

06.02.2014 klo 08:00

Pohjola Bank plc Financial Statements Bulletin for 1 January-31 December 2013

Pohjola Bank plc

Stock Exchange Release 6 February 2014, at 8.00 am

Financial Statements Bulletin

**Pohjola Bank plc Financial Statements Bulletin for 1 January-31 December 2013
Pohjola Group in 2013**

- Consolidated earnings before tax amounted to EUR 473 million (372) and consolidated earnings before tax at fair value to EUR 456 million (790). Return on equity was 14.6% (11.2) and, excluding the effect of a reduction in the corporate tax rate, 12.4%.
- The Core Tier 1 ratio was 11.3% (10.6) and the pro-forma Common Equity Tier 1 (CET1) under CRD IV/CRR was 11.9%.
- The Banking loan portfolio increased by 5%. The average margin on the corporate loan portfolio improved to 1.57% (1.52). Impairment loss on receivables decreased to EUR 35 million (54) and the bank levy reduced earnings by EUR 17 million (-).
- Within Non-life Insurance, insurance premium revenue increased by 11% (10). The combined ratio improved to 91.6% (97.1). A reduction in the discount rate for pension liabilities decreased earnings by EUR 38 million (52). Excluding changes in reserving bases and amortisation on intangible assets arising from company acquisition, the operating combined ratio was 86.9% (90.5). Return on investments at fair value was 3.5% (10.8).
- Within Asset Management, assets under management increased by 16% to EUR 37.9 billion (32.8). Performance-based management fees amounted to EUR 4 million (15).
- Year on year, total expenses grew by 2%, or EUR 11 million, including the bank levy of EUR 19 million. Cost savings out of the EUR 25 million estimated for 2013 based on the efficiency-enhancement programme amounted to EUR 27 million.
- The Board of Directors proposes a dividend per share of EUR 0.67 (0.46) payable on Series A shares and EUR 0.64 (0.43) on Series K shares. This means a dividend payout ratio of 50%.
- Outlook for 2014: Consolidated earnings before tax in 2014 are expected to be higher than in 2013. In Banking, growth in the loan portfolio is expected to be at the same level as in 2013. Non-life Insurance's operating combined ratio is expected to vary between 87 and 91%. For more detailed information on the outlook, see "Outlook for 2014" below.

October-December

- Consolidated earnings before tax were EUR 92 million (92) and consolidated earnings before tax at fair value amounted to EUR 109 million (185). In Non-life Insurance, the reduction in the discount rate for pension liabilities decreased earnings by EUR 38 million.
- Combined net interest income from Corporate Banking and Baltic Banking was up by 18% year on year. The loan portfolio increased by one per cent and the average margin on the corporate loan portfolio remained at the September-end level. Impairment loss decreased to 5 million (20).
- Within Non-life Insurance, insurance premium revenue increased by 13% (13). The combined ratio was 101.4% (97.2) while the operating combined ratio was 87.9% (95.3). Return on investments at fair value was 1.4% (2.0).
- On 17 December 2013, the Finnish Parliament adopted the reduction of the corporate tax rate from 24.5% to 20% as of 1 January 2014. This change improved Pohjola's consolidated earnings after tax by EUR 65 million.

Earnings before tax, EUR million	2013		Change, %	Q4/		Change, %
	2013	2012		2013	2012	
Banking	251	221	13	75	59	29
Non-life Insurance	167	92	82	5	10	-50
Asset Management	24	32	-27	5	16	-66
Group Functions	32	27	18	7	7	-10
Total	473	372	27	92	92	1
Change in fair value reserve	-17	418		17	94	-82
Earnings before tax at fair value	456	790	-42	109	185	-41
Earnings per share, EUR	1.33	0.89		0.42	0.21	
Equity per share, EUR	9.52	8.67				
Average personnel	2,5803,421			2,5513,353		

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Financial targets	Q4/ Q4/				Target
	2013	2012	2013	2012	
Return on equity, %	14.6	11.2	17.9	10.1	13
Core Tier 1 ratio, %	11.3	10.6			> 11
Operating cost/income ratio by Banking, %	36	34	34	29	< 35
Operating combined ratio by Non-life Insurance, %	86.9	90.5	87.9	95.3	< 92
Operating expense ratio by Non-life Insurance, %	18.7	21.5	19.9	20.6	18
Solvency ratio by Non-life Insurance, %	73	81			70
Operating cost/income ratio by Asset Management, %	53	47	56	36	< 45
Total expenses in 2015 at the same level as at the end of 2012	580	569			569
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors' level	2	2			2
Dividend payout ratio at least 50%, provided that Core Tier 1 ratio remains at least 10%	50*)	51			> 50

*) Board proposal

As a result of change in the recognition of defined benefit pension plans, the comparatives have been restated.

President and CEO Jouko Pölönen:

Consolidated earnings before tax in 2013 improved by EUR 101 million to EUR 473 million. Great success in customer businesses, especially in Banking and Non-life Insurance, and cost savings generated by the efficiency-enhancement programme were the key drivers behind our improved earnings.

Our fourth-quarter consolidated earnings before tax amounted to EUR 92 million. This was an excellent result, considering that it included EUR 38 million in non-cash-flow-based expenses resulting from the reduction of the discount rate for pension liabilities. Banking reached the best ever fourth-quarter earnings as a result of higher net interest income from Corporate Banking and lower impairment losses. Within Non-life Insurance, the operating balance on technical account improved clearly and investment income increased over the previous year. Asset Management showed lower year-on-year earnings as a result of a decrease in performance-based management fees.

Customer business volumes grew at a rate faster than the market average and the Group strengthened its market position. In 2013, the corporate loan portfolio increased by 5%, insurance premium revenue by 11% and assets under management by 16%. The number of loyal customer households increased by over 45,000.

In 2013, Pohjola achieved EUR 27 million of the EUR 50 million cost savings for 2013-2015 resulting from the efficiency-enhancement programme. Despite the cost savings, our total expenses were higher than in 2012, which was partly due to the bank levy of EUR 19 million. The efficiency-enhancement programme will continue until the end of 2015, enabling us to improve our efficiency further.

In 2014 and onwards, the European financial sector will face several major changes in terms of supervision and regulation, such as the creation of the Banking Union, thorough balance sheet reviews, stress tests and the adoption of new capital adequacy and liquidity regulations. Pohjola Group has a solid foundation for 2014. In the face of tightening regulation and supervision, we will continue to promote the sustainable prosperity, wellbeing and security of our customers.

Outlook for 2014

Within Banking, the loan portfolio is expected to grow at the same rate as in 2013. Due to the operating environment, corporate investments are expected to remain below their normal level. The greatest uncertainties related to Banking's financial performance are associated with volume developments and future impairment loss on the loan portfolio. Banking earnings before tax in 2014 are expected to be at the same level as or higher than in 2013.

Insurance premium revenue is expected to increase at a rate above the market average. The operating combined ratio is estimated to vary between 87% and 91% if the number of large claims is not much higher than in 2013. Expected investment returns are largely dependent on developments in the investment environment. The most significant uncertainties related to Non-life Insurance's financial performance pertain to developments in bond and capital markets and to the effect of large claims on claims expenditure. Non-life Insurance earnings before tax in 2014 are expected to be higher than in 2013.

The greatest uncertainties related to Asset Management's financial performance are associated with the actual performance-based commissions and fees tied to the success of investments and the amount of assets under management. Asset Management earnings before tax in 2014 are expected to be at the same level as or higher than in 2013.

The key determinants affecting the Group Functions' financial performance include net interest income arising from assets in the liquidity buffer, any capital gains or losses on notes and bonds and any impairment loss that may be recognised on notes and bonds in the income statement. Group Functions earnings before tax in 2014 are expected to lower than in 2013 due to low interest rates and tighter liquidity regulation.

Consolidated earnings before tax in 2014 are expected to be higher than in 2013.

There is still great uncertainty about the economic outlook and the operating environment.

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 development in the operating environment and the future financial performance of Pohjola Group and its various functions, and actual results may differ materially from those expressed

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in the forward-looking statements.

Helsinki, 6 February 2014

Pohjola Bank plc

Board of Directors

This Financial Statement Bulletin is available at www.pohjola.com > Media > Releases, where background information on the Bulletin can also be found.

Analyst meeting, conference call and live webcast

Pohjola will hold a briefing in English for analysts and investors on 6 February starting at 3.00 pm Finnish time, EET (2.00 pm CET, 1.00 pm UK time, 8am US EST). The briefing is a combined analyst meeting, conference call and live webcast.

Analysts and investors may attend the briefing in one of the following two ways:

1) By viewing the briefing as live webcast via the internet. The link will be available on the IR website before the briefing begins. Questions on the internet are welcome via a question button available in the webcast window. An on-demand webcast of the briefing can be viewed via the IR website afterwards.

2) By dialling one of the regional conference call numbers shown below. Questions are welcome by telephone in the Q&A session according to instructions. To participate via a conference call, please dial in 5-10 minutes before the beginning of the event:

FI: +358 981 710 460

UK: +44 203 364 5374

US: +1 855 753 2230

Password: Pohjola

Press conference

Jouko Pölönen, Pohjola Bank plc's President and CEO, will present the financial results in a press conference on OP-Pohjola Group's premises (Vääksyntie 4, Vallila, Helsinki), on 6 February, starting at noon.

Annual General Meeting

Pohjola Bank plc will hold its Annual General Meeting (AGM) in the Congress Wing of the Helsinki Exhibition & Convention Centre (Messuaukio 1, Helsinki) on Thursday 20 March 2014, starting at 2.00 pm. Proposals by the Board of Directors to the AGM will be published in a stock exchange release on 6 February 2014 and notice of the Meeting on 17 February 2014. The notice will also appear in Helsingin Sanomat and Hufvudstadsbladet on 18 February 2014. Thereafter, the Report by the Board of Directors and the Financial Statements and other AGM documentation will also be available on the company's website at www.pohjola.com.

Financial reporting in 2014

Schedule for Interim Reports in 2014:

Interim Report Q1/2014 29 April 2014

Interim Report H1/2014 6 August 2014

Interim Report Q1-3/2014 29 October 2014

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Pohjola is a Finnish financial services group which provides its customers with banking, non-life insurance and asset management services. Our mission is to promote the sustainable prosperity, security and well-being of our customers. Profitable growth and an increase in company value form our key objectives. Pohjola Group serves corporate customers in Finland and abroad by providing an extensive range of financial, investment, cash- management and non-life insurance services. We offer non-life insurance and private banking services to private customers. Pohjola Series A shares have been listed on the Large Cap List of the NASDAQ OMX Helsinki since 1989. The number of shareholders totals around 32,000. Pohjola's consolidated earnings before tax came to 473 million euros in 2013 and the balance sheet total amounted to 44 billion euros on 31 December 2013. Pohjola is part of OP-Pohjola Group, the leading financial services group in Finland with 4.3 million customers.

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