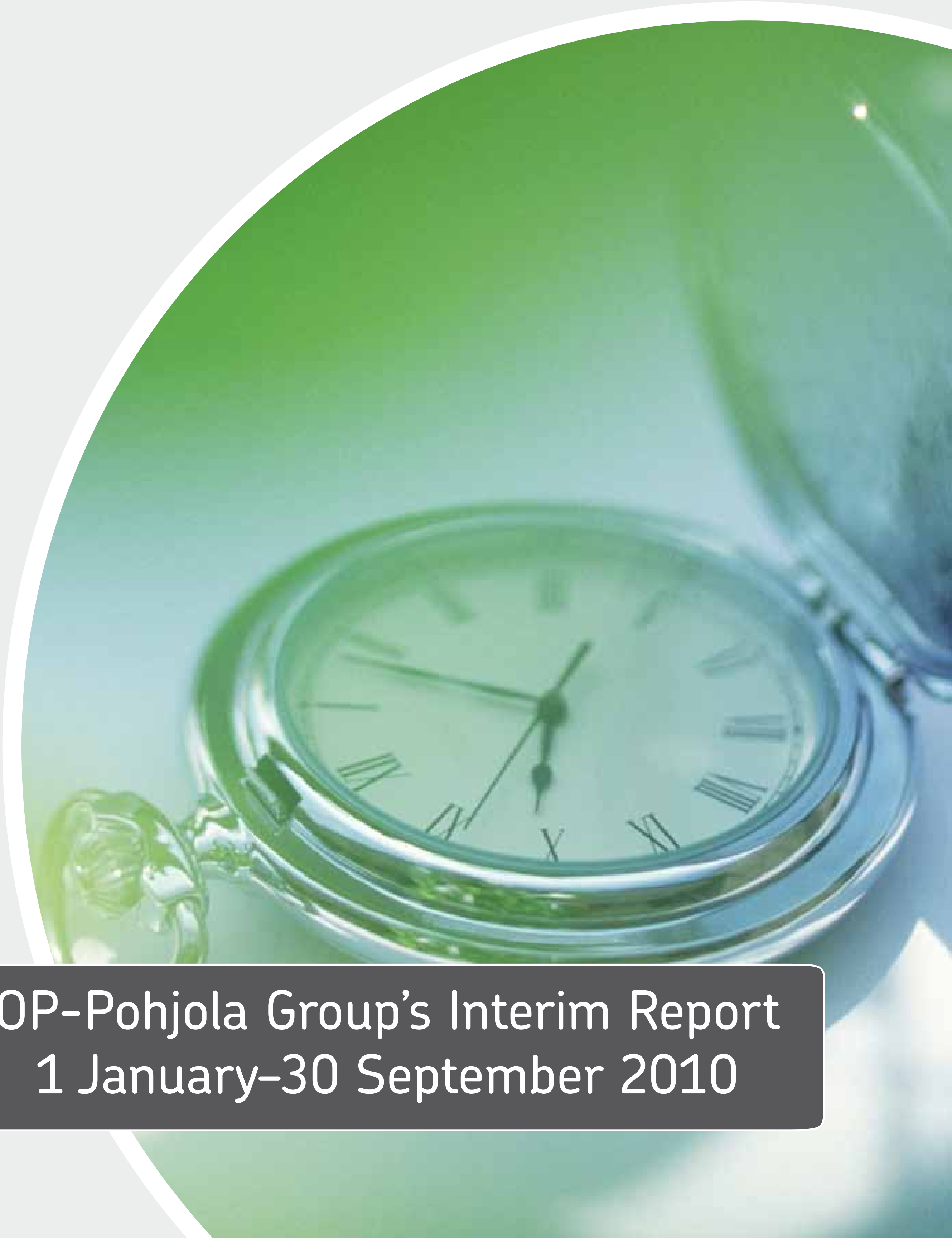
OP-Pohjola Group



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

OP-Pohjola Group Central Cooperative
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OP-Pohjola Group January–September 2010

- The Group's performance was improving steadily: earnings before tax amounted to EUR 438 million (393). Third-quarter earnings were up by 54% year on year.
- Net interest income remained at the same level in the past three quarters.
- Other income increased by 26%, while loan losses shrank by 15% in the first three quarters. Compared with the previous quarter, loan losses went down by 23%.
- September marked the 5th anniversary of the Pohjola acquisition. Cross-selling has been extremely successful: the number of customers who both use Group member bank services and have taken out Pohjola insurance policies has increased by over 60%.
- OP-Pohjola Group's market share improved in life insurance and mutual funds, remained unchanged in lending, and declined in deposits. Strong growth of private customers' premiums written continued in non-life insurance.
- The Group's capital adequacy improved further: Tier 1 ratio stood at 12.7% (12.6). This boosts the Group's competitive edge as the financial sector has to cope with tighter regulation.
- The outlook has improved. Full-year earnings for 2010 are expected to exceed those of 2009, with the greatest uncertainty related to developments in the investment environment and loan losses.

Comments by Reijo Karhinen, Executive Chairman

Our third-quarter performance was very good, exceeding our expectations and actually being the best quarter since 2007. We have performed well throughout the year: net interest income is on the way up, other income is growing steadily, and loan losses are getting smaller and smaller. I await 2011 with confidence. We are a strong Finnish financial sector partner to our existing and new customers.

OP-Pohjola Group is a master of its own fate. Our unique operating model and solid capital adequacy, duly noted by the recent EU-wide stress tests, have boosted our success. Our Group's ability to navigate through difficult times has again proved to be top-notch, and we find ourselves even stronger now than before the financial crisis and recession. Our capital adequacy now exceeds the more stringent level of financial regulation that has been published provisionally.

The fact that we have expanded into a genuine financial services group has stabilised the entire Group's performance. We have succeeded in combining banking and insurance operations in new and innovative ways that our customers also value. Our customers have accumulated loyal customer benefits in the first three quarters to an amount in excess of EUR 110 million, using them, for example, to pay over 800,000 insurance premium bills. We are firmly committed to our customer promise of providing the best loyalty benefits. Our genuine cooperative principles have enabled us – and indeed give us the obligation – to do so.

The Finnish economy has been storming ahead in recent months, and the effects of the recession are less severe than initially feared. This is excellent news. Our country's policymakers have received several analyses on how Finland can be put back on the growth track. Finland's economic decision-makers are looking at super months ahead. Following the parliamentary elections in April 2011, a programme must be drawn that will pave the way of the Finnish economy long into the future. Now we need courage, and we must try to think one step further. No more analyses and reports, it's time for concrete action.

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

OP-Pohjola Group's key indicators

	Q1–Q3/2010	*Q1–Q3/2009*	*Change**	*2009*
Earnings before tax, € million	438	393	11.3	464
Banking and Investment Services	267	379	-29.5	471
Non-life Insurance	84	89	-5.8	102
Life Insurance	23	-108		-159
Bonuses paid to customers, € million	112	106	6.0	142
Return on equity (ROE), %	6.7	6.8	-0.1	5.9
Return on equity at fair value, %	10.7	16.4	-5.7	14.7
Cost/income ratio, % (Banking and Investment Services)	58	52	5	53
Average personnel	12,410	12,670	-2.1	12,632
	30 Sep 2010	*30 Sep 2009*	*Change**	*31 Dec 2009*
Total assets, € billion	83.0	78.7	5.5	80.4
Capital adequacy, %**	12.7	12.3	0.4	12.6
Tier 1 ratio, %**	12.7	12.3	0.4	12.6
Ratio of capital base to minimum amount of capital base***	1.70	1.54	0.16	1.58
Non-performing loan losses within loan and guarantee portfolio, %	0.4	0.5	-0.1	0.4
Market share, %				
Total loans	32.6	32.6	0	32.7
Total deposits	32.7	33.7	-1.0	33.2
Capital invested in mutual funds	23.6	23.5	0.1	23.4
Of insurance savings through life and pension insurance	21.2	19.9	1.3	20.0
	Q1–Q3/2010	*Q1–Q3/2009*	*Change**	*2009*
Of premiums written in life and pension insurance, %	38.4	23.4	15.0	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.

Operating environment

On the whole, the growth rate of the global economy slowed down somewhat in the third quarter, but there was considerably variation from region to region, with each area having its own challenges. In the US, growth is shadowed by weak housing markets and persistently high unemployment figures. In the euro area, on the other hand, the economic outlook is brighter, but growth is nevertheless expected to be tardy owing to high unemployment and a stronger euro. Emerging economies, such as China, are enjoying brisk growth.

The Finnish economy has continued on a clear upward trend in the third quarter, and next year's development looks reasonably good. Business confidence was relatively high in the early autumn and consumer confidence is record-high. Growth is supported particularly by livelier exports and higher housing investment. Improved outlook is also manifested in that the number of people employed bottomed out in the third quarter.

There is no pressure in the near future to raise the main refinancing rate, which has remained low. The European Central Bank is expected to keep its main refinancing rate at the current level at least towards the end of 2011. Trust in the interbank markets has improved, which has reduced the need for central bank refinancing. This has raised short-term market rates by a fraction. The ECB aims to ensure sufficient liquidity in the market, for example by buying government debt instruments from countries struggling with heavy debts.

Capital market jitters caused by concerns about higher government bonds and feconomic growth eased off towards the end of the report period. Corporate bond markets operated in a positive mood. Risk premiums narrowed particularly in the banking sector. The global decline in the equity market that started in the spring bottomed out, resulting in Finland with the weight capped OMX Helsinki CAP index rising by almost 14% during the third quarter. The market recovery also turned net subscriptions of mutual funds positive, with fund assets increasing by 6% in the third quarter.

Banks' total loan portfolio continued to grow in the third quarter at a steady annual rate of about 6%. Growth in the corporate loan portfolio that began in the first half of 2010 has evened out towards the autumn. Loans to households continued to grow steadily in the third quarter, while the housing market was still lively.

Deposits had begun to grow in the spring, and continued to do so in the review period. The rate of growth of term deposits increased during the summer, while current account became less popular. Life insurance premiums written were clearly up owing to capital redemption contracts and transfer of group pension insurance policies from companies' pension funds.

The increase of non-life insurance premiums written has settled at around 1%. Claims paid out are growing at a higher rate than premiums written. The higher claims have been caused by exceptional weather conditions and a higher number of losses owing to greater economic activity.

OP-Pohjola Group's earnings and total assets

January–September

Earnings before tax increased by 11% and came to EUR 438 million (393)*. 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. Earnings before tax at fair value were EUR 694 million in the report period, which is the second-best result ever for January–September at fair value.

The Banking pre-tax earnings contracted year on year by 29% 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 comparison period. The operating combined ratio was nevertheless still good at 88.6% (86.7). Earnings/loss before tax by Life Insurance improved thanks to higher investments from a loss of EUR 108 million a year ago to earnings of EUR 23 million. Net investment income by Life Insurance stood at 7.3% (6.8).

Net interest income was EUR 679 million (825), or down by 18% year on year. Other income continued to increase substantially, reaching EUR 930 million (737), up by 26% year on year. Banking investment and net trading income remained on the whole unchanged. Net commissions and fees, totalling EUR 417 million (371), were higher than last year owing mainly to higher asset management and payment transfer fees.

Expenses totalled EUR 941 million (920). The Group's wages and salaries were somewhat lower than in the comparison period, because the number of personnel was lower. However, total personnel costs increased by 1.9% because pension costs increased by EUR 15 million. Other expenses increased by 2.8% mainly due to immediate write-offs concerning information systems.

Bonuses paid to owner-members and OP bonus customers rose by 6% and totalled EUR 112 million (106).

Impairments and fair value changes reducing earnings were recognised to an amount of EUR 233 million in the report period (350). EUR 29 million of these were recorded under Non-life Insurance net income, EUR 69 million under Life Insurance net income, EUR 108 under impairments of receivables, and EUR 26 million under other income. Impairment losses on loans and receivables remained very low, at 0.25% of the loan and guarantee portfolio (0.31%). The final credit losses were recognised to an amount of EUR 50 million EUR (17) and impairment losses to EUR 109 million (155). The majority of credit losses derived from corporate exposure. Value readjustments and cancellations of impairment losses totalled EUR 50 million (45).

* Comparatives for 2009 are given in brackets. For income-statement and other aggregated figures, January–September 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–Q3/2010*	*Q1–Q3/2009*	*Change, € mill.*	*Change, %*	*2009*
Earnings/loss before tax	**438**	**393**	**45**	**11.3**	**464**
Gross change in fair value reserve	256	546	-289	-53.0	677
Earnings/loss before tax at fair value	**694**	**939**	**-245**	**-26.1**	**1,140**
Return on equity (ROE), %	**6.7**	**6.8**		**-0.1***	**5.9**
Return on equity at fair value, %	**10.7**	**16.4**		**-5.7***	**14.7**
Income					
Net interest income	679	825	-146	-17.7	1,070
Net income from Non-life Insurance	309	302	8	2.5	396
Net income from Life Insurance	62	-89	150		-120
Net commissions and fees	417	371	47	12.6	496
Net trading and investment income	72	76	-4	-5.5	103
Other operating income	68	76	-8	-10.2	104
Share of associates' profits/losses	2	1	1	79.2	1
Other income, total	930	737	193	26.2	981
Total income	**1,608**	**1,561**	**47**	**3.0**	**2,051**
Expenses					
Personnel costs	477	468	9	1.9	622
Other administrative expenses	225	223	2	0.7	310
Other operating expenses	239	228	11	4.9	316
Total expenses	**941**	**920**	**21**	**2.3**	**1,248**
Impairment losses on receivables	**108**	**127**	**-19**	**-15.2**	**179**
Returns to owner-members and OP bonus customers					
Bonuses	112	106	6	6.0	142
Interest on ordinary and supplementary cooperative capital	9	15	-6	-37.6	18
Total returns	**122**	**121**	**1**	**0.5**	**160**

* Percentage points

OP-Pohjola Group's total assets amounted to EUR 83 billion (80.4) on 30 September. Receivables from customers stood at EUR 55.7 billion (53) and deposits at EUR 35.4 billion (34.6). Debt securities issued to the public fell by 2.4% to EUR 19.5 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 three senior bonds during the report period, with maturities of three and five years, worth a total of EUR 2.2 billion.

The Group's capital base increased by 7.2% to EUR 6.6 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 135 million (–54). The fair value reserve increased by EUR 134 million in the third quarter mainly because the market values of investments went up. The growth of the reserve was also influenced by impairments recognised in the profit and loss, and by realisation of assets. 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 122 million (211) were recognised in the report period.

On 30 September, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 763 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).

July–September

Earnings before tax for the third quarter increased by 54% year on year, coming to EUR 172 million (112). Income increased by 12% mainly thanks to higher Life Insurance net income. Net income from Life Insurance totalled EUR 15 million (–60). Reported expenses grew by EUR 18 million. Personnel costs were at the same level as in the comparison period. Impairment losses on receivables came to EUR 31 million, or EUR 22 million lower than a year earlier. The fair value reserve (gross) increased by EUR 181 million, while a year ago it increased by EUR 368 million. Impairments of EUR 34 million were recognised in the third quarter.

The net interest income was at the same level as in the previous quarter. Impairments of receivables were EUR 8.9 million lower than in April–June. Life Insurance net income fell from the previous quarter. Pre-tax earnings were EUR 35 million higher than in the previous quarter. Pre-tax earnings at fair value rose to EUR 353 million, while in the previous quarter they came to EUR 0 million.

Third-quarter earnings analysis

€ million	*Q3/ 2010*	*Q3/ 2009*	*Change, %*	*Q2/ 2010*	*Change, %*
Earnings/loss before tax	**172**	**112**	**53.7**	**137**	**25.3**
Gross change in fair value reserve	181	368	-50.8	-137	
Earnings/loss before tax at fair value	**353**	**480**	**-26.4**	**0**	
Return on equity (ROE), %	**7.7**	**5.8**	**2.0***	**6.4**	**1.3'**
Return on equity at fair value, %	**15.9**	**24.2**	**-8.3***	**0.0**	**15.9'**
Income					
Net interest income	226	256	-11.8	228	-0.9
Net income from Non-life Insurance	119	113	5.3	113	5.5
Net income from Life Insurance	15	-60		32	-51.6
Net commissions and fees	135	120	12.7	139	-3.2
Net trading and investment income	26	30	-14.4	10	
Other operating income	19	23	-15.6	23	-14.2
Share of associates' profits/losses	1	1	13.4	0	
Other income, total	315	226	39.9	316	-0.5
Total income	**541**	**483**	**12.2**	**545**	**-0.6**
Expenses					
Personnel costs	142	142	0.1	171	-16.9
Other administrative expenses	70	67	5.2	80	-11.7
Other operating expenses	86	71	20.6	75	13.4
Total expenses	**298**	**280**	**6.5**	**326**	**-8.6**
Impairment losses on receivables	**31**	**52**	**-41.3**	**40**	**-22.5**
Returns to owner-members and OP bonus customers					
Bonuses	38	36	6.0	37	1.6
Interest on ordinary and supplementary cooperative capital	2	3	-9.9	4	-45.1
Total returns	**41**	**39**	**4.9**	**42**	**-3.3**

* 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. At the beginning of the report period, the Group was still operating under the principles of the Act on Cooperative Banks and other Cooperative Institutions. This law change has 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 Ratings Based Approach (IRBA). OP-Pohjola Group uses 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, With respect to the capital adequacy requirement for operational risks, Pohjola will adopt the Standardised Approach in the last quarter of 2010. This change will reduce the capital requirement for operational risk by almost 20%, that is, about EUR 55 million.

As a result of the financial crisis, banks' capital adequacy requirements will become tighter, in an effort to improve the quality of their capital base, to reduce the cyclic nature of capital requirements and to set quantitative limits to liquidity risk. These changes are still under preparation, due to be effective between 2012 and 2018, and it is too early to predict precisely what their effects will be. According to OP-Pohjola Group's analysis based on the current interpretations, the Group can fulfil the capital adequacy requirements in any eventuality. From OP-Pohjola Group's viewpoint, the major changes in the new regulations are related to how insurance company investments and supplementary cooperative capital are treated in terms of capital base calculation concerning capital adequacy, to the leverage ratio and to liquidity risk requirements.

Capital adequacy of the amalgamation of cooperative banks

On 30 September, OP-Pohjola Group's capital adequacy ratio under the Credit Institutions Act and the Tier 1 ratio stood at 12.7%, that is, somewhat higher 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 Sep 2010*	*31 Dec 2009*	*Change, € million*	*Change, %*	*30 Sep 2009*
Capital base					
Tier 1 capital	5,420	5,227	193	3.7	5,124
Tier 2 capital	-	-			-
Total capital base	**5,420**	**5,227**	**193**	**3.7**	**5,124**
Risk-weighted assets, total	**42,768**	**41,480**	**1,289**	**3.1**	**41,521**
Minimum capital requirement					
Credit and counterparty risk	3,105	3,005	100	3.3	3,003
Market risk	34	36	-2	-5.6	42
Operational risk	282	277	5	1.8	277
Total	**3,421**	**3,318**	**103**	**3.1**	**3,322**
Capital adequacy ratio, %	**12.7**	**12.6**		**0.1***	**12.3**
Tier 1 ratio, %	**12.7**	**12.6**		**0.1***	**12.3**

* Percentage points

September-end Tier 1 capital totalled EUR 5,420 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 3.7% during the report period. At the end of September, the ratio of capital loans to Tier 1 capital before adjustments was 3.2% (3.2). Tier 1 capital does not include equity capital growth resulting from the IFRS-compliant valuation 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. The deductions actually exceeded Tier 2 capital by EUR 32 million (251), which were deducted from Tier 1 capital. The consolidation group's fair value reserve, which is included in the capital base, was EUR 3 million (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 143 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 3,421 million on 30 September (3,318), increasing by 3.1% 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 September, 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 2,679 million (2,121).

The insurance companies' equalisation provision is not included in the financial and insurance conglomerate's capital resources. On 30 September 2010, the combined equalisation provision less the Non-life and Life Insurance tax liabilities stood at EUR 344 million. 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. Act no. 599/2010 on the amalgamation of deposit banks came into effect on 1 July 2010 and consequently the equalisation provision of OP-Pohjola Group Mutual Insurance Company less tax liabilities, totalling EUR 207 million, is included under the credit institution sector's Tier 2 capital.

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

€ million	*30 Sep 2010*	*31 Dec 2009*	*Change, € million*	*Change, %*	*30 Sep 2009*
OP-Pohjola Group's equity capital	6,632	6,187	445	7.2	6,042
Business-segment-specific items	1,857	1,843	14	0.8	1,852
Goodwill and intangible assets	-1,061	-1,084	23	-2.1	-1,096
Equalisation provision	-344	-527	183	-34.7	-521
Other items included in equity capital and business-segment-specific items, but not included in the conglomerate's capital resources	-599	-627	28	-4.5	-618
Conglomerate's capital base, total	**6,485**	**5,792**	**693**	**12.0**	**5,659**
Regulatory capital requirement for credit institutions	3,421	3,300	122	3.7	3,303
Regulatory capital requirement for insurance operations	385	371	14	3.7	368
Total minimum amount of conglomerate's capital base	3,806	3,671	135	3.7	3,671
Conglomerate’s capital adequacy	**2,679**	**2,121**	**558**	**26.3**	**1,988**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.70**	**1.58**		**0.12***	**1.54**

* Change in ratio

Risk exposure

OP-Pohjola Group's risk-bearing capacity remained strong in the report period, with marginal changes in risk exposure. The credit risk exposure had already improved in the spring, becoming even better in the report period. The Group's liquidity remained good. Return on investments improved thanks to favourable market developments.

OP-Pohjola Group's impairment losses on receivables have declined as the markets are up in Finland. Non-performing and zero-interest receivables, too, were lower on 30 September than a year ago. The gross ratio of impairment losses to the loan and guarantee portfolio was 0.36% (0.42). Owing to more reversals of impairment losses, net impairment losses, converted into annual figures, declined, accounting for 0.25% of the loan and guarantee portfolio (0.31). OP-Pohjola Group's non-performing and zero-interest receivables came to EUR 259 million (223) on 30 September, which was 0.4% (0.4) of the loan and guarantee portfolio. Of OP-Pohjola Group's exposures, 49% (49) fall into the top five credit portfolio categories (out of twelve categories), also known as investment grade.

OP-Pohjola Group's financial and liquidity position remained solid throughout the report period. OP-Pohjola Group's both short- and long-term funding was successful thanks to its high credit rating. Pohjola Bank plc, which acts as OP-Pohjola Group's central financing institution, issued two senior bonds with a maturity of three and five years worth a total of EUR 1.5 billion in the first quarter, and one senior bond with a maturity of seven years worth EUR 750 million in the third quarter. In the second quarter, the OP Mortgage Bank issued a five-year mortgage-backed covered bond worth EUR 1 billion.

OP-Pohjola Group's assets included in the liquidity reserve amounted to EUR 11.8 billion (13.9) on 30 September 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.

Other market risks include price, interest rate and currency risks. In insurance operations, market risk pertains to both technical provisions and investments. On 30 September, Non-life Insurance investment assets amounted to EUR 3 billion (2.9) and those of Life Insurance to EUR 4.5 billion (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 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 was the rapid deterioration of the Finnish economy in 2009 and its potential effects on Pohjola and OP-Pohjola Group that mainly operate 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.

OP-Pohjola Group's success indicators:

	30 Sep 2010	*30 Sep 2009*	*Target*
Capital adequacy ratio (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.70	1.54	1.5
Return on economic capital, % (12-month rolling)	12.8%	10.5%	17%
Growth differential between income and expenses, percentage points (12-month rolling)	5.1	-4.9	>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 structural 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 current role on the one hand as an organisation in charge of Group control and supervision and on the other hand as a provider of centralised services.

Pohjola Insurance Ltd and Pohjantähti Mutual Insurance Company are planning to merge. At the meeting of 28 September 2010, the Board of Directors of both companies have approved a merger plan whereby Pohjantähti Mutual Insurance Company will merge into Pohjola Insurance. If both companies' extraordinary general meetings adopt the merger plan, the companies will merge according to the proposal to be submitted to the general meetings.

It has been decided that the entire share capital of private equity firm Pohjola Capital Partners Ltd will be sold to its executive management. The transaction should be finalised in December 2010. Pohjola Capital Partners Ltd will be renamed Vaaka Partners after the transaction. After the management buyout, the company's investment operations and the management of its existing private equity funds will remain unchanged. The sale will have no significant effect on the Group's financial statements.

Owner-members and customers

The cooperative member banks had 1,292,000 owner-members at the end of September, or 35,000 more than a year earlier. Helsinki OP Bank Plc, which operates in the Helsinki Metropolitan Area, had a total of 1,119,000 OP bonus customers at the end of September.

Loyal customer bonuses earned by OP bonus customers totalled EUR 112 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 January-September, OP bonus customers used a total of EUR 56 million (51) of bonuses on banking services and EUR 40 million (42) on Pohjola non-life insurance premiums. Bonuses were used for the payment of over 801,000 insurance premium bills, and 17% of these were paid using solely OP bonuses.

OP-Pohjola Group had 4,152,000 customers in Finland at the end of September. The number of private customers totalled 3,733,000 and that of corporate customers 419,000. In the year to September, the number of joint banking and non-life insurance customers in Finland increased by 104,000 to 1,147,000 as a result of cross-selling.

The strategic target for the number of Pohjola's loyal insurance customers was reached, the number of loyal customer households increasing by 42,600 to 455,000 by 30 September. More than half of Pohjola's loyal customer households have concentrated their banking transactions in OP-Pohjola Group member cooperative banks.

Personnel and incentive system

On 30 September, OP-Pohjola Group had a staff of 12,310 (12,504). About 94% of OP-Pohjola Group's personnel are members in 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 resigned 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

Central Cooperative, together with its subsidiaries, is responsible for developing OP-Pohjola Group's service activities. ICT investments and related specifications make up a significant portion of costs of developing these services. EUR 26 million (32) of these expenses consisted of ICT procurement capitalised in the balance sheet in the report period. Of these investments, EUR 18 million (21) was allocated to banking and investment operations, EUR 5 million (7) to non-life insurance operations and EUR 2 million (5) to life insurance operations.

Joint responsibility and joint security

Under the Act on Cooperative Banks and Other Cooperative Credit Institutions, 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.

Events after the reporting period

As proposed by Central Cooperative's Executive Board, the Meeting decided to change the Finnish corporate name to OP-Pohjola osk, while the English name remains as OP-Pohjola Group Central Cooperative. The Meeting also decided to increase the number of Board members, and made a few changes of technical nature. The changes are related to the Central Cooperative's structural change and will be effective on 1 January 2011. The Meeting also decided to pay an additional interest of 5% on cooperative capital, and 6% on supplementary cooperative capital. The additional interest will be paid in October, amounting to a total of EUR 65 million.

Pohjola Bank plc received on 18 October 2010 authorisation from the Financial Supervisory Authority to redeem a Lower Tier subordinated notes of EUR 70 million. This will reduce the Group's capital adequacy by 0.2 percentage points.

Outlook towards the year end

The Finnish economy is expected to continue on a path of recovery and people are having a more and more positive feeling about the future. Despite a turn for the better and the financial markets being more stable, the financial foundation is still fragile.

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 better than in 2009. with the greatest uncertainty related to developments in the investment environment and credit losses.

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 under '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*	*Others items*	*Earnings/loss before tax Q1–Q3/2010*	*Earnings/loss before tax Q1–Q3/2009*
Banking and Investment Services	1,172	675	-231	267	379
Non-life Insurance	321	237	0	84	89
Life Insurance	81	58	0	23	-108
Other Operations	317	250	1	68	32
Eliminations	-283	-279	0	-5	2
Total	**1,609**	**941**	**-230**	**438**	**393**

Banking and Investment Services

- Earnings before tax narrowed from EUR 379 million to EUR 267 million as a result of lower net interest income. Net interest income was 18% lower than in the comparison period, but turned slightly upwards at the end of the report period. Net commissions and fees increased by 12%.
- Loan losses reduced, being EUR 7 million lower than the comparison period. Loan losses reached their highest point in the second half of 2009.
- The Group's market share improved in mutual funds, remained unchanged in credit, and declined in deposits.

The general improvement in the financial situation had a beneficial effect on banking and investment operations. Credit impairments reduced even more. The growth of credit and deposits intensified during the report period but remained moderate. The low interest rates sent net interest income on a steep downward trend vis-à-vis the corresponding period a year ago. Net interest income has already levelled off and turned slightly up in the report period. Confidence in increasing for the economy to pick up, and the equity market was positive in the report period. This has increased investment volumes and demand for asset management services.

According to the sector's official statistics published in April, OP-Pohjola Group solidified its position as Finland's leading bank in 2009. In the year to September, the Group's market share improved in mutual funds, remained unchanged in credit, and declined in deposits.

OP-Pohjola Group’s loan portfolio at the end of September stood at EUR 55.4 billion (52.6), with the guarantee portfolio totalling EUR 2.9 billion (3). The loan portfolio expanded by 5.7% (4.6) in the year to September and by 5.3% in the report period. The market share of the loan portfolio was at the same level as last year, 32.6%.

The home mortgage portfolio totalled EUR 26.9 billion (25.7) at the end of September. In the year to September, home mortgages increased by 6.3% (6.5). OP-Pohjola Group held 35.8% of the home mortgage portfolio on 30 September, down by 0.2 percentage points year on year.

The housing market perked up on the previous year. Housing brokered by OP-Kiinteistökeskus was up by 14.7% on the comparison period, and the volume of new home mortgages was 14.4% higher that a year ago.

The margin for new home mortgages decreased even further. The average margin on new home mortgages taken out in January–September was 0.07 percentage points lower than a year ago.

On 30 September, the consumer credit portfolio amounted to EUR 4 billion (3.7), showing an increase of 6.8% in the year to September (4.1).

On 30 September, the Group's corporate loan portfolio stood at EUR 13.9 billion (13.4) and the guarantee portfolio at EUR 2.6 billion (2.7). The corporate loan portfolio expanded by 2.3% (2.2) in the year to September and by 3.6% in the report period. The market share of corporate loans on 30 September was 28.5%, or 0.1 percentage points higher year on year. The average margin on new corporate loans during the report period was somewhat lower than at the end of 2009.

On 30 September, deposits totalled EUR 35.4 billion (34.6), or 3.2% higher year on year, and 2.2% in the report period. Competition on customer deposits was tight, but towards the end of the report period there were signs that deposit pricing was back to healthier figures. The fact that assets were channelled to emerging investment markets impeded deposit growth. Investment deposits shrank by 1.8% in the year to September (3.9), while current accounts increased by 8.3% (11.9). The Group held a 32.7% market share of deposits on 30 September, down by 1.0 percentage point year on year.

Capital invested in OP-Pohjola Group's mutual funds totalled EUR 14 billion (12.7), showing an increase of 15% in line with the general market trends in the year to September, and in increase of 10% in the report period. On 30 September, OP-Pohjola Group held a 23.6% market share of the capital of mutual funds registered in Finland, up by 0.1 percentage points year on year. Net subscriptions to OP-Pohjola Group's mutual funds totalled EUR 441 million (1,357).

On 30 September, assets managed by Pohjola Bank's Asset Management were worth EUR 35.2 billion (33.1), of which EUR 12 billion (11) was invested in OP-Pohjola Group's mutual funds. OP-Pohjola Group companies accounted for EUR 8.6 billion of assets managed by Pohjola Bank plc.

Assets managed in accordance with the OP-Private operating model totalled EUR 4.3 billion (3.6). Stockbroking for households totalled some 784,000 in the year to September, or up by 13.2% year on year.

Earnings and risk exposure

Banking and Investment Services reported pre-tax earnings of EUR 267 million for January–September, down by 29% year on year (379). Customer bonuses recognised in the income statement during the report period rose by 6% to EUR 112 million (106).

Net interest income decreased by 18% to EUR 627 million (762). Net commissions and fees increased by 12% to EUR 441 million (394) especially owing to higher payment service and asset management fees. The fall in net interest income was caused by exceptionally low interest rates. Net trading and investment income totalled EUR 58 million (82). Net trading income decreased because exceptionally high trading income that realised a year ago had normalised. Investment income at fair values totalled EUR 11 million (loss of EUR 3 million). Personnel costs increased by 1.6% and other expenses shrank by 0.4%. The cost/income ratio stood at 57.5% (52.2).

Impairments on receivables came to EUR 109 million (116), decreasing from the comparison period by EUR 7.4 million, or 6.4%. The change in credit losses can be seen clearly in the following figures: in Q2–Q4/2009, impairments of receivables were EUR 39 million higher than in Q1–Q3/2010. 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 259 million on 30 September, down by 7.5% 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 117 million (131).The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.4%, that is, lower than last year.

Banking and Investment Services, key figures

€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Net interest income	627	762	-17.6	981
Impairment losses on receivables	109	116	-6.4	167
Other income	545	526	3.6	720
Personnel costs	301	296	1.6	396
Other expenses	373	375	-0.4	507
Returns to owner-members and OP bonus customers	122	121	0.5	160
Earnings before tax	**267**	**379**	**-29.5**	**471**
€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Home mortgages drawn down	4,910	4,292	14.4	5,723
Corporate loans drawn down	4,777	4,777	0.0	6,325
Net subscriptions to mutual funds	441	1,357	-67.5	1,618
No. of brokered property transactions	12,906	11,249	14.7	15,303
€ billion	*30 Sep 2010*	*30 Sep 2009*	*Change, %*	*31 Dec 2009*
Loan portfolio				
Home loans	27	25	6.3	26
Other loans to households	10	10	4.1	10
Corporate loans	14	14	2.3	13
Other loans	4	3	19.2	4
Total	**55**	**52**	**5.7**	**53**
Guarantee portfolio	3	3	-4.5	3
Deposits				
Total current and payment transfer				
Households	11.9	10.9	9.2	12
Companies	3.9	3.7	3.7	4
Others	2.6	2.3	11.4	2
Total current and payment transfer	18.4	16.9	8.3	18
Investment deposits	17.0	17.4	-1.8	17
Total deposits	**35.4**	**34.3**	**3.2**	**35**
Mutual funds				
Equity and hedge funds	4.4	3.5	23.3	3.9
Balanced funds	1.5	1.5	2.1	1.5
Long-term bond funds	6.0	5.1	18.1	5.0
Money market funds	2.1	2.1	4.6	2.3
Total value of mutual funds	**14.0**	**12.2**	**15.4**	**12.7**
Market share, %	*30 Sep 2010*	*30 Sep 2009*	Change, percentage points	*31 Dec 2009*
Total loans				32.7
Home mortgages	35.8	36.0	- 0.2	35.9
Corporate loans	28.5	28.4	0.1	28.7
Total deposits	32.7	33.7	-1.0	33.2
Capital invested in mutual funds	32.6	32.5	0.1	23.4
€ million			Change.,%	
Non-performing and zero-interest receivables				
Households	197	221	-11.2	175
Companies and housing associations	99	94	5.0	92
Others	6	14	-58.9	3
Collectively assessed impairments	-43	-50		-47
Total non-performing and zero-interest receivables	**259**	**280**	**-7.5**	**223**
Non-performing and zero-interest receivables within loan and guarantee portfolio, %	0.4	0.5	-0.1	0.4

* Percentage points

Non-life Insurance

- Premiums written grew at a higher rate, by 2% in January–September and by 4% in July–September.
- The strategic target of 450,000 loyal customer households was reached ahead of schedule.
- Non-life Insurance recorded very good profitability. The operating combined ratio stood at 88.6% (86.7),
- Return on investments at fair value was 5.2% (9). Pre-tax earnings from Non-life Insurance amounted to EUR 84 million (89).

Non-life Insurance's business improved well in the report period. Growth remained strong within Private Customers and the decline in insurance premium revenue from Corporate Customers levelled off. Insurance premium revenue increased by 2% to EUR 723 million (712). Pohjola Insurance is the non-life insurance market leader in Finland in terms of premiums written.

Insurance premium revenue from Private Customers increased by 11% to EUR 355 million (320). The number of loyal customer households increased in January–September by 29,900 (22,800). Insurance policies sold well in Group member banks and at car dealerships. Private customers solidified their position as the biggest customer group in Non-life Insurance.

Insurance premium revenue fell by 5% to EUR 331 million (347). The recession affected the corporate sector, reducing insurance premiums based on companies' payroll bills, net sales and operating profit. Statutory workers' compensation insurance was affected the most, with the level of premiums being lowered for 2010. Premium revenue continued to fall but at a slower rate as the year progressed. The impact of the recession on premium revenue was not properly felt until the second quarter onwards.

In the Baltic States, insurance premium revenue decreased by 16% to EUR 37 million (44). The economic recession has reflected heavily on the Baltic insurance market, as a result of which the total market of the region has shrunk by almost a fifth in 2010.

When the non-life insurance business was acquired in 2005, a strategic target was set to have 450,000 loyal customer households by the end of 2010. This target was already reached in August. By 30 September, Pohjola's loyal insurance customers households totalled 454,700.

Up to 57% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member banks' and Helsinki OP Bank's bonus customers can use their OP bonuses earned through banking transactions to pay Pohjola non-life insurance premiums. During January–September, OP bonuses were used to pay 801,300 insurance premiums, with 142,250 paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 40 million.

Earnings and risk exposure

Insurance profitability was excellent, although the high volume of traffic accidents and vehicle damage in the winter and storm damage in late summer increased claims. Pre-tax earnings from Non-life Insurance amounted to EUR 84 million (89). The operating combined ratio, excluding amortisation on intangible assets arising from the corporate acquisition, stood at 88.6% (86.7%). Profitability in the comparison period was particularly good.

Insurance premium revenue totalled EUR 723 million (712) and indemnities EUR 443 million (421). Earnings before tax at fair value came to EUR 164 million (247). Net investment income amounted to EUR 65 million (48) and net investment income at fair value reached EUR 145 million (205). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 29 million.

Claims incurred increased to EUR 486 million (463), or by 5%, owing to a growth in private customers, the high volume of traffic accidents and vehicle damage in the winter and storm damage in late summer. The loss ratio deteriorated to 67.2% (65.1) and the risk ratio (excl. loss adjustment expenses) stood at 61.3% (59.2). The reported number of major or medium–sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 157 (141) in January–September, with their claims incurred retained for own account totalling EUR 79 million (66).

Non-life Insurance's expenses grew by 2.9% to EUR 237 million (230). Personnel costs shrank by 0.8%, while other expenses increased by 5%, mainly as a result of immediate write-offs for information systems.

Operating expenses as specified in the insurance company's profit and loss account were EUR 154 million (154). The expense ratio stood at 21.3% (21.7) and the cost ratio (incl. loss adjustment expenses) at 27.2 (27.6).

On 30 September, Non-life Insurance's solvency capital rose to EUR 943 million (827) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 99% (88). Equalisation provisions rose to EUR 443 million (417).

On 30 September, Non-life Insurance's investment portfolio amounted to EUR 3 billion (2.9) and the return of investments at fair value was 5.2% (9). Fixed-income investments accounted for 77% (76), listed equities for 7% (10) and equities, including unlisted investments, represented 10% (13). The fixed-income portfolio by credit rating remained healthy, with investment-grade exposure reaching 89% (94) and 75% of the exposure being at least A– grade receivables. The average residual term to maturity of the fixed-income portfolio was 5.1 years and the duration 3.9 years (3.4).

Non-life Insurance: key figures

€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Insurance premium revenue	723	712	1,6	943
Insurance claims and benefits	443	421	5,3	560
Net investment income	65	48	33,9	61
Unwinding of discount and other items included in net income	-34	-32	-4,8	-44
Net income from Non-life Insurance	**310**	**306**	**1,2**	**400**
Other net income	11	13	-13,5	20
Personnel costs	81	81	-0,8	110
Other expenses	156	149	5,1	207
Earnings/loss before tax	**84**	**89**	**-5,8**	**102**
Gross change in fair value reserve	80	157	-49,5	188
Earnings/loss before tax at fair value	**164**	**247**	**-33,7**	**291**

€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Insurance premium revenue				
Private customers	355	320	10,9	424
Corporate Customers	331	347	-4,7	461
Baltic States	37	44	-16,3	57
Total insurance premium revenue	**723**	**712**	**1,6**	**943**

€ billion	*30 Sep 2010*	*30 Sep 2009*	*Change, %*	*31 Dec 2009*
Insurance contract liabilities	,		,	,
Discounted insurance contract liabilities	1.3	1.3	1.3	1.3
Other insurance contract liabilities	0.9	0.9	0.9	0.8
Total	**2.3**	**2.2**	**2.3**	**2.1**
Investments portfolio				
Bonds and bond funds	2.2	2.1	8.0	2.1
Money market instruments	0.1	0.2	-49.7	0.1
Equities and equity funds	0.3	0.3	-2.1	0.4
Real property investment *)	0.2	0.1	27.7	0.2
Alternative investments	0.2	0.2	12.5	0.2
Total investments	**3.0**	**2.8**	**5.0**	**2.9**

*) Includes real estate funds

Life insurance

- The market share of premiums written in life and pension insurance rose to 38.4%.
- Premiums written in unit-linked products increased in line with the strategy.
- The segment's earnings turned positive, and earnings before tax at fair value improved to EUR 219 million (158).
- The solvency margin was 3.8-fold compared with the required minimum.
- Return on investments at fair value was 7.3% (6.8).

Life Insurance's volumes and earnings continued to grow in the report period, with the market position improving. Insurance contract premiums written increased by 81% and came to EUR 822 million (454). Unit-linked premiums written increased by 45% to EUR 353 million (243). Investment contracts were made in the report period worth EUR 468 million (6). When calculating market share, investment contracts are considered equivalent to premiums written. The increase in volume is mostly related to two one-off group pension schemes, which contributed considerably to the rise in market share.

In terms of premiums written, OP-Pohjola Group is the clear market leader. The Group's market share of premiums written was 38.4% (23.4) and, according to preliminary information, 21.2% (20.0) of insurance savings. The market share of unit-linked premiums written was 23.6% (20.1) and 25.3% (24.6) of unit-linked insurance savings.

Earnings and risk exposure

Pre-tax earnings came to EUR 23 million, improving on the comparison period by EUR 131 million. Earnings before tax at fair value came to EUR 219 million (158). Net investment income without the income from unit-linked insurance came to EUR 88 million (–44). Investment income was improved particularly by higher capital gains.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.5 billion (4.1). Fixed-income investments accounted for 62.7% (58), equity investments 18.6% (17), property investments 7.1% (8) and alternative investments 11.6% (17) of the portfolio. Investments under the 'investment grade' accounted for approximately 78% (77) of the fixed-income portfolio. The portfolio's modified duration was 3.0 (3.6) on 30 September. Return on investments at fair value was 7.3% (6.8).

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 29.4% (35.2). Thanks to higher sales volumes, sales commissions included in Other expenses increased to EUR 29 million (20).

Life Insurance's solvency improved in the report period. The solvency ratio, meaning the ratio of solvency capital to weighted technical provisions, was 16.8% (13.3). Technical provisions increased by 10.5% and came to EUR 6.6 billion (6). Unit-linked technical provisions accounted for 42.8% (33).

Life Insurance: key figures

€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Premiums written	822	454	81.0	678
Unit-linked	353	243	45.4	368
Net investment income	313	312	0.6	371
Unit-linked	226	355	-36.5	433
Change in insurance contract liabilities	618	481	28.3	653
Unit-linked	497	549	-9.4	761
Claims incurred	443	354	25.1	499
Other items	-6	-5	-19.1	-7
Net income from Life Insurance	**68**	**-75**	**189.6**	**-110**
Other income	13	12	9.9	16
Personnel costs	7	7	5.9	9
Other expenses	51	39	32.3	57
Earnings before tax	**23**	**-108**	**121.2**	**-159**
Gross change in fair value reserve	196	266	-26.3	354
Earnings/loss before tax at fair value	**219**	**158**	**38.8**	**194**
€ billion	*30 Sep 2010*	*30 Sep 2009*	*Change, %*	*31 Dec 2009*
Assets (excluding assets covering unit-linked insurance)				
Bonds and bond funds	2.4	2.5	-3.4	2.2
Money market instruments	0.4	0.3	65.2	0.2
Equities and equity funds	0.8	0.6	44.9	0.7
Real property investment **)	0.3	0.3	6.0	0.3
Alternative investments	0.5	0.5	2.7	0.7
Total investment portfolio	**4.5**	**4.1**	**9.0**	**4.1**
€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Premiums written, FAS				
Endowment insurance, unit-linked	289	178	62.0	270
Endowment insurance, interest-bearing	44	94	-53.9	116
Pension insurance	443	137	222.7	235
Term life insurance	67	61	9.7	83
Others	468	6		69
Total premiums written, FAS	**1,310**	**477**	**174.5**	**771**
Unit-linked	469	248	88.7	377
				,
Market share of premiums written in life and pension insurance, %	38.4	23.4	15.0	25.2
€ billion	*30 Sep 2010*	*30 Sep 2009*	*Change, %*	*31 Dec 2009*
insurance savings				
Endowment insurance, unit-linked	2.1	1.5	35.0	1.7
Endowment insurance, interest-bearing	2.1	2.4	-13.5	2.3
Pension insurance	2.4	1.8	32.9	1.9
Others	0.3	0.1	202.3	0.2
Total insurance savings	**6.8**	**5.8**	**16.7**	**6.1**
Unit-linked	3.0	2.2	37.9	2.4
Market share of insurance savings in life and pension insurance, %	21.2 ***	19.9	1.3	20.0

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

Other Operations

Other Operations' pre–tax earnings for January–September were EUR 68 million, that is, EUR 36 million better than a year earlier (32).

Net interest income was EUR 49 million (47), net trading losses EUR 9 million (loss of EUR 4 million) and net investment income EUR 28 million (loss of EUR 2 million). Investment income included EUR 22 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, which we categorised under loans and other receivables, totalled EUR 11 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 88 million (84) were personnel costs and EUR 162 million (165) other costs.

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

Other Operations: key figures

€ million	*Q1–Q3/2010*	*Q1–Q3/2009*	*Change, %*	*2009*
Net interest income	49	47	3.1	72
Net trading income	-9	-4	-136.5	-7
Net investment income	28	-2		-5
Other income	250	251	-0.2	336
Expenses	250	249	0.5	333
Impairment losses on receivables	-1	11	-108.3	12
Earnings before tax	**68**	**32**	**112.6**	**51**
€ billion	*30 Sep 2010*	*30 Sep 2009*	*Change, %*	*31 Dec 2009*
Receivables from financial institutions	7.6	7.4	2.2	7.4
Financial assets held for trading	0.4	0.7	-44.3	0.4
Investment assets	7.5	6.0	24.1	6.5
	,	,	,	,
Liabilities to credit institutions	3.2	3.5	-8.6	4.6
Debt securities issued to the public	17.1	16.4	4.2	17.5

FINANCIAL STATEMENTS AND NOTES

OP-Pohjola Group income statement

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Interest income	1,771	2,467	-28	3,072
Interest expenses	1,093	1,642	-33	2,002
Net interest income (Note 2)	**679**	**825**	**-18**	1,070
Impairments of receivables (Note 3)	108	127	-15	179
Net interest income after impairments	**571**	**697**	**-18**	**891**
Net income from Non-life Insurance operations (Note 4)	309	302	2	396
Net income from Life Insurance operations (Note 5)	62	-89		-120
Net commissions and fees (Note 6)	417	371	13	496
Net trading income (Note 7)	38	87	-56	112
Net investment income (Note 8)	34	-11		-9
Other operating income (Note 9)	68	76	-10	104
Personnel costs (Note 10)	477	468	2	622
Other administrative expenses (Note 11)	225	223	1	310
Other operating expenses (Note 12)	239	228	5	316
Returns to owner-members (Note 13)	122	121	1	160
Share of associates' profits/losses	2	1	79	1
Earnings before tax for the period	**438**	**393**	**11**	464
Income tax expense	115	107	7	126
Profit for the period	**323**	**286**	**13**	**338**

OP-Pohjola Group statement of comprehensive income

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Profit for the period	**323**	**286**	**13**	**338**
Change in fair value reserve	256	546	-53	677
Translation differences	0	0		0
Income tax on other comprehensive income	67	141	-53	175
Total comprehensive income for the period	**512**	**690**	**-26**	**839**

Key figures and ratios

	Q1-3/ 2010	Q1-3/ 2009	2009
Return on equity, %	6.7	6.8	5.9
Return on equity at fair value, %	10.7	16.4	14.7
Return on assets, %	0.53	0.50	0.43
Cost/income ratio, %	58	59	61
Average personnel	12,410	12,670	12,632
Full-time	11,361	11,572	11,520
Part-time	1,049	1,098	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	Q3	Q4	Q1	Q2	Q3
Interest income	670	605	573	592	606
Interest expenses	414	359	349	364	380
Net interest income	**256**	**245**	**224**	**228**	**226**
Impairments of receivables	52	52	38	40	31
Net interest income after impairments	**204**	**194**	**186**	**189**	**196**
Net income from Non-life Insurance operations	113	94	78	113	119
Net income from Life Insurance operations	-60	-31	14	32	15
Net commissions and fees	120	125	143	139	135
Net trading income	33	25	6	6	26
Net investment income	-3	2	31	3	0
Other operating income	23	28	26	23	19
Personnel costs	142	154	164	171	142
Other administrative expenses	67	87	75	80	70
Other operating expenses	71	88	78	75	86
Returns to owner-members	39	39	39	42	41
Share of associates' profits/losses	1	0	1	0	1
Earnings before tax for the period	**112**	**70**	**128**	**137**	**172**
Income tax expense	27	18	33	36	46
Profit for the period	**85**	**52**	**95**	**101**	**126**
Other comprehensive income					
Change in fair value reserve	368	131	212	-137	181
Translation differences	0	0	0	0	0
Income tax on other comprehensive income	95	34	56	-36	47
Total comprehensive income for the period	**358**	**149**	**252**	**0**	**260**

OP-Pohjola Group balance sheet

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Cash and cash equivalents	1,082	998	8	3,235
Receivables from credit institutions	1,147	2,125	-46	1,982
Financial assets at fair value through profit or loss	1,060	1,695	-37	1,263
Derivative contracts	2,109	1,444	46	1,423
Receivables from customers	55,705	52,787	6	52,992
Non-life Insurance assets (Note 17)	3,281	3,111	5	3,101
Life Insurance assets (Note 18)	7,049	6,016	17	6,331
Investment assets	7,531	6,194	22	6,468
Investments in associates	15	16	-11	17
Intangible assets	1,149	1,193	-4	1,179
Property, plant and equipment (PPE)	741	767	-3	761
Other assets	2,029	2,046	-1	1,572
Tax assets	78	261	-70	108
Total assets	**82,974**	**78,654**	**5**	**80,430**
Liabilities to credit institutions	1,543	2,470	-38	2,174
Financial liabilities at fair value through profit or loss	0	117	-100	71
Derivative contracts	2,358	1,575	50	1,360
Liabilities to customers	38,467	36,837	4	37,606
Non-life Insurance liabilities	2,518	2,480	2	2,279
Life Insurance liabilities	6,900	5,919	17	6,179

Debt securities issued to the public (Note 21)	19,456	17,757	10	19,945
Provisions and other liabilities	2,237	2,544	-12	1,832
Tax liabilities	992	1,045	-5	925
Cooperative capital	632	605	4	622
Subordinated liabilities	1,238	1,262	-2	1,250
Total liabilities	**76,342**	**72,611**	**5**	**74,243**
Equity capital				
Share of OP-Pohjola Group's owners				
Share and cooperative capital	358	357	0	358
Fair value reserve (Note 22)	135	-151		-54
Other reserves	2,663	2,605	2	2,604
Retained earnings	3,475	3,232	8	3,280
Total equity capital	**6,632**	**6,042**	**10**	**6,187**
Total liabilities and equity capital	**82,974**	**78,654**	**5**	**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	-	-	170	-	170
Transfer of cooperative capital to equity capital	2	-	-	-	2
Transfer of reserves	-	-	62	-62	-
Profit distribution	-	-	-	-26	-26
Total comprehensive income for the period	-	404	-	286	690
Equity-settled share-based transactions					
Other	-7	-	-1	-1	-9
Balance at 30 September 2009	**357**	**-151**	**2,605**	**3,232**	**6,042**
Balance at 1 January 2010	**358**	**-54**	**2,604**	**3,280**	**6,187**
Increase of share capital	-	-	-	-	-
Transfer of cooperative capital to equity capital	3	-	-	-	3
Transfer of reserves	-	-	59	-59	-
Profit distribution	-	-	-	-60	-60
Total comprehensive income for the period	-	190	-	323	513
Equity-settled share-based transactions	-	-	-	0	0
Other	-2	-	0	-9	-11
Balance at 30 September 2010	**358**	**135**	**2,663**	**3,475**	**6,632**

Cash flow statement

EUR million	Q1-3/ 2010	Q1-3/ 2009
Cash flow from operating activities		
Profit for the period	323	286
Adjustments to profit for the period	995	899
Increase (-) or decrease (+) in operating assets	**-3,623**	**-4,008**
Receivables from credit institutions	848	239
Financial assets at fair value through profit or loss	546	1,672
Derivative contracts	-49	-35
Receivables from customers	-2,851	-1,208
Non-life Insurance assets	-174	-352
Life Insurance assets	-401	-510
Investment assets	-1,085	-3,595
Other assets	-458	-219
Increase (+) or decrease (-) in operating liabilities	**749**	**1,713**
Liabilities to credit institutions	-642	1,777
Financial liabilities at fair value through profit or loss	-71	-21
Derivative contracts	52	-42
Liabilities to customers	861	-245
Non-life Insurance liabilities	163	169
Life Insurance liabilities	104	25
Provisions and other liabilities	282	51
Income tax paid	-84	-43
Dividends received	78	53
A. Net cash from operating activities	**-1,562**	**-1,100**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-17	-371
Decreases in held-to-maturity financial assets	132	364
Acquisition of subsidiaries, net of cash acquired	0	-1
Disposal of subsidiaries, net of cash disposed	2	1
Purchase of PPE and intangible assets	-62	-71
Proceeds from sale of PPE and intangible assets	3	6
B. Net cash used in investing activities	**58**	**-71**
Cash flow from financing activities		
Increases in subordinated liabilities	76	194
Decreases in subordinated liabilities	-87	-238
Increases in debt securities issued to the public	35,619	39,860
Decreases in debt securities issued to the public	-36,180	-40,288
Increases in cooperative and share capital	179	202
Decreases in cooperative and share capital	-166	-165
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	**-635**	**-319**
Net change in cash and cash equivalents (A+B+C)	**-2,138**	**-1,490**
Cash and cash equivalents at period-start	**3,282**	**2,538**
Cash and cash equivalents at period-end	**1,144**	**1,049**
Interest received	**1,677**	**2,680**
Interest paid	**-1,023**	**-2,000**
Adjustments to profit for the period		
Non-cash transactions and other adjustments		
Impairments of receivables	114	134
Unrealised net earnings in Non-life Insurance	151	143

Unrealised net earnings in Life Insurance	500	302
Change in fair value for trading	97	52
Unrealised net gains on foreign exchange operations	-17	-18
Change in fair value of investment property	-1	13
Depreciation and amortisation	105	97
Share of associates' profits/losses	0	0
Other	36	159
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-1	0
Interest on cooperative capital	9	15
Other returns to owner-members	1	3
Total adjustments	**995**	**899**
Cash and cash equivalents		
Liquid assets	122	139
Receivables from credit institutions payable on demand	1,022	910
Total	**1,144**	**1,049**

Notes

Note 1. Accounting policies

The Interim Report for 1 January–30 September 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 unearned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net income from Life Insurance operations	Premiums written, claims unpaid, change in provision for unearned premiums and for unpaid claims, investment income, expenses (interest, dividends, realised capital gains and losses) and impairments
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net trading income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends

Net investment income	Realised capital gains and losses on available-for-sale financial assets, impairments, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income
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	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Loans and other receivables	947	1,390	-32	1,718
Receivables from credit institutions and central banks	42	75	-45	93
Notes and bonds	315	195	61	238
Derivatives held for trading (net)	74	55	35	79
Liabilities to credit institutions	-11	-9	22	-13
Liabilities to customers	-194	-403	-52	-472
Debt securities issued to the public	-320	-374	-14	-430
Subordinated debt	-24	-27	-9	-36
Hybrid capital	-4	-9	-56	-11
Financial liabilities held for trading	-1	-4	-82	-5
Other (net)	-2	5		4
Net interest income before items under hedge accounting	**821**	**894**	**-8**	**1,165**
Derivatives under hedge accounting (net)	-142	-69		-95
Total net interest income	**679**	**825**	**-18**	**1,070**

Note 3 Impairments of receivables

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Impairments of receivables	160	156	2	199
Reversals of impairments	-44	-39	-12	-22
Payments on impaired receivables amortised from statement of financial position	-6	-6	1	-11
Net change in group-specific impairments	-2	17		12
Total	**108**	**127**	**-15**	**179**

Note 4 Net income from Non-life Insurance

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Net insurance premium revenue				
Premiums written	850	839	1	1,005
Insurance premiums ceded to reinsurers	-38	-42	9	-51
Change in provision for unearned premiums	-94	-91	-3	-15
Reinsurers' share	4	6	-25	4
Total	**723**	**712**	**2**	**943**
Net Non-life Insurance claims				
Claims paid	477	443	8	595
Insurance claims recovered from reinsurers	-19	-9		-20
Change in provision for unpaid claims	-19	-17	-15	-30
Reinsurers' share	4	4	16	15
Total	**443**	**421**	**5**	**560**
Net investment income, Non-life Insurance				
Interest income	48	52	-8	68
Dividend income	19	7		7
Property	3	2	43	4
Realised changes in fair value				
Notes and bonds	53	-6		7
Shares and participations	-16	19		15
Loans and receivables	-1	0		0
Property	2	0		1
Derivatives	-22	-17	-33	-21
Unrealised changes in fair value				0
Notes and bonds	0	1	-88	1
Shares and participations	-23	-10		-20
Loans and receivables	-3	-3	0	-4
Property	1	1	-5	1
Derivatives	4	-3		-2
Other	0	0		0
Total	**64**	**44**	**46**	**58**
Unwinding of discount	-34	-32	-5	-43
Other	-1	-1	**-1**	-1
Net income from Non-life Insurance	**309**	**302**	**2**	**396**

Note 5 Net income from Life Insurance

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Premiums written	842	471	79	703
Reinsurers' share	-21	-17	-21	-25
Total	**822**	**454**	**0**	**678**
Claims incurred				
Benefits paid	-449	-358	-25	-504
Change in provision for unpaid claims	-25	-12		-13
Reinsurers' share	5	4	38	5
Change in insurance contract liabilities				
Change in life insurance provision	-612	-476	-28	-640
Reinsurers' share	9	6	44	11
Total	**-1,071**	**-836**	-28	**-1,140**
Other	4	-5		-19
Total	**-246**	**-387**	**-37**	**-481**
Net investment income, Llife Insurance				
Interest income	34	38	-10	53
Dividend income	44	36	20	40
Property	3	0		0
Realised changes in fair value				
Notes and bonds	8	-5		-8
Shares and participations	56	1		28
Loans and receivables	1	-8		-8
Property	0	0		0
Derivatives	-44	3		-12
Unrealised changes in fair value				
Notes and bonds	10	33	-71	-3
Shares and participations	-46	-148	69	-150
Loans and receivables	-5	-		-
Property	0	0		-1
Derivatives	13	-10		-15
Other	8	3		6
Assets serving as cover for unit-linked policies				
Shares and participations				
Capital gains and losses	38	25	53	65
Fair value gains and losses	171	319	-47	353
Other	17	10	62	15
Total	**307**	**298**	**3**	**362**
Net income from Non-life Insurance	**62**	**-89**		**-120**

Note 6 Commissions and fees

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Commission income				
Lending	115	108	7	139
Deposits	4	4	-6	5
Payment transfers	111	96	15	132
Securities brokerage	22	16	36	22
Securities issuance	9	6	51	13
Mutual funds brokerage	65	42	55	60
Asset management and legal services	44	37	18	54
Insurance brokerage	46	63	-27	73
Guarantees	17	16	7	21
Other	29	31	-6	48
Total	**461**	**419**	**10**	**567**
Commission expenses				
Total	**44**	**48**	**-10**	**71**
Net commissions and fees	**417**	**371**	**13**	**496**

Note 7 Net trading income

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Capital gains and losses				
Notes and bonds	21	30	-31	37
Shares and participations	1	-3		-3
Derivatives	-22	117		123
Changes in fair value				
Notes and bonds	5	-1		-9
Shares and participations	3	15	-80	17
Derivatives	12	-80		-66
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	-	0		0
Dividend income	1	0	36	0
Net income from foreign exchange operations	18	9		12
Total	**38**	**87**	**-56**	**112**

Note 8 Net investment income

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	25	1		2
Shares and participations	5	-4		0
Financial assets and liabilities amortised at cost				
Capital gains and losses				
Loans and other receivables	0	-	0	-
Other	-	-		-
Dividend income	13	8	54	9
Impairment losses	-24	-18	33	-28
Total	**19**	**-13**		**-16**
Investment property				
Rental income	34	36	-5	48

Maintenance charges and expenses	-21	-22	3	-30
Changes in fair value, capital gains and losses	1	-13		-11
Other	0	0	-38	1
Total	**15**	**2**		**8**
Other	-	0	-100	0
Net investment income	**34**	**-11**		**-9**

Note 9 Other operating income

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Income from property and business premises in own use	11	10	12	14
Other	57	66	-14	90
Total	**68**	**76**	**-10**	**104**

Note 10 Personnel costs

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Wages and salaries	396	397	0	534
Pension costs	65	49	31	58
Other social expenses	17	22	-22	31
Total	**477**	**468**	**2**	**622**

Note 11 Other administrative expenses

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Office expenses	46	48	-4	66
IT expenses	79	74	6	101
Telecommunications expenses	28	26	8	37
Marketing expenses	33	37	-11	53
Other administrative expenses	39	38	2	54
Total	**225**	**223**	**1**	**310**

Note 12 Other operating expenses

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Expenses for property and business premises in own use	57	53	6	73
Depreciation	105	97	9	135
Other	77	78	-1	107
Total	**239**	**228**	**5**	**316**

Note 13 Returns to owner-members

EUR million	Q1-3/ 2010	Q1-3/ 2009	Change, %	2009
Bonuses	112	106	6	142
Interest on cooperative capital	9	15	-38	18
Total	**122**	**121**	**1**	**160**

Note 14. Classification of financial instruments

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging deriva-tives	Total
Assets						
Cash and balances with central banks	1,082	-	-	-	-	1,082
Receivables from credit institutions and central banks	1,147	-	-	-	-	1,147
Derivative contracts	-	-	1,874	-	235	2,109
Receivables from customers	55,705	-	-	-	-	55,705
Non-life Insurance assets**	681	-	88	2,511	-	3,281
Life Insurance assets***	434	-	3,246	3,369	-	7,049
Notes and bonds	-	1,052	993	5,601	-	7,647
Shares and participations	-	-	67	442	-	509
Other receivables	4,011	-	435	-	-	4,447
Total 30 September 2010	**63,060**	**1,052**	**6,704**	**11,923**	**235**	**82,974**
Total 30 September 2009	**61,449**	**1,235**	**5,988**	**9,809**	**173**	**78,654**
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 deriva-tives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	1,543	-	1,543
Financial liabilities held for trading (excl. derivatives)	-	-	0	-	-	0
Derivative contracts	-	-	2,070	-	288	2,358
Liabilities to customers	-	-	-	38,467	-	38,467
Non-life Insurance liabilities***	-	-	1	2,517	-	2,518
Life Insurance liabilities****	-	-	2,832	4,068	-	6,900
Debt securities issued to the public	-	-	-	19,456	-	19,456
Subordinated loans	-	-	-	1,238	-	1,238
Other liabilities	-	-	-	3,861	-	3,861
Total 30 September 2010	**-**	**-**	**4,904**	**71,150**	**288**	**76,342**
Total 30 September 2009	**-**	**-**	**3,637**	**68,797**	**178**	**72,611**
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 September 2010, the fair value of these debt instruments was approximately EUR 174 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 30 Sep 2010	Level 1*	Level 2*	Level 3*	Total
Recognised at fair value through profit or loss				
Banking	390	655	15	1,060
Non-life Insurance	-	-	8	8
Life Insurance	-	-	135	135
Derivative financial instruments				
Banking	7	1,825	277	2,109
Non-life Insurance	1	4	-	5
Life Insurance	-	-	-	-
Available-for-sale				
Banking	5,436	542	65	6,043
Non-life Insurance	1,658	636	217	2,511
Life Insurance	2,184	406	778	3,369
Total	9,676	4,069	1,496	15,241

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 30 Sep 2010	Level 1*	Level 2*	Level 3*	Total
Recognised at fair value through profit or loss				
Banking	0	-	-	0
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	8	2,186	164	2,358
Non-life Insurance	1	0	-	1
Life Insurance	-	-	-	-
Total	**9**	**2,186**	**164**	**2,359**

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 September 2010, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	1,712	1,732	4.9	92
Investments held to maturity	702	659	4.2	-
Available-for-sale financial assets	-	-	-	-
Total	**2,414**	**2,391**		**92**

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 Sep 2010	30 Sep 2009	Change, %	2009
Investments				
Loan and other receivables	246	388	-37	379
Shares and participations	362	356	2	391
Property	75	81	-8	78
Notes and bonds	1,534	1,383	11	1,381
Derivatives				
Other participations	623	526	19	526
Total	**2,845**	**2,734**	**4**	**2,755**
Other assets				
Prepayments and accrued income	33	29	11	38
Other				
Arising from direct insurance operations	251	243	4	214
Arising from reinsurance operations	87	99	-12	89
Cash in hand and at bank	6	6	-5	4
Other receivables	58	-	-	-
Total	**436**	**378**	**15**	**346**
Non-life Insurance assets	**3,281**	**3,111**	**5**	**3,101**

Note 18 Life Insurance assets

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Investments				
Loan and other receivables	343	408	-16	446
Shares and participations	2,683	2,683	0	2,777
Property	118	123	-4	122
Notes and bonds	821	550	49	496
Other	1	0		0
Total	**3,966**	**3,764**	**5**	**3,841**
Assets covering unit-linked insurance contracts				
Shares and participations	2,992	2,171	38	2,381
Other assets				
Prepayments and accrued income	29	23	26	25
Other				
Arising from direct insurance operations	3	3	19	33
Arising from reinsurance operations	59	45	31	50
Cash in hand and at bank	0	11	-97	1
Total	**91**	**81**	**13**	**108**
Life Insurance assets	**7,049**	**6,016**	**17**	**6,331**

Note 19 Non-life Insurance liabilities

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Provision for unpaid claims				
Provision for unpaid claims for annuities	1,066	1,035	3	1,057
Other provision for unpaid claims	732	750	-2	726
Total	1,798	1,785	1	1,783
Provisions for unearned premiums	457	437	4	362
Other liabilities	264	258	2	134
Total	**2,518**	**2,480**	**2**	**2,279**

Note 20. Life Insurance liabilities

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Technical provisions	3,778	3,684	3	3,649
Insurance contract liabilities for unit-linked insurance policies	2,832	2,123	33	2,335
Other liabilities	290	111		194
Total	**6,900**	**5,919**	**17**	**6,179**

Note 21 Debt securities issued to the public

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Bonds	9,635	8,275	16	9,168
Certificates of deposit, commercial papers and ECPs	9,568	9,255	3	10,549
Other	252	228	11	227
Total	**19,456**	**17,757**	**10**	**19,945**

Note 22 Fair value reserve after income tax

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Notes and bonds	-14	34		24
Shares and participations	150	-185		-79
Other	-1	-		-
Total	**135**	**-151**		**-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 182 million (-74) and the related deferred tax liability to EUR 47 million (deferred tax asset EUR 19 million). On 30 September, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 279 million (180) million and negative mark-to-market valuations EUR 68 million (265). During 2007–10, impairment charges recognised from the fair value reserve in the income statement totalled EUR 489 million, of which EUR 122 million were recognised in 2010.

Other notes

Note 23 Collateral given

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Given on behalf of own liabilities and commitments				
Mortgages	1	1	0	1
Pledges	5,988	5,272	14	5,839
Other	512	1,104	-54	600
Total	**6,501**	**6,376**	**2**	**6,440**

Note 24 Off-balance-sheet items

EUR million	30 Sep 2010	30 Sep 2009	Change, %	2009
Guarantees	1,268	1,412	-10	1,391
Other guarantee liabilities	1,618	1,611	0	1,548
Pledges	1	1	0	1
Loan commitments	8,912	8,657	3	8,789
Commitments related to short-term trade transactions	140	151	-7	131
Other	803	772	4	785
Total off-balance-sheet items	**12,742**	**12,605**	**1**	**12,644**

Note 25 Derivative contracts

30 Sep 2010

EUR million	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	47,469	53,917	24,719	126,104	1,821	1,806
Currency derivatives	13,248	1,797	499	15,544	268	580
Equity and index-linked derivatives	156	919	27	1,101	116	0
Credit derivatives	-	157	100	257	4	3
Other derivatives	3,836	343	-	4,179	8	21
Total derivatives	**64,709**	**57,132**	**25,344**	**147,185**	**2,217**	**2,410**

31 Dec 2009

EUR million	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	42,048	45,394	12,995	100,437	1,155	1,104
Currency derivatives	11,274	1,959	489	13,722	239	338
Equity and index-linked derivatives	177	814	41	1,032	87	0
Credit derivatives	56	178	-	234	4	2
Other derivatives	3,850	252	-	4,102	3	24
Total derivatives	**57,406**	**48,597**	**13,525**	**119,528**	**1,488**	**1,469**

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 September 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.

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman Reijo Karhinen in a press conference on 3 November 2010 at 12 noon at Teollisuuskatu 1 b, Vallila, Helsinki.

Helsinki, 3 November 2010

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