OP-Pohjola Group

OP-Pohjola Group's Interim Report 1 January–30 June 2010

OP-Pohjola Group Central Cooperative
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OP-Pohjola Group's January–June 2010

- OP-Pohjola Group continued to deliver steady financial performance, with earnings before tax at EUR 266 million (281). Second-quarter earnings showed an increase of 7% on the previous year.
- The fall in net interest income bottomed out in the second quarter. The strong 20% growth of Other income compensated for the lower net interest income year on year. Expenses were at last year's level.
- Credit losses, standing at EUR 77 million, were at the same level as in the first half of 2009 but clearly lower than in the latter half.
- OP-Pohjola Group's market share improved in life insurance and credit and mutual funds, but declined in deposits. Strong growth of private customers' premiums written continued in non-life insurance.
- OP-Pohjola Group's capital base is very strong. According to stress tests carried out by EU's supervisory authorities, OP-Pohjola Group is one of Europe's strongest players.
- Full-year earnings for 2010 are expected to equal or exceed those of 2009, while the greatest uncertainty is related to developments in the investment environment, credit losses and interest rates.

Comments by Reijo Karhinen, Executive Chairman

Our earnings for the first half of 2010 were as expected. The different factors that contributed to this result include many positive elements that bode well for our future outlook. Loan losses took a turn for the better, the falling trend of net interest income is bottoming out, other income improved markedly and expenses grew moderately.

The first half has required more than the normal amount of adjustment between short-term growth and long-term profitability, and I think we have struck a good balance. We have not entered headlong into the somewhat unhealthy price competition especially in deposits and home mortgages. More strict financial regulation taking effect in the next few years and resulting in higher costs will not favour attempts at quick profit but emphasises the value of the kind of long-termism we are already known for.

It will be five years this September since the acquisition of Pohjola insurance operations. Combining banking and non-life insurance operations has given our market position a strong boost. It has in fact been our greatest success story which we have created together with our customers, so we have shown in practice that concentrating your banking and insurance matters with us can bring clear financial benefits. The bonuses we offer to customers who both use us as their main bank and take out insurance from us continues to be the foundation for continued success. Our growth potential enabled by the integration is this immense.

The stress test carried out by the Committee of the European Banking Supervisors provided strong recognition of our work, proving that we in excellent financial condition and rank among the best banks in Europe. Our high capital adequacy provides us with an excellent growth platform at a time when the economic outlook is improving and the economy is gathering momentum.

OP-Pohjola Group's Interim Report for 1 January–31 June 2010

OP-Pohjola Group's key indicators

	Q1–Q2/2010	*Q1–Q2/2009*	*Change**	*2009*
Earnings before tax, € million	266	281	-5.5	464
Banking and Investment Services	163	270	-39.8	471
Non-life Insurance	42	46	-8.3	102
Life insurance	20	-41		-159
Bonuses paid to customers, € million	74	70	6.0	142
Return on equity (ROE), %	6.3	7.4	-1.1*	5.9
Return on equity at fair value, %	8.1	12.3	-4.2*	14.7
Cost/income ratio, % (Banking and Investment Services)	59	53	6	53
Average personnel	12,482	12,713	-1.8	12,632
	30 Jun 2010	*30 Jun 2009*	*Change**	*31 Dec 2009*
Total assets, € million	84.5	77.6	8.9	80.4
Capital adequacy, %**	12.4	12.0	0.4	12.6
Tier 1 ratio, %**	12.4	12.0	0.4	12.6
Ratio of capital base to minimum amount of capital base***	1.60	1.45	0.15	1.58
Non-performing loan losses within loan and guarantee portfolio, %	0.4	0.5	-0.1	0.4
Market share, %				
Total loans	32.7	32.3	0.4	32.7
Total deposits	32.3	33.2	-0.9	33.2
Capital invested in mutual funds	23.3	23.0	0.3	23.4
Of insurance savings through life and pension insurance	20.6****	19.6	1.0****	20.0
	Q1–Q2/2010	*Q1–Q2/2009*	*Change**	*2009*
Of premiums written in life and pension insurance, %	39.3	23.2	16.1	25.2

* The change is presented as a percentage point, except for earnings before tax, customer bonuses, total assets and average number of personnel, for which the change is stated in percentages, as well as the ratio of capital resources to the minimum amount of capital resources, for which the change is stated as a change in the ratio.
** Pursuant to the Act on Credit Institutions.
*** Pursuant to the Act on the Supervision of Financial and Insurance Conglomerates.
**** Preliminary information

Operating environment

The world economy continued to recover in the second quarter of 2010, but recovery has been uneven and strongest in emerging economies. The US economy is experiencing clear growth and the labour market is stabilising, whereas European economic growth has been tardier, with major differences from country to country. The economic outlook in the euro area is overshadowed by a government debt crisis, which has reflected as uncertainty in the financial market.

The Finnish economy, too, is gradually recovering, although economic indicators for the early part of the year were somewhat poor partly owing to exceptional factors. Both consumers and businesses showed improving confidence in the second quarter. As the world economy is picking up and the euro is becoming weaker, export is given a boost. Growth is also supported by higher household spending and increasing housing spending. Unemployment is not as bad as feared.

Central banks' benchmark interest rates are still extremely low, and the European Central Bank is not expected to raise benchmark rates until 2011. The ECB is gradually reducing stimulus packages that supported the banking system's liquidity, which will increase short-term market rates somewhat, although they still remain record low. As part of the EU's and the International Monetary Fund's rescue package, the ECB aims to support Greece and other heavily indebted countries by buying their government bonds. Stress tests on banks in the EU countries show that the majority of banks would survive future economic shocks. This will help to dispel uncertainty in interbank markets.

The gradual recovery of the loan portfolio continued in the second quarter. Corporate loans began to climb early this year, and growth remained steady in the second quarter. The growth rate of loans to households, which has been growing steadily by over 5% annually, accelerated a fraction as summer approached, thanks to interest rates that remained low. The housing trade continued to be lively.

In capital markets, however, the second quarter was marred by uncertainty caused by concerns over government bonds and economic growth. The global upward trend in the equity market ended, resulting in Finland with the weighted index of the OMX Helsinki CAP falling by almost 9% during the second quarter. Uncertainty in the market also turned net subscriptions of mutual funds negative, while fund assets decreased by 5% in the second quarter. Deposits, on the other hand, grew at a higher rate. The decline in current accounts in the first quarter turned positive during the spring, whereas term deposits continued to grow slowly but steadily. Life insurance savings continued to grow thanks to unit-linked products, but the insurance savings of products based on technical interest rate contracted.

The growth rate of non-life insurance premiums written slowed down because the recession reduced company payrolls. Owing to greater economic activity, the rate of claims paid out increased faster than premiums written in the second quarter, but the claims volume is nevertheless lower than normal.

OP-Pohjola Group's earnings and total assets

January–June

Earnings before tax came to EUR 266 million (281)*. After the one-off items, earnings were practically at the same level as last year. Although interest rates remained low and contracted net interest income, the financial services group's total income was at the same level as a year ago, thanks to the continued growth of Other income. Expenses, too, were at last year's level. The challenging investment environment in the second quarter eroded the Group's earnings at fair value. Earnings before tax at fair value came to EUR 341 million (459).

The Banking pre-tax earnings contracted year on year by 40% mainly as a result of lower net interest income. Non-life Insurance earnings, thanks to higher investment income, were at the same level as a year ago, although the operating combined ratio** weakened somewhat from the exceptionally strong level in the previous year. The operating combined ratio was nevertheless still good at 91.6% (88.6). Life Insurance earnings made it into the black thanks to improved investment performance, coming to EUR 20 million (–41). Life Insurance's investment income at fair value was 4.3% (1.7).

Net interest income was EUR 452 million (568), or down by 20% year on year. Other income continued to increase substantially, reaching EUR 615 million (510), up by 20% year on year. Banking investment and net trading income remained unchanged. Net commissions and fees, totalling EUR 283 million (251), were higher than last year thanks particularly to higher asset management fees.

Expenses were practically the same as a year ago, EUR 643 million (640). The financial services group's wages and salaries were at the same level as in the previous year as staff numbers reduced, but personnel costs as a whole increased by 2.6% because of higher pension costs. Other expenses shrank by 1.9%.

Bonuses paid to owner-members and OP bonus customers rose by 6% and totalled EUR 74 million (70).

Impairments and fair value changes reducing earnings were recognised to an amount of EUR 175 million in the report period (198). EUR 27 million of these were recorded under Non-life Insurance net income, EUR 55 million under Life Insurance net income, EUR 77 under impairments of receivables, and EUR 15 million under other income. Net impairment losses on loans and receivables amounted to EUR 77 million (75). Impairment losses on receivables remained very low, at 0.27% of the loan and guarantee portfolio (0.28%). The final credit losses were recognised to an amount of EUR 42 million EUR (11) and impairment losses to EUR 78 million (93). The majority of credit losses derived from corporate exposure. Value readjustments and reversal of impairment losses totalled EUR 42 million (29).

* Comparatives for 2009 are given in brackets. For income-statement and other aggregated figures, January–June 2009 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures at the end of the previous reporting period (31 December 2009) serve as comparatives.

**The combined cost ratio excluding amortisation on intangible assets arising from the Pohjola acquisition and allocated to the business segment without the effect of changes in calculation bases.

Earnings analysis

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, € million*	*Change, %*	*2009*
Earnings/loss before tax	**266**	**281**	**-16**	**-5.5**	**464**
Gross change in fair value reserve	75	177	-102	-57.7	677
Earnings/loss before tax at fair value	**341**	**459**	**-118**	**-25.7**	**1,140**
Return on equity (ROE), %	**6.3**	**7.4**		**-1.1***	**5.9**
Return on equity at fair value, %	**8.1**	**12.3**		**-4.2***	**14.7**
Income					
Net interest income	452	568	-116	-20.4	1,070
Net income from Non-life Insurance	190	189	2	0.8	396
Net income from Life Insurance	46	-29	75		-120
Net commissions and fees	283	251	32	12.6	496
Net trading and investment income	46	46	0	0.2	103
Other operating income	48	52	-4	-7.9	104
Share of associates' profits/losses	1	0	1		1
Other income, total	615	510	105	20.5	981
Total income	**1,067**	**1,079**	**-11**	**-1.1**	**2,051**
Expenses					
Personnel costs	335	327	9	2.6	622
Other administrative expenses	154	156	-2	-1.2	310
Other operating expenses	153	157	-3	-2.2	316
Total expenses	**643**	**640**	**3**	**0.5**	**1,248**
Impairment losses on receivables	**77**	**75**	**2**	**2.8**	**179**
Returns to owner-members and OP bonus customers					
Bonuses	74	70	4	6.0	142
Interest on ordinary and supplementary cooperative capital	7	12	-5	-43.7	18
Total returns	**81**	**82**	**-1**	**-1.5**	**160**

* Percentage points

OP-Pohjola Group's total assets amounted to EUR 84.5 billion (80.4) on 30 June 2010. Receivables from customers stood at EUR 54.9 billion (53.0) and deposits at EUR 35.4 billion (34.6). Debt securities issued to the public rose by 0.9% to EUR 20.1 billion (19.9). In addition to a five-year mortgage-backed covered bond worth EUR 1 billion issued by OP Mortgage Bank, Pohjola Bank plc issued two senior bonds during the report period, with maturities of three and five years, worth a total of EUR 1.5 billion.

The Group's capital base increased by 3% to EUR 6.4 billion (6.2) mainly owing to the report period's performance and an increase in the value of various assets.

The fair value reserve, adjusted for deferred tax, was EUR 1 million (–54). The fair value reserve shrank by over EUR 100 million in the second quarter mainly because the market values of investments declined. The reserve's growth in the report period was also significantly affected by recognised impairments. Only the fair value changes in the fair value reserve have been recognised which the management have deemed to fulfil the relevant requirements. Impairments of EUR 88 million (116) were recognised in the report period.

On 30 June, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 794 million (750).

The Annual General Meeting of Pohjola Bank plc decided on 26 March 2010 that the company will pay a dividend of EUR 0.34 for each Series A and EUR 0.31 for each Series K share for 2009, totalling EUR 107 million (45).

April–June

Earnings before tax for the second quarter came to EUR 137 million against EUR 157 million year on year. Earnings for Q2/2009 include a EUR 10 million one-off net commission. Total income fell by 4.2% owing mainly to lower net interest and trading income. Net income from Life Insurance totalled EUR 32 million (–8). Reported expenses grew by EUR 4.7 million. Personnel costs increased by 4.5%, or by EUR 7.3 million from Q2/2009. Impairment losses on receivables came to EUR 40 million, or EUR 6.6 million lower than a year earlier. The fair value reserve (gross) shrank by EUR 137 million, while a year ago it increased by EUR 217 million. Recognised impairments totalled EUR 26.

Net interest income contracted by EUR 3.9 million from Q1/2010. Impairments of receivables were EUR 1.6 million higher than in January–March. Net income from Life Insurance went up from the previous quarter mainly owing to better investment performance. Pre-tax earnings were EUR 9.1 million higher than in the previous quarter. Pre-tax earnings at fair value came to zero as opposed to EUR 340 million in the preceding quarter.

Second-quarter earnings analysis

€ million	*Q2/ 2010*	*Q2/ 2009*	*Change, %*	*Q1/ 2010*	*Change, %*
Earnings/loss before tax	**137**	**157**	**-12.4**	**128**	**7.1**
Gross change in fair value reserve	-137	217		212	
Earnings/loss before tax at fair value	**0**	**374**		**340**	
Return on equity (ROE), %	**6.4**	**10.1**	**-3.7***	**6.2**	**0.2'**
Return on equity at fair value, %	**0.0**	**22.0**	**-21.9***	**16.2**	**-16.2***
Income					
Net interest income	228	282	-19.0	224	1.7
Net income from Non-life Insurance	113	120	-6.4	78	45.2
Net income from Life Insurance	32	-8		14	
Net commissions and fees	139	121	14.7	143	-3.0
Net trading and investment income	10	26	-63.0	37	-74.1
Other operating income	23	27	-17.1	26	-11.5
Share of associates' profits/losses	0	0	33.8	1	-37.3
Other income, total	316	287	10.2	298	6.0
Total income	**545**	**569**	**-4.2**	**523**	**4.2**
Expenses					
Personnel costs	171	163	4.5	164	3.9
Other administrative expenses	80	76	4.3	75	6.6
Other operating expenses	75	81	-7.2	78	-3.6
Total expenses	**326**	**321**	**1.5**	**317**	**2.7**
Impairment losses on receivables	**40**	**46**	**-14.4**	**38**	**4.4**
Returns to owner-members and OP bonus customers					
Bonuses	37	35	6.0	37	1.8
Interest on ordinary and supplementary cooperative capital	4	9	-51.6	3	73.6
Total returns	**42**	**44**	**-5.8**	**39**	**6.5**

* percentage points

Capital adequacy

Two sets of capital adequacy ratios are calculated for OP-Pohjola Group. The Group's operations are based on Act no. 599/2010 on the amalgamation of deposit banks which became effective as of 1 July 2010. During the report period, the Group was still operating under the principles of the Act on Cooperative Banks and other Cooperative Institutions. This law change had no significant effect on the Group's operations.

Owing to the regulations on joint responsibility and security conditions prescribed in the Act, a minimum amount of capital resources has been set for the amalgamation of the cooperative banks calculated according to the regulations for capital adequacy specified in the Act on Credit Institutions. The amalgamation of the cooperative banks comprises its central institution (OP-Pohjola Group Central Cooperative), the central institution's member credit institutions and companies belonging to their consolidation groups. Although OP-Pohjola Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. This capital adequacy figure is called the amalgamation of cooperative banks' capital adequacy.

OP-Pohjola Group is also a financial and insurance conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is governed by specific provisions of the capital adequacy requirement.

In view of both capital adequacy requirements, OP-Pohjola Group's risk-bearing capacity is strong.

In its calculation of capital requirement for credit risk, OP-Pohjola Group will phase in the Internal Rating-based Approach (IRBA). OP-Pohjola Group uses the Internal Ratings Based Approach (IRBA) in its capital adequacy measurement for Pohjola Bank plc's corporate and institutional customers' credit risks. IRBA will probably be adopted for all other liabilities in September 2011, but until then the capital requirement for credit risk such items will be calculated using the Standardised Approach. The use of internal ratings reduces the Group's capital requirement, but makes it more susceptible to market fluctuations. As to market risks, OP-Pohjola Group will continue to use the Standardised Approach, whereas the introduction of the Standardised Approach is scheduled for 2010 in terms of operational risks.

As a result of the financial crisis, banks' capital adequacy requirements will become tighter, in a effort to improve the quality of their capital base and to reduce the cyclic nature of capital requirements and to set quantitative limits to liquidity risk. These changes are only in their preparation stage, planned to be effective between 2012 and 2018, and it is too early to predict precisely what their effects will be. The changes under preparation may create considerable needs for adjustment in the sector, raise the expenses of arranging finance and indirectly slow down the growth of the entire economy.

Capital adequacy of the amalgamation of cooperative banks

On 30 June, OP-Pohjola Group's capital adequacy ratio under the Credit Institutions Act and the Tier 1 ratio stood at 12.4%, that is, somewhat lower than on 31 December 2009. The statutory minimum for capital adequacy ratio is 8%, and for Tier 1 ratio 4%.

Capital structure and capital adequacy *€ million*	*30 Jun 2010*	*31 Dec 2009*	*Change, € million*	*Change, %*	*30 Jun 2009*
Capital base					
Tier 1 capital	5,264	5,227	37	0.7	4,836
Tier 2 capital	-	-			-
Total capital base	**5,264**	**5,227**	**37**	**0.7**	**4,836**
Risk-weighted assets, total	**42,483**	**41,480**	**1,004**	**2.4**	**40,401**
Minimum capital requirement					
Credit and counterparty risk	3,079	3,005	73	2.4	2,922
Market risk	38	36	2	5.4	33
Operational risk	282	277	5	1.8	277
Total	**3,399**	**3,318**	**80**	**2.4**	**3,232**
Capital adequacy ratio, %	**12.4**	**12.6**		**-0.2***	**12.0**
Tier 1 ratio, %	**12.4**	**12.6**		**-0.2***	**12.0**

* Percentage points.

June-end Tier 1 capital totalled EUR 5,264 million (5,227). Net profit for the period, less estimated profit distribution, is included in Tier 1 capital. OP-Pohjola Group's Tier 1 capital increased by 0.7% during the report period. On 30 June, the ratio of hybrid capital to Tier 1 capital before adjustments was 3.1% (3.2). Tier 1 capital does not include equity capital growth resulting from the IFRS-compliant measurement of pension liabilities and the assets covering them, and from the measurement at fair value of investment property.

Tier 2 capital came to zero following deductions from the item at the end of the report period and actually exceeded them by EUR 278 million (251), which were deducted from Tier 1 capital. Any deductions in excess of Tier 2 capital were made from Tier 1 capital. At the end of the report period, capital resources were reduced by the consolidation group's fair value reserve that was EUR 26 million in the red (14).

At the end of the report period, insurance company investments, deducted in equal proportions from Tier 1 and 2 capital, came to EUR 2,316 million (2,341). EUR 175 million have been deducted from equity capital as a shortfall of expected losses and impairments. On the basis of the exemptions granted by the Financial Supervisory Authority, investments by OP-Pohjola Group entities in venture capital funds, managed by Pohjola Capital Partners Ltd, are treated in the capital adequacy calculation in the same way as investments in shares in business or industrial corporations.

The minimum capital requirement was EUR 3,399 million on 30 June (3,318), increasing by 2.4% in the report period. The most significant factor that contributed to this growth was the higher capital requirement concerning the loan and guarantee portfolio.

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

OP-Pohjola Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated using the consolidation method, whereby assets included in capital resources but not included in equity capital, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet. Capital resources may not include items not available for covering the losses of other companies belonging to the conglomerate.

The financial and insurance conglomerate's minimum capital requirement consists of the credit institutions' consolidated minimum capital requirement and the insurance companies' joint minimum operating capital.

On 30 June, OP-Pohjola Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 2,241 million (2,121).

The insurance companies' equalisation provision is not included in the financial and insurance conglomerate's capital resources. On 30 June 2010, the combined equalisation provision less the non-life and life insurance tax liabilities stood at EUR 534 million (527). The equalisation provision acts as a buffer for insurance companies in case of years with heavy losses and is therefore part of the financial services group's actual buffer against losses.

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

€ million	*30 Jun 2010*	*31 Dec 2009*	*Change, € million*	*Change, %*	*30 Jun 2009*
OP-Pohjola Group's equity capital	6,370	6,187	183	3.0	5,682
Business-segment-specific items	1,867	1,843	24	1.3	1,683
Goodwill and intangible assets	-1,075	-1,084	9	-0.9	-1,100
Equalisation provision	-534	-527	-7	1.3	-500
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-622	-627	5	-0.7	-579
Conglomerate's capital base, total	**6,005**	**5,792**	**214**	**3.7**	**5,186**
Regulatory capital requirement for credit institutions	3,381	3,300	81	2.5	3,217
Regulatory capital requirement for insurance operations	384	371	13	3.5	363
Total minimum amount of conglomerate's capital base	3,765	3,671	94	2.6	3,580
Conglomerate’s capital adequacy	**2,241**	**2,121**	**120**	**5.7**	**1,606**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.60**	**1.58**		**0.02***	**1.45**

* Change in ratio

Risk exposure

OP-Pohjola Group retained its strong risk-bearing capacity. Changes in credit risk exposure were minor and the Group's liquidity remained good. The uncertainty that started with the Greek debt crisis eroded investment income in the second quarter.

OP-Pohjola Group retained a stable credit risk status. Both impairment charges and non-performing and zero-interest loans were still rather low in relation to the loan and guarantee portfolio.Net impairment losses in the report period, converted into annual figures, accounted for 0.27% of the loan and guarantee portfolio (0.28). The gross ratio of impairment losses to the loan and guarantee portfolio was 0.41% in the report period (0.38). OP-Pohjola Group's non-performing and zero-interest receivables came to EUR 251 million (223) on 30 June, which was 0.4% (0.4) of the loan and guarantee portfolio. Of OP-Pohjola Group's exposures, 49% (49) fell into the top five credit portfolio categories (out of 12 categories), also known as investment grade.

OP-Pohjola Group's exposure to public corporation bonds is relatively low, with Banking's exposure to government bonds amounting to EUR 1 billion on 30 June, of which the Finnish government accounted for EUR 492 million. The next-biggest investments were in bonds issued by Germany, Belgium and Sweden, totalling EUR 465 million. Direct investments by Insurance operations in government bonds totalled EUR 0.9 billion, of which Finland accounted for EUR 182 million. The next-biggest investments were in bonds issued by Germany and France, totalling EUR 369 million.

The financial market was at times in a state of disturbance during the report period. The short-term money market performed well as a rule, but concerns over mounting government debt eroded bond markets. Issuers with a good credit rating, such as Pohjola that operates as OP-Pohjola Group's central financing institution and the Group's OP Mortgage Bank, managed to acquire long-term funding.

OP-Pohjola Group's financial and liquidity position remained solid throughout the report period. OP-Pohjola Group's financial position was improved in the report period by the two senior bonds with a maturity of three and five years worth a total of EUR 1.5 billion that Pohjola issued in the first quarter, and by OP Mortgage Bank's EUR 1.0 billion issue in June with a maturity of five years. OP-Pohjola Group's assets included in the liquidity reserve amounted to EUR 14.6 billion (13.9) on 30 June 2010. The liquidity reserve and the contingency plan tools included in OP-Pohjola Group's liquidity management strategy ensure the Group's liquidity in a threat scenario for at least 24 months.

Market risk within non-life and life insurance is composed of the price, interest rate and currency risk. When market risks are assessed, we focus on those related to investments and technical provisions, primarily interest rate risk. On 30 June, Non-life Insurance's investment assets totalled EUR 2.9 billion (2.9) and that of Life Insurance EUR 4.4 billion EUR (4.1). Insurance operations' technical provisions and the distribution of and profits from investment assets are covered in more detail in the sections dealing with individual business segments.

The Committee of the European Banking Supervisors (CEBS), in cooperation with the European Central Bank, the European Commission and national supervisory authorities, coordinated the EU-wide forward-looking stress test of 91 banks in June-July. In Finland, the Financial Supervisory Authority coordinated the implementation of the test in cooperation with the Bank of Finland.

Of the Finnish banks, OP-Pohjola Group was included in the stress test exercise. OP-Pohjola Group's banking earnings and capital base would remain strong despite higher credit losses if the assumptions of economic deterioration used in the Europe-wide bank stress test were to materialise. At its lowest, Tier 1 ratio would drop, following the consideration of the sovereign risk shock, to 12.3% at the end of 2011, against the minimum of 4% used in the test and the minimum regulatory requirement of 6%. Of all the banks that were tested, OP-Pohjola Group's capital adequacy and risk-bearing capacity ranked among the best.

The credit ratings are as follows:

Rating agency	*Short-term debt*	*Long-term debt*
Fitch Ratings (OP-Pohjola Group and Pohjola Bank plc)	F1+	AA-
Standard & Poor's (Pohjola Bank plc)	A-1+	AA-
Moody's (Pohjola Bank plc)	P-1	Aa2

Fitch Ratings issues a rating for both OP-Pohjola Group and Pohjola Bank plc. OP-Pohjola Group's financial position also has a considerable impact on credit ratings issued for Pohjola Bank plc alone.

Pohjola's credit rating outlook issued by Standard & Poor's is stable. Fitch Rating has issued a negative outlook for the long-term debt ratings of Pohjola and Moody's Investor Service has affirmed negative outlook on Pohjola's credit rating.

The main reason for the negative outlook is the rapid deterioration of the Finnish economy and its potential effects on Pohjola and OP-Pohjola Group mainly operating in Finland.

OP-Pohjola Group's long-term financial targets

At Group level, targets have been set for long-term risk-bearing capacity, profitability and efficiency. OP-Pohjola Group's long-term financial targets have been defined so as to ensure the Group's operational capacity. These have not been adapted to the existing operating environment

The targets for capital adequacy and operational efficiency were achieved in the report period. The Group's profitability is below the long-term target, owing to an unusually difficult operating environment.

OP-Pohjola Group's success indicators:

	30 June/2010	*30 June/2009*	*Target*
Capital adequacy ratio (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.60	1.45	1.5
Return on economic capital, % (12-month rolling)	11.8	9.6	17
Growth differential between income and expenses, percentage points (12-month rolling)	7.0	-15.1	> 0

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 218 member cooperative banks (220), OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

Kiukaisten Osuuspankki and Hinnerjoen Osuuspankki merged with Euran Osuuspankki on 31 May 2010.

Kuopion Osuuspankki, Iisalmen Osuuspankki and Varkauden Osuuspankki will merge on 31 December 2010 to create Pohjois-Savon Osuuspankki.In another combination merger, Nilsiän Osuuspankki and Koillis-Savon Osuuspankki will become Koillis-Savon Osuuspankki on 30 November 2010. Kestilän Osuuspankki and Rantsilan Osuuspankki will merge on 31 March 2011 to create Siikalatvan Osuuspankki, and Pälkäneen Osuuspankki and Kuhmalahden Osuuspankki have decided to merge with Kangasalan Osuuspankki on 31 December 2010.

On 14 June 2010, the Supervisory Board of OP-Pohjola Group Central Cooperative took a decision in principle on the reorganisation the Central Cooperative acting as the Group's central institution. This reorganisation involves establishing a new service company separate from the central institution, which will be responsible for the development and provision of centralised services for OP-Pohjola Group and its member cooperative banks as of 1 January 2011.This change simplifies the central organisation's role as a provider of centralised services, on the one hand, and as an organisation in charge of Group control and supervision, on the other.

At the same time the Central Cooperative's Supervisory Board made a preliminary decision to return extra Central Cooperative capital in the form of an extra interest in the autumn of 2010 paid on Group member banks' cooperative capital and supplementary cooperative capital. The interest would run up to EUR 65 million, but the final decision will be made by an extraordinary cooperative meeting in October.

Owner-members and customers

On 30 June, the cooperative member banks had 1,284,000 owner-members, which is 36,388 more than a year earlier, and Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1,111,000 OP bonus customers.

Loyal customer bonuses earned by OP bonus customers totalled EUR 74 million, up by 6% on the previous year. Bonuses earned by owner-members are stated in OP-Pohjola Group's income statement under 'Returns to owner-members'. In the first half, OP bonus customers used a total of EUR 39 million (35) of bonuses to pay for banking services and EUR 27 million (31) for Pohjola non-life insurance premiums. Bonuses were used for the payment of over 526,000 insurance premium bills, and 17% of these were paid using solely OP bonuses.

OP-Pohjola Group had 4,141,000 customers in Finland at the end of June. The number of private customers totalled 3,723,000 and that of corporate customers 418,000. In the year to June, the number of joint banking and non-life insurance customers in Finland increased by 100,100 to 1,116,000 as a result of cross-selling.

At the end of June, Pohjola's loyal customer households numbered 443,000, increasing in the past twelve months by 39,300. More than half of Pohjola's loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank.

Personnel and incentive system

At the end of June, the Group had 12,468 employees (12,504). About 94 of the Group's personnel are members of the Group's Personnel Fund. A long-term management incentive scheme is also in place within the Group.

Central Cooperative's corporate governance

OP-Pohjola Group Central Cooperative is the central institution of the amalgamation of the cooperative banks, the parent company of OP-Pohjola Group Central Cooperative Consolidated and the company heading the financial and insurance conglomerate formed by OP-Pohjola Group. Acting as OP-Pohjola Group's development and service centre and strategic owner institution, the Central Cooperative is also the central institution in charge of Group control and supervision.

The Annual Cooperative Meeting of OP-Pohjola Group Central Cooperative was held on 26 March 2010,re-electing the following Supervisory Board members, who were due to resign, for the term ending in 2013: Pekka Ahvenjärvi, Attorney; Ola Eklund, Product Director; Paavo Haapakoski, liikuntaneuvos (Finnish honorary title); and Bo Storsjö, farmer. The new members elected to the Supervisory Board were as follows: Hannu Simi, planner; and Mervi Väisänen, Senior Lecturer. In addition, the Meeting elected Matti Pulkkinen, Director of the Northern Savo Hospital District, for the term ending in 2012. Managing Director Olli Lehtilä resignd from the Board having been appointed as Managing Director of Helsinki OP Bank Plc, a subsidiary of OP-Pohjola Group Central Cooperative.The Supervisory Board comprises 32 members.

At is first meeting after the Annual Cooperative Meeting, the Supervisory Board re-elected Paavo Haapakoski Chairman. Professor Jaakko Pehkonen and President Jukka Hulkkonen were elected Vice Chairmen.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, the auditor of OP-Pohjola Group Central Cooperative and OP-Pohjola Group for the financial year 2010.

On 14 June 2010, the Central Cooperative's Supervisory Board made changes in the Central Cooperative's Executive Board, with Chief Communications Officer Carina Geber-Teir, Chief Strategy Officer Tom Dahlström and Chief Risk Officer Erik Palmén as new members, the last two beginning as deputy members and becoming regular members on 1 January 2011 following a Central Cooperative rule change. Harri Nummela, who will become the Managing Director of the new service company, will leave the Board at the turn of the year. Board member Erkki Böös became a Board member of the service company on 14 June 2010. Heikki Vitie will remain in the Executive Board as Administrative Director until his retirement at the end of February 2012, according to his plan.

Capital expenditure and service development

The Central Cooperative and its subsidiaries are responsible for developing OP-Pohjola Group's services. ICT investments and related specifications make up a significant portion of costs of developing these services. EUR 19 million (22) of these expenses consisted of ICT procurement capitalised in the balance sheet in the report period. Of these investments, EUR 14 million (12) was allocated to banking and investment operations, EUR 3 million (5) to non-life insurance operations and EUR 2 million (4) to life insurance operations.

Joint responsibility and joint security

Under Act no. 599/2010 on the amalgamation of deposit banks, the amalgamation of the cooperative banks comprises the organisation's central institution (OP-Pohjola Group Central Cooperative), the Central Cooperative's member credit institutions and the companies belonging to their consolidation groups. This amalgamation is supervised on a consolidated basis. The Central Cooperative and its member banks are ultimately responsible for each other's liabilities and commitments. The Central Cooperative's members at the end of the report period comprised OP-Pohjola Group's 218 member banks as well as Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj. OP-Pohjola Group's insurance companies do not fall within the scope of joint responsibility.

Deposit banks belonging to OP-Pohjola Group, i.e. its member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Plc and OP-Kotipankki Oyj, are regarded as a single bank with respect to deposit protection. Under legislation governing the Investors' Compensation Fund, OP-Pohjola Group is also considered a single entity for purposes of compensation protection.

Outlook towards the year end

The Finnish economy was experiencing slow growth during the report period. This growth is expected to continue in the second half but to be more moderate than in the period before the financial crisis. The economic fundamentals have improved but are still rather fragile and to a large extent rely on public stimulus measures. Proposed changes to banks' capital adequacy and other regulation are expected to gradually affect banking business and increase uncertainty about economic development. The economy may have turned for the better and the financial markets stabilised, but predicting economic development is still difficult.

Profit performance in the financial sector in 2010 will be weakened by exceptionally low interest rates and persistently high credit losses. OP-Pohjola Group's 2010 earnings before taxes are expected to be at about the same level as or better than in 2009. The greatest uncertainty in these estimates is related to changes in the investment environment, credit losses and interest rates.

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

Operations and earnings by business segment

OP-Pohjola Group's business segments are Banking and Investment Services, Non-life Insurance and Life Insurance. Non-segment operations are presented in 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies applied in its financial statements.

Companies within the Banking and Investment Services segment are the member banks, Helsinki OP Bank Plc, OP-Kotipankki Oyj, OP Mortgage Bank, OP Fund Management Company Ltd, Pohjola Asset Management Limited, Pohjola Corporate Finance Ltd, Pohjola Capital Partners Ltd, as well as certain smaller companies supporting banking and investment services in their entirety. Pohjola Group's Banking and Asset Management segments are also included in the Banking and Investment Services segment as are the operations of OP-Pohjola Group Mutual Insurance Company, because most of the company's business consists of credit insurance granted to the Group’s retail banks.

The Non-life Insurance segment encompasses the operations of OP-Pohjola Group's non-life insurance companies, i.e. Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

The Life Insurance segment comprises OP Life Assurance Company Ltd engaged in the Group's life and pension insurance business.

Other Operations includes operations that support all business segments, particularly the operations of OP-Pohjola Group Central Cooperative and Pohjola's Group management. Costs of the services for the business segments are allocated to the segments in the form of internal service charges. The allocation of equity capital to the business segments is carried out through an internal bank under Other Operations, which means that any positive results in excess of the target level will be shown under Other Operations.

Summary of performance by business segment

€ million	*Income*	*Expenses*	*Other items*	*Earnings/loss before tax Q1–Q2/2010*	*Earnings/loss before tax Q1–Q2/2009*
Banking and Investment Services	785	463	-159	163	270
Non-life Insurance	200	157	0	42	46
Life insurance	60	41	0	20	-41
Other Operations	214	169	0	45	4
Eliminations	-192	-188	0	-4	1
Total	**1,067**	**643**	**-159**	**266**	**281**

Banking and Investment Services

- Mutual fund assets increased by 24.4%. The Group's market share of the value of mutual funds rose by 0.3 percentage points to 23.3%.
- The Group's market share of loans increased by 0.4 percentage points to 32.7% but as to deposits fell by 0.9 percentage points to 32.3%.
- Earnings before tax narrowed from EUR 270 million to EUR 163 million as a result of lower net interest income, but the fall bottomed out in the second quarter.
- Credit losses began to diminish during the report period. Compared with the second half of 2009, credit losses were reduced by 23%.

Thanks to the economic recovery, impairments made on loans took a turn downwards. The biggest credit losses suffered during the recession took place in the second half of 2009. The growth of credit and deposits intensified during the report period but remained moderate. The extremely low interest rates sent net interest income on a steep downward trend vis-à-vis the corresponding period a year ago. Capital markets continued to recover despite the Greek debt crisis that rocked the euro area. Investment volumes and demand for asset management services increased.

According to the sector's official statistics published in April, OP-Pohjola Group solidified its position further as Finland's leading bank in 2009. Compared with June 2009, the Group's market share in credits and mutual fund assets improved further, but contracted in deposits.

On 30 June, OP-Pohjola Group's loan portfolio stood at EUR 54.6 billion (52.6) and the guarantee portfolio at EUR 3 billion (3), the former growing by 5.2% (7.0) in the year to June and by 3.7% in the report period. The market share of the loan portfolio increased year on year by 0.4 percentage points to 32.7%.

The home mortgage portfolio totalled EUR 26.4 billion (25.7) at the end of June. In the year to June, home mortgages increased by 6.2% (7.8). OP-Pohjola Group held 35.8% of the home mortgage portfolio on 30 June 2009, down by 0.2 percentage points year on year.

The housing market improved clearly year on year. Housing brokered by OP-Kiinteistökeskus was up by 20.5% on a year earlier, and the volume of new home mortgages was 11% higher than a year ago.

The margin on new home mortgages fell further somewhat. The average margin on new home mortgages taken out in January–June was 0.03 percentage points higher than a year ago. Compared with Q1/2010, the margin on new home mortgages fell by 0.07 percentage points in Q2/2010.

On 30 June, the consumer credit portfolio amounted to EUR 4.0 billion (3.7), showing an increase of 6.7% in the year to June (5.8).

On 30 June, the corporate loan portfolio stood at EUR 13.8 billion (13.4), and the guarantee portfolio at EUR 2.8 billion (2.7). The corporate loan portfolio expanded by 0.5% (9) in the year to June and by 3.0% in the report period. The market share of corporate loans on 30 June was 28.4%, or 0.8 percentage points higher than a year earlier. The average margin on new corporate loans during the report period was somewhat lower than at the end of 2009.

On 30 June, deposits totalled EUR 35.4 billion (34.6), an increase of 1.6% year on year and 2.3% in the report period. Competition continued to be tough for customer deposits in the report period. The fact that assets were channelled to emerging capital markets contributed to higher deposits. Investment deposits shrank by 7.3% in the year to June (7.2), while current accounts increased by 11.2% (10.2). The Group held a 32.3% market share of deposits on 30 June, down by 0.9 percentage points year on year.

Capital invested in OP-Pohjola Group's mutual funds totalled EUR 13 billion (12.7), showing an increase of 24.4% in line with the general market trends in the year to June, and in increase of 2.6% in the report period. On 30 June, OP-Pohjola Group held a 23.3% market share of the capital of mutual funds registered in Finland, up by 0.3 percentage points year on year. Net subscriptions to OP-Pohjola Group's mutual funds totalled EUR 7 million (606).

On 30 June, assets managed by Pohjola Bank's Asset Management were worth EUR 33.6 billion (33.1), of which EUR 11.1 billion (11.4) was invested in OP-Pohjola Group's mutual funds. OP-Pohjola Group companies accounted for EUR 8.4 billion of assets managed by Pohjola Bank.

Assets managed in accordance with the OP-Private operating model totalled EUR 3.9 billion (3.6). Stockbroking for households totalled some 567,000 in the year to June, or up by 24.9% year on year.

Earnings and risk exposure

Banking and Investment Services reported earnings before tax of EUR 163 million for January–June, down by 40% year on year (270). Customer bonuses recognised in the income statement during the report period rose by 6% to EUR 74 million (70).

Net interest income decreased by 21% to EUR 418 million (531). Net commissions and fees increased by 12% to EUR 301 million (268) especially owing to higher asset management fees. The fall in net interest income was caused by exceptionally low interest rates. Net trading and investment income totalled EUR 38 million (52). Net trading income decreased because exceptionally high trading income that realised a year ago had normalised. Personnel costs increased by 1.8% and other expenses shrank by 2.5%. The cost/income ratio stood at 59% (53).

Impairments on receivables came to EUR 77 million (66). Impairment losses increased by EUR 12 million year on year, but compared with Q3 and Q4 of 2009 they shrank by 23%. The amount of impairment losses was fairly low considering the business volume and the current economic cycle.

The Group's non-performing and zero-interest receivables shrank but remained low, totalling EUR 251 million on 30 June, down by 12% year on year. Non-performing and zero-interest receivables are stated net of impairment losses assessed on an individual and collective basis, which amounted to EUR 124 million (131). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.4%, that is, a fraction lower than last year.

Banking and Investment Services, key figures

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Net interest income	418	531	-21.3	981
Impairment losses on receivables	77	66	17.7	167
Other income	367	354	3.8	720
Personnel costs	211	207	1.8	396
Other expenses	252	259	-2.5	507
Returns to owner-members and OP bonus customers	81	82	-1.5	160
Earnings/loss before tax	**163**	**270**	**-39.8**	**471**

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Home mortgages drawn down	3,146	2,835	11.0	5,723
Corporate loans drawn down	3,406	3,612	-5.7	6,325
Net subscriptions to mutual funds	7	606	-98.8	1,618
No. of brokered property transactions	8,321	6,908	20.5	15,303

€ billion	*30 Jun 2010*	*30 Jun 2009*	*Change, %*	*31 Dec 2009*
Outstanding credit				
Home loans	26	25	6.2	26
Other loans to households	10	10	4.4	10
Corporate loans	14	14	0.5	13
Other loans	4	3	20.2	4
Total	**55**	**52**	**5.2**	**53**
Guarantee portfolio	3	3	-1.8	3
Deposits				
Total current and payment transfer				
Households	12	11	10.7	12
Companies	4	4	7.3	4
Others	3	2	19.9	2
Total current and payment transfer	19	17	11.2	18
Investment deposits	17	18	-7.3	17
Total deposits	**35**	**35**	**1.6**	**35**

Mutual funds				
Equity and hedge funds	4.0	2.7	48.1	3.9
Balanced funds	1.5	1.4	8.3	1.5
Long-term bond funds	5.4	4.7	14.4	5.0
Money market funds	2.1	1.7	27.7	2.3
Total value of mutual funds	**13.0**	**10.5**	**24.4**	**12.7**

Market share, %	*30 Jun 2010*	*30 Jun 2009*	Change, percentage points	*31 Dec 2009*
Total loans	32.7	32.3	0.4	32.7
Home mortgages	35.8	36.0	-0.2	35.9
Corporate loans	28.4	27.6	0.8	28.7
Total deposits	32.3	33.2	-0.9	33.2
Capital invested in mutual funds	23.3	23.0	0.3	23.4

€ million				
Non-performing and zero-interest receiv-ables			Change, %	
Households	186	215	-13.5	175
Companies and housing associations	104	100	3.9	92
Others	5	15	-69.5	3
Collectively assessed impairments	-43	-45	-4.4	-47
Total non-performing and zero-interest receivables	**251**	**285**	**-11.7**	**223**
Non-performing and zero-interest receiv-ables within loan and guarantee portfolio, %	0.4	0.5	-0.1*	0.4

* Percentage points

Non-life Insurance

- Premium revenue from private customers increased by 11%. Private Customers became the largest business division. Total insurance premium revenue increased by 0.5%.
- The number of loyal customer households increased by 4%, reaching 443,000 on 30 June.
- Pre-tax earnings from Non-life Insurance amounted to EUR 42 million (46).
- The balance on technical account developed as expected and remained good. The operating combined ratio stood at 91.6% (88.6),
- Return on investments at fair value was 2.6% (4.5).

The non-life insurance customer business improved well in the report period, as expected. The recession continued to affect the corporate sector, reducing insurance premiums based on companies' payroll bills, net sales and operating profit, with the result that insurance premiums were down within Corporate Customers and the Baltic States. Growth remained strong within Private Customers, becoming the largest division within Non-life Insurance. Total insurance premium revenue increased by 0.5%, reaching EUR 473 million (471).

Insurance premium revenue from Private Customers increased by 11% to EUR 229 million (207). The number of loyal customer households increased in January–June by 17,867 (14,057). On 30 June, the number of loyal customer households within the Non-life Insurance segment totalled 443,000, showing an increase of 4% from 31 December 2009. Up to 57% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank. OP bonuses obtained through bank transactions were used for the payment of insurance premiums to a total of EUR 27 million in the report period (31). Bonuses were used for the payment of 526,600 insurance bills, with 88,100 bills paid with bonuses alone.

Insurance premium revenue from Corporate Customers dropped by 6% to EUR 219 million (234). Pohjola reduced the level of premiums for the current year within statutory workers' compensation insurance. As a result of the recession, payroll bills which determine insurance premiums continued their downward trend.

In the Baltic States, insurance premium revenue decreased by 19% to EUR 24 million (30). The economic recession has strongly affected the insurance market in the Baltic region with the result that the total market in the region shrank by over one quarter during the reporting period.

Pohjola Insurance is the non-life insurance market leader in Finland in terms of premiums written.

Earnings and risk exposure

Pre-tax earnings from Non-life Insurance amounted to EUR 42 million (46). Balance on technical account fell as expected from last year's record-high level. The operating combined ratio stood at 91.6% (88.6), which was the second-best result for January–June ever. Insurance premium revenue totalled EUR 473 million (471) and indemnities EUR 300 million (287). Earnings before tax at fair value came to EUR 71 million (121). Net investment income recognised in the income statement came to EUR 42 million (30), or EUR 12 million higher year on year. Impairment charges recognised from the fair value reserve in the income statement totalled EUR 25 million (21).

Claims incurred rose due to growth in the private customer insurance portfolio and the large number of losses reported within motor liability and motor vehicle insurance during the first half. Claims incurred increased to EUR 329 million (314), or by 5%. The loss ratio deteriorated to 69.6% (66.7) and the risk ratio (excl. loss adjustment expenses) stood at 62.2% (55.9). The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 103 (90) in January–June, with their claims incurred retained for own account totalling EUR 51 million (45).

The non-life insurance segment's expenses grew by 2.2% to EUR 157 million (154). Personnel costs increased by 3.6% and other expenses by 1.5%.

Operating expenses as specified in the insurance company's profit and loss account were EUR 104 million (103). The expense ratio stood at 22.0% (21.8) and the cost ratio (incl. loss adjustment expenses) at 29.4 (28.7).

On 30 June, Non-life Insurance solvency capital rose to EUR 857 million (827) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 91% (88). Equalisation provisions rose to EUR 422 million (417).

On 30 June, the investment portfolio of Non-life Insurance totalled EUR 2.9 billion (2.9), while return on investments at fair value was 2.6% (4.5). Of the investment portfolio, fixed-income investments accounted for 75% (76) and listed equities for 10% (10). The fixed-income portfolio by credit rating was healthy, with investment-grade exposure accounting for 89% (94), and 75% of the exposure being receivables in at least category A–. The average residual term to maturity of the fixed-income portfolio was 5 years and the duration 3.7 years (3.4).

Non-life Insurance: key figures

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Insurance premium revenue	473	471	0.5	943
Insurance claims and benefits	300	287	4.5	560
Net investment income	42	30	41.3	61
Unwinding of discount and other items included in net income	-23	-22	-5.2	-44
Net income from Non-life Insurance	**192**	**192**	**0.2**	**400**
Other net income	7	8	-9.3	20
Personnel costs	57	55	3.6	110
Other expenses	101	99	1.5	207
Earnings/loss before tax	**42**	**46**	**-8.3**	**102**
Gross change in fair value reserve	28	74	-61.8	188
Earnings/loss before tax at fair value	**71**	**121**	**-41.4**	**291**

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Insurance premium revenue				
Private customers	229	207	10.8	424
Corporate Customers	219	234	-6.2	461
Baltic States	24	30	-18.8	57
Total insurance premium revenue	**473**	**471**	**0.5**	**943**
€ billion	*30 Jun 2010*	*30 Jun 2009*	*Change, %*	*31 Dec 2009*
Insurance contract liabilities				
Discounted insurance contract liabilities	1.3	1.3	5.3	1.3
Other insurance contract liabilities	1.0	1.0	-6.1	0.8
Total	**2.3**	**2.3**	**0.3**	**2.1**
Investments portfolio				
Bonds and bond funds	2.1	2.0	6.1	2.1
Money market instruments	0.1	0.3	-54.6	0.1
Equities and equity funds	0.4	0.2	95.5	0.4

Real property investment *)	0.2	0.1	26.4	0.2
Alternative investments	0.2	0.1	41.5	0.2
Total investments	**2.9**	**2.7**	**8.7**	**2.9**

*) Includes real estate funds

Life insurance

- The market share of premiums written in life and pension insurance rose to 39.3%.
- Premiums written increased according to the strategy especially in unit-linked products.
- The segment's earnings turned positive, and earnings before tax at fair value improved to EUR 123 million (11).
- The solvency margin was 3.3-fold compared with the required minimum.
- Return on investments at fair value was 4.3% (1.7).

Life Insurance's volumes continued to grow in the report period, with the market position improving. Premiums written increased particularly well within corporate group pension insurance schemes. Insurance contract premiums written increased by 130% and came to EUR 679 million (295). Unit-linked premiums written increased by 73% to EUR 249 million (144). Investment contracts were made in the report period worth EUR 276 million, When calculating market share, investment contracts are considered equivalent to premiums written, most of them having to do with an individual group pension insurance arrangement. Another group pension insurance arrangement was published towards the end of the report period that will increase premiums written considerably in the second half of the year.

OP-Pohjola Group boosted its market position further in terms of life and pension insurance. In terms of premiums written, OP-Pohjola Group is the clear market leader. The Group's market share of premiums written was 39.3% (23.2) and, according to preliminary information, 20.6% (20.0) of insurance savings.

Earnings and risk exposure

Life Insurance's earnings at fair value were EUR 112 million better than a year ago. Earnings before tax at fair value came to EUR 123 million (11). The change in the fair value reserve before tax was EUR 104 million (52) and earnings before tax EUR 20 million (–41). Net investment income without the income from unit-linked insurance came to EUR 66 million (4). Investment income was improved particularly by higher capital gains.

Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.4 billion (4.1). Fixed-income investments accounted for 59% (58), equity investments 15% (17), property investments 8.0% (8) and alternative investments 18% (17) of the portfolio. Investments under the 'investment grade' accounted for approximately 72% (77) of the fixed-income portfolio. The portfolio's modified duration was 3.8 years (3.6) on 30 June. Return on investments at fair value was 4.3% (1.7).

Life Insurance's operating efficiency remained good. The cost ratio, in which sales channel fees are excluded and in which all income to cover business expenses are included as income, came to 30.9% (35.3). Thanks to higher sales volumes, sales commissions included in Other expenses increased to EUR 21 million (13).

Life Insurance's solvency improved in the report period. The solvency ratio, meaning the ratio of solvency capital to weighted technical provisions, was 15.1% (13.3). Technical provisions increased by 7.8% and came to EUR 6.4 billion (6.0). Unit-linked technical provisions accounted for 41% (33).

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Premiums written	679	295	129.9	678
Unit-linked	249	144	73.0	368
Net investment income	152	154	-0.9	371
Unit-linked	87	150	-42.3	433
Change in insurance contract liabilities	460	216	113.3	653
Unit-linked	293	233	25.7	761
Claims incurred	318	251	27.0	499
Other items	-3	-2	-64.0	-7
Net income from Life Insurance	**50**	**-19**	**361.2**	**-110**
Other income	11	9	13.4	16
Personnel costs	5	5	9.4	9
Other expenses	36	26	37.0	57
Earnings/loss before tax	**20**	**-41**	**148.1**	**-159**
Gross change in fair value reserve	104	52	100.8	354
Earnings/loss before tax at fair value	**123**	**11**		**194**

€ billion	*30 Jun 2010*	*30 Jun 2009*	*Change, %*	*31 Dec 2009*
Assets (excluding assets covering unit-linked insurance)				
Bonds and bond funds	2.1	2.0	4.2	2.2
Money market instruments	0.5	0.5	-8.2	0.2
Equities and equity funds	0.7	0.3	117.1	0.7
Real property investment **)	0.4	0.3	6.5	0.3
Alternative investments	0.8	0.8	3.6	0.7
Total investment portfolio	**4.4**	**4.0**	**11.3**	**4.1**

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Premiums written, FAS				
Endowment insurance, unit-linked	206	101	104.6	270
Endowment insurance, interest-bearing	35	73	-52.1	116
Pension insurance	404	88	358.9	235
Term life insurance	48	45	6.3	83
Others	277	3		69
Total premiums written, FAS	**969**	**310**	**212.4**	**771**
Unit-linked	256	147	74.4	377
	,	,	,	,
Market share of premiums written in life and pension insurance, %	39.3	23.2	16.1	25.2

€ billion	*30 Jun 2010*	*30 Jun 2009*	*Change, %*	*31 Dec 2009*
Insurance savings				
Endowment insurance, unit-linked	1.9	1.3	46.8	1.7
Endowment insurance, interest-bearing	2.2	2.5	-13.6	2.3
Pension insurance	2.3	1.7	37.3	1.9
Others	0.1	0.1	-3.8	0.2
Total insurance savings	**6.5**	**5.6**	**16.1**	**6.1**
Unit-linked	2.7	1.8	45.0	2.4
Market share of insurance savings in life and pension insurance, %	20.6***	19.6	1.0***	20.0

* Percentage points
** Includes real estate funds
*** Preliminary information

Other Operations

Other Operations' pre-tax earnings for January–June were EUR 45 million, that is, EUR 41 million better than a year earlier (4).

Net interest income was EUR 33 million (28), net trading losses EUR 9 million (loss of EUR 4 million) and net investment income EUR 20 million (loss of EUR 4 million). Investment operations within the liquidity reserve improved net interest income. Investment income included EUR 16 million (0) in capital gains on notes and bonds. A year ago, investment income was eroded by a EUR 5 million negative valuation concerning real property investments. Impairments recognised on shares and participations categorised under available-for-sale financial assets totalled EUR 4 million (4), while a year ago impairments recognised on bonds totalled EUR 9 million.

Most of the other income in Other Operations came from within the Group as internal service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 62 million (60) were personnel costs and EUR 107 million (116) other costs.

The Group's liquidity and availability of funding remained good. Pohjola Bank plc issued two senior bonds in the capital market during the report period, each worth EUR 750 million.

Other Operations: key figures

€ million	*Q1–Q2/2010*	*Q1–Q2/2009*	*Change, %*	*2009*
Net interest income	33	28	18.2	72
Net trading income	-9	-4	-114.9	-7
Net investment income	20	-4	590.5	-5
Other income	170	169	0.2	336
Expenses	169	175	-3.5	333
Impairment losses on receivables	0	9	-100.0	12
Earnings/loss before tax	**45**	**4**	**995.0**	**51**
€ billion	*30 Jun 2010*	*30 Jun 2009*	*Change, %*	*31 Dec 2009*
Receivables from financial institutions	7.5	6.7	12.8	7.4
Financial assets held for trading	0.4	0.6	-39.3	0.4
Investment assets	7.7	5.0	53.1	6.5
	,	,	,	,
Liabilities to credit institutions	5.1	3.5	48.7	4.6
Debt securities issued to the public	17.6	16.9	4.0	17.5

FINANCIAL STATEMENTS AND NOTES

OP-Pohjola Group income statement

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Interest income	1,165	1,797	-35	3,072
Interest expenses	713	1,229	-42	2,002
Net interest income (Note 2)	**452**	**568**	**-20**	1,070
Impairments of receivables (Note 3)	77	75	3	179
Net interest income after impairments	**375**	**493**	**-24**	**891**
Net income from Non-life Insurance operations (Note 4)	190	189	1	396
Net income from Life Insurance operations (Note 5)	46	-29		-120
Net commissions and fees (Note 6)	283	251	13	496
Net trading income (Note 7)	13	54	-77	112
Net investment income (Note 8)	34	-8		-9
Other operating income (Note 9)	48	52	-8	104
Personnel costs (Note 10)	335	327	3	622
Other administrative expenses (Note 11)	154	156	-1	310
Other operating expenses (Note 12)	153	157	-2	316
Returns to owner-members (Note 13)	81	82	-1	160
Share of associates' profits/losses	1	0		1
Earnings before tax for the period	**266**	**281**	**-6**	464
Income tax expense	69	81	-14	126
Profit for the period	**197**	**201**	**-2**	338

OP-Pohjola Group statement of comprehensive income

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Profit for the period	**197**	**201**	**-2**	**338**
Change in fair value reserve	75	177	-58	677
Translation differences	0	0		0
Income tax on other comprehensive income	20	46	-57	175
Total comprehensive income for the period	**252**	**332**	**-24**	**839**

Key figures and ratios

	Q1-2/ 2010	Q1-2/ 2009	2009
Return on equity, %	6.3	7.4	5.9
Return on equity at fair value, %	8.1	12.3	14.7
Return on assets, %	0.48	0.53	0.43
Cost/income ratio, %	60	59	61
Average personnel	12,482	12,713	12,632
Full-time	11,404	11,571	11,520
Part-time	1,078	1,142	1,112

Definition of key figures and ratios

Return on equity, %
Profit for the period /
Equity capital (average of the beginning and end of the period) x 100

Return on equity at fair value, %
Profit for the period + change in fair value reserve less deferred tax liability /
equity capital (average of the beginning and end of the period) x 100

Return on assets, %
Profit for the period /
Statement of financial position total (average of the beginning and end of the period) x 100

Cost/income ratio, %
(Personnel costs + other administrative expenses + other operating expenses) /
(Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses) x 100

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

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

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

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

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

Operating cost ratio, %
Operating expenses before change in deferred acquisitions costs + loss adjustment expenses/
Expense loading x 100

OP-Pohjola Group quarterly performance

	2009			2010	
EUR million	Q2	Q3	Q4	Q1	Q2
Interest income	794	670	605	573	592
Interest expenses	512	414	359	349	364
Net interest income	**282**	**256**	**245**	**224**	**228**
Impairments of receivables	46	52	52	38	40
Net interest income after impairments	**235**	**204**	**194**	**186**	**189**
Net income from Non-life Insurance operations	120	113	94	78	113
Net income from Life Insurance operations	-8	-60	-31	14	32
Net commissions and fees	121	120	125	143	139
Net trading income	26	33	25	6	6
Net investment income	0	-3	2	31	3
Other operating income	27	23	28	26	23
Personnel costs	163	142	154	164	171
Other administrative expenses	76	67	87	75	80
Other operating expenses	81	71	88	78	75
Returns to owner-members	44	39	39	39	42
Share of associates' profits/losses	0	1	0	1	0
Earnings before tax for the period	**157**	**112**	**70**	**128**	**137**
Income tax expense	20	27	18	33	36
Profit for the period	**137**	**85**	**52**	**95**	**101**
Other comprehensive income					
Change in fair value reserve	217	368	131	212	-137
Translation differences	0	0	0	0	0
Income tax on other comprehensive income	56	95	34	56	-36
Total comprehensive income for the period	**298**	**358**	**149**	**252**	**0**

OP-Pohjola Group balance sheet

EUR million	30 June 2010	30 June 2009	Change, %	2009
Cash and cash equivalents	3,907	2,102	86	3,235
Receivables from credit institutions	1,304	2,199	-41	1,982
Financial assets at fair value through profit or loss	1,136	1,646	-31	1,263
Derivative contracts	2,168	1,357	60	1,423
Receivables from customers	54,882	52,384	5	52,992
Non-life Insurance assets (Note 17)	3,259	3,038	7	3,101
Life Insurance assets (Note 18)	6,489	5,418	20	6,331
Investment assets	7,741	5,232	48	6,468
Investments in associates	16	18	-12	17
Intangible assets	1,165	1,200	-3	1,179
Property, plant and equipment (PPE)	754	767	-2	761
Other assets	1,611	1,947	-17	1,572
Tax assets	91	337	-73	108
Total assets	**84,524**	**77,643**	**9**	**80,430**
Liabilities to credit institutions	3,408	1,960	74	2,174
Financial liabilities at fair value through profit or loss	34	423	-92	71
Derivative contracts	1,991	1,419	40	1,360
Liabilities to customers	38,438	36,750	5	37,606
Non-life Insurance liabilities	2,484	2,477	0	2,279
Life Insurance liabilities	6,545	5,626	16	6,179

Debt securities issued to the public (Note 21)	20,128	18,212	11	19,945
Provisions and other liabilities	2,214	2,182	1	1,832
Tax liabilities	948	1,002	-5	925
Cooperative capital	664	617	8	622
Subordinated liabilities	1,300	1,293	1	1,250
Total liabilities	**78,154**	**71,961**	**9**	**74,243**
Equity capital				
Share of OP-Pohjola Group's owners				
Share and cooperative capital	357	356	0	358
Fair value reserve (Note 22)	1	-424		-54
Other reserves	2,663	2,605	2	2,604
Retained earnings	3,349	3,146	6	3,280
Total equity capital	**6,370**	**5,682**	**12**	**6,187**
Total liabilities and equity capital	**84,524**	**77,643**	**9**	**80,430**

Statement of changes in equity capital

EUR million	Share and cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Balance at 1 January 2009	**362**	**-556**	**2,375**	**3,034**	**5,215**
Increase of share capital	0	-	170	0	170
Transfer of cooperative capital to equity capital	2	-	-	-	2
Transfer of reserves	0	-	62	-62	0
Profit distribution	0	-	0	-31	-31
Total comprehensive income for the period	0	132	0	201	332
Equity-settled share-based transactions					
Other	-8	-	-1	3	-5
Balance at 30 June 2009	**356**	**-424**	**2,605**	**3,146**	**5,682**
Balance at 1 January 2010	**358**	**-54**	**2,604**	**3,280**	**6,187**
Increase of share capital	0	-	0	0	0
Transfer of cooperative capital to equity capital	2	-	0	0	2
Transfer of reserves	0	-	59	-60	-1
Profit distribution	0	-	0	-62	-62
Total comprehensive income for the period	0	55	0	197	252
Equity-settled share-based transactions	-	-	-	0	0
Other	-3	-	0	-6	-9
Balance at 30 June 2010	**357**	**1**	**2,663**	**3,349**	**6,370**

Cash flow statement

EUR million	Q1-2/ 2010	Q1-2/ 2009
Cash flow from operating activities		
Profit for the period	197	201
Adjustments to profit for the period	847	659
Increase (-) or decrease (+) in operating assets	**-2,809**	**-2,444**
Receivables from credit institutions	732	208
Financial assets at fair value through profit or loss	25	1,626
Derivative contracts	-36	-23
Receivables from customers	-1,988	-732
Non-life Insurance assets	-175	-327
Life Insurance assets	-24	-354
Investment assets	-1,303	-2,702
Other assets	-40	-140
Increase (+) or decrease (-) in operating liabilities	**2,310**	**1,050**
Liabilities to credit institutions	1,224	1,267
Financial liabilities at fair value through profit or loss	-37	285
Derivative contracts	34	-55
Liabilities to customers	833	-332
Non-life Insurance liabilities	53	87
Life Insurance liabilities	-93	-2
Provisions and other liabilities	297	-200
Income tax paid	-48	-107
Dividends received	74	49
A. Net cash from operating activities	**570**	**-592**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-14	-132
Decreases in held-to-maturity financial assets	100	201
Acquisition of subsidiaries, net of cash acquired	0	0
Disposal of subsidiaries, net of cash disposed	0	1
Purchase of PPE and intangible assets	-47	-46
Proceeds from sale of PPE and intangible assets	0	0
B. Net cash used in investing activities	**39**	**24**
Cash flow from financing activities		
Increases in subordinated liabilities	68	179
Decreases in subordinated liabilities	-18	-192
Increases in debt securities issued to the public	24,139	27,658
Decreases in debt securities issued to the public	-24,041	-27,599
Increases in cooperative and share capital	123	133
Decreases in cooperative and share capital	-79	-84
Dividends paid and interest on cooperative capital	-75	-52
Returns to owner-members	-1	-3
Increases in invested unrestricted equity	0	171
Other	0	0
C. Net cash from financing activities	**117**	**210**
Net change in cash and cash equivalents (A+B+C)	**727**	**-358**
Cash and cash equivalents at period-start	**3,282**	**2,538**
Cash and cash equivalents at period-end	**4,009**	**2,180**
Interest received	**1,194**	**1,870**
Interest paid	**-753**	**-1,563**
Adjustments to profit for the period		
Non-cash transactions and other adjustments		
Impairments of receivables	82	79
Unrealised net earnings in Non-life Insurance	196	190

Unrealised net earnings in Life Insurance	432	139
Change in fair value for trading	107	59
Unrealised net gains on foreign exchange operations	-9	-10
Change in fair value of investment property	5	8
Depreciation and amortisation	64	64
Share of associates' profits/losses	1	1
Other	-36	114
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-1	-1
Interest on cooperative capital	7	12
Other returns to owner-members	1	3
Total adjustments	**847**	**659**
Cash and cash equivalents		
Liquid assets	134	133
Receivables from credit institutions payable on demand	3,875	2,047
Total	**4,009**	**2,180**

Notes

Note 1. Accounting policies

The Interim Report for 1 January–30 June 2010 was prepared according to IAS 34 (Interim Financial Reporting), as approved by the EU.

In the preparation of its Interim Report, OP-Pohjola Group applied the same accounting policies as in the preparation of its Financial Statements 2009. During the current period, the Group has also applied cash flow hedging when hedging future cash flows from variable-rate debt or other variable-rate assets and liabilities. Interest rate swaps are used as hedging instruments. Derivative contracts documented as cash flow hedges and provide effective hedges are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. Fair value changes recognised in shareholders' equity are included in the income statement in the period when hedged items affect net income.

The Interim Report is based on unaudited figures. Given that all figures in the Interim Report have been rounded off, the sum total of individual figures may deviate from the presented sums.

Summary of presentation of income statement:

Net interest income	Received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging
Net income from Non-life Insurance operations	Premiums written, claims unpaid, change in provision for un-earned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net income from Life Insurance op-erations	Premiums written, claims unpaid, change in provision for un-earned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net trading income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends

Net investment income	Realised capital gains and losses on available-for-sale financial assets, impairments, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income
Personnel costs	Wages and salaries, pension costs, social expenses
Other administrative expenses	Office expenses, IT costs, other administrative expenses
Other operating expenses	Depreciation/amortisation, rents and other operating expenses

Notes to the income statement and balance sheet

Note 2 Net interest income

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Loans and other receivables	628	1,005	-38	1,718
Receivables from credit institutions and central banks	30	55	-46	93
Notes and bonds	243	118		238
Derivatives held for trading (net)	30	19	54	79
Liabilities to credit institutions	-8	-6	32	-13
Liabilities to customers	-126	-310	-60	-472
Debt securities issued to the public	-247	-277	-11	-430
Subordinated debt	-16	-20	-20	-36
Hybrid capital	-4	-8	-55	-11
Financial liabilities held for trading	-1	-4	-81	-5
Other (net)	-1	6		4
Net interest income before items under hedge accounting	**528**	**579**	**-9**	**1,165**
Derivatives under hedge accounting (net)	-75	-11		-95
Total net interest income	**452**	**568**	**-20**	**1,070**

Note 3 Impairments of receivables

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Impairments of receivables	151	92	64	199
Reversals of impairments	-68	-25		-22
Payments on impaired receivables amortised from statement of financial position	-4	-4	-5	-11
Net change in group-specific impairments	-2	12		12
Total	**77**	**75**	**3**	**179**

Note 4 Net income from Non-life Insurance

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Net insurance premium revenue				
Premiums written	665	679	-2	1,005
Insurance premiums ceded to reinsurers	-34	-44	23	-51
Change in provision for unearned premiums	-169	-178	5	-15
Reinsurers' share	12	14	-17	4
Total	**473**	**471**	**0**	**943**
Net Non-life Insurance claims				
Claims paid	324	303	7	595
Insurance claims recovered from reinsurers	-17	-4		-20
Change in provision for unpaid claims	-28	-9		-30
Reinsurers' share	21	-3		15
Total	**300**	**287**	**5**	**560**
Net investment income, Non-life Insurance				
Interest income	32	35	-10	68
Dividend income	18	6		7
Property	2	1	34	4
Realised changes in fair value				
Notes and bonds	35	-8		7
Shares and participations	-5	3		15
Loans and receivables	-1	-		-
Property	2	0		1
Derivatives	-25	1		-21
Unrealised changes in fair value				0
Notes and bonds	1	0		1
Shares and participations	-16	-13	-21	-20
Loans and receivables	-1	-2	0	-3
Property	0	2		1
Derivatives	0	2	-75	-2
Other	-1	0		0
Total	**40**	**27**	**50**	**58**
Unwinding of discount	-22	-21	-5	-43
Other	0	0	**-12**	-1
Net income from Non-life Insurance	**190**	**189**	**1**	**396**

Note 5 Net income from Life Insurance

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Premiums written	692	307		703
Reinsurers' share	-14	-11	-19	-25
Total	**679**	**295**		**678**
Claims incurred				
Benefits paid	-321	-253	-27	-504
Change in provision for unpaid claims	-22	-9		-13
Reinsurers' share	3	3	5	5
Change in insurance contract liabilities				
Change in life insurance provision	-450	-212		-640
Reinsurers' share	6	5	34	11
Total	**-785**	**-466**	-68	**-1,140**
Other	3	-2		-19
Total	**-102**	**-173**	**-41**	**-481**
Net investment income, Llife Insurance				
Interest income	23	25	-10	53
Dividend income	41	35	17	40
Property	2	0		0
Realised changes in fair value				
Notes and bonds	2	-4		-8
Shares and participations	44	-4		28
Loans and receivables	1	-8		-8
Property	0	0		0
Derivatives	-47	0		-12
Unrealised changes in fair value				
Notes and bonds	3	17	-80	-3
Shares and participations	-15	-63	76	-150
Loans and receivables	1	-		-
Property	-1	0		-1
Derivatives	3	-6		-15
Other	5	2		6
Assets serving as cover for unit-linked policies				
Shares and participations				
Capital gains and losses	28	1		65
Fair value gains and losses	48	142	-66	353
Other	11	7	58	15
Total	**149**	**144**	**3**	**362**
Net income from Non-life Insurance	**46**	**-29**		**-120**

Note 6 Commissions and fees

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Commission income				
Lending	78	72	8	139
Deposits	2	3	-7	5
Payment transfers	72	62	16	132
Securities brokerage	16	10	49	22
Securities issuance	9	4		13
Mutual funds brokerage	43	25	72	60
Asset management and legal services	31	25	26	54
Insurance brokerage	33	50	-35	73
Guarantees	11	10	7	21
Other	20	21	-8	48
Total	**314**	**283**	**11**	**567**
Commission expenses				
Total	**31**	**32**	**-1**	**71**
Net commissions and fees	**283**	**251**	**13**	**496**

Note 7 Net trading income

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Capital gains and losses				
Notes and bonds	14	21	-35	37
Shares and participations	1	-3		-3
Derivatives	-24	101		123
Changes in fair value				
Notes and bonds	6	-9		-9
Shares and participations	0	9		17
Derivatives	5	-72		-66
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	-	-		-
Dividend income	1	0	36	0
Net income from foreign exchange operations	11	6	87	12
Total	**13**	**54**	**-77**	**112**

Note 8 Net investment income

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	19	0		2
Shares and participations	5	-5		0
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	0	-		-
Other	-	-		-
Dividend income	13	8	61	9
Impairment losses	-7	-12	-45	-28
Total	**30**	**-9**		**-16**
Investment property				
Rental income	23	24	-4	48
Maintenance charges and expenses	-15	-15	1	-30
Changes in fair value, capital gains and losses	-5	-8	-41	-11
Other	0	0	-45	1
Total	**4**	**2**		**8**
Other	-	0	-100	0
Net investment income	**34**	**-8**		**-9**

Note 9 Other operating income

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Income from property and business premises in own use	8	7	20	14
Other	41	46	-12	90
Total	**48**	**52**	**-8**	**104**

Note 10 Personnel costs

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Wages and salaries	278	277	0	534
Pension costs	45	33	34	58
Other social expenses	12	16	-25	31
Total	**335**	**327**	**3**	**622**

Note 11 Other administrative expenses

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Office expenses	32	33	-2	66
IT expenses	52	50	5	101
Telecommunications expenses	19	18	2	37
Marketing expenses	24	26	-7	53
Other administrative expenses	27	29	-7	54
Total	**154**	**156**	**-1**	**310**

Note 12 Other operating expenses

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Expenses for property and business premises in own use	37	36	2	73
Depreciation	64	64	-1	135
Other	52	56	-7	107
Total	**153**	**157**	**-2**	**316**

Note 13 Returns to owner-members

EUR million	Q1-2/ 2010	Q1-2/ 2009	Change, %	2009
Bonuses	74	70	6	142
Interest on cooperative capital	7	12	-44	18
Total	**81**	**82**	**-1**	**160**

Note 14. Classification of financial instruments

EUR million	Loans and other re-ceivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and balances with central banks	3,907	-	-	-	-	3,907
Receivables from credit institutions and central banks	1,304	-	-	-	-	1,304
Derivative contracts	-	-	1,922	-	246	2,168
Receivables from customers	54,882	-	-	-	-	54,882
Non-life Insurance assets**	710	-	86	2,463	-	3,259
Life Insurance assets***	383	-	2,937	3,168	-	6,489
Notes and bonds	-	1,080	1,073	5,821	-	7,974
Shares and participations	-	-	63	410	-	473
Other receivables	3,637	-	430	-	-	4,067
Total 30 June 2010	**64,824**	**1,080**	**6,512**	**11,862**	**246**	**84,524**
Total 30 June 2009	**62,280**	**1,157**	**5,515**	**8,512**	**180**	**77,643**
Total 31 December 2009	**63,125**	**1,163**	**5,757**	**10,229**	**156**	**80,430**

EUR million			Financial liabilities at fair value through profit or loss******	Other liabilities	Hedging derivatives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	3,408	-	3,408
Financial liabilities held for trading (excl. derivatives)	-	-	34	-	-	34
Derivative contracts	-	-	1,716	-	275	1,991
Liabilities to customers	-	-	-	38,438	-	38,438
Non-life Insurance liabilities***	-	-	1	2,483	-	2,484
Life Insurance liabilities****	-	-	2,628	3,917	-	6,545
Debt securities issued to the public	-	-	-	20,128	-	20,128
Subordinated loans	-	-	-	1,300	-	1,300
Other liabilities	-	-	-	3,826	-	3,826
Total 30 June 2010	**-**	**-**	**4,379**	**73,500**	**275**	**78,154**
Total 30 June 2009	**-**	**-**	**3,488**	**68,312**	**161**	**71,961**
Total 31 December 2009	**-**	**-**	**3,601**	**70,476**	**166**	**74,243**

*Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies.
**Non-life Insurance assets are specified in Note 17.
***Life Insurance assets are specified in Note 18.
****Non-life Insurance liabilities are specified in Note 19.
*****Life Insurance liabilities are specified in Note 20.
******Includes the balance sheet value of technical provisions related to unit-linked insurance policies.
Debt securities issued to the public are carried at amortised cost.
On 30 June 2010, the fair value of these debt instruments was approximately EUR 176 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques.
Subordinated liabilities are carried at amortised cost. Their fair value are substantially lower than their carrying amount, but determining fair values reliably is difficult in the current market situation.

Note 15. Balance sheet classification according to valuation technique

Fair value of assets in EUR million on 30June 2010	**Level 1***	**Level 2***	**Level 3***	**Total**
Recognised at fair value through profit or loss				
Banking	428	692	16	1,136
Non-life Insurance	-	-	8	8
Life Insurance	-	-	141	141
Derivative financial instruments				
Banking	5	2,036	127	2,168
Non-life Insurance	1	0	-	2
Life Insurance	-	0	-	0
Available-for-sale				
Banking	5,691	473	66	6,231
Non-life Insurance	1,611	640	212	2,463
Life Insurance	2,156	223	789	3,168
Total	9,892	4,064	1,360	15,316

Fair value of assets in EUR million on 31December 2009	**Level 1***	**Level 2***	**Level 3***	**Total**
Recognised at fair value through profit or loss				
Banking	536	706	21	1,263
Non-life Insurance	-	-	8	8
Life Insurance	-	-	182	182
Derivative financial instruments				
Banking	6	1,336	81	1,423
Non-life Insurance	0	0	-	0
Life Insurance	-	-	-	-
Available-for-sale				
Banking	4,447	337	65	4,849
Non-life Insurance	1,544	552	193	2,290
Life Insurance	2,209	251	631	3,091
Total	**8,742**	**3,182**	**1,181**	**13,106**

Fair value of liabilities in EUR million on 30June 2010	**Level 1***	**Level 2***	**Level 3***	**Total**
Recognised at fair value through profit or loss				
Banking	34	-	-	34
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	6	1,940	45	1,991
Non-life Insurance	0	0	-	1
Life Insurance	-	-	-	-
Total	**41**	**1,940**	**45**	**2,026**

Fair value of liabilities in EUR million on 31December 2009	**Level 1***	**Level 2***	**Level 3***	**Total**
Recognised at fair value through profit or loss				
Banking	71	-	-	71
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	1	1,327	33	1,360
Non-life Insurance	-	0	-	0
Life Insurance	-	0	-	0
Total	**72**	**1,327**	**33**	**1,431**

* 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.

Note 16. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds:

30 June 2010, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	1,842	1,846	4,9	93
Investments held to maturity	728	685	4,2	-
Available-for-sale financial assets	-	-	-	-
Total	**2,570**	**2,531**	**0**	**93**

31 December 2009, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	2,838	2,856	5,1	71
Investments held to maturity	798	761	4,2	-
Available-for-sale financial assets	-	-	-	-
Total	**3,636**	**3,617**		**71**

Note 17 Non-life Insurance assets

EUR million	30 June 2010	30 June 2009	Change, %	2009
Investments				
Loan and other receivables	255	384	-34	379
Shares and participations	414	321	29	391
Property	77	82	-7	78
Notes and bonds	1,490	1,288	16	1,381
Derivatives	2			
Other	567	516	10	526
Total	**2,805**	**2,592**	**8**	**2,755**
Other assets				
Prepayments and accrued income	31	29	6	38
Other				

Arising from direct insurance operations	281	280	1	214
Arising from reinsurance operations	84	129	-35	89
Cash in hand and at bank	5	8	-42	4
Other receivables	54	-	-	-
Total	**455**	**446**	**2**	**346**
Non-life Insurance assets	**3,259**	**3,038**	**7**	**3,101**

Note 18 Life Insurance assets

EUR million	30 June 2010	30 June 2009	Change, %	2009
Investments				
Loan and other receivables	296	434	-32	446
Shares and participations	2,629	2,291	15	2,777
Property	119	123	-3	122
Notes and bonds	680	659	3	496
Other	0	0	-100	0
Total	**3,725**	**3,507**	**6**	**3,841**
Assets covering unit-linked insurance contracts				
Shares and participations	2,677	1,848	45	2,381
Other assets				
Prepayments and accrued income	25	24	5	25
Other				
Arising from direct insurance operations	6	3		33
Arising from reinsurance operations	56	43	29	50
Cash in hand and at bank	0	-7		1
Total	**88**	**63**	**40**	**108**
Life Insurance assets	**6,489**	**5,418**	**20**	**6,331**

Note 19 Non-life Insurance liabilities

EUR million	30 June 2010	30 June 2009	Change, %	2009
Provision for unpaid claims				
Provision for unpaid claims for annuities	1,071	1,051	2	1,057
Other provision for unpaid claims	707	728	-3	726
Total	1,778	1,780	0	1,783
Provisions for unearned premiums	531	524		362
Other liabilities	175	174		133
Total	**2,484**	**2,477**	**0**	**2,279**

Note 20. Life Insurance liabilities

EUR million	30 June 2010	30 June 2009	Change, %	2009
Technical provisions	3,822	3,733	2	3,649
Insurance contract liabilities for unit-linked insurance policies	2,628	1,807	45	2,335
Other liabilities	95	86	11	194
Total	**6,545**	**5,626**	**16**	**6,179**

Note 21 Debt securities issued to the public

EUR million	30 June 2010	30 June 2009	Change, %	2009
Bonds	10,031	7,723	30	9,168
Certificates of deposit, commercial papers and ECPs	9,838	10,462	-6	10,549
Other	258	27		227
Total	**20,128**	**18,212**	**11**	**19,945**

Note 22 Fair value reserve after income tax

EUR million	30 June 2010	30 June 2009	Change, %	2009
Notes and bonds	-40	-38	6	24
Shares and participations	41	-387		-79
Other	0	-		-
Total	**1**	**-424**		**-54**

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

The fair value reserve before tax amounted to EUR 1.1 million (–74) and the related deferred tax liability to EUR 0.1 million (deferred tax asset EUR 19 million). On 30 June, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 250 million (180) million and negative mark-to-market valuations EUR 179 million (265). During 2007–10, impairment charges recognised from the fair value reserve in the income statement totalled EUR 455 million, of which EUR 88 million were recognised in 2010.

Other notes

Note 23 Collateral given

EUR million	30 June 2010	30 June 2009	Change, %	2009
Given on behalf of own liabilities and commitments				
Mortgages	1	1	0	1
Pledges	5,978	4,133	45	5,839
Other	256	421	-39	600
Total	**6,234**	**4,554**	**37**	**6,440**

Note 24 Off-balance-sheet items

EUR million	30 June 2010	30 June 2009	Change, %	2009
Guarantees	1,362	1,446	-6	1,391
Other guarantee liabilities	1,690	1,663	2	1,548
Pledges	1	1	0	1
Loan commitments	9,089	8,303	9	8,789
Commitments related to short-term trade transactions	144	115	26	131
Other	875	582	50	785
Total off-balance-sheet items	**13,161**	**12,109**	**9**	**12,644**

Note 25 Derivative contracts

EUR million	30 June 2010					
	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	47,342	50,756	18,660	116,758	1,646	1,631
Currency derivatives	13,856	2,139	517	16,512	558	390
Equity and index-linked derivatives	112	932	24	1,068	88	0
Credit derivatives	30	157	-	187	4	0
Other derivatives	3,864	264	-	4,128	7	20
Total derivatives	**65,205**	**54,247**	**19,202**	**138,653**	**2,302**	**2,041**

EUR million	30 June 2009					
	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	26,488	44,929	10,248	81,665	1,235	1,201
Currency derivatives	12,718	1,714	660	15,093	161	419
Equity and index-linked derivatives	160	702	31	893	39	0
Credit derivatives	108	167	-	275	3	13
Other derivatives	3,982	131	-	4,113	1	26
Total derivatives	**43,456**	**47,643**	**10,939**	**102,038**	**1,440**	**1,659**

Note 26 Related-party transactions

The related parties of OP-Pohjola Group include associates, administrative personnel and other related party companies. The administrative personnel comprise OP-Pohjola Group's Executive Chairman (Chairman of the Executive Board of OP-Pohjola Group Central Cooperative), President of OP-Pohjola Group Central Cooperative, members and deputy members of the Executive and Supervisory Boards and their close relatives. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other communities considered as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2009.

The Interim Report for 1 January–30 June 2010 have been prepared in accordance with IAS 30 (Interim Financial Reporting) as approved by the EU.

The Financial Statements 2009 contain a description of the accounting policies applied. OP-Pohjola Group has also applied future cash flow hedging in the report period. This Interim Report is based on unaudited figures. Given that all figures have been rounded off, the sum total of individual figures may deviate from the presented sums.

Pohjola Bank plc will publish its own interim report.

The third-quarter interim report will be published on 3 November 2010.

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman Reijo Karhinen in a press conference on 4 August 2010 at 12 noon at Teollisuuskatu 1 b, Vallila, Helsinki.

Helsinki, 4 August 2010

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