Pohjola Bank plc
Company Release, 6 August 2009, 8.00 am
Release category: Interim Report

Pohjola Bank plc Interim Report for 1 January–30 June 2009

January–June
– Earnings before tax improved year on year, coming to EUR 123 million (71).
– Earnings before tax at fair value amounted to EUR 227 million (–28) and return on equity at fair value was 18.3% (–2.4).
– Banking improved its profit performance despite higher impairment charges.
– Within Asset Management, assets under management rebounded, totalling EUR 27.8 billion (25.3).
– Non-life Insurance reported an excellent balance on technical account and recorded an operating combined ratio of 88.6% (95.0). Return on investment at fair value rose to 4.5% (–1.2).
– Outlook: earnings before tax in 2009 are expected to be markedly higher than in 2008. The greatest uncertainty associated with the outlook for the rest of the year relates to developments in impairment charges. If our corporate customers' operating environment continues to deteriorate, impairment charges in the second half may be higher than in the first (more detailed information on outlook in" Outlook towards the year end" below).

April–June
– Earnings before tax amounted to EUR 87 million (54).
– Earnings before tax at fair value were EUR 186 million (20).
– Impairment charges on receivables burdened Banking earnings by EUR 33 million.
– Within Asset Management, assets under management grew by almost EUR 3 billion.
– Non-life Insurance reported an operating combined ratio of 86.0% (91.9) and return on investments of 4.9% (–0.6).
– The capital base strengthened as a result of the EUR 308 million rights issue.

Group financial performance and key indicators [1)]

Earnings before tax, EUR million	**Q1–2/09**	**Q1–2/08**	**Change**	**Q2/09**	**Q2/08**	**Change**	**2008**
Banking	76	64	11	26	39	–13	105
Asset Management	6	7	–1	4	4	0	17
Non-life Insurance	46	40	7	48	17	30	55
Group Functions	–5	–40	35	10	–6	16	–58
Total	**123**	**71**	**52**	**87**	**54**	**33**	**119**
Change in fair value reserve	104	–99	203	100	–33	133	–252
Earnings/loss before tax at fair value	**227**	**–28**	**255**	**186**	**20**	**166**	**–133**

Key indicators	**Q1–2/09**	**Q1–2/08**	**Q2/09**	**Q2/08**	**2008**	**Target**
Earnings before tax, EUR million	123	71	87	54	119	
Profit for the period, EUR million	91	53	65	39	89	
Return on equity, %	18.3	–2.4	30.3	3.4	–5.6	13.0
Balance sheet total, EUR billion	33.6	28.5			32.4	
Shareholders' equity, EUR billion	2.1	1.7			1.6	
Tier 1 ratio, %	11.5	9.8			9.4	>9.5
Earnings per share, EUR [2)]	0.33	0.21	0.22	0.16	0.36	
Earnings per share, incl. change in fair value, EUR [2)]	0.62	–0.08	0.47	0.06	–0.40	
Equity per share, EUR [2)]	6.45	6.90			6.58	
Average personnel	2,964	3,110	2,980	3,141	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.
[2)] Adjusted for the effect of the rights issue.

President and CEO Mikael Silvennoinen:

"The Group's financial performance for January–June was markedly better than a year ago and the second-quarter results were excellent. Net interest income, net commissions and fees and net trading income developed favourably, with the result that Banking improved its first-half financial performance year on year, although impairment charges rose as expected. The loan and guarantee portfolio decreased slightly as a result of a recovery in capital markets and milder demand for loans. The average margin on corporate loans continued to rise, compensating for an increase in funding costs and costs due to credit risks.

Non-life Insurance balance on technical account was excellent, reaching an all-time high. Growth in insurance premium revenue slowed down due to a decrease in premium revenue from corporate customers. However, insurance premium revenue from private customers continued its vigorous growth and the number of loyal customer households exceeded the mark of 400,000 households. Non-life Insurance return on investments at fair value developed favourably. Thanks to positive developments in capital markets and higher net assets inflow, assets under management increased by 10% from the year-start level.

The Group's liquidity position is strong and funding has performed well. The EUR 308 million rights issue in the second quarter strengthened our capital base further. Our business lines' good financial performance and strong capital base will further secure our ability to provide credit to our clients during the recession too. The Group will have good potential for capitalising on any opening business opportunities and strengthening its position further as a leading financial services provider in Finland."

Operating environment

After its steep deterioration during the first quarter, the world economy showed some signs of stabilisation during the second quarter. Along with aggressive monetary and fiscal policy measures, growth forecasts for China and the USA in particular were revised up. Growth forecasts for Europe's and Finland's economy for this and next year were revised down. GDP in both the whole of Europe and Finland is expected to continue its downward trend, with exports, capital spending and consumer spending decreasing and unemployment rising. Extensive stimulus packages, first adopted by the United States and then by others, are forecast to improve prospects for the rest of the year.

Central banks have aimed to fight the recession by relaxing their monetary policy further. In May, the European Central Bank (ECB) cut its benchmark interest rate to 1.0% and has continued to provide liquidity to the banking system. In June, the ECB granted banks 12-month loans based on its benchmark rate for the first time. These measures have calmed down financial markets. Risk premiums continued to narrow during the second quarter and short-term market rates hit an all-time low.

The second quarter saw an adjustment in corporate bond markets when risk premiums fell sharply. In particular, the risk premiums of riskier companies and banks dropped when markets lowered their expectations of future payment defaults. Key factors underlying this adjustment can be seen to relate to government support for the market through stimulus packages, absence of alternative investments and companies venturing to issue debt instruments.

During the second quarter, share prices rebounded strongly from their low in March. Equity markets have stabilised since their rapid rebound but are expected to remain unstable. Equity market prices predict that the economy will see a strong recovery towards the end of the year.

The recession has resulted in an increase in corporate payment defaults and bankruptcies and forced companies to cut capital spending and costs, which slowed down demand for loans. Business slowdown in the corporate sector has also restrained premiums written within Non-life Insurance. On the other hand, however, this slowdown has reduced claims expenditure and thus improved Non-life Insurance profitability.

Consolidated earnings

Consolidated earnings EUR million	2009 Q1–2	2008 Q1–2	Change	2009 Q2	2008 Q2	Change	Rolling 12-month	2008
Net interest income	119	75	44	67	40	27	218	174
Impairments of receivables	54	–3	57	33	–1	34	85	28
Net interest income after impairments	**65**	**78**	**–13**	**35**	**42**	**–7**	**133**	**146**
Net income from Non-life Insurance	192	181	11	122	90	32	364	353
Net commissions and fees	66	63	4	36	31	5	126	122
Net trading income	33	–46	79	8	–2	11	–2	–81
Net investment income	–9	9	–17	0	3	–3	–11	6
Other operating income	22	20	2	11	9	2	44	42
Total net income	**370**	**305**	**65**	**212**	**173**	**40**	**654**	**589**
Personnel costs	95	92	3	50	47	3	180	178
IT expenses	37	36	0	18	18	0	81	80
Depreciation and amortisation	34	32	2	17	16	1	71	69
Other expenses	82	74	8	40	38	2	151	143
Total expenses	**247**	**234**	**13**	**125**	**119**	**6**	**483**	**470**
Earnings before tax	**123**	**71**	**52**	**87**	**54**	**33**	**171**	**119**
Change in fair value reserve	104	–99	203	100	–33	133	–49	–252
Earnings/loss before tax at fair value	**227**	**–28**	**255**	**186**	**20**	**166**	**122**	**–133**
Income tax expense	33	18	14	22	14	7	45	31
Profit for the period	**91**	**53**	**38**	**65**	**39**	**26**	**126**	**89**
Tax on change in fair value reserve	27	–26	52	26	–9	34	–12	–65
Earnings/loss for the period at fair value	**168**	**–21**	**189**	**139**	**14**	**125**	**90**	**–99**

January–June earnings

Consolidated net income rose by 21% to EUR 370 million (305).

Net interest income came to EUR 119 million (75), up by almost 60% year on year. This improvement had its roots in the loan portfolio and lending margins of new loans that grew throughout 2008. The price difference recognised on reclassified notes and bonds increased net interest income by EUR 14 million.

Impairments of receivables rose by EUR 57 million year on year, as expected, totalling EUR 54 million.

Net income from Non-life Insurance rose by EUR 11 million to EUR 192 million (181), as a result of the favourable development of the balance on technical account. Net investment income recognised in the income statement was lower than a year ago.

Net commissions and fees came to EUR 66 million, up by almost EUR 4 million year on year. Net commissions and fees arising from loans and guarantees showed a strong increase whereas those from asset management and securities brokerage declined.

Net trading income came to EUR 33 million (–46), or EUR 79 million higher than in the previous year. Income from derivative and bond trading increased. Negative mark-to-market valuations recognised a year ago in the income statement from liquidity reserves totalled EUR 49 million.

Net investment income fell by EUR 17 million being EUR 9 million in the red, due adjustments for property acquisition costs, impairment charges for equities and lower dividend income than a year ago.

Expenses rose by 5% to EUR 247 million (234). Excluding a EUR 3-million increase in deprecation on leases, expenses rose by 4%. The number of Group employees increased by 51 from 31 December 2008. Non-life Insurance agency fees and sales commissions rose by EUR 8 million as a result of higher sales and Pohjola's insurance field staff joining the payroll of OP-Pohjola Group member banks on 1 October 2008.

Earnings before tax amounted to EUR 123 million (71), or EUR 52 million higher than a year ago.

The fair value reserve increased by EUR 104 million, whereas it decreased by EUR 99 million during the same period a year ago. Impairments recognised from the fair value reserve in the income statement totalled EUR 25 million. On 30 June, the fair value reserve after tax stood at EUR –103 million, as against EUR –180 million on 31 December 2008. This negative fair value reserve is mainly due to equity and mutual fund investments by Non-life Insurance, with the related fair values being lower than purchase prices.

Earnings before tax at fair value came to EUR 227 million (–28).

April–June earnings

Consolidated net income increased by 23% to EUR 212 million (173).

Growth in net interest income remained strong during the period. The loan and guarantee portfolio was almost EUR 1 billion larger than a year ago. Lending margins continued to rise. The price difference recognised on reclassified notes and bonds increased net interest income by EUR 6 million.

Impairments of receivables rose by EUR 34 million year on year to EUR 33 million (–1). Impairment charges also increased from those recorded for the previous two quarters.

Non-life Insurance net income rose thanks to the good balance on technical account and a year-on-year performance improvement in investments.

Good trading performance improved net trading income.

Expenses grew by 5%. Excluding an increase in deprecation on leases, expenses rose by 4%. The number of employees showed a slight decrease.

Earnings before tax were EUR 87 million (54) and earnings before tax at fair value EUR 186 million (20).

Group risk exposure

The effects of the economic recession were reflected in customer companies' lower credit rating, and doubtful receivables and impairment charges increased in line with expectations. Despite the recession, investment-grade exposures continued to remain at good levels and the ratio of doubtful receivables to the loan and guarantee portfolio remained low. The revival of investment markets improved Non-life Insurance risk-bearing capacity.

The financial position and liquidity remained strong. Short-term funding performed well and the availability of long-term funding also improved. Pohjola has also 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 9.6 billion (9.8) on 30 June. 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 available-for-sale financial assets at fair value through profit or loss included in the liquidity reserve is based on mark-to-market valuations. The Group has not recognised value changes at fair value for any debt securities issued. Impairments recognised from the liquidity reserves during the first half totalled EUR 9 million, based on lower credit ratings for receivables. The second quarter saw no recognition of impairments from the liquidity reserves.

Net credit losses and impairments for January–June totalled EUR 54 million (–3), of which impairments recognised on a collective basis accounted for 12% and those recognised on an individual basis for 88%. Doubtful receivables rose by EUR 21 million to EUR 56 million, accounting for 0.39% (0.25) of the loan and guarantee portfolio.

With the recession deteriorating customers' creditworthiness, Pohjola has rearranged financing of some of its corporate customers in such a way that part of company ownership has transferred to Pohjola through company shares or stock options. Pohjola considers these measures to be the best way of securing its receivables and collateral and ensuring that the customer's business survives the recession. Assessing the duration of the current recession and its effects on our corporate customers' operating conditions still involves uncertainty. If the operating environment for our corporate customers continues to deteriorate, doubtful receivables and impairment charges may increase during the second half.

Capital adequacy

The capital adequacy ratio continued to remain strong, standing at 12.2% (11.3) as against the statutory minimum requirement of 8%. The Tier 1 ratio was 11.5% (9.4).

Tier 1 capital came to EUR 1,495 million (1,228) and the total capital base amounted to EUR 1,584 million (1,484). The minimum regulatory capital requirement to cover market risk amounted to EUR 33 million (47).

On 30 June, risk-weighted assets totalled EUR 12,988 million, as against EUR 13,120 million on 31 December 2008. When comparing risk-weighted assets with the comparable figures at the end of last year, they rose by EUR 204 million, due to downgraded corporate credit ratings.

Pohjola Bank plc strengthened its capital base through the EUR 308-million rights issue held between 7 and 24 April 2009. After the deduction of the related issue expenses, Tier 1 capital increased by EUR 298 million.

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. As required by the Financial Supervisory Authority, this full amount must be deducted from the capital base and its effect on total capital adequacy was 1.2%. By the end of June, Pohjola redeemed debt instruments worth EUR 3 million.

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-

Standard & Poor´s forecasts a stable credit rating outlook for Pohjola Bank plc, whereas Fitch confirmed the credit ratings on 29 July 2009, changing the outlook for long-term debt from stable to negative. On 15 April 2009, Moody's put Pohjola on its watchlist for a possible downgrade.

Financial targets and actuals

Financial targets	Q1–2/09	Q1–2/08	2008	Target
Group				
Return on equity, %	18.3	–2.4	–5.6	13
Tier 1 ratio, %	11.5	9.8	9.4	>9.5
Banking				
Operating cost/income ratio, %	35	46	46	<40
Asset Management				
Operating cost/income ratio, %	63	61	57	<50
Non-life Insurance				
Operating combined ratio, %	88.6	95.0	91.5	92
Operating expense ratio, %	21.8	21.6	21.9	<20
Solvency ratio, %	77	70	66	70

These financial targets will remain valid over the economic cycle.

Business lines

Banking

- Earnings before tax improved by almost a fifth, to EUR 76 million (64).
- Volumes of trading in bonds and derivatives increased, reporting a good result.
- Due to the economic recession, impairments increased to EUR 44 million (–1).
- The loan and guarantee portfolio shrank by 2% during the first half but the market share of corporate loans remained at 19%.
- The average margin on corporate loans continued to rise.

Banking: financial results and key figures and ratios

Financial results, EUR million	Q1–2/09	Q1–2/08	Change	Q2/09	Q2/08	Change	Actual 2008
Net interest income	87	74	14	45	38	8	158
Impairments of receivables	44	–1	45	33	0	33	18
Net interest income after impairments of receivables	43	75	–31	13	37	–25	140
Net commissions and fees	44	33	11	25	16	9	63
Net trading income	37	–1	38	13	6	7	–20
Other income	15	13	2	7	6	1	28
Total net income	139	119	20	58	66	–8	211
Total expenses	63	55	9	32	27	5	106
Earnings before tax	76	64	11	26	39	–13	105
Loan and guarantee portfolio, EUR billion	13.9	13.0	0.8				14.1
Margin on corporate loan portfolio, %	1.14	0.86	0.28				0.94
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.39	0.26	0.13				0.25
Operating cost/income ratio, %	35	46	–12	35	41	–6	46
Personnel	620	594	26				613

January–June earnings

Banking reported good earnings before tax although an increase of EUR 45 million in impairment charges eroded the result. The economic recession made corporate customers decrease investments, slowing down demand for loans. The loan portfolio shrank by almost 4% from its level at the end of 2008, standing at EUR 11.1 billion on 30 June, and increased by almost EUR 0.4 billion in the year to June, or 4%. The guarantee portfolio increased by EUR 0.2 billion to EUR 2.8 billion, or by 6%, from its level at the end of 2008, and by EUR 0.5 billion, or 21%, in the year to June, due to growth in guarantees for TyEL premium loans.

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

Net commissions and fees were one-third higher than the year before but showed irregular developments. Commission income from loans grew by EUR 9 million and that from guarantees by EUR 4 million, while other commissions and fees remained unchanged or decreased.

Customer-focused capital market operations showed a strong profit performance. The bond and derivatives business, in particular, recorded an increase in net income and income from trading for the first half was triple the amount reported a year ago.

Based on a change in accounting practice at the end of 2008, some 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 7 million year on year. The price difference between the nominal value and the acquisition value arising from the reclassification recognised in net interest income totalled EUR 2 million.

Expenses increased by EUR 9 million, with depreciation on leases accounting for EUR 3 million. The cost/income ratio improved considerably.

April–June earnings

Second-quarter earnings before tax amounted to EUR 26 million (39), this fall being due to an increase of EUR 33 million in impairment charges. During the reporting period, the loan and guarantee portfolio decreased by EUR 0.1 billion, whereas a year ago it increased by EUR 0.4 billion.

As a result of the larger loan portfolio and higher margins, net interest income was a fifth higher than a year ago. Commission income from loans grew by EUR 7 million and that from guarantees was EUR 3 million higher than a year ago.

The Markets division posted earnings of EUR 16 million, or EUR 9 million higher than the year before, due particularly to trading in bond and derivative markets.

Expenses increased by EUR 5 million, with depreciation on leases accounting for over one million euros.

Risk exposure by Banking

During January–June, total exposure decreased by EUR 0.2 billion to EUR 21.2 billion. The ratio of investment-grade exposure – that is, ratings 1–5 – to total exposure, excluding private customers, remained at a healthy level, standing at 65% (68), the share of ratings 11–12 was 1.2% (0.6) and that of non-rated exposure 1% (1).

Corporate exposure (including housing corporations) accounted for 76% (74) of total exposure within Banking. Of corporate exposure, the share of investment-grade exposure stood at 58% (61) and the exposure of the lowest two rating categories amounted to EUR 235 million (117), accounting for 1.5% (0.7) of the total corporate exposure. The distribution of corporate exposure by industry remained highly diversified and none of the industries represented over 12% of corporate exposure on 30 June. The most significant industries included the manufacture of machinery and equipment representing 11.5% (10.0), lease and management of flats 10.9% (10.8) and trade 9.3% (10.4).

Significant customer exposure fell to EUR 4.0 billion (4.4). The ratio of doubtful receivables to the loan and guarantee portfolio rose but continued to remain low, standing at EUR 55 million (34), or 0.39% (0.25). Past due payments came to EUR 19 million (32), representing 0.13% (0.22) of the loan and guarantee portfolio. Net credit losses and impairments reduced January–June results by EUR 44 million (+1).

On 30 June, Baltic Banking exposures totalled EUR 119 million, accounting for less than 1% of the loan and guarantee portfolio. The Baltic Banking share of net credit losses and impairment charges for the first half amounted to EUR 4.0 million, comprising mainly impairments on receivables recognised on a collective basis.

Interest rate risk exposure averaged EUR 10.6 million in the first half and EUR 8.6 million in the second quarter, based on the 1-percentage-point change in the interest rate.

Asset Management

- Earnings before tax amounted to EUR 6 million (7).
- Assets under management increased by 10% to EUR 27.8 billion (25.3).
- Net assets inflow was over one billion euros.

Asset Management: financial results and key figures and ratios

Financial results, EUR million	Q1–2/09	Q1–2/08	Change	Q2/09	Q2/08	Change	Actual 2008
Net commissions and fees	19	22	–3	10	11	–1	46
Other income and expenses	2	0	2	1	0	1	0
Total income	20	22	–1	11	11	0	46
Total expenses	14	15	0	7	7	0	29
Earnings before tax	6	7	–1	4	4	0	17
Assets under management, EUR billion	27.8	28.8	–1.0				25.3
Operating cost/income ratio, %	63	61	2	60	60	0	57
Personnel	154	156	–2				154

January–June earnings

Earnings before tax for the reporting period amounted to EUR 6 million (7). Net commissions and fees were 3% lower and personnel costs 3% lower than the year before. The operating cost/income ratio stood at 63% (61).

On 30 June, assets under management totalled EUR 27.8 billion (25.3), institutional clients accounting for EUR 16.5 billion (16.0), OP mutual funds for EUR 9.5 billion (8.5) and Pohjola Private for EUR 1.8 billion (0.7). Assets under management increased by 10% from their level at the beginning of 2009. Higher net assets inflow and second-quarter market developments contributed to this increase.

April–June earnings

Earnings before tax amounted to EUR 4 million (4). Net commissions and fees decreased by 8% year on year. Assets under management increased by EUR 2.8 billion, as a result of higher net assets inflow and market developments. The trend of money-market fund redemptions that continued in the first quarter reversed towards subscriptions. Client assets under Pohjola Private's management soared by 134%. The operating cost/income ratio stood at 60% (60).

Non-life Insurance

– Earnings before tax improved to EUR 46 million (40).
– The operating balance on technical account more than doubled to EUR 54 million (23), the best ever recorded in the first half.
– Non-life Insurance's profitability was very good. The operating combined ratio stood at 88.6% (95.0).
– Growth in insurance premium revenue slowed down to 3% (8) due to a decrease in premium revenue from corporate customers as a result of the recession.
– Insurance premium revenue from private customers continued its vigorous growth and the number of loyal customer households exceeded the mark of 400,000.
– Return on investments at fair value was 4.5% (–1.2).

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

Financial results, EUR million	Q1–2/09	Q1–2/08	Change	Q2/09	Q2/08	Change	Actual 2008
Insurance premium revenue	471	456	15	240	236	4	923
Claims incurred	–314	–335	20	–154	–167	13	–643
Operating expenses	–103	–98	–5	–53	–50	–2	–202
Amortisation adjustment of intangible assets	–12	–14	2	–6	–7	1	–30
Balance on technical account	**42**	**9**	**32**	**28**	**12**	**16**	**49**
Investment income and expenses	30	55	–25	31	18	14	59
Other income and expenses	–25	–25	0	–11	–13	1	–53
Earnings before tax	**46**	**40**	**7**	**48**	**17**	**30**	**55**
Earnings/loss before tax at fair value	121	–49	169	121	–16	137	–171
Operating combined ratio, %	88.6	95.0		86.0	91.9		91.5
Operating expense ratio, %	21.8	21.5		21.9	21.4		21.9
Return on investments at fair value, %	4.5	–1.2		4.9	–0.6		–7.0
Solvency ratio , %	77	70					66
Personnel	2,056	2,292	–236				2,018

January–June earnings

Earnings before tax came to EUR 46 million (40). Earnings before tax at fair value improved by EUR 169 million to EUR 121 million (–49).

The balance on technical account was better although growth in insurance premium revenue slowed down due to the recession. The balance on technical account before amortisation on intangible assets stood at EUR 54 million (23). Favourable developments in the investment market were reflected in investment performance. Net investment income amounted to EUR 30 million (55) and net investment income at fair value reached EUR 104 million (–33).

On 30 June, the number of loyal customer households totalled 403,323, showing a year-on-year increase of 8%. More than 50% of Pohjola's loyal customer households have also concentrated their banking transactions in OP-Pohjola Group member cooperative banks. OP-Pohjola Group member banks' and Helsinki OP Bank's customers can use their OP bonuses earned through banking transactions to pay Pohjola non-life insurance premiums. This year OP bonuses have been used to pay over 425,000 insurance premiums, with 30% paid in full using bonuses. 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–June, in comparison with sales performed by Pohjola's own offices. The first half saw the sales network strengthen when an increasing number of OP-Pohjola Group member banks joined the network and began to sell policies.

Insurance business

Profitability improved significantly within insurance operations. The operating combined ratio stood at 88.6% (95.0).

Growth in insurance premium revenue slowed down to 3% (8), premium revenue amounting to EUR 471 million (456).

Growth remained vigorous within Private Customers, based on the OP-Pohjola cooperation, insurance premium revenue improving by 11% to EUR 207 million (186). The number of loyal customer households grew by 14,057 (19,681) in the first half.

Within Corporate Customers, insurance premium revenue decreased by 3% due to the recession, to EUR 234 million (241). The most drastic fall was seen in statutory workers' compensation insurance, considering that payroll bills which determine insurance premiums are on the decrease.

In the Baltic States, insurance premium revenue was EUR 30 million (29).

As a result of favourable claims developments, claims incurred were lower than a year ago although strong growth in the private customer 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 282 million (305) and the risk ratio stood at 59.9% (67.0). 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 90 (98) in the first half, with their claims incurred retained for own account totalling EUR 45 million (42).

Operating expenses and loss adjustment expenses grew to EUR 135 million (128), due mainly to higher sales costs. The cost ratio was 28.7% (28.0).

Investment

Return on investments at fair value stood at 4.5% (–1.2). Net investment income recognised in the income statement amounted to EUR 30 million (55). Dividend income and capital gains were lower than in the previous year and impairment charges recognised from the fair value reserve in the income statement totalled EUR 21 million.

On 30 June, the investment portfolio totalled EUR 2,709 million (2,415), bonds and bond funds accounting for 83% (82), listed equities for 4% (4) and unlisted capital investments, including equities, for 7% (8). The fixed-income portfolio by credit rating remained healthy, considering that 80% of the fixed-income instruments were rated at least A-. The average residual maturity of the fixed-income portfolio was 4.9 years (6.6) and the duration 3.5 years (4.3). On 30 June, the fixed-income portfolio's current interest rate was 4.5%.

April–June earnings

Earnings before tax came to EUR 48 million (17). Earnings before tax at fair value improved by EUR 137 million to EUR 121 million (–16).

The balance on technical account before amortisation on intangible assets stood at EUR 34 million (19). Net investment income amounted to EUR 31 million (18).

Insurance business

Profitability was very good. The operating combined ratio stood at 86.0% (91.9).

Growth in insurance premium revenue slowed down to 2%, premium revenue amounting to EUR 240 million (236).

Growth remained vigorous within Private Customers, insurance premium revenue rising by 11% to EUR 110 million (99). The number of loyal customer households grew by 8,132 (10,872).

Within Corporate Customers, the economic recession affected the financial performance more than before. Insurance premium revenue fell by 6% to EUR 116 million (123).

In the Baltic States, insurance premium revenue was EUR 15 million (14).

Favourable claims developments continued during the second quarter. Claims incurred (excl. loss adjustment expenses) amounted to EUR 138 million (151) and the risk ratio stood at 57.2% (64.2). 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 40 (48) in the second quarter, with their claims incurred retained for own account totalling EUR 23 million (22).

Operating expenses and loss adjustment expenses were EUR 69 million (66). The development of costs followed the same pattern as in the first quarter. The slowdown in insurance premium revenue weakened the cost ratio, standing at 28.7% (27.8).

Investment

Net investment income amounted to EUR 31 million (18) and return on investments at fair value stood at 4.9% (–0.6).

Risk exposure by Non-life Insurance

On 30 June, Non-life Insurance solvency capital totalled EUR 722 million (608) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 77% (66).

Solvency capital increased by EUR 95 million in the second quarter, due to the good financial performance reported by investment and insurance business. As a result of the excellent balance on technical account, equalisation provision increased by EUR 17 million to EUR 384 million in the second quarter.

Group Functions

- Pre-tax loss came to EUR 5 million (a loss of EUR 40 million), showing a year-on-year improvement of EUR 36 million.
- The reclassification at 2008-end of notes and bonds reduced earnings volatility.
- Impairment charges recognised on bonds totalled EUR 10 million (0) and on equities EUR 4 million.
- Liquidity and the availability of funding remained at good levels.

Group Functions: financial results and key figures and ratios

Financial results, EUR million	Q1–2/09	Q1–2/08	Change	Q2/09	Q2/08	Change	Actual 2008
Net interest income	30	4	27	21	4	17	25
Impairments of receivables	9	–2	12	0	–1	1	10
Net interest income after impairments of receivables	21	6	15	21	6	16	15
Net trading income	–4	–45	41	–5	–9	4	–61
Investment income	–9	9	–17	0	3	–3	6
Other income	7	11	–4	4	4	0	21
Total net income	15	–19	34	20	4	16	–19
Total expenses	20	21	–1	11	10	1	39
Earnings/loss before tax	**–5**	**–40**	**36**	**10**	**–6**	**16**	**–58**
Total liquidity reserves, EUR billion	9.6	5.9	2.7				9.8
Receivables and liabilities to OP-Pohjola Group member banks, net position, EUR billion	1.1	0.2	0.9				–0.2
Personnel	135	122	13				129

January–June earnings

Pre-tax loss amounted to EUR 5 million (loss of EUR 40 million), but the result is EUR 36 million better than a year ago. Reported expenses grew by almost EUR 3 million on a like-for-like basis. This performance improvement was 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. On 30 June, the carrying amount of the reclassified notes and bonds came to EUR 3.3 billion.

The reclassification was reflected in higher year-on-year net trading income and net interest income. The positive price difference between the nominal value and the acquisition value, arising from the reclassification, recognised for the first half totalled EUR 13.9 million, of which EUR 12 million was recognised in the Group Functions' net interest income and EUR 2 million in Banking.

The first-half results included EUR 10 million in impairment charges 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 17 billion (14), with commercial papers and Euro Commercial Papers accounting for EUR 10 billion, equalling the amount at the end of 2008.

Pohjola Bank plc's net receivables from OP-Pohjola Group member banks rose to EUR 1.1 billion (–0.2).

April–June earnings

Earnings before tax were EUR 10 million, or EUR 16 million higher than the year before. Net interest income from notes and bonds included in liquidity reserves and the successful management of interest rate risk position contributed to higher net income. The positive price difference between the nominal value and acquisition value of reclassified notes and bonds within liquidity reserves recognised in net interest income totalled EUR 6 million.

Pohjola increased its long-term funding by issuing in May a EUR 750-euro senior bond with a maturity of five years and in June a NOK 500-million (around EUR 56 million) bond with a maturity of five years.

Risk exposure by Group Functions

The Group Functions exposure totalled EUR 15.2 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 9.6 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.

Interest rate risk exposure averaged EUR 9.9 million in the first half and EUR 13.1 million in the second quarter, based on the 1-percentage-point change in the interest rate.

Corporate management

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 30 June 2009, the number of Pohjola Bank plc Series A shares quoted on NASDAQ OMX Helsinki Ltd totalled 251 million, accounting for 78.6% of all Pohjola shares and 42.3% of all votes. The number of Series K shares totalled around 68 million.

On 30 June, one Series A share closed at EUR 5.70, as against EUR 7.88 at the end of 2008. In January–June, the share price reached a high of EUR 9.31 and a low of EUR 3.80 Roughly 104 million shares changed hands, compared with 64 million a year ago.

On 30 June, Pohjola Bank had 35,705 shareholders, increasing by 5,113 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 30.0% of shares and 57.0% of votes. On 30 June, nominee-registered shares accounted for 18.3% (22.2) of all Series A shares.

Pohjola held a rights issue of EUR 308 million between 7 and 24 April 2009, with the subscription level reaching 127% of Series A shares, subscriptions being made by 28,000 shareholders and covering a total of 91,179,502 new Series A shares and a total of 25,021,013 new Series K shares. Trading in the new Series A shares began on NASDAQ OMX Helsinki Ltd on 5 May 2009. 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.

A total of 401,060 Series K shares held by OP-Pohjola Group member cooperative banks were converted into Series A shares. The number of Series K shares decreased to 68,406,725 while that of Series A shares increased to 251,144,690. Trading in the converted Series A shares began on 26 June 2009.

The number of all Pohjola shares totals 319,551,415 and the number of votes 593,178,315.

The number of issue-adjusted shares totalled 249,057,242 in 2008, on average 271,646,535 in 2009 and 319,551,415 at the end of the reporting period.

Outlook towards the year end

Measures taken by central banks and government stimulus packages have increased confidence in global financial markets and improved the performance of capital markets compared with the situation in early 2009. However, uncertainty is expected to continue in capital markets, which will maintain higher-than-average price volatility in credit risk, equity, bond, currency and commodity markets. After the speedy downturn experienced in early 2009, there are some signs of stabilisation, especially in the Chinese and US economies. Nevertheless, economic growth prospects for major EU countries and Finland still look poor, which is expected to increase corporate payment defaults, bankruptcies and unemployment.

Demand for loans and guarantees within Banking slowed down in the first half relative to 2008 and the average margin on corporate loans rose as expected. On the basis of the economic outlook, demand for loans and guarantees is expected to remain weaker during the rest of the year than in 2008, with the focus on working capital and the refinancing of existing loans. It is estimated that the average corporate loan portfolio margin will rise towards the end of the year. Despite the corporate loan portfolio's good quality, payment defaults, doubtful receivables and impairment charges may increase from their first-half level, if the operating environment for our corporate customers continues to deteriorate. The greatest uncertainties related to Banking's financial performance in 2009 are associated with impairments on the loan portfolio.

Within Asset Management, assets under management increased during the first half, thanks to favourable developments in investment markets and new sales. In 2009, assets under management are expected to be larger than in 2008. 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% if the number of major losses is not much larger than in 2008. The first-half return on investments at fair value stood at 4.5%. Returns for the full year 2009 will depend on developments in investment markets.

The reclassification in the second half of 2008 of long-term notes and bonds, included in liquidity reserves, 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 still great uncertainty about economic outlook and the operating environment. On the basis of the first-half financial performance, consolidated earnings before tax in 2009 are expected to be markedly higher than in 2008. The greatest uncertainty associated with the outlook for the rest of the year relates to developments in impairment charges. If our corporate customers' operating environment continues to deteriorate, impairment charges may increase from their first-half level.

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

EUR million	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Net interest income	35	40	45	54	52	67
Impairments of receivables	–2	–1	11	21	21	33
Net interest income after impairments	**37**	**42**	**34**	**33**	**31**	**35**
Net income from Non-life Insurance	91	90	98	74	70	122
Net commissions and fees	32	31	28	31	30	36
Net trading income	–44	–2	–26	–9	25	8
Net investment income	5	3	0	–3	–9	0
Other operating income	11	9	10	12	11	11
Total net income	**133**	**173**	**145**	**139**	**158**	**212**
Personnel costs	45	47	38	47	45	50
IT expenses	19	18	19	26	19	18
Depreciation and amortisation	16	16	17	20	17	17
Other expenses	36	38	29	40	41	40
Total expenses	**115**	**119**	**102**	**134**	**122**	**125**
Earnings before tax	**17**	**54**	**43**	**5**	**36**	**87**
Change in fair value reserve	–66	–33	–82	–71	4	100
Earnings/loss before tax at fair value	**–48**	**20**	**–39**	**–66**	**41**	**186**
Income tax expense	4	14	13	–1	11	22
Profit for the period	**13**	**39**	**30**	**6**	**25**	**65**
Tax on change in fair value reserve	–17	–9	–21	–18	1	26
Earnings/loss for the period at fair value	**–35**	**14**	**–31**	**–47**	**29**	**139**

Consolidated income statement

EUR million	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Net interest income (Note 2)	**67**	**40**	**119**	**75**
Impairments of receivables (Note 3)	33	-1	54	-3
Net interest income after impairments	**35**	**42**	**65**	**78**
Net income from Non-life Insurance (Note 4)	122	90	192	181
Net commissions and fees (Note 5)	36	31	66	63
Net trading income (Note 6)	8	-2	33	-46
Net investment income (Note 7)	0	3	-9	9
Other operating income (Note 8)	11	9	22	20
Total income	**212**	**173**	**370**	**305**
Personnel costs	50	47	95	92
IT expenses	18	18	37	36
Depreciation/amortisation	17	16	34	32
Other expenses	40	38	82	74
Total expenses	**125**	**119**	**247**	**234**
Share of associates' profits/losses	0	0	0	0
Earnings before tax	**87**	**54**	**123**	**71**
Income tax expense	22	14	33	18
Profit for the period	**65**	**39**	**91**	**53**
Attributable to owners of the Parent	65	39	91	53
Attributable to minority interest		0	0	0
Total	**65**	**39**	**91**	**53**
Earnings per share (EPS), basic, EUR				
Series A	0.23	0.16	0.34	0.22
Series K	0.20	0.13	0.31	0.19

Due to Pohjola Bank plc's rights issue and new shares entered in the Trade Register on 4 May 2009, the per-share ratios have been adjusted retroactively using the share issue ratio.

Consolidated statement of comprehensive income

EUR million				
Profit for the period	**65**	**39**	**91**	**53**
Change in fair value reserve	100	-33	104	-99
Translation differences	0	0	0	0
Income tax on other comprehensive income	-26	9	-27	26
Total comprehensive income for the period	**139**	**14**	**168**	**-21**
Total comprehensive income attributable to owners of the Parent	139	14	168	-21
Total comprehensive income attributable to minority interest		0	0	0
Total	**139**	**14**	**168**	**-21**

Consolidated balance sheet

EUR million	30 June 2009	31 Dec 2008
Cash and cash equivalents	1,971	2,260
Receivables from credit institutions	7,023	6,644
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,562	3,213
Financial assets at fair value through profit or loss at inception	45	43
Derivative contracts	1,369	1,486
Receivables from customers	11,844	12,279
Non-life Insurance assets (Note 11)	3,117	2,745
Investment assets	4,050	1,285
Investment in associates	4	2
Intangible assets (Note 12)	980	987
Property, plant and equipment (PPE)	124	127
Other assets	1,421	1,281
Tax assets	68	98
Total assets	**33,578**	**32,448**
Liabilities to credit institutions	4,052	3,643
Financial liabilities at fair value through profit or loss		
Financial assets held for trading	423	138
Derivative contracts	1,537	1,644
Liabilities to customers	3,048	3,508
Non-life Insurance liabilities	2,477	2,238
Debt securities issued to the public (Note 13)	16,699	16,425
Provisions and other liabilities	1,563	1,522
Tax liabilities	399	368
Subordinated liabilities	1,319	1,322
Total liabilities	**31,518**	**30,808**
Shareholders' equity		
Capital and reserves attributable to owners of the Parent		
Share capital	428	428
Fair value reserve	-103	-180
Other reserves	1,093	796
Retained earnings	642	597
Minority interest		0
Total shareholders' equity	**2,060**	**1,640**
Total liabilities and shareholders' equity	**33,578**	**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		-74		53	0	-21
Other				0		0
Balance at 30 June 2008	**428**	**-67**	**795**	**561**	**0**	**1,718**

	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**
Rights issue			308			308
Issue expenses			-10			-10
Transfer of reserves			0	0		
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		77		91	0	168
Other				0		0
Balance at 30 June 2009	**428**	**-103**	**1,093**	**642**		**2,060**

Capital base and capital adequacy

EUR million	**30 June 2009**	**31 Dec 2008**
Capital base		
Equity capital	2,060	1,640
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	169	266
Minority interest	0	0
Hybrid capital	274	274
Intangible assets	-145	-144
Fair value reserve, excess funding of pension liability and change in fair value of investment property	-29	-8
Dividend distribution proposed by Board of Directors		-45
Planned dividend distribution	-45	
Insurance company investments 50%	-715	-705
Impairments – expected losses 50%	-74	-50
Tier 1 capital	**1,495**	**1,228**
Fair value reserve	0	-22
Subordinated liabilities included in upper Tier 2	299	299
Subordinated liabilities included in lower Tier 2	579	734
Insurance company investments 50%	-715	-705

Impairments – expected losses 50%	-74	-50
Tier 2 capital	**89**	**256**
Total capital base	**1,584**	**1,484**
Risk-weighted assets, excl. transitional rules	12,988	12,784
Risk-weighted assets according to transitional rules	**12,988**	**13,120**
Ratios, excl. transitional rules:		
Capital adequacy ratio, %	12.2	11.6
Tier 1 ratio, %	11.5	9.6
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.54	1.29
Ratios according to transitional rules:		
Capital adequacy ratio, %	**12.2**	**11.3**
Tier 1 ratio, %	**11.5**	**9.4**
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	**1.54**	**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 12.0% and Tier 1 ratio at 12.0%. OP-Pohjola Group's capital adequacy ratio calculated using the consolidation method, under the Act on the Supervision of Financial and Insurance Conglomerates, was 1.45.

Consolidated cash flow statement

EUR million	**Q1–2/ 2009**	**Q1–2/ 2008**
Cash flow from operating activities		
Profit for the period	91	53
Adjustments to profit for the period	380	255
Increase (-) or decrease (+) in operating assets	**-1,559**	**-2,423**
Receivables from credit institutions	-301	1,136
Financial assets at fair value through profit or loss	1,608	-699
Derivative contracts	-22	-33
Receivables from customers	402	-1,264
Non-life Insurance assets	-332	-314
Investment assets	-2,786	-1,094
Other assets	-129	-155
Increase (+) or decrease (-) in operating liabilities	**336**	**2,468**
Liabilities to credit institutions	408	1,535
Financial liabilities at fair value through profit or loss	285	835
Derivative contracts	-27	51
Liabilities to customers	-460	-179
Non-life Insurance liabilities	87	82
Provisions and other liabilities	42	145
Income tax paid	-25	-24
Dividends received	8	22
A. Net cash from operating activities	**-770**	**350**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-80	
Decreases in held-to-maturity financial assets	146	
Acquisition of subsidiaries and associates, net of cash acquired	0	-37

Disposal of subsidiaries and associates, net of cash disposed	1	0
Purchase of PPE and intangible assets	-12	-19
Proceeds from sale of PPE and intangible assets	0	5
B. Net cash used in investing activities	**55**	**-51**
Cash flow from financing activities		
Increases in subordinated liabilities	144	283
Decreases in subordinated liabilities	-149	-35
Increases in debt securities issued to the public	26,670	11,693
Decreases in debt securities issued to the public	-26,385	-12,391
Increases in invested unrestricted equity	298	
Dividends paid	-45	-131
C. Net cash used in financing activities	**532**	**-580**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-183**	**-281**
Cash and cash equivalents at period-start	**2,435**	**710**
Cash and cash equivalents at period-end	**2,252**	**429**
Interest received	**1,183**	**1,321**
Interest paid	**-1,133**	**-1,265**
Adjustments to profit for the period		
Non-cash transactions		
Impairments of receivables	55	-3
Unrealised net earnings in Non-life Insurance	190	200
Change in fair value for trading	42	28
Unrealised net gains on foreign exchange operations	28	1
Change in fair value of investment property	7	-1
Planned amortisation /depreciation	34	32
Share of associates' profits	0	0
Other	25	-1
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	0	-1
Total adjustments	**380**	**255**
Cash and cash equivalents		
Liquid assets *	1,979	243
Receivables from credit institutions payable on demand	273	185
Total	**2,252**	**429**

*Of which EUR 8 million (8) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q2 earnings EUR million	Banking		Asset Management		Non-life Insurance	
	2009	2008	2009	2008	2009	2008
Net interest income	45	38	0	0	0	-2
Impairments of receivables	33	0				
Net interest income after impairments	**13**	**37**	**0**	**0**	**0**	**-2**
Net income from Non-life Insurance					121	90
Net commissions and fees	25	16	10	11	4	5
Net trading income	13	6	0		0	
Net investment income	0	0	0			
Other operating income	7	6	0	0	1	0
Total net income	**58**	**66**	**11**	**11**	**126**	**94**
Personnel costs	14	10	4	4	29	30
IT expenses	5	5	1	1	10	9
Amortisation on intangible assets related to company acquisitions			1	1	8	8
Other depreciation/amortisation and impairments	7	6	0	0	1	1
Other expenses	6	6	2	1	31	28
Total expenses	**32**	**27**	**7**	**7**	**78**	**76**
Earnings before tax	**26**	**39**	**4**	**4**	**48**	**17**
Change in fair value reserve	0	0			72	-33
Earnings/loss before tax at fair value	**26**	**39**	**4**	**4**	**120**	**-16**
Capital expenditure, EUR million	2	1	0	0	4	4

Q2 earnings EUR million	Group Functions		Eliminations		Group total	
	2009	2008	2009	2008	2009	2008
Net interest income	21	4	0	1	67	40
Impairments of receivables		-1			33	-1
Net interest income after impairments	**21**	**6**	**0**	**1**	**35**	**42**
Net income from Non-life Insurance	0		1	0	122	90
Net commissions and fees	0	-1	-3	-1	36	31
Net trading income	-5	-9	0	0	8	-2
Net investment income	0	3			0	3
Other operating income	4	4	-1	-2	11	9
Total net income	**20**	**4**	**-3**	**-2**	**212**	**173**
Personnel costs	4	3			50	47
IT expenses	2	3		0	18	18
Amortisation on intangible assets related to company acquisitions					8	9
Other depreciation/amortisation and impairments	0	0			9	7
Other expenses	5	4	-3	-2	40	38
Total expenses	**11**	**10**	**-3**	**-2**	**125**	**119**
Earnings before tax	**10**	**-6**	**0**	**0**	**87**	**54**
Change in fair value reserve	27	0			100	-33
Earnings/loss before tax at fair value	**36**	**-6**			**186**	**20**
Capital expenditure, EUR million	0	1			6	7
Earnings per share, EUR					0.22	0.16
Return on equity at fair value, %					30.3	3.4

Q 1–2 earnings EUR million	Banking 2009	Banking 2008	Asset Management 2009	Asset Management 2008	Non-life Insurance 2009	Non-life Insurance 2008
Net interest income	87	74	1	-1	-1	-4
Impairments of receivables	44	-1				
Net interest income after impairments	**43**	**75**	**1**	**-1**	**-1**	**-4**
Net income from Non-life Insurance					192	182
Net commissions and fees	44	33	19	22	8	10
Net trading income	37	-1	0		0	
Net investment income	0	0	0	0		
Other operating income	15	13	1	1	1	0
Total net income	**139**	**119**	**20**	**22**	**200**	**189**
Personnel costs	26	22	8	8	55	56
IT expenses	11	10	1	2	20	18
Amortisation on intangible assets related to company acquisitions			1	1	15	17
Other depreciation/amortisation and impairments	14	11	0	0	2	2
Other expenses	13	12	3	3	62	56
Total expenses	**63**	**55**	**14**	**15**	**154**	**149**
Earnings before tax	**76**	**64**	**6**	**7**	**46**	**40**
Change in fair value reserve	1	-2			74	-88
Earnings/loss before tax at fair value	**76**	**62**	**6**	**7**	**121**	**-48**
Average personnel	620	594	154	156	2056	2292
Capital expenditure, EUR million	4	3	0	1	7	6

Q 1–2 earnings EUR million	Group Functions 2009	Group Functions 2008	Eliminations 2009	Eliminations 2008	Group total 2009	Group total 2008
Net interest income	30	4	1	2	119	75
Impairments of receivables	9	-2			54	-3
Net interest income after impairments	**21**	**6**	**1**	**2**	**65**	**78**
Net income from Non-life Insurance			0	-1	192	181
Net commissions and fees	0	0	-4	-2	66	63
Net trading income	-4	-45		0	33	-46
Net investment income	-9	9			-9	9
Other operating income	7	11	-2	-5	22	20
Total net income	**15**	**-19**	**-4**	**-5**	**370**	**305**
Personnel costs	6	5			95	92
IT expenses	5	7	0	0	37	36
Amortisation on intangible assets related to company acquisitions					16	18
Other depreciation/amortisation and impairments	1	1			17	14
Other expenses	8	8	-4	-5	82	74
Total expenses	**20**	**21**	**-4**	**-5**	**247**	**234**
Earnings before tax	**-5**	**-40**	**0**	**0**	**123**	**71**
Change in fair value reserve	29	-9			104	-99
Earnings/loss before tax at fair value	**24**	**-49**			**227**	**-28**
Average personnel	135	122			2,964	3,162
Capital expenditure, EUR million	0	1			12	12
Earnings per share, EUR					0.33	0.21
Return on equity at fair value, %					18.3	-2.4

Balance sheet EUR million	Banking		Asset Management		Non-life Insurance	
	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008
Receivables from customers	11,346	11,776	0			
Receivables from credit institutions	392	427	3	7		
Financial assets at fair value through profit or loss	985	1,375				
Non-life Insurance assets					3,192	2,798
Investment assets	19	2	9	21	0	0
Investments in associates	2				2	2
Other assets	2,244	2,220	123	127	846	854
Total assets	**14,987**	**15,800**	**136**	**154**	**4,040**	**3,654**
Liabilities to customers	1,164	1,070				
Liabilities to credit institutions	985	590				
Non-life Insurance liabilities					2,477	2,238
Debt securities issued to the public						
Subordinated liabilities					50	50
Other liabilities	2,503	2,010	11	14	56	52
Total liabilities	**4,651**	**3,671**	**11**	**14**	**2,583**	**2,340**
Shareholders' equity						

Balance sheet EUR million	Group Functions		Eliminations		Group total	
	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008
Receivables from customers	681	749	-184	-247	11,844	12,279
Receivables from credit institutions	8,621	8,513	-21	-43	8,995	8,904
Financial assets at fair value through profit or loss	622	1,880			1,606	3,255
Non-life Insurance assets			-75	-53	3,117	2,745
Investment assets	4,022	1,270		-8	4,050	1,285
Investments in associates					4	2
Other assets	757	786	-8	-8	3,962	3,979
Total assets	**14,703**	**13,199**	**-288**	**-358**	**33,578**	**32,448**
Liabilities to customers	1,933	2,483	-49	-45	3,048	3,508
Liabilities to credit institutions	3,252	3,304	-185	-251	4,052	3,643
Non-life Insurance liabilities					2,477	2,238
Debt securities issued to the public	16,745	16,481	-46	-56	16,699	16,425
Subordinated liabilities	1,269	1,272			1,319	1,322
Other liabilities	1,361	1,603	-8	-7	3,923	3,672
Total liabilities	**24,560**	**25,142**	**-288**	**-358**	**31,518**	**30,808**
Shareholders' equity					2,060	1,640
Capital adequacy ratio, %					12.2	11.3
Tier 1 ratio, %					11.5	9.4

Banking	Net income		Earnings/loss before tax		Net income		Earnings/loss before tax	
	Q2/ 2009	**Q2/ 2008**	**Q2/ 2009**	**Q2/ 2008**	**Q1–2/ 2009**	**Q1–2/ 2008**	**Q1–2/ 2009**	**Q1–2/ 2008**
Corporate Banking	31	51	12	33	74	87	35	50
Markets	27	14	16	7	67	30	47	15
Baltic Banking	0	1	-2	0	-1	1	-5	-1
Total	**58**	**66**	**26**	**39**	**139**	**119**	**76**	**64**

Non-life Insurance	Insurance premium revenue		Balance on technical account		Insurance premium revenue		Balance on technical account	
	Q2/ 2009	**Q2/ 2008**	**Q2/ 2009**	**Q2/ 2008**	**Q1–2/ 2009**	**Q1–2/ 2008**	**Q1–2/ 2009**	**Q1–2/ 2008**
Private Customers	110	99	17	12	207	186	26	14
Corporate Customers	116	123	14	5	234	241	24	6
Baltic States	15	14	3	2	30	29	4	3
Amortisation adjustment of intangible assets			-6	-7			-12	-14
Total	**240**	**236**	**28**	**12**	**471**	**456**	**42**	**9**

Group Functions	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Central Banking earnings before tax, EUR million	6	5	11	9
	30 June 2009	**31 Dec 2008**		
Receivables from OP-Pohjola Group entities, EUR million	5,109	4,437		
Liabilities to OP-Pohjola Group entities, EUR million	2,807	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 /
Insurance premium revenue, excl. net changes in reserving bases x 100

Operating combined 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–30 June 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	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Loans and other receivables	82	126	255	262
Receivables from credit institutions and central banks	52	63	122	128
Notes and bonds	29	69	100	143
Derivatives held for trading (net)	5	-1	1	-2
Liabilities to credit institutions	-14	-50	-36	-87
Liabilities to customers	-8	-25	-24	-52
Debt securities issued to the public	-65	-118	-217	-277
Subordinated debt	-9	-10	-19	-20
Hybrid capital	-5	-2	-9	-4
Financial liabilities held for trading	-2	-6	-4	-7
Other (net)	0	-1	0	0
Net interest income before items under hedge accounting	**65**	**44**	**168**	**84**
Derivatives under hedge accounting (net)	2	-4	-49	-9
Items under hedge accounting (net)	**2**	**-4**	**-49**	**-9**
Total net interest income	**67**	**40**	**119**	**75**

Note 3. Impairments of receivables

EUR million	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Receivables eliminated as loan or guarantee losses	0	1	1	1
Recoveries from receivables eliminated as loan or guarantee losses	-1	0	-1	0
Increase in impairment provisions	39	0	62	2
Decrease in impairment provisions	-6	-2	-8	-6
Total impairments of receivables	**33**	**-1**	**54**	**-3**

Note 4. Net income from Non-life Insurance

EUR million	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Net insurance premium revenue				
Premiums written	206	227	679	675
Insurance premiums ceded to reinsurers	-4	-7	-44	-37
Change in provision for unearned premiums	51	19	-178	-198
Reinsurers' share	-12	-3	14	16
Total	**240**	**236**	**471**	**456**
Net Non-life Insurance claims				
Claims paid	147	157	303	312
Insurance claims recovered from reinsurers	-3	-3	-4	-8
Change in provision for unpaid claims	-5	-4	-9	-3
Reinsurers' share	1	2	-3	7
Total	**140**	**153**	**287**	**309**

Net investment income, Non-life Insurance				
Interest income	18	18	36	36
Net realised gains and realised fair value gains and losses				
Notes and bonds	2	-6	-8	-10
Shares and participations	11	0	3	3
Loans and receivables	0		0	
Investment property	0	0	0	3
Other	-9	-3	1	1
Unrealised fair value gains and losses				
Notes and bonds	1	0	0	0
Shares and participations	3	0	-13	
Loans and receivables	-2		-2	
Investment property	1	1	2	3
Other	2	0	2	1
Dividend income	3	6	6	15
Total	**30**	**16**	**27**	**52**
Unwinding of discount	-11	-10	-21	-21
Other	2	2	3	3
Total net income from Non-life Insurance	**122**	**90**	**192**	**181**

Note 5. Net commissions and fees

EUR million	**Q2/ 2009**	**Q2/ 2008**	**Q1–2/ 2009**	**Q1–2/ 2008**
Commission income				
Lending	13	6	23	12
Payment transfers	3	3	6	6
Securities brokerage	5	5	10	10
Securities issuance	1	1	2	1
Asset management and legal services	11	11	20	23
Insurance operations	4	5	8	10
Guarantees	5	2	8	4
Other	3	4	4	8
Total commission income	**46**	**37**	**82**	**75**
Commission expenses				
Payment transfers	0		0	
Securities brokerage	2	2	3	3
Securities issuance	5	2	6	3
Asset management and legal services	2	2	3	4
Other	1	1	3	2
Total commission expenses	**10**	**7**	**15**	**13**
Total net commissions and fees	**36**	**31**	**66**	**63**

Note 6. Net trading income

EUR million	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Financial assets and liabilities held for trading				
Capital gains and losses and realised changes in fair value				
Notes and bonds	6	-16	29	-13
Shares and participations	0	0	0	0
Derivatives	72	20	95	29
Unrealised changes in fair value				
Notes and bonds	-4	-14	-21	-19
Shares and participations	0	0	0	0
Derivatives	-68	27	-75	10
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses and realised changes in fair value				
Notes and bonds	-9	0	-9	-1
Unrealised changes in fair value				
Notes and bonds	9	-20	8	-56
Net income from foreign exchange operations	2	1	6	4
Total net trading income	**8**	**-2**	**33**	**-46**

Note 7. Net investment income

EUR million	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	0	0	0	0
Shares and participations	0	1	0	0
Dividend income	0	2	2	7
Impairments	0		-4	
Total	**0**	**2**	**-2**	**7**
Investment property	0	1	-7	1
Total net investment income	**0**	**3**	**-9**	**9**

Note 8. Other operating income

EUR million	Q2/ 2009	Q2/ 2008	Q1–2/ 2009	Q1–2/ 2008
Central banking service fees	2	2	5	5
Realisation of repossessed items	0	0	0	0
Rental income from assets rented under operating lease	6	5	13	10
Other	2	1	5	5
Total	**11**	**9**	**22**	**20**

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	1,971					1,971
Receivables from credit institutions and central banks	7,023					7,023
Derivative contracts			1,308		61	1,369
Receivables from customers	11,844					11,844
Non-life Insurance assets**	875		89	2,154		3,117
Notes and bonds***		1,065	1,606	2,881		5,552
Shares and participations				85		85
Other receivables	2,597		19			2,616
Total 30 June 2009	**24,310**	**1,065**	**3,023**	**5,120**	**61**	**33,578**
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		4,052		4,052
Financial liabilities held for trading (excl. derivatives)	423			423
Derivative conctracts	1,388		149	1,537
Liabilities to customers		3,048		3,048
Non-life Insurance liabilities		2,477		2,477
Debt instruments issued to the public		16,699		16,699
Subordinated liabilities		1,319		1,319
Other liabilities		1,962		1,962
Total 30 June 2009	**1,811**	**29,557**	**149**	**31,518**
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 30 June 2009, notes and bonds included EUR 42 million (43) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 30 June 2009, the fair value of these debt instruments was approximately EUR 87 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, 30 June 2009	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	2,734	2,621	5.4	21
Investments held to maturity	868	792	4.5	
Available-for-sale financial assets	58	58	5.1	
Total	**3,660**	**3,472**		**21**

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 market:

	Q1–2/2009		Q1–4/2008	
EUR million	**Income statement**	**Fair value reserve**	**Income statement**	**Fair value reserve**
Banking	-3	-3	-21	-8
Non-life Insurance	2	13		-24
Group Functions	0	18	-162	-15
Total	**-2**	**28**	**-183**	**-47**

Interest accrued on notes and bonds in January–June totalled EUR 68 million. The price difference between the nominal value and acquisition value recognised in net interest income totalled EUR 14 million. Impairments recognised on notes and bonds totalled EUR 21 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	30 June 2009	31 Dec 2008
Investments		
Loans and other receivables	428	418
Equities	321	318
Property	82	81
Notes and bonds	1,323	1,153
Other	516	419
Total	**2,671**	**2,389**
Other assets		
Prepayments and accrued income	29	33
Other		
From direct insurance	280	218
From reinsurance	129	100
Cash in hand and at bank	8	4
Total	**446**	**355**
Total Non-life insurance assets	**3,117**	**2,745**

Note 12. Intangible assets

EUR million	30 June 2009	31 Dec 2008
Goodwill	516	516
Brands	176	176
Customer relationships	214	226
Other	73	68
Total	**980**	**987**

Note 13. Debt securities issued to the public

EUR million	30 June 2009	31 Dec 2008
Bonds	6,181	6,185
Certificates of deposit, commercial papers and ECPs	10,297	10,033
Other	221	208
Total	**16,699**	**16,425**

Note 14. Fair value reserve after income tax

EUR million	30 June 2009	31 Dec 2008
Loans and other receivables		
Reclassified notes and bonds	-10	-11
Available-for-sale financial assets		
Notes and bonds	12	-23
Equities and mutual funds with equity risk	-82	-92
Other funds	-23	-54
Total	**-103**	**-180**

Notes to risk management

Note 15. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	30 June 2009	31 Dec 2008	Change
1–2	2.6	2.8	-0.2
3–5	10.7	11.2	-0.5
6–7	4.1	4.3	-0.2
8–9	2.4	1.9	0.5
10	0.2	0.1	0.1
11–12	0.2	0.1	0.1
Non-rated	0.2	0.3	-0.1
Total	**20.4**	**20.6**	**-0.3**

*) excl. private customers

Sensitivity analysis of market risk

Banking, EUR million	Risk parameter	Change	30 June 2009 Effect on results	30 June 2009 Effect on shareholders' equity	31 Dec 2008 Effect on results	31 Dec 2008 Effect on shareholders' equity
Interest-rate risk	Interest	1 percentage point	5	0	5	0
Currency risk	Market value	20 percentage points	3	0	4	0
Volatility risk						
Interest-rate volatility	Volatility	20 percentage points	5	0	1	0
Currency volatility	Volatility	10 percentage points	1	0	2	0
Credit risk premium *)	Credit spread	0.5 percentage point	13	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 30 June 2009, EUR million	Change in risk parameter	Effect on combined ratio	Effect on shareholders' equity, EUR million
Insurance portfolio or insurance premium revenue*)	938	Up 1%	Up 1 percentage point	9
Claims incurred*)	623	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*)	109	Up 8%	Down 1 percentage point	-9
Expenses by function*) **)	260	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 30 June 2009	%	Fair value 31 Dec 2008	%
Money market instruments	276	10 %	279	12 %

Bonds and bond funds	1,977	73 %	1,690	70 %
Equities	184	7 %	190	8 %
Alternative investments	128	5 %	111	5 %
Real property	144	5 %	145	6 %
Total	**2,709**	**100 %**	**2,415**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 30 June 2009*

EUR million

Year(s)	**0–1**	**1–3**	**3–5**	**5–7**	**7–10**	**10–**	**Total**	**%**
AAA	52	74	174	134	101	101	636	30 %
AA	72	129	182	28	18	15	444	21 %
A	40	254	174	67	46	59	639	30 %
BBB	37	139	69	32	3	0	280	13 %
BB+ or lower	59	16	21	17	4	1	118	6 %
Internally rated	13	3	2	1	0	2	21	1 %
Total	**272**	**615**	**622**	**280**	**172**	**177**	**2,137**	**100 %**

* Excludes credit derivatives.

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

Non-life Insurance	**Risk parameter**	**Change**	**Effect on shareholders' equity, EUR million**	
			30 June 2009	**31 Dec 2008**
Bonds and bond funds[1)]	Interest rate	1 percentage point	77	82
Equities [2)]	Market value	20 percentage points	36	33
Venture capital funds and unquoted equities	Market value	20 percentage points	15	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	12	12
Credit risk premium [3)]	Credit spread	0.5 percentage points	21	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	30 June 2009	31 Dec 2008	Change
1–2	13.2	12.0	1.2
3–5	2.0	1.8	0.2
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	**15.2**	**13.8**	**1.4**

Sensitivity analysis of market risk

			30 June 2009		31 Dec 2008	
Group Functions, EUR million	**Risk parameter**	**Change**	**Effect on results**	**Effect on share-holders' equity**	**Effect on results**	**Effect on share-holders' equity**
Interest-rate risk	Interest rate	1 percentage point	8	0	11	0
Interest-rate volatility	Volatility	20 percentage points	0	0	0	0
Credit risk premium *)	Credit spread	0.5 percentage points	0	47	0	0
Price risk						
Equity portfolio	Market value	20 percentage points	0	2	0	2
Private equity funds	Market value	20 percentage points	0	6	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 30 June 2009

EUR million

Year	**0–1**	**1–3**	**3–5**	**5–7**	**7–10**	**10–**	**Total**	**%**
AAA	1,892	2,144	1,341	424	144	34	5,979	62 %
AA	1,047	486	589	69	0	0	2,191	23 %
A	170	388	307	28	66	1	959	10 %
BBB	21	30	37	20	27	0	135	1 %
BB+ or lower	0	0	0	19	0	0	19	0 %
Internally rated	81	174	40	2	9	0	305	3 %
Total	**3,210**	**3,222**	**2,313**	**563**	**246**	**35**	**9,589**	**100 %**

Other notes

Note 18. Collateral given

EUR million	30 June 2009	31 Dec 2008
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	4,133	4,134
Other	421	400
Total collateral given	**4,554**	**4,534**
Total collateralised liabilities	**1,068**	**614**

Note 19. Off-balance-sheet commitments

EUR million	30 June 2009	31 Dec 2008
Guarantees	1,371	1,133
Other guarantee liabilities	1,389	1,476
Loan commitments	3,520	3,149
Commitments related to short-term trade transactions	93	152
Other	514	416
Total off-balance-sheet commitments	**6,888**	**6,328**

Note 20. Derivative contracts

30 June 2009	Nominal values/residual term to maturity			Total	Fair values	
EUR million	**<1 year**	**1–5 years**	**>5 years**		**Assets**	**Liabilities**
Interest rate derivatives	28,505	47,761	10,267	86,532	1,247	1,300
Currency derivatives	12,952	1,714	660	15,326	161	425
Equity and index derivatives	160	702	31	893	39	0
Credit derivatives	108	188		296	3	13
Other derivatives	3,982	131		4,113	1	26
Total derivatives	**45,706**	**50,496**	**10,958**	**107,161**	**1,452**	**1,764**

30 June 2008	Nominal values/residual term to maturity			Total	Fair values	
EUR million	**<1 year**	**1–5 years**	**>5 years**		**Assets**	**Liabilities**
Interest rate derivatives	46,218	42,980	10,334	99,532	712	688
Currency derivatives	13,753	1,490	1,002	16,245	142	464
Equity and index derivatives	27	317	83	427	36	
Credit derivatives	157	205	20	383	3	5
Other derivatives		16		16	3	
Total derivatives	**60,155**	**45,010**	**11,439**	**116,603**	**896**	**1,157**

Note 21. Other contingent liabilities and commitments

On 30 June 2009, Banking commitments to venture capital funds amounted to EUR 17 million and Non-Life Insurance commitments to EUR 79 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 30 June 2009 and on 30 June 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 30 June 2009

EUR million

	Parent company	**Admini-strative personnel**	**Others**
Loans	200		2,490
Other receivables	70		95
Deposits	13		219
Other liabilities	5		487
Interest income	3		117
Interest expenses	4		99
Dividend income	0		2
Other Non-life Insurance income	1		1
Commission income	0	0	9
Commission expenses	1	0	2
Trading income	0		19
Trading expenses			44
Other operating income	1		5
Operating expenses	40		2
Off-balance-sheet commitments			
Guarantees			73
Irrevocable commitments	8		
Salaries and other short-term benefits, and performance-based pay			
Salaries and short-term benefits		1	
Related-party holdings			
Number of shares	95,798,479	21,508	6,609,338

Related-party transactions by 30 June 2008
EUR million

	Parent company	**Admini-strative personnel**	**Others**
Loans	141		1,435
Other receivables	166		251
Deposits	8		210
Other liabilities	3		99
Interest income	1		120

Interest expenses	3		88
Dividend income	0		5
Other Non-life Insurance income	1		
Commission income	0	0	11
Commission expenses	1	0	1
Trading income	1		32
Trading expenses			37
Other operating income	5		7
Operating expenses	38		4
Off-balance-sheet commitments			
Guarantees			55
Irrevocable commitments	0		
Salaries and other short-term benefits, and performance-based pay			
Salaries and short-term benefits		1	
Related-party holdings			
Number of shares	60,825,897	63,421	4,205,946

Financial reporting in 2009

Schedule for Interim Reports in 2009
Interim Report Q1–3 5 November

Helsinki, 6 August 2009

Pohjola Bank plc
Board of Directors

This Interim Report 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 6 August 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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