

# Pohjola Bank plc's Annual General Meeting

**Helsinki Exhibition &  
Convention Centre  
22 March 2013, 2.00 pm**

Pohjola



# 1. Opening of the Meeting

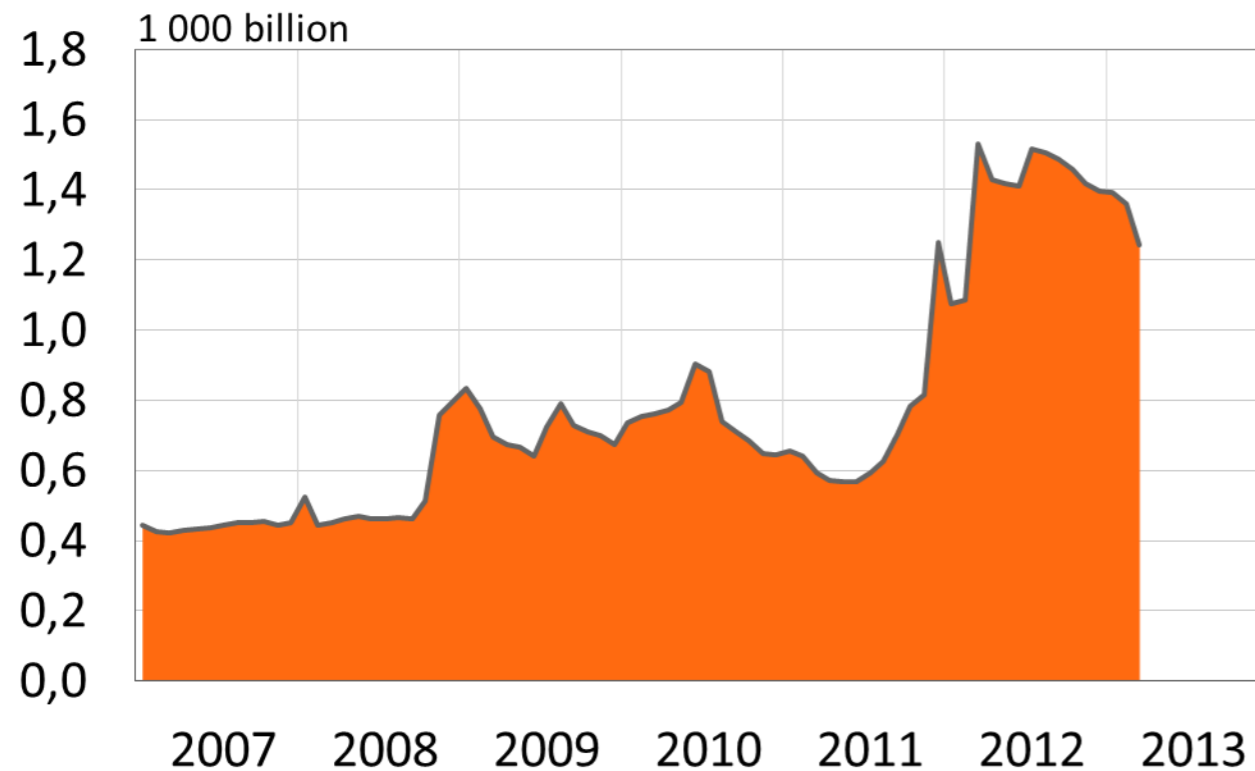
Chairman of the Board of  
Directors

Reijo Karhinen



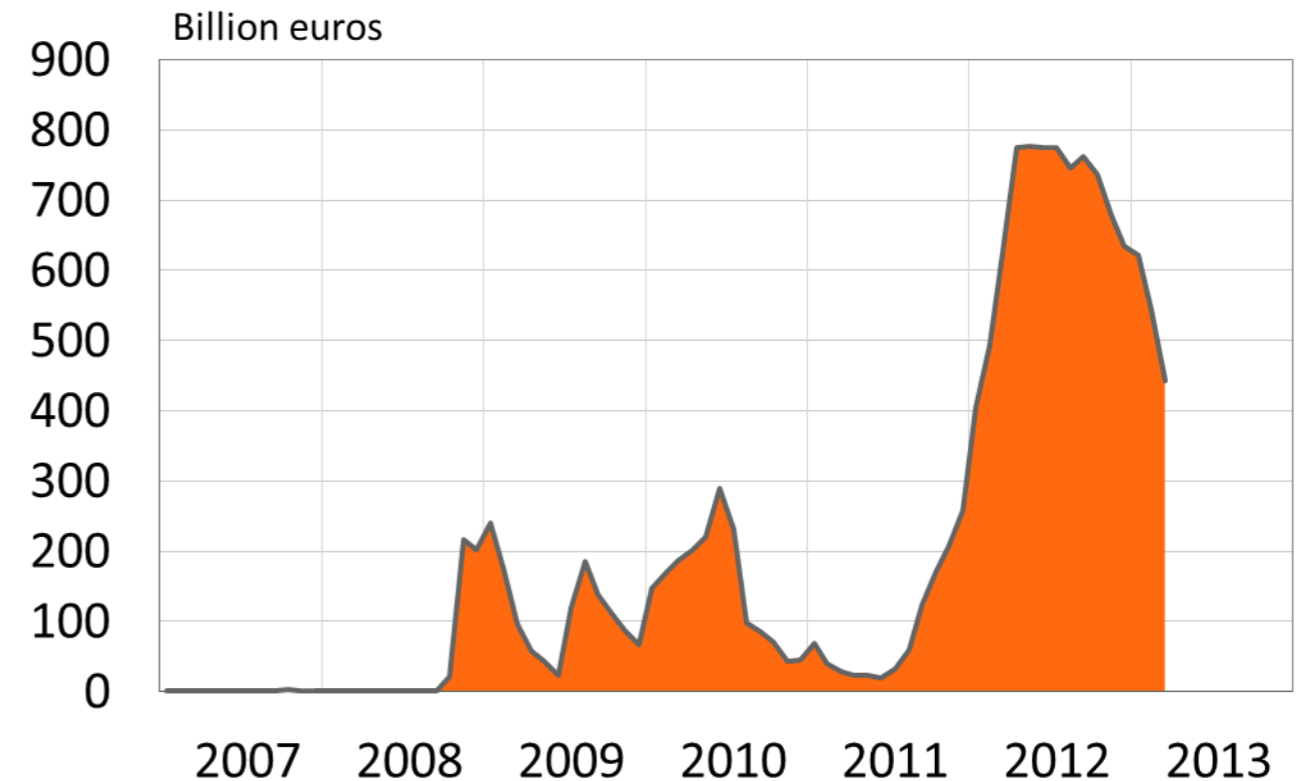
# European Banking System Is Not Yet Back to Normal – ECB Still Plays a Dominant Role

ECB's liquidity-providing operations



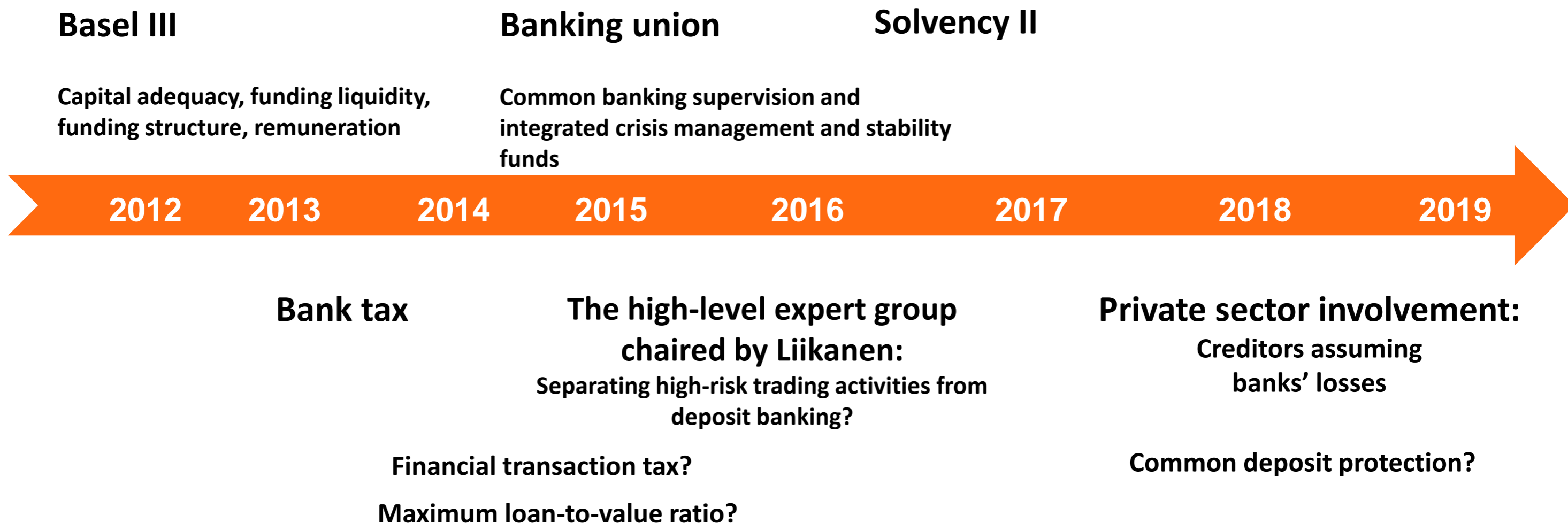
Source: Reuters EcoWin

Banks' ECB overnight deposits  
and excess reserves



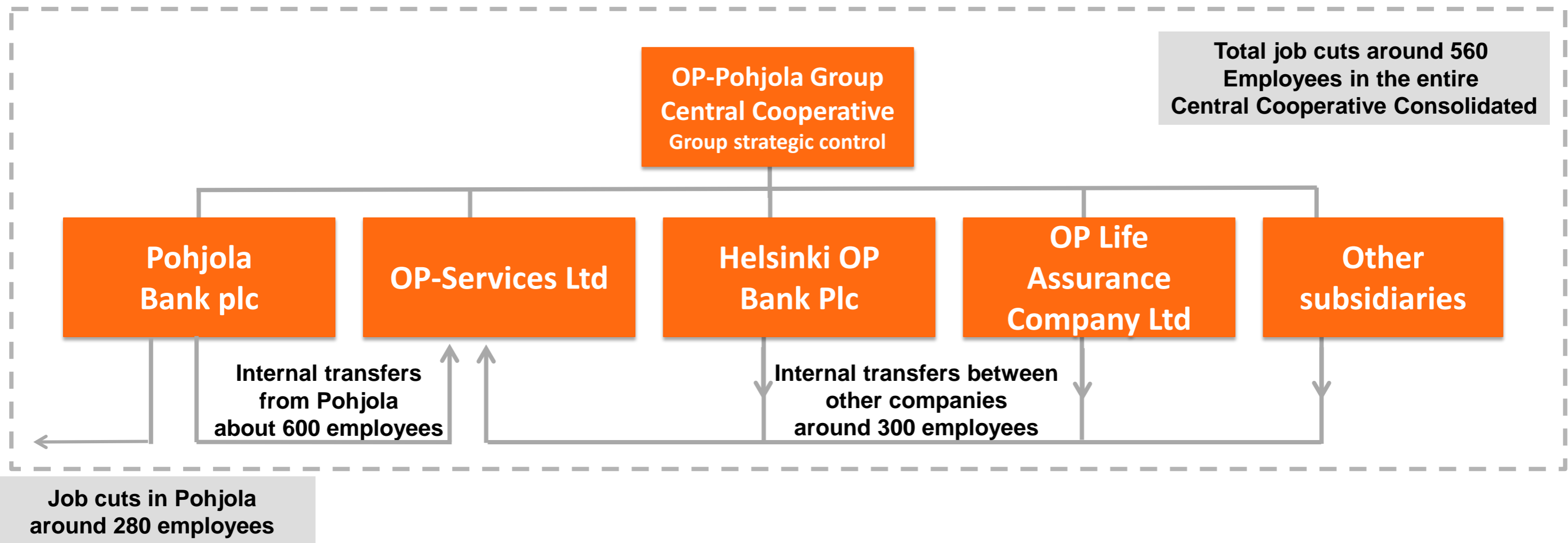
Source: Reuters EcoWin

# Substantial New Regulatory Regime – Content, Timing and Overall Effects Uncertain

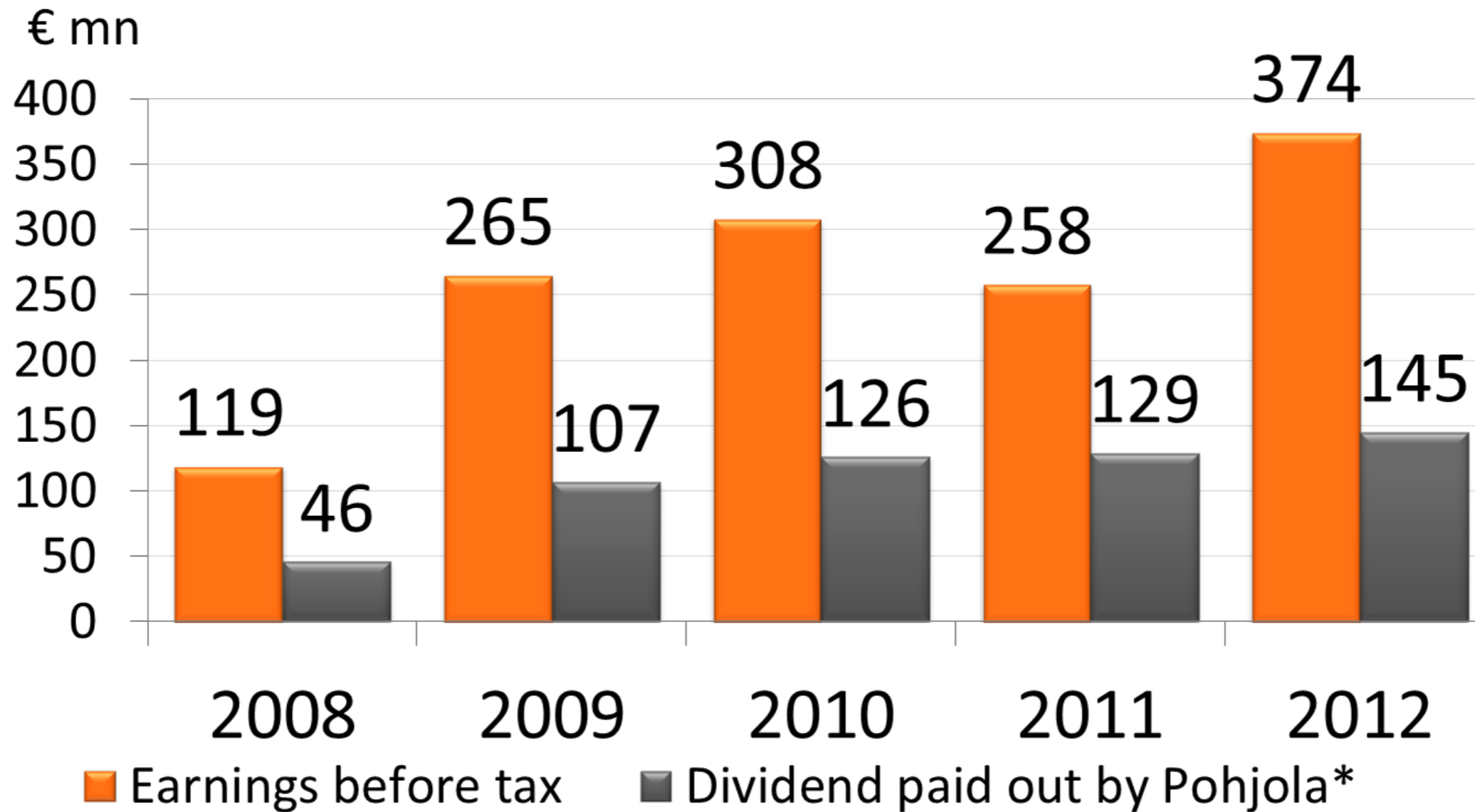


# Streamlining Processes and Operations and Eliminating Overlaps Are Aimed at Achieving Major Cost Savings – Pohjola Accounts for 50 Million Euros

**Savings target of 150 million euros within the entire OP-Pohjola Group  
Central Cooperative Consolidated by the end of 2015**



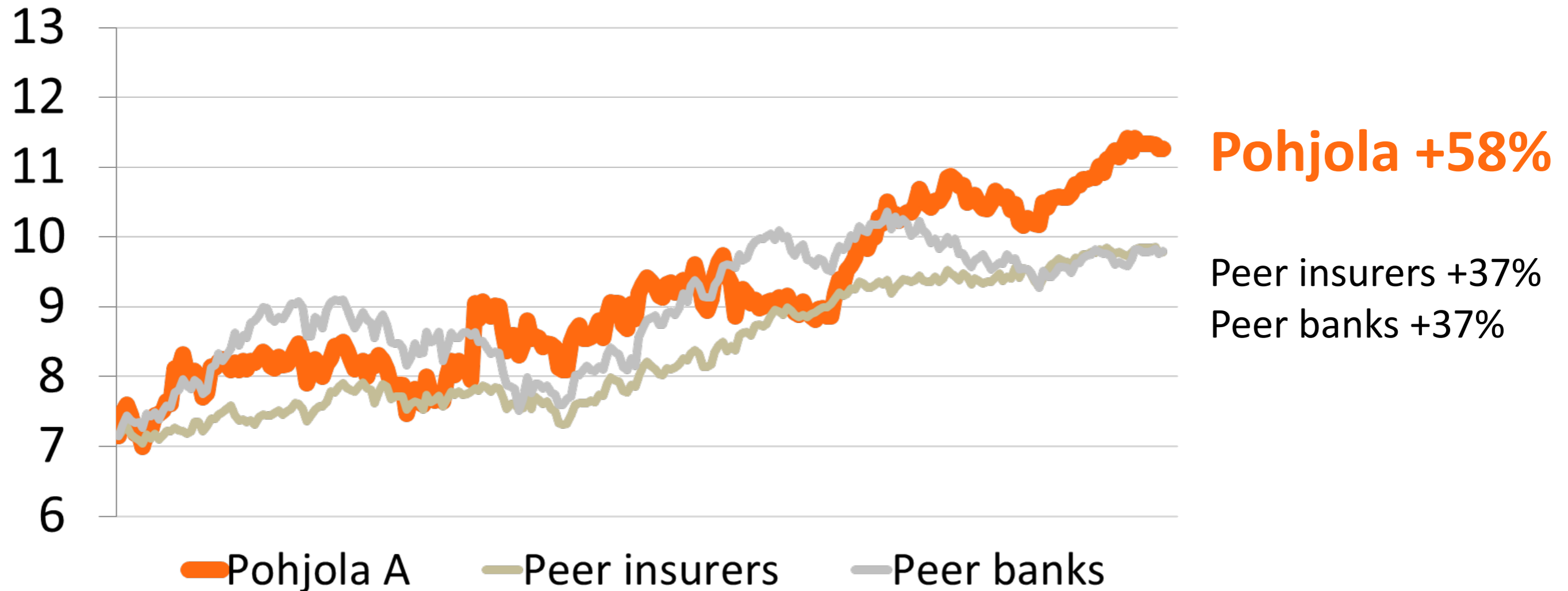
# Pohjola's Best-ever Financial Results

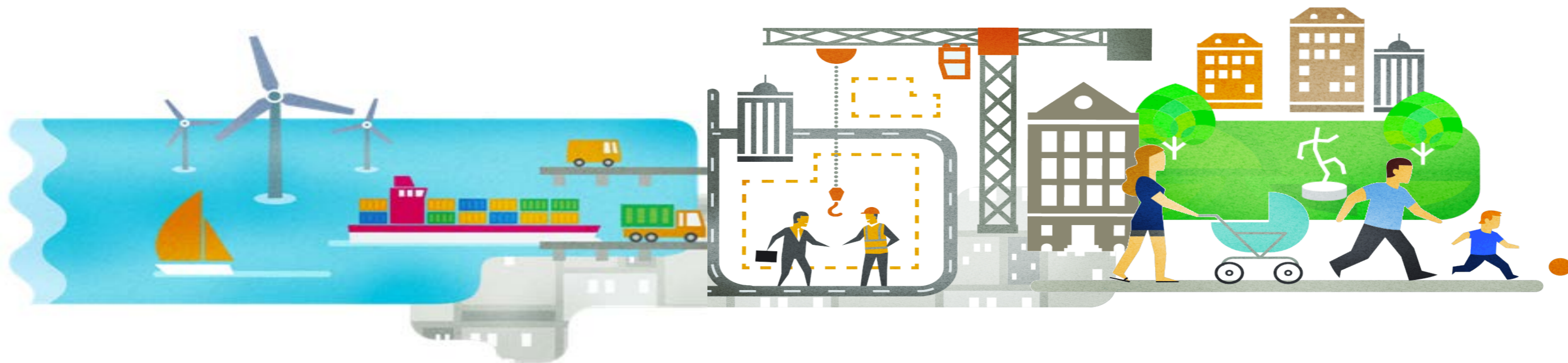


\* Dividend for 2012 proposed by the Board of Directors

# Total Shareholder Return 2012

## vis-à-vis a Group of Peer Banks and Insurers, €





# Pohjola 2012 Strategy

Value and Efficiency through Integration



**The mark of a strong group**

## 2. Calling the Meeting to Order



### 3. Election of Persons Checking the Minutes and Supervising Vote Counting



## 4. Legality of Meeting



## 5. Recording of Those Present and Confirmation of Voters List



# 6. Presenting the Financial Statements, Report by the Board of Directors and Auditor's Report for 2012

Review by President and CEO  
Mikael Silvennoinen

# President and CEO's Review

- Business performance
- Financial performance
- Balance sheet, capital adequacy and credit ratings
- Proposed dividend distribution
- Updated strategy
- Outlook for 2013



Pohjola



# Business Performance



# AGM 27 March 2012: Targets for 2012

## At the end of 2012, we will have:

- strengthened our market position in Banking and Non-life Insurance
- improved Asset Management investment income
- strengthened performance and cooperation efficiency within the Group
- improved our earnings year on year



# Banking



**Reima Rytsölä**

**Senior EVP, Banking**

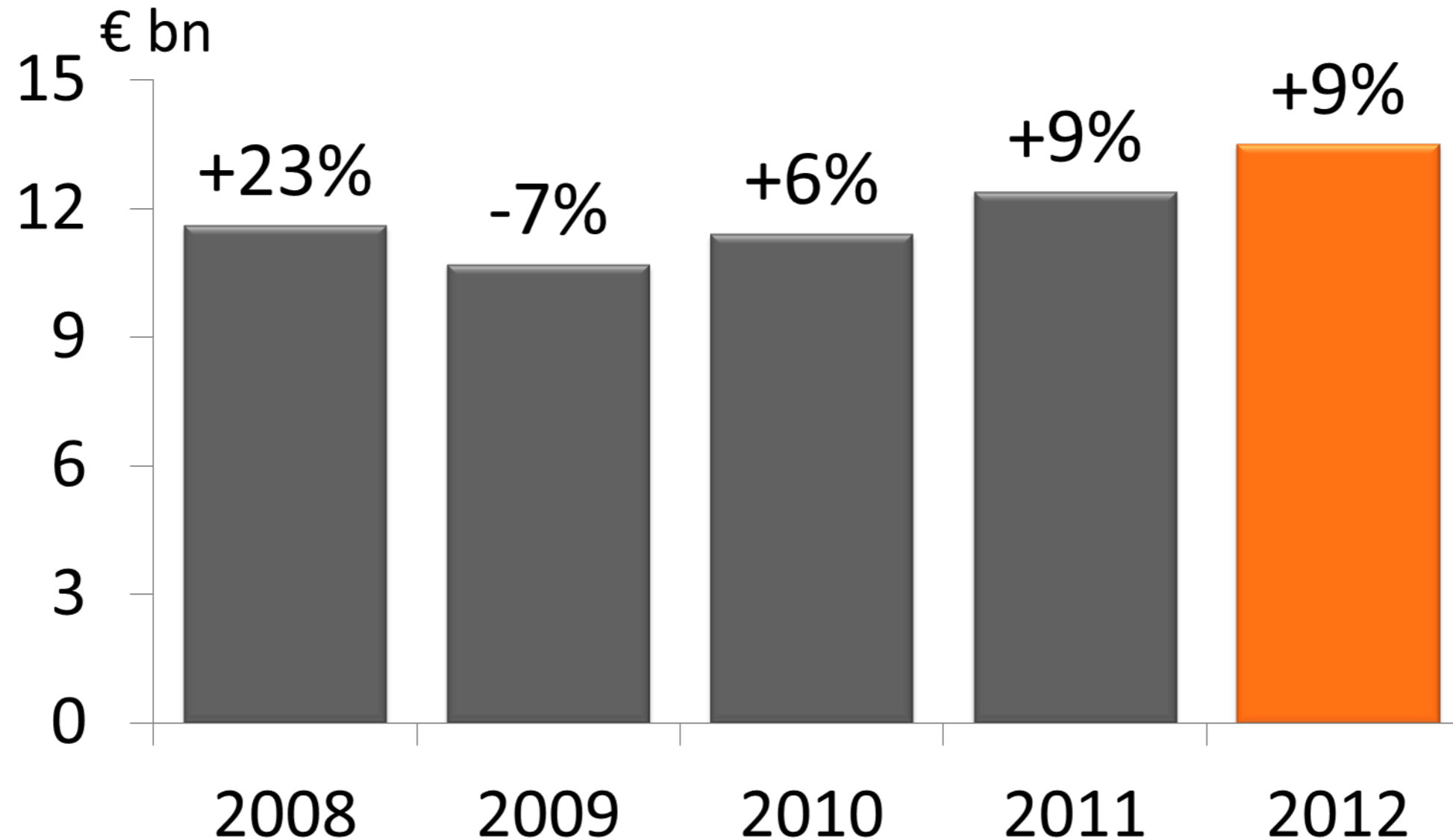
b. 1969

M.Soc.Sc., CEFA, AMP  
(Harvard)

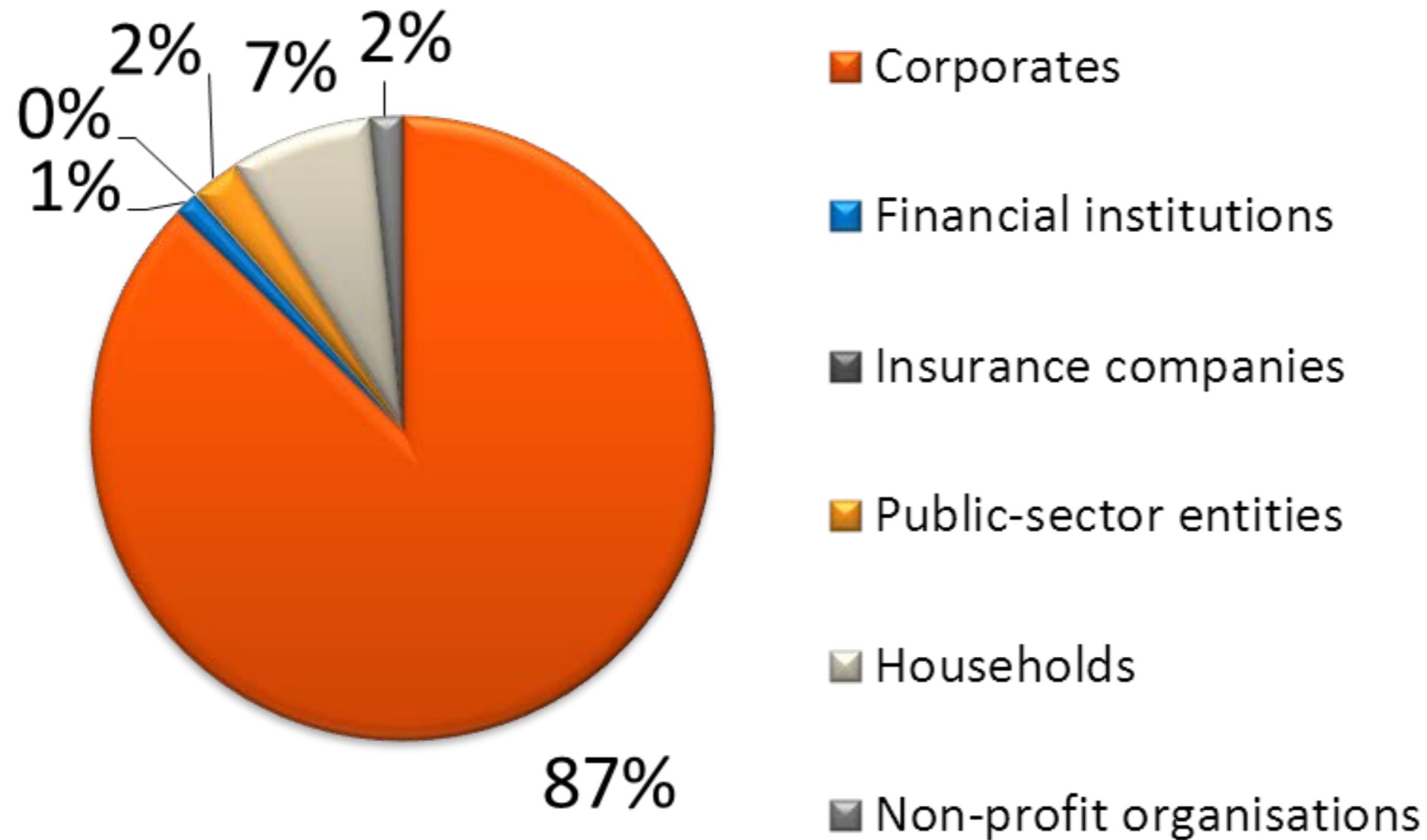


# Pohjola's 9% Growth in Loan Portfolio above Industry Average Growth of 5%

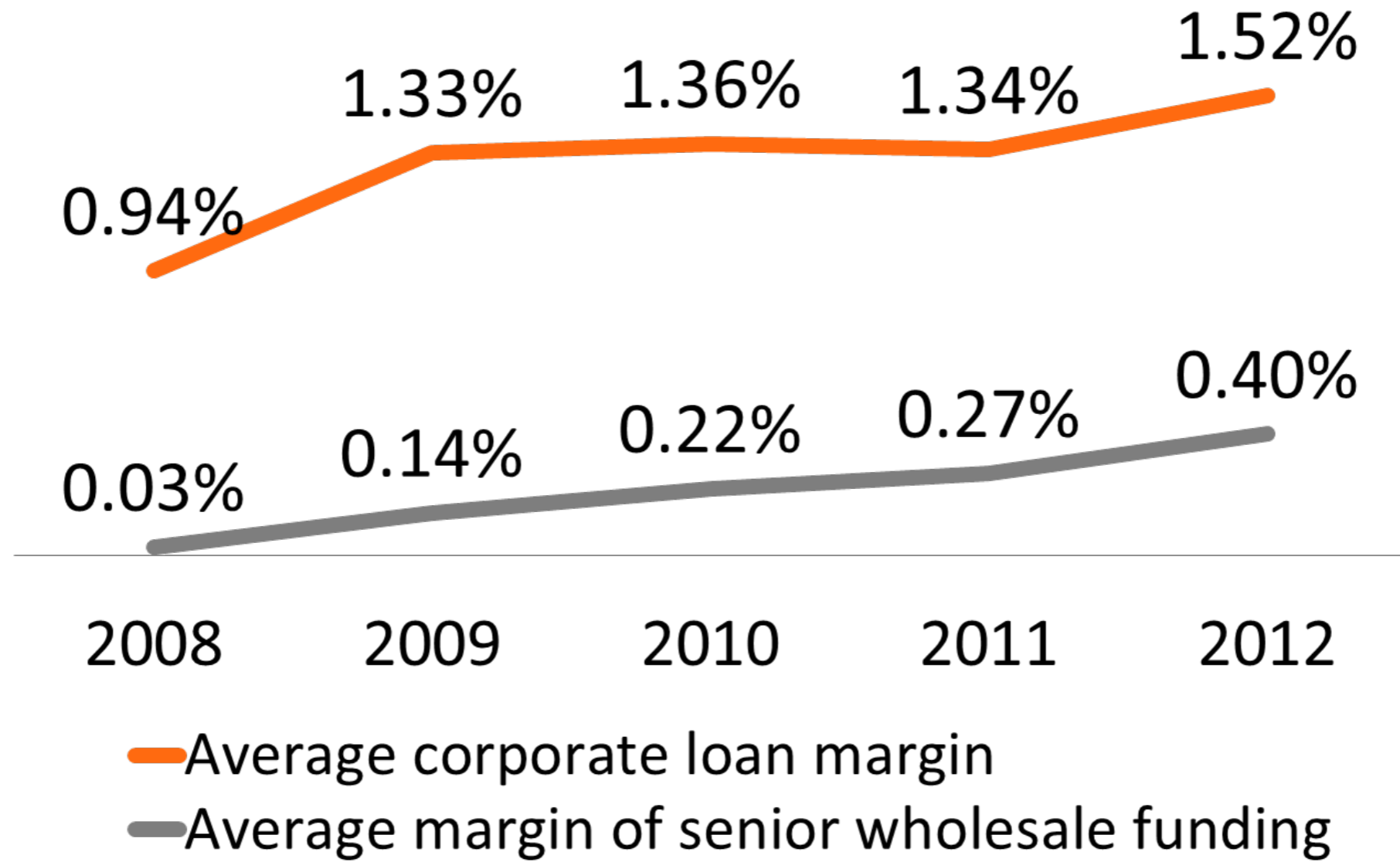
**Market share improved by 1.3 pps to 21.5%**



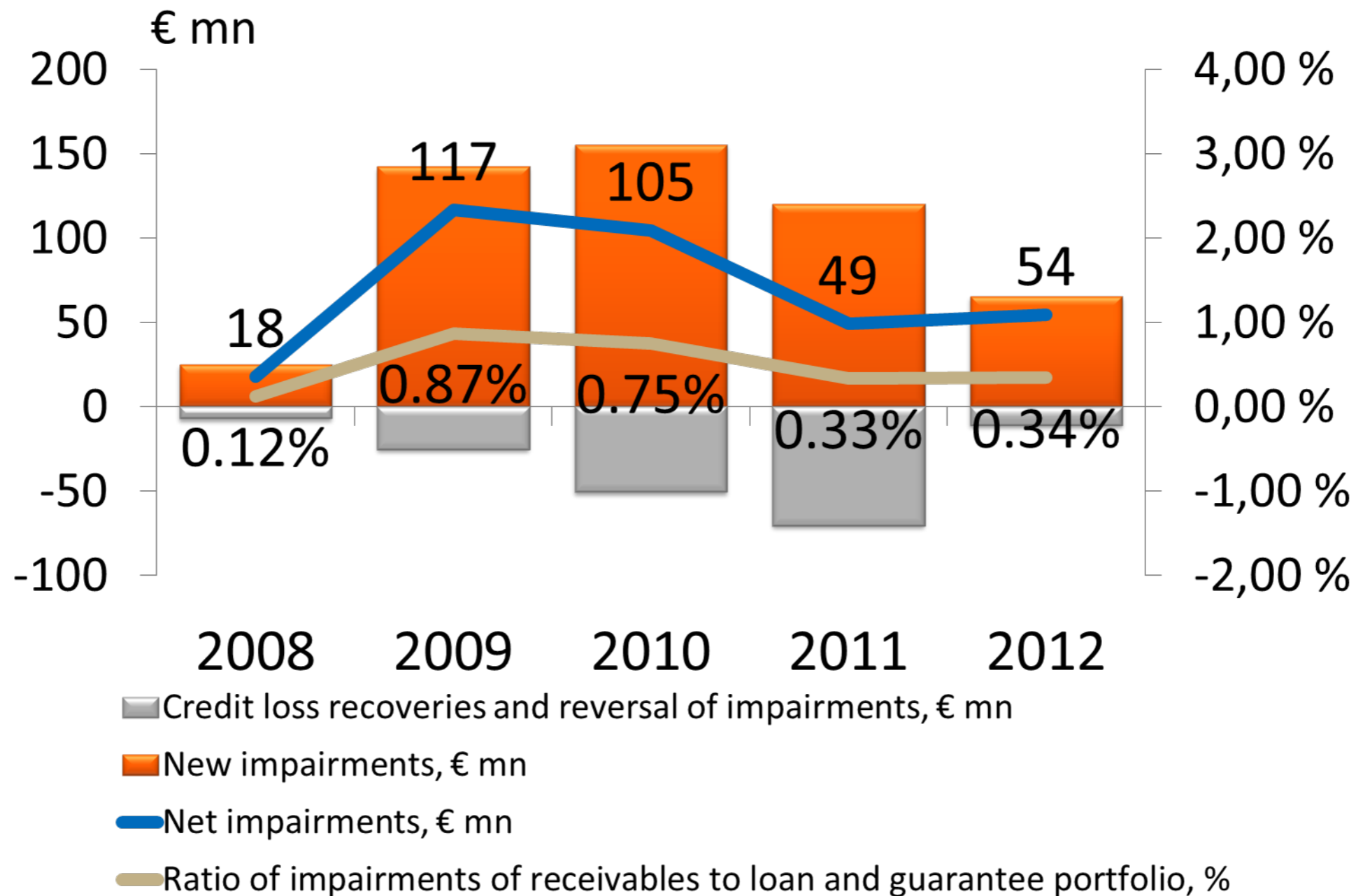
# Loan portfolio by sector 31 December 2012



## Average Margin: Corporate Loan Portfolio and Senior Wholesale Funding

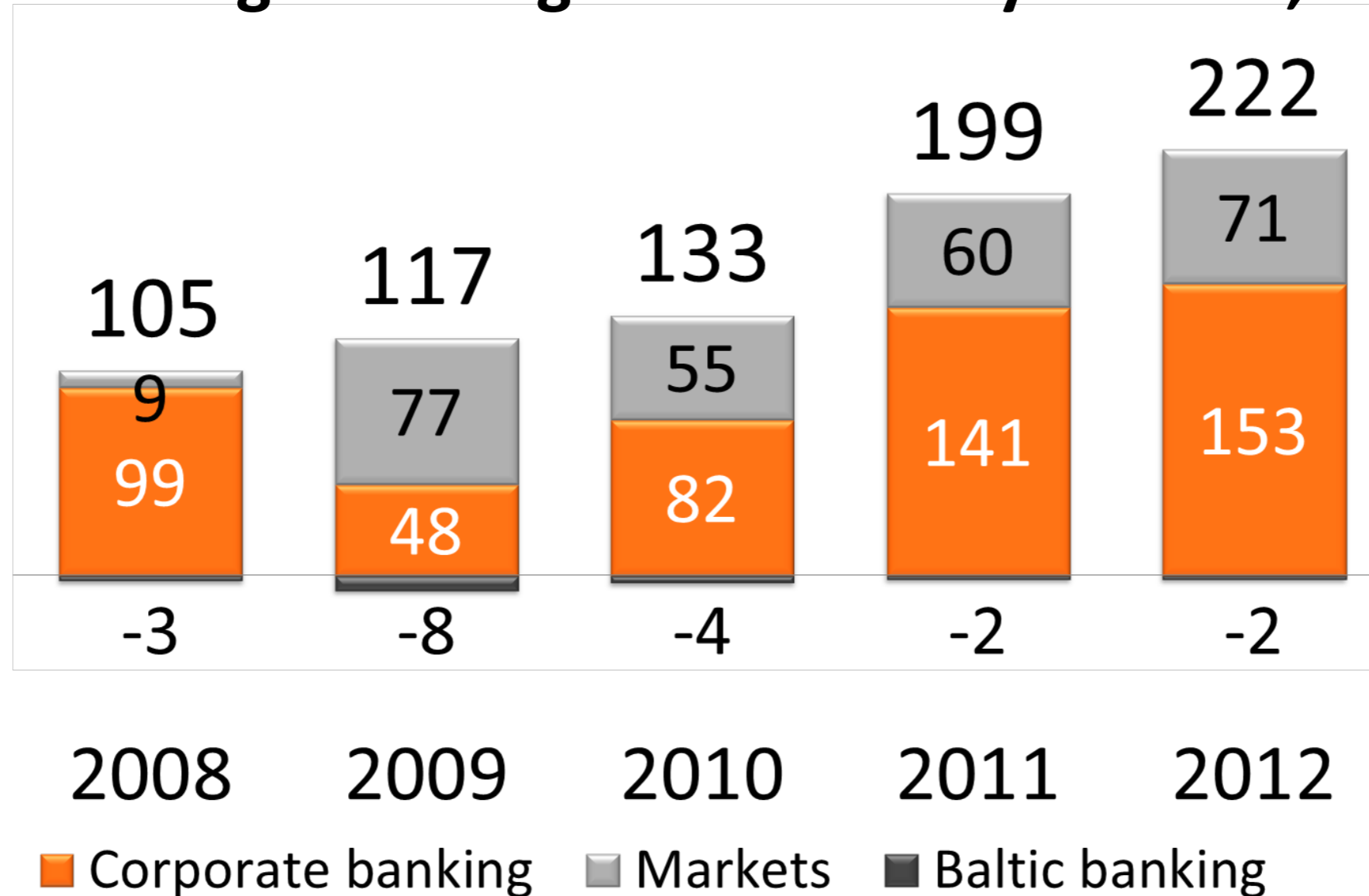


# Impairment Charges within Banking



# Growth Potential among Corporate Banking Customers for Markets Division

Banking's earnings before tax by division, € mn

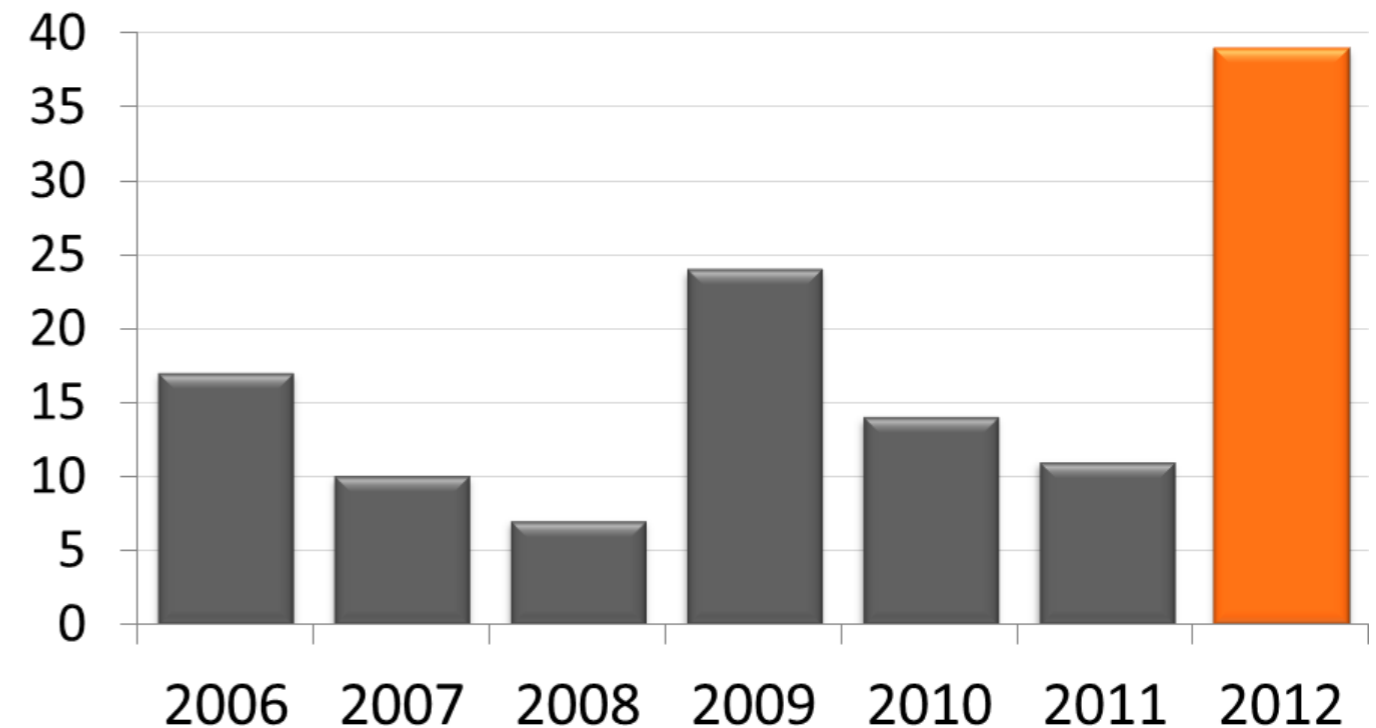


# Growth Potential among Corporate Banking Customers for Markets Division

**Lead manager performance in Finnish corporate bond issues, 2011-2012**

Lead Manager	Total raised (MEUR)	Lead Manager	Number of deals
<b>Pohjola Bank</b>	<b>1 760</b>	<b>Pohjola Bank</b>	<b>22</b>
Nordea Bank	1 667	Nordea Bank	19
Danske Bank	1 480	Danske Bank	16
Citigroup	600	Citigroup	5
Deutsche Bank	600	SEB	5
SEB	525	Deutsche Bank	4
BNP Paribas	492	Barclays	3
Barclays	450	BNP Paribas	3
ING	317	ING	3
Goldman Sachs	125	Handesbanken	2
<b>Total</b>	<b>9 116</b>	<b>Total</b>	<b>43</b>

**Finnish corporate bonds, number of issues**



Source: Bloomberg, Pohjola Markets

# Non-life Insurance



**Jouko Pölönen**

**President,  
Pohjola Insurance Ltd**

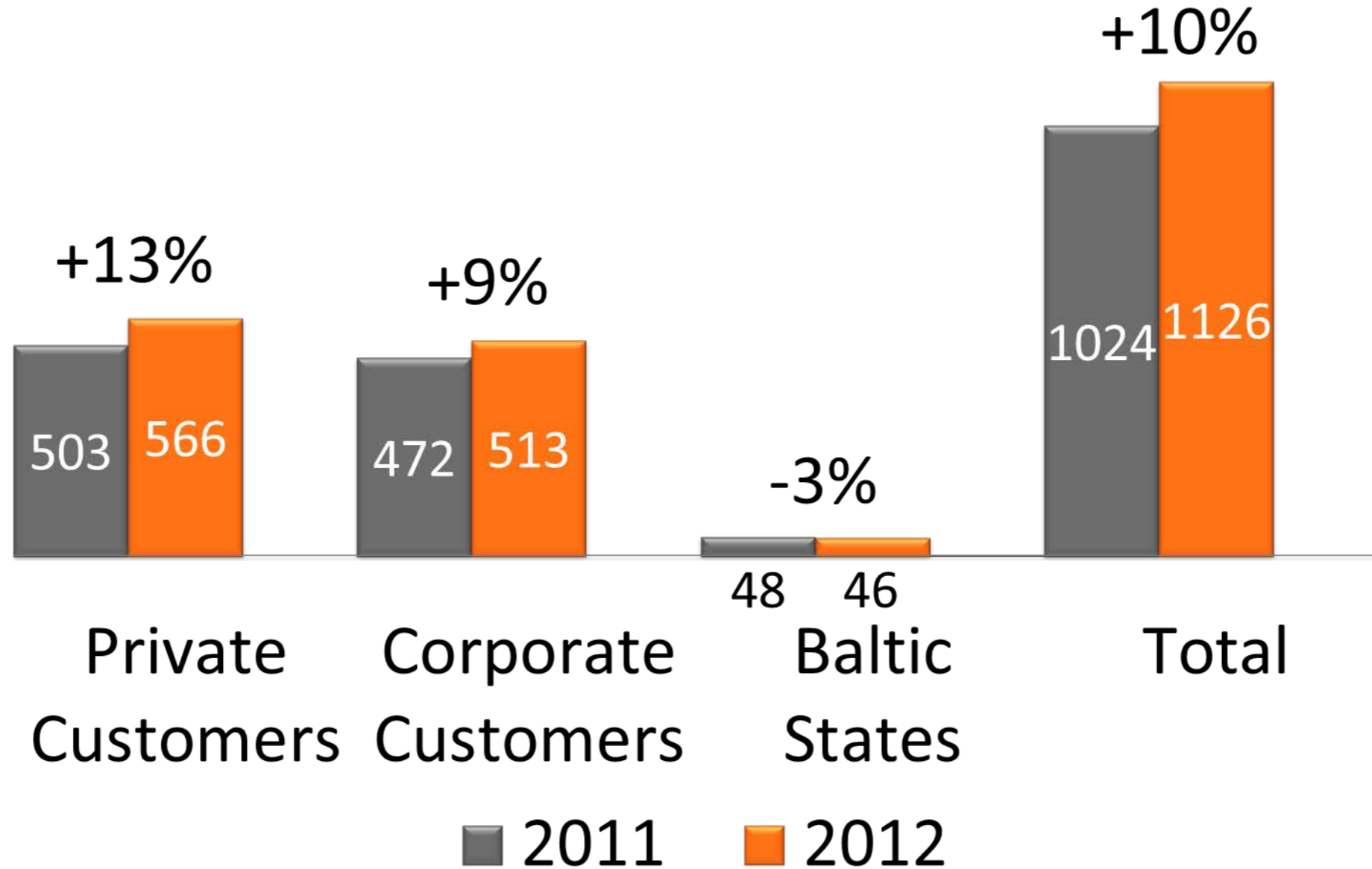
b. 1970

M.Sc. (Econ. & Bus.  
Adm.), eMBA



# Insurance Premium Revenue up by 10%

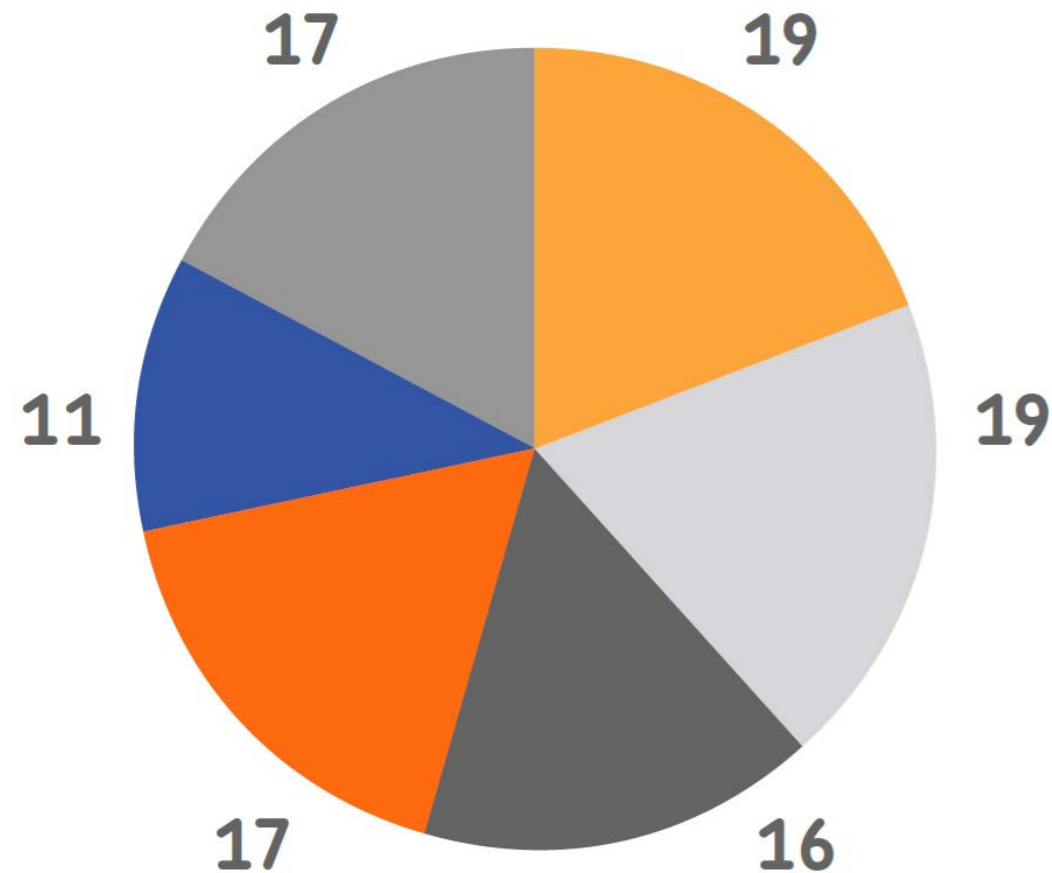
Insurance premium revenue by business line and change, € mn



# Even Insurance Premium Revenue Distribution by Insurance Line

**2012 insurance premium revenue €1,126 million**

Insurance premium revenue and operating combined ratio by insurance line, %

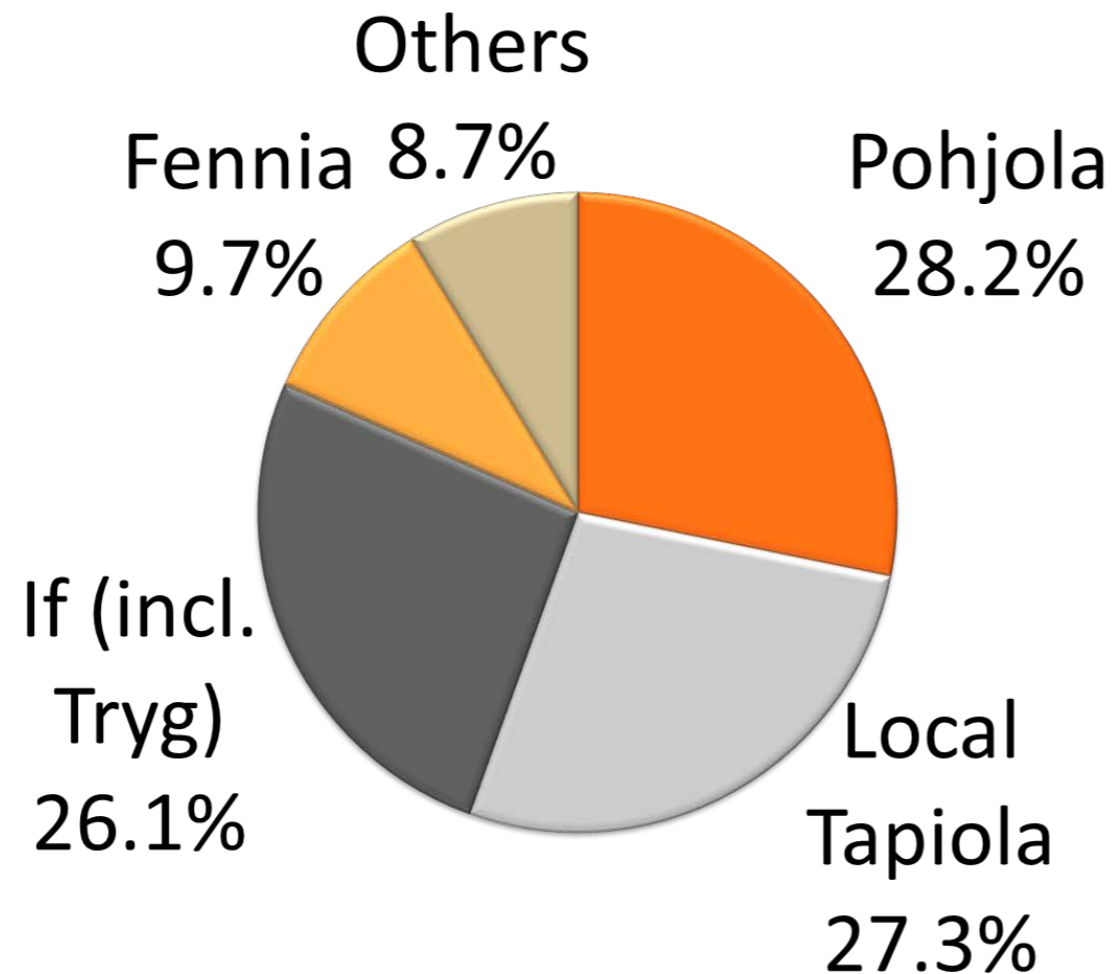


2012

- Motor, third party liability 86.1%
- Fire and other damage to property 97.1%
- Statutory workers' compensation insurance 78.5%
- Motor, other 98.2%
- Other accident and health 94.4%
- Other 89.6%

# Pohjola Strengthened Its Leading Market Position

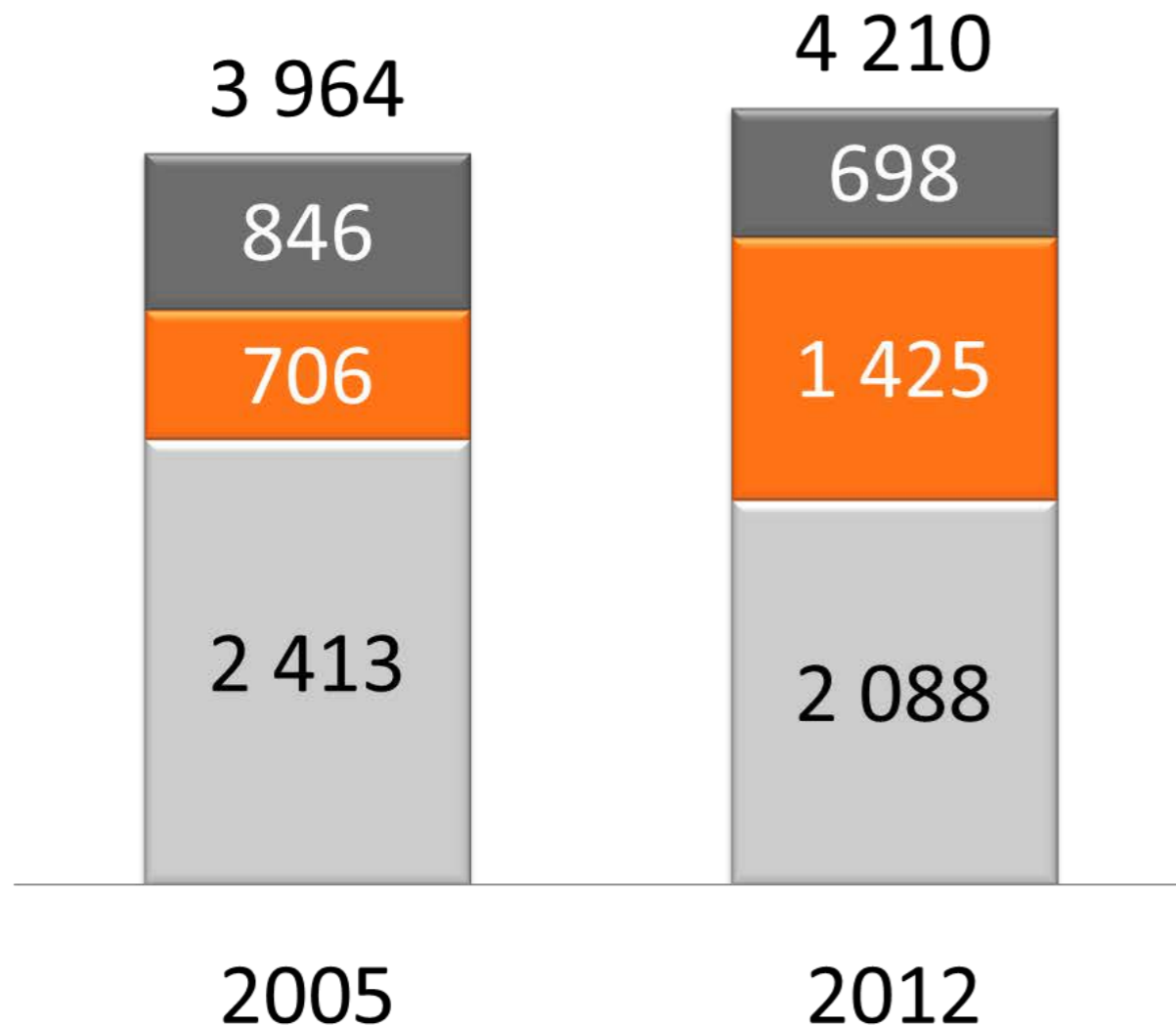
**Market share in 2011 by non-life insurer  
(incl. changes in the competitive arena)**



Pohjola  
preliminary  
information  
2012 approx.  
29%

# OP-Pohjola Group's Great Customer Potential as Source of Sustained Growth

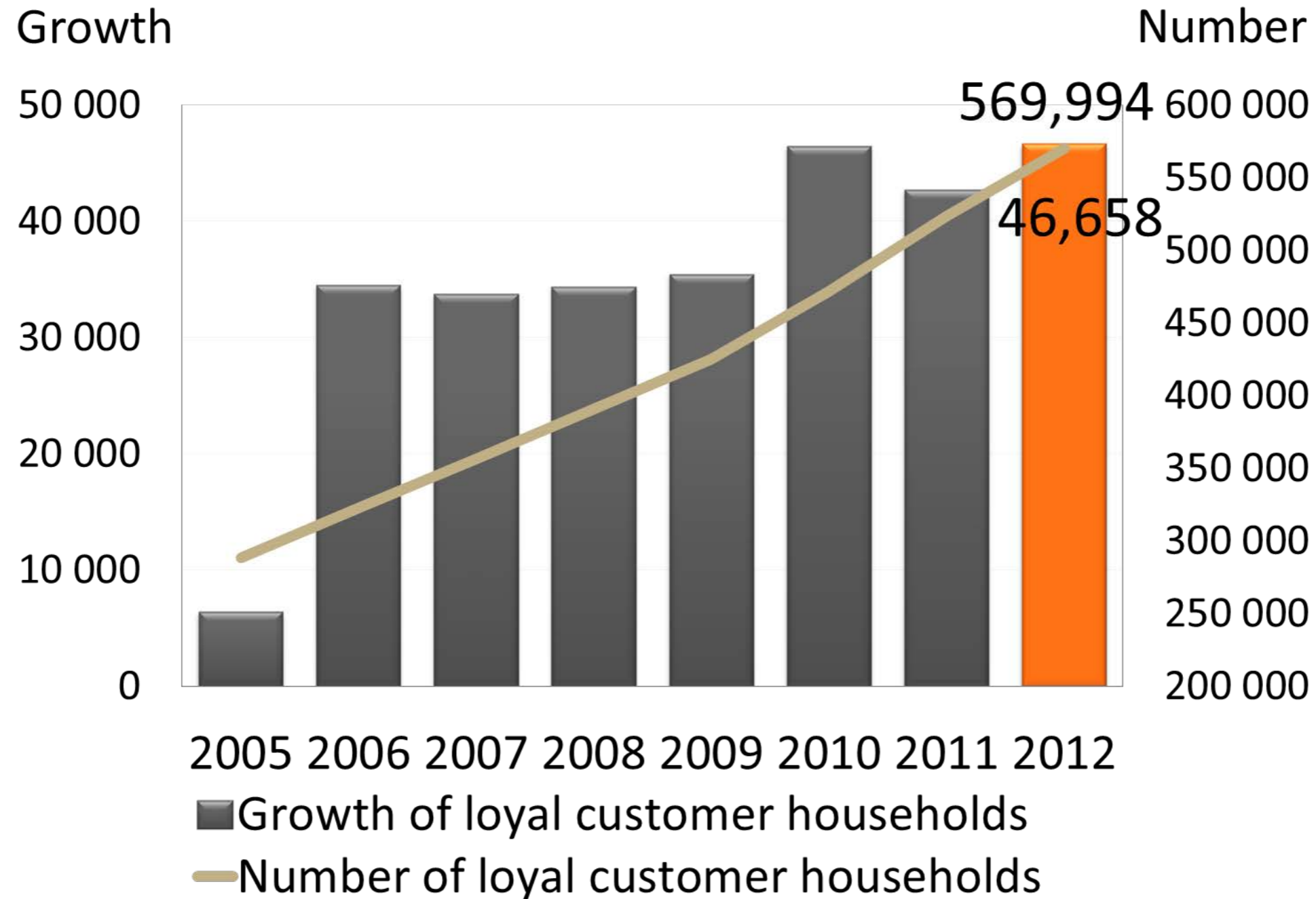
1,000 customers



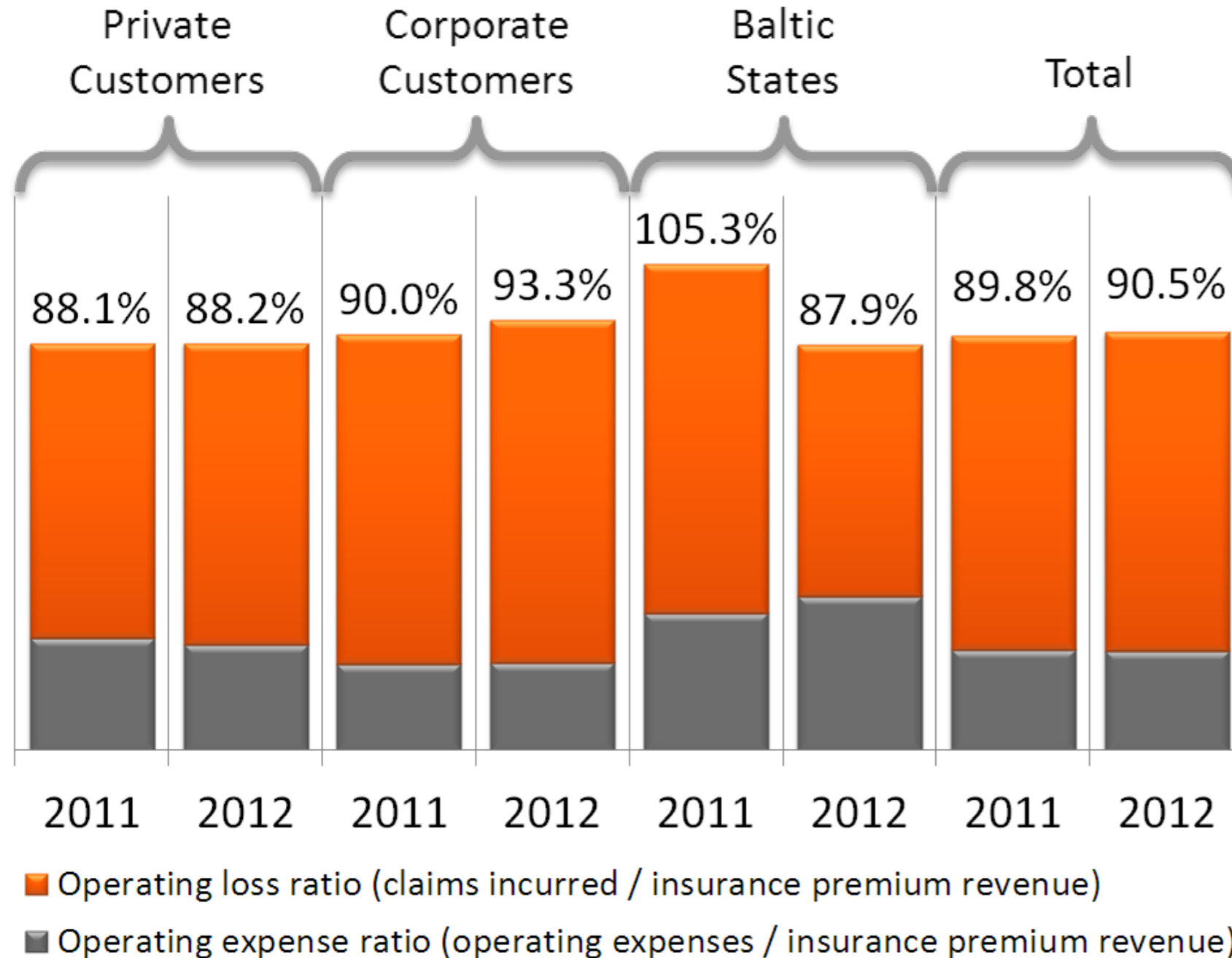
Number of joint  
customers has grown  
by 102% since 2005

- Non-life insurance customers
- Banking and non-life insurance customers
- Banking customers

# Pohjola Insurance Has over 500,000 Loyal Customer Households



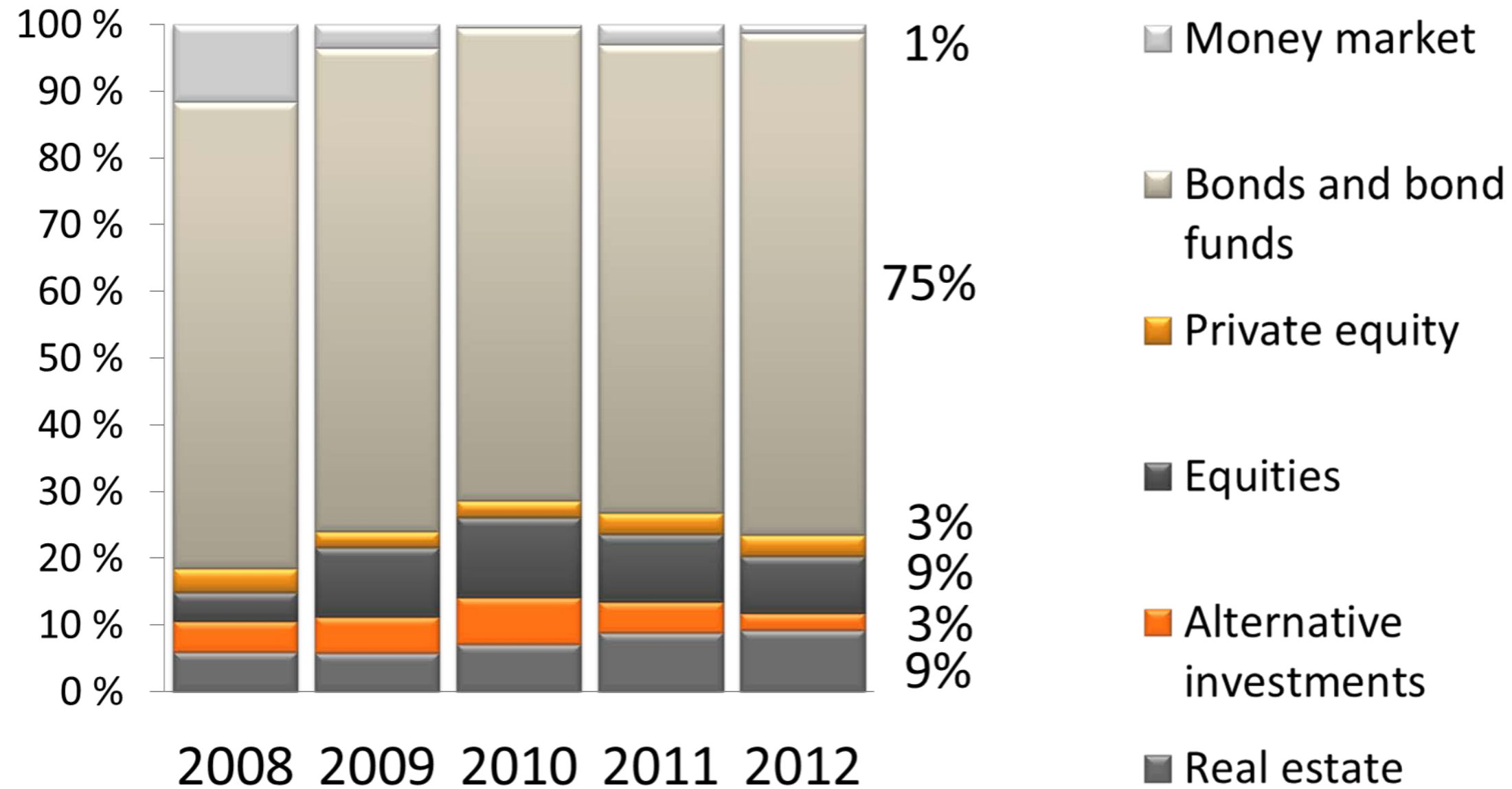
# Operating\* Combined Ratio at Good Level



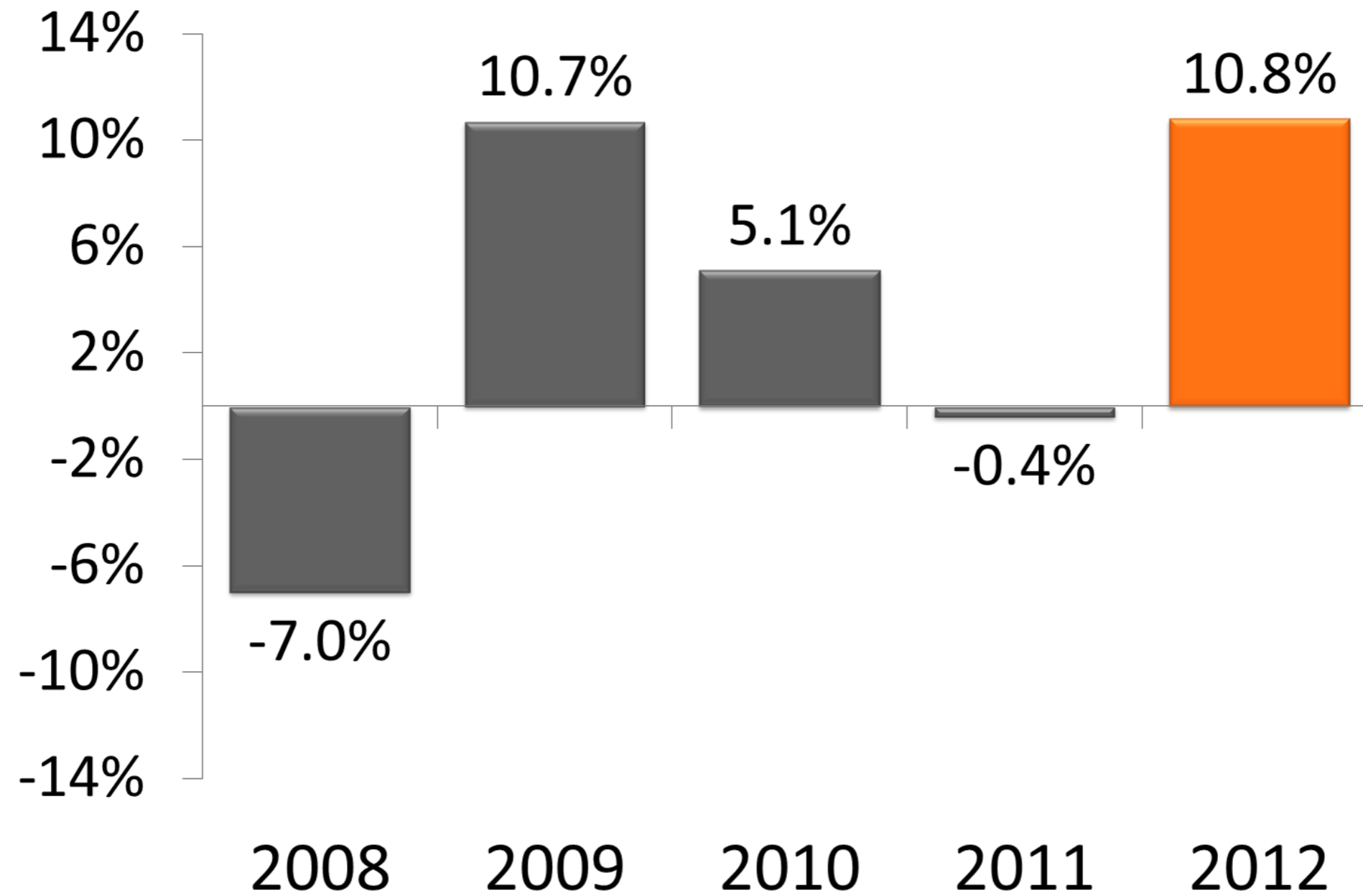
\*) excl. changes in reserving bases and amortisation of intangible assets

# Non-life Insurance Investment Portfolio Allocation

## Almost Unchanged



## Return on Investment at Fair Value



# Asset Management



**Karri Alameri**

**President,  
Pohjola Asset  
Management Ltd**

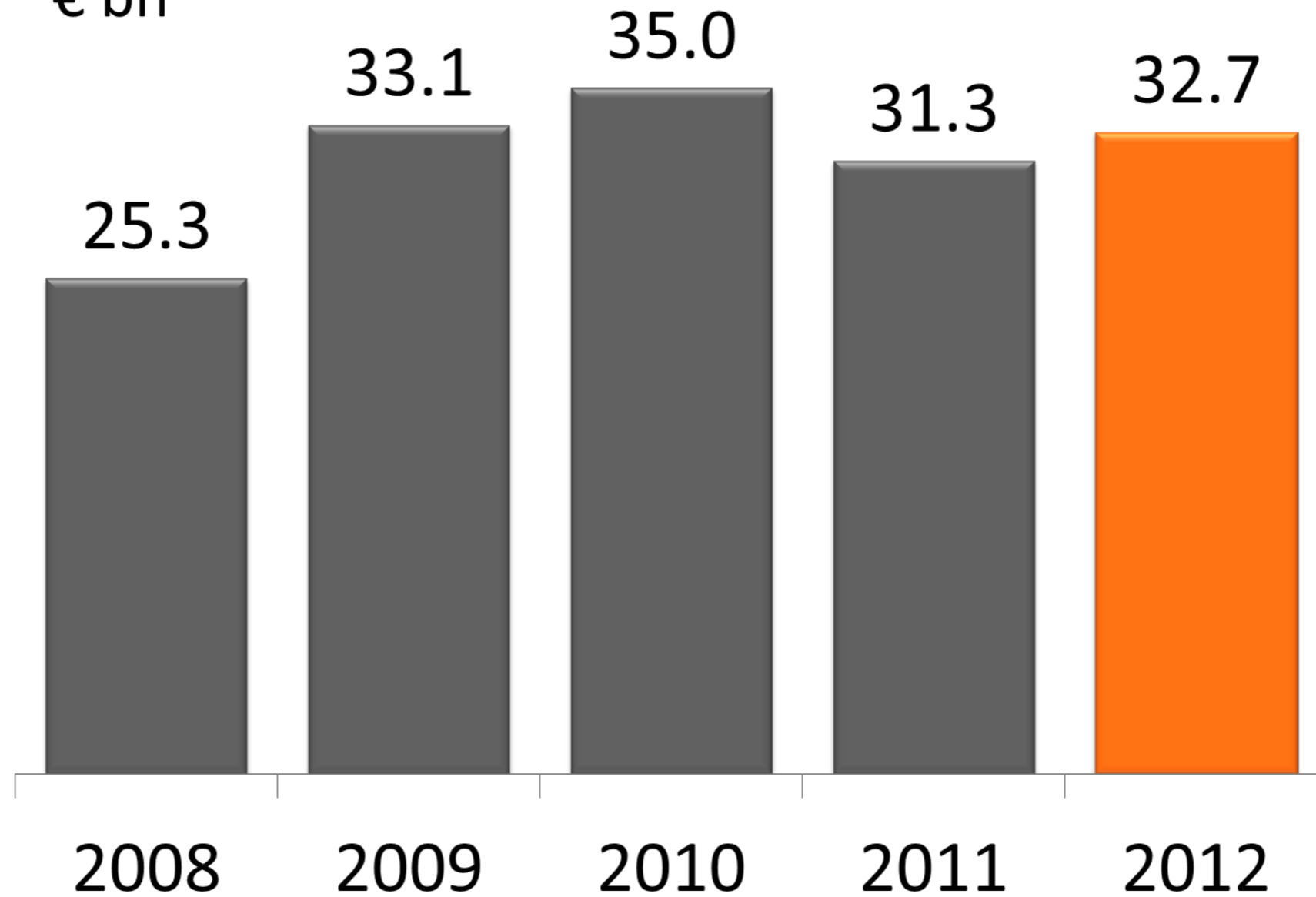
b. 1963

B.Sc. (Econ. & Bus. Adm.),  
CEFA

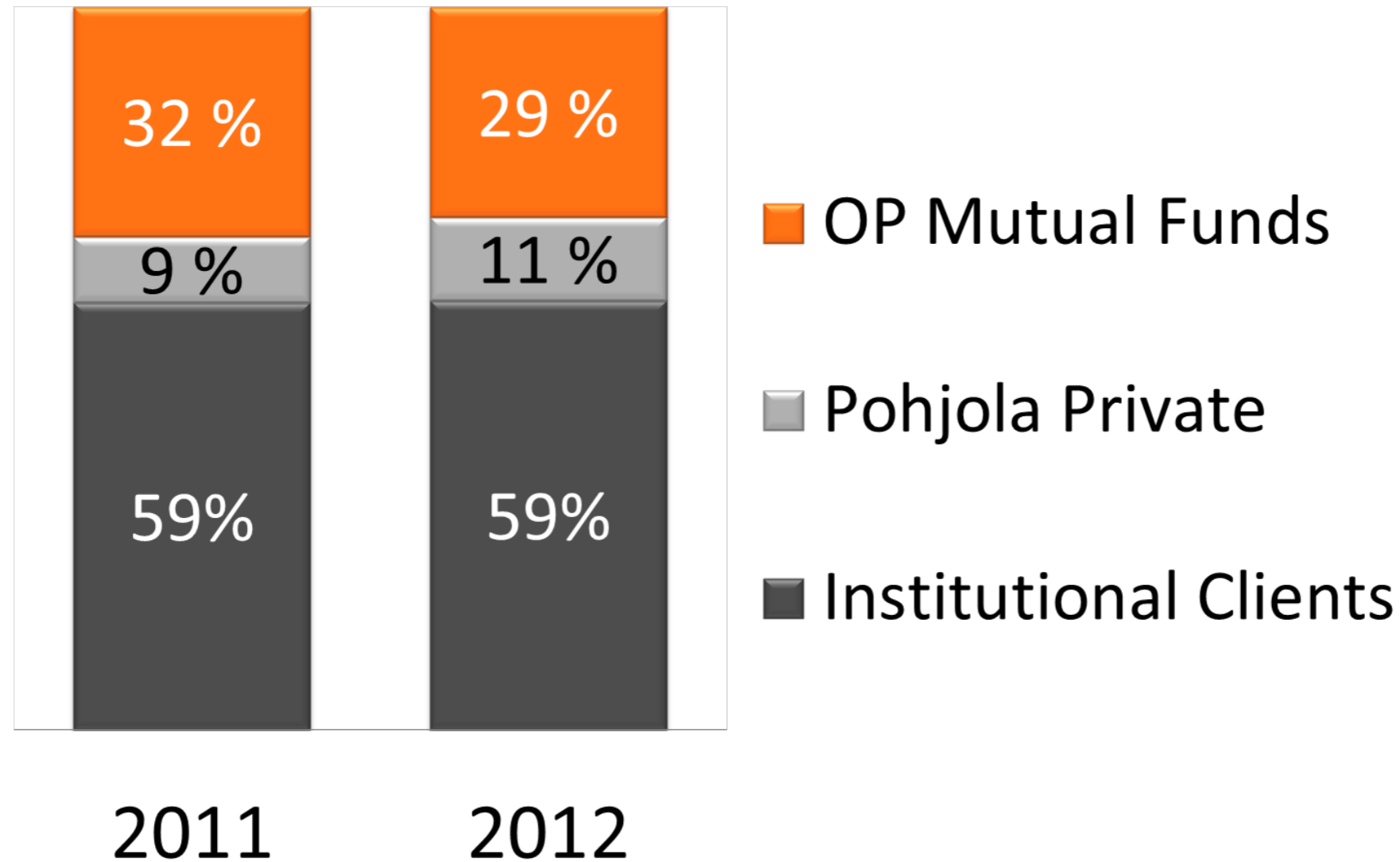


## Assets under Management up by 5%

€ bn

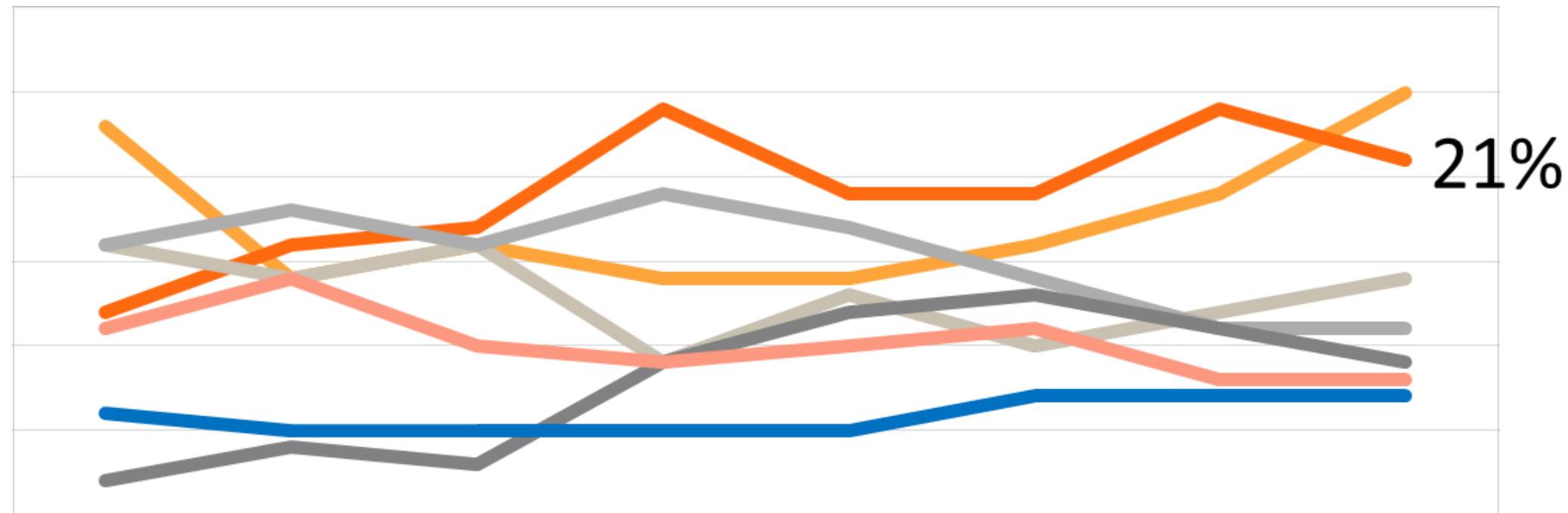


## Share of Institutional Clients Remained in 59% of Assets under Management



# Market Share of Institutional Asset Management 21%

% of total amount of funds under external management reported by institutional investors



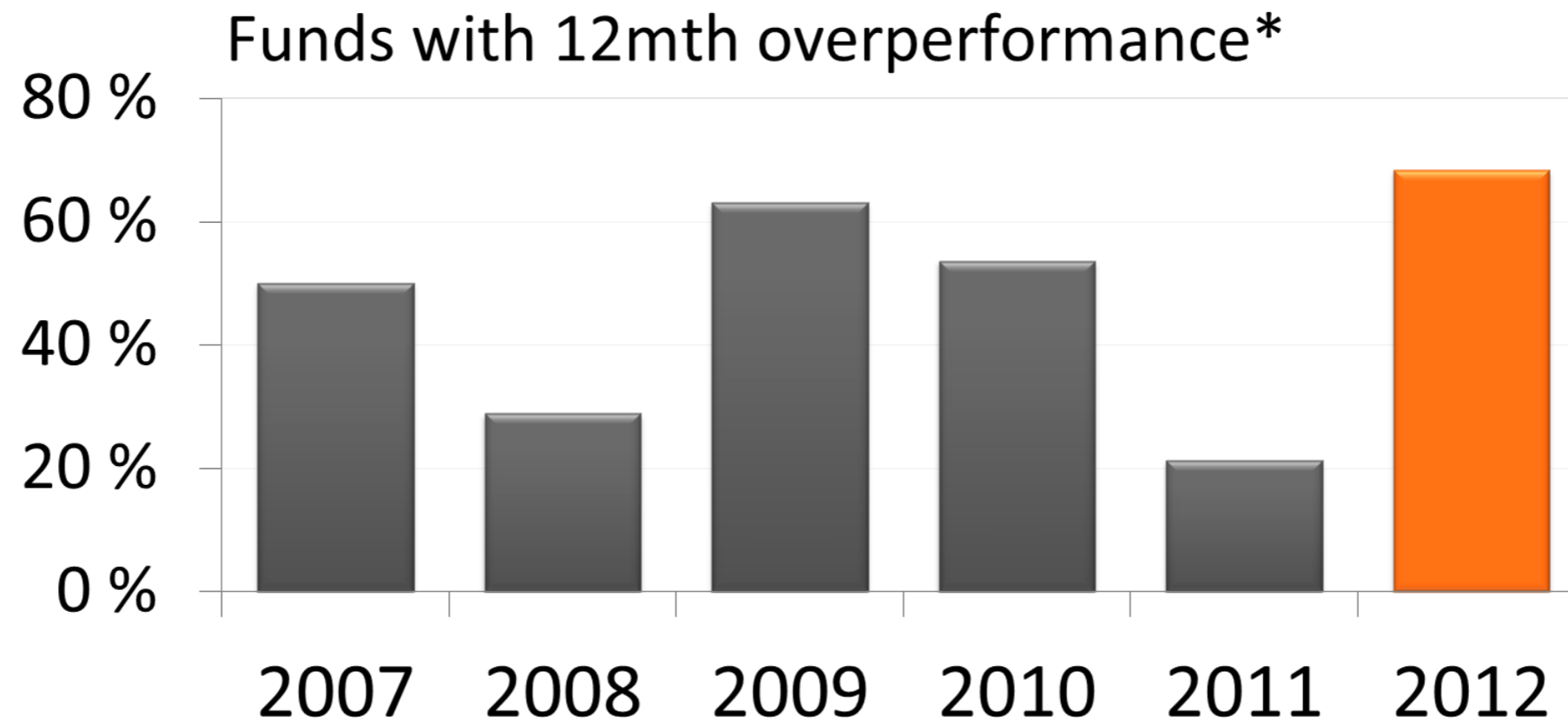
2005 2006 2007 2008 2009 2010 2011 2012

Others Pohjola Company 1 Company 2  
 Company 3 Company 4 Company 5 Company 6

Source: SFR 2012

## Successful Investment Added to Income

**A total of 68% of OP Mutual Funds included in Asset Management portfolio management outperformed their benchmark index in 2012**

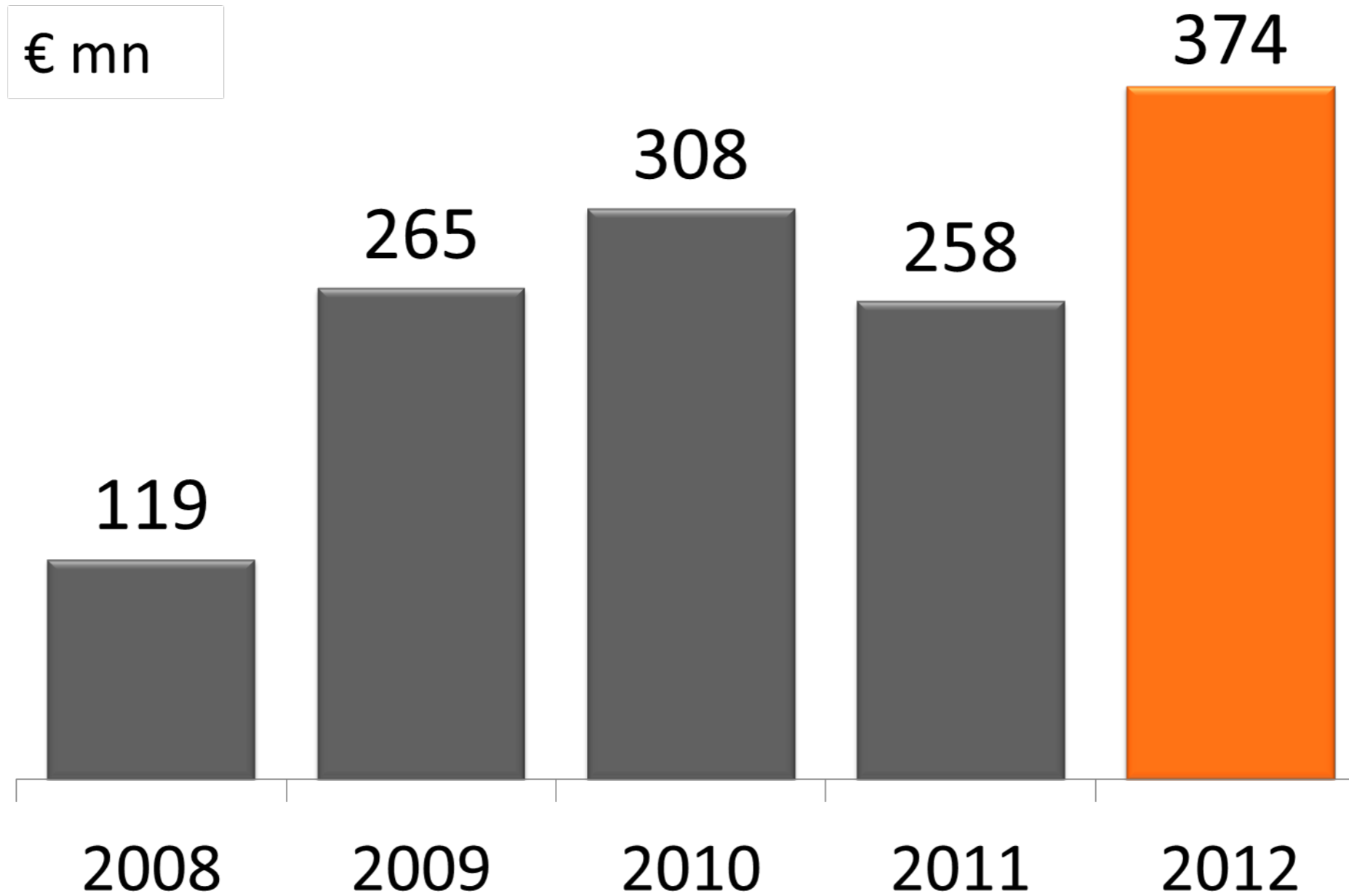


\* Funds managed by Pohjola Asset Management Ltd

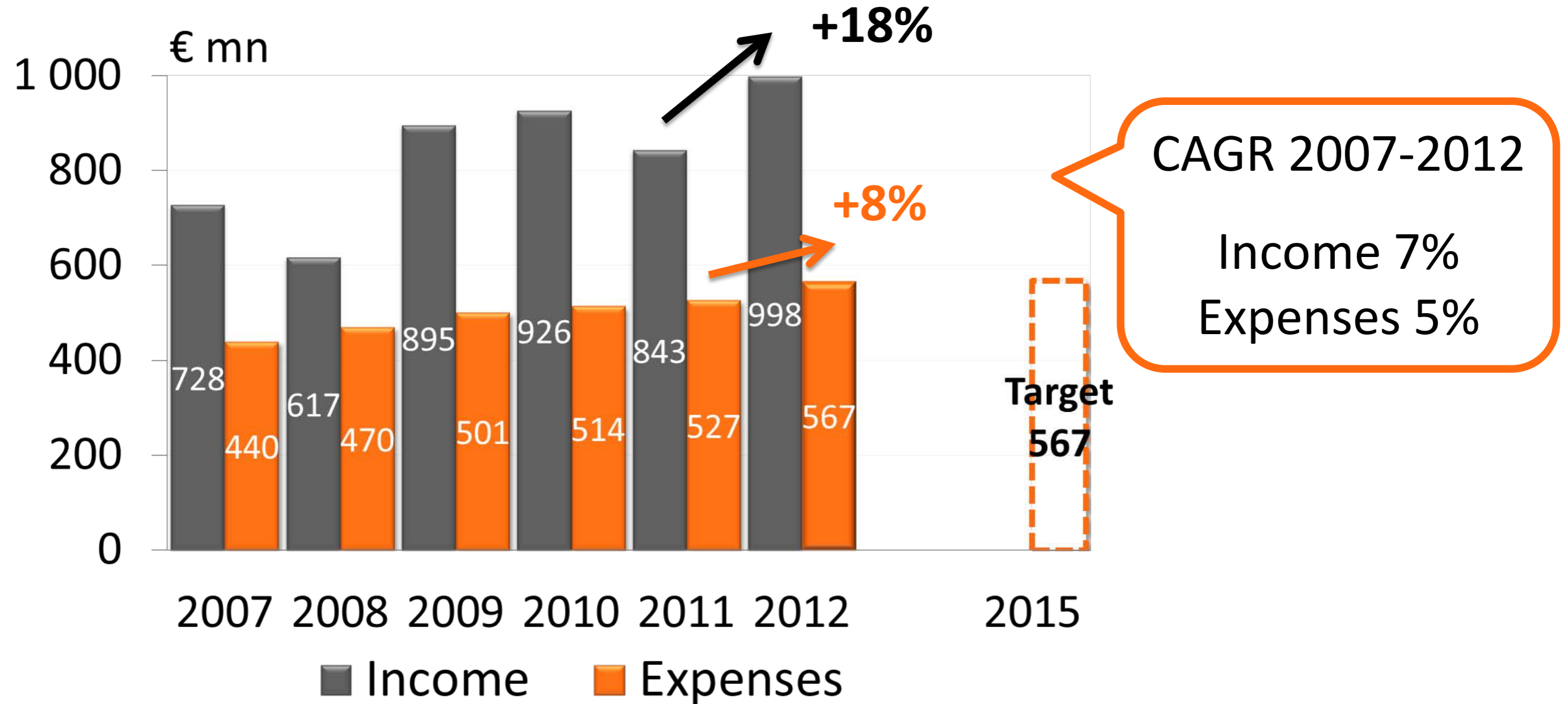
# Financial Performance



# Marked Improvement in Consolidated Earnings

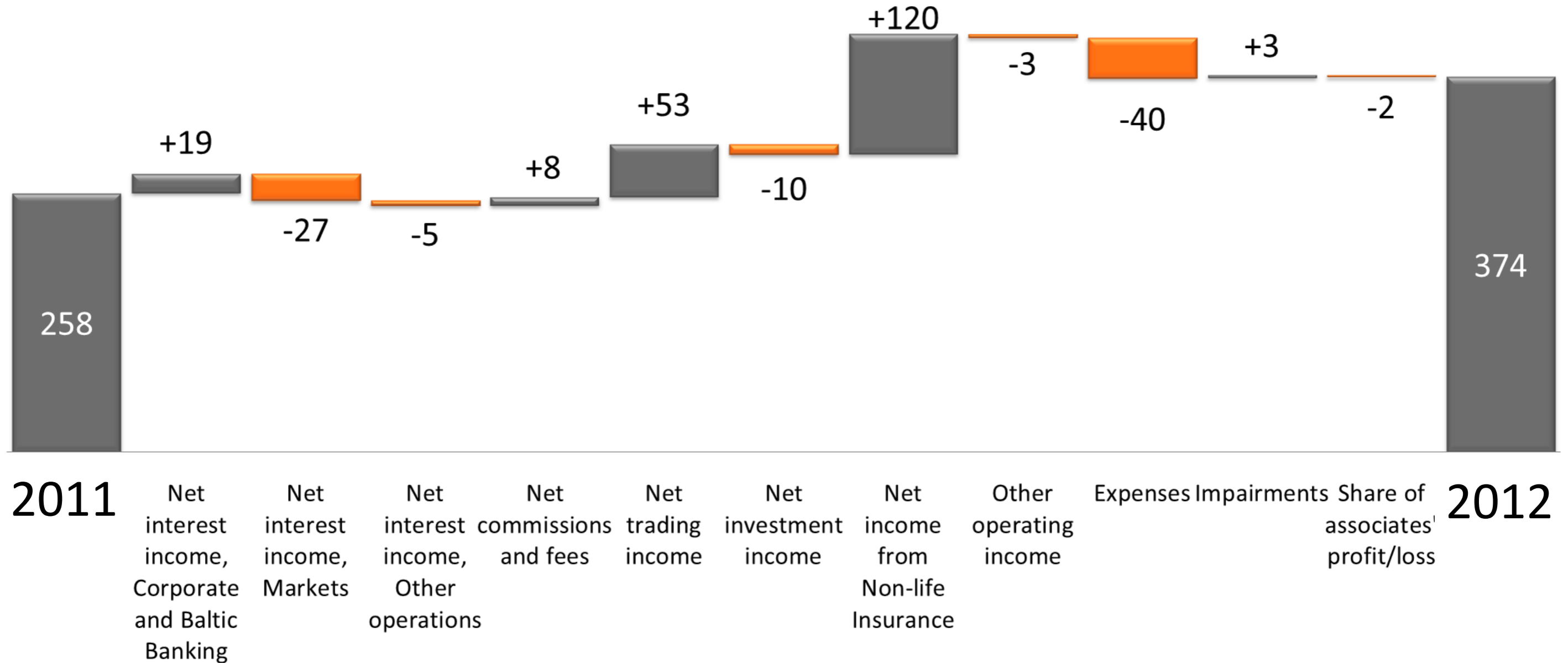


# Income and Expenses

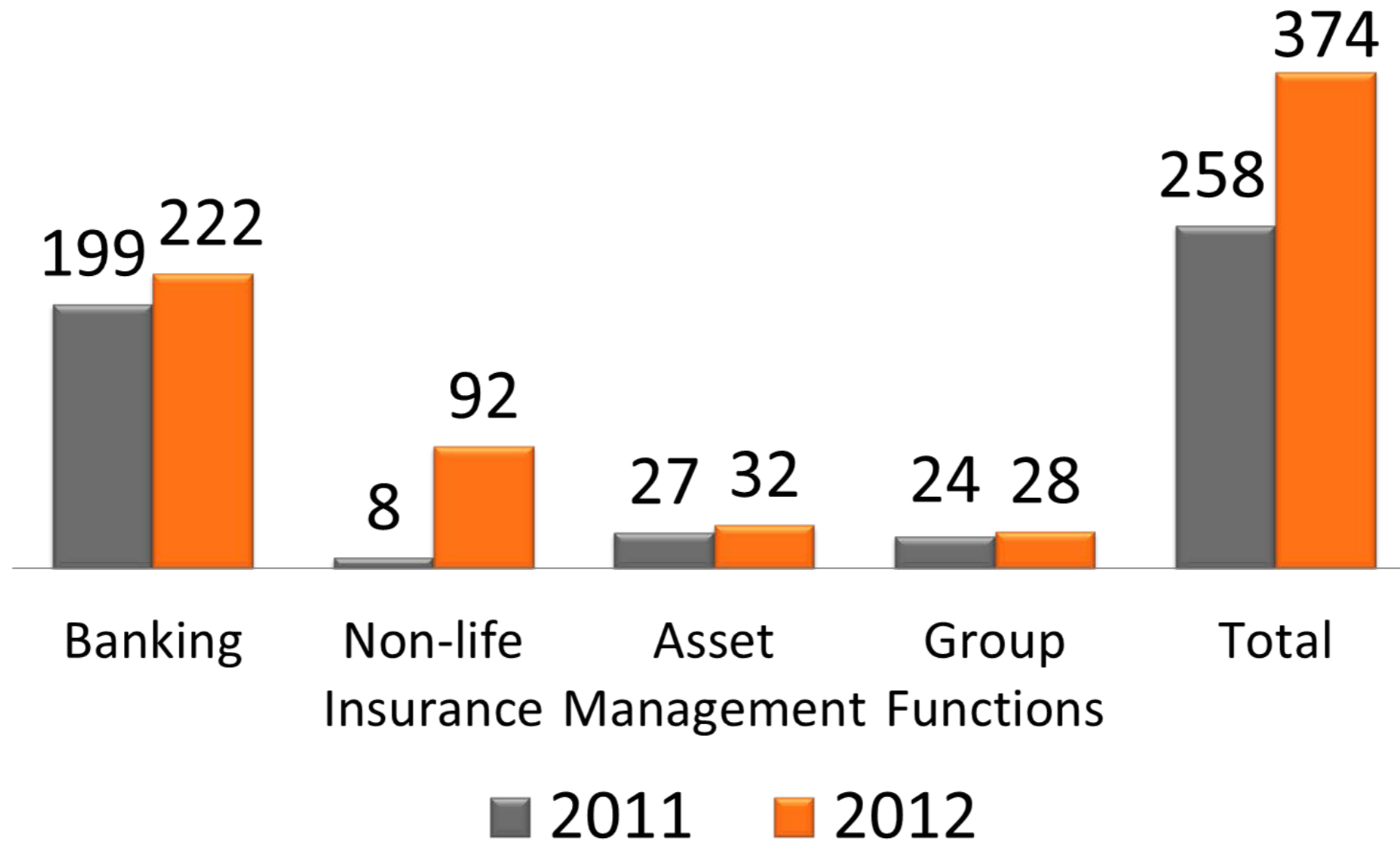


# Consolidated Earnings Performance 2011 vs. 2012

## Earnings before tax, € million



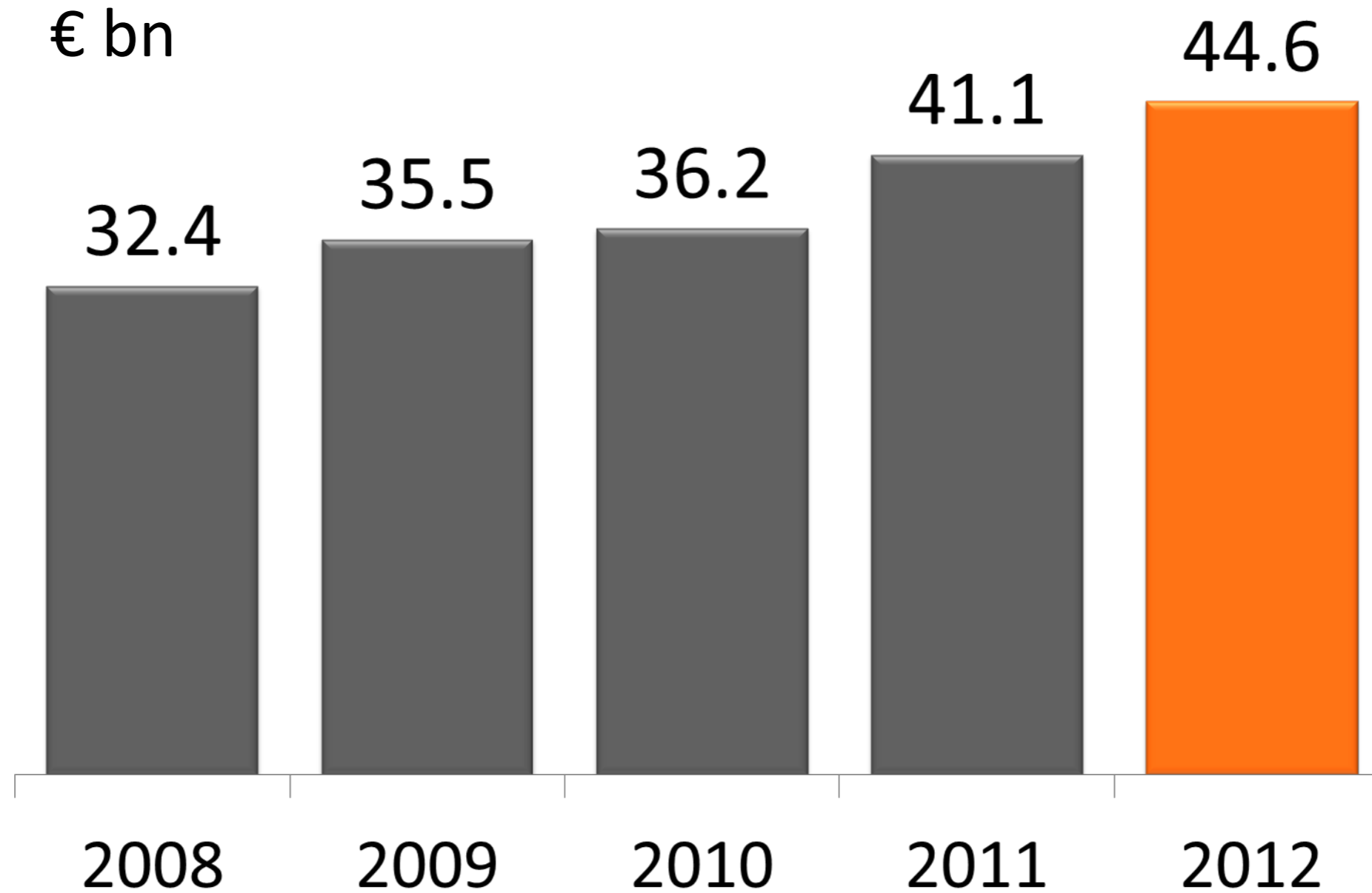
## Improvement in All Business Lines' 2012 Financial Performance



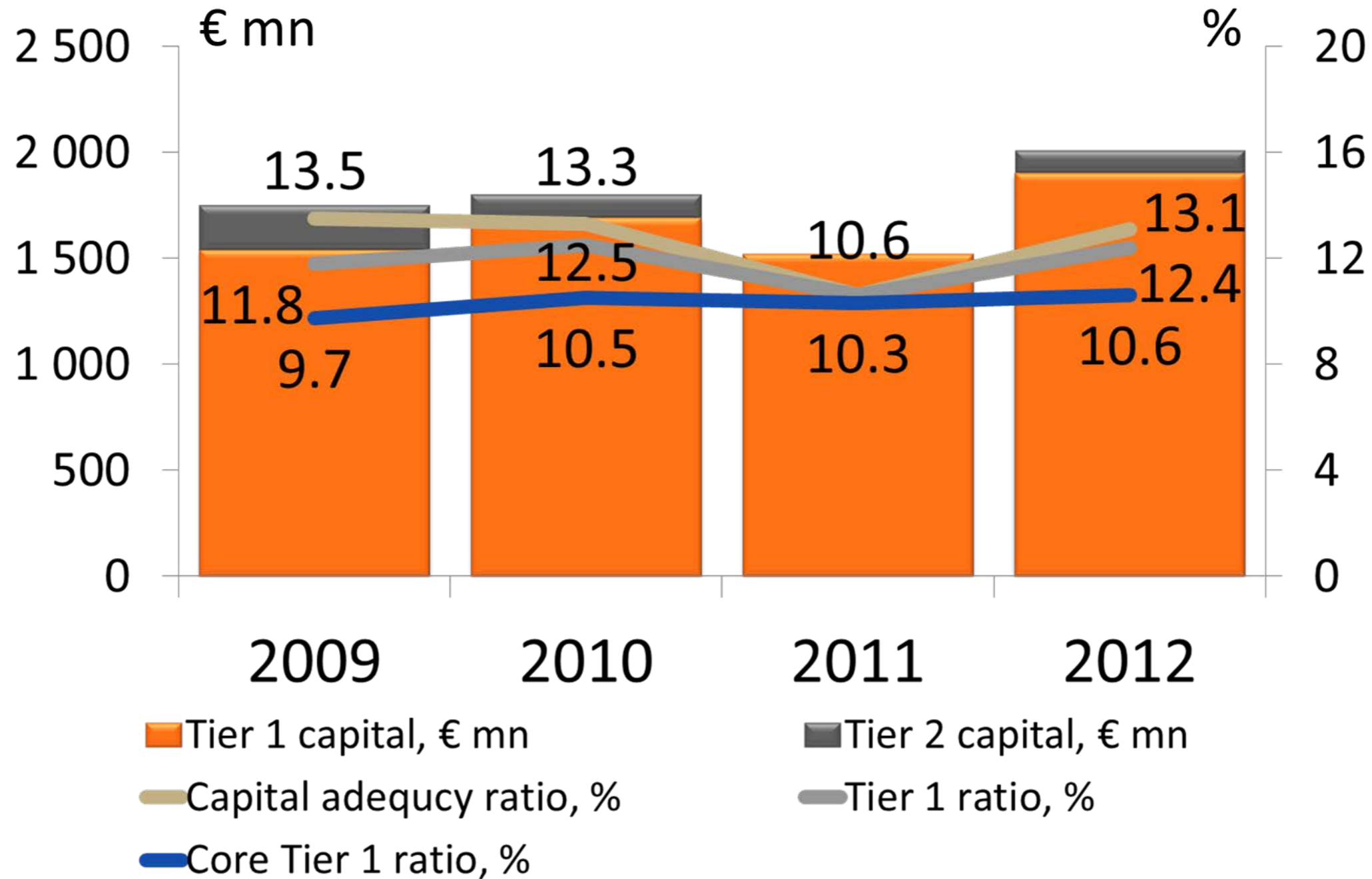
# Balance Sheet, Capital Adequacy and Credit Ratings



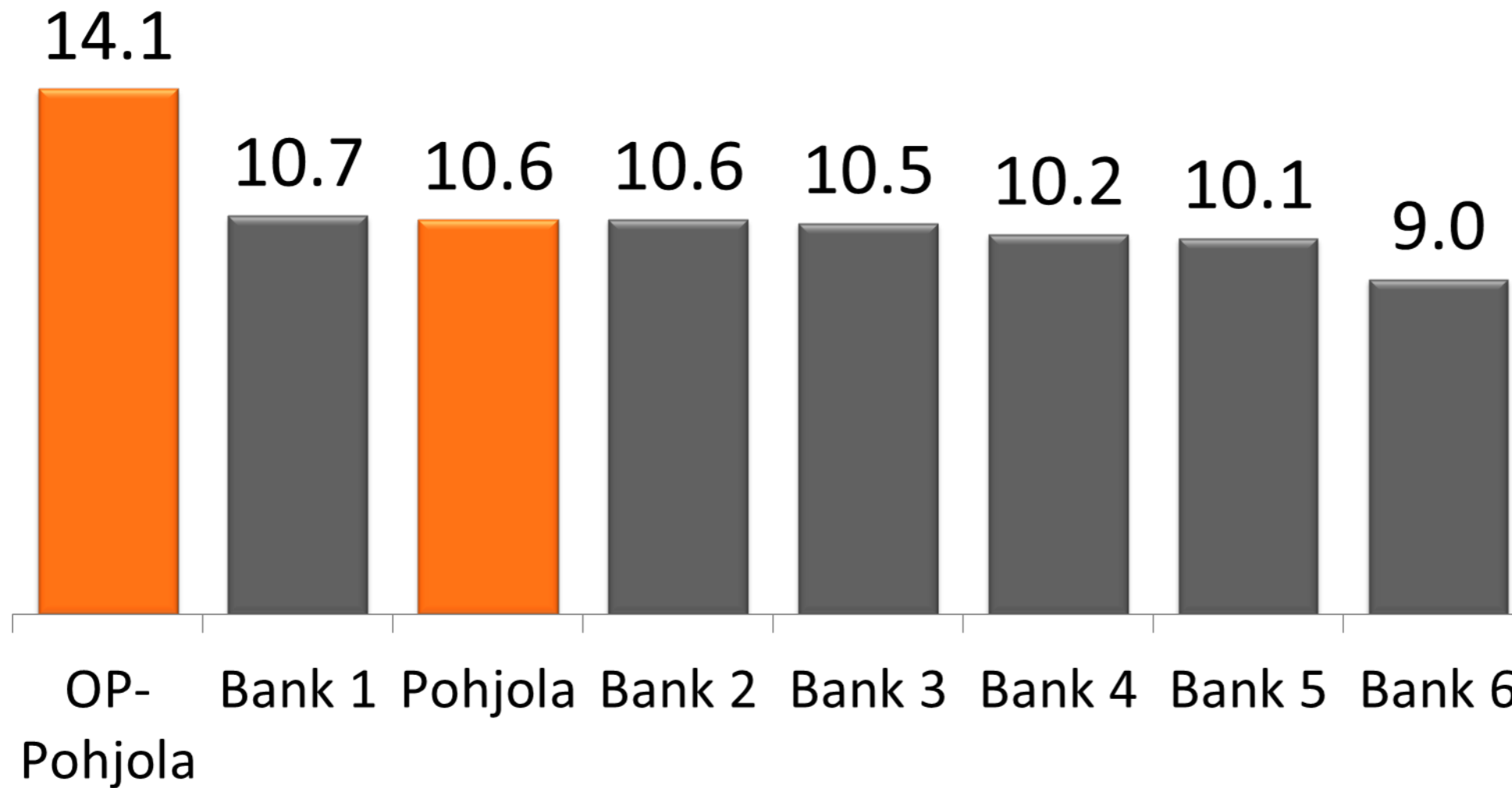
## Balance Sheet Total Increased to €44.6 billion



# Capital Base and Capital Adequacy

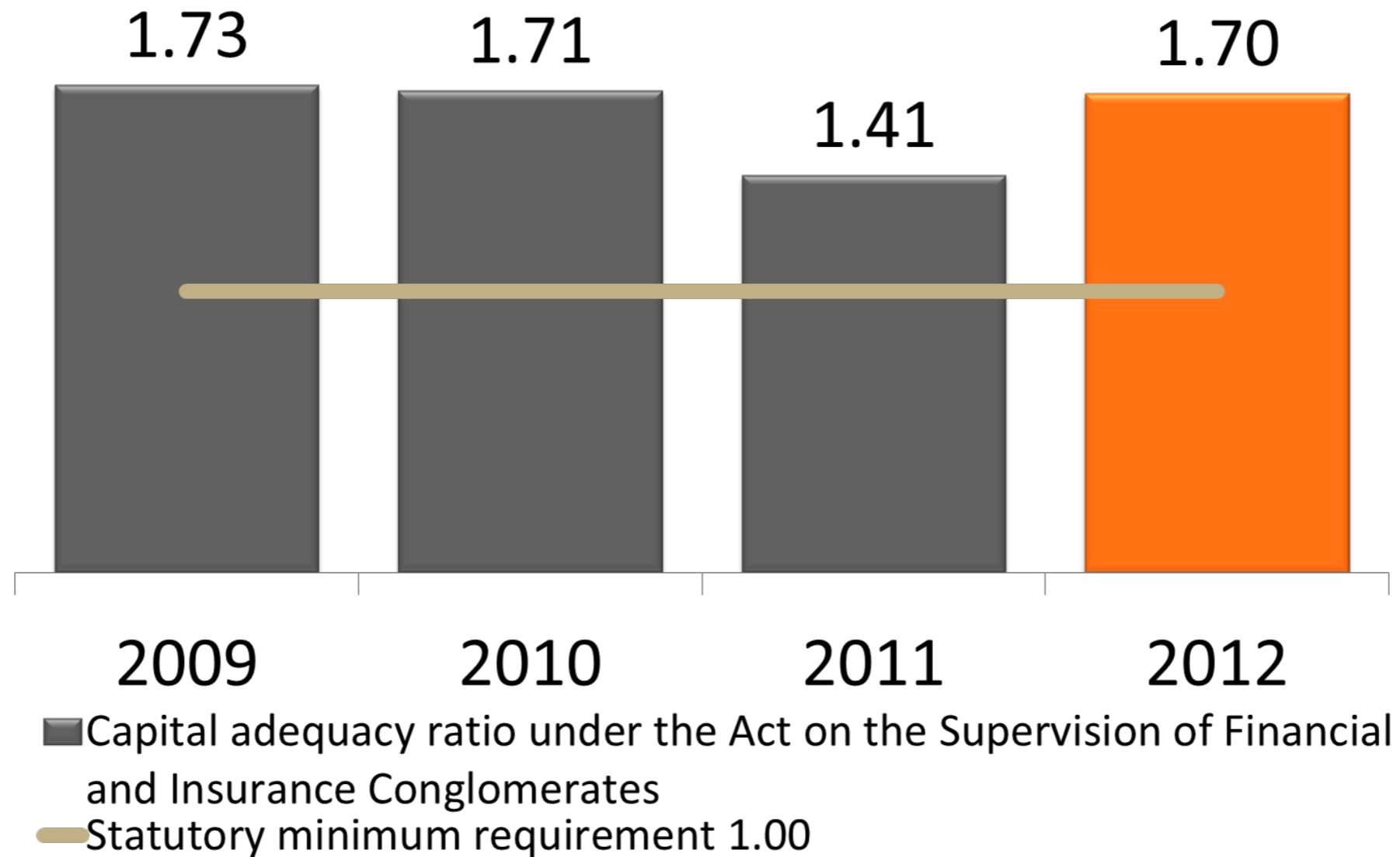


## Pohjola's and OP-Pohjola Group's Core Tier 1 Ratio Including Basel II Transitional Rules Compared with Nordic Peer Banks as of 31 Dec. 2012



Source: Banks' financial statements 2012 and OP-Pohjola Group

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



# Pohjola's Strong Creditworthiness

17 March 2013	Moody's	S&P	Fitch
Handelsbanken	Aa3	AA-**	AA-
Nordea	Aa3	AA-**	AA-
Pohjola Bank plc	Aa3	AA-**	A+
DNB	A1	A+	A+
SEB	A1	A+**	A+
Swedbank	A2	A+**	A+
Danske Bank	Baa1	A-*	A**
OP Mortgage Bank***	Aaa	AAA	-
Pohjola Insurance Ltd	A3	AA-**	-
If	A2	A	-
Finnish government	Aaa	AAA	AAA

**Rating target:**

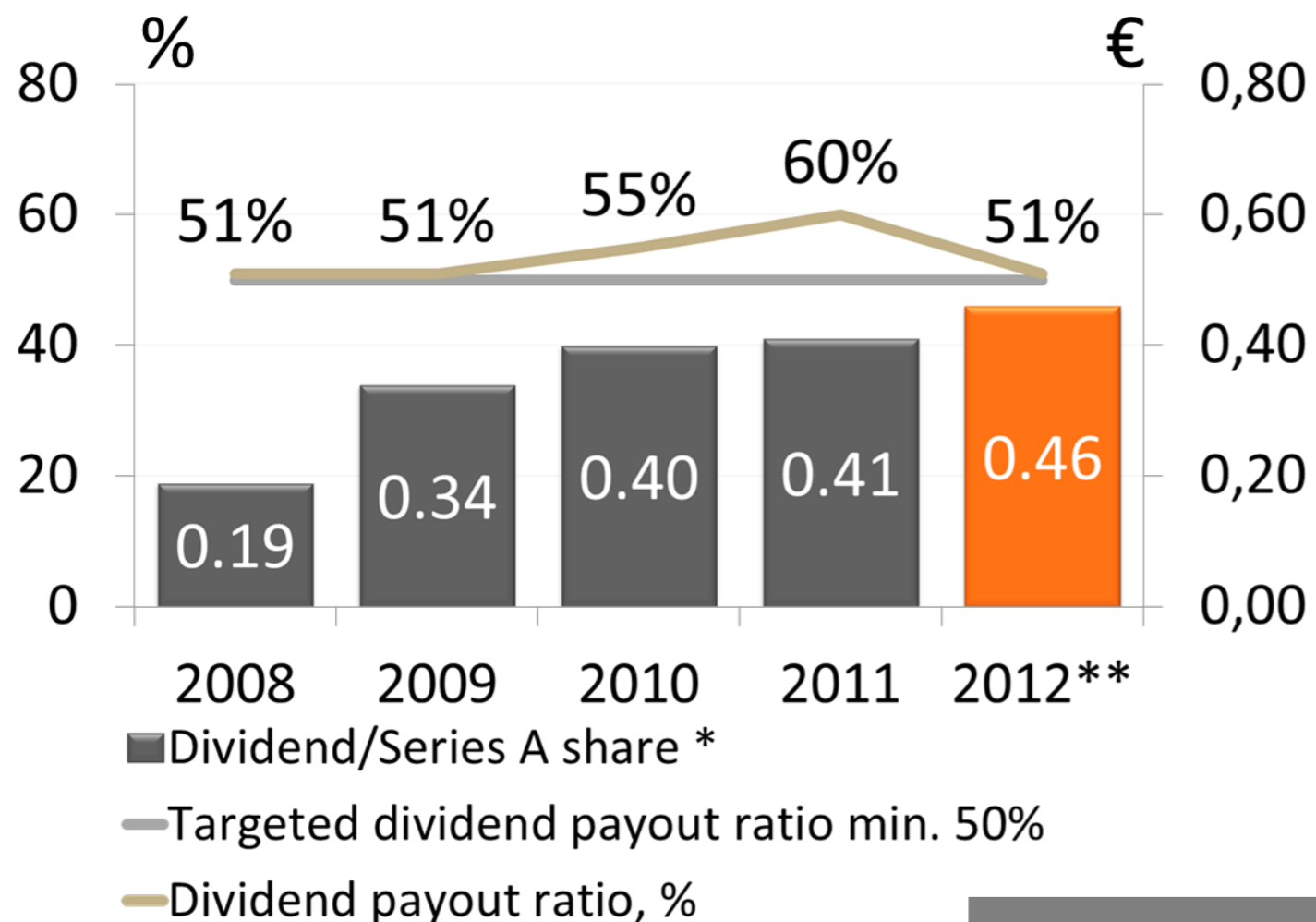
**AA rating affirmed by at least 2 credit rating agencies (or at least at the main competitors' level)**

- \* Credit rating outlook is positive
- \*\* Credit rating outlook is negative
- \*\*\* Covered bond rating

# Proposed Dividend Distribution



# Proposed Dividend Distribution for 2012



\*Share-issue adjusted dividend for 2008-09

\*\* Proposal by the Board of Directors

- In line with the dividend policy, the proposed dividend accounts for 51% of earnings for the financial year
  - €0.46 per one Series A share
  - €0.43 per one Series K share
- Dividend payout ratio during 2008–12 averaged 54%

	2008	2009	2010	2011	2012**
Dividends distributed, € mn	45.5	106.6	125.8	129.0	145.0
Effective dividend yield (Series A share), %	2.4	4.5	4.5	5.5	4.1

# Updated Strategy — Value and Efficiency through Integration



# Updated Strategy – Value and Efficiency through Integration

## What will change?

- We will make customer experience our competitive advantage.
- We will seek more targeted growth with the aim of improving the return on capital.
- We will use more efficiently OP-Pohjola Group's competitive advantages and strengths.
- We will raise efficiency and capital adequacy to a new level.

Framework for 2013

# Financial Targets

		Target	2012	2011	2010
<b>Financial targets over the economic cycle</b>	<b>Group</b>				
	ROE, %	13	11.2	9.2	9.9
	Core Tier 1, %	≥ 11.0	10.6	10.3	10.5
	<b>Banking</b>				
	Operating cost/income ratio, %	< 35	34	35	35
	<b>Non-life Insurance</b>				
	Operating combined ratio, %	< 92	90.5	89.8	89.7
	Operating expense ratio, %	18	21.5	21.8	21.3
	Solvency ratio, %	70	81	77	86
	<b>Asset Management</b>				
	Operating cost/income ratio, %	< 45	47	49	53*
<b>Target for total expenses</b>	Total expenses at end of 2015, € mn	At 2012-end level	567	527	514
<b>Dividend policy</b>	Aim: distributing a minimum of 50% of earnings for the financial year in dividends, provided that Core Tier 1 remains at least 10%.	≥ 50	51**	60	55

\* Excl. items related to corporate transactions

\*\* Proposal by the Board of Directors

# Outlook for 2013



# Outlook for 2013

- Consolidated earnings before tax in 2013 are expected to be higher than in 2012.
- Within Banking, growth prospects on the loan portfolio are dimmer than last year.
- Within Non-life Insurance, operating combined ratio for the full year 2013 is estimated to vary between 89% and 93% if the number of large claims is not much higher than in 2012.
- Group Functions' net interest income is estimated to be lower than in 2012.
- There is still great uncertainty about the economic outlook and the operating environment.
- The full version of "Outlook for 2013" can be found in the Financial Statements Bulletin.

## 7. Adoption of the Financial Statements

## 8. Allocation of Profit Shown by the Balance Sheet and Decision on Dividend Distribution



## 8. Board Proposal for Profit Distribution 1/4

- On 31 December 2012, the shareholders' equity of Pohjola Bank plc totalled EUR 1 719,758,901.82, EUR 570,537,192.60 of which represented distributable equity.
- The following funds are at the AGM's disposal for profit distribution:

	EUR
Profit for 2012	194,506,607.98
Retained earnings	44,649,747.56
Reserve for invested non-restricted equity	307,931,364.75
Other non-restricted reserves	23,449,472.31
<b>Total</b>	<b>570,537,192.60</b>

## 8. Board Proposal for Profit Distribution 2/4

- The Board of Directors proposes that the Company's distributable funds be distributed as follows:
  - EUR 0.46 per share payable on 251,942,798 Series A shares, totalling EUR 115,893,687.08, and
  - EUR 0.43 per share payable on 67,608,617 Series K shares, totalling EUR 29,071,705.31 , i.e. the proposed total dividend distribution amounts to EUR 144,965,392.39

## 8. Board Proposal for Profit Distribution 3/4

- The Board of Directors proposes that EUR 144,965,392.39 out of the profit for 2012 be allocated to dividend distribution.
- Accordingly, EUR 425,571,800.21 remains in the Company's distributable equity.
- In addition, the Board of Directors proposes that a maximum of EUR 150,000 be available to the Board of Directors reserved from the distributable funds for donations and other charitable contributions.

## 8. Board Proposal for Profit Distribution 4/4

- The Company's financial position has not undergone any material changes since the end of the financial year 2012. The Company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.
- The dividend record date proposed by the Board is 27 March 2013 and the payment date 5 April 2013.

## 8. Report on Donations and Other Charitable Contributions in 2012

- On 27 March 2012, the AGM reserved a maximum of €150,000 for use by the Board of Directors for donations and other charitable contributions.
- In 2012, the Board of Directors made such donations and contributions for total worth of €67,900, of which
  - to Pohjola Bank Art Foundation worth €65,000
  - other donations worth €2,900 (eg special days)

## 9. Decision on Discharge from Liability of the Members of the Board of Directors and the President and CEO



## 10. Decision on Emoluments Payable to the Board of Directors



# 10. Proposal by OP-Pohjola Group Central Cooperative for Board Emoluments

- Monthly Board emoluments
  - Chairman €8,000 (unchanged)
  - Vice Chairman €5,500 (unchanged)
  - Other members €4,500 (unchanged)
    - An additional monthly emolument of €1,000 will be paid to such Board committee chairs who are not the Chairman or Vice Chairman of the Board of Directors (unchanged)
  - In addition, the Board members will receive an attendance allowance of €550 for each meeting (unchanged). An attendance allowance also applies to the meetings of Board Committees.
  - Monthly emoluments are treated as pensionable salary.
- Daily allowances and compensation for travel expenses are payable in accordance with the Group's Travel Expenses Regulations (unchanged).

# 11. Decision on the Number of Members of the Board of Directors



# **11. Decision on the Number of Board Members**

## **Proposal by OP-Pohjola Group Central Cooperative**

- The Board of Directors comprises eight members, six of whom are elected by the AGM.

## 12. Election of Members of the Board of Directors

# 12. Election of Members of the Board of Directors

## Proposal by OP-Pohjola Group Central Cooperative 1/3



**Jukka Hienonen**

b. 1961

M.Sc. (Econ. & Bus.  
Adm.)

President and CEO,  
SRV Group Plc



**Jukka Hulkkonen**

b. 1955

M. Sc. (Forestry), eMBA,  
kauppaneuvos (Finnish  
honorary title)

Managing Director,  
Salon Osuuspankki

## 12. Election of Members of the Board of Directors

### Proposal by OP-Pohjola Group Central Cooperative 2/3



**Mirja-Leena  
Kullberg**

b. 1962

Diploma in Business  
and Administration,  
IDBM

Managing Director,  
Artek oy ab



**Marjo Partio (NEW)**

b. 1956

M.Sc. (Econ. & Bus. Adm.),  
DBA

Managing Director  
Kymenlaakson  
Osuuspankki

## 12. Election of Members of the Board of Directors

### Proposal by OP-Pohjola Group Central Cooperative 3/3



**Harri Sailas**

b. 1951

M.Sc. (Econ. & Bus.  
Adm.)

President and CEO,  
Ilmarinen Mutual  
Pension Insurance  
Company



**Tom von Weymarn**

b. 1944

M.Sc. (Eng.)

Board professional

## 12. Chairman and Vice Chairman of the Board of Directors

**By virtue of law and/or the Articles of Association and his position,  
the Board of Directors also comprises:**



### **Reijo Karhinen**

b. 1955

M.Sc. (Econ. & Bus.  
Adm.), vuorineuvos  
(Finnish honorary title)

Executive Chairman, OP-  
Pohjola Group,  
CEO and Chairman of the  
Executive Board, OP-Pohjola  
Group Central Cooperative,  
Chairman of Pohjola's Board  
of Directors



### **Tony Vepsäläinen**

b. 1959

LL.M., eMBA

Chief Business Development  
Officer and Deputy to Executive  
Chairman and CEO, OP-Pohjola  
Group Central Cooperative,  
Vice Chairman of OP-Pohjola  
Group Central Cooperative's  
Executive Board, Vice Chairman  
of Pohjola's Board of Directors

## 13. Decision on Auditors' Remuneration

## **13. Decision on Auditors' Remuneration**

### **Proposal by OP-Pohjola Group Central Cooperative**

- Auditors' remuneration is based on a reasonable invoiced amount (unchanged)
  - Remuneration (Group-level) in 2012 €333,779 (€340,907)
  - Fees for non-audit services paid to KPMG Oy Ab in 2012 €404,103 (€388,361)
  - Total of €737,882 in 2012 (€729,268)

## 14. Election of Auditors

## 14. Election of Auditors

### Proposal by OP-Pohjola Group Central Cooperative

- Re-electing KPMG Oy Ab to act as the auditor
  - Oy KPMG Ab is also the auditor of OP-Pohjola Group Central Cooperative, the parent institution

## 15. Authorisation Given to the Board of Directors to Decide on a Share Issue



# 15. Authorisation Given to the Board of Directors to Decide on a Share Issue

## Board Proposal 1/2

- The Board of Directors proposes to the AGM that the AGM authorise the Board of Directors to decide on one or several rights issues.
- The total number of Series A and Series K shares offered for subscription in such a rights issue may not exceed 24,000,000 and 6,000,000, respectively, or accounting for around 9% of the existing number of shares.

# 15. Authorisation Given to the Board of Directors to Decide on a Share Issue

## Board Proposal 2/2

- The Board of Directors is also authorised to waive the shareholders' pre-emptive right (private placement), should there be, from the Company's perspective, a financially cogent reason to do so, in accordance with the Limited Liability Companies Act. In such a case, this authorisation may be exercised for the purpose of financing and executing company acquisitions or other transactions relating to the Company's business.
- The authorisation contains the Board of Directors' right of stipulating the terms and conditions of a share issue and on other matters relating to these measures. Based on the proposal, the Board of Directors also has the right to decide on whether the subscription price will be entered in full or in part in the reserve for invested non-restricted equity or share capital.
- It is proposed that the Board authorisation be valid until 22 March 2014.

## 16. Closing of the Meeting

## 16. Closing of the Meeting

- The Minutes of the Meeting will be available for inspection by shareholders at the Company's head office and on the Company's website as of 5 April 2013.

# Pohjola Bank plc's Annual General Meeting

**Thank you for your presence!**

Pohjola

