

# Pohjola Group



Interim Report 1–9/2010



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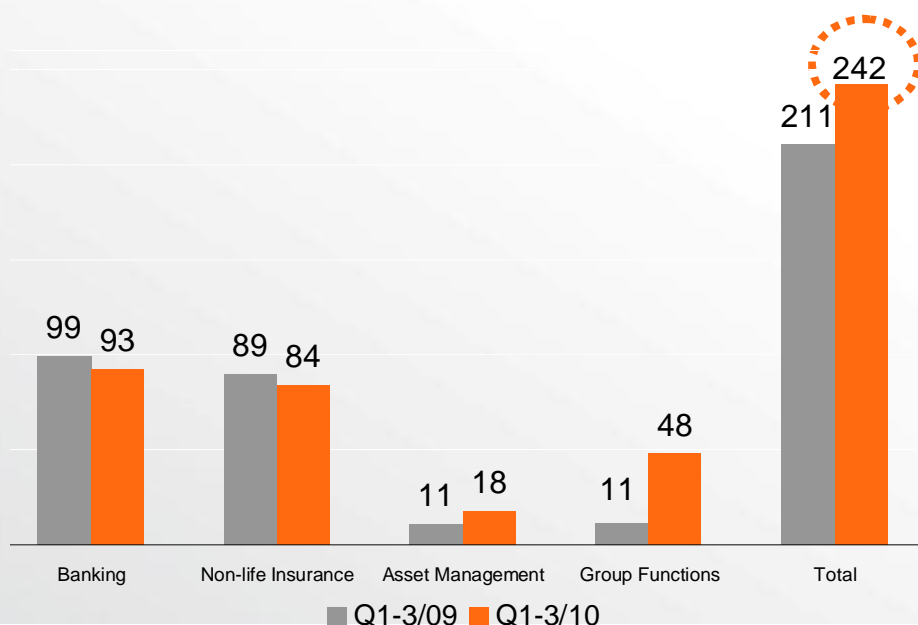
# Pohjola Group



## Q1-3/2010

- Earnings before tax improved by 15% year on year
- Earnings include €88 mn (95) in impairment charges

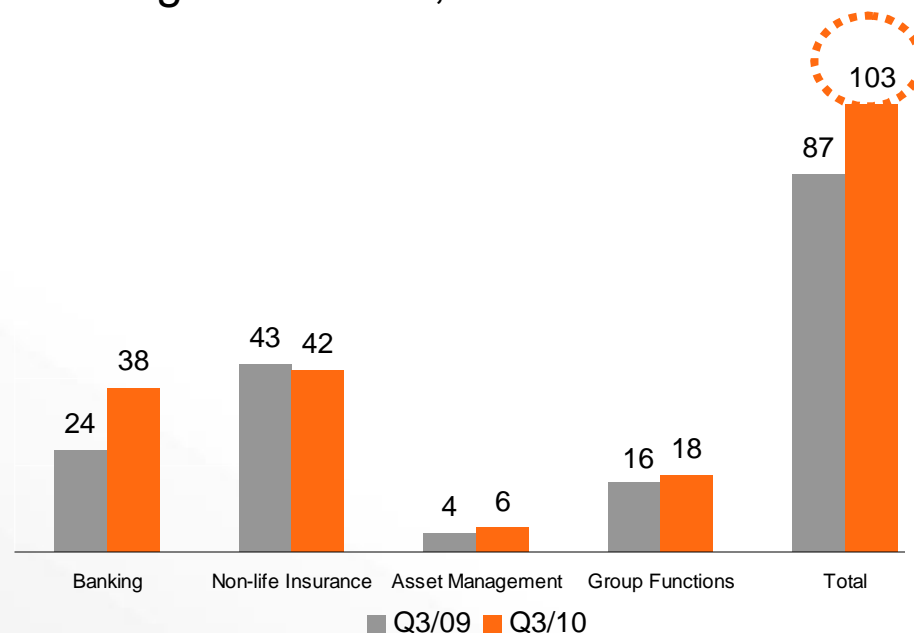
Earnings before tax, € mn



## Q3/2010

- Larger volumes and lower impairment charges
- Earnings before tax €103 mn - best ever earnings recorded for a quarter

Earnings before tax, € mn



# Pohjola Group

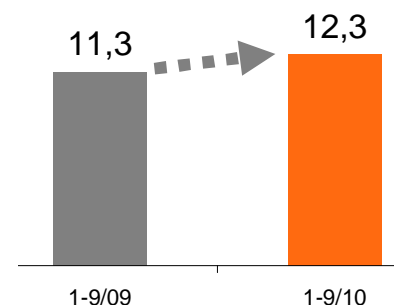
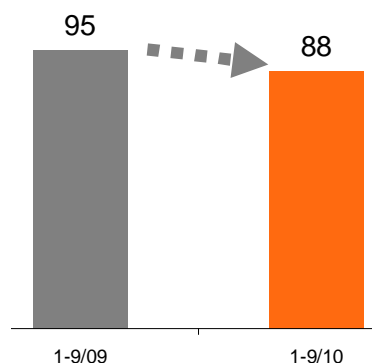
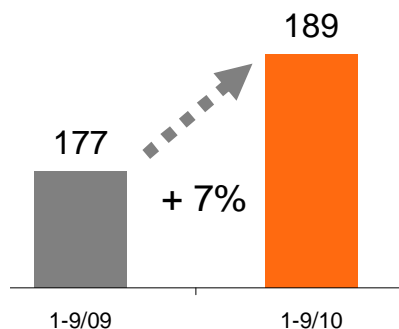
## Key figures

Net interest income, € mn

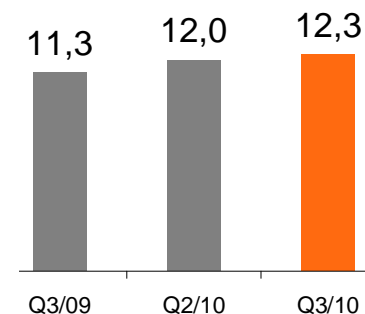
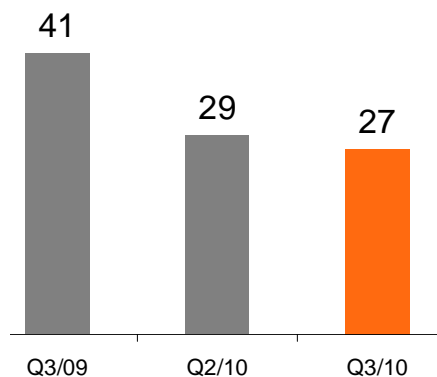
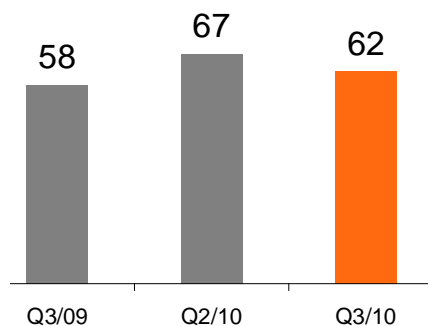
Impairment charges, € mn

Tier 1 ratio, %

Q1-3/10

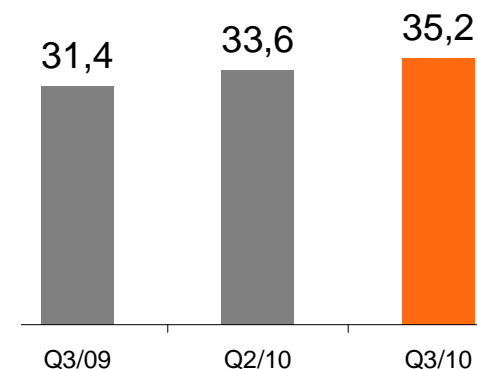
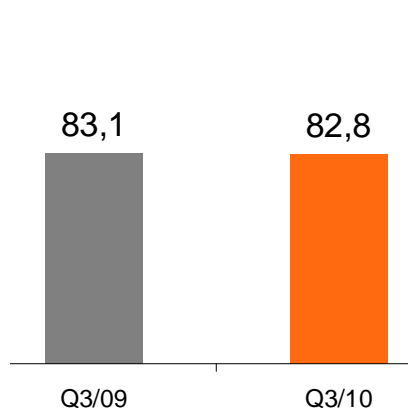
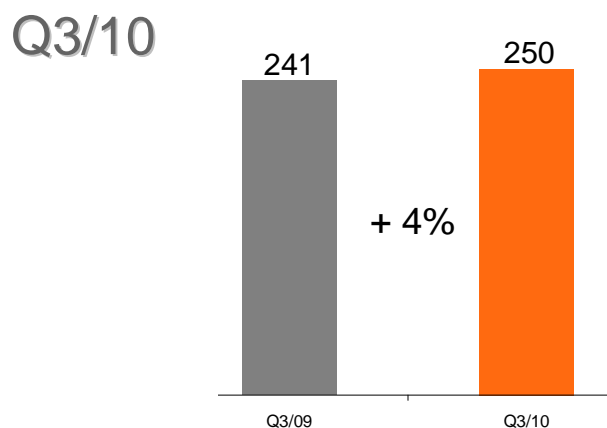
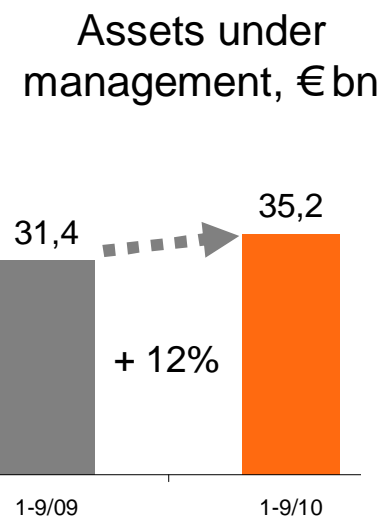
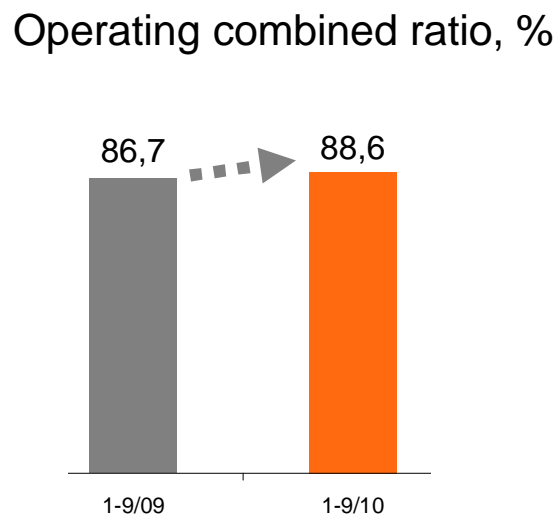
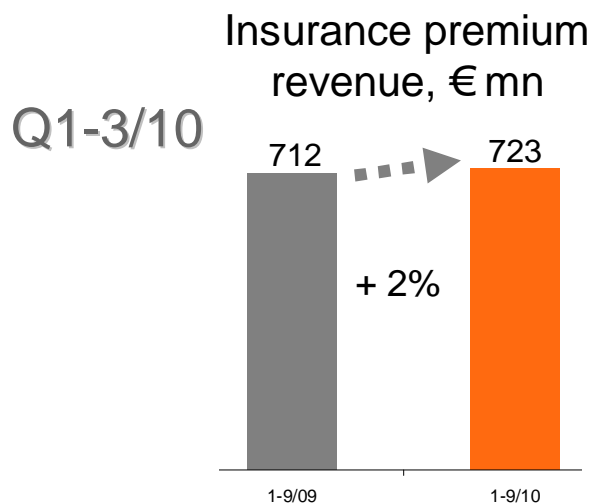


Q3/10



# Pohjola Group

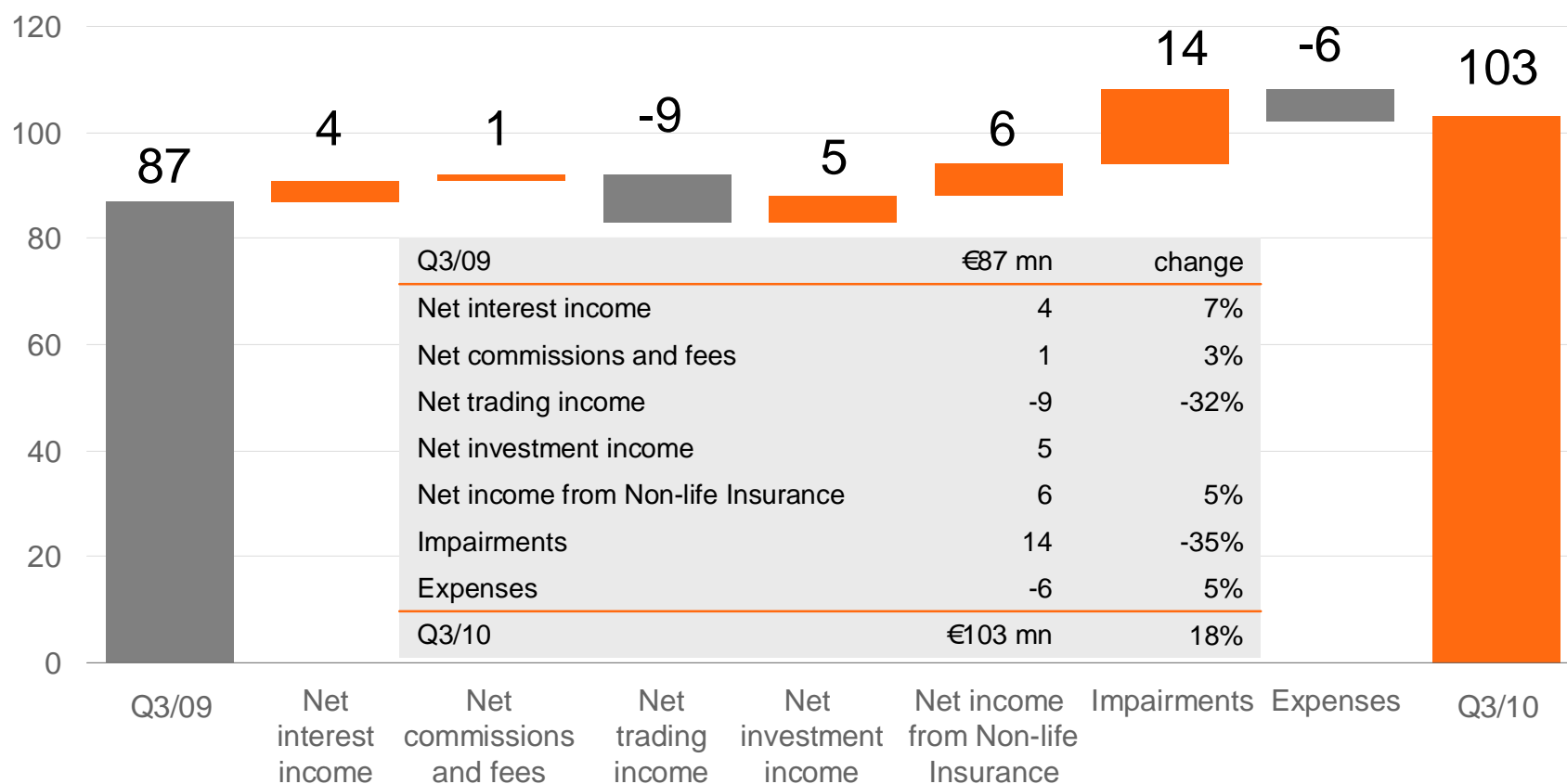
## Key figures



# Pohjola Group

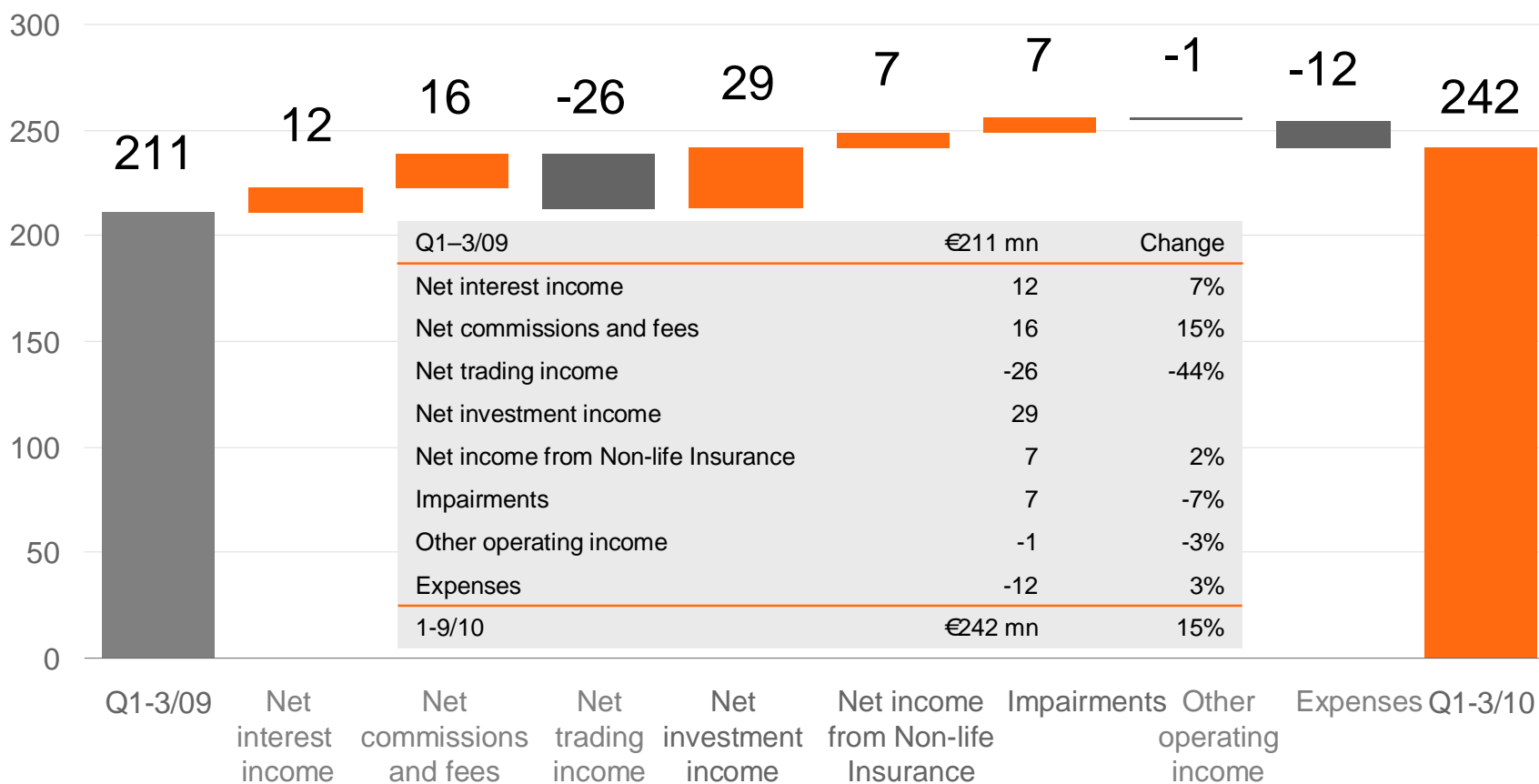
- Best ever earnings recorded for a quarter

Earnings before tax, change Q3/09 vs Q3/10, € mn



# Pohjola Group

Earnings before tax, change Q1–3/09 vs Q1–3/10, € mn





# Banking

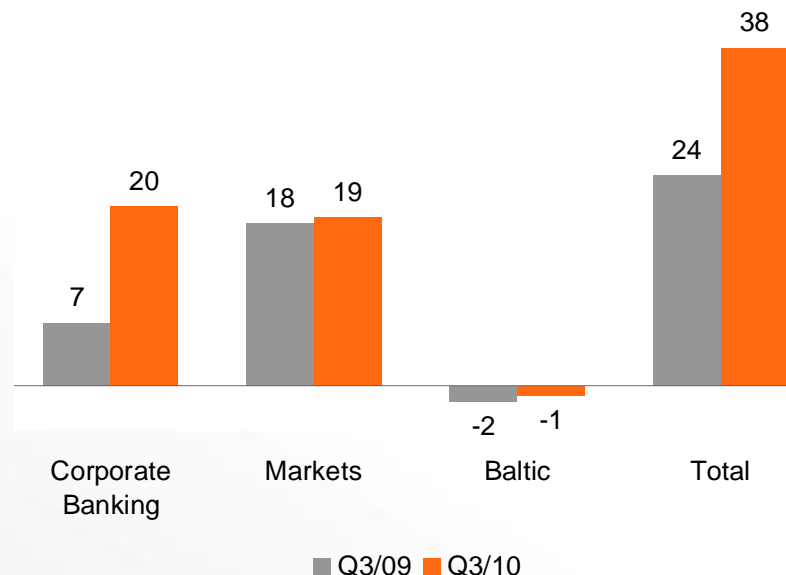
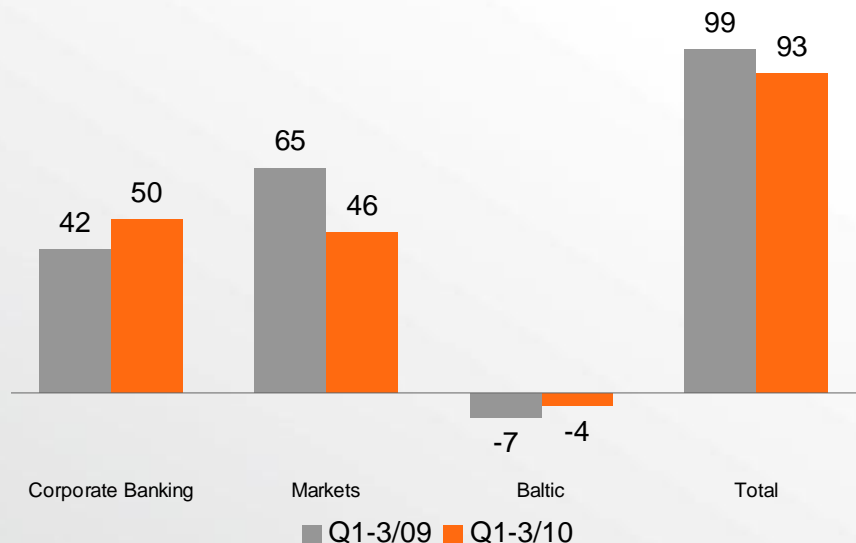
## Q1–3/2010

- Earnings were lower than a year ago
- Impairment charges €89 mn (84)
- Loan portfolio increased and the average corporate loan margin rose

## Q3/2010

- Earnings improved by €14 mn
- Impairment charges down by €11 mn

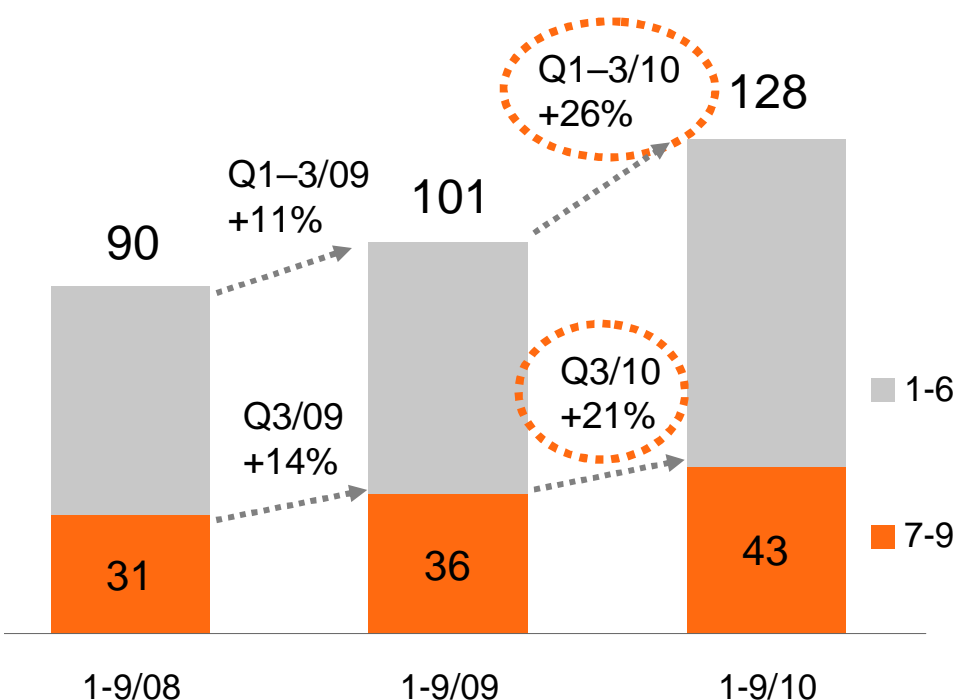
### Earnings before tax by division, € mn



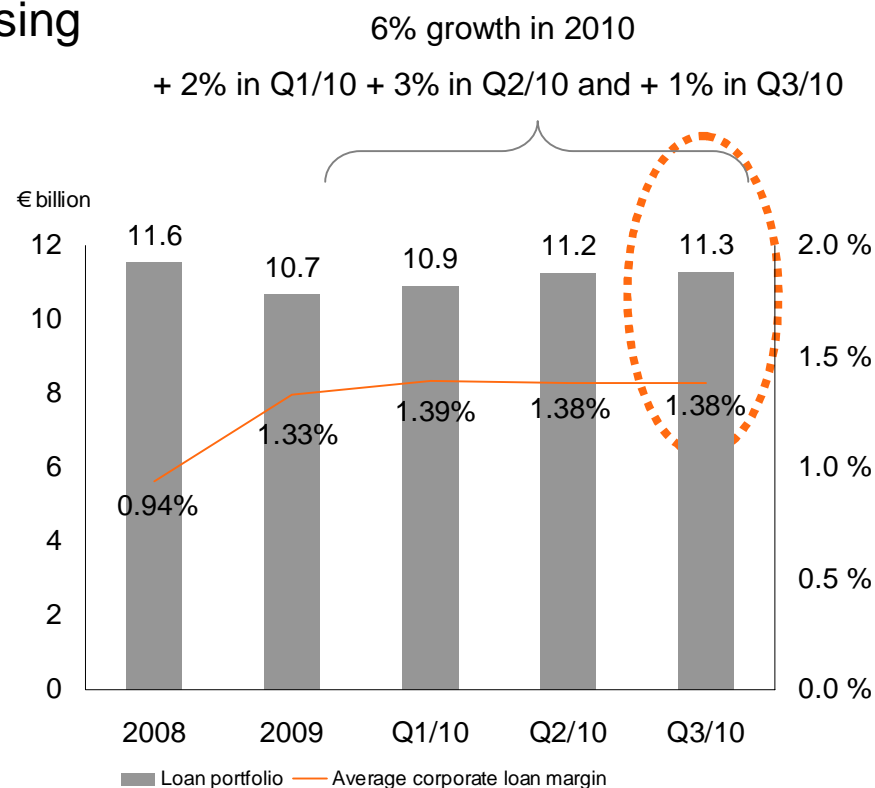


# Banking

## Increase in Corporate Banking net interest income

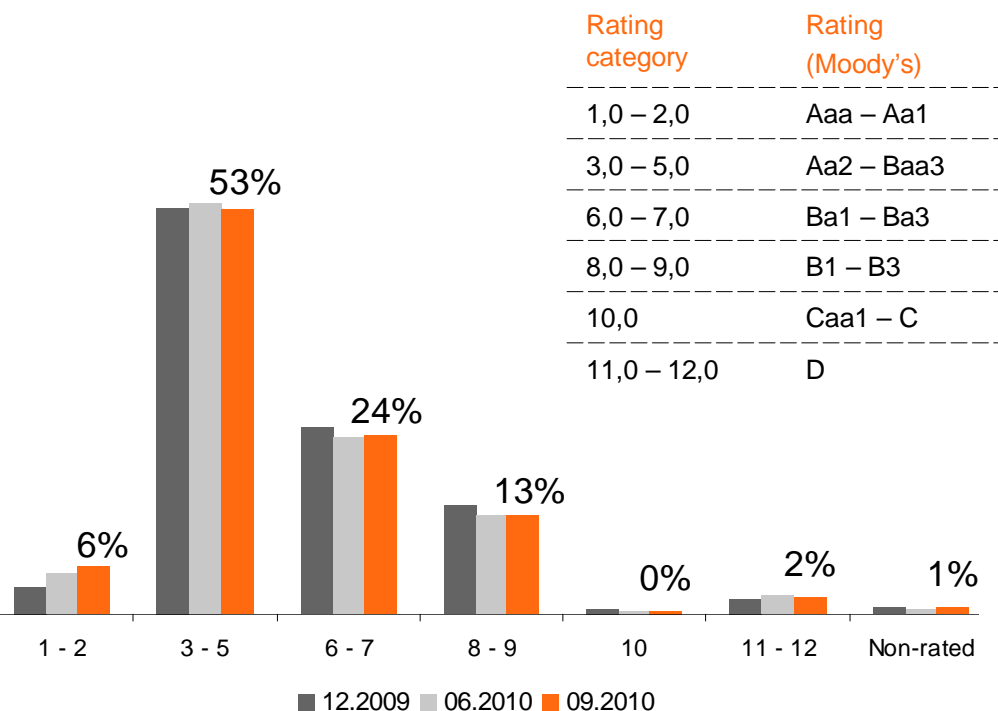


## Loan portfolio increased and the average corporate loan margin stopped rising



# Banking

- Share of the best rating categories increased within corporate exposures
- Highly diversified exposure by industry
- Investment-grade (ratings 1–5) exposure accounts for 60% of total exposure (Dec./09: 57%)



Industry	09/2010	%
Renting and operating of residential real estate	1940	11.9 %
Wholesale and retail trade	1566	9.6 %
Manufacture of machinery and equipment (incl. services)	1420	8.7 %
Renting and operating of other real estate	1343	8.3 %
Transportation and storage	1207	7.4 %
Construction	1126	6.9 %
Buying and selling of own real estate	1075	6.6 %
Services	824	5.1 %
Metal industry	819	5.0 %
Forest industry	814	5.0 %
Chemical industry	811	5.0 %
Food industry	701	4.3 %
Energy	644	4.0 %
Information and communication	496	3.1 %
Other manufacturing	406	2.5 %
Financial and insurance activities	382	2.4 %
Agriculture, forestry and fishing	314	1.9 %
Mining and quarrying	197	1.2 %
Water supply, sewerage and waste management	121	0.7 %
Other industries	40	0.2 %
<b>Total</b>	<b>16246</b>	<b>100.0 %</b>

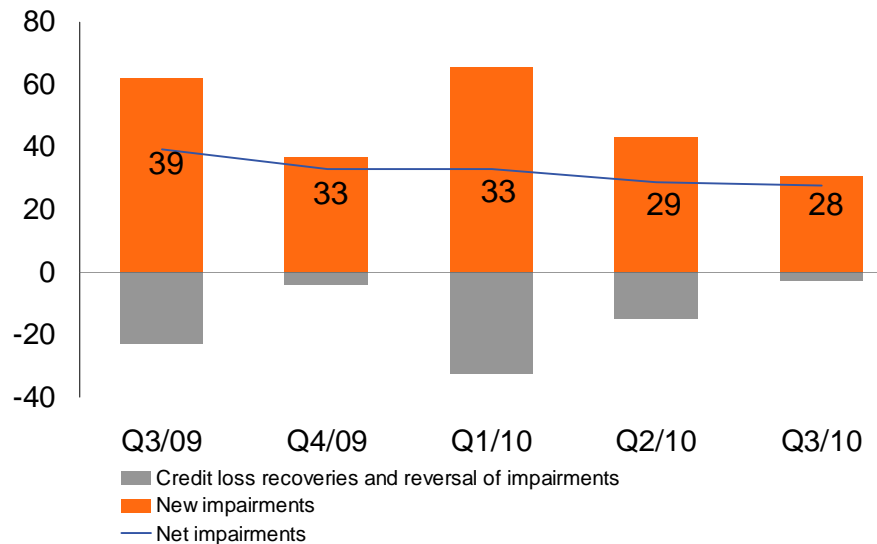
\*) September/2010: 47% (€918 mn) of the exposures in the "Renting and operating of residential real estate" is guaranteed by government, cities or municipalities.

\*\*) 59% shown by the columns; the difference is due to rounding off

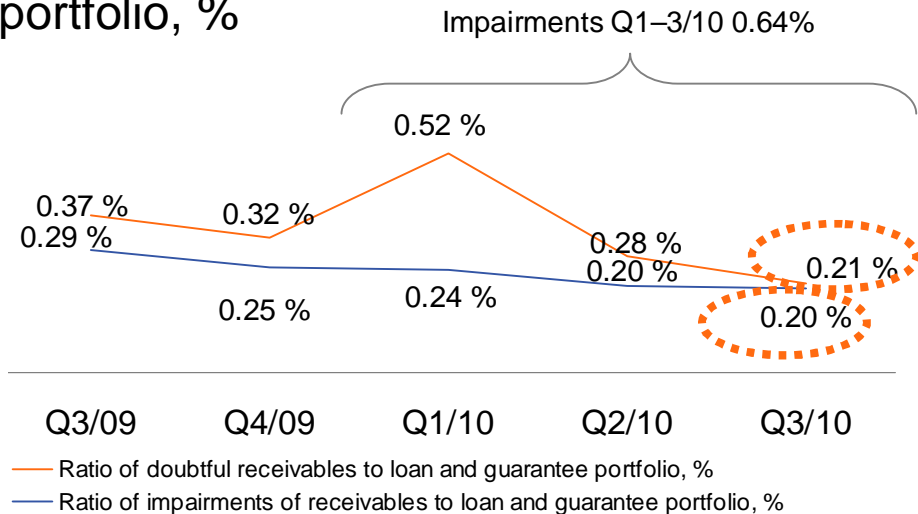
# Banking

- Impairment charges Q1–3/10 €89 mn (84)
- Impairment charges down by €11 mn Q3/10 vs Q3/09

Impairment charges, € mn



Ratio of impairment charges and doubtful receivables to the loan and guarantee portfolio, %



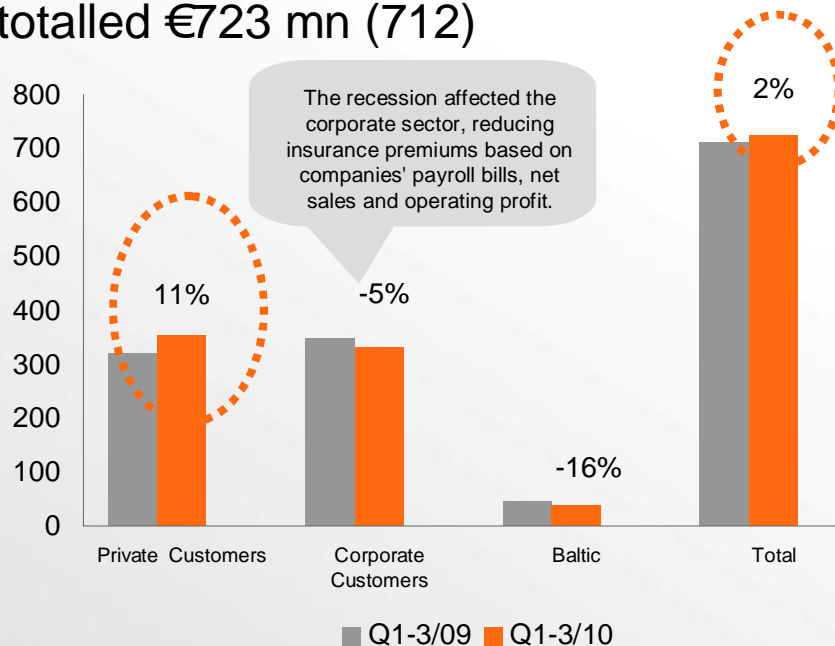


# Non-life Insurance

## Q1–3/2010

- Strong growth continued in insurance premium revenue from Private Customers
- Decrease in insurance premium revenue from Corporate Customers

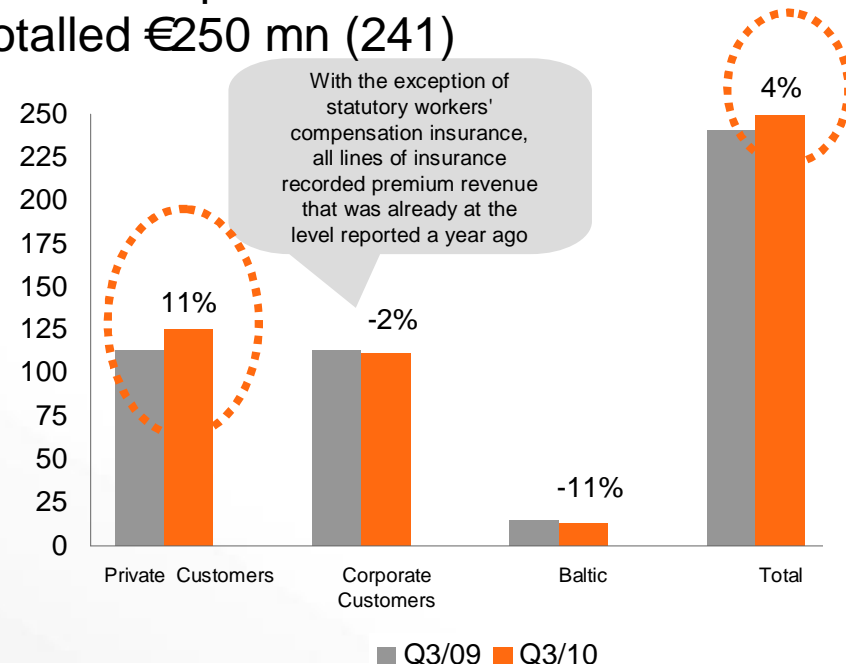
### Insurance premium revenue Q1–3/2010 totalled €723 mn (712)



## Q3/2010

- Private Customers strengthened its position as the largest division within Non-life Insurance
- Insurance premium revenue grew at a higher rate

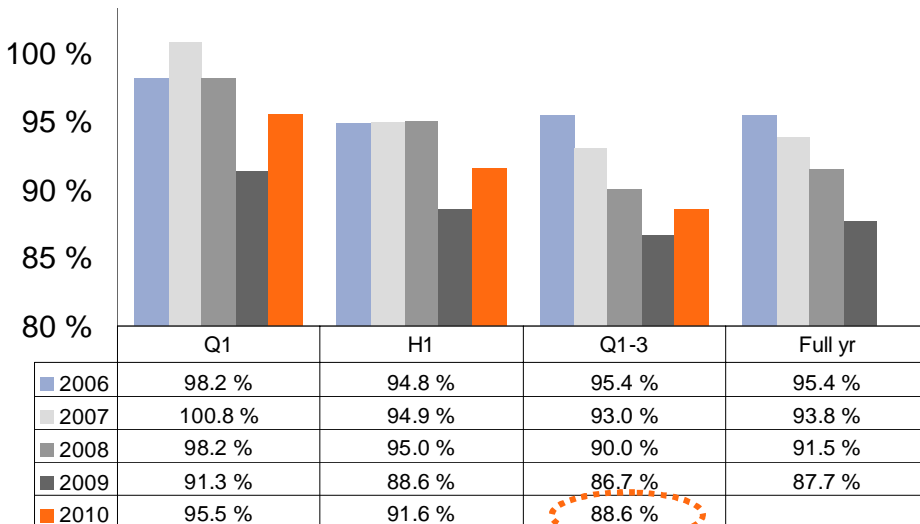
### Insurance premium revenue Q3/2010 totalled €250 mn (241)



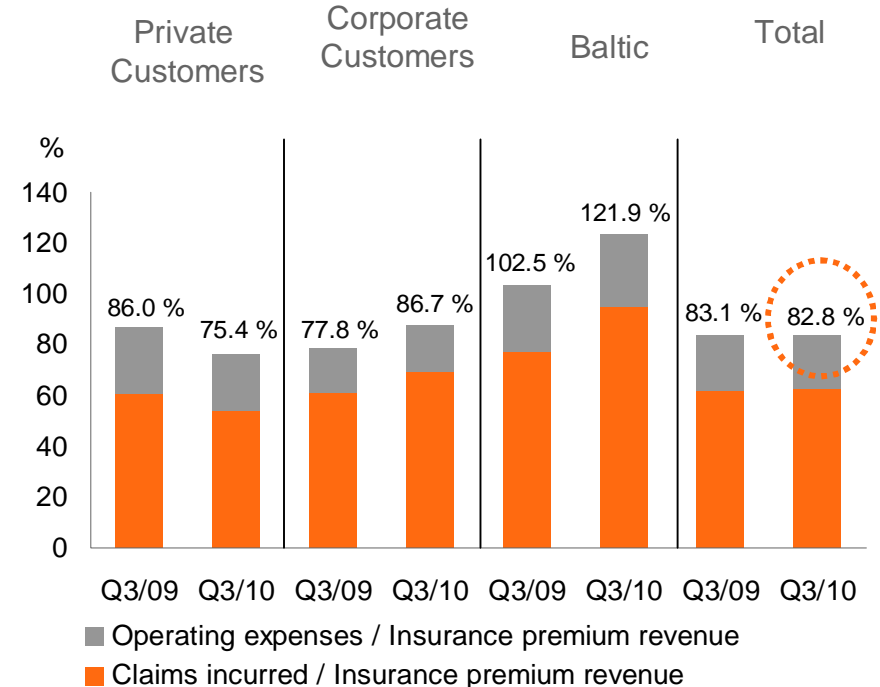
# Non-life Insurance

- Balance on technical account improved among Private Customers but weakened among Corporate Customers
- Operating combined ratio is estimated to vary between 89 and 92% in 2010 (previous estimate: 89–93)

## Operating combined ratio, cumulative



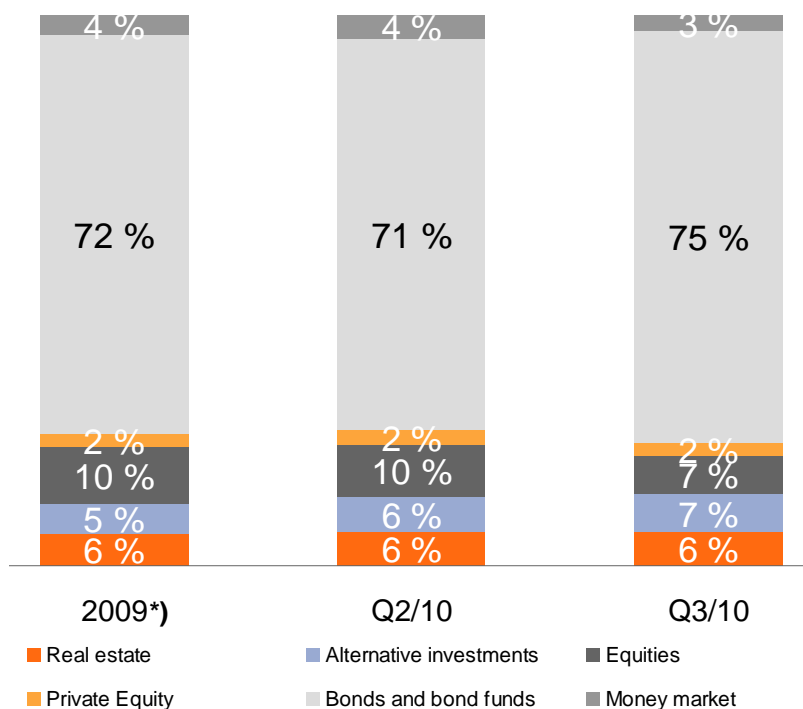
## Operating combined ratios by business division



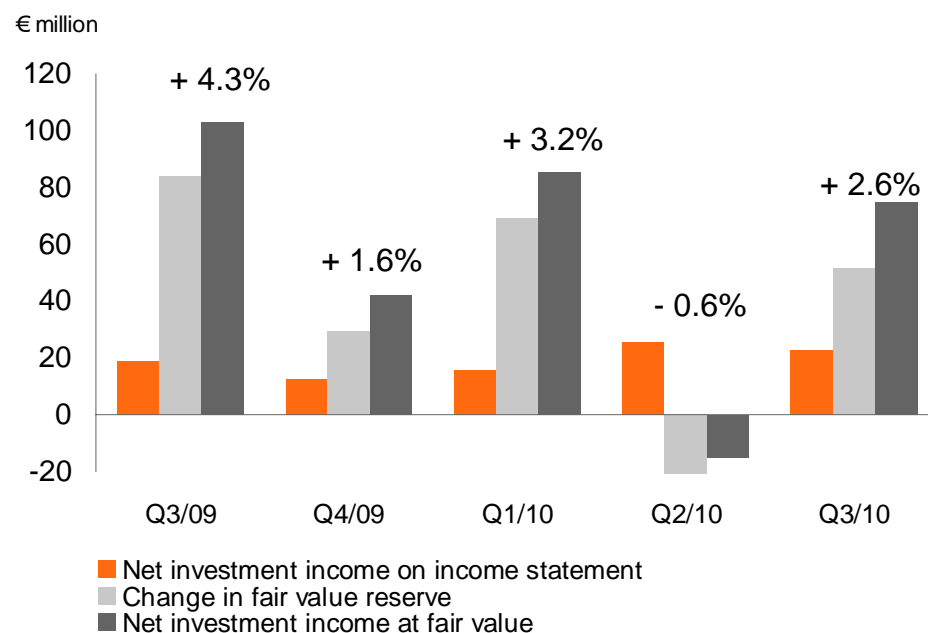
# Non-life Insurance

- Investment income at fair value 5.2% (9.0)
- Equity allocation reduced in the portfolio

## Investment allocation



## Investment income at fair value

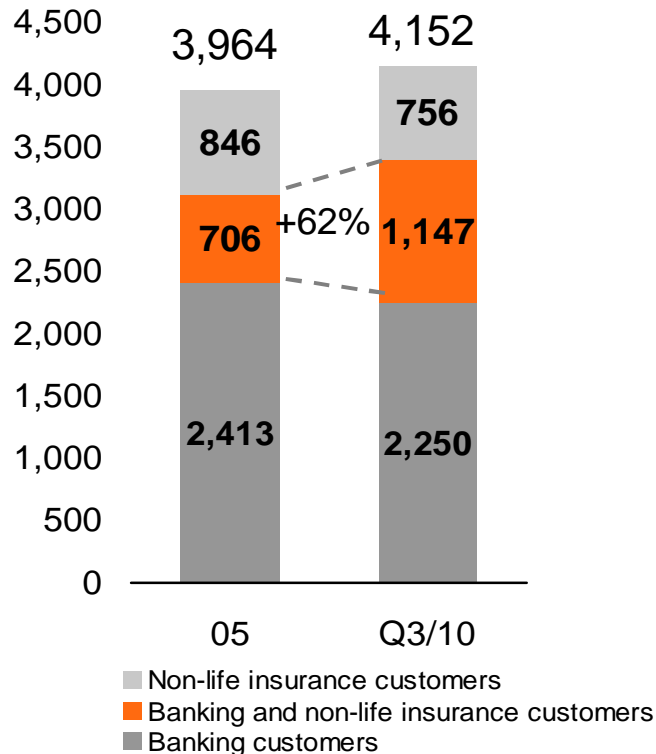


\* The total amount does not sum up to 100% due to rounding off

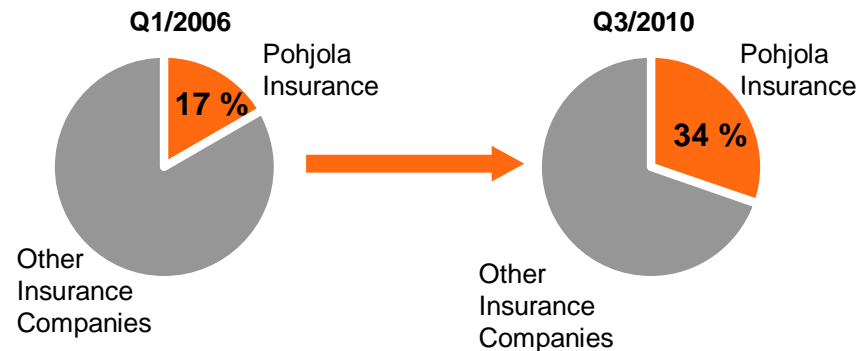
# Non-life Insurance

## Cross-selling works well between OP-Pohjola Group member banks and Pohjola Insurance

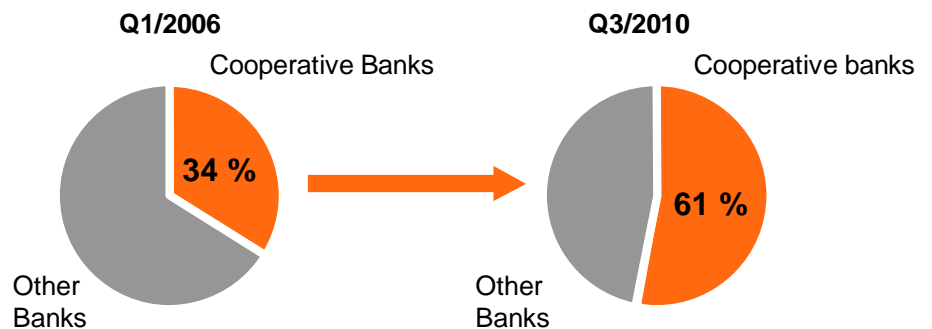
OP-Pohjola Group's customer potential as source of growth (1,000 customers)



OP-Pohjola Group member bank customers and their main insurer



Pohjola Insurance customers and their main bank



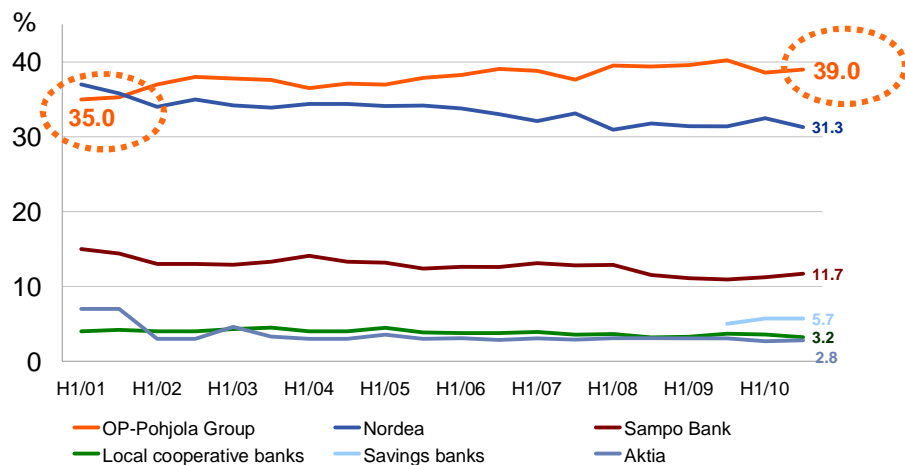
Consumer survey on bank and insurance company switch by TNS Gallup; main customer relationship

# Market Share of Banks and Insurers

- Pohjola's market share 22% as insurer for private individuals
- OP-Pohjola Group's market share 39% as bank for private individuals

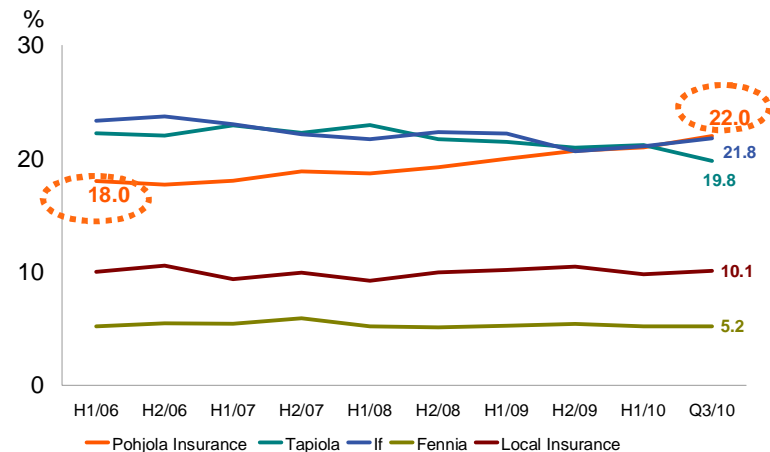
## Customer market share by bank

Main bank, 2001–Q3/2010  
(% of private individuals aged 15–79 years in Finland)



## Customer market share by insurer

Main insurer, 2006–Q3/2010  
(% of private individuals aged 15–79 years in Finland)



Source: Survey on bank and insurance company switch 2010 by TNS Gallup Oy

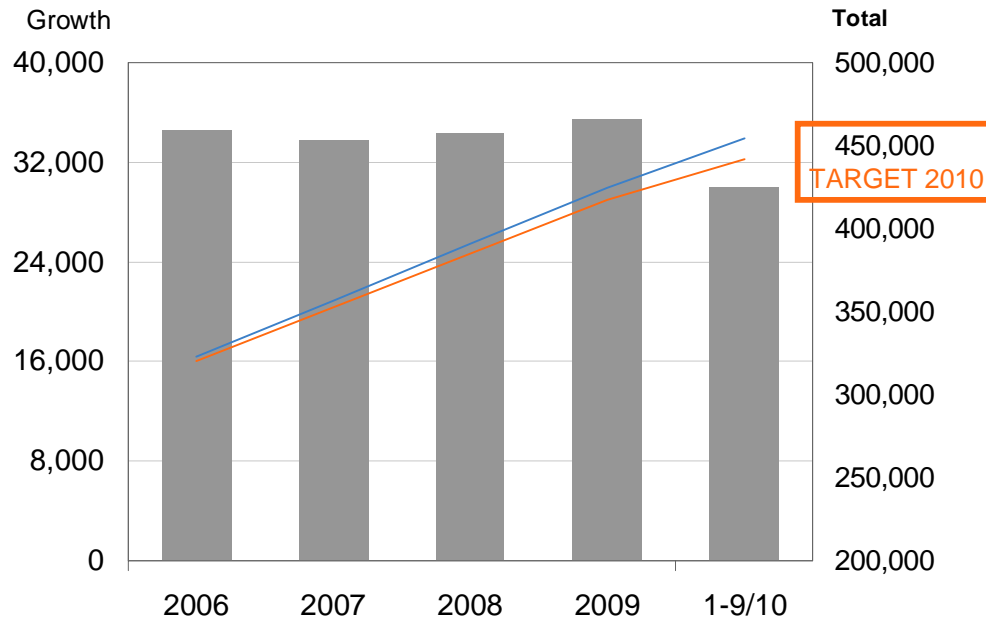


# Non-life Insurance

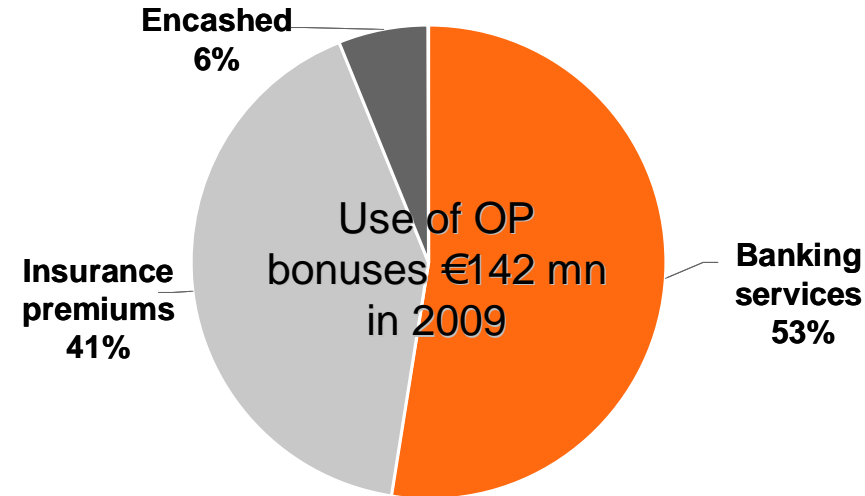
- The number of loyal customer households exceeded the target of 450,000
- Bonuses were used to pay over 800,000 insurance bills, with 140,000 bills paid in full using bonuses

The number of loyal customer households totalled 454 651

Bonuses worth € 40 mn were used to pay insurance premiums in Q1–3/10



■ Growth — Number of loyal customer households — Target

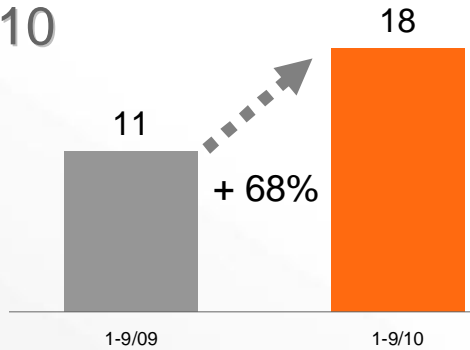




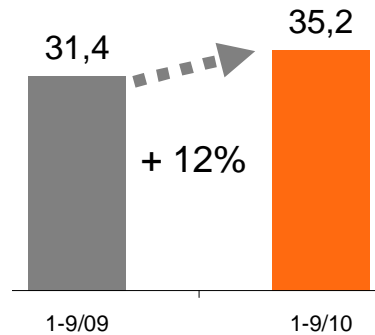
# Asset Management

Earnings before tax,  
€ mn

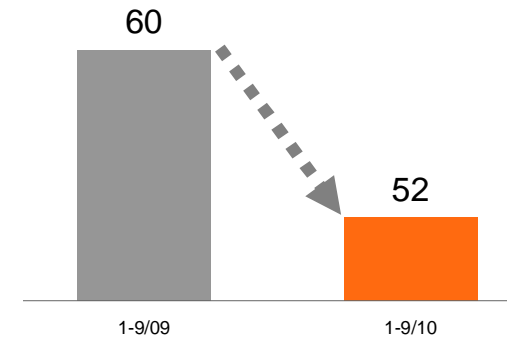
Q1-3/10



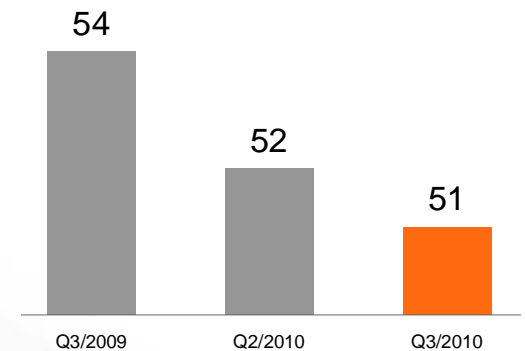
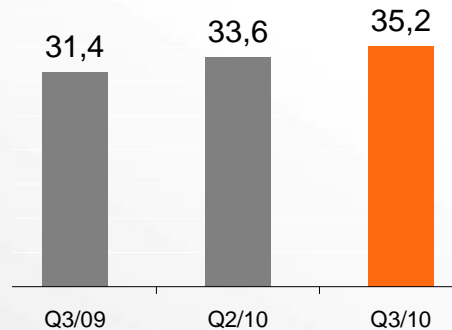
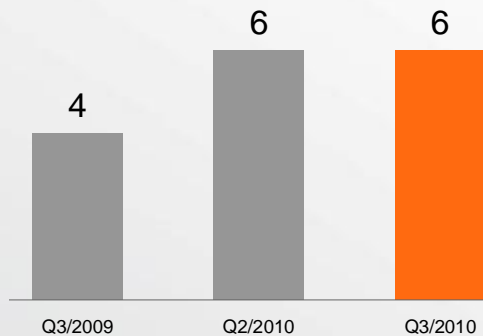
Assets under  
management, € bn



Operating cost/income  
ratio, %

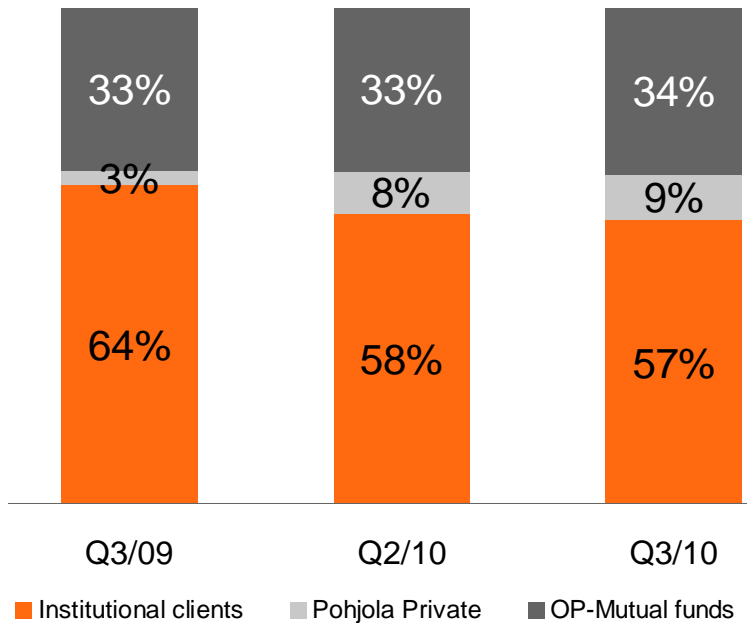


Q3/10

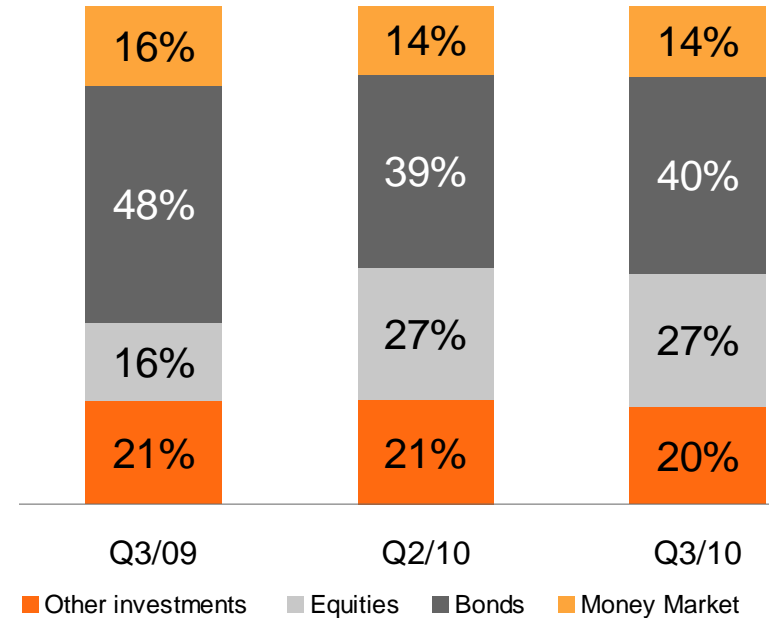


# Asset Management

Assets under management by client



Assets under management by asset class





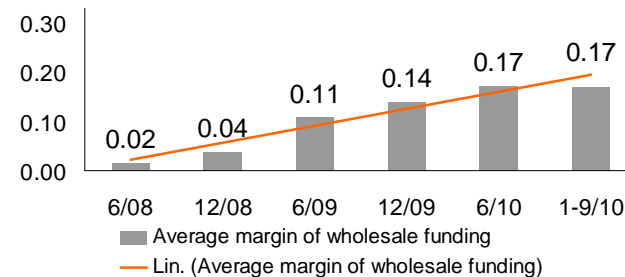
# Group Functions

- Earnings before tax Q1–3/10: €48 mn (11)
- Funding maturity lengthened

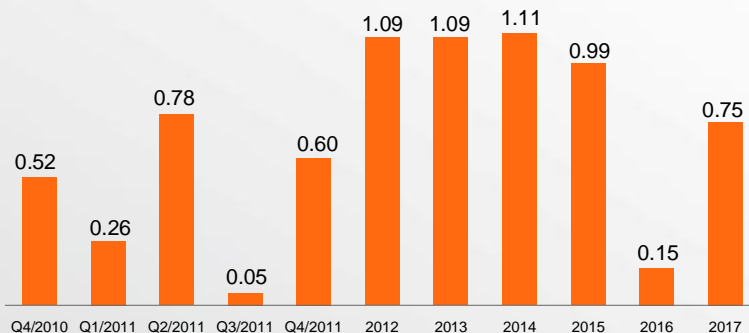
## Pohjola senior bond issues 2010

- Feb/10 €750m 3 yr 3mE +53 bps
- Mar/10 €750m 5 yr m/s +78 bps
- Sept/10 €750m 7 yr m/s +88 bps

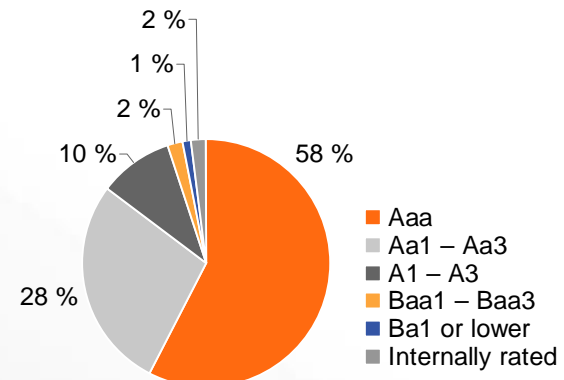
## Average margin of wholesale funding, %



## Pohjola's maturing long-term funding, € bn



## Liquidity portfolio €9.7 bn





# Outlook towards Year End

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- Consolidated earnings before tax in 2010 are expected to be at the same level as or higher than in 2009 (previous estimate: at the same level)
- Enabled by the economic recovery, impairment charges are expected to remain lower than a year ago
- Operating combined ratio is estimated to vary between 89 and 92% (previous estimate: 89–93)
- The full version of "Outlook" can be found in the Interim Report

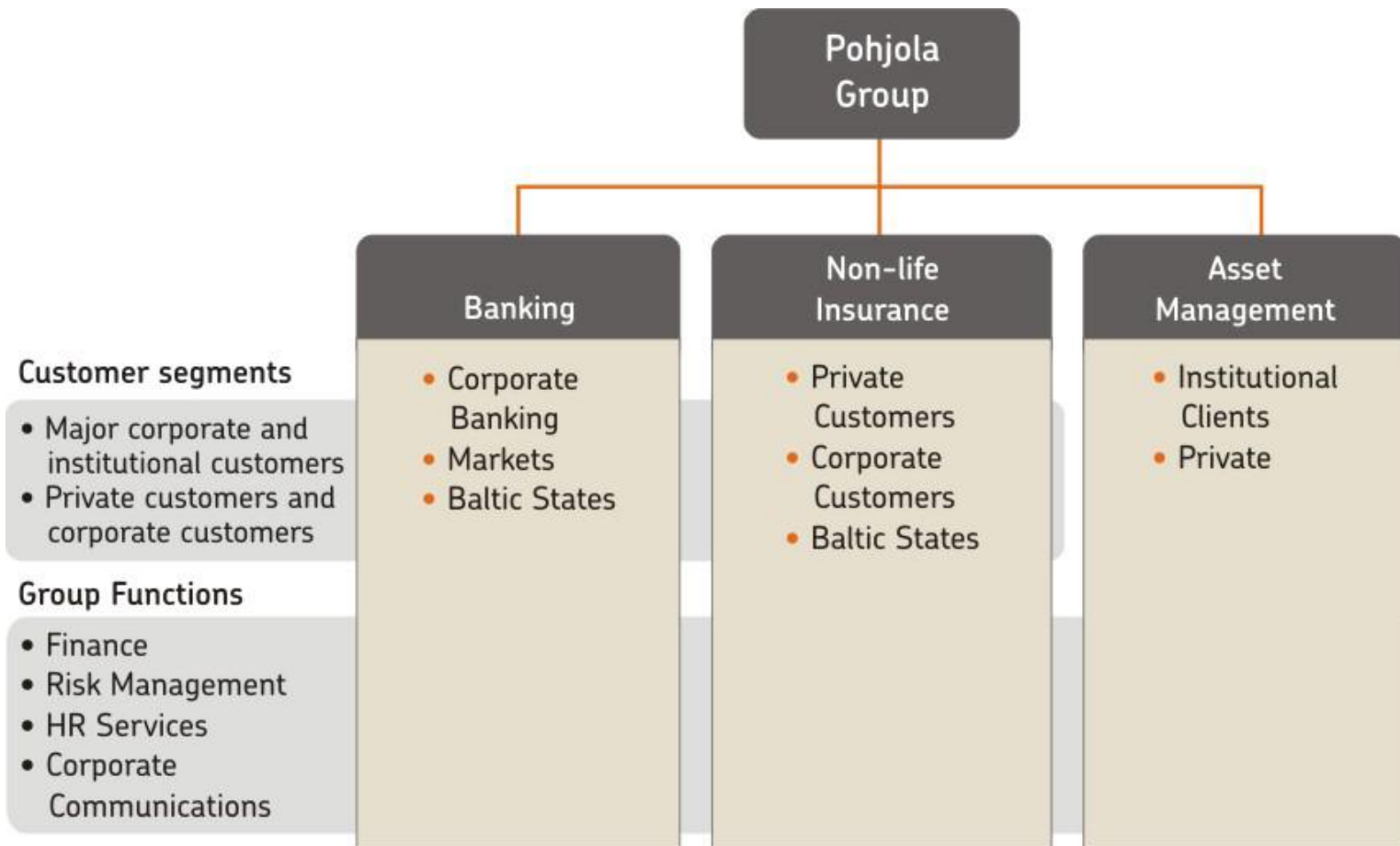


# Background Material

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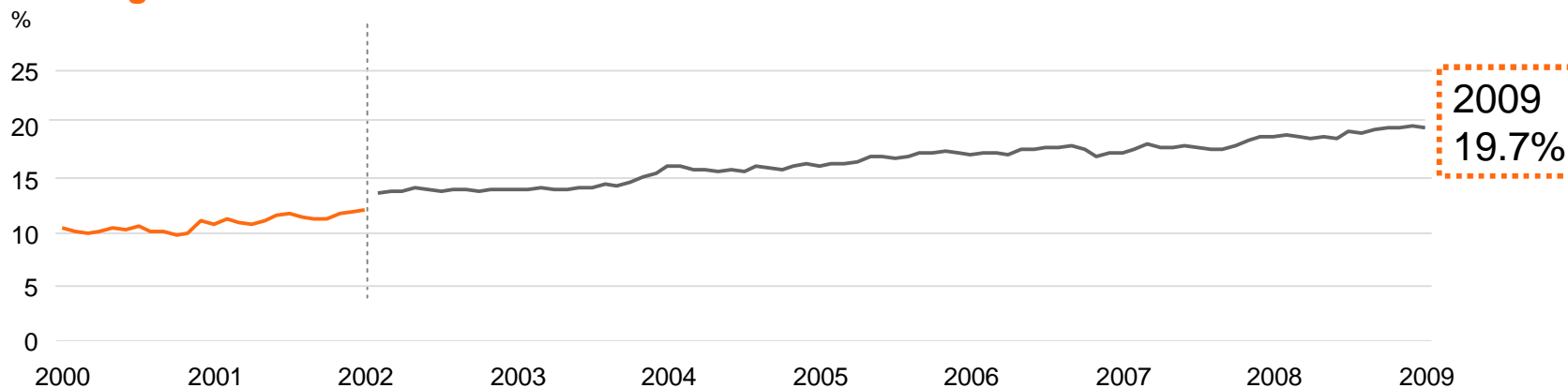
# Pohjola Group's Business Structure



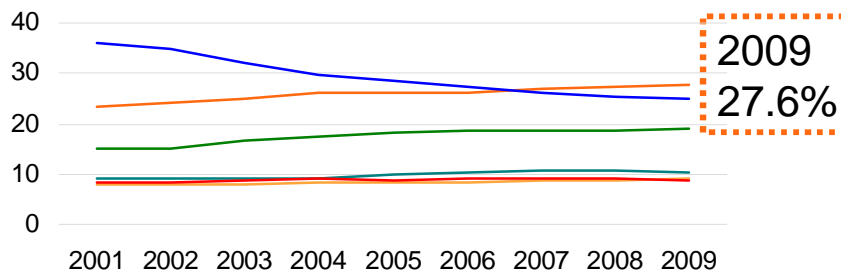
# Market position

Business Model has proved successful across business segments

## Banking

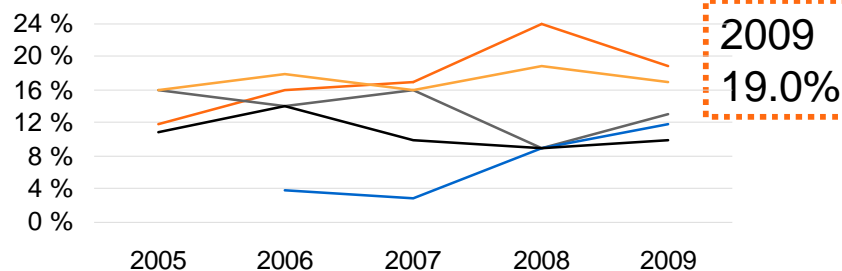


## Non-life Insurance



— Pohjola — If/Sampo — Tapiola  
— Fennia — Local Insurance — Other

## Asset Management



— Pohjola — Company 1 — Company 2  
— Company 3 — Company 4

Lähde: Federation of Finnish Insurance Companies, SFR. Based on interviews and answers by institutional investors with disclosed investment size



# Market position Goals

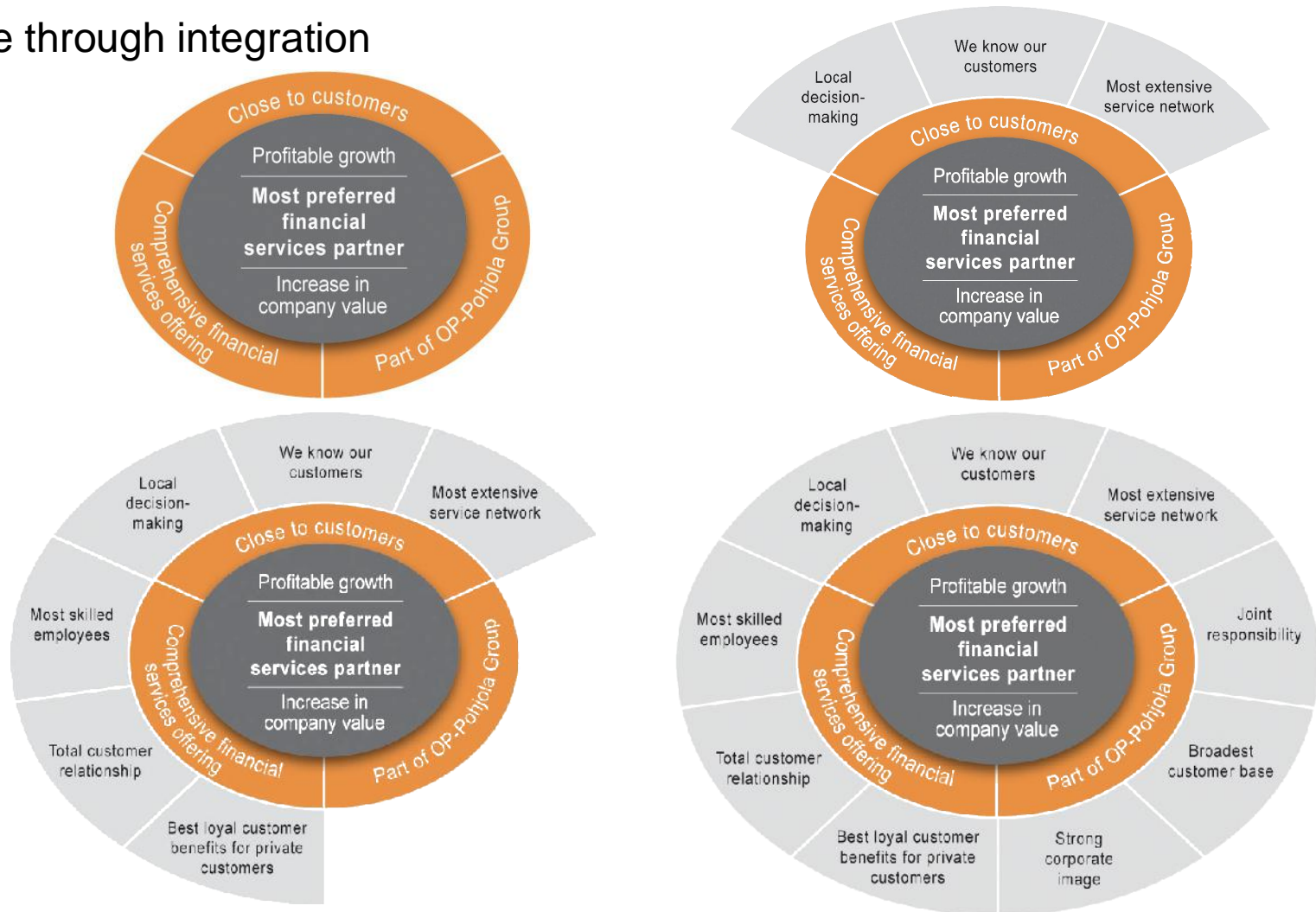
Leading market position in Finland

	Now	Target
Corporate Banking	2.	1.
Non-life Insurance	1.	1.
Asset Management	1./2.	1.

Source: Data disclosed by companies, Financial Supervision Authority, Federation of Finnish Insurance Companies

# Strategy and competitive advantages

## Value through integration



# Strategy in a Nutshell

Mission	We promote the prosperity, security and wellbeing of our customers
Vision	We are the most preferred financial services partner
Key Objectives	Increasing company value Profitable growth
Critical Success Factors	Exploiting customer potential Risk anticipation, selection and pricing Highly skilled employees and high-quality partnerships Competitive solutions Cost-efficiency Strong capitalisation
Competitive Advantages	Comprehensive financial services offering Part of OP-Pohjola Group – Strong brand Close to customers – Firmly rooted in Finland Operational flexibility and promptness
Core Values	People-first approach, Responsibility, Prospering together

# Pohjola's Strategic Initiatives

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1. Upgrading business for corporate and institutional customers
2. Intensifying integration between Banking and Non-life Insurance
3. Improving international service capabilities
4. Enhancing the Group's intellectual capital

# Financial Targets

over the economic cycle

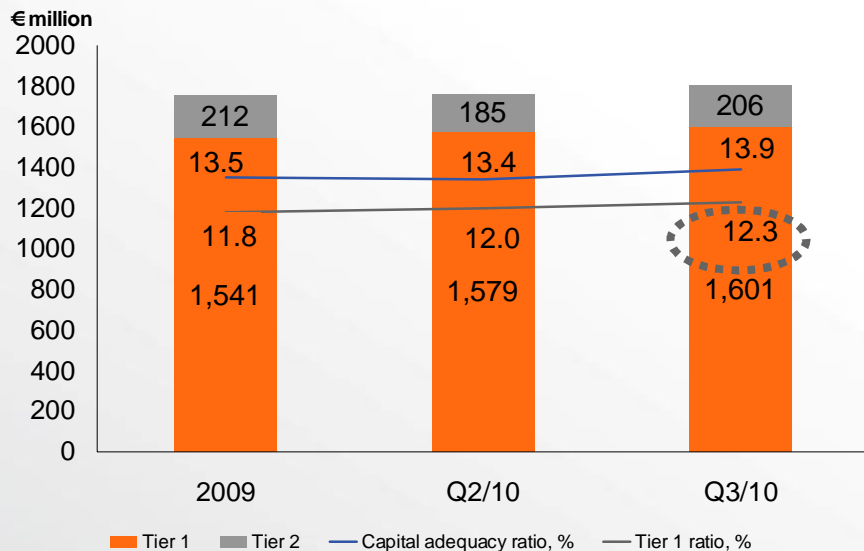
	Target	1-9/10	1-9/09	2009
<b>Group</b>				
Return on equity at fair value, %	13	11.7	21.8	19.2
Tier 1 ratio, %	> 9.5	12.3	11.3	11.8
<b>Banking</b>				
Operating cost/income ratio, %	< 40	35	34	35
<b>Non-life Insurance</b>				
Operating combined ratio, %	92	88.6	86.7	87.7
Operating expense ratio, %	< 20	21.3	21.7	22.2
Solvency ratio, %	70	99	89	88
<b>Asset Management</b>				
Operating cost/income ratio, %	< 50	52	60	53



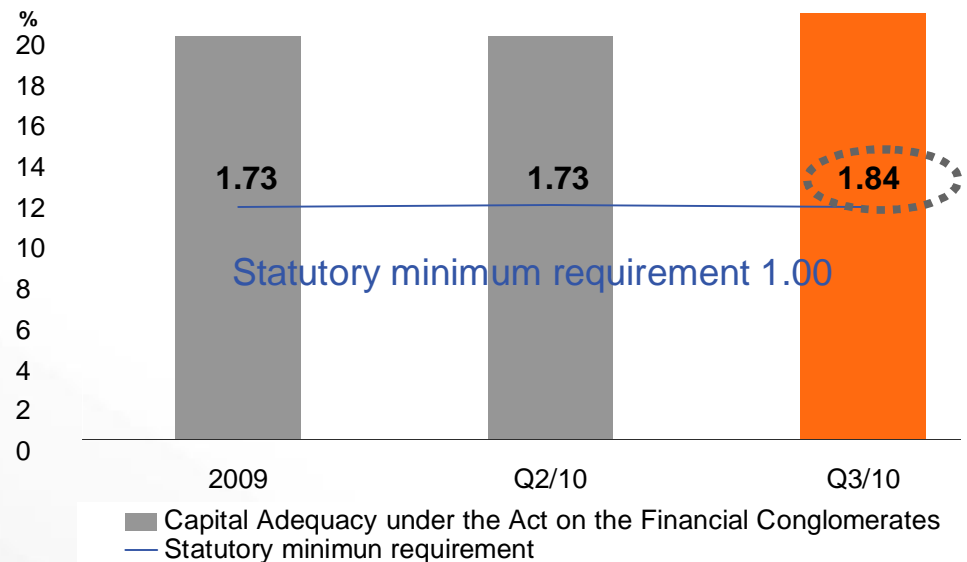
# Strong Capital Base

Tier 1 ratio, excl. hybrids, stood at 10.2% on 30 September

## Tier 1 ratio under the Act on Credit Institutions

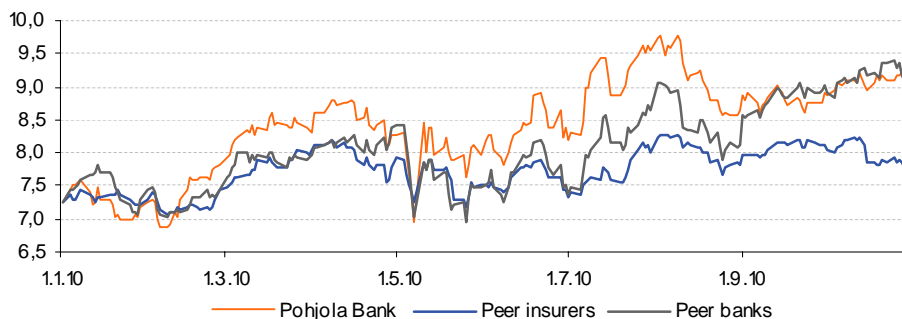


## Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates



# Pohjola Share

## Total Shareholder Return 1 Jan–29 Oct 2010



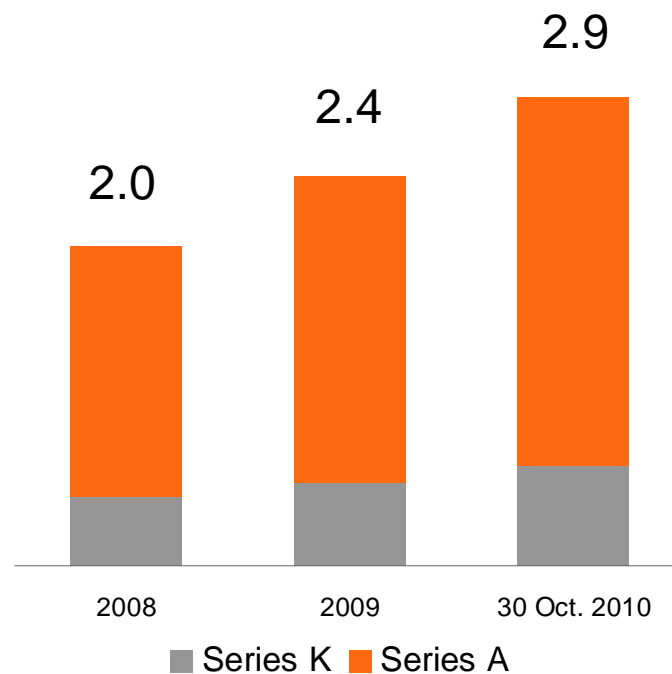
**Pohjola + 25%**

**Peer banks + 26%**

**Peer insurers + 7%**

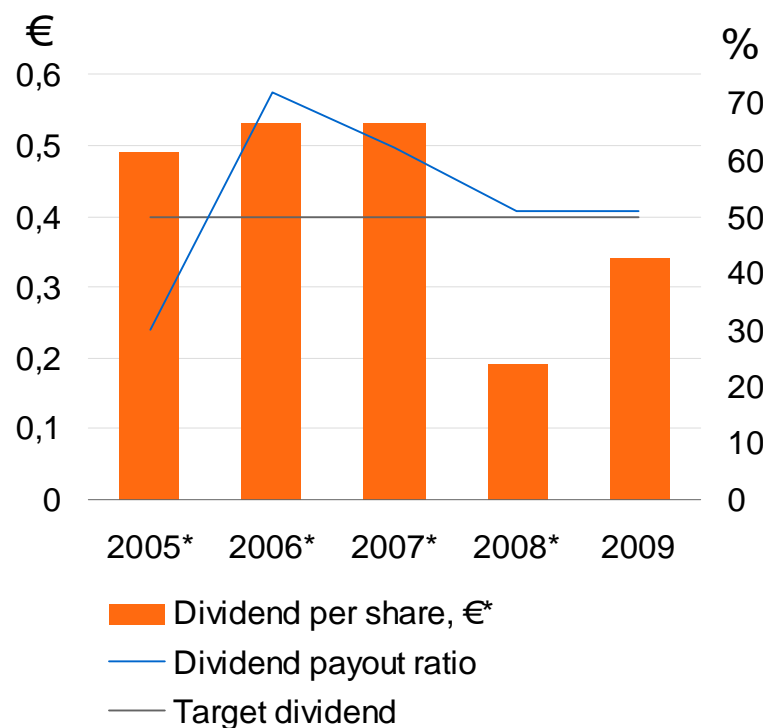
Peer banks: Danske, DnB NOR, Nordea, SEB, SHB and Swedbank  
 Peer insurers: AlmBrand, Sampo/If, TopDanmark and Tryg

## Market Capitalisation of Pohjola Series A and K Shares, € bn



# Dividend policy

We aim to distribute a minimum of 50% of earnings per share in dividends, provided that Tier 1 stands at a minimum of 9.5%



\*) Issue-adjusted dividend

Dividend payout ratio during  
2005–09 averaged 53%



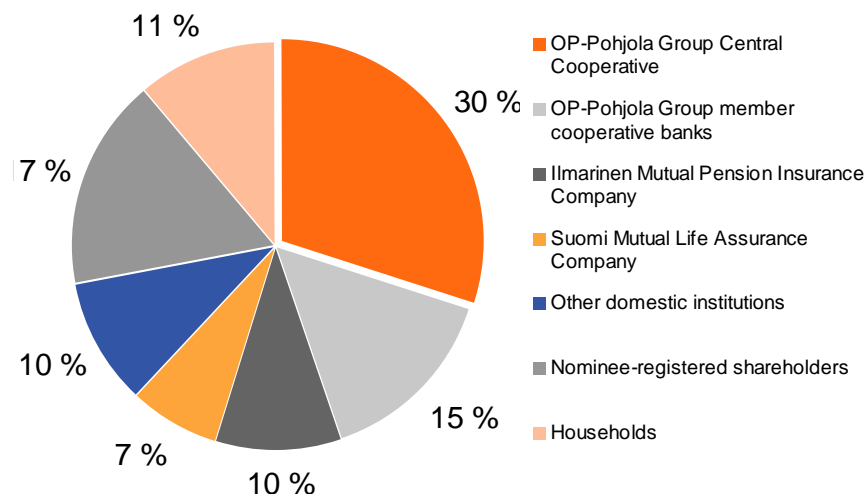
# Largest shareholders and shareholdings by owner

## Ten largest shareholders of Pohjola

Shareholder	of shares %	of voting rights %	€ million
OP-Pohjola Group Central Cooperative	30.0	57.1	855
Ilmarinen Mutual Pension Insurance Company	10.0	5.4	285
Mutual Life Insurance Company Suomi	7.3	3.9	207
Enskilda Banken Ab [nominee reg.]	7.2	3.9	206
Nordea Bank Finland [nominee reg.]	6.8	3.7	195
Svenska Handelsbanken [nominee reg.]	1.7	0.9	49
Oulun Osuuspankki	1.3	1.8	37
OP Bank Group Pension Fund	1.1	0.6	31
OP Bank Group Pension Foundation	0.7	0.4	21
Turun Seudun Osuuspankki	0.6	0.4	18
<b>Total</b>	<b>66.7</b>	<b>77.9</b>	<b>1 904</b>

Nominee registered shares	20.2	8.5	452
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## Shareholdings Series A and K as of 30 September 2010



Source: Company website as of 30 September.2010

# Credit ratings

Rating target: AA rating issued by at least two credit rating agencies

	Moody's*	S & P*	Fitch*
Pohjola Bank	Aa2**	AA-	AA-**
Handelsbanken	Aa2	AA-	AA-
Nordea	Aa2	AA-	AA-
DnB NOR	Aa3	A+	A+
Danske Bank	Aa3	A**	A+
SEB	A1	A	A+
Swedbank	A2	A	A
OP Mortgage Bank***	Aaa	AAA	-
Pohjola Insurance Ltd****	A2**	A+	-
If	A2	A	-
Finnish government	Aaa	AAA	AAA

\*) Long-term debt

\*\*) The credit rating outlook is negative

\*\*\*) Covered bond rating

\*\*\*\*) Financial strength rating

# Pohjola Group

## Consolidated Earnings

€ million	Q3/10	Q3/09	change %	1-9/10	1-9/09	rolling 12Mo	2009
Net Interest Income	62	58	7	189	177	253	241
Corporate Banking	43	36	21	128	101	165	138
Markets	3	2	93	13	24	17	27
Other operations	16	21	-25	48	53	71	75
Net Commissions and fees	37	36	3	118	102	159	143
Net trading income	18	27	-32	34	60	45	71
Net investment income	6	1		21	-8	17	-13
Net income from Non-life Insurance	120	114	5	314	307	410	402
Insurance operations	106	107	0	279	291	371	382
Investment operations	26	19	37	69	48	84	64
Other items	-11	-11	4	-34	-32	-45	-44
Other operating income	11	11	0	32	33	49	50
<b>Net income</b>	<b>255</b>	<b>247</b>	<b>3</b>	<b>708</b>	<b>671</b>	<b>932</b>	<b>895</b>
Total expenses	125	119	5	378	366	513	501
Earnings before impairments and receivables	130	128	1	330	305	419	394
Impairments of receivables	27	41	-35	88	95	122	129
<b>Earnings before tax</b>	<b>103</b>	<b>87</b>	<b>18</b>	<b>242</b>	<b>211</b>	<b>297</b>	<b>265</b>
Change in fair value reserve	62	109		31	213	60	243
<b>Earnings/loss before tax at fair value</b>	<b>165</b>	<b>196</b>		<b>273</b>	<b>424</b>	<b>357</b>	<b>508</b>
<b>Earnings per share, €</b>	<b>0.24</b>	<b>0.20</b>		<b>0.56</b>	<b>0.54</b>		<b>0.66</b>

# Pohjola Group

## Consolidated Earnings by quarter

€ million	7-9/10	4-6/10	1-3/10	10-12/09	7-9/09
Net Interest Income	62	67	60	63	58
Corporate Banking	43	44	40	37	36
Markets	3	4	6	4	2
Other operations	16	19	14	23	21
Net Commissions and fees	37	41	40	41	36
Net trading income	18	8	7	11	27
Net investment income	6	-3	18	-5	1
Net income from Non-life Insurance	120	114	79	96	114
Insurance operations	106	99	74	92	107
Investment operations	26	26	17	15	19
Other items	-11	-11	-11	-11	-11
Other operating income	11	10	11	17	11
<b>Net income</b>	<b>255</b>	<b>239</b>	<b>215</b>	<b>224</b>	<b>247</b>
Total expenses	125	130	123	135	119
<b>Earnings before impairments of receivables</b>	<b>130</b>	<b>109</b>	<b>92</b>	<b>89</b>	<b>128</b>
Impairments of receivables	27	29	33	34	41
<b>Earnings before tax</b>	<b>103</b>	<b>80</b>	<b>59</b>	<b>55</b>	<b>87</b>
Change in fair value reserve	62	-92	61	30	109
<b>Earnings/loss before tax at fair value</b>	<b>165</b>	<b>-11</b>	<b>119</b>	<b>84</b>	<b>196</b>
<b>Earnings per share, €</b>	<b>0,24</b>	<b>0,19</b>	<b>0,14</b>	<b>0,12</b>	<b>0,20</b>

# Banking

## Performance

€ million	Q3/10	Q3/09	change %	1-9/10	1-9/09	rolling 12Mo	2009
Net interest income	46	37	24	141	125	182	165
Corporate Banking	43	36	21	128	101	165	138
Markets	3	2	95	13	24	17	27
Net Commissions and fees	21	22	-1	69	65	88	85
Net trading income	21	27	-22	45	64	60	78
Other operating income	8	8	9	22	22	30	30
<b>Total income</b>	<b>97</b>	93	4	<b>277</b>	276	359	358
Operating expenses	31	30	4	95	94	126	125
Earnings before impairments of receivables	65	63	4	182	183	233	234
Impairments of receivables	28	39	-30	89	84	122	117
<b>Earnings before tax</b>	<b>38</b>	24	61	<b>93</b>	99	111	117
Operating cost/income ratio, %	33	32		34	34	35	35

# Non-life Insurance

## Performance

€ million	Q3/10	Q3/09	change %	1-9/10	1-9/09	rolling 12Mo	2009
Insurance premium revenue	250	241	4	723	712	954	943
Claims incurred	-157	-149	5	-486	-463	-641	-617
Operating expenses	-50	-51	-3	-154	-154	-210	-210
Balance on technical account before amortisation	43	41	5	83	95	104	116
Amortisation/adjustment on intangible assets*	-12	-6	102	-25	-19	-34	-28
Balance on technical account	30	34	-12	58	76	70	88
Net investment income	23	19	22	65	48	77	61
Other income and expenses	-11	-10	15	-38	-35	-50	-46
<b>Earnings/loss before tax</b>	<b>42</b>	<b>43</b>	<b>-3</b>	<b>84</b>	<b>89</b>	<b>97</b>	<b>102</b>
<b>Earnings/loss before tax at fair value</b>	<b>94</b>	<b>126</b>	<b>-26</b>	<b>164</b>	<b>247</b>	<b>208</b>	<b>291</b>
Operating claims ratio, %	62.8	61.8		67.2	65.1		65.5
Operating expense ratio, %	20.0	21.3		21.3	21.7		22.2
Operating combined ratio, %	82.8	83.1		88.6	86.7		87.7
Return on investment, %	2.6	4.3		5.2	9.0		10.7

\* Due to amortisation on intangible assets arising from company acquisition

# Asset Management

## Performance

€ million	Q3/10	Q3/09	change %	1-9/10	1-9/09	rolling 12Mo	2009
Net commissions and fees	12	11	14	39	29	59	50
Other expenses	1	1	15	2	2	2	2
Total net income	13	11	14	41	32	61	52
Total expenses	7	7	7	24	21	33	30
<b>Earnings before tax</b>	<b>6</b>	4	25	<b>18</b>	11	29	21
<b>Operating cost/income ratio, %</b>	<b>51</b>	54		<b>52</b>	60	49	53

# Group Functions

## Performance

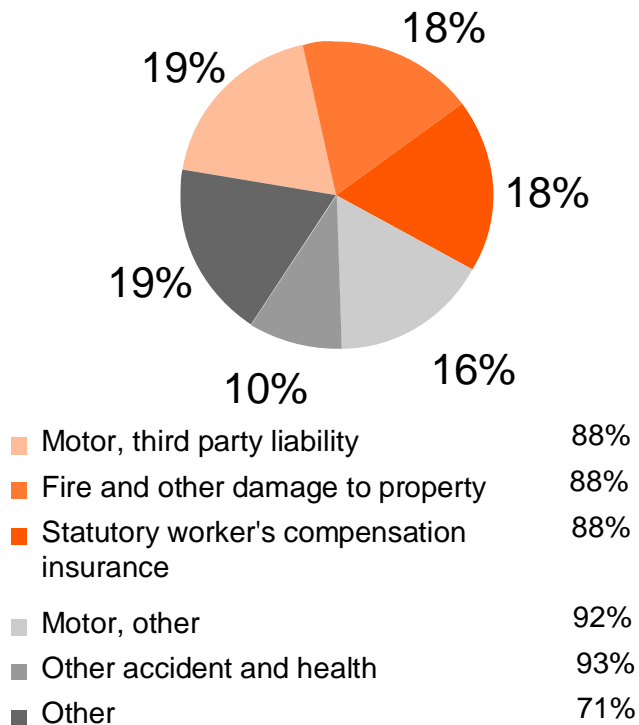
€ million	Q3/10	Q3/09	change %	1-9/10	1-9/09	rolling 12Mo	2009
Net interest income	17	21	-17	51	51	75	75
Net trading income	0	0		-9	-4	-12	-7
Net investment income	6	1		21	-8	16	-13
Other income	2	3	-41	9	10	15	17
Total income	25	25	0	72	49	94	72
Operating expenses	8	7	8	25	27	34	36
Impairments of receivables	-1	2		-1	11	0	12
<b>Earnings before tax</b>	<b>18</b>	16	<b>12</b>	<b>48</b>	11	61	25
<b>Earnings/loss before tax at fair value</b>	<b>28</b>	41	<b>-31</b>	<b>-1</b>	66	9	76



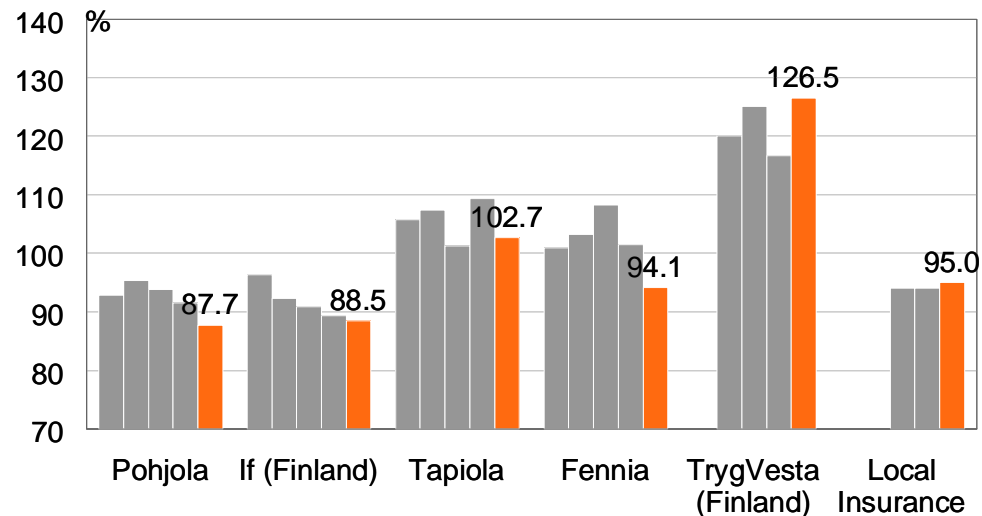
# Non-life Insurance

Insurance premium revenue totalled €943 mn in 2009

Insurance premium revenue by type of insurance and operating combined ratios 2009

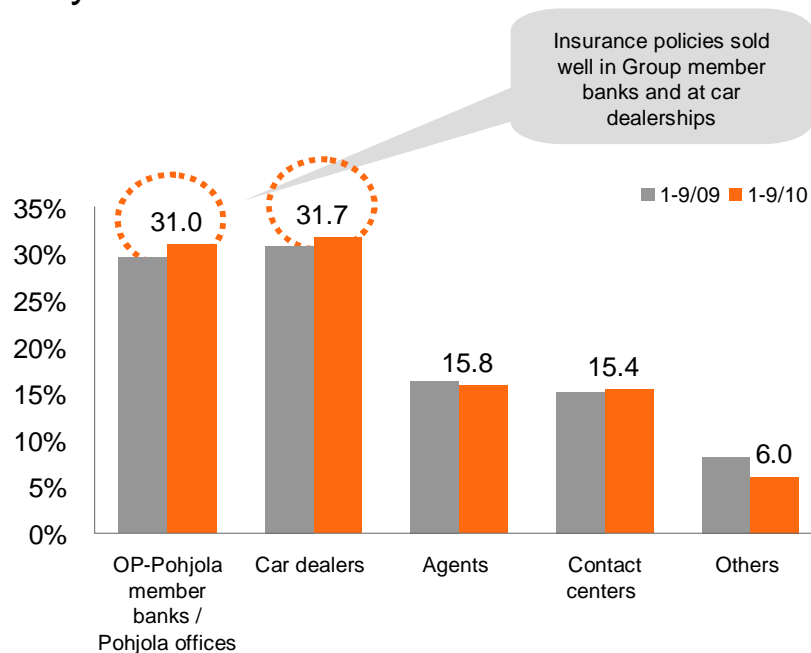


Profitability of Finnish insurance companies measured by combined ratio 2005-2009



# Non-life Insurance

## Non-life insurance sales to private customers by channel



## Change in the number of contracting banks and salespersons

1 Oct. 2008

30 Sept. 2010

Contract banks  
52

+79 %

Contract banks  
93

Insurance salespersons  
230\*

+67 %

Insurance salespersons  
383\*\*

Agents  
180

+2 %

Agents  
184

\*) 250.5 jobs (incl. 19 superiors) transferred to OP-Pohjola Group member banks on 1 October 2008

\*\*) Number of employees on the payroll on 30 September 2010, excl. superiors, so-called hybrid salespeople included

# Joint Guarantee Provision and Life Expectancy within Technical Provisions

---

## Removing a provision for the guarantee scheme

- The joint guarantee scheme under the Insurance Companies Act will undergo changes. The joint guarantee provision means that insurers providing statutory insurance policies are jointly liable for claims paid out which would remain unpaid to claimants as a result of an insurer's liquidation or bankruptcy. Insurers have included a provision for the guarantee scheme in their balance sheet.
- Removing this provision will improve Pohjola Group's earnings by EUR 16 million on a non-recurring basis and the amount is expected to be recognised in the fourth quarter income statement.

## Life expectancy in accounting for technical provisions

- In their joint actuarial project, the Federation of Accident Insurance Institutions and the Finnish Motor Insurers' Centre assess whether the mortality model applied to motor liability insurance and statutory workers' compensation insurance is up to date considering that the average life expectancy has increased. The preliminary findings based on the first stage of the project reveals that life expectancy has increased in Finland.
- A one-year increase in the average life expectancy would increase technical provisions by EUR 31 million. The effect on Pohjola's technical provisions will be specified in the spring of 2011, but Pohjola is prepared to recognise a non-recurring increase of EUR 30–40 million in its technical provisions as early as the fourth quarter.

# Non-life Insurance

## Non-life Insurance fixed-income portfolio and risk exposure

Risk parameter	Total amount 30 Sept 2010, EUR million	Change in risk parameter	Effect on combined ratio	Effect on share- holders' equity, EUR million
Insurance portfolio or insurance premium revenue*)	954	Up 1%	Up 0.9 percentage point	10
Claims incurred*)	641	Up 1%	Down 0.7 percentage points	-6
Major loss of over EUR 5 million		1 loss	Down 0.5 percentage points	-5
Personnel costs*)	106	Up 8%	Down 0.9 percentage points	-9
Expenses by function*) **)	267	Up 4%	Down 1.1 percentage points	-11
Inflation for collective liability	492	Up 0.25 percentage points	Down 0.3 percentage points	-3
Life expectancy for discounted insurance contract liability	1,337	Up 1 year	Down 3.2 percentage points***)	-31
Discount rate for discounted insurance contract liability	1,337	Down 0.1 percentage point	Down 1.7 percentage points***)	-16

\*) Rolling 12-month

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

\*\*\*) Changes in reserving bases have no impact on the operating combined ratio

# Non-life Insurance

Investment-grade exposure accounts for 89% and 75% of the exposure comprise receivables in at least category A–

The fixed-income portfolio by maturity and credit rating as of 30 September 2010

Year	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	%
Aaa	20	121	208	73	56	73	551	24
Aa1 – Aa3	51	117	137	44	47	33	429	19
A1 – A3	83	212	211	71	74	58	708	31
Baa1 – Baa3	24	104	90	37	53	0	308	14
Ba1 or lower	58	59	59	29	6	13	225	10
Internally rated	5	4	12	1	0	7	28	1
<b>Total, €mn</b>	<b>242</b>	<b>618</b>	<b>716</b>	<b>255</b>	<b>235</b>	<b>184</b>	<b>2 250</b>	<b>100</b>

The average residual term to maturity is 5.1 years and the duration 3.9 years

# Group Functions

Liquidity portfolio €9.7 billion

Liquidity portfolio by maturity and credit rating as of 30 September 2010

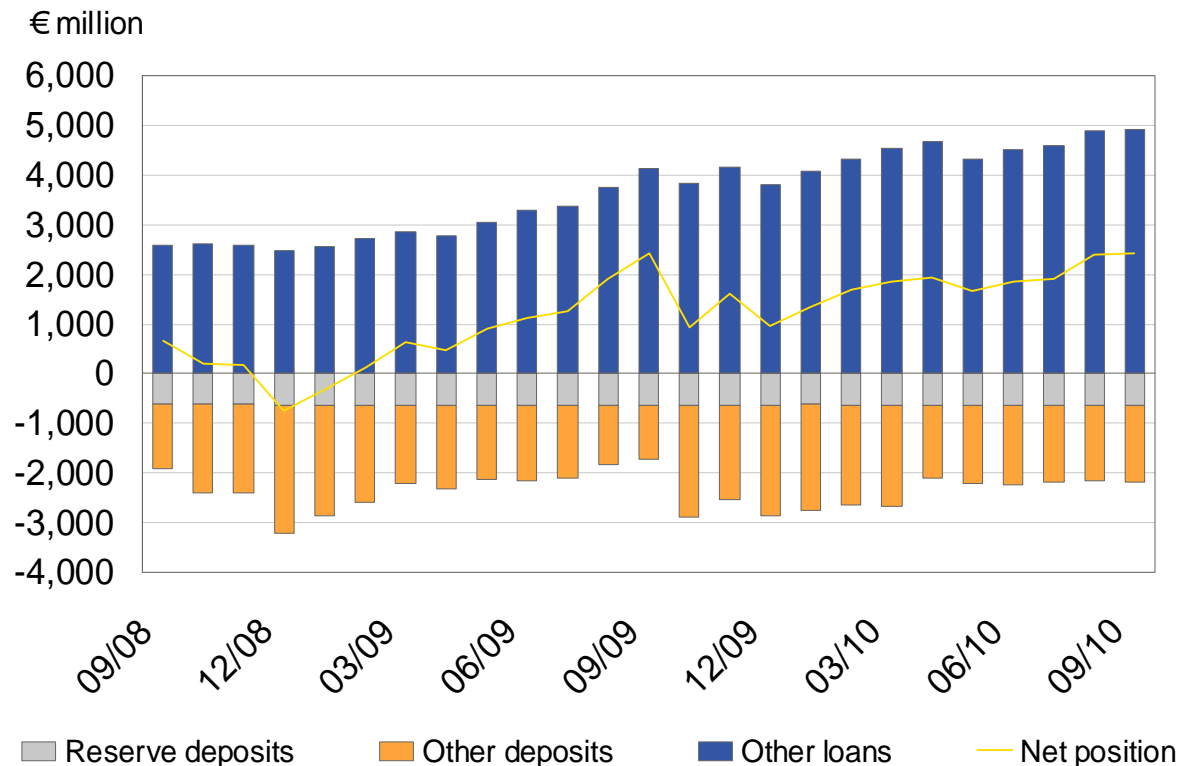
Year	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	%
Aaa	1 162	948	1 973	853	663	11	5 609	58 %
Aa1 – Aa3	635	1 094	599	132	124	105	2 689	28 %
A1 – A3	100	650	222	18	2	0	991	10 %
Baa1 – Baa3	55	61	48	5	4	0	171	2 %
Ba1 or lower	0	20	27	27	5	0	80	1 %
Internally rated	88	51	42	26	0	0	208	2 %
<b>Total, €mn</b>	<b>2 039</b>	<b>2 824</b>	<b>2 911</b>	<b>1 060</b>	<b>798</b>	<b>116</b>	<b>9 748</b>	<b>100 %</b>

The residual term to maturity averages 3.7 years

# Group Functions

Pohjola's net receivables from OP-Pohjola Group retail banks increased to €3.7 bn (31 Dec. 2009: €2.9 bn)

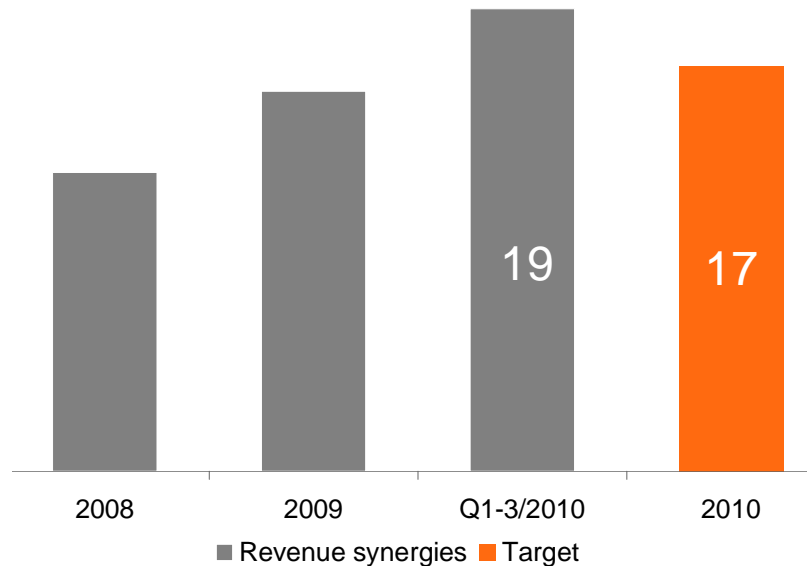
Receivables and liabilities between Pohjola and OP-Pohjola Group retail banks



# Revenue synergies

- In 2005, Pohjola set a target of achieving annual revenue synergies of EUR 17 million by the end of 2010, resulting from growth in the number of loyal customer households
- Pohjola met this target as early as the first quarter

Revenue synergies, € mn



The estimate is based on the following formula:  $10\% \times (\text{new loyal customer households received as a result of cooperation with Group member banks} \times \text{average insurance premium / household}) + \text{a } 5.4\% \text{ return on insurance premium invested}$



# Pohjola Group

## Key Value Drivers

### Pohjola Group

#### Banking

- Growth in the loan and guarantee portfolio
  - Quality of the portfolio and impairment charges
- Level of margins and commissions/fees
  - Capital market activity and trading volumes
- Cost-efficiency

#### Non-life Insurance

- Premium growth
- Risk selection and pricing
- Promptness, quality and efficiency of claims settlement
- Net investment income
- Cost-efficiency

#### Asset Management

- Assets under management
- Asset allocation
  - The level of commissions and fees
- Investment performance
- Cost-efficiency

#### Group Functions

- Return on the liquidity portfolio
- Credit spread development
- The amount of loans/deposits to/from OP-Pohjola member banks
- Pohjola's credit rating and funding costs
- Cost-efficiency

# OP-Pohjola Group



## OP-Pohjola Group in brief

- Finland's leading financial services group
- The broadest customer base
- The best loyalty benefits
- High credit rating (AA)

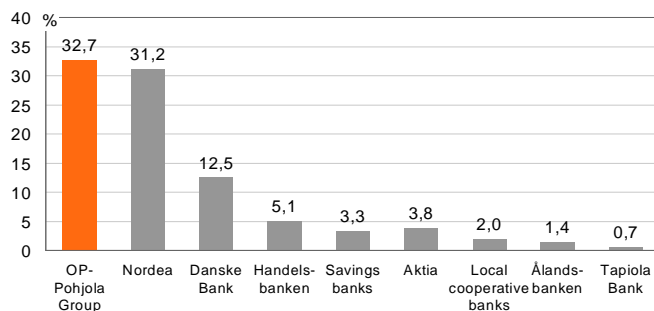
## Pohjola as part of OP-Pohjola Group

- OP-Pohjola Group serves as the distribution channel for Pohjola's non-life insurance policies
- Huge growth potential
- OP-Pohjola Group's strong financial position enhances Pohjola's credit rating

# OP-Pohjola Group

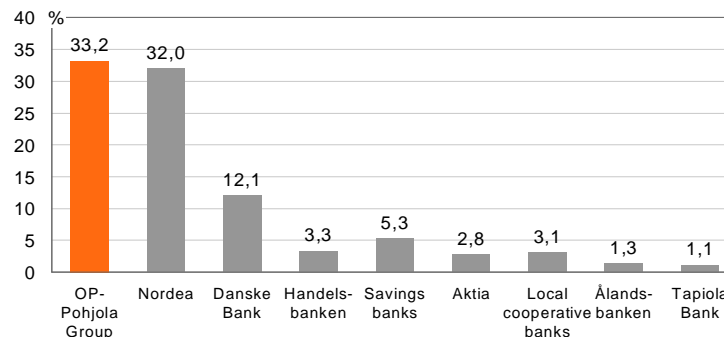
The leading financial services provider in Finland

Market Share in Loans  
31 December 2009



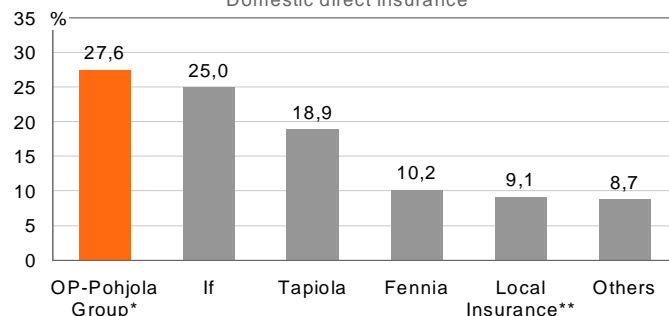
Source: Federation of Finnish Financial Services

Market Share in Deposits  
31 December 2009



Source: Federation of Finnish Financial Services

Market share in non-life insurance  
premiums written 2009  
Domestic direct insurance

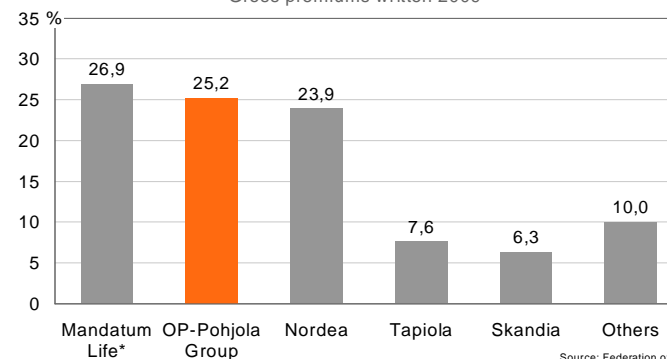


Source: Federation of Finnish Financial Services

\*Pohjola Non-Life, A-Insurance, Eurooppalainen

\*\*incl. Palonvara

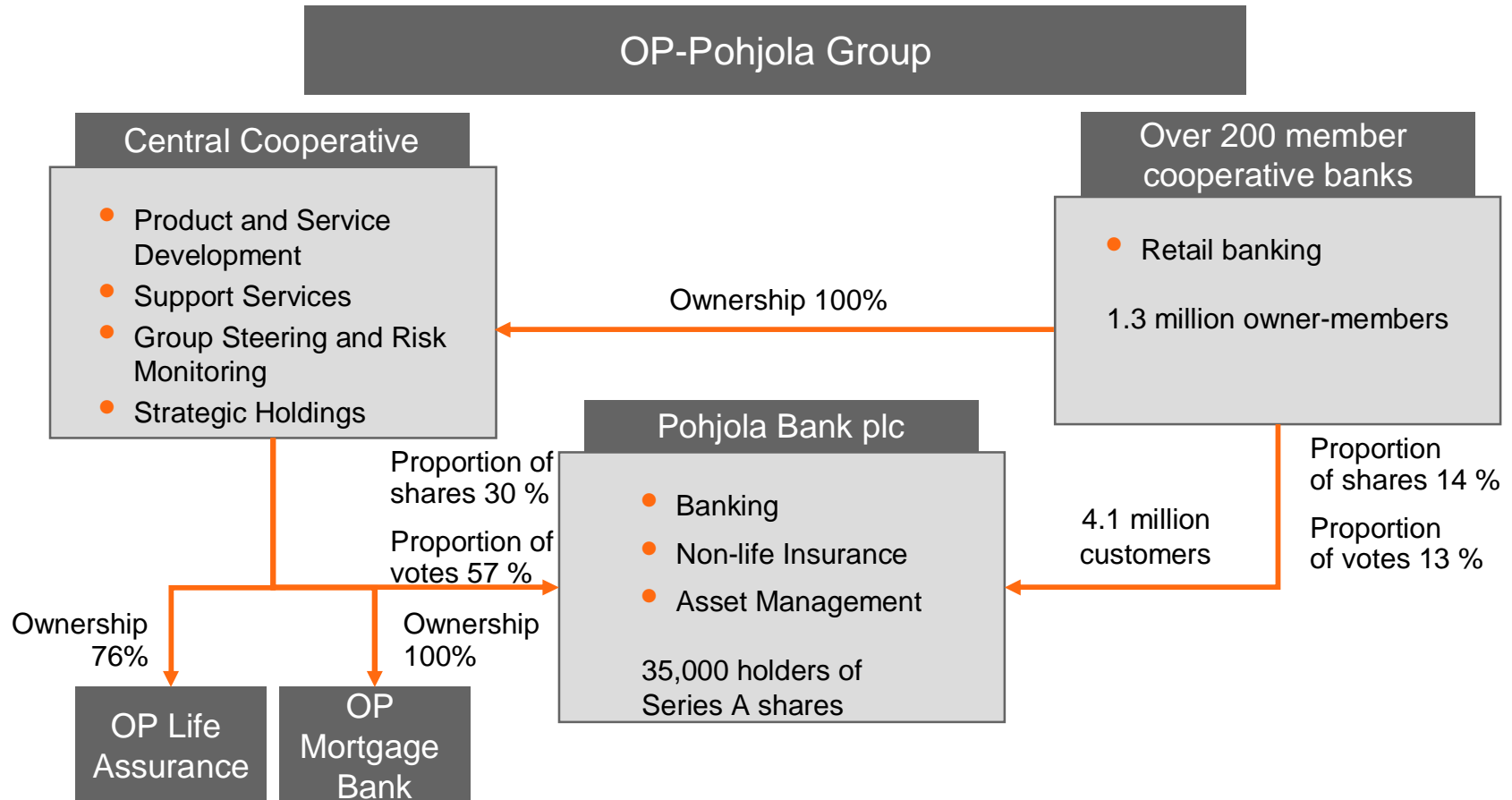
Market shares in life insurance  
Gross premiums written 2009



\* Mandatum Life and Kaleva

Source: Federation of Finnish Financial Services

# OP-Pohjola Group's structure and roles



The Central Cooperative and the member banks are liable for each other's debts and commitments.

OP-Pohjola Group is monitored on a consolidated basis by FSA.

# Joint liability

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- Joint liability within OP-Pohjola Group is based on the Act of Amalgamations of Deposit Banks (the Amalgamations Act).
- OP-Pohjola Group Central Cooperative and its member credit institutions are liable for each other's debts and commitments in accordance with the Act.
  - The Central Cooperative is responsible for the payments of any debts of a Member Credit Institution that cannot be paid using such Member Credit Institution's own funds.
  - A Member Credit Institution must pay to the Central Cooperative a proportionate share of the amount which the Central Cooperative has paid either to another Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor has not received payment from his debtor.
  - Each Member Credit Institution's liability, for the amount which the Central Cooperative has paid on behalf of one Member Credit Institution to its creditors, is divided between the Member Credit Institutions in proportion to their last confirmed balance sheet totals.
- OP-Pohjola Group's insurance companies do not fall within the scope of joint liability.

# OP-Pohjola Group and Pohjola

## Key figures

	OP-Pohjola Group 1-9/10	Pohjola 1-9/10	OP-Pohjola Group 2009	Pohjola 2009
Total assets, € million	82 974	35 910	80 430	35 510
Receivables from customers, € million	55 705	11 771	52 992	11 323
Deposits, € million	35 388	4 430	34 617	4 133
Equity capital, € million	6 632	2 361	6 187	2 267
Tier 1, %	12.7	12.3	12.6	11.8
Doubtful receivables, € million	259	29	223	44
Doubtful receivables and zero-interest bearing receivables of loans and guarantees, %	0.4	0.21	0.4	0.32
Loan and guarantee portfolio, € bn	58.3	14.0	55.6	13.3
Impairments of receivables, € million	108	88	179	129
Impairments of receivables / loan and guarantee portfolio, %	0.19	0.63	0.32	0.94
Personnel	12 310	2 996	12 504	2 966

# OP-Pohjola Group and Pohjola

## Income statement, € million

	OP-Pohjola Group 1-9/10	Pohjola 1-9/10	OP-Pohjola Group 2009	Pohjola 2009
Net interest income	679	189	1 070	241
Net income from Non-Life insurance	309	314	396	402
Net income from Life Insurance	62		-120	
Net commissions and fees	417	118	496	143
Other income	141	87	208	109
<b>Total income</b>	<b>1 608</b>	<b>708</b>	<b>2 051</b>	<b>895</b>
<b>Total expenses</b>	<b>941</b>	<b>378</b>	<b>1 248</b>	<b>501</b>
<b>Earnings before impairments of receivables</b>	<b>546</b>	<b>330</b>	<b>643</b>	<b>394</b>
Impairments of receivables	108	88	179	129
Returns to owner-members and OP-bonus customers	122		160	
<b>Earnings before tax</b>	<b>438</b>	<b>242</b>	<b>464</b>	<b>265</b>
Change in fair value reserve	256	31	677	243
Earnings/loss before tax at fair value	694	273	1 140	508

# OP-Pohjola Group and Pohjola

## Key ratios

	OP-Pohjola Group 1-9/10	Pohjola 1-9/10	OP-Pohjola Group 2009	Pohjola 2009
Net interest margin, %	1.1*	1.38**	1.4*	1.33**
Cost / Income ratio, %	58	34***	53	35***
Return on equity (ROE) at fair value, %	10.7	11.7	14.7	19.2
Return on assets, (ROA) at fair value, %	0.8		1.1	
Non-Life Insurance, Solvency ratio, %		99		88
Life Insurance, Solvency ratio, %****	16.8		13.3	
Operating Combined ratio, %		88.6		87.7

\* Net interest income as a percentage of average total assets

\*\* Average margin for corporate lending

\*\*\* Cost / Income ratio in Banking

\*\*\*\* Solvency capital / (net technical provisions at own liability - equalization provision - 0,75 \* technical provisions on unit-linked insurances) \* 100





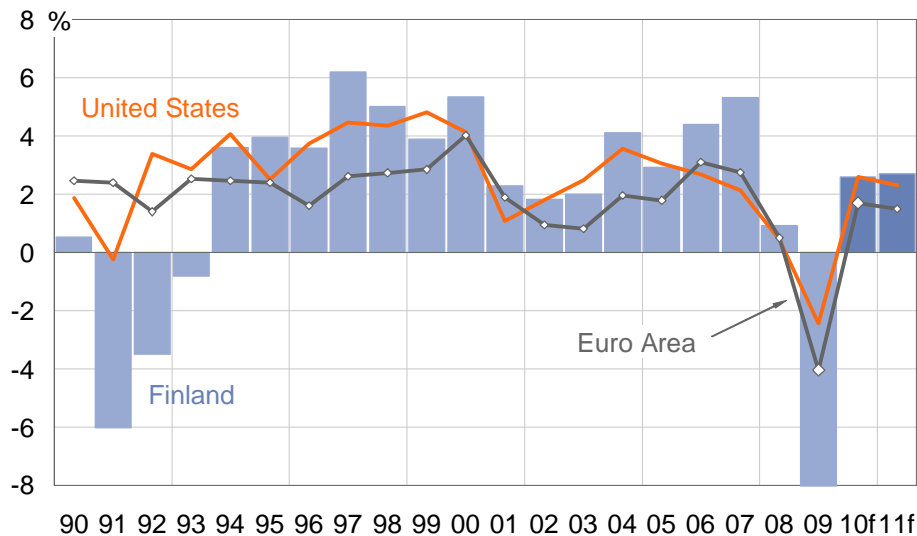
# Finnish Economy

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# GDP and demand components

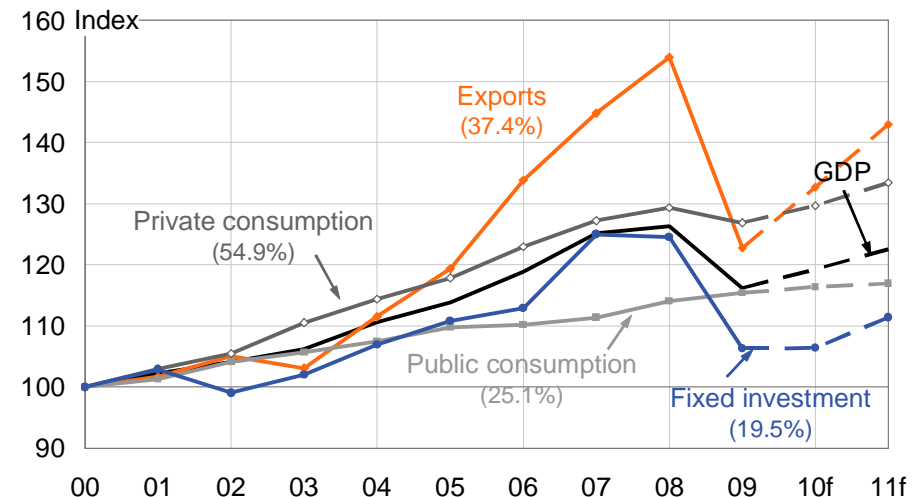
## Change in GDP volume



Sources: Reuters EcoWin, forecasts OP-Pohjola Group (August 2010) and IMF (October 2010)

## GDP and demand components

GDP shares in 2009 in brackets

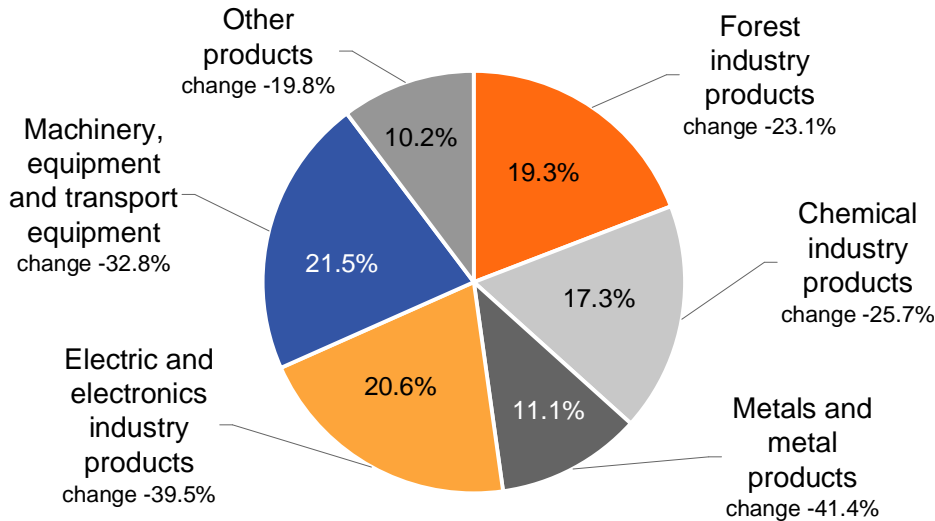


Sources: Statistics Finland, forecasts OP-Pohjola Group, August 2010

# Exports by product group and country

## Goods exports by product group

Share of total exports and annual change  
2009

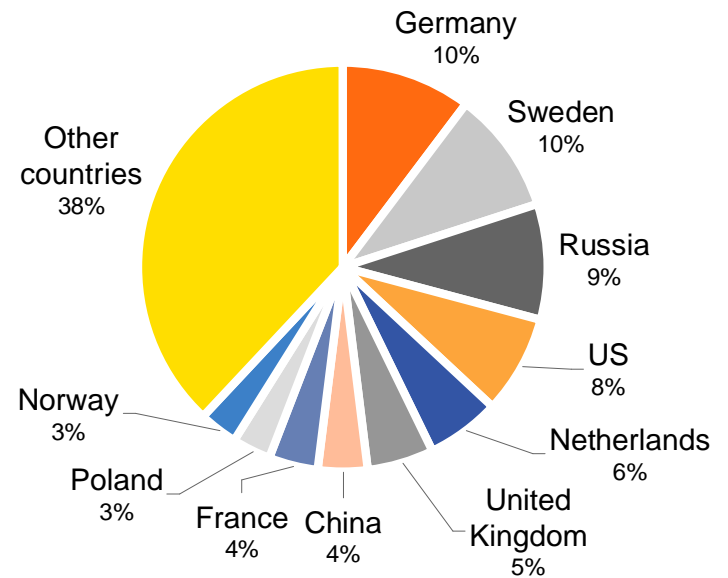


Total exports 44.9 EUR Billion (change, -31.5%)

Source: National Board of Customs

## Goods exports by countries

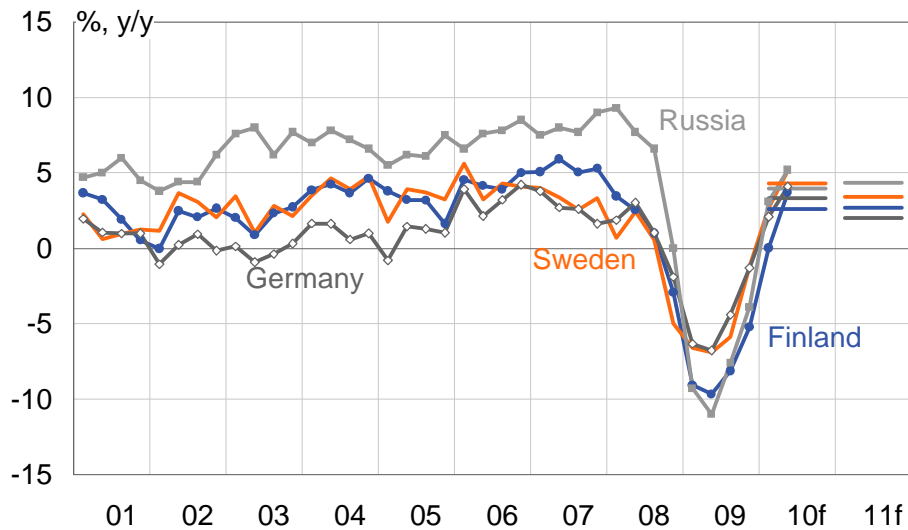
2009



Source: National Board of Customs

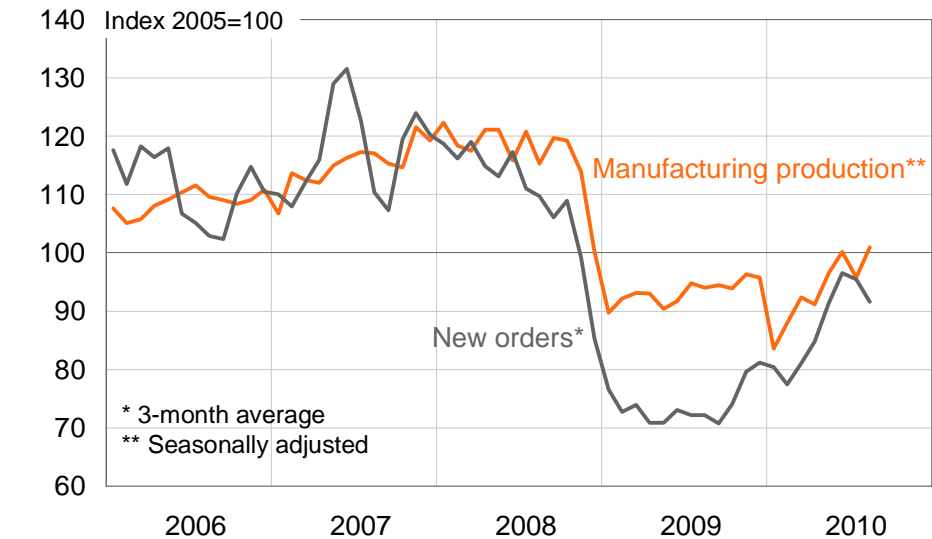
# GDP growth, Manufacturing production and orders

## GDP growth



Sources: Reuters EcoWin, IMF (WEO , October 2010), OP-Pohjola Group (August 2010),  
National Institute of Economic Research (Sweden) September 2010

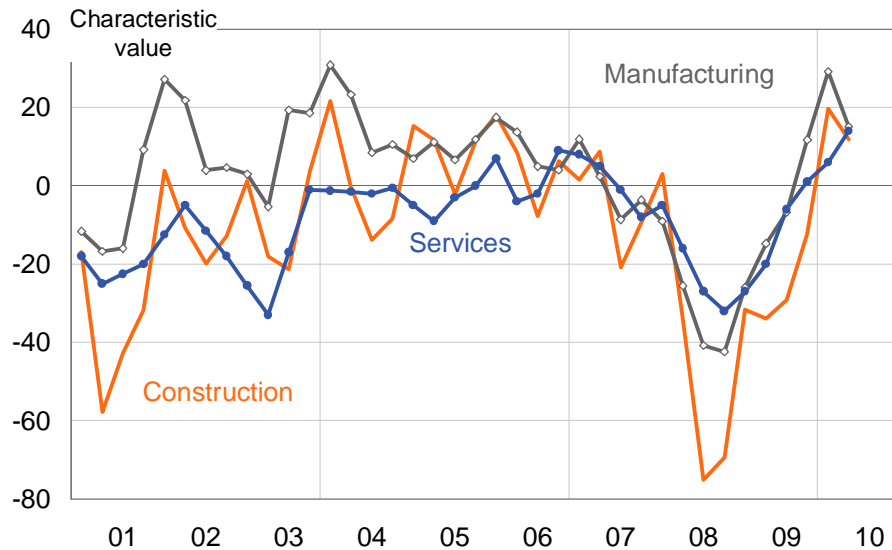
## Manufacturing production and new orders



Source: Statistics Finland

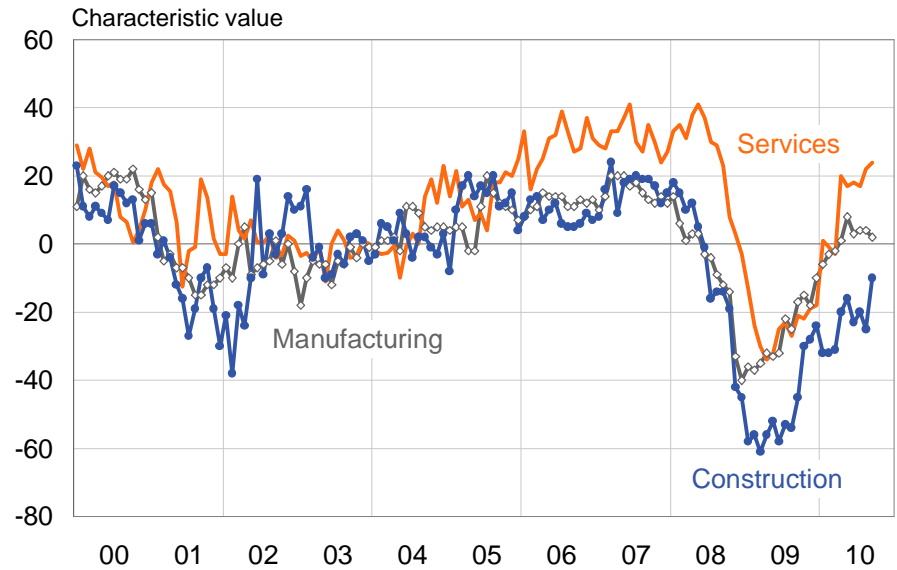
# Business outlook and confidence indicators

## Business outlook survey



Source: Confederation of Finnish Industries EK (5 August 2010)

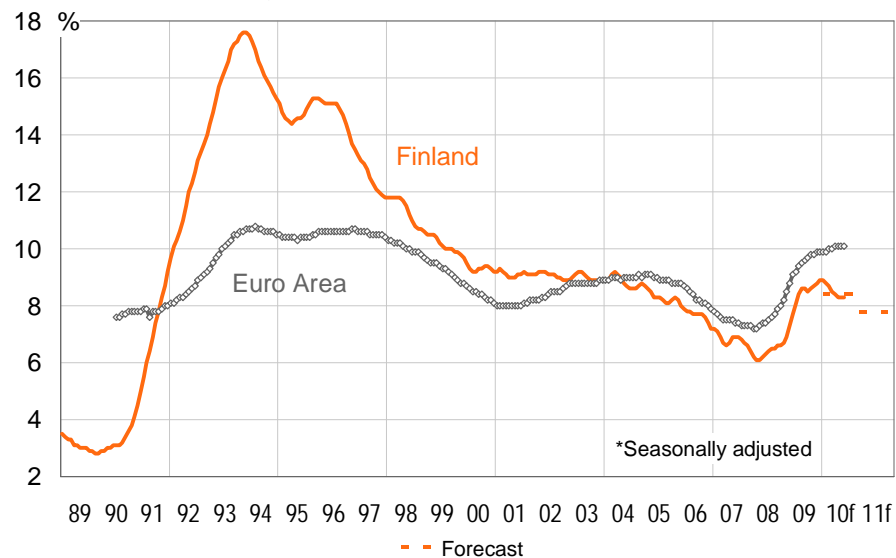
## Confidence indicators in Finland



Source: Confederation of Finnish Industries EK

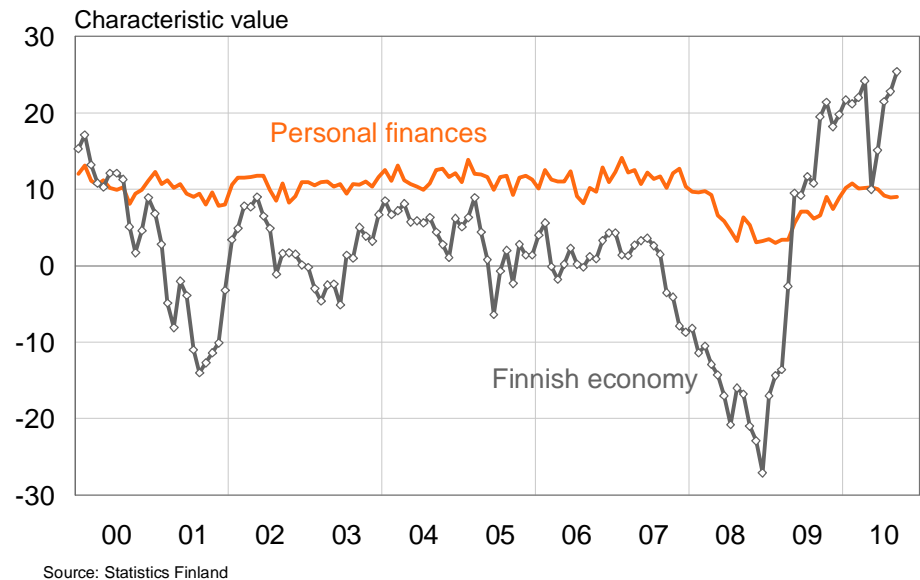
# Unemployment rate and consumer confidence

Unemployment rate\* in Finland and Euro Area



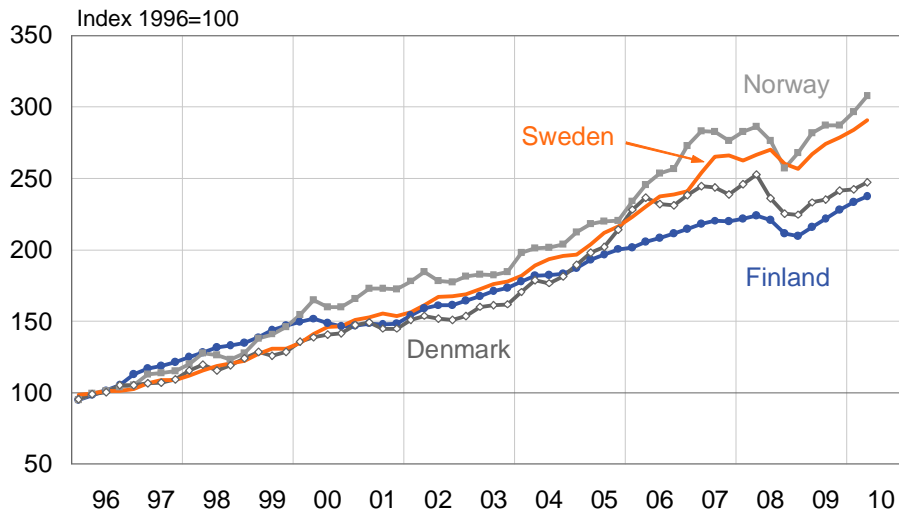
Sources: Statistics Finland, Eurostat, forecasts OP-Pohjola Group, August 2010

Consumer confidence indicator



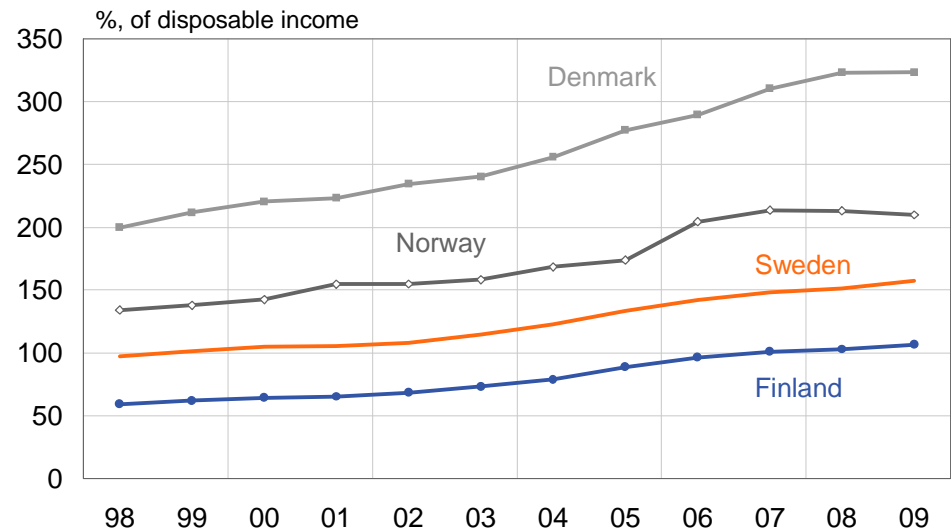
# House prices and households' debt ratio

## Average house prices



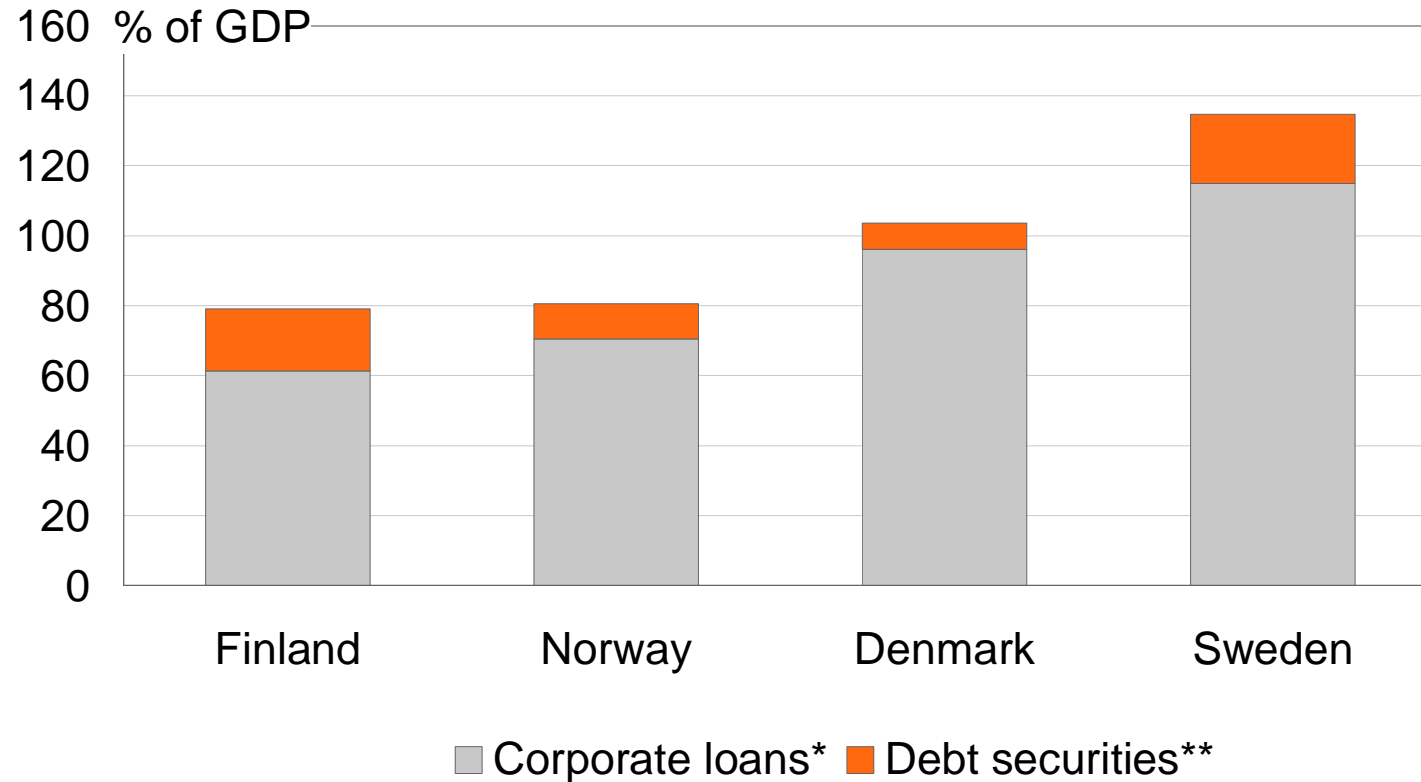
Sources: Reuters EcoWin, Statistics Sweden

## Households' debt ratio



Sources: Central Banks, Statistics Finland

# Corporate debt in 2009



\* Excl. loans between Finnish companies

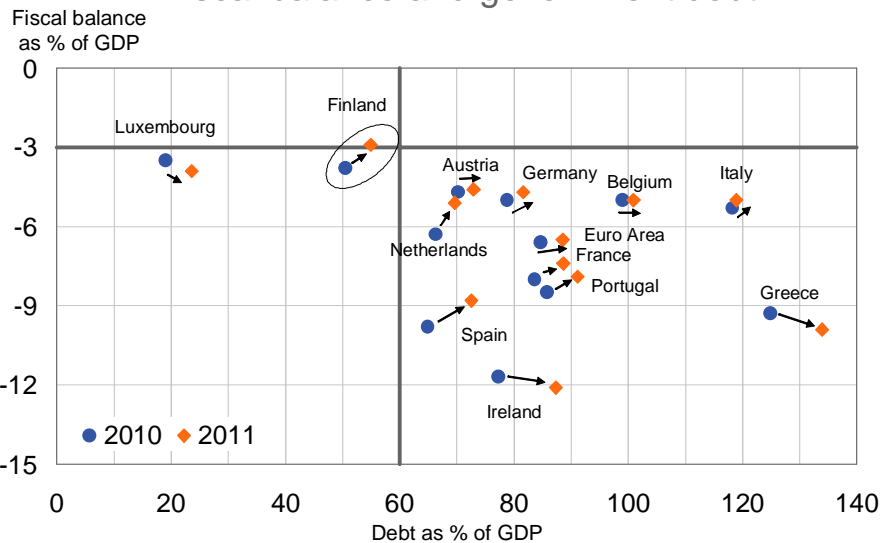
\*\* Commercial papers, corporate bonds and financial derivatives

Source: Eurostat, Consolidated Financial Accounts, Norway year 2008



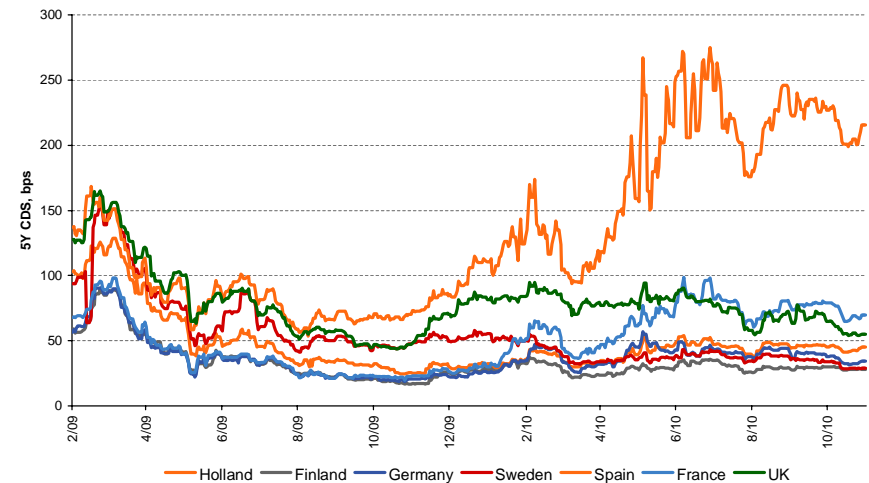
# Fiscal balance and 5yr CDS by country

## Fiscal balance and government debt



Source: European Commission, May 2010

## 5yr CDS 02/09-10/10 by country



# Forecasts for the Finnish economy

Published on 30 August, 2010

	2009 EUR bn	2009 Volume, % change on previous year	2010f	2011f
<b>GDP</b>	171,3	-8,0	2,6	2,7
<b>Imports</b>	59,8	-18,1	6,6	7,9
<b>Exports</b>	64,0	-20,3	8,1	7,7
<b>Private consumption</b>	94,0	-1,9	2,2	2,9
<b>Public consumption</b>	43,0	1,2	0,8	0,5
<b>Private fixed investment</b>	28,6	-17,4	0,1	5,0
<b>Public fixed investment</b>	4,8	6,1	-0,1	2,5

## Other key indicators

	2009	2010f	2011f
<b>Consumer price index, % change y/y</b>	0,0	1,1	2,1
<b>Wage and salary earnings, % change y/y</b>	3,9	2,7	2,5
<b>Unemployment rate, %</b>	8,2	8,4	7,8
<b>Current account balance, % of GDP</b>	1,3	1,4	1,1
<b>General government debt, % of GDP</b>	44	49,8	52,4
<b>General government net lending, % of GDP</b>	-2,2	-4,3	-2,0



# Investor Relations

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