EUR 69 million (251).

Investment portfolio by asset class

%	30 Sept. 2013	30 June 2013	31 Dec. 2012
Bonds and bond funds	71	71	75
Alternative investments	1	1	3
Equities	11	10	9
Private equity	3	3	3
Real property	10	10	9
Money market instruments	3	4	1
Total	**100**	**100**	**100**

On 30 September 2013, the investment portfolio totalled EUR 3,237 million (3,149). The fixed-income portfolio by credit rating remained healthy, considering that investments within the "investment-grade" category represented 90% (92) and 73% of the investments were rated at least A–.

The average residual term to maturity of the fixed-income portfolio was 4.6 years (4.2) and the duration 4.2 years (4.2). The running yield for direct bond investments averaged 2.7% (2.9) at the end of September.

July–September earnings

Insurance premium revenue continued to grow vigorously and the balance on technical account was good. The operating balance on technical account totalled EUR 59 million (52) and the operating combined ratio was 81.6% (82.2). The combined ratio, which includes changes in reserving bases a year ago and amortisation on intangible assets arising from the corporate acquisition, was 83.3% (101.7).

Insurance premium revenue

€ million	Q3/2013	Q3/2012	Change, %
Private Customers	166	149	11
Corporate Customers	144	133	8
Baltic States	13	12	13
Total	**324**	**294**	**10**

Total insurance premium revenue was up by 10% (11), with all customer segments showing strong growth. The number of loyal customer households increased by 16,597 (11,296). Sales of policies to private and corporate customers decreased by 1% over the previous year.

Claims incurred decreased by 11%. Excluding the effect of the reduction in the discount rate for pension liabilities a year ago, claims incurred increased by 15%. The reported number of large claims (in excess of EUR 0.3 million) amounted to 43 (41) in January–September, with their claims incurred retained for own account totalling EUR 32 million (32). Changes in claims for previous years improved the balance on technical account by EUR 14 million (20). The operating loss ratio was 65.5% (62.9)
and the risk ratio (excluding indirect loss adjustment expenses) 59.4% (57.6).

The operating expense ratio was 16.2% (19.2). The operating cost ratio (incl. loss adjustment expenses) was 22.3% (24.6).

Operating balance on technical account and combined ratio (CR)

	Q3/2013		Q3/2012	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	40.7	75.6	28.8	80.7
Corporate Customers	16.8	88.3	21.5	83.8
Baltic States	2.0	85.1	2.1	82.0
Total	**59.5**	**81.6**	**52.5**	**82.2**

Profitability improved as a result of a strong increase in insurance premium revenue and a decrease in operating expenses. Private customer profitability showed an improvement, whereas higher claims incurred weakened corporate customer profitability. Profitability in the Baltic States remained good.

Investment

Return on investments at fair value was 1.7% (3.0). Net investment income amounted to EUR 28 million (46). Net investment income at fair value was EUR 55 million (93).

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 insurance liabilities and the discount rate applied to insurance liabilities.

On 30 September, Non-life Insurance solvency capital totalled EUR 979 million (914) and the ratio of solvency capital to insurance premium revenue (solvency ratio) was 81% (81). Equalisation provisions increased to EUR 281 million (273).

After the reporting period, Pohjola Group decided to reduce the discount rate for Non-life Insurance pension liabilities by 0.2 percentage points from 3.0% to 2.8% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 39 million in the fourth quarter.
In other respects, no major changes occurred in the Non-life Insurance risk exposure.

Asset Management

January–September in brief

- Earnings before tax amounted to EUR 18 million (17).
- Assets under management increased by 11% to EUR 36.6 billion (32.8) from their 2012-end level.
- Operating cost/income ratio was 52% (54).

Asset Management: financial results and key figures and ratios

€ million	Q1–3/2013	Q1–3/2012	Change, %	Q3/2013	Q3/2012	Change, %	2012
Net commissions and fees	38	35	6	13	11	15	60
Other income	3	4	-16	1	1	-13	5
Total income	**41**	**39**	**4**	**14**	**12**	**12**	**65**
Personnel costs	10	13	-21	3	4	-29	19
Other expenses	13	10	30	4	3	31	14
Total expenses	**23**	**23**	**1**	**7**	**7**	**-3**	**33**
Share of associate's profit/loss	1	1	16	0	0	7	1
Earnings before tax	**18**	**17**	**10**	**7**	**5**	**34**	**32**
Earnings before tax at fair value	18	17	10	7	5	34	32
Assets under management, € billion	36.6	32.0	14	36.6	32.0	14	32.8
Operating cost/income ratio, %	52	54		47	54		47
Personnel	88	160	-45				153

January–September earnings

Earnings before tax were EUR 18 million (17). Performance-based management fees worth EUR 2.8 million (1.9) were included in earnings. Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

The operating cost/income ratio was 52% (54).

Assets under management increased by 11% from their 2013-start level, amounting to EUR 36.6 billion (32.8) on 30 September.

Assets under management

€ billion	30 Sept. 2013	30 June 2013	31 Dec. 2012
Institutional Clients	20	20	19
OP Mutual Funds	12	11	10
Private	4	4	4
Total	37	35	33

Assets under management by asset class

%	30 Sept. 2013	30 Sept. 2013	31 Dec. 2012
Money market investments	15	16	16
Notes and bonds	38	39	40
Equities	32	30	27
Other	15	16	18
Total	**100**	**100**	**100**

This increase in assets under management was based on growth in OP Mutual Fund assets, good progress in net asset inflows and the higher market values of client portfolios. A total of 50% of mutual funds managed by Asset Management outperformed their benchmark index during the period.

July–September earnings

Earnings before tax were EUR 7 million (5). The operating cost/income ratio was 47% (54). Earnings included EUR 0.9 million (0.7) in performance-based management fees.

Assets under management increased by EUR 1.7 billion to EUR 36.6 billion.

Group Functions

January–September in brief

- Earnings before tax amounted to EUR 26 million (20). These included EUR 13 million in capital gains on notes and bonds (–5) and EUR 18 million (4) in dividend income.
- Earnings before tax at fair value were EUR 23 million (189).
- Liquidity and access to funding remained good.

Group Functions: financial results and key figures and ratios

€ million	Q1–3/2013	Q1–3/2012	Change, %	Q3/2013	Q3/2012	Change, %	2012
Net interest income	21	31	-31	6	9	-34	36
Net trading income	-10	5		-4	-1		1
Net investment income	32	-1		0	1	-91	11
Other income	6	13	-57	2	3	-50	16
Total income	**48**	**47**	**2**	**4**	**12**	**-66**	**65**
Personnel costs	5	11	-54	2	4	-56	14
Other expenses	15	14	8	5	4	24	20
Total expenses	**20**	**25**	**-20**	**7**	**8**	**-14**	**34**
Earnings before impairment loss on receivables	**28**	**22**	**28**	**-3**	**4**		**30**
Impairment loss on receivables	2	2	18	1	0		3
Earnings before tax	**26**	**20**	**29**	**-4**	**4**		**27**
Earnings before tax at fair value	**23**	**189**	**-88**	**8**	**48**	**-83**	**250**
Liquidity buffer, € billion	13.8	15.4	-10				14.6
Risk-weighted assets, € billion	2.0	1.5	30				1.9
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	4.5	2.7	68				3.2
Central Banking earnings, € million	6	6		3	2	35	8
Personnel	30	129	-77				123

January–September earnings

Earnings before tax amounted to EUR 26 million, or EUR 6 million higher than the year before. Earnings before tax at fair value were EUR 23 million, or EUR 166 million lower than a year ago when higher liquidity resulting from the ECB's long-term refinancing operations calmed down markets and reduced credit risk margins.

Changes made in the liquidity buffer during the last 12 months reduced net interest income. Net trading income was lower year on year due to the fair value change of derivatives.

Net investment income included EUR 13 million in capital gains on notes and bonds (–5). Dividend income amounted to EUR 18 million (4), including the EUR 12 million interest on cooperative capital from Suomen Luotto-osuuskunta. Impairment loss recognised on bonds totalled EUR 2 million (2).

The bank levy increased other expenses by EUR 2 million.

Pohjola's access to funding remained good. During the reporting period, Pohjola issued long-term bonds worth EUR 1.8 billion. During the second quarter, Pohjola issued in the international capital market a senior bond of EUR 500 million with a maturity of five years. It also issued its first Samurai bonds in the Japanese market, totalling 30 billion yen (EUR 237 million). In the third quarter, Pohjola issued in the international capital market a senior bond of EUR 750 million with a maturity of five years.

On 30 September, the average margin of senior wholesale funding was 37 basis points (40). Growth in short-term wholesale funding from its 2012-end level contributed to lower funding costs.

July–September earnings

Loss before tax amounted to EUR 4 million, or EUR 8 million weaker than a year ago. Earnings before tax at fair value were EUR 40 million lower than a year earlier.
Lower net interest income of the liquidity buffer and the fair value changes of derivatives resulted in the weaker earnings.

Risk exposure by Group Functions

Major risks exposed by the Group Functions include credit and market risks associated with the liquidity buffer, and liquidity risks.

The Group Functions exposure totalled EUR 20.7 billion (20.4), consisting of notes and bonds to secure OP-Pohjola Group's liquidity, deposits with central banks and receivables from OP-Pohjola Group cooperative banks.

The interest rate risk by the Group Functions in the event of a one-percentage-point change in the interest rate averaged EUR 26.1 million (13.7) in January–September.

Personnel and remuneration

On 30 September, the Group had a staff of 2,559, or 845 less than on 31 December 2012 and 866 less than a year ago. The majority of the personnel reductions are related to the transfer of employment contracts within OP-Pohjola Group Central Cooperative Consolidated.

Personnel by segment

	30 Sept. 2013	31 Sept. 2012
Banking	634	745
Non-life Insurance	1,807	2,384
Asset Management	88	153
Group Functions	30	123
Total	**2,559**	**3,404**

A total of 395 Group employees (392) 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 2012.

Management

In September, the Board of Directors of Pohjola Bank plc appointed Jouko Pölönen to act as Pohjola's President and CEO as of 15 November 2013. Pölönen, 43, is currently acting as Pohjola Insurance Ltd's President and will also continue to do so. Jouko Pölönen will succeed Mikael Silvennoinen who will take up a position as partner and Board Chairman of his family business and will be ready to serve on corporate boards.

Pohjola Bank plc's Board of Directors has appointed Hannu Jaatinen (55) to act as acting Executive Vice President, Banking, and as member of Pohjola Group's Executive Committee as of 28 October 2013.

On 10 October 2013, Reima Rytsölä, Executive Vice President, Banking of Pohjola Bank plc, announced that he would resign and join another company.

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 33,188 Series K shares held by OP-Pohjola Group cooperative banks were converted into Series A shares, with the resulting changes being registered in the Trade Register on 2 September 2013. Trading in the converted Series A shares began on NASDAQ OMX Helsinki on 3 September 2013. The number of Series K shares decreased from 67,608,617 to 67,575,429 while that of Series A shares quoted on NASDAQ OMX Helsinki increased from 251,942,798 to 251,975,986. 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 totalled 589,853,131.

Number of shares

Share series 30 September 2013	Number of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,975,986	78.85	42.72
Pohjola K (POHKS)	67,575,429	21.15	57.28
Total	**319,551,415**	**100.00**	**100.00**

On the last trading date of the reporting period, 30 September 2013, one Series A share closed at EUR 12.28 (28 Dec. 2012: 11.27). In January–September 2013, the share price reached a high of EUR 13.65 (17 May) and a low of EUR 11.14 (24 June).

Pohjola's market capitalisation amounted to EUR 3,924 million (3,601) on 30 September. In calculating the market capitalisation, Series K shares were valued at the price of Series A shares.

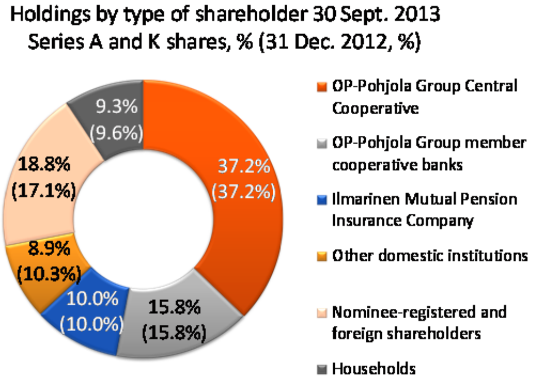
Trading in Series A shares in euro terms amounted to EUR 868 million in January–September as against EUR 937 million a year earlier, while in volume terms it came to 70 million shares (108).

Number of shareholders

	30 Sept. 2013	31 Dec. 2012	Change
Holders of Series A shares	32,196	32,272	-76
Holders of Series K shares	108	109	-1
Total*	**32,202**	**32,278**	**-76**

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

On 30 September 2013, Pohjola had 32,202 shareholders, private individuals accounting for 95.3%. The number of nominee-registered shares on 30 September 2013 totalled 58.3 million, increasing by 6.9 million from their number on 31 December 2012. On 30 September 2013, these shares accounted for 23.1% (20.4) of all Series A shares.



Major shareholders

	30 Sept. 2013	% of all shares	% of Series A shares	% of votes
1	OP-Pohjola Group Central Cooperative	37.24	23.16	61.30
2	Ilmarinen Mutual Pension Insurance Company	10.00	12.68	5.42
3	Oulun Osuuspankki	1.36	1.10	1.82
4	OP Bank Group Pension Fund	1.08	1.37	0.59
5	Nordea Fennia Fund	0.77	0.97	0.41
6	OP Bank Group Pension Foundation	0.73	0.92	0.39
7	State Pension Fund	0.59	0.75	0.32
8	Tampereen Seudun Osuuspankki	0.54	0.64	0.36
9	Suur-Savon Osuuspankki	0.47	0.53	0.37
10	Länsi-Suomen Osuuspankki	0.45	0.41	0.51
	Nominee-registered shares, total	18.24	23.14	9.88
	Other	28.53	34.32	18.63
	Total	**100.00**	**100.00**	**100.00**

In January–September 2013, 63.8% of euro-denominated trading in Series A shares took place on NASDAQ OMX (72.2% in 2012) and 36.2% on multilateral trading facilities (MTF).

Trading venues for Pohjola shares

Trading venue	% of euro-denominated trading in Q1–3/2013
NASDAQ OMX	63.8
BATS Chi-X CXE (Chi-X)	21.1
Turquoise	9.2
BATS Chi-X BXE (Bats)	5.5
Burgundy	0.4
NYSE Arca	0.0
Frankfurt	0.0
Düsseldorf	0.0

Source: Fidessa Fragmentation Index

Events after the balance sheet date

Reduction in the discount rate for pension liabilities

After the reporting period, Pohjola Group decided to reduce the discount rate Non-life Insurance pension liabilities by 0.2 percentage points from 3.0% to 2.8% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 39 million in the fourth quarter.

Conversion of Pohjola Series K Shares into Series A Shares

On 14 October 2013, a total of 33,880 Series K shares held by OP-Pohjola Group cooperative banks were converted into Series A shares, with the resulting changes being registered in the Trade Register on 14 October 2013. Trading in the converted Series A shares began on NASDAQ OMX Helsinki on 15 October 2013. The number of Series K shares decreased from 67,575,429 to 67,541,549 while that of Series A shares quoted on NASDAQ OMX Helsinki increased from 251,975,986 to 252,009,866. 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 589,717,611.

ECB's announcement of starting a comprehensive assessment applied to banks

On 23 October 2013, the European Central Bank (ECB) announced that it would conduct a comprehensive assessment of large banks. The exercise will start in November 2013 and take 12 months to complete. This assessment will consist of risk assessment, asset quality review and stress test. The comprehensive outcome will be published prior to the ECB assuming its supervisory role in November 2014. Pohjola will be involved in the assessment as part of OP-Pohjola Group.

Outlook for the rest of 2013

Within Banking, the loan portfolio growth rate is expected remain below the 2012 rate of 9% (previous estimate: at the same rate as in 2012). The operating environment for the corporate sector will remain challenging. The greatest uncertainties related to Banking's financial performance in 2013 are associated with future impairment loss on the loan portfolio.

Insurance premium revenue is expected to increase at a rate above the market average. In Non-life Insurance, the operating combined ratio for the full year 2013 is estimated to vary between 87% and 90% (previous estimate: 88–92%) if the number of large claims is not much higher than in 2012. Expected investment returns will largely depend on developments in the investment environment. The most significant uncertainties related to Non-life Insurance's financial performance in 2013 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 2013 are associated with the actual performance-based commissions and fees tied to the success of investments and the amount of assets under management. Performance-based management fees are expected to remain below the exceptionally high level reported a year ago.

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 loss that may be recognised on notes and bonds in the income statement. It is estimated that the Group Functions' net interest income will be lower than in 2012.

Consolidated earnings before tax in 2013 are expected to be higher than in 2012.

The Finnish government has planned to cut the corporate tax rate from 24.5% to 20% as of 1 January 2014. Such a change would bring a one-off positive effect that would be recognised in the earnings for the fourth quarter of 2013. The change is expected to improve Pohjola Group's earnings for 2013 after tax by an estimated EUR 60 million.

There is still great uncertainty about the economic outlook and the operating environment.

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

Consolidated income statement

EUR million	Note	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Net interest income	3	57	63	168	201
Impairments of receivables	4	12	15	31	36
Net interest income after impairments		**46**	**48**	**136**	**165**
Net income from Non-life Insurance	5	149	107	431	338
Net commissions and fees	6	42	34	120	116
Net trading income	7	21	15	61	60
Net investment income	8	0	1	32	-1
Other operating income	9	7	10	26	29
Total income		**264**	**214**	**806**	**706**
Personnel costs		41	57	138	177
ICT costs		21	21	65	64
Depreciation/amortisation		15	12	40	38
Other expenses		58	46	183	148
Total expenses		**135**	**136**	**426**	**427**
Share of associates' profits/losses		1	0	1	1
Earnings before tax		**129**	**79**	**381**	**281**
Income tax expense		32	19	90	66
Profit for the period		**97**	**60**	**291**	**215**
Attributable to owners of the Parent		97	60	291	215
Total		**97**	**60**	**291**	**215**
Earnings per share (EPS), EUR					
Series A		0.31	0.20	0.92	0.68
Series K		0.28	0.17	0.89	0.65

Consolidated statement of comprehensive income

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Profit for the period	**97**	**60**	**291**	**215**
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans		2		4
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	41	87	-20	307
Cash flow hedge	0	6	-13	17
Translation differences	0	0	0	0
Income tax on other comprehensive income				
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans		0		1
Items that may be reclassified to profit or loss				
Measurement at fair value	10	21	-5	75
Cash flow hedge	0	2	-3	4
Total comprehensive income for the period	**128**	**132**	**265**	**464**
Total comprehensive income attributable to owners of the Parent	128	132	265	464
Total	**128**	**132**	**265**	**464**

Consolidated balance sheet

EUR million	Note	30 Sept 2013	31 Dec 2012
Cash and cash equivalents		972	5,643
Receivables from credit institutions		12,278	8,815
Financial assets at fair value through profit or loss			
Financial assets held for trading		299	246
Financial assets at fair value through profit or loss at inception		9	9
Derivative contracts		3,598	4,462
Receivables from customers		14,379	13,839
Non-life Insurance assets	12	3,633	3,523
Investment assets		6,862	5,431
Investment in associates		30	26
Intangible assets	13	915	922
Property, plant and equipment (PPE)		86	69
Other assets		1,430	1,600
Tax assets		33	36
Total assets		**44,526**	**44,623**
Liabilities to credit institutions		5,328	5,840
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading		3	3
Derivative contracts		3,580	4,557
Liabilities to customers		9,513	10,775
Non-life Insurance liabilities	14	2,811	2,592
Debt securities issued to the public	15	16,471	13,769
Provisions and other liabilities		2,372	2,556
Tax liabilities		470	485
Subordinated liabilities		1,090	1,275
Total liabilities		**41,638**	**41,854**
Shareholders' equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	16	142	167
Other reserves		1,093	1,093
Retained earnings		1,226	1,081
Total shareholders' equity		**2,888**	**2,769**
Total liabilities and shareholders' equity		**44,526**	**44,623**

Consolidated statement of changes in equity

	Attributable to owners of Pohjola Group					
		Fair value reserve				
EUR million	**Share capital**	**Measure-ment at fair value**	**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		232	13	0	218	464
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 September 2012	**428**	**74**	**23**	**1,093**	**1,023**	**2,641**

	Attributable to owners of Pohjola Group					
		Fair value reserve				
EUR million	**Share capital**	**Measure-ment at fair value**	**Cash flow hedge**	**Other reserves**	**Retained earnings**	**Total equity**
Balance at 1 January 2013	**428**	**144**	**23**	**1,093**	**1,081**	**2,769**
Total comprehensive income for the period		-15	-10	0	290	265
Profit distribution					-145	-145
EUR 0.46 per Series A share					-116	-116
EUR 0.43 per Series K share					-29	-29
Equity-settled share-based payment					-1	-1
Other					0	0
Balance at 30 September 2013	**428**	**129**	**13**	**1,093**	**1,226**	**2,888**

Consolidated cash flow statement

EUR million	Q1–3/ 2013	Q1–3/ 2012
Cash flow from operating activities		
Profit for the period	291	215
Adjustments to profit for the period	250	279
Increase (-) or decrease (+) in operating assets	**-6,007**	**-567**
Receivables from credit institutions	-3,549	-1,329
Financial assets at fair value through profit or loss	-197	226
Derivative contracts	18	7
Receivables from customers	-593	-1,029
Non-life Insurance assets	-186	-667
Investment assets	-1,673	2,490
Other assets	173	-265
Increase (+) or decrease (-) in operating liabilities	**-1,845**	**3,626**
Liabilities to credit institutions	-493	1,258
Financial liabilities at fair value through profit or loss	0	8
Derivative contracts	8	5
Liabilities to customers	-1,262	2,023
Non-life Insurance liabilities	69	198
Provisions and other liabilities	-167	133
Income tax paid	-92	-51
Dividends received	40	29
A. Net cash from operating activities	**-7,364**	**3,531**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	94	306
Acquisition of subsidiaries and associates, net of cash acquired	-4	-2
Purchase of PPE and intangible assets	-26	-31
Proceeds from sale of PPE and intangible assets	1	0
B. Net cash used in investing activities	**65**	**273**
Cash flow from financing activities		
Increases in subordinated liabilities		502
Decreases in subordinated liabilities	-171	-1
Increases in debt securities issued to the public	19,008	19,099
Decreases in debt securities issued to the public	-16,151	-20,673
Dividends paid	-145	-129
Other decreases in equity items	0	0
C. Net cash used in financing activities	**2,542**	**-1,202**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-4,757**	**2,602**
Cash and cash equivalents at period-start	**6,177**	**4,612**
Cash and cash equivalents at period-end	**1,420**	**7,213**
Cash and cash equivalents		
Liquid assets*	983	6,791
Receivables from credit institutions payable on demand	437	422
Total	**1,420**	**7,213**

* Of which EUR 11 million (7) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q3 earnings 2013, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	58					58
Markets	-1					-1
Other operations		-6	1	6	0	1
Total	56	-6	1	6	0	57
Net commissions and fees	26	5	13	0	-1	42
Net trading income	23	0	0	-4	2	21
Net investment income			0	0		0
Net income from Non-life Insurance						
From insurance operations		133				133
From investment operations		28			-1	27
From other items		-11				-11
Total		150			-1	149
Other operating income	5	0	0	2	0	7
Total income	**110**	**148**	**14**	**4**	**0**	**276**
Personnel costs	13	23	3	2		41
ICT costs	7	13	1	1	0	21
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	4	5	0	0		9
Other expenses	13	39	3	4	-1	58
Total expenses	**36**	**85**	**7**	**7**	**0**	**135**
Earnings/loss before impairment of receivables	**74**	**63**	**7**	**-3**	**0**	**140**
Impairments of receivables	10			1		12
Share of associates' profits/losses		0	0		0	1
Earnings before tax	**64**	**63**	**7**	**-4**	**0**	**129**
Change in fair value reserve	1	27	0	12	0	41
Total comprehensive income for the period, before tax	**65**	**90**	**7**	**8**	**0**	**170**

Q3 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	50					50
Markets	5					5
Other operations		-3	1	9	0	8
Total	55	-3	1	9	0	63
Net commissions and fees	19	6	11	0	-1	34
Net trading income	14		0	-1	2	15
Net investment income	0		0	1		1
Net income from Non-life Insurance						
From insurance operations		73				73
From investment operations		46			-1	45
From other items		-11				-11
Total		108			-1	107
Other operating income	5	3	0	4	-2	10
Total income	**93**	**113**	**12**	**12**	**-2**	**229**
Personnel costs	17	31	4	4		57
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		6
Other expenses	8	35	2	3	-2	46
Total expenses	**36**	**86**	**7**	**8**	**-2**	**136**
Earnings/loss before impairment of receivables	**57**	**27**	**5**	**4**	**0**	**93**
Impairments of receivables	15			0		15
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**42**	**27**	**5**	**4**	**0**	**79**
Change in fair value reserve	4	46	0	44	0	94
Gains/(losses) arising from remeasurement of defined benefit plans	1	0	0	0		2
Total comprehensive income for the period, before tax	**47**	**74**	**5**	**48**	**0**	**174**

Q1–3 earnings 2013, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	166					166
Markets	-4					-4
Other operations		-18	2	21	1	6
Total	162	-18	2	21	1	168
Net commissions and fees	73	13	38	-1	-3	120
Net trading income	72	0	0	-10	-1	61
Net investment income	0		0	32		32
Net income from Non-life Insurance						
From insurance operations		356				356
From investment operations		105			3	108
From other items		-32				-32
Total		428			3	431
Other operating income	13	5	1	6	0	26
Total income	**321**	**429**	**41**	**48**	**-1**	**837**
Personnel costs	43	79	10	5		138
ICT costs	22	37	2	4	1	65
Amortisation on intangible assets related to company acquisitions		16	2			18
Other depreciation/amortisation and impairments	11	10	1	1		22
Other expenses	40	124	9	11	-2	183
Total expenses	**116**	**267**	**23**	**20**	**-1**	**426**
Earnings/loss before impairment of receivables	**204**	**162**	**17**	**28**	**0**	**411**
Impairments of receivables	29			2		31
Share of associates' profits/losses		0	1		0	1
Earnings before tax	**175**	**162**	**18**	**26**	**0**	**381**
Change in fair value reserve	5	-36	0	-3	0	-34
Total comprehensive income for the period, before tax	**180**	**126**	**18**	**23**	**0**	**347**

Q1–3 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	148					148
Markets	24					24
Other operations		-6	2	31	2	29
Total	172	-6	2	31	2	201
Net commissions and fees	68	17	35	-2	-3	116
Net trading income	51	0	0	5	5	60
Net investment income	0		0	-1		-1
Net income from Non-life Insurance						
From insurance operations		278				278
From investment operations		98			-4	94
From other items		-34				-34
Total		342			-4	338
Other operating income	14	3	1	15	-5	29
Total income	**305**	**357**	**39**	**47**	**-5**	**743**
Personnel costs	50	103	13	11		177
ICT costs	20	37	2	4	0	64
Amortisation on intangible assets related to company acquisitions		16	2			18
Other depreciation/amortisation and impairments	11	7	1	1		20
Other expenses	27	112	6	9	-6	148
Total expenses	**108**	**275**	**23**	**25**	**-5**	**427**
Earnings/loss before impairment of receivables	**197**	**82**	**16**	**22**	**0**	**316**
Impairments of receivables	34			2		36
Share of associates' profits/losses		0	1		0	1
Earnings before tax	**162**	**82**	**17**	**20**	**0**	**281**
Change in fair value reserve	4	152	0	169	-1	324
Gains/(losses) arising from remeasurement of defined benefit plans	4	0	0	1		4
Total comprehensive income for the period, before tax	**169**	**234**	**17**	**190**	**-1**	**609**

Balance sheet 30 Sept 2013, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	14,339			249	-209	14,379
Receivables from credit institutions	456	5	3	12,806	-19	13,250
Financial assets at fair value through profit or loss	362			-53		308
Non-life Insurance assets		3,803			-169	3,633
Investment assets	521	16	18	6,313	-6	6,862
Investments in associates		2	28			30
Other assets	4,067	794	113	1,123	-34	6,063
Total assets	**19,745**	**4,619**	**161**	**20,438**	**-437**	**44,526**
Liabilities to customers	7,074			2,547	-108	9,513
Liabilities to credit institutions	1,032			4,505	-209	5,328
Non-life Insurance liabilities		2,833			-22	2,811
Debt securities issued to the public				16,525	-54	16,471
Subordinated liabilities		50		1,040		1,090
Other liabilities	4,783	55	8	1,622	-43	6,425
Total liabilities	**12,888**	**2,938**	**8**	**26,240**	**-436**	**41,638**
Shareholders' equity						**2,888**
Average personnel	634	1,807	88	30		2,559
Capital expenditure, EUR million	12	12	1	1		25

Balance sheet 31 Dec 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	13,723			286	-169	13,839
Receivables from credit institutions	433	5	3	14,037	-19	14,458
Financial assets at fair value through profit or loss	360			-104		256
Non-life Insurance assets		3,627			-104	3,523
Investment assets	457	16	23	4,943	-9	5,431
Investments in associates		2	24			26
Other assets	4,681	773	127	1,585	-77	7,090
Total assets	**19,653**	**4,423**	**178**	**20,748**	**-378**	**44,623**
Liabilities to customers	6,786			4,055	-66	10,775
Liabilities to credit institutions	1,225			4,784	-169	5,840
Non-life Insurance liabilities		2,595			-3	2,592
Debt securities issued to the public				13,817	-48	13,769
Subordinated liabilities		50		1,225		1,275
Other liabilities	5,573	124	12	1,985	-91	7,602
Total liabilities	**13,583**	**2,769**	**12**	**25,867**	**-377**	**41,854**
Shareholders' equity						**2,769**
Average personnel	745	2,384	153	123		3,404
Capital expenditure, EUR million	19	22	1	2		43

Note 1. Accounting policies

The Interim Report for 1 January–30 September 2013 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

In the preparation of its Interim Report, Pohjola has applied substantially the same accounting policies as in the preparation of its Financial Statements 2012, with the exception of the changes stated below.

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

Change in accounting policies

IAS 19 Employee Benefits
Since 1 January 2013, Pohjola Group has applied the amendments to IAS 19 Employee Benefits. The revised standard removes the option for entities to apply the so-called corridor method in the recognition of actual gains and losses and changes the calculation of net interest income on the net defined benefit liability. Under the revised standard, the expected return on plan assets used in the calculation of net interest income is calculated based on the discount rate of the plan liability.

The table below shows the effect of the change in the accounting policy on personnel costs for Q1–3/2012 and financial year 2012 and on other items in comprehensive income. Pohjola voluntarily stopped using the corridor method from the beginning of 2012. The change has no effect on the earnings per share (EPS) ratio.

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Income statement 2012			
Personnel costs	230	232	2
Income tax expense	89	89	0
Statement of comprehensive income 2012			
Gains/(losses) arising from remeasurement of defined benefit plans	-12	-10	2
Income tax on gains/(losses) arising from remeasurement of defined benefit plans	-3	-2	0

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Income statment Q1–3/2012			
Personnel costs	176	177	1
Income tax expense	66	66	0
Statement of comprehensive income Q1–3/2012			
Gains/(losses) arising from remeasurement of defined benefit plans	3	4	1
Income tax on gains/(losses) arising from remeasurement of defined benefit plans	1	1	0

Other changes

Since the beginning of 2013, Pohjola Group has applied the following changed accounting policies presented in its Financial Statements for 2012:

1.5 Financial instruments
1.5.4 Classification and recognition
Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount reported in the balance sheet only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. Pohjola exercises the right of set-off to central counterparty clearing for OTC interest rate derivatives. London Clearing House is the central counterparty.

1.5.7 Derivative contracts
The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are shown as a net change in cash. Other derivatives are presented on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

Segment accounting policies
Capitalisation of Banking, Asset Management and the Group Functions is based on Pohjola Group's capital adequacy measurement under the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. The Group has allocated capital to its operating segments in such a way that the Core Tier 1 ratio stands at 11%.

Non-life Insurance capitalisation is based on the solvency capital requirement (SCR) within the proposed Solvency II framework plus intangible assets and goodwill arising from company acquisition. The SCR for Non-life Insurance has been covered by Core Tier 1 capital and the solvency requirement for intangible assets and goodwill by Tier notes/bonds.

Note 2. Formulas for key figures and ratios

Return on equity (ROE), %
Profit for the period /
Shareholders' equity (average of the beginning and end of period) x 100

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

Exposures individually assessed for impairment, % of doubtful receivables
Impairment loss on receivables assessed individually in balance sheet / Doubtful receivables x 100

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

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
Operating risk ratio + operating cost ratio

Operating risk ratio (excl. unwinding of discount)
Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue excl. changes in reserving bases x 100

Operating cost ratio
Operating expenses and loss adjustment expenses / Net insurance premium revenue excl. changes in reserving bases x 100

Values used in calculating the ratios

EUR million	30 Sept 2013	31 Dec 2012
Non-life Insurance		
Non-life Insurance net assets	1,681	1,654
Net tax liabilities for the period	-21	-49
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	-5	-6
Intangible assets	-735	747

EUR million	30 Sept 2013	30 Sept 2012	31 Dec 2012
Changes in reserving bases and other non-recurring items			
Change in discount rate		-52	-52

Note 3. Net interest income

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Loans and other receivables	77	83	225	268
Receivables from credit institutions and central banks	17	21	47	77
Notes and bonds	38	48	113	162
Derivatives (net)				
Derivatives held for trading	-6	15	-14	41
Derivatives under hedge accounting	16	12	48	27
Liabilities to credit institutions	-16	-23	-52	-70
Liabilities to customers	-7	-10	-20	-35
Debt securities issued to the public	-50	-65	-140	-215
Subordinated debt	-10	-16	-32	-46
Hybrid capital	-2	-2	-6	-8
Financial liabilities held for trading	0	0	0	0
Other (net)	0	0	0	0
Net interest income before fair value adjustment under hedge accounting	**57**	**63**	**168**	**202**
Hedging derivatives	-3	58	-129	141
Value change of hedged items	3	-58	129	-141
Total net interest income	**57**	**63**	**168**	**201**

Note 4. Impairments of receivables

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Receivables eliminated as loan or guarantee losses	18	0	26	33
Receoveries of eliminated receivables	0	0	-1	-2
Increase in impairment losses on individually assessed receivables	15	15	49	40
Decrease in impairment losses on individually assessed receivables	-22	-1	-43	-35
Collectively assessed impairment losses	1	1	1	0
Total impairments of receivables	**12**	**15**	**31**	**36**

Note 5. Net income from Non-life Insurance

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Net insurance premium revenue				
Premiums written	241	218	1,108	1,004
Insurance premiums ceded to reinsurers	-4	-3	-52	-44
Change in provision for unearned premiums	99	90	-135	-120
Reinsurers' share	-13	-11	8	4
Total	**324**	**294**	**930**	**843**
Net Non-life Insurance claims				
Claims paid	193	173	584	579
Insurance claims recovered from reinsurers	-14	-3	-31	-34
Change in provision for unpaid claims	-5	58	9	12
Reinsurers' share	17	-7	12	9
Total	**191**	**222**	**574**	**566**
Net investment income, Non-life Insurance				
Interest income	14	15	43	46
Dividend income	3	3	20	24
Investment property	2	0	6	4
Capital gains and losses				
Notes and bonds	1	8	16	22
Shares and participations	4	21	20	12
Loans and receivables				-2
Investment property	0	0	-1	0
Derivatives	1	-6	3	-10
Fair value gains and losses				
Notes and bonds	3	1	2	-2
Shares and participations	-1	-2	-5	-7
Loans and receivables	0	0	-1	0
Investment property	1	2	1	2
Derivatives	-2	2	-2	1
Other	1	1	3	3
Total	**27**	**45**	**108**	**94**
Unwinding of discount	-11	-11	-32	-34
Other	0	0	0	0
Total net income from Non-life Insurance	**149**	**107**	**431**	**338**

Note 6. Net commissions and fees

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Commission income				
Lending	11	8	33	30
Payment transfers	8	4	22	11
Securities brokerage	5	4	15	15
Securities issuance	2	0	7	6
Asset management and legal services	14	13	42	40
Insurance operations	5	6	13	17
Guarantees	4	4	11	13
Other	2	1	5	4
Total commission income	**51**	**40**	**149**	**136**
Commission expenses				
Payment transfers	4	1	10	2
Securities brokerage	2	2	6	5
Securities issuance	1	2	3	6
Asset management and legal services	1	2	4	5
Other	1	1	6	2
Total commission expenses	**9**	**6**	**29**	**20**
Total net commissions and fees	**42**	**34**	**120**	**116**

Note 7. Net trading income

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Financial assets and liabilities held for trading				
Capital gains and losses				
Notes and bonds	-1	2	2	10
Shares and participations	0	0	0	0
Derivatives	25	10	71	12
Fair value gains and losses				
Notes and bonds	3	0	0	-1
Shares and participations		0	0	0
Derivatives	-11	-2	-28	31
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses				
Notes and bonds				-1
Fair value gains and losses				
Notes and bonds	0	0	0	1
Net income from foreign exchange operations	4	4	16	7
Total net trading income	**21**	**15**	**61**	**60**

Note 8. Net investment income

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	0	20	13	14
Shares and participations			1	
Dividend income	0	0	18	4
Impairments	0		0	0
Carried at amortised cost				
Capital gains and losses	0	-19	0	-19
Total	**0**	**1**	**33**	**-1**
Investment property	0	0	-1	0
Total net investment income	**0**	**1**	**32**	**-1**

Note 9. Other operating income

EUR million	Q3/ 2013	Q3/ 2012	Q1–3/ 2013	Q1–3/ 2012
Central banking service fees	2	2	6	6
Rental income from assets rented under operating lease	2	3	8	9
Other	2	5	12	13
Total	**7**	**10**	**26**	**29**

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	972					972
Receivables from credit institutions and central banks**	12,278					12,278
Derivative contracts			3,310		289	3,598
Receivables from customers	14,379					14,379
Non-life Insurance assets***	655		117	2,861		3,633
Notes and bonds****		237	307	6,507		7,051
Shares and participations			1	91		92
Other receivables	2,494		28			2,522
Total 30 September 2013	**30,779**	**237**	**3,763**	**9,459**	**289**	**44,526**
Total 31 December 2012	**31,509**	**330**	**4,496**	**7,909**	**379**	**44,623**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,328		5,328
Financial liabilities held for trading (excl. derivatives)	3			3
Derivative conctracts	3,308		272	3,580
Liabilities to customers		9,513		9,513
Non-life Insurance liabilities*****	5	2,806		2,811
Debt instruments issued to the public		16,471		16,471
Subordinated liabilities		1,090		1,090
Other liabilities		2,842		2,842
Total 30 September 2013	**3,316**	**38,050**	**272**	**41,638**
Total 31 December 2012	**4,167**	**37,291**	**396**	**41,854**

* 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.
** Include EUR 2,500 million in a one-week deposit facility with the central bank.
*** Non-life Insurance assets are specified in Note 12.
**** On 30 September 2013, notes and bonds included EUR 9 million (9) in notes and bonds recognised using the fair value option.
***** Non-life Insurance liabilities are specified in Note 14.

Debt securities issued to the public are carried at amortised cost. On 30 September 2013, the fair value of these debt instruments was EUR 174 million (243) 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 values are higher than their carrying amount, but determining reliable fair values involves uncertainty.

Note 11. Recurring fair value measurements by valuation technique

Fair value of assets on 30 September 2013, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	79	229		308
Non-life Insurance		11		11
Derivative financial instruments				
Banking	15	3,538	45	3,598
Non-life Insurance	3	0		3
Available-for-sale				
Banking	5,098	1,484	15	6,598
Non-life Insurance	1,752	865	244	2,861
Total	**6,947**	**6,129**	**304**	**13,380**

Fair value of assets on 31 December 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	125	115	16	256
Non-life Insurance		13	6	19
Derivative financial instruments				
Banking	7	4,427	28	4,462
Non-life Insurance	1	0		1
Available-for-sale				
Banking	4,060	1,001	16	5,076
Non-life Insurance	1,822	759	251	2,832
Total	**6,015**	**6,315**	**317**	**12,647**

Fair value of liabilities on 30 September 2013, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		3		3
Derivative financial instruments				
Banking	19	3,496	65	3,580
Non-life Insurance	5	0		5
Total	**24**	**3,499**	**65**	**3,588**

Fair value of liabilities on 31 December 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		3		3
Derivative financial instruments				
Banking	21	4,452	85	4,557
Non-life Insurance	3	0		3
Total	**23**	**4,455**	**85**	**4,563**

* 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 2013, EUR 109 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings. Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

Valuation techniques whose input parameters involve uncertainty

Specification of financial assets and liabilities

Financial assets, EUR million	Recognised at fair value through profit or loss: Banking	Recognised at fair value through profit or loss: Non-life Insurance	Derivative financial instruments: Banking	Derivative financial instruments: Non-life Insurance	Available-for-sale: Banking	Available-for-sale: Non-life Insurance	Total assets
Opening balance 1 Jan. 2013	16	6	28		16	251	317
Total gains/losses in profit or loss	-16		17		0	-2	-2
Total gains/losses in other comprehensive income						3	3
Purchases						27	27
Sales						-35	-35
Settlements		-6					-6
Closing balance 30 September 2013			**45**		**15**	**244**	**304**

Financial liabilities, EUR million	Recognised at fair value through profit or loss: Banking	Recognised at fair value through profit or loss: Non-life Insurance	Derivative financial instruments: Banking	Derivative financial instruments: Non-life Insurance	Total liabilities
Opening balance 1 Jan. 2013			85		85
Total gains/losses in profit or loss			-20		-20
Closing balance 30 September 2013			**65**		**65**

Total gains/losses included in profit or loss by item for the financial year on 30 September 2013

EUR million	Net investment income	Net income from Non-life Insurance	Statement of compre-hensive income	Net interest income or net trading income	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Total gains/losses in profit or loss	-19	0	-2	3	-19

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. Level 3 derivatives relate to structured bonds issued by Pohjola, whose return is determined by the value performance of an embedded derivative instrument. The value change of embedded derivatives are also presented in the itemised income statement.

Changes in the levels of hierarchy
The Group did not change classification between the levels of hierarchy in 2013.

Note 12. Non-life Insurance assets

EUR million	30 Sept 2013	31 Dec 2012
Investments		
Loans and other receivables	147	104
Shares and participations	490	409
Property	103	112
Notes and bonds	2,031	1,983
Derivatives	3	1
Other participations	351	459
Total	**3,126**	**3,069**
Other assets		
Prepayments and accrued income	37	42
Other		
From direct insurance	343	290
From reinsurance	91	91
Cash in hand and at bank	11	10
Other receivables	27	20
Total	**508**	**454**
Total Non-life insurance assets	**3,633**	**3,523**

Note 13. Intangible assets

EUR million	30 Sept 2013	31 Dec 2012
Goodwill	519	519
Brands	172	172
Customer relationships	114	131
Other	111	99
Total	**915**	**922**

Note 14. Non-life Insurance liabilities

EUR million	30 Sept 2013	31 Dec 2012
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,221	1,205
Other provision for unpaid claims	812	788
Total	2,034	1,993
Provision for unearned premiums	591	455
Derivatives	5	3
Other liabilities	182	141
Total	**2,811**	**2,592**

Note 15. Debt securities issued to the public

EUR million	30 Sept 2013	31 Dec 2012
Bonds	9,416	8,130
Certificates of deposit, commercial papers and ECPs	6,914	5,495
Other	141	144
Total	**16,471**	**13,769**

Note 16. Fair value reserve after income tax

EUR million	30 Sept 2013	31 Dec 2012
Loans and other receivables		
Reclassified notes and bonds	-1	-2
Available-for-sale financial assets		
Notes and bonds	43	52
Equities and mutual funds with equity risk	75	72
Other funds	12	22
Derivatives		
Cash flow hedge	13	23
Total	**142**	**167**

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 187 million (221) and the related deferred tax liability EUR 46 million (54). On 30 September, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 131 million (132) and negative mark-to-market valuations EUR 16 million (8). In January–September, impairment losses recognised through profit or loss in the fair value reserve totalled EUR 3 million (4), of which equity instruments accounted for EUR 1 million (2).

Note 17. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	30 Sept 2013	31 Dec 2012	Change
1–2	2.3	2.5	-0.2
3–5	12.4	12.3	0.2
6–7	6.2	5.8	0.3
8–9	2.3	2.2	0.1
10	0.2	0.2	0.0
11–12	0.3	0.3	0.0
Total	**23.8**	**23.4**	**0.4**

* excl. private customers

Sensitivity analysis of market risk

			30 Sept 2013		31 Dec 2012	
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	6		8	
Currency risk	Market value	10%	6		2	
Volatility risk						
Interest-rate volatility	Volatility	10 percentage points	1		1	
Currency volatility	Volatility	10 percentage points	0		0	
Credit risk premium*	Credit spread	0.1 percentage points	1	2	1	2

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 Sept 2013, EUR million	Change in risk parameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*	1,213	Up 1%	Up 0.9 percentage points	12
Claims incurred*	846	Up 1%	Down 0.7 percentage points	-8
Major loss of over EUR 5 million		1 loss	Down 0.4 percentage points	-5
Personnel costs*	111	Up 8%	Down 0.7 percentage points	-9
Expenses by function*/**	304	Up 4%	Down 1.0 percentage points	-12
Inflation for collective liability	572	Up 0.25 percentage points	Down 0.3 percentage points	-4
Life expectancy for discounted insurance liability	1,525	Up 1 year	Down 2.9 percentage points	-35
Discount rate for discounted insurance liability	1,525	Down 0.1 percentage point	Down 1.5 percentage points	-18

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

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 30 Sept 2013	%	Fair value 31 Dec 2012	%
Money market instruments	107	3 %	42	1 %
Bonds and bond funds	2,311	71 %	2,369	75 %
Public sector	569	18 %	615	20 %
Financial institutions	1,027	32 %	989	31 %
Corporate	651	20 %	628	20 %
Bond funds	54	2 %	120	4 %
Other	10	0 %	17	1 %
Equities	352	11 %	268	9 %
Private equity investments	97	3 %	99	3 %
Alternative investments	45	1 %	82	3 %
Real property	324	10 %	290	9 %
Total	**3,237**	**100 %**	**3,149**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 30 September 2013*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	27	157	347	108	134	84	857	36 %
Aa1−Aa3	100	79	74	15	9	34	311	13 %
A1−A3	47	197	194	103	36	0	578	24 %
Baa1−Baa3	37	55	110	170	36	21	428	18 %
Ba1 or lower	51	73	56	11	5	4	200	8 %
Internally rated	30	0	0	0			30	1 %
Total	**293**	**562**	**781**	**407**	**220**	**143**	**2,405**	**100 %**

* Excludes credit derivatives.

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

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million 30 Sept 2013	31 Dec 2012
Bonds and bond funds1)	Interest rate	1 percentage point	98	72
Equities 2)	Market value	10%	37	30
Venture capital funds and unquoted equities	Market value	10%	10	10
Commodities	Market value	10%	1	1
Real property	Market value	10%	32	29
Currency	Value of currency	10%	18	25
Credit risk premium 3)	Credit spread	0.1 percentage points	8	9
Derivatives	Volatility	10 percentage points	4	0

1) Include money-market investments, convertible bonds and interest-rate derivatives
2) Include hedge funds and equity derivatives
3) Includes bonds and money-market investments, including government bonds and interest-rate derivatives issued by developed countries

Note 19. Risk exposure by Group Functions

Total exposure by rating category, EUR billion

Rating category	30 Sept 2013	31 Dec 2012	Change
1–2	17.5	17.1	0.4
3–5	3.0	3.0	-0.1
6–7	0.2	0.2	0.0
8–9	0.1	0.1	0.0
10	0.0	0.0	0.0
Total	**20.7**	**20.4**	**0.3**

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	30 Sept 2013 Effect on results	30 Sept 2013 Effect on share-holders' equity	31 Dec 2012 Effect on results	31 Dec 2012 Effect on share-holders' equity
Interest-rate risk	Interest rate	1 percen-tage point	33		22	
Interest-rate volatility	Volatility	10 percen-tage points	0		0	
Credit risk premium*	Credit spread	0.1 percen-tage points		27		19
Price risk						
Equity portfolio	Market value	10%		0		0
Private equity funds	Market value	10%		2		3
Property risk	Market value	10%	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. Impairment loss and doubtful receivables

Receivables from credit institutions and customers, and impairment loss, EUR million	30 Sept 2013	31 Dec 2012
Receivables from credit institutions and customers (gross)	26,910	22,900
Total impairment loss, of which	253	246
Individually assessed	237	230
Collectively assessed	16	15
Receivables from credit institutions and customers (net)	**26,658**	**22,654**

Doubtful receivables 30 September 2013, EUR million	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Non-performing	96	58	38
Zero-interest	8	8	0
Underpriced	0	0	
Other	220	171	49
Total	**324**	**237**	**87**

Doubtful receivables 31 Dec 2012, EUR million	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Non-performing	96	63	33
Zero-interest	8	7	1
Underpriced	0	0	
Other	218	160	58
Total	**322**	**230**	**92**

Key ratio, %	30 Sept 2013	31 Dec 2012
Exposures individually assessed for impairment, % of doubtful receivables	73.2 %	71.5 %

Doubtful receivables include non-performing, zero-interest and under-priced receivables as well as other doubtful receivables. Interest on or principal of non-performing receivables has been due for payment and outstanding for three months. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. Under-priced receivables have been priced below market prices to secure customer payment capacity. Other doubtful receivables include those that are subject to impairment but cannot be classified under any of the above categories, and overdrafts.

Note 21. Liquidity buffer

Liquidity buffer by maturity and credit rating on 30 September 2013, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa*	3,550	898	915	1,237	691	21	7,313	53 %
Aa1−Aa3	2	295	328	406	333		1,363	10 %
A1−A3	139	613	103	34	9	3	901	7 %
Baa1−Baa3	112	267	107	6	42	1	534	4 %
Ba1 or lower	20	59	58	8	42	1	188	1 %
Internally rated**	403	961	1,229	348	156	454	3,551	26 %
Total	**4,226**	**3,093**	**2,740**	**2,038**	**1,273**	**479**	**13,851**	**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 4.8 years.

Note 22. Capital base and capital adequacy

EUR million	30 Sept 2013	31 Dec 2012
Tier 1 capital		
Equity capital	2,888	2,769
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	-65	-6
Fair value reserve, transfer to Tier 2	-37	-36
Core Tier 1 capital before deductions and hybrid capital	**2,786**	**2,728**
Intangible assets	-191	-182
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-7	-7
Dividend distribution proposed by Board of Directors		-145
Planned dividend distribution	-145	
Investments in insurance companies and financial institutions	-703	-703
Shortfall of impairments – expected losses	-53	-60
Core Tier 1 capital	**1,686**	**1,631**
Hybrid capital	274	274
Shortfall of Tier 2 capital	-49	
Tier 1 capital	**1,911**	**1,904**
Tier 2 capital		
Fair value reserve	24	13
Debenture loans	683	853
Investments in insurance companies and financial institutions	-703	-703
Shortfall of impairments – expected losses	-53	-60
Transfer to Tier 1 capital	49	
Tier 2 capital		**103**
Total capital base	**1,911**	**2,007**
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,406	-1,406
Impairments – shortfall of expected losses	-107	-121
Total	**-1,513**	**-1,527**

	30 Sept 2013		31 Dec 2012	
EUR million	**Risk-weighted assets**	**Minimum capital requiremen**	**Risk-weighted assets**	**Minimum capital requiremen**
Credit and counterparty risk				
Central government and central banks exposure	37	3	41	3
Credit institution exposure	1,137	91	1,193	95
Corporate exposure	11,145	892	10,814	865
Retail exposure	731	58	636	51
Other	845	68	893	71
Market risk	846	68	723	58
Operational risk	1,083	87	1,020	82
Total	**15,825**	**1,266**	**15,320**	**1,226**

	30 Sept 2013	31 Dec 2012
Ratios, %		
Capital adequacy ratio	12.1	13.1
Tier 1 ratio	12.1	12.4
Core Tier 1 ratio	10.7	10.6
Capital base*, EUR million	645	781

* Capital base above the minimum capital requirement

The IRBA transitional provision (Basel 1 floor) has no effect on capital adequacy ratios.

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, Tier 1 ratio and Core Tier 1 ratio all stood at 13.9% (14.1).

Note 23. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	30 Sept 2013	31 Dec 2012
Pohjola Group's equity capital	2,888	2,769
Hybrid instruments, perpetual bonds and debenture bonds	1,007	1,177
Other sector-specific items excluded from capital base	2	-121
Goodwill and intangible assets	-877	-876
Equalisation provision	-212	-206
Proposed profit distribution	-145	-145
Items under IFRS deducted from capital base*	-20	-45
Shortfall of impairments – expected losses	-107	-121
Conglomerate's capital base, total	**2,537**	**2,432**
Regulatory capital requirement for credit institutions**	1,266	1,226
Regulatory capital requirement for insurance operations	221	203
Conglomerate's total minimum capital requirement	**1,487**	**1,429**
Conglomerate's capital adequacy	**1,050**	**1,004**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.71**	**1.70**

* 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 1.86 (1.90).

Note 24. Collateral given

EUR million	30 Sept 2013	31 Dec 2012
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	5	12
Other	456	584
Other collateral given		
Pledges*	5,054	4,618
Total collateral given	**5,516**	**5,293**
Total collateralised liabilities	**495**	**592**

* of which EUR 2,100 million in intraday settlement collateral and the rest pledged but unencumbered

Note 25. Off-balance-sheet commitments

EUR million	30 Sept 2013	31 Dec 2012
Guarantees	977	882
Other guarantee liabilities	1,716	1,359
Loan commitments	4,770	5,342
Commitments related to short-term trade transactions	216	435
Other	369	301
Total off-balance-sheet commitments	**8,049**	**8,319**

Note 26. Derivative contracts

30 September 2013, EUR million	Nominal values/residual term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	54,779	113,081	41,396	209,256	3,145	3,017
Cleared by the central counterparty	400	6,493	3,607	10,500	53	38
Currency derivatives	19,576	2,760	1,072	23,409	333	365
Equity and index derivatives	264	657		920	62	
Credit derivatives	33	102	25	159	11	0
Other derivatives	356	631	167	1,154	48	41
Total derivatives	**75,008**	**117,231**	**42,659**	**234,899**	**3,599**	**3,424**

31 Dec 2012, EUR million	Nominal values/residual term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	45,199	91,926	39,553	176,678	4,293	4,168
Currency derivatives	19,844	2,747	517	23,107	294	340
Equity and index derivatives	303	819	6	1,127	50	0
Credit derivatives	122	92		214	10	2
Other derivatives	288	585	78	952	37	37
Total derivatives	**65,757**	**96,168**	**40,154**	**202,079**	**4,684**	**4,547**

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

Central counterparty clearing for OTC derivatives

In anticipation of entry into force of central counterparty clearing required by the European Market Infrastructure Regulation (Regulation (EU) No. 648/2012), Pohjola Bank plc started in February 2013 central counterparty clearing in London Clearing House for new interest rate derivatives covering standardised OTC derivative transactions entered into with financial counterparties. Since Pohjola Bank plc is not a direct member of London Clearing House, it will manage central counterparty clearing for OTC derivative transactions with a few, separately selected clearing brokers with which it has concluded clearing agreements. The central counterparty will become the derivatives counterparty at the end of the daily clearing process. Based on this operating model, daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). As a result of the change in the operating model, interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet. This change has not yet had any substantial effect on the consolidated balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services or Pohjola Bank plc will apply to derivative transactions between Pohjola Bank plc and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the

Note 27. Other contingent liabilities and commitments

On 30 September 2013, the Group Functions commitments to venture capital funds amounted to EUR 10 million (12) and Non-Life Insurance commitments to EUR 103 million (107). They are included in the section 'Off-balance-sheet commitments'.

Note 28. 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 2012.

Helsinki, 30 October 2013

Pohjola Bank plc
Board of Directors

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

Analyst meeting, conference call and live webcast
Pohjola will hold a briefing in English for analysts and investors on 30 October 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:
FI: +358 981 710 460
UK: +44 203 364 5374
US: +1 855 753 2230
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 (Vääksyntie 4, Vallila, Helsinki), on 30 October, starting at noon.

Financial reporting in 2014
Schedule for Financial Statements Bulletin for 2013 and Interim Reports in 2014:

Financial Statements Bulletin 2013	6 February 2014
Interim Report Q1/2014	29 April 2014
Interim Report H1/2014	6 August 2014
Interim Report Q1−3/2014	29 October 2014

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