Pohjola Bank plc
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Pohjola Bank plc Interim Report for 1 January–31 March 2009

– Earnings before tax improved year on year, coming to EUR 36 million (17).
– Earnings per share stood at EUR 0.13 (0.07), while equity per share was EUR 7.98 (8.07).
– Earnings before tax at fair value amounted to EUR 41 million (–48) and return on equity at fair value was 7.2% (–8.0).
– Tier 1 ratio stood at 9.4% (9.4).
– Group liquidity and the availability of funding remained at good levels.
– Banking reported excellent financial results. Growth in the loan and guarantee portfolio came to a standstill and the loan portfolio margins continued to rise.
– Within Asset Management, assets under management totalled EUR 24.9 billion (25.3).
– Non-life Insurance recorded a good balance on technical account and reported a combined ratio of 91.3% (98.2). Growth in insurance premium revenue slowed to 5% (8). Non-life Insurance return on investment at fair value stood at –0.4% (–0.6). Non-life Insurance showed lower earnings before tax as a result of lower investment income recognised in the income statement.

Group financial performance for January–March1)

Earnings before tax, EUR million	**Q1/09**	**Q1/08**	**Change**	**2008**
Banking	50	25	24	105
Asset Management	2	3	-1	17
Non-life Insurance	-1	22	-24	55
Group Functions	-14	-34	20	-58
Total	**36**	**17**	**19**	**119**
Change in fair value reserve	4	-66	70	-252
Earnings/loss before tax at fair value	**41**	**-48**	**89**	**-133**

Key indicators	**Q1/09**	**Q1/08**	**2008**	**Target**
Earnings before tax, EUR million	36	17	119	
Profit for the period, EUR million	25	13	89	
Return on equity, %	7.2	-8.0	-5.6	13
Balance sheet total, EUR billion	32.2	29.0	32.4	
Shareholders' equity. EUR billion	1.6	1.7	1.6	
Tier 1 ratio, %	9.4	9.5	9.4	>9.5
Earnings per share, EUR	0.13	0.07	0.44	
Earnings per share, incl. change in fair value, EUR	0.14	-0.17	-0.48	
Equity per share, EUR	7.98	8.37	8.07	
Average personnel	2,949	3,063	2,986	

1) Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2008 are used as comparatives.

President and CEO Mikael Silvennoinen:

"Pohjola Group's financial performance in the first quarter was better than a year ago. Net interest income, net commissions and fees and net trading income developed favourably, with the result that Banking reported excellent financial performance. In line with our previous expectations, growth in the loan and guarantee portfolio slowed down as a result of waning investment demand, and the average margin on corporate loans continued to rise. Impairments on receivables increased in comparison with their exceptionally low level a year ago but were in line with those recorded for the fourth quarter of 2008. Doubtful receivables also increased during the reporting period but remained low relative to the loan and guarantee portfolio. The Group's liquidity position is strong and short-term funding has performed well despite the financial crisis.

During the first quarter, growth in insurance premium revenue slowed down but the balance on technical account and the combined ratio made good progress. Non-life Insurance investment income at fair value was slightly negative but somewhat better than a year ago. As a result of lower dividends and capital gains than a year ago and impairments recognised from the fair value reserve in the income statement, net investment income in the Non-life Insurance income statement was significantly lower than in the previous year.

Following the reporting period, we strengthened our capital base through a EUR 308-million rights issue. With over 28,000 shareholders subscribing for shares offered, the issue was oversubscribed. I am very pleased with the outcome of this issue and the trust shown in us by our shareholders. The capital raised through the issue will further secure our ability to provide credit to our clients and prepare for the economic downturn underway. The Group will, thanks to its strong capital base, have good potential for capitalising on any opening business opportunities and strengthening its position as a leading financial services provider in Finland."

Operating environment

The global economic outlook continued to weaken during the first half of 2009. US output has fallen sharply and Asia has experienced a major slowdown in growth. With the ever-weakening situation in the real economy, growth forecasts for both the euro area and Finland were revised down markedly. The economic outlook is expected to improve towards the year end at the earliest mainly because the US economy is predicted to move into recovery.

Monetary stimulus has been used as a weapon and many governments have established stimulus packages in support of economic growth. In early April, the ECB cut its benchmark interest rate to 1.25%, the lowest rate since the adoption of the euro. Short-term interest rates in the euro area have continued their downward trend during the first few months of the year.

Risk premiums in the corporate loan market showed a major rise in the first quarter, heralding a marked increase in payment defaults in 2009, with expectations of companies' weaker profit performance coupled with low risk appetite lying behind these developments. Fears of new writedowns in the banking sector have also affected risk appetite. From the corporate perspective, higher credit risk premiums have been compensated by lower interest rates, which has contributed to dampening growth in financing costs.

Prospects for equity markets still look uncertain. Companies have revised down their profit forecasts, which has had an adverse effect on equity-market developments. However, March saw a pinch of optimism when major stock indices began to recover. This improvement suggested enhanced expectations that the worst could already be past.

Business slowdown in the corporate sector has restrained premiums written within Non-life Insurance. On the other hand, however, this slowdown has also reduced the risk level and thus improved Non-life Insurance profitability.

Consolidated earnings

Consolidated earnings EUR million	2009 Q1	2008 Q1	Change	Rolling 12-month	2008
Net interest income	52	35	17	191	174
Impairments of receivables	21	–2	23	51	28
Net interest income after impairments	**31**	**37**	**–6**	**140**	**146**
Net income from Non-life Insurance	70	91	–21	333	353
Net commissions and fees	30	32	–2	121	122
Net trading income	25	–44	68	–13	–81
Net investment income	–9	5	–14	–8	6
Other operating income	11	11	0	42	42
Total net income	**158**	**133**	**25**	**614**	**589**
Personnel costs	45	45	0	177	178
IT expenses	19	19	0	80	80
Depreciation and amortisation	17	16	1	70	69
Other expenses	41	36	6	149	143
Total expenses	**122**	**115**	**6**	**477**	**470**
Earnings before tax	**36**	**17**	**19**	**138**	**119**
Change in fair value reserve	4	–66	70	–182	–252
Earnings/loss before tax at fair value	**41**	**–48**	**89**	**–44**	**–133**
Income tax expense	11	4	7	38	31
Profit for the period	**25**	**13**	**12**	**100**	**89**
Tax on change in fair value reserve	1	–17	18	–47	–65
Earnings/loss for the period at fair value	**29**	**–35**	**64**	**–35**	**–99**

Consolidated net income rose by 19% to EUR 158 million (133).

Net interest income came to EUR 52 million (35), up by 47% year on year. This improvement had its roots in the credit portfolio and lending margins that grew vigorously throughout 2008. The price difference recognised on reclassified notes and bonds increased net interest income by EUR 8 million.

Impairments of receivables rose by EUR 23 million year on year to EUR 21 million, remaining at the same level as in the fourth quarter of 2008.

Within Non-life Insurance, net income fell by EUR 21 million. The balance on technical account improved by EUR 17 million to EUR 14 million (–3), but net investment income recognised in the income statement was almost EUR 40 million lower than in the previous year. Dividend income and capital gains were lower than in the previous year and impairments recognised from the fair value reserve in the income statement totalled EUR 16 million. Growth in the insurance premium revenue slowed down to 5%, totalling EUR 231 million (220). Owing to favourable claims developments, claims incurred went down and profitability based on the balance on technical account was good, with the operating combined ratio standing at 91.3% (98.2).

Net commissions and fees amounted to EUR 30 million, remaining almost at the previous year's level (32). Commissions from loans showed a strong increase whereas those from asset management and securities brokerage declined.

Net trading income came to EUR 25 million (–44), showing a year-on-year improvement of EUR 68 million. Derivative and bond trading grew vigorously and income was on the rise. Negative mark-to-market valuations recognised a year ago in the income statement from liquidity reserves totalled EUR 49 million.

Net investment income decreased by EUR 14 million being EUR 9 million in the red, due to adjustments for property acquisition costs, impairment charges for equities and lower dividend income than a year ago.

Expenses rose by 6% to EUR 122 million (115). Excluding a EUR 2-million increase in deprecation on leases, expenses rose by 4%. Growth in expenses slowed down over the previous year. The number of Group employees increased by 55 from 31 December 2008. Agency fees and sales commissions rose by EUR 4 million as a result of Pohjola's insurance field staff joining the payroll of OP-Pohjola Group member banks on 1 October 2008.

Earnings before tax amounted to EUR 36 million, or EUR 19 million higher than a year ago.

The fair value reserve increased by EUR 4 million, whereas it decreased by EUR 66 million during the same period a year ago. Impairments recognised from the fair value reserve in the income statement totalled EUR 20 million.

Earnings before tax at fair value were EUR 41 million (–48).

Group risk exposure

The effects of the financial crisis were still felt in investment income generated by Non-life Insurance and in the mark-to-market valuations of the Group's liquidity reserves. In addition, the spread of the financial crisis to the real economy was reflected in customer companies' lower credit rating and growth in doubtful receivables and impairments. However, investment-grade exposures continued to remain at good levels and the ratio of doubtful receivables to the loan and guarantee portfolio remained at a low level.

The financial position and liquidity remained strong despite the market situation. Short-term funding has performed well and long-term funding markets have also shown signs of recovery. Pohjola has the opportunity to use Finnish state guarantee in its funding, if necessary.

Pohjola Bank plc maintains OP-Pohjola Group's liquidity reserves which mainly consist of notes and bonds eligible as collateral for central bank refinancing. Liquidity reserves totalled EUR 8.8 billion (9.8) on 31 March. These liquidity reserves plus items included in OP-Pohjola Group's balance sheet comprise the liquidity reserve eligible for central bank refinancing, which can be used to cover OP-Pohjola Group's wholesale funding maturities for some 24 months.

Determining the value of the financial assets included in the liquidity reserve is based on mark-to-market valuations and the Group has not applied its own valuation models, despite the illiquid market. Nor has the Group measured any debt securities issued to the public at fair value. Impairments recognised from the liquidity reserves during the first quarter totalled EUR 10 million, based on lower credit ratings for receivables. Within Non-life Insurance, the first-quarter return on the investment portfolio at fair value stood at –0.4%.

Despite the difficult market situation, the Group's risk exposure remained favourable although doubtful receivables and impairments increased in line with expectations. Net credit losses and impairments for January–March totalled EUR 21 million (–2). Doubtful receivables rose by EUR 15 million to EUR 50 million and their ratio to the loan and guarantee portfolio stood at 0.35% (0.25). The prolonged uncertainty in the global financial market and its effects spreading to the real economy will increase doubtful receivables and impairments from their current low levels.

Capital adequacy

The capital adequacy ratio continued to remain strong, standing at 11.5% (11.7) as against the statutory minimum requirement of 8%. The Tier 1 ratio was 9.4% (9.4).

Tier 1 capital came to EUR 1,230 million (1,228) and the total capital base amounted to EUR 1,500 million (1,530). The minimum regulatory capital requirement to cover market risk amounted to EUR 34 million (47). Pohjola strengthened its capital base through a rights issue of EUR 308 million, which is explained in greater detail under "Events after the reporting period".

On 31 March, risk-weighted assets totalled EUR 13,081 million, as against EUR 13,120 million on 31 December 2008. When comparing risk-weighted assets with those at the end of last year based on figures excluding transitional rules, they rose by EUR 297 million, due to lower corporate credit ratings.

Credit ratings

Pohjola Bank plc's credit ratings are as follows:

Rating agency	Short-term debt	Long-term debt
Standard & Poor's	A-1+	AA-
Moody's	P-1	Aa1
Fitch	F1+	AA-

Both Fitch and Standard & Poor's have confirmed a stable credit rating outlook for Pohjola Bank plc, but Moody's put Pohjola on its watchlist on 15 April 2009.

Financial targets and actuals

Pohjola Group updated its financial targets: The minimum Tier 1 ratio target was revised up from 8.5% to 9.5% over the economic cycle and the return on equity (ROE) was revised down from 15% to 13% over the economic cycle. At the same time, Pohjola decided not to state any target for the operating ROE and to set its financial targets over the cycle, as against the previous targets set by the end of 2010.

Financial targets	Q1/09	Q1/08	2008	Target
Group				
Return on equity, %	7.2	–8.0	–5.6	13
Tier 1 ratio, %	9.4	9.5	9.4	>9.5
Banking				
Operating cost/income ratio, %	34	54	46	<40
Asset Management				
Operating cost/income ratio, %	68	61	57	<50
Non-life Insurance				
Operating combined ratio, %	91.3	98.2	91.5	92
Operating expense ratio, %	21.8	21.7	21.9	<20
Solvency ratio, %	67	67	66	70

Business lines

Banking

- Earnings before tax doubled to EUR 50 million (25).
- A sharp fall in interest rates had a favourable effect on derivatives trading and results.
- Trading became more active in the bond market compared with the situation a year ago.
- Due to the economic recession, impairments and doubtful receivables increased in line with expectations.
- Growth in the loan and guarantee portfolio came to a standstill but the market share of corporate loans remained at the year-end level of 19%.
- The average margin on corporate loans continued to rise.

Banking: financial results and key figures and ratios

Financial results, EUR million	Q1/09	Q1/08	Change	Actual 2008
Net interest income	42	36	6	158
Impairments of receivables	12	–1	13	18
Net interest income after impairments of receivables	30	37	–7	140
Net commissions and fees	19	16	3	63
Net trading income	24	–7	31	–20
Other income	8	7	1	28
Total net income	81	53	28	211
Total expenses	31	28	4	106
Earnings before tax	50	25	24	105
Loan and guarantee portfolio, EUR billion	14.0	12.6	1.3	14.1
Margin on corporate loan portfolio, %	1.03	0.83	0.20	0.94
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.34	0.22	0.12	0.25
Operating cost/income ratio, %	34	53	–19	46
Average personnel	626	577	48	613

Banking reported excellent earnings before tax during the first quarter although the economic recession was already reflected in some sectors and a reduction in customer companies' capital expenditure subdued borrowing demand. The loan portfolio decreased by 3% from its level at the end of 2008, standing at EUR 11.5 billion on 31 March, and increased by EUR 0.7 billion in the year to March, or almost 7%. The reduction in the loan portfolio was partly compensated by the doubling of finance guarantees to one billion euros within the last 12 months, which was due to employee pension loan guarantees (under the Employees Pensions Act) that began to increase at the end of last year.

Pohjola raised margins on new and renewed loans to cover higher finance costs, which is reflected in a rise in the average corporate loan margin.

Net commissions and fees showed irregular developments. Commission income from loans were over EUR 2 million higher than a year ago, commission income from guarantees rose by one million euros and other commissions and fees remained the same or decreased.

More active bond markets and successful risk exposure management in the derivatives business in particular increased net trading income, and income from trading for the first quarter more than tripled year on year. This good result was partly thanks to stabilising bond markets and narrowing credit spreads in comparison with the situation at the end of 2008.

Based on a change in accounting practice at the end of 2008, notes and bonds included in the liquidity reserve were reclassified in the balance sheet in such a way that they are carried at amortised cost and changes in their fair value are not recognised through profit or loss. As a result, net trading income rose by EUR 9 million year on year. The price difference between the nominal value and the acquisition value arising from the reclassification recognised in the income statement totalled EUR 1 million.

Expenses increased by EUR 4 million, with depreciation on leases accounting for less than EUR 2 million. The cost/income ratio improved considerably.

Risk exposure by Banking

During January–March, total exposure fell by EUR 0.25 billion to EUR 20.4 billion. The ratio of investment-grade exposure – i.e. ratings 1–5 – to total exposure, excluding private customers, remained at a healthy level, standing at 66% (68), the share of ratings 11–12 was 0.7% (0.6) and that of non-rated exposure 1% (1). Of corporate exposure (including housing corporations), the share of investment-grade corporate exposure came to 60% (62). The exposure of the lowest two rating categories (including housing corporations) stood at EUR 140 million (108), accounting for 0.9% (0.7) of the total corporate exposure

Significant customer exposure rose to EUR 4.7 billion (4.4). The ratio of doubtful receivables to the loan and guarantee portfolio rose but continued to remain low, standing at EUR 48 million (35), or 0.34% (0.25). Past due payments came to EUR 25 million (32), representing 0.17% (0.22) of the loan and guarantee portfolio. Net credit losses and impairments reduced January–March results by EUR 12 million (1).

Baltic Banking exposures totalled EUR 114 million, accounting for less than 1% of the loan and guarantee portfolio.

In view of the market situation, the Group utilised changes in the yield curve but kept overall market risks at a moderate level.

Asset Management

- Earnings before tax fell to EUR 2 million (3).
- Assets under management totalled EUR 24.9 billion (25.3).
- First-quarter net subscriptions were slightly positive.
- Drastic swings continued in investment markets, positive returns recorded for several asset classes.

Asset Management: financial results and key figures and ratios

Financial results, EUR million	Q1/09	Q1/08	Change	Actual 2008
Net commissions and fees	9	11	–2	46
Other income and expenses	1	0	1	0
Total income	9	11	–1	46
Total expenses	7	7	0	29
Earnings before tax	2	3	–1	17
Assets under management, EUR billion	24.9	29.6	–4.7	25.3
Operating cost/income ratio, %	68	61	7	57
Average personnel	156	156	0	154

Earnings before tax for January–March amounted to EUR 2 million (3). Net commissions and fees decreased by 20% year on year, due mainly to plummeting equity markets. Personnel costs fell by 6% to EUR 4 million. The operating cost/income ratio stood at 68% (61).

On 31 March, assets under management totalled EUR 24.9 billion (25.3), institutional clients accounting for EUR 16.0 billion (16.0), OP mutual funds for EUR 8.2 billion (8.5) and Pohjola Private for EUR 0.8 billion (0.7). Assets under management decreased by one per cent from their level at the beginning of January 2009. Money-market fund redemptions continued to contribute to this fall.

Pohjola Asset Management underweighted equities in its investment portfolios in 2008 but brought back its underweight towards neutral during the first quarter.

Risk exposure by Asset Management

Weaker investment markets reduced assets managed by Asset Management, which is partly reflected in accrued net commissions and fees. In other respects, risk exposure remained favourable.

Non-life Insurance

- Non-life Insurance reported a pre-tax loss of EUR 1 million, showing a year-on-year fall of EUR 23 million, but its earnings before tax at fair value improved by EUR 33 million.
- The operating combined ratio stood at 91.3% (98.2).
- Insurance premium revenue was up by 5%.
- The number of loyal customer households increased by 9% year on year.
- Return on investments at fair value was –0.4%.

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

Financial results, EUR million	**Q1/09**	**Q1/08**	**Change**	**Actual 2008**
Insurance premium revenue	231	220	11	923
Claims incurred	–160	–168	8	–643
Operating expenses	–50	–48	–2	–202
Amortisation adjustment of intangible assets	–6	–7	1	–30
Balance on technical account	**14**	**–3**	**17**	**49**
Investment income and expenses	–2	38	–39	59
Other income and expenses	–14	–12	–1	–53
Earnings/loss before tax	**–1**	**22**	**–24**	**55**
Earnings/loss before tax at fair value	1	–32	33	–159
Operating combined ratio, %	91.3	98.2	–6.9	91.5
Operating expense ratio, %	21.8	21.7	0.1	21.9
Return on investments at fair value, %	–0.4	–0.6	0.2	–7.0
Solvency ratio , %	67	67	0	66
Average personnel	2,025	2,274	–249	1,986

Non-life Insurance recorded a pre-tax loss of EUR 1 million (earnings of EUR 22 million) as net investment income was negative. Earnings before tax at fair value improved by EUR 33 million.

Insurance premium revenue continued to grow and the balance on technical account showed a major improvement. The difficult investment market situation affected investment income. The balance on technical account before amortisation on intangible assets stood at EUR 20 million (4) and net investment income was EUR –2 million (38).

On 31 March, the number of loyal customer households totalled over 395,000, showing a year-on-year increase of 9%. More than 50% of Pohjola's loyal customer households have also concentrated their banking transactions in OP-Pohjola Group member cooperative banks. The revenue synergies resulting from growth in the number of loyal customer households by the end of the financial year reached an annual level of EUR 13 million and the management is targeting EUR 17 million by the end of 2010.

Cooperation with OP-Pohjola Group member banks will remain intense. Insurance sales to private customers were transferred to Group member banks in October 2008 with promising results: year on year, non-life insurance policy sales grew by 17% in January–March, in comparison with sales performed by Pohjola's own offices. During the current year, at least 17 new OP-Pohjola Group member banks will begin to sell non-life insurance policies.

Insurance business

Insurance premium revenue rose by 5% to EUR 231 million (220).

Growth remained vigorous within Private Customers, insurance premium revenue improving by 12% to EUR 98 million (87). The number of loyal customer households grew by 5,925 (8,809) during the reporting period.

Within Corporate Customers, the economic recession slowed down growth and insurance premium revenue remained at the previous year's level, amounting to EUR 118 million (118).

In the Baltic States, insurance premium revenue rose by 2% to EUR 15 million (15).

As a result of favourable claims developments, claims incurred were lower than a year ago although the increased insurance portfolio added to the number of losses reported. The efficiency of claims settlement and the successful utilisation of partnerships, for instance in the form of early referral to treatment and cost control, contributed to this favourable development. Claims incurred (excl. loss adjustment expenses) amounted to EUR 147 million (156) and the risk ratio stood at 62.7 (70.0). The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 in pension liabilities) came to 50 (50), with their claims incurred retained for own account totalling EUR 22 million (20).

Operating expenses and loss adjustment expenses grew to EUR 63 million (60), due mainly to higher sales costs. The cost ratio was 28.6 (28.2).

Profitability improved significantly within insurance operations. The operating combined ratio stood at 91.3% (98.2).

Investment

The investment portfolio of Non-life Insurance totalled EUR 2,546 million (2,415) on 31 March and its equity allocation remained almost unchanged. Of the investment portfolio, bonds and bond funds accounted for 83% (82), listed equities for 4% (4) and equities, including unlisted investments, represented 7% (8). The fixed-income portfolio by credit rating remained healthy, given that 82% of the fixed-income instruments were rated at least A–. The average residual maturity of the fixed-income portfolio was 4.6 years and the duration 3.4 years (4.3).

The investment market situation remained challenging. Net investment income recognised in the income statement was EUR –2 million (38). Dividend income and capital gains were lower than in the previous year and impairments recognised from the fair value reserve in the income statement totalled EUR 16 million. Return on investments at fair value was –0.4% (–0.6).

Risk exposure by Non-life Insurance

No major changes occurred in Non-life Insurance risk exposure. On 31 March, Non-life Insurance solvency capital came to EUR 627 million (608) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 67% (66).

As a result of the weak investment performance, the solvency margin of the insurance companies decreased and Pohjola Bank plc capitalised its subsidiaries by EUR 20 million during the reporting period. On the other hand, as a result of the good balance on technical account, equalisation provision increased by EUR 5 million to EUR 367 million.

Group Functions

- Pre-tax loss came to EUR 14 million (a loss of EUR 34 million), showing a year-on-year improvement of EUR 20 million.
- Reclassifications reduced earnings volatility.
- Impairments recognised on bonds totalled EUR 10 million (0).
- Liquidity and the availability of funding remained at good levels.

Group Functions: financial results and key figures and ratios

Financial results, EUR million	Q1/2009	Q1/2008	Change	Actual 2008
Net interest income	9	0	9	25
Impairments of receivables	9	–1	10	10
Net interest income after impairments of receivables	–1	0	–1	15
Net trading income	1	–36	37	–61
Investment income	–9	5	–14	6
Other income	4	7	–3	21
Total net income	–5	–23	18	–19
Total expenses	9	10	–2	39
Earnings/loss before tax	**–14**	**–34**	**20**	**–58**
Total liquidity reserves, EUR billion	8.8	6.1	2.7	9.8
Receivables and liabilities to OP-Pohjola Group member banks, net position, EUR billion	0.3	1.8	1.5	–0.2
Average personnel	131	112	19	129

Pre-tax loss amounted to EUR 14 million (a loss of EUR 34 million). This EUR 20-million year-on-year improvement partly resulted from a change in accounting practice at the end of 2008, i.e. some notes and bonds included in liquidity reserves were reclassified in such a way that they are carried at amortised cost and changes in their fair value are not recognised through profit or loss. The reclassification is reflected in higher year-on-year net trading income and net interest income. On 31 March, the carrying amount of the reclassified notes and bonds came to EUR 3.6 billion and the related interest income totalled EUR 27 million. The positive price difference between the nominal value and the acquisition value, arising from the reclassification, recognised for the first quarter totalled EUR 8 million.

The first-quarter results included EUR 10 million in impairments on bonds. In addition, impairments recognised on shares and participations included in available-for-sale financial assets totalled EUR 4 million.

Liquidity and the availability of funding remained at good levels. Debt instruments issued to the public increased to EUR 16 billion (14), with commercial papers and Euro Commercial Papers accounting for EUR 11 billion (10).

Pohjola Bank plc's net receivables from OP-Pohjola Group member banks rose by EUR 0.5 billion from their 2008-end levels.

Risk exposure by Group Functions

The Group Functions exposure totalled EUR 13.4 billion (13.8), consisting of the liquidity reserve and receivables from OP-Pohjola Group member banks. Almost all of the exposure was based on investment-grade counterparties.

The Group Functions maintains the liquidity reserve in order to secure OP-Pohjola Group's liquidity. Liquidity reserves amounted to EUR 8.8 billion (9.8), invested primarily in notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, and in securitised assets.

Decisions by the Annual General Meeting

Pohjola Bank plc's Annual General Meeting (AGM) of 27 March 2009 adopted the Financial Statements for 2008, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.23 per Series A share and EUR 0.20 per Series K share. The AGM confirmed the number of members of the Board of Directors at eight and approved the Board's revised proposal to authorise the Company's Board of Directors to decide on one rights issue.

Corporate management

The AGM elected the following members to the Board of Directors until the closing of the next AGM: Merja Auvinen, Managing Director; Jukka Hienonen, President and CEO; Simo Kauppi, Managing Director; Satu Lähteenmäki, Professor; Markku Vesterinen, President and CEO; and Tom von Weymarn. Jukka Hienonen is a new Board member.

In addition to the abovementioned Board members, Reijo Karhinen, Chairman of the Executive Board of OP-Pohjola Group Central Cooperative, the parent institution, acts as the Chairman of the Board of Directors and Tony Vepsäläinen, President of OP-Pohjola Group Central Cooperative and Vice Chairman of the Executive Board of OP-Pohjola Group Central Cooperative, as Vice Chairman, in accordance with the Act on Cooperative Banks and Other Cooperative Credit Institutions.

At its organising meeting on 27 March 2009 held after the Annual General Meeting, the Board of Directors of Pohjola Bank plc (Pohjola) elected members to the Board's committees.

The Remuneration Committee comprises Reijo Karhinen (Chairman), Executive Chairman; Tony Vepsäläinen (Vice Chairman), President; and Satu Lähteenmäki, Professor.

The Risk Management Committee comprises Tony Vepsäläinen (Chairman), President; Simo Kauppi (Vice Chairman), Managing Director; and Markku Vesterinen, President and CEO.

The Audit Committee comprises Tom von Weymarn (Chairman); Merja Auvinen (Vice Chairman), Managing Director; and Jukka Hienonen, President and CEO.

On 1 April 2009, Eva Valkama, M.Sc. (Econ. & Bus. Adm.), took up her duties as Pohjola Group's Senior Vice President, Human Resources, and an Executive Committee member. She reports to Mikael Silvennoinen, President and CEO.

Shares and shareholders

On 31 March 2009, the number of Pohjola Bank plc Series A shares quoted on the NASDAQ OMX Helsinki totalled 159.6 million, accounting for 78.5% of all Pohjola shares and 42.2% of votes. The number of Series K shares totalled around 43.8 million.

On 31 March, one Series A share closed at EUR 4.44, as against EUR 9.75 at the end of 2008. In January–March, the share price reached a high of EUR 11.52 and a low of EUR 4.40 while roughly 40.7 million shares changed hands, compared with 39.3 million a year ago.

On 31 March, Pohjola Bank plc had 33,110 shareholders, increasing by 2,518 from the beginning of the year, private individuals accounting for around 95% of all shareholders. The holdings of major shareholders did not undergo any significant changes. The largest shareholder was OP-Pohjola Group Central Cooperative, representing 29.9% of shares and 56.9% of votes. On 31 March, nominee-registered shares accounted for 19.3% (22.2) of all Series A shares.

Events after the reporting period

On the basis of the authorisation given by the AGM of 27 March 2009 to the Board of Directors, Pohjola held a rights issue of EUR 307.9 million between 7 and 24 April 2009, which was oversubscribed.

Approximately 99.6% of all Series A shares offered and approximately 100.0% of all series K shares offered were subscribed in the primary subscription. Given the secondary subscriptions, this represents a total subscription level of approximately 127.4% of all Series A shares offered and approximately 110.6% of all series K shares offered. Accordingly, the Central Cooperative did not have to underwrite the issue.

A total of up to 91,179,502 new Series A shares and a total of up to 25,021,013 new Series K shares were subscribed in the rights issue. The new shares were registered with the Trade Register on 4 May 2009 and trading in the registered new Series A shares together with the existing Series A shares began on NASDAQ OMX Helsinki Ltd on 5 May 2009. Following the registration of the new shares, the number of Pohjola shares totals 319,551,415, with the listed Series A shares accounting for 250,743,530 and the non-listed Series K shares for 68,807,785. At General Meetings, each Series A share entitles its holder to one (1) vote and each Series K share entitles its holder to five (5) votes. The new shares include the right to dividends and other distributions as well as other shareholder rights as of the registration date of 4 May 2009.

The capital raised through the rights issue was entered in full in the reserve for invested non-restricted equity, enhancing the Groups' Tier 1 ratio from 9.4% to 11.7% (pro forma on 31 March 2009). The capital raised will further secure Pohjola's ability to provide credit to its clients and prepare for the economic downturn underway.

Pohjola was authorised in April 2009 by the Financial Supervisory Authority to redeem prematurely no more than EUR 150 million in debt instruments included in Tier 2 capital. The maximum redemption of Tier 2 instruments of EUR 150 million would decrease the capital adequacy ratio of 11.5% on 31 March 2009, based on transitional rules under the Basel II framework, by around 1.2 percentage points if any gains that may arise from the redemption are not taken into account in Tier 1 capital.

Outlook towards the year end

The global economic outlook has deteriorated apace. The USA, major EU countries and Finland are in recession. Falling GDP, exports and capital spending are expected to slow down growth in the loan portfolio experienced in 2008 and increase corporate payment defaults, bankruptcies and unemployment. Central banks and governments are expected to continue with their revival measures, which are anticipated to gradually enhance the performance of financial markets and the supply of finance. However, mounting national, financial institutions' and corporate debt is anticipated to reflect in credit ratings. Uncertainty is expected to continue in the global financial market and maintain average credit spreads above the average level of previous years. Uncertainty is also expected to continue in capital markets, which will maintain high price volatility in credit risk, equity, bond, currency and commodity markets.

On the basis of the economic outlook, demand for loans and guarantees within Banking is expected to slow down relative to 2008 and the average margin on corporate loans to rise. It is estimated that during the current year corporate financing needs will focus on working capital and the refinancing of existing loans. Corporate payment defaults, doubtful receivables and impairment charges are anticipated to increase from their 2008 levels, despite the current loan portfolio's good quality, but their amounts are difficult to predict. The greatest uncertainties related to Banking's financial performance in 2009 are associated with impairments on the loan portfolio.

In 2008, assets in money-market funds were transferred to deposit accounts and prices in the equity market fell sharply. As a result, Asset Management experienced a reduction in assets under its management. Assets under management are not expected to decline in 2009 at the same rate as witnessed in 2008. Developments and sales performance in the investment market will have an effect on the amount of assets under management. Asset Management's earnings before tax in 2009 will be largely dependent on the amount of assets under management and the actual performance-based fees tied to the success of investments.

Within Non-life Insurance, premium revenue is expected to grow at above-the-market-average rate in 2009, thanks to the growing number of loyal customers, but to grow less than in 2008, especially with respect to corporate customers. The recession has historically slowed down growth in Non-life Insurance claims expenditure. In Non-life Insurance, the operating combined ratio is estimated to vary between 88%

and 93% (previously 90–95%) if the number of major losses is not much larger than in 2008. The first-quarter return on investment at fair value stood at –0.4%. Returns for the full year 2009 will depend on developments in investment markets.

The reclassification of long-term notes and bonds, included in liquidity reserves, in the second half of 2008 will mitigate the effects of the financial crisis on the financial result of the Group Functions. The key determinants affecting the Group Functions' result include net interest income arising from liquidity reserves and any fair value changes recognised on notes and bonds through profit or loss.

There is great uncertainty about economic prospects and the operating environment. Should the forward-looking statements and assumptions about the near-term outlook come true, the main risks involved are associated with developments in credit spreads, interest rates, share prices, impairments and developments in funding costs, as well as the general operating environment. Although developments in the general operating environment are beyond the Group management's control, the management may contribute to the effects of interest-rate changes and the equity market on investment and trading by carefully selecting investment assets, diversifying risks, promoting its personnel's professional skills and managing risks effectively. In addition, the management may contribute to the appropriate selection and pricing of customer-specific risk and, consequently, the Group's financial performance.

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

FINANCIAL STATEMENTS AND NOTES

Financial performance by quarter

	2008				2009
EUR million	Q1	Q2	Q3	Q4	Q1
Net interest income	35	40	45	54	52
Impairments of receivables	–2	–1	11	21	21
Net interest income after impairments	**37**	**42**	**34**	**33**	**31**
Net income from Non-life Insurance	91	90	98	74	70
Net commissions and fees	32	31	28	31	30
Net trading income	–44	–2	–26	–9	25
Net investment income	5	3	0	–3	–9
Other operating income	11	9	10	12	11
Total net income	**133**	**173**	**145**	**139**	**158**
Personnel costs	45	47	38	47	45
IT expenses	19	18	19	26	19
Depreciation and amortisation	16	16	17	20	17
Other expenses	36	38	29	40	41
Total expenses	**115**	**119**	**102**	**134**	**122**
Earnings before tax	**17**	**54**	**43**	**5**	**36**
Change in fair value reserve	–66	–33	–82	–71	4
Earnings/loss before tax at fair value	**–48**	**20**	**–39**	**–66**	**41**
Income tax expense	4	14	13	–1	11
Profit for the period	**13**	**39**	**30**	**6**	**25**
Tax on change in fair value reserve	–17	–9	–21	–18	1
Earnings/loss for the period at fair value	**–35**	**14**	**–31**	**–47**	**29**

Consolidated income statement

EUR million	**Q1/ 2009**	**Q1/ 2008**
Net interest income (Note 2)	**52**	**35**
Impairments of receivables (Note 3)	21	-2
Net interest income after impairments	**31**	**37**
Net income from Non-life Insurance (Note 4)	70	91
Net commissions and fees (Note 5)	30	32
Net trading income (Note 6)	25	-44
Net investment income (Note 7)	-9	5
Other operating income (Note 8)	11	11
Total income	**158**	**133**
Personnel costs	45	45
IT expenses	19	19
Depreciation/amortisation	17	16
Other expenses	41	36
Total expenses	**122**	**115**
Share of associates' profits/losses	0	0
Earnings before tax	**36**	**17**
Income tax expense	11	4
Profit for the period	**25**	**13**
Attributable to owners of the Parent	25	13
Attributable to minority interest	0	0
Total	**25**	**13**
Basic earnings per share, EUR		
Series A	0.13	0.07
Series K	0.10	0.07

Consolidated statement of comprehensive income

EUR million		
Profit for the period	**25**	**13**
Change in fair value reserve	4	-66
Translation differences	0	0
Income tax on other comprehensive income	-1	17
Total comprehensive income for the period	**29**	**-35**
Total comprehensive income attributable to owners of the Parent	29	-35
Total comprehensive income attributable to minority interest	0	0
Total	**29**	**-35**

Consolidated balance sheet

EUR million	**31 March 2009**	**31 Dec 2008**
Cash and cash equivalents	907	2 260

Receivables from credit institutions	6,692	6,644
Financial assets at fair value through profit or loss		
Financial assets held for trading	2,058	3,213
Financial assets at fair value through profit or loss at inception	43	43
Derivative contracts	1,607	1,486
Receivables from customers	12,091	12,279
Non-life Insurance assets (Note 11)	3,106	2,745
Investment assets	3,022	1,285
Investment in associates	2	2
Intangible assets (Note 12)	985	987
Property, plant and equipment (PPE)	127	127
Other assets	1,424	1,281
Tax assets	112	98
Total assets	**32,175**	**32,448**
Liabilities to credit institutions	3,129	3,643
Financial liabilities at fair value through profit or loss		
Financial assets held for trading	198	138
Derivative contracts	1,797	1,644
Liabilities to customers	3,551	3,508
Non-life Insurance liabilities	2,676	2,238
Debt securities issued to the public (Note 13)	15,669	16,425
Provisions and other liabilities	1,818	1,522
Tax liabilities	382	368
Subordinated liabilities	1,332	1,322
Total liabilities	**30,552**	**30,808**
Shareholders' equity		
Capital and reserves attributable to owners of the Parent		
Share capital	428	428
Fair value reserve	-177	-180
Other reserves	796	796
Retained earnings	577	597
Minority interest		0
Total shareholders' equity	**1,624**	**1,640**
Total liabilities and shareholders' equity	**32,175**	**32,448**

Consolidated statement of changes in equity

EUR million

	Attributable to owners of Pohjola Group					
	Share capital	**Fair value reserve**	**Other reserves**	**Retained earnings**	**Minority interest**	**Total equity**
Balance at 1 January 2008	**428**	**7**	**750**	**685**	**0**	**1 869**
Transfer of reserves			45	-45		
Profit distribution				-131		-131
EUR 0.65 per Series A share				-104		-104
EUR 0.62 per Series K share				-27		-27
Total comprehensive income for the period		-49		13	0	-35
Other				0		0
Balance at 31 March 2008	**428**	**-42**	**795**	**522**	**0**	**1,703**

	Attributable to owners of Pohjola Group					
	Share capital	Fair value reserve	Other reserves	Retained earnings	Minority interest	Total equity
Balance at 1 January 2009	**428**	**-180**	**795**	**597**	**0**	**1,640**
Profit distribution				-45		-45
EUR 0.23 per Series A share				-37		-37
EUR 0.20 per Series K share				-9		-9
Total comprehensive income for the period		3		25	0	29
Other				0		0
Balance at 31 March 2009	**428**	**-177**	**795**	**577**		**1,624**

Capital base and capital adequacy

EUR million	31 March 2009	31 Dec 2008
Capital base		
Equity capital	1,624	1,640
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	266	266
Minority interest		0
Hybrid capital	274	274
Intangible assets	-144	-144
Fair value reserve, excess funding of pension liability and change in fair value of investment property	-8	-8
Dividend distribution proposed by Board of Directors		-45
Planned dividend distribution	-13	
Insurance company investments 50%	-715	-705
Impairments – expected losses 50%	-53	-50
Tier 1 capital	**1,230**	**1,228**
Fair value reserve	-20	-22
Subordinated liabilities included in upper Tier 2	299	299
Subordinated liabilities included in lower Tier 2	726	734
Insurance company investments 50%	-715	-705
Impairments – expected losses 50%	-53	-50
Tier 2 capital	**236**	**256**
Tier 3 capital	**34**	**46**
Total capital base	**1,500**	**1,530**
Risk-weighted assets, excl. transitional rules	13,081	12,784
Risk-weighted assets according to transitional rules	**13,081**	**13,120**
Ratios, excl. transitional rules:		
Capital adequacy ratio, %	11.5	12.0
Tier 1 ratio, %	9.4	9.6
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.26	1.29
Ratios according to transitional rules:		
Capital adequacy ratio, %	**11.5**	**11.7**
Tier 1 ratio, %	**9.4**	**9.4**
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	**1.26**	**1.26**

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola has used the Internal Ratings Based Approach for corporate exposures.

OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions stood at 12.1% and Tier 1 ratio at 12.1%. OP-Pohjola Group's capital adequacy ratio calculated using the consolidation method, under the Act on the Supervision of Financial and Insurance Conglomerates, was 1.38.

Consolidated cash flow statement

EUR million	**Q1/ 2009**	**Q1/ 2008**
Cash flow from operating activities		
Profit for the period	25	13
Adjustments to profit for the period	323	264
Increase (-) or decrease (+) in operating assets	**-1,044**	**-2,296**
Receivables from credit institutions	-48	445
Financial assets at fair value through profit or loss	1,119	-596
Derivative contracts	-7	-19
Receivables from customers	206	-853
Non-life Insurance assets	-394	-366
Investment assets	-1,760	-648
Other assets	-160	-259
Increase (+) or decrease (-) in operating liabilities	**139**	**2,802**
Liabilities to credit institutions	-514	1 442
Financial liabilities at fair value through profit or loss	59	315
Derivative contracts	10	31
Liabilities to customers	43	517
Non-life Insurance liabilities	244	214
Provisions and other liabilities	297	282
Income tax paid	-13	-12
Dividends received	5	14
A. Net cash from operating activities	**-565**	**786**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	22	
Acquisition of subsidiaries, net of cash acquired	0	-27
Disposal of subsidiaries, net of cash disposed		0
Purchase of PPE and intangible assets	-6	-12
Proceeds from sale of PPE and intangible assets	0	4
B. Net cash used in investing activities	**16**	**-34**
Cash flow from financing activities		
Increases in subordinated liabilities	132	176
Decreases in subordinated liabilities	-122	-27
Increases in debt securities issued to the public	11,756	7,649
Decreases in debt securities issued to the public	-12,523	-7,902
Dividends paid	-45	-131
C. Net cash used in financing activities	**-803**	**-235**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-1,352**	**517**
Cash and cash equivalents at period-start	**2,435**	**710**
Cash and cash equivalents at period-end	**1,084**	**1,227**
Interest received	**674**	**593**
Interest paid	**-597**	**-579**

Adjustments to profit for the period		
Non-cash transactions		
Impairments of receivables	21	-2
Unrealised net earnings in Non-life Insurance	230	209
Change in fair value for trading	16	80
Unrealised net gains on foreign exchange operations	17	-38
Change in fair value of investment property	2	0
Planned amortisation /depreciation	17	16
Share of associates' profits	0	0
Other	20	0
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities		-1
Total adjustments	**323**	**264**

Cash and cash equivalents		
Liquid assets *	912	995
Receivables from credit institutions payable on demand	171	232
Total	**1,084**	**1,227**

*Of which EUR 5 million (10) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q1 earnings EUR million	Banking 2009	Banking 2008	Asset Management 2009	Asset Management 2008	Non-life Insurance 2009	Non-life Insurance 2008
Net interest income	42	36	0	0	-1	-2
Impairments of receivables	12	-1				
Net interest income after impairments	**30**	**37**	**0**	**0**	**-1**	**-2**
Net income from Non-life Insurance					70	92
Net commissions and fees	19	16	9	11	4	5
Net trading income	24	-7	0		0	
Net investment income			0	0	0	
Other operating income	8	7	0	0	1	0
Total net income	**81**	**53**	**9**	**11**	**74**	**95**
Personnel costs	12	12	4	4	26	27
IT expenses	5	5	0	1	10	9
Amortisation on intangible assets related to company acquisitions			1	1	8	8
Other depreciation/amortisation and impairments	7	5	0	0	1	1
Other expenses	7	5	2	1	31	28
Total expenses	**31**	**28**	**7**	**7**	**76**	**73**
Earnings before tax	**50**	**25**	**2**	**3**	**-1**	**22**
Change in fair value reserve	0	-2	0	0	2	-55
Earnings/loss before tax at fair value	**50**	**24**	**2**	**3**	**1**	**-32**
Average personnel	626	577	156	156	2,057	2,274
Capital expenditure, EUR million	2	1	0	0	3	3

Q1 earnings EUR million	Group Functions 2009	Group Functions 2008	Eliminations 2009	Eliminations 2008	Group total 2009	Group total 2008
Net interest income	9	0	1	1	52	35
Impairments of receivables	9	-1			21	-2
Net interest income after impairments	**-1**	**0**	**1**	**1**	**31**	**37**
Net income from Non-life Insurance			0	-1	70	91
Net commissions and fees	0	0	-1	-1	30	32
Net trading income	1	-36	0	0	25	-44
Net investment income	-9	5			-9	5
Other operating income	4	7	-1	-3	11	11
Total net income	**-5**	**-23**	**-1**	**-3**	**158**	**133**
Personnel costs	3	3			45	45
IT expenses	3	4	0	0	19	19
Amortisation on intangible assets related to company acquisitions					8	9
Other depreciation/amortisation and impairments	0	0			8	7
Other expenses	3	4	-1	-3	41	36
Total expenses	**9**	**10**	**-1**	**-3**	**122**	**115**
Earnings before tax	**-14**	**-34**	**0**	**0**	**36**	**17**
Change in fair value reserve	2	-9			4	-66
Earnings/loss before tax at fair value	**-12**	**-43**			**41**	**-48**
Average personnel	131	112			2,968	3,119
Capital expenditure, EUR million	0	0			6	5
Earnings per share, EUR					0,13	0,07
Return on equity at fair value, %					7,2	-8,0

Balance sheet EUR million	Banking		Asset Management		Non-life Insurance	
	31 March 2009	31 Dec 2008	31 March 2009	31 Dec 2008	31 March 2009	31 Dec 2008
Receivables from customers	11,487	11,776				
Receivables from credit institutions	417	427	6	7		
Financial assets at fair value through profit or loss	934	1,375				
Non-life Insurance assets					3,272	2,798
Investment assets	4	2	9	21	0	0
Investments in associates					2	2
Other assets	2,446	2,220	122	127	859	854
Total assets	**15,290**	**15,800**	**137**	**154**	**4,133**	**3,654**
Liabilities to customers	1,113	1,070				
Liabilities to credit institutions	647	590				
Non-life Insurance liabilities					2,676	2,238
Debt securities issued to the public						
Subordinated liabilities					50	50
Other liabilities	2,632	2,010	13	14	83	52
Total liabilities	**4,392**	**3,671**	**13**	**14**	**2,809**	**2,340**
Shareholders' equity						

Balance sheet EUR million	Group Functions		Eliminations		Group total	
	31 March 2009	31 Dec 2008	31 March 2009	31 Dec 2008	31 March 2009	31 Dec 2008
Receivables from customers	791	749	-187	-247	12,091	12,279
Receivables from credit institutions	7,198	8,513	-23	-43	7,599	8,904
Financial assets at fair value through profit or loss	1,166	1,880			2,101	3,255
Non-life Insurance assets			-166	-53	3,106	2,745
Investment assets	3,009	1,270		-8	3,022	1,285
Investments in associates					2	2
Other assets	834	786	-7	-8	4 254	3 979
Total assets	**12,999**	**13,199**	**-383**	**-358**	**32,175**	**32,448**
Liabilities to customers	2,492	2,483	-54	-45	3,551	3,508
Liabilities to credit institutions	2,672	3,304	-190	-251	3,129	3,643
Non-life Insurance liabilities					2,676	2,238
Debt securities issued to the public	15,801	16,481	-132	-56	15,669	16,425
Subordinated liabilities	1,282	1,272			1,332	1,322
Other liabilities	1,474	1,603	-7	-7	4,195	3,672
Total liabilities	**23,721**	**25,142**	**-383**	**-358**	**30,552**	**30,808**
Shareholders' equity					1,624	1,640
Capital adequacy ratio, %					11.5	11.7
Tier 1 ratio, %					9.4	9.4

Banking	Net income		Earnings before tax	
	Q1/ 2009	**Q1/ 2008**	**Q1/ 2009**	**Q1/ 2008**
Corporate Banking	23	17	42	36
Markets	30	8	40	16
Baltic Banking	-3	0	-1	1
Total	**50**	**25**	**81**	**53**

Non-life Insurance	Insurance premium revenue		Balance on technical account	
	Q1/ 2009	**Q1/ 2008**	**Q1/ 2009**	**Q1/ 2008**
Private Customers	98	87	9	2
Corporate Customers	118	118	10	1
Baltic States	15	15	1	1
Amortisation adjustment of intangible assets			-6	-7
Total	**231**	**220**	**14**	**-3**

Group Functions	Q1/ 2009	Q1/ 2008
Central Banking earnings before tax, EUR million	5	5
	31 March 2009	**31 Dec 2008**
Receivables from OP-Pohjola Group entities, EUR million	4,703	4,437
Liabilities to OP-Pohjola Group entities, EUR million	3,282	3,692

Formulae for key ratios

Return on equity (ROE) at fair value
Profit for the period + Change in fair value reserve after tax /
Shareholders' equity (average of the beginning and end of period) x 100

Earnings/share (EPS)
Profit for the period attributable to owners of the Parent /
Average share-issue adjusted number of shares during the period

Earnings/share (EPS) at fair value
(Profit for the period attributable to owners of the Parent + Change in fair value reserve) /
Average share-issue adjusted number of shares during the period

Equity/share
Shareholders' equity /
Share-issue adjusted number of shares at the end of the reporting period

Market capitalisation
Number of shares x closing price at the end of the reporting period

Capital adequacy, %
Capital base /
Risk-weighted assets x 100

Tier 1 ratio, %
Tier 1 capital /
Risk-weighted assets x 100

Key ratios for Non-life Insurance

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

Loss ratio
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
Claims excl. loss adjustment expenses /
Net insurance premium revenue x 100

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

Combined ratio
Loss ratio + expense ratio
Risk ratio + cost ratio

Operating key ratios

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

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

Operating expense ratio
Operating expenses /
Net insurance premium revenue x 100

Operating expense ratio
Operating loss ratio + operating expense ratio

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

Notes

Note 1. Accounting policies

This Interim Report for 1 January–31 March 2009 has been prepared in accordance with IAS 34 (Interim Financial Reporting), as approved by the EU.

The Financial Statements 2008 contain a description of the accounting policies applied by Pohjola Group.

In 2009, Pohjola Group adopted the revised IAS 1 according to which the Group presents the statement of comprehensive income and the statement of changes in equity.

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

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	Premiums written, 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, central banking service fee
Personnel costs	Wages and salaries, pension costs, social expenses
Other administrative expenses	Office expenses, IT costs, other administrative expenses
Other operating expenses	Depreciation/amortisation, other Non-life Insurance expenses, rents

Notes to the income statement and balance sheet

Note 2. Net interest income

EUR million	Q1/ 2009	Q1/ 2008
Loans and other receivables	173	136
Receivables from credit institutions and central banks	70	65
Notes and bonds	71	74
Derivatives held for trading (net)	-5	-1
Liabilities to credit institutions	-22	-37
Liabilities to customers	-16	-26
Debt securities issued to the public	-151	-160
Subordinated debt	-10	-9
Hybrid capital	-5	-2
Financial liabilities held for trading	-2	-1
Other (net)	0	1
Net interest income before items under hedge accounting	**103**	**40**
Derivatives under hedge accounting (net)	-52	-5
Items under hedge accounting (net)	**-52**	**-5**
Total net interest income	**52**	**35**

Note 3. Impairments of receivables

EUR million	Q1/ 2009	Q1/ 2008
Receivables eliminated as loan or guarantee losses	1	1
Recoveries from receivables eliminated as loan or guarantee losses	-1	0
Increase in impairment provisions	22	2
Decrease in impairment provisions	-2	-4
Total impairments of receivables	**21**	**-2**

Note 4. Net income from Non-life Insurance

EUR million	Q1/ 2009	Q1/ 2008
Net insurance premium revenue		
Premiums written	473	448
Insurance premiums ceded to reinsurers	-41	-30
Change in provision for unearned premiums	-228	-217
Reinsurers' share	27	19
Total	**230**	**220**
Net Non-life Insurance claims		
Claims paid	157	155
Insurance claims recovered from reinsurers	-1	-5
Change in provision for unpaid claims	-4	1
Reinsurers' share	-4	5
Total	**147**	**156**

Net investment income, Non-life Insurance

Interest income	19	18
Net realised gains and realised fair value gains and losses		
Notes and bonds	-11	-4
Shares and participations	-1	2
Investment property	0	3
Other	10	4
Unrealised fair value gains and losses		
Notes and bonds	-1	0
Shares and participations	-23	0
Investment property	1	3
Other	0	2
Dividend income	3	9
Total	**-4**	**37**
Unwinding of discount	-11	-10
Other	1	1
Total net income from Non-life Insurance	**70**	**91**

Note 5. Net commissions and fees

EUR million	**Q1/ 2009**	**Q1/ 2008**
Commission income		
Lending	10	6
Payment transfers	3	3
Securities brokerage	4	6
Securities issuance	1	0
Asset management and legal services	9	12
Insurance operations	4	5
Guarantees	3	2
Other	1	4
Total commission income	**36**	**38**
Commission expenses		
Payment transfers	0	1
Securities brokerage	2	2
Securities issuance	1	1
Asset management and legal services	2	2
Other	1	0
Total commission expenses	**6**	**6**
Total net commissions and fees	**30**	**32**

Note 6. Net trading income

EUR million	**Q1/ 2009**	**Q1/ 2008**
Financial assets and liabilities held for trading		
Capital gains and losses and realised changes in fair value		
Notes and bonds	23	4
Shares and participations	0	0
Derivatives	23	8

Unrealised changes in fair value		
Notes and bonds	-18	-5
Shares and participations	0	0
Derivatives	-7	-17
Financial assets and liabilities at fair value through profit or loss		
Capital gains and losses and realised changes in fair value		
Notes and bonds		-1
Unrealised changes in fair value		
Notes and bonds	0	-36
Net income from foreign exchange operations	4	3
Total net trading income	**25**	**-44**

Note 7. Net investment income

EUR million	**Q1/ 2009**	**Q1/ 2008**
Available-for-sale financial assets		
Capital gains and losses		
Notes and bonds	0	0
Shares and participations	-1	0
Dividend income	2	5
Impairments	-3	
Total	**-2**	**5**
Investment property	-7	0
Total net investment income	**-9**	**5**

Note 8. Other operating income

EUR million	**Q1/ 2009**	**Q1/ 2008**
Central banking service fees	2	2
Realisation of repossessed items	0	0
Rental income from assets rented under operating lease	6	5
Other	2	4
Total	**11**	**11**

Note 9. Classification of financial instruments

EUR million	**Loans and receivables**	**Held to maturity**	**At fair value through profit or loss**	**Available for sale**	**Hedging derivatives**	**Total**
Assets						
Cash and balances with central banks	907					907
Receivables from credit institutions and central banks	6,692					6,692
Derivative contracts			1,550		58	1,607

Receivables from customers	12,091					12,091
Non-life Insurance assets*	921		89	2,095		3,106
Notes and bonds**		1,083	2,101	1,835		5,019
Shares and participations				84		84
Other receivables	2,649		20			2 669
Total 31 March 2009	**23,261**	**1,083**	**3,759**	**4,014**	**58**	**32,175**
Total 31 Dec. 2008	**24,451**	**1,103**	**4,816**	**2,036**	**43**	**32,448**

EUR million	**At fair value through profit or loss**	**Other liabilities**	**Hedging derivatives**	**Total**
Liabilities				
Liabilities to credit institutions		3,129		3,129
Financial liabilities held for trading (excl. derivatives)	198			198
Derivative conctracts	1,643		154	1,797
Liabilities to customers		3,551		3,551
Non-life Insurance liabilities	3	2,673		2,676
Debt instruments issued to the public		15,669		15,669
Subordinated liabilities		1,332		1,332
Other liabilities		2,200		2,200
Total 31 March 2009	**1,844**	**28,554**	**154**	**30,552**
Total 31 Dec. 2008	**1,670**	**29,026**	**111**	**30,808**

*Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.

** Non-life Insurance assets are specified in Note 11.

*** On 31 March 2009, notes and bonds included EUR 43 million (43) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 31 March 2009, the fair value of these debt instruments was approximately EUR 110 million lower 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 substantilly lower than their carrying amount, but determining fair values realiably is difficult in the current market situation.

Note 10. Reclassified notes and bonds

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

EUR million, 31 March 2009	**Carrying amount**	**Fair value**	**Effective interest rate**	**Impairments arising from credit risk**
Loans and other receivables	2,992	2,813	5.4	19
Investments held to maturity	926	835	4.5	
Available-for-sale financial assets	54	54	5.1	
Total	**3,973**	**3,702**		**19**

EUR million, 31 Dec 2008	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	3,177	3,032	5.4	9
Investments held to maturity	946	864	4.5	
Available-for-sale financial assets	55	55	5.1	
Total	**4,177**	**3,951**		**9**

If notes and bonds were not reclassified and had been measured using fair values available in the inactive market:

	Q1/2009		Q1-4/2008	
EUR million	**Income statement**	**Fair value reserve**	**Income statement**	**Fair value reserve**
Banking	-11	0	-21	-8
Non-life Insurance	1	-12		-24
Group Functions	2	0	-162	-15
Total	**-8**	**-12**	**-183**	**-47**

Interest accrued on notes and bonds in the first quarter totalled EUR 31 million. The price difference between the nominal value and acquisition value recognised in net interest income totalled EUR 8 million. Impairments recognised on notes and bonds totalled EUR 10 million. The Group used derivatives to hedge against interest rate risks, applying hedge accounting from 1 October 2008.

Note 11. Non-life Insurance assets

EUR million	31 March 2009	31 Dec 2008
Investments		
Loans and other receivables	408	418
Equities	287	318
Property	82	81
Notes and bonds	1,364	1,153
Other	453	419
Total	**2,593**	**2,389**
Other assets		
Prepayments and accrued income	36	33
Other		
From direct insurance	326	218
From reinsurance	145	100
Cash in hand and at bank	5	4
Total	**513**	**355**
Total Non-life insurance assets	**3,106**	**2,745**

Note 12. Intangible assets

EUR million	31 March 2009	31 Dec 2008
Goodwill	516	516
Brands	176	176
Customer relationships	220	226
Other	72	68
Total	**985**	**987**

Note 13. Debt securities issued to the public

EUR million	31 March 2009	31 Dec 2008
Bonds	5,379	6,185
Certificates of deposit, commercial papers and ECPs	10,064	10,033
Other	226	208
Total	**15,669**	**16,425**

Note 14. Fair value reserve after income tax

EUR million	31 March 2009	31 Dec 2008
Loans and other receivables		
Reclassified notes and bonds	-11	-11
Available-for-sale financial assets		
Notes and bonds	-18	-23
Equities and mutual funds with equity risk	-97	-92
Other funds	-51	-54
Total	**-177**	**-180**

Notes to risk management

Note 15. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	31 March 2009	31 Dec 2008	Change
1–2	2.4	2.8	-0.4
3–5	11.1	11.2	-0.1
6–7	4.3	4.3	0.0
8–9	2.1	1.9	0.2
10	0.1	0.1	0.0
11–12	0.1	0.1	0.0
Non-rated	0.2	0.3	0.0
Total	**20.4**	**20.6**	**-0.3**

*) excl. private customers

Sensitivity analysis of market risk

			31 March 2009		31 Dec 2008	
Banking, EUR million	**Risk parameter**	**Change**	**Effect on results**	**Effect on shareholders' equity**	**Effect on results**	**Effect on shareholders' equity**
Interest-rate risk	Interest	1 percentage point	1	0	5	0
Currency risk	Market value	20 percentage points	14	0	4	0
Volatility risk						
Interest-rate volatility	Volatility	20 percentage points	1	0	1	0
Currency volatility	Volatility	10 percentage points	2	0	2	0

Credit risk premium *)	Credit spread	0.5 percentage point	10	0	4	0

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.

*) The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity reserves.

Note 16. Risk exposure by Non-life Insurance

Risk parameter	**Total amount 31 March 2009, EUR million**	**Change in risk parameter**	**Effect on combined ratio**	**Effect on share-holders' equity, EUR million**
Insurance portfolio or insurance premium revenue*)	934	Up 1%	Up 1 percentage point	9
Claims incurred*)	635	Up 1%	Down 0.5 percentage points	-6
Major loss of over EUR 5 million		1 loss	Down 0.5 percentage points	-5
Personnel costs*)	111	Up 8%	Down 1 percentage point	-9
Expenses by function*) **)	257	Up 4%	Down 1 percentage point	-10
Inflation for collective liability	495	Up 0.25 percentage points	Down 0.5 percentage points	-3
Life expectancy for discounted insurance contract liability	1,267	Up 1 year	Down 3 percentage points	-29
Discount rate for discounted insurance contract liability	1,267	Down 0.1 percentage points	Down 2 percentage points	-15

*) Moving 12-month

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

Non-life Insurance investment portfolio by allocation

EUR million

Portfolio allocation	**Fair value 31 March 2009**	**%**	**Fair value 31 Dec 2008**	**%**
Money market instruments	372	15 %	279	12 %
Bonds and bond funds	1,734	68 %	1,690	70 %
Equities	184	7 %	190	8 %
Alternative investments	113	4 %	111	5 %
Real property	144	6 %	145	6 %
Total	**2,546**	**100 %**	**2,415**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 31 March 2009*

EUR million

Year(s)	**0–1**	**1–3**	**3–5**	**5–7**	**7–10**	**10–**	**Total**	**%**
AAA	31	124	146	162	104	98	665	33 %
AA	172	82	117	31	33	13	448	22 %
A	60	215	128	40	53	63	560	27 %
BBB	43	94	62	18	5	8	230	11 %
BB+ or lower	37	26	18	9	4	6	101	5 %
Internally rated	28	4	3	2	0	2	39	2 %
Total	**371**	**546**	**475**	**262**	**199**	**189**	**2 042**	**100 %**

* Excludes credit derivatives.

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

Non-life Insurance	**Risk parameter**	**Change**	**Effect on shareholders' equity, EUR million**	
			31 March 2009	**31 Dec 2008**
Bonds and bond funds1)	Interest rate	1 percentage point	70	82
Equities 2)	Market value	20 percentage points	34	33
Venture capital funds and unquoted equities	Market value	20 percentage points	16	18
Commodities	Market value	20 percentage points	2	2
Real property	Market value	10 percentage points	14	15
Currency	Value of currency	20 percentage points	13	12
Credit risk premium 3)	Credit risk margin	0.5 percentage points	17	14
Derivatives 4)	Volatility	20 percentage points	1	0

1) Include money-market investments, convertible bonds and interest-rate derivatives
2) Include hedge funds and equity derivatives
3) Includes bonds and money-market investments, excluding government bonds issued by developed countries
4) 20 percentage points for equity derivatives, 10 percentage points for interest-rate derivatives and 5 percentage points for currency derivatives.

Note 17. Risk exposure by Group Function

Total exposure by rating category*, EUR billion

Rating category	**31 March 2009**	**31 Dec 2008**	**Change**
1–2	10.8	12.0	-1.2
3–5	2.6	1.8	0.8
6–7	0.0	0.0	0.0
8–9	0.0	0.0	0.0
10	0.0	0.0	0.0
11–12	0.0	0.0	0.0
Non-rated	0.0	0.0	0.0
Total	**13.4**	**13.8**	**-0.4**

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	31 March 2009 Effect on results	31 March 2009 Effect on share-holders' equity	31 Dec 2008 Effect on results	31 Dec 2008 Effect on share-holders' equity
Interest-rate risk	Interest rate	1 percentage point	10	4	11	0
Interest-rate volatility	Volatility	20 percentage points	1	0	0	0
Credit risk premium *)	Credit spread	0.5 percentage points	0	29	0	0
Price risk						
Equity portfolio	Market value	20 percentage points	0	1	0	2
Private equity funds	Market value	20 percentage points	0	7	0	7
Property risk	Market value	10 percentage points	0	3	0	2

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.

*) The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity reserves.

Financial assets included in liquidity reserve by maturity and credit rating on 31 March 2009

EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
AAA	1,443	1,921	1,074	460	210	39	5,148	58 %
AA	1,362	734	308	37	8	1	2,450	28 %
A	154	287	207	7	66	0	720	8 %
BBB	43	68	0	1	5	0	117	1 %
BB+ or lower	0	1	0	19	0	0	20	0 %
Internally rated	94	171	85	20	11	0	380	4 %
Total	**3,096**	**3,181**	**1,674**	**543**	**301**	**40**	**8,835**	**100 %**

Other notes

Note 18. Collateral given

EUR million	31 March 2009	31 Dec 2008
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	4,380	4,134
Other	424	400
Total collateral given	**4,804**	**4,534**
Total collateralised liabilities	**597**	**614**

Note 19. Off-balance-sheet commitments

EUR million	31 March 2009	31 Dec 2008
Guarantees	1,437	1,133
Other guarantee liabilities	1,371	1,476
Loan commitments	3,236	3,149
Commitments related to short-term trade transactions	136	152
Other	466	416
Total off-balance-sheet commitments	**6,647**	**6,328**

Note 20. Derivative contracts

31 March 2009	Nominal values/residual term to maturity			Total	Fair values	
EUR million	<1 year	1–5 years	>5 years		Assets	Liabilities
Interest rate derivatives	26,934	50,599	10,972	88,504	1,404	1,466
Currency derivatives	12,333	1 340	876	14,549	249	519
Equity and index derivatives	122	606	20	749	23	6
Credit derivatives	149	167	0	316	4	19
Other derivatives	393	72	0	465	1	2
Total derivatives	**39,931**	**52,783**	**11,868**	**104,583**	**1,682**	**2,012**

31 December 2008	Nominal values/residual term to maturity			Total	Fair values	
EUR million	<1 year	1–5 years	>5 years		Assets	Liabilities
Interest rate derivatives	54,367	38,641	9,296	102,305	440	458
Currency derivatives	13,126	1,513	952	15,591	209	561
Equity and index derivatives	18	285	80	383	33	
Credit derivatives	116	230	40	386	3	8
Other derivatives		6		6	2	
Total derivatives	**67,627**	**40,675**	**10,368**	**118,670**	**686**	**1,027**

Note 21. Other contingent liabilities and commitments

On 31 March 2009, Pohjola Bank’s commitments to venture capital funds amounted to EUR 18 million and Pohjola Non-Life's commitments to EUR 68 million. They are included in the section 'Off-balance-sheet commitments'.

Note 22. Related-party transactions

Pohjola Group's related parties comprise its parent company, associates and administrative personnel and other related-party companies. Pohjola Group's Parent Company is OP-Pohjola Group Central Cooperative.

Pohjola Group's associates were Autovahinkokeskus Oy and Vahinkopalvelu Oy on 31 March 2009 and on 31 March 2008.

Pohjola Group's administrative personnel comprises Pohjola Bank plc's President and CEO, members of the Board of Directors and their close family members.

Normal loan terms and conditions apply to loans granted to the management. Tied to generally used reference rates, these loans with normal collateral are repaid according to the agreed repayment schedule.

Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP-Pohjola Group Central Cooperative Consolidated.

Related-party transactions by 31 March 2009

EUR million	Parent company	Admini-strative personnel	Others
Loans	200		2,139
Other receivables	25		106
Deposits	99		236
Other liabilities	18		567
Interest income	2		68
Interest expenses	3		55
Dividend income	0		2
Other Non-life Insurance income	0		0
Commission income	0	0	4
Commission expenses	0	0	1
Trading income			16
Trading expenses			34
Other operating income	0		2
Operating expenses	20		1
Off-balance-sheet commitments			
Guarantees			71
Irrevocable commitments	8		6
Salaries and other short-term benefits, and performance-based pay			
Salaries and short-term benefits		0	
Related-party holdings			
Number of shares	60,825,897	59,421	4,205,946

Related-party transactions by 31 March 2008

EUR million	Parent company	Admini-strative personnel	Others
Loans	3		1,282
Other receivables	64		40
Deposits	15		255
Other liabilities	41		78
Interest income	0		50
Interest expenses	1		36
Dividend income	0		5
Commission income	1	0	5
Commission expenses	0	0	1
Trading income	1		6
Trading expenses			20
Other operating income	1		2
Operating expenses	18		1
Off-balance-sheet commitments			

Guarantees			41
Irrevocable commitments	8		293
Salaries and other short-term benefits, and performance-based pay			
Salaries and short-term benefits		0	
Related-party holdings			
Number of shares	60,825,897	68,678	4,213,946

Financial reporting in 2009

Schedule for Interim Reports in 2009

Interim Report H1	6 August
Interim Report Q1–3	5 November

Helsinki, 7 May 2009

Pohjola Bank plc
Board of Directors

The Financial Statements Bulletin is available at www.pohjola.fi/english > Media. Background information on the report can also be found at the same address.

Meeting for analysts

A meeting for analysts will be held in Finnish at 10.00 am on 7 May 2009. A conference call in English for analysts and investors will be held on the same day at 3.30 pm (Finnish time), tel +358 20 699100, PIN code 911239#.

Pohjola Bank plc

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