



Pohjola Bank plc's Interim Report for 1 January–30 June 2014

Background Material

Disclaimer

Certain statements in this presentation are based on the beliefs of our management as well as assumptions made by and information currently available to the management. All forward-looking statements in this presentation 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. No assurance can be given that such expectations will prove to have been correct. Accordingly, results may differ materially from those set out in the forward-looking statements as a result of various factors. Pohjola has used sources of information which it considers to be reliable, and the accuracy and reliability of which it has sought to establish to the best of its ability, but it can nevertheless not guarantee their accuracy or reliability.

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Past performance is no guide to future performance. Persons needing advice should consult an independent financial, legal or tax adviser.

Contents

Financial results for H1/14 and Q2/14

- Pohjola Group
- Continuing operations*
 - Banking
 - Group Functions
- Discontinued operations*
 - Non-life Insurance
 - Asset Management
- Outlook towards the year end and events after the reporting period
- OP-Pohjola Group Central Cooperative's public voluntary bid and squeeze-out of minority shareholders
- Pohjola IR team

*) Pohjola Group will undergo structural changes within the next 12 months, as a result of the completion of OP-Pohjola Group Central Cooperative's public voluntary bid for Pohjola Bank, whereby, for example, the Non-life Insurance and Asset Management segments will be directly transferred from Pohjola Group to OP-Pohjola Group Central Cooperative's ownership. As a result, these segments are reported, according to IFRS 5, as discontinued operations in the income statement and as assets and liabilities distributed to owners in the balance sheet. Banking and the Group Functions are reported as continuing operations in the income statement.

Consolidated EBT improved by €55 million to €177 million and ROE was 18.6% (13.6) in Q2/14

Group's income increased by 17% and expenses were at previous year's level.

1 Banking EBT €85 mn (58)

- All business divisions improved their EBT.
- Net interest income improved by 30% to €69 million (53)
- Loan portfolio grew by 2% but average margin decreased by 3 basis points as a result of toughening competition.
- Impairments decreased to €4 million (13).

2 Non-life Insurance EBT €71 mn (43)

- Insurance premium revenue was up by 6 % (11) and claims incurred down by 1%. Excluding changes in claims for previous years claims incurred increased by 4%.
- Operating combined ratio was 79.8% (86.2) and operating expense ratio 17.7 % (19.1).
- Return on investments at fair value was 2.0 % (-0.6).
- After the reporting period, Pohjola decided to reduce the discount rate for pension liabilities from 2.8% to 2.5%, which will lower Q3/14 consolidated earnings by around €62 million.

3 Asset Management EBT €7 mn (7)

- Assets under management were up by 4% to €40.6 million.
- Operating cost/income ratio stood at 47% (51).

4 Group Functions EBT €15 mn (14)

- EBT include €14 million in interest on cooperative capital from Suomen Luotto-osuuskunta (12).
- In June, Pohjola issued a senior bond worth €750 million with a maturity of 5 years, two Samurai bonds worth total of ¥60 billion (€423 million) with maturities of 3 and 5 years and a senior bond worth CHF300 million with a maturity of 7 years.

Common Equity Tier 1 (CET1) was 11.9% as of 30 June 2014 (11.9% as of 1 Jan. 2014)

Consolidated EBT improved by €83 million to €336 million and ROE was 17.2% (13.9) in H1/14

Group's income increased by 13% and expenses by 2%.

1 Banking EBT €167 mn (112)

- All business divisions improved their EBT thanks to higher income and lower impairments.
- Net interest income up by 30% to €137 million (106).
- Loan portfolio grew by 2 % but average margin went down by 6 basis points as a result of toughening competition.
- Impairments decreased to €8 million (19).

2 Non-life Insurance EBT €133 mn (99)

- Insurance premium revenue was up by 7 % (10).
- Operating combined ratio improved to 84.5% (89.2) and operating expense ratio 18.1% (19.5).
- Balance on technical account improved, since the growth in insurance premium revenue was faster than that in claims incurred and operating expenses remained at previous year's level.
- Return on investments at fair value was 3.4% (0.4).

3 Asset Management EBT €14 mn (11)

- Assets under management were up by 7% to 40.6 billion.
- Operating cost/income ratio stood at 49% (54).

4 Group Functions EBT €22 mn (32)

- EBT include €7 million in capital gains on notes and (13) and €24 million in dividend income (18). Additionally, a credit limit granted to OP-Pohjola Group Central Cooperative relating to financing for the bid for Pohjola shares added to net commissions and fees.
- Pohjola issued long-term debt instruments worth €3.2 billion in H1/14.

Common Equity Tier 1 (CET1) was 11.9% as of 30 June 2014 (11.9% as of 1 Jan. 2014)



Pohjola Group Q2/14 and H1/14

Financial Targets

		Target	H1/14	Q2/14	2013	2012	2011	2010	2009
Financial targets over the economic cycle	Group								
	ROE, %	13	17,2	18,6	14,4	11,2	9,2	9,9	10,0
	Common Equity Tier 1, %	15	11,9	11,9	11,9****	n/a	n/a	n/a	n/a
	Banking								
	Operating cost/income ratio, %	< 35	32	31	36	34	35	35	35
	Non-life Insurance								
	Operating combined ratio, %	< 92	84,5	79,8	86,9	90,5	89,8	89,7	87,7
	Operating expense ratio, %	18	18,1	17,7	18,7	21,5	21,8	21,3	22,2
	Solvency ratio (Solvency II), %	120*	137*	137*	125*	n/a	n/a	n/a	n/a
	Asset Management								
	Operating cost/income ratio, %	< 45	49	47	53	47	49	53**	53
Target for total expenses	Total expenses at end of 2015, € million	At 2012-end level	587***	587***	581	569	527	514	501
Rating target	AA rating affirmed by at least two credit rating agencies (or at least at the main competitors' level)	2	2	2	2	2	2	3	3
Dividend policy	Aim: distributing a minimum of 50% of earnings for the financial year in dividends, provided that Common Equity Tier 1 is 15%. Dividend payout ratio is 30 % of earnings for the financial year until CET1 of 15% has been achieved.	≥ 50 (30)	-	-	50	51	n/a	n/a	n/a

* According to the Solvency II draft (EU 138/2009)

** Excl. items related to corporate transaction

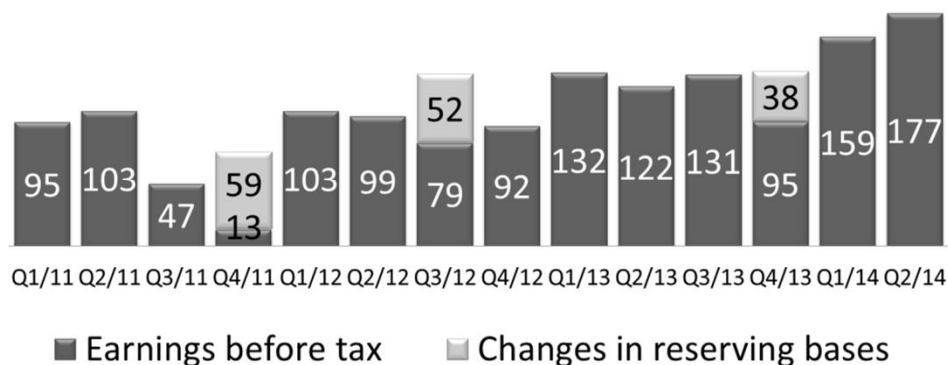
*** Rolling 12 months

**** As of 1 Jan. 2014

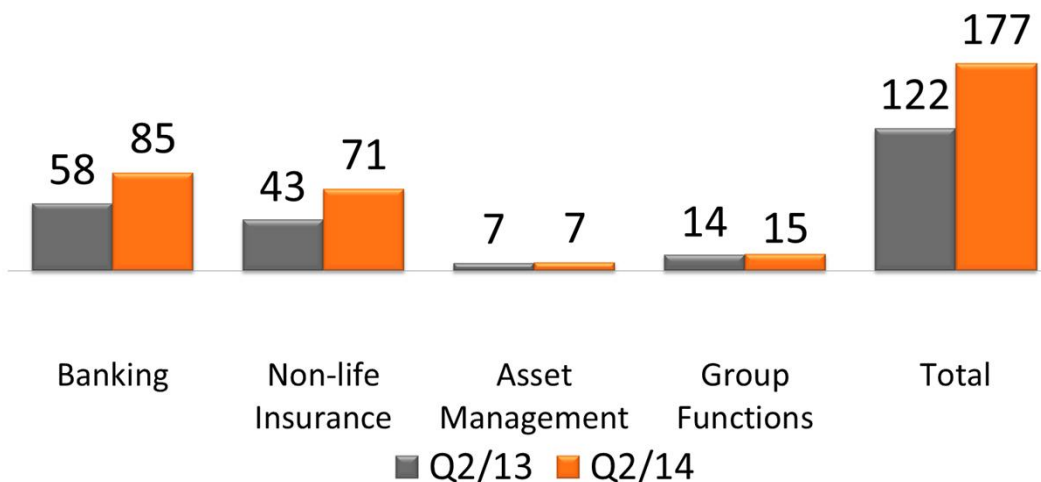
Q2/14 EBT Improved by €55 mn to €177mn

All-time high quarterly EBT was based on strong income growth within Banking and Non-life Insurance and maintaining the expenses at previous year's level

Earnings before tax, € mn
by quarter



Earnings before tax, € mn
by business line Q2/14 vs. Q2/13

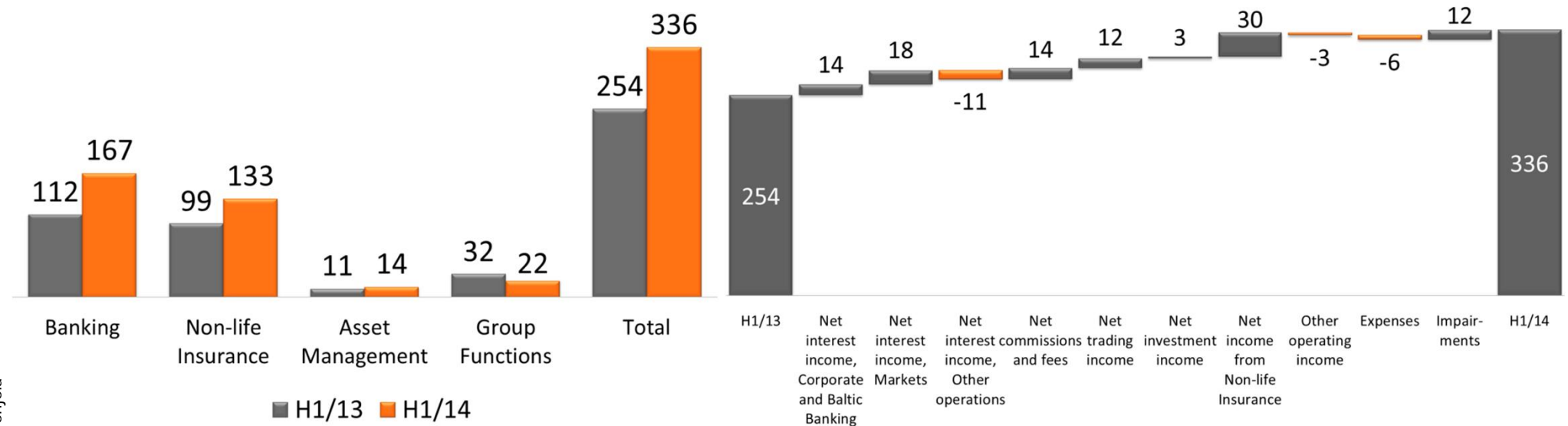


Strong increase in total income and lower impairments improved Group's EBT in H1/14

EBT within Banking grew by 50% and that within Non-life Insurance by 34% y-on-y

Earnings before tax, € mn
by business line H1/14 vs. H1/13

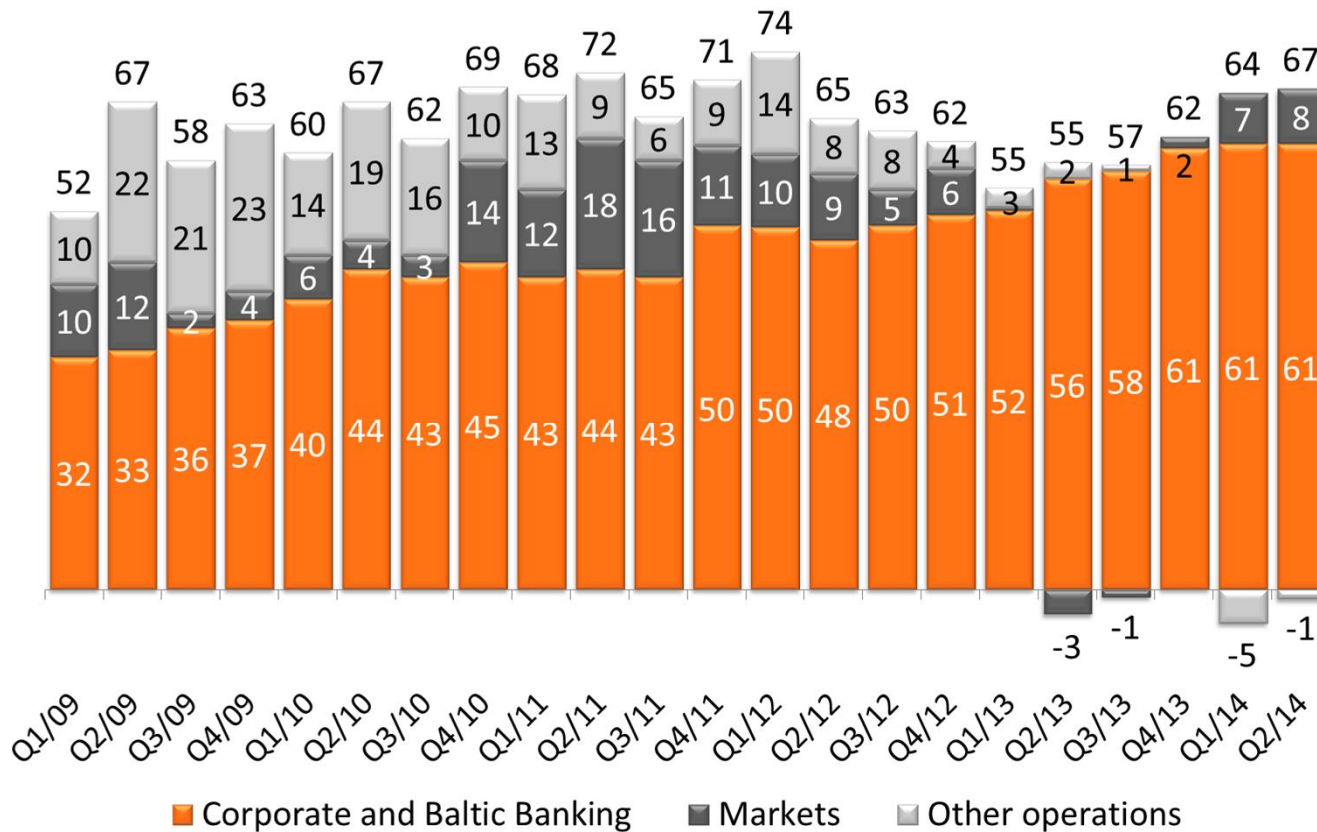
Earnings before tax, € mn, change
H1/14 vs. H1/13



Group's Net Interest Income Up by 22% y-on-y in Q2/14 and 18% y-on-y in H1/14

Net interest income from Corporate and Baltic Banking higher than year before.
 Net interest income from Markets improved by client trading and increased trading income.

Q1/2009–Q2/2014, € million

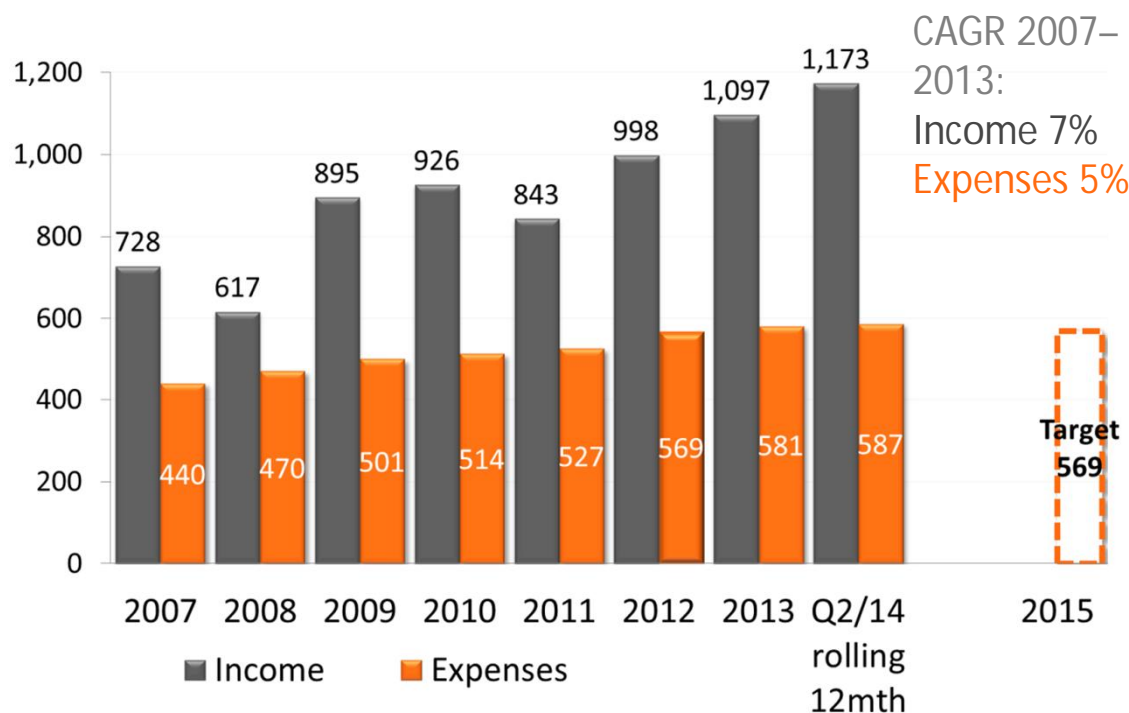


Within Group Functions, net interest income arising from the liquidity buffer decreased as the interests continued to stay at low levels and the Group is preparing for tighter liquidity rules.

Q2/14 Income Up by 17% and Expenses by 0%

In H1/14, total income grew by 13% and total expenses by 2%.

Income and expense developments, € million
2007–Q2/14 (rolling 12 mth)



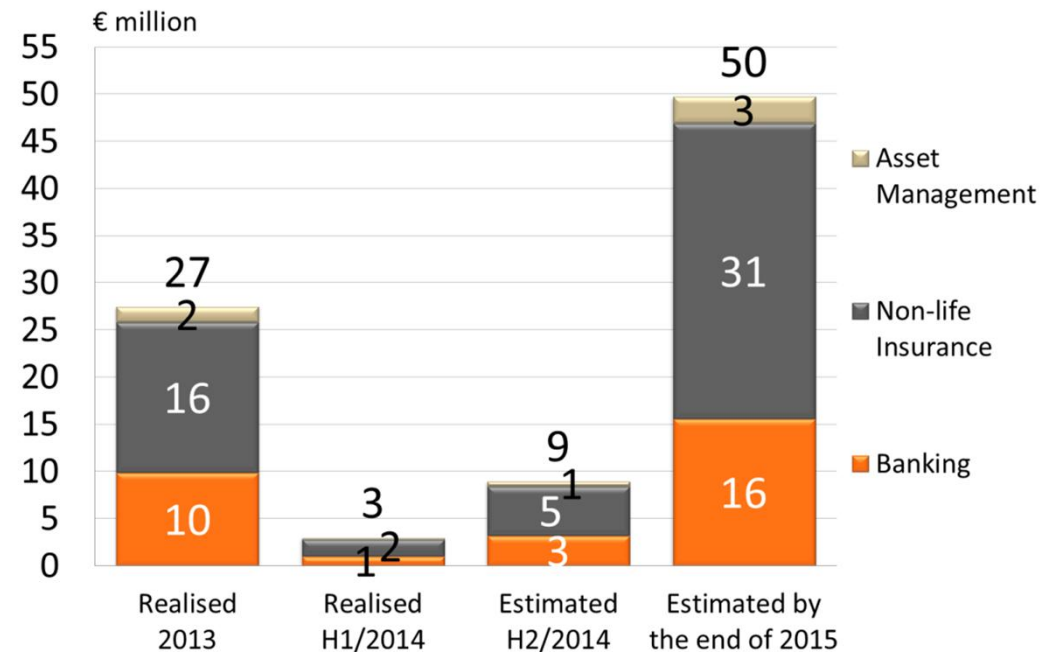
Achieving the target for total expenses requires improvement in efficiency.

Cost Savings of €2 mn Reported for Q2/14 and €3 mn for H1/14 under the Efficiency-enhancement Programme

Realised and remaining cost savings 2013–2015, € mn



Realised and estimated cost savings by business line, 2013–2015, € mn



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NB 1: Estimated cost savings are based on the figures published in the stock exchange release dated 19 September 2012, "Pohjola to Initiate an Information and Consultation Process"

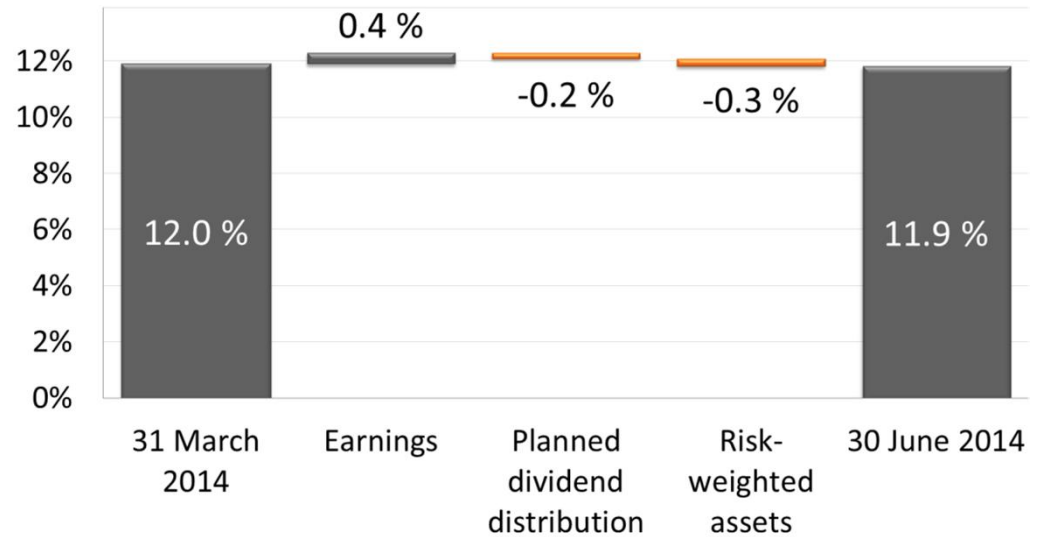
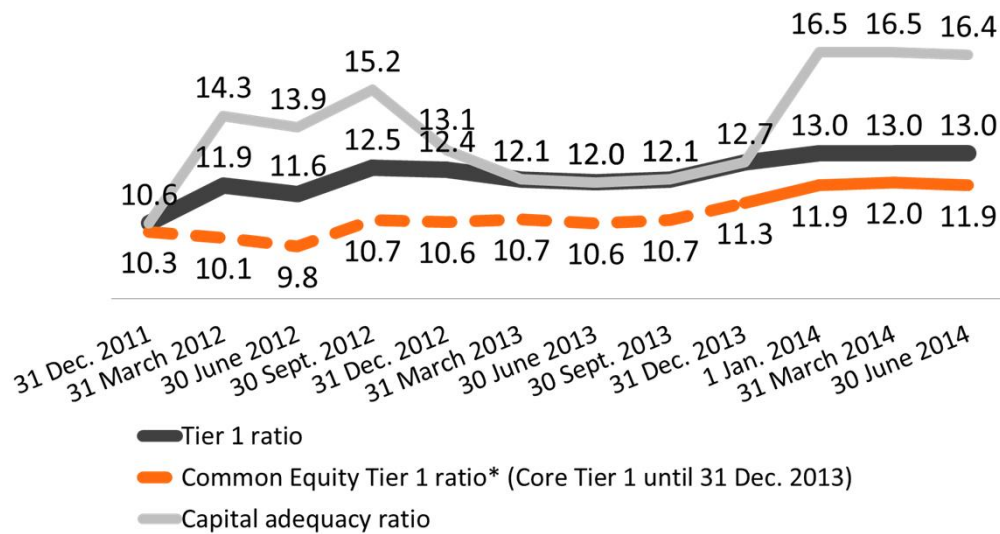
NB 2: The estimated cost savings are on a gross basis and do not include investments necessary to implement the efficiency-enhancement programme.

Common Equity Tier 1 ratio (CET1) 11.9% (11.9*)

Risk-weighted assets grew to €21.0** billion from year-end (20.5) as a result of increase in corporate exposures

Capital adequacy ratio under the Act on Credit Institutions, %

Changes in CET1 in Q2/14



1.74
(1 Jan 2014: 1.67)

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates was clearly above the statutory minimum requirement.

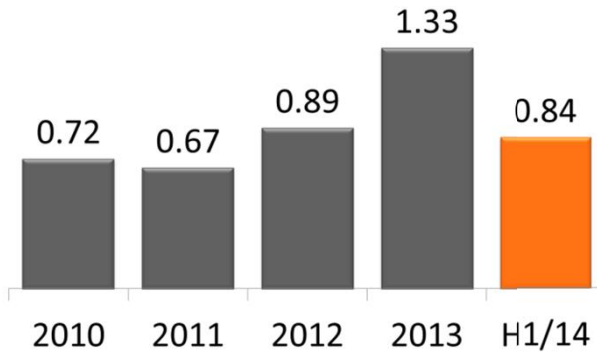
OP-Pohjola Group's Common Equity Tier 1 ratio (CET1) as of 30 June 2014: 12.8% (1 Jan 2014: 17.1 %). Purchase of Pohjola Bank plc shares decreased the Group's CET1 by approx. 6 pps and issuances of profit shares increased CET1 by approx. 2 pps. OP-Pohjola Group's target for CET1 ratio is 18%.

*) In accordance with the EU capital requirement regulation (EU 575/2013) (CRR) entered into force on 1 January 2014.

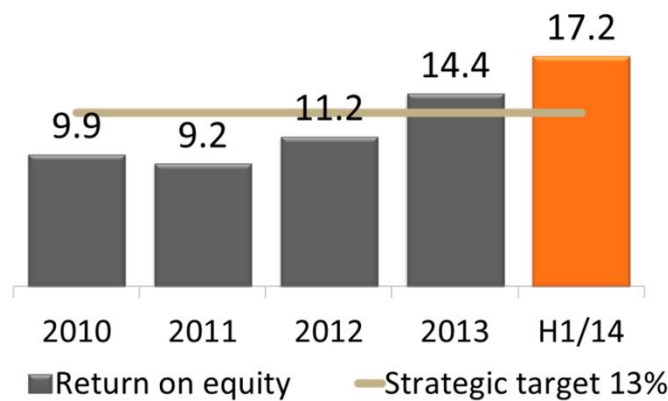
***) Includes €3.9 billion in intra-Group insurance holdings with a risk weight of roughly 280%.

ROE in H1/14: 17.2% (13.9)

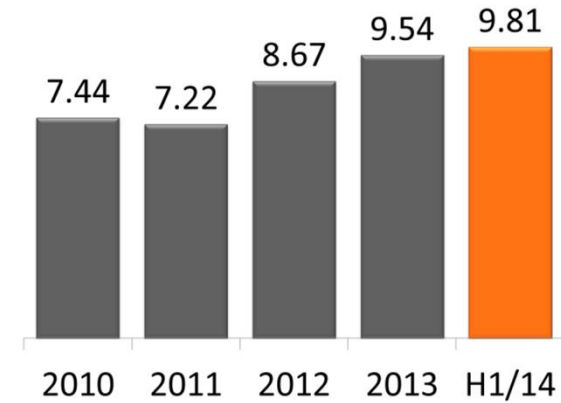
Earnings per share, €



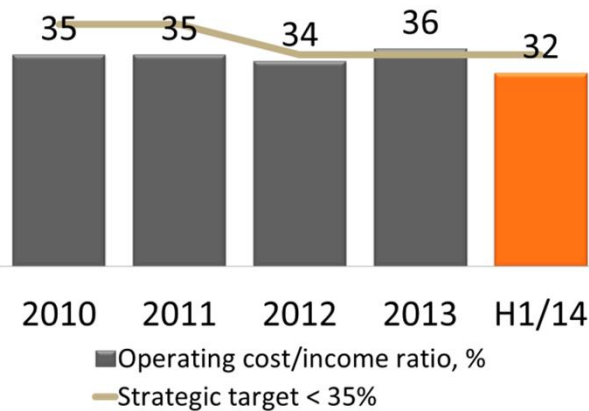
ROE, %



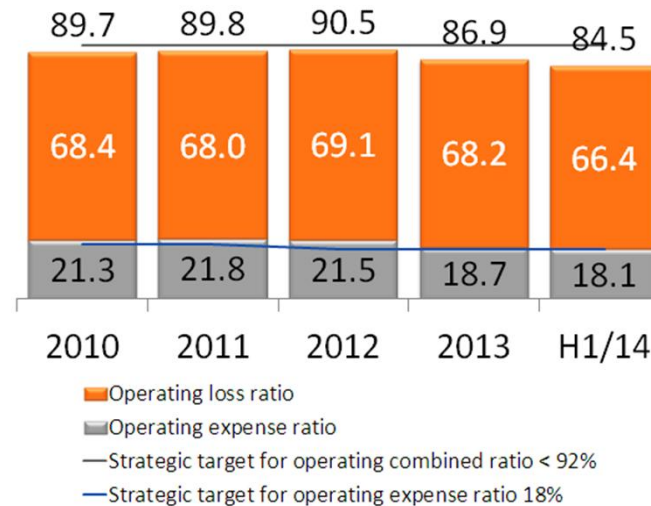
Equity per share, €



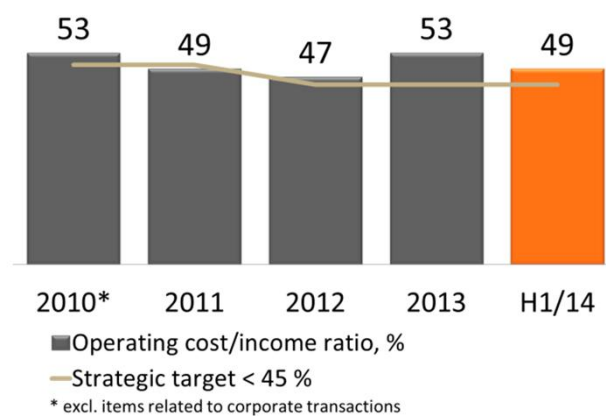
Operating cost/income ratio by Banking, %



Operating combined ratio by Non-life Insurance, %



Operating cost/income ratio by Asset Management, %



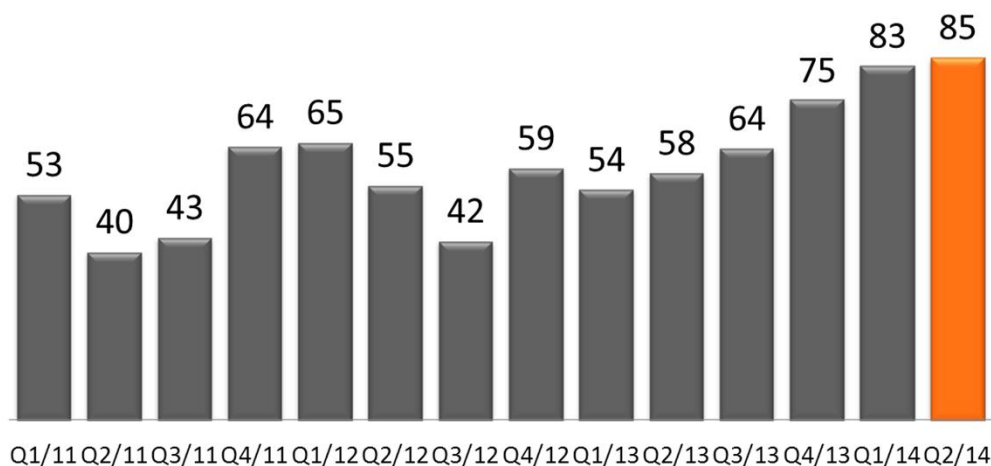


Continuing operations: Banking Q2/14 and H1/14

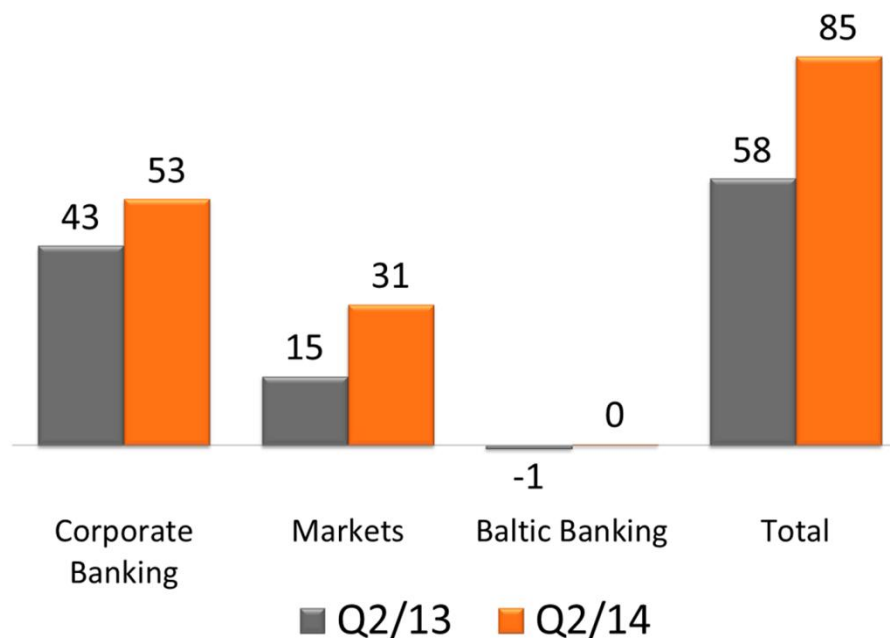
EBT improved within all business divisions in Q2/14

EBT improved by 46% as a result of higher net interest income and lower impairments.
Total income increased by 16% and total expenses by 1%.

Earnings before tax, € mn
by quarter



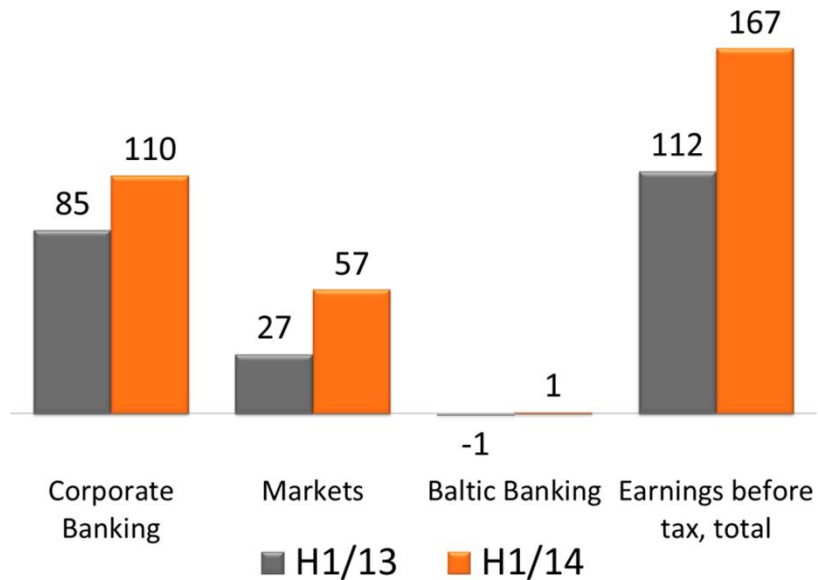
Earnings before tax, € mn
by business division Q2/14 vs. Q2/13



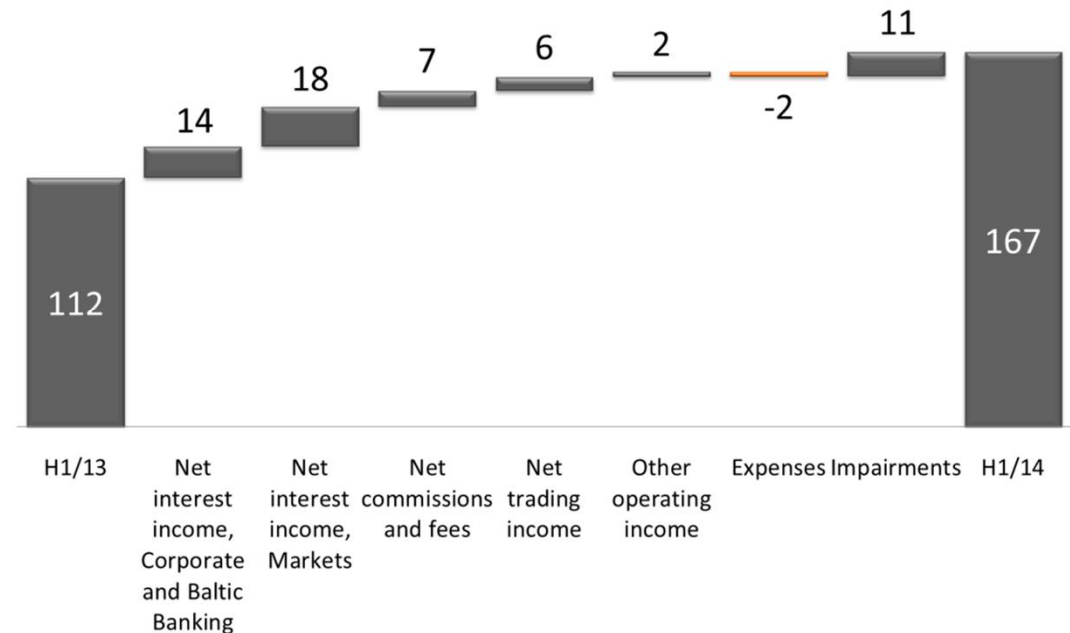
EBT improved within all business divisions in H1/14 as well

EBT increased by 50% thanks to growth in total income and lower impairments.
Total income up by 22% and expenses by 3%.

Earnings before tax, € mn
by business division
H1/14 vs. H1/13



Earnings before tax, € million
Change H1/14 vs. H1/13

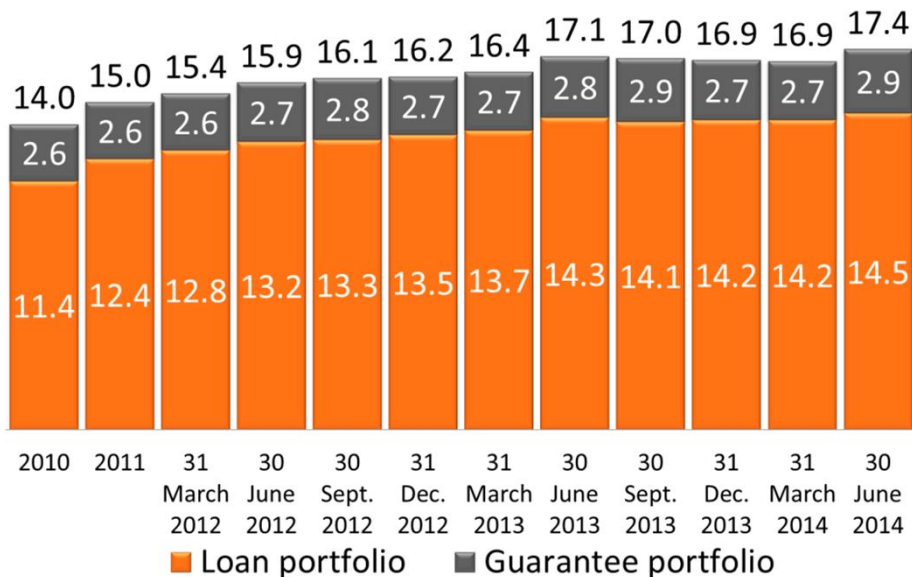


Loan portfolio increased by 2% in Q2/14 and H1/14

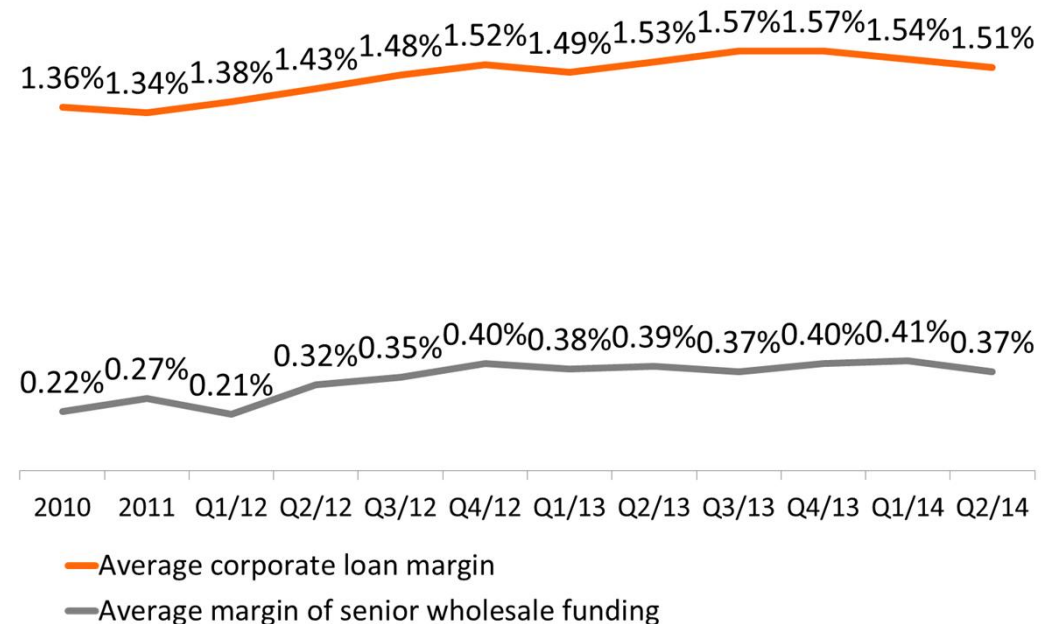
As a result of toughening competition, the average margin on the corporate loan portfolio decreased by 3 basis points during Q2/14 and by 6 basis points in H1/14.

Loan and guarantee portfolio, € bn

The loan and guarantee portfolio increased by 3% in Q2/14 and H1/14. Year-on-year growth was 2%.



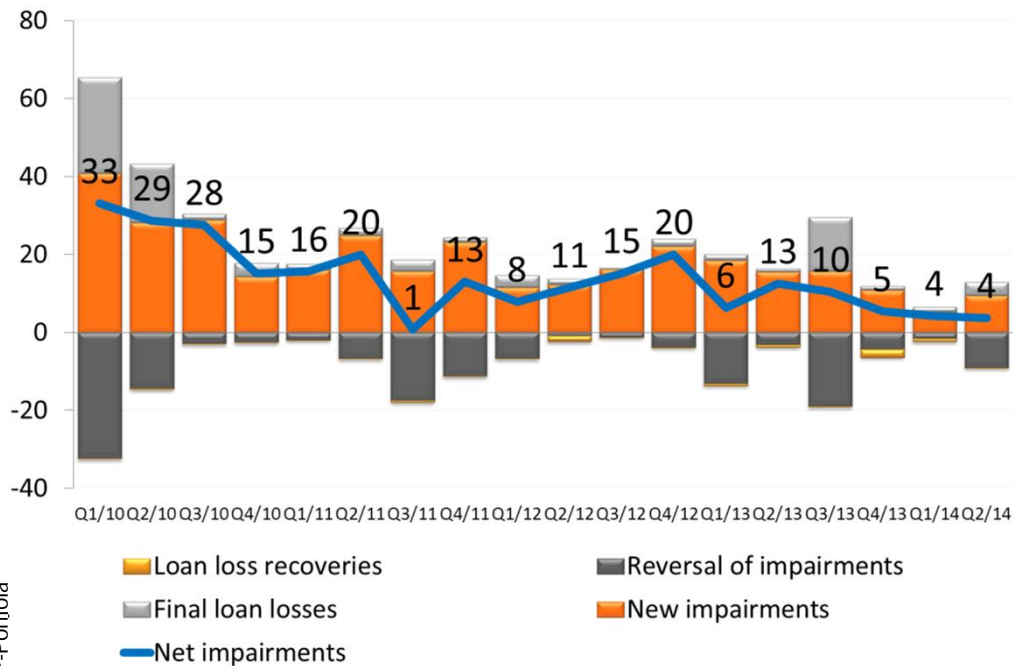
Average corporate loan margin and margin of senior wholesale funding, %



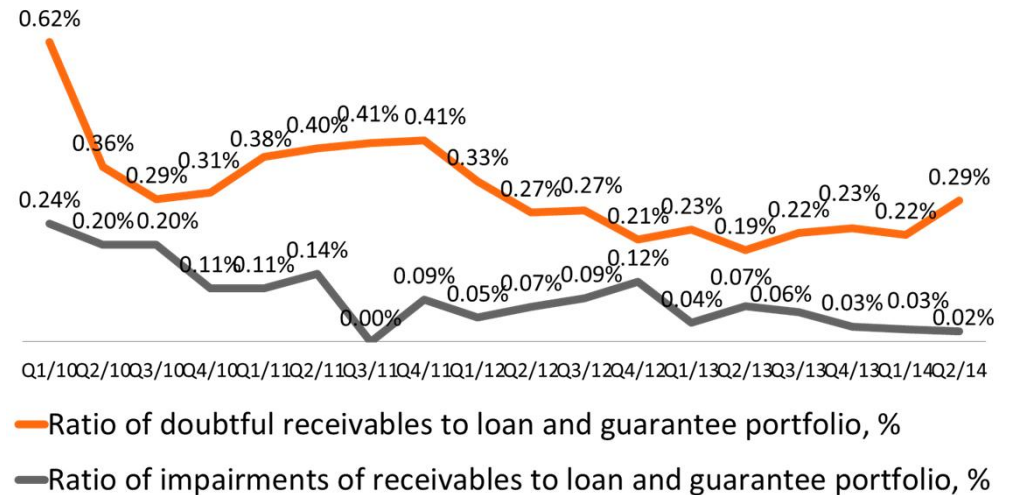
Impairment losses decreased to €4 mn (13)

In H1/14, impairment loss on receivables decreased to €8 million (19) and was 0.05% to loan and guarantee portfolio (0.11)

Net impairment loss on receivables
Q2/14: €4 mn (13)



Impairment losses and doubtful receivables at low levels





Continuing operations: Group Functions Q2/14 and H1/14

Access to Funding Remained Good

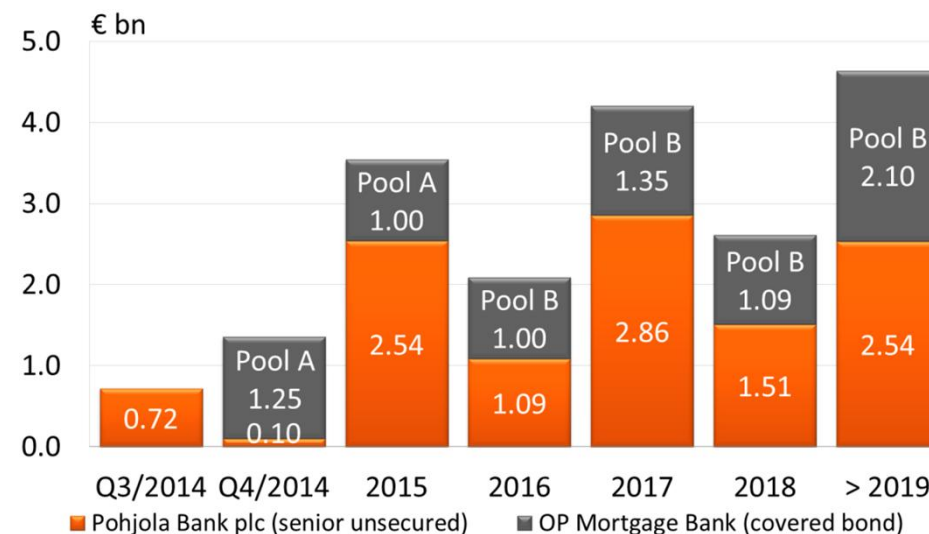
Funding based on strong credit ratings (Aa3/AA-/A+)

Pohjola Bank plc, senior unsecured issues

Year	Month	Amount	Maturity	Interest rate
2014	June	CHF300 mn	7 yrs	CHFm/s + 30bps
2014	June	¥60 bn (€432 mn)	3-5 yrs	m/s + 28.6-48.4bps
2014	June	€750 mn	5 yrs	m/s + 48bps
2014	March	€750 mn	7 yrs	m/s+67bps
2014	March	€750 mn	3 yrs	Eb3+36bps
2013	August	€750 mn	5 yrs	m/s+46bps
2013	June	¥30 bn (€237 mn)	3-5 yrs	m/s+50-73 bps, Eb3+90bps
2013	May	€500 mn	5 yrs	m/s+50bps

- In Q2/14, Group Functions EBT amounted to €15 million (14). Earnings include €14 million in interest on cooperative capital from Suomen Luotto-osuuskunta (12).
- In H1/14, EBT was €22 million (32).
- In H1/14, Pohjola issued long-term debt instruments worth €3.2 billion and OP Mortgage Bank worth €2.0 billion, respectively.

Maturing long-term funding, € bn as of 30 June 2014

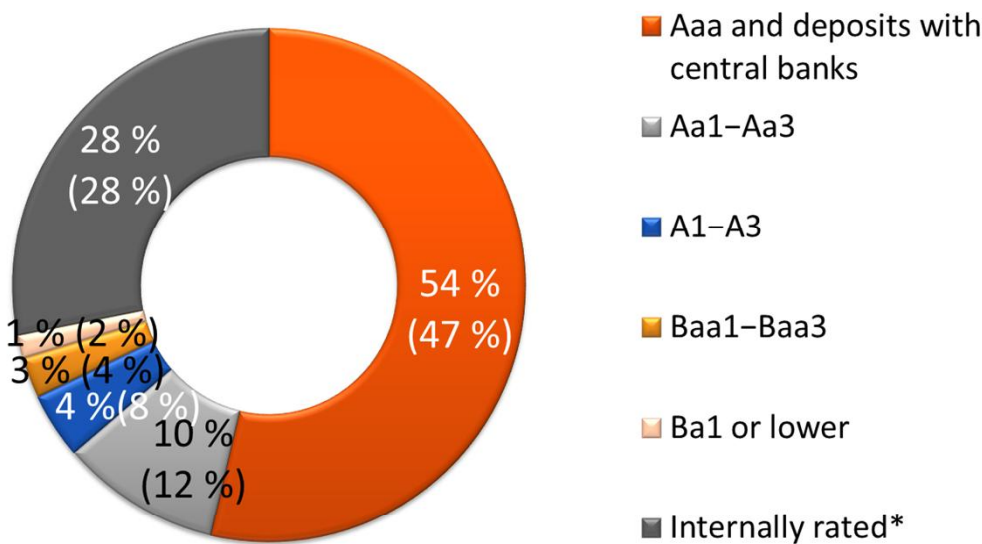


OP Mortgage Bank, covered bond issues

Year	Month	Amount	Maturity	Interest rate
2014	June	€1 bn	5 yrs	m/s + 5bps
2014	March	€1 bn	7 yrs	m/s+14bps

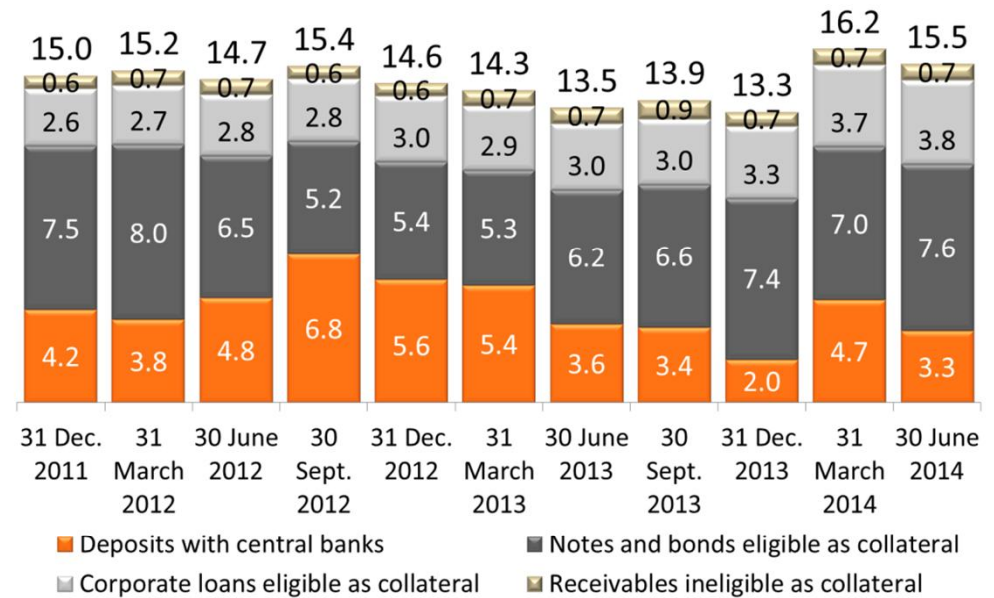
Proportion of notes and bonds eligible as collateral in the liquidity buffer was raised in Q2/14

Liquidity buffer (€15.5 bn) by credit rating as of 30 June 2014 (31 Dec. 2013)



*) Internally rated: corporate loans (88%) and the remainder externally non-rated notes and bonds issued by public-sector entities and companies, both eligible as ECB collateral.

Liquidity buffer by product, € bn



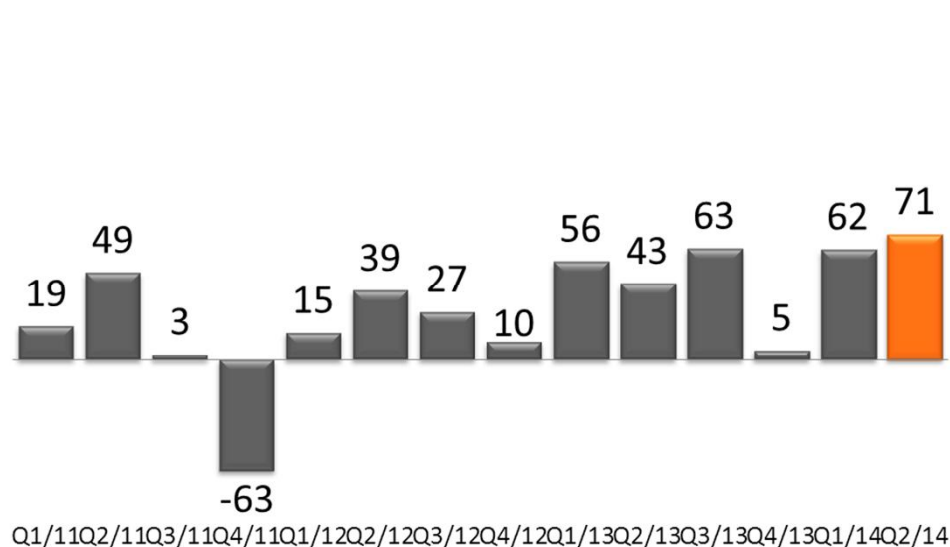
The liquidity buffer plus other items based on OP-Pohjola Group's contingency funding plan can be used to cover maturing wholesale funding for at least 24 months.



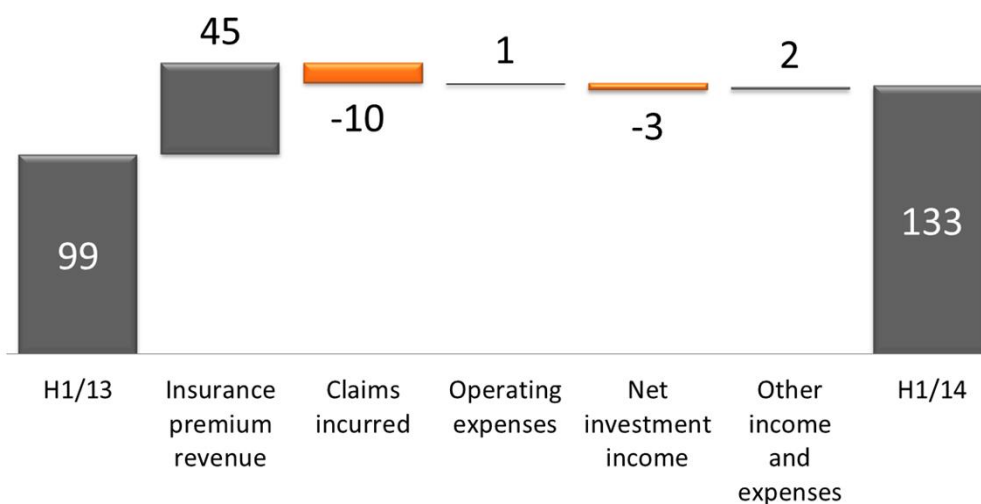
Discontinued operations: Non-life Insurance Q2/14 and H1/14

Higher insurance premium revenue and favorable claims development improved the balance on technical account

Earnings before tax, € mn by quarter



Earnings before tax, € mn change H1/14 vs. H1/13



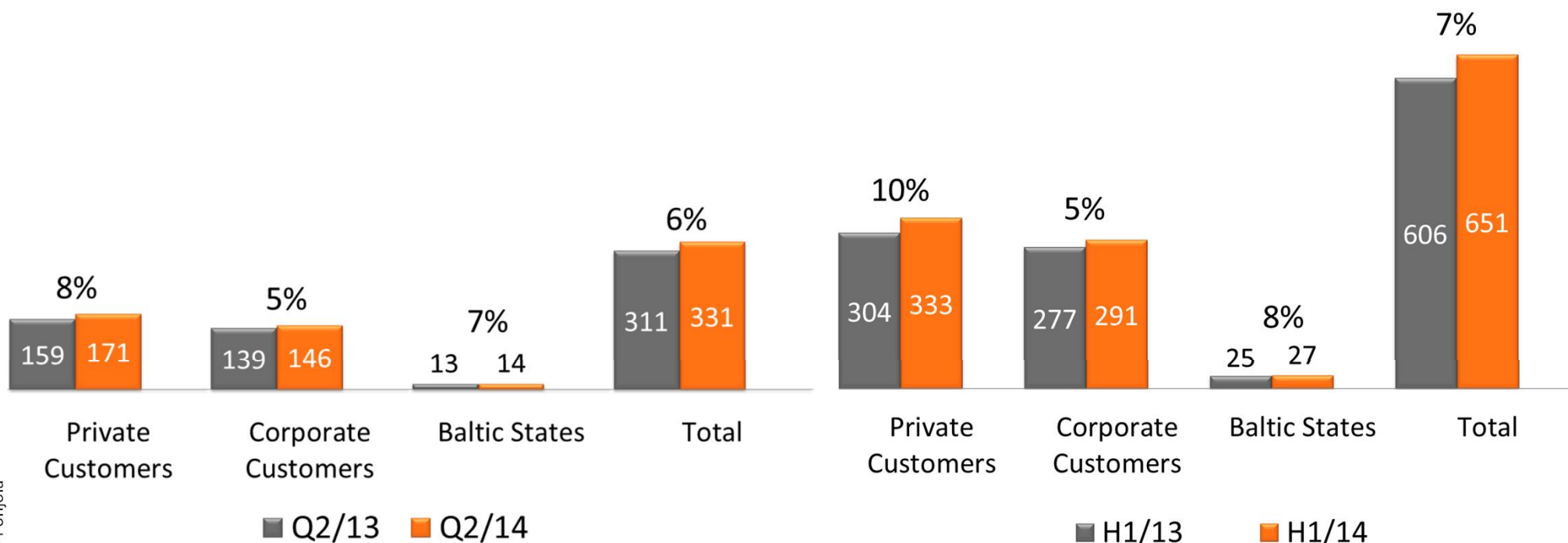
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Changes in claims for previous years improved the balance on technical account by €13 million (2) in Q2/14 and by €18 million (3) in H1/14.

Growth in insurance premium revenue continued within all business divisions

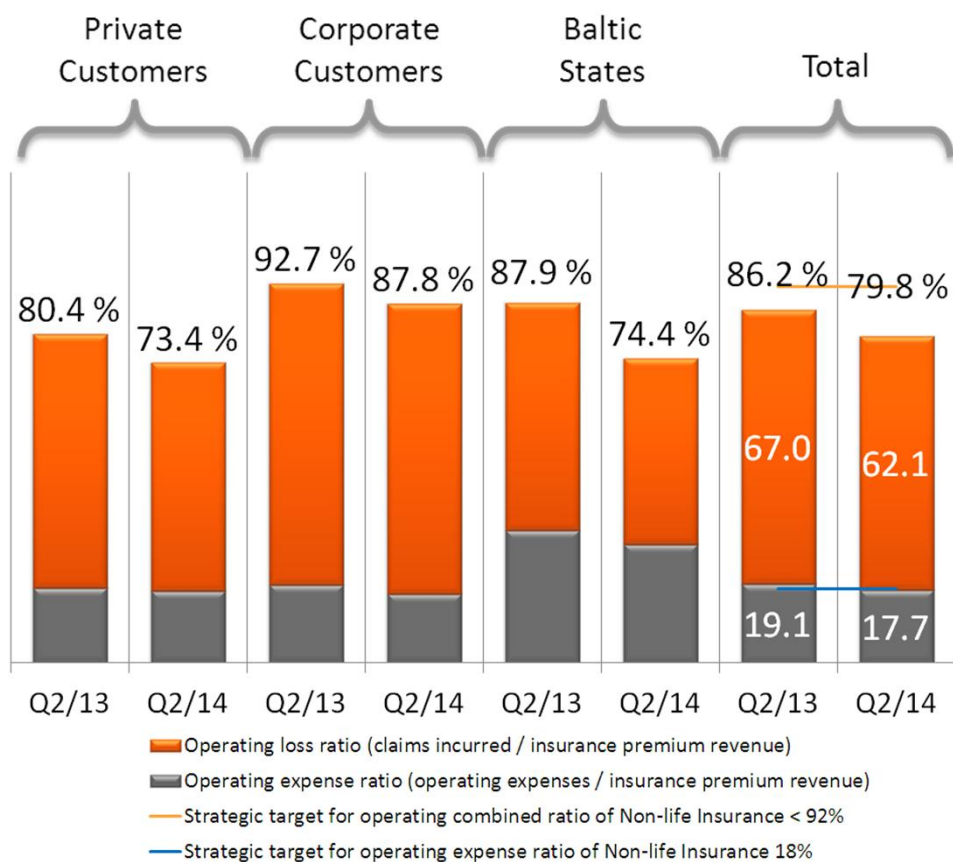
Insurance premium revenue, € mn and change by division Q2/14 vs. Q2/13

Insurance premium revenue, € mn and change by division H1/14 vs. H1/13

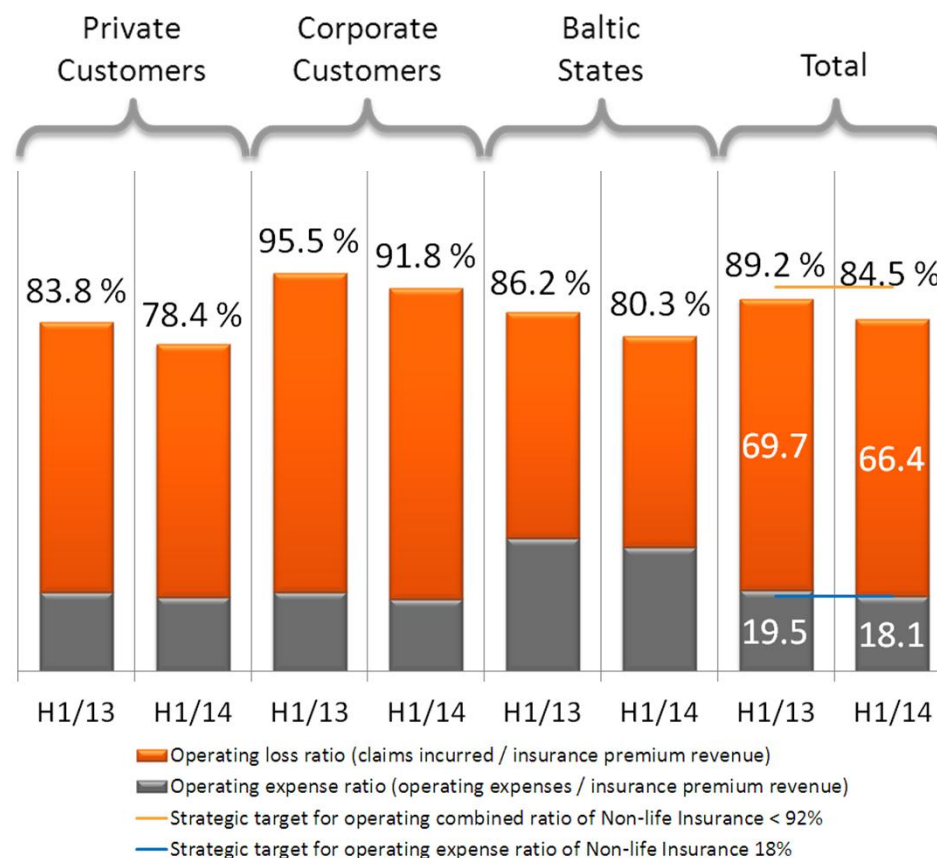


Improvement in operating combined ratio

Operating combined ratio by division, Q2/14 vs. Q2/13, %



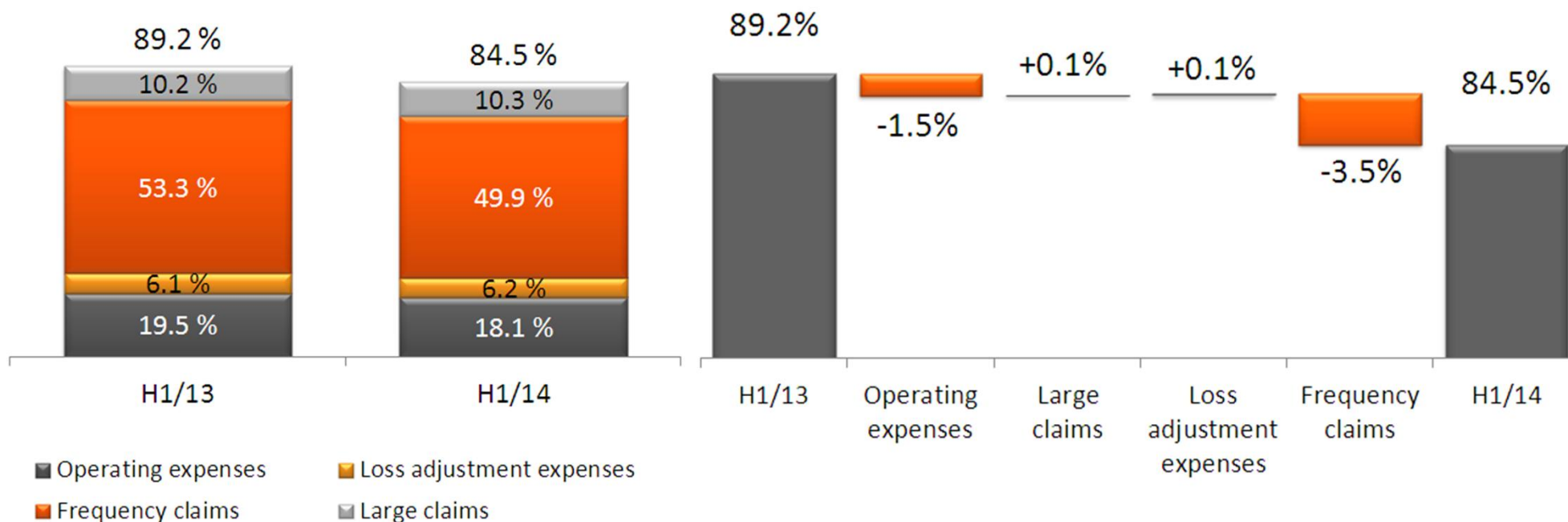
Operating combined ratio by division, H1/14 vs. H1/13, %



Stronger Operating Profitability as a Result of Growth and Favorable Frequency Claims Development

Operating combined ratio by component H1/14 vs. H1/13, %

Change in operating combined ratio H1/14 vs. H1/13, %

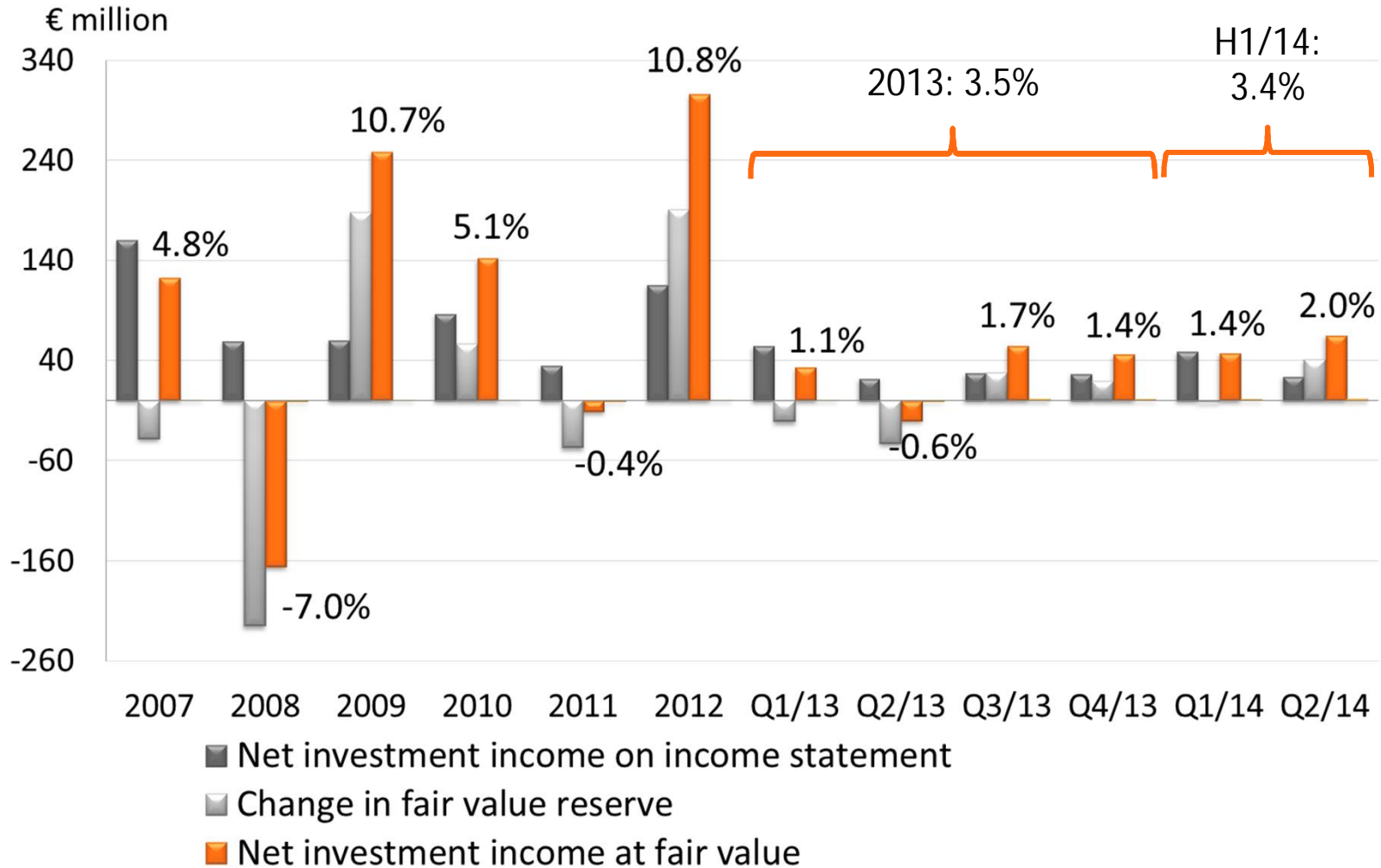


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Changes in claims for previous years improved the balance on technical account by €13 million (2) in Q2/14 and by €18 million (3) in H1/14.

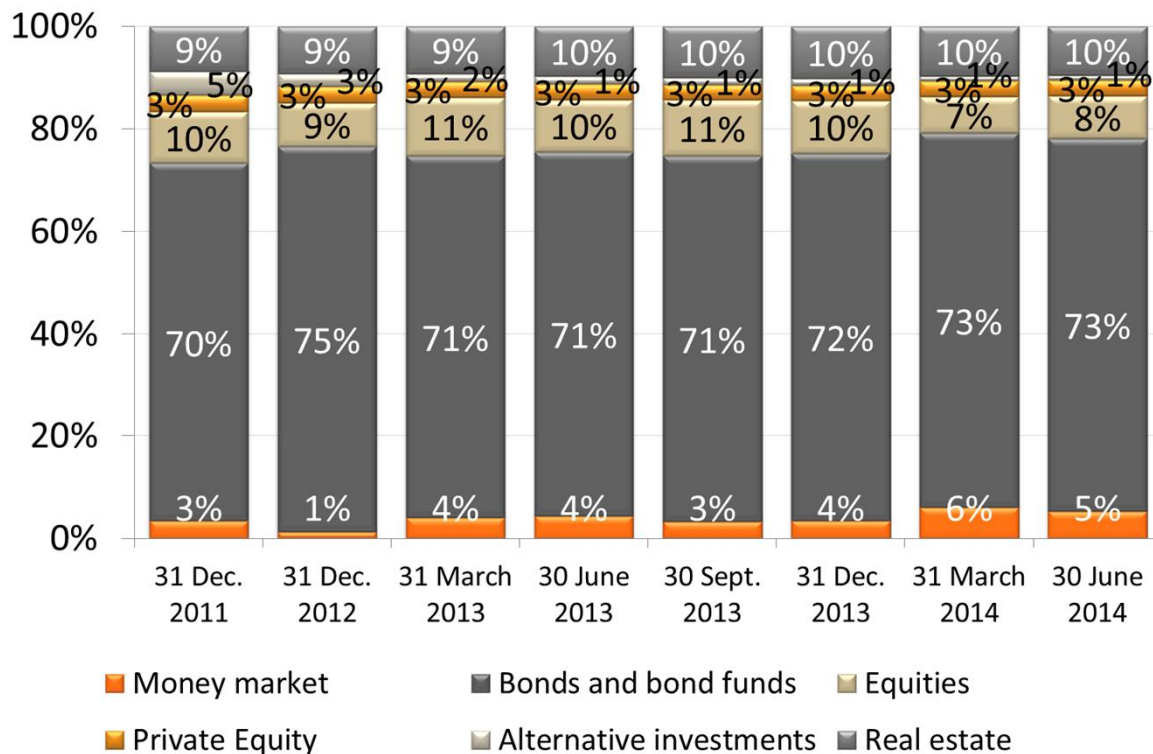
Lower interest rates improved investment income

Return on investments at fair value 2.0% (-0.6) in Q2/14 and 3.4% (0.4) in H1/14

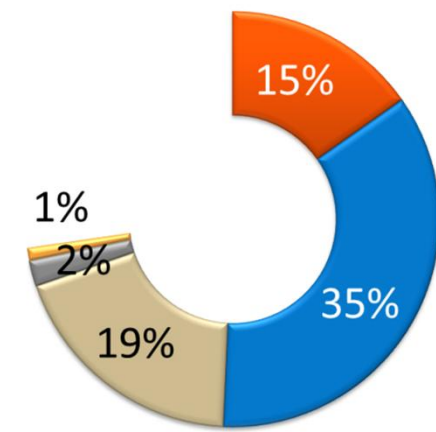


Investment Portfolio Allocation Unchanged

Investment portfolio (€3.5 bn) by asset class as of 30 June 2014



Bonds and bond funds (73%)



- Public sector
- Financial institutions
- Corporate
- Bond funds
- Other

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The average residual term to maturity of the fixed-income portfolio was 4.2 years (4.4) and the duration 3.5 years (3.7). The running yield for direct bond investments averaged 2.6% (2.7) at the end of June.

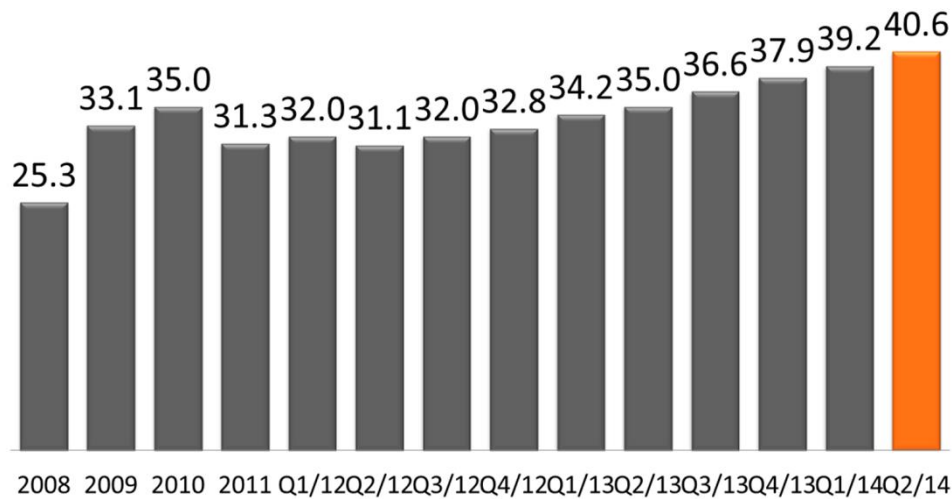


Discontinued operations: Asset Management Q2/14 and H1/14

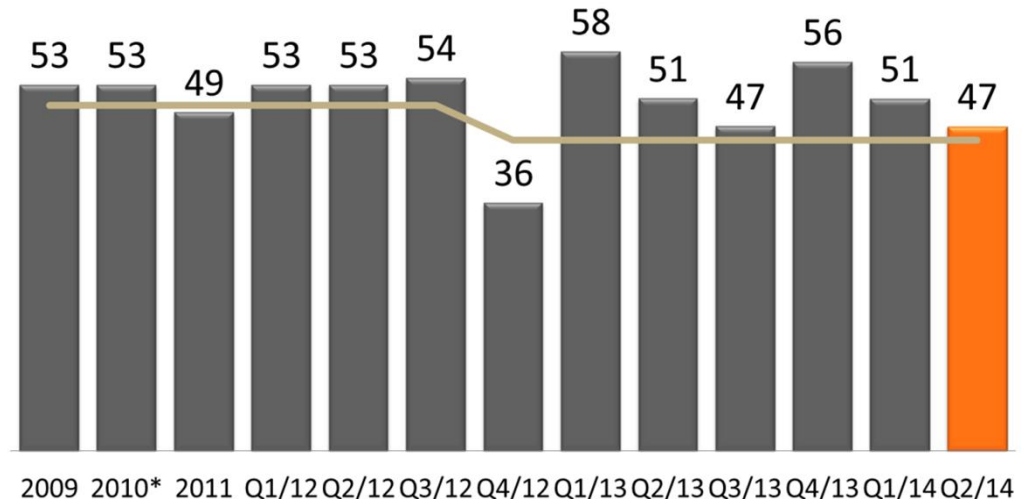
Asset Management's Q2/14 EBT €7 mn (7) H1/14 EBT increased to €14 mn (11) thanks to growth in net commissions and fees

AUM increased by 16% to €40.6 bn in the year to June

Assets under management, € bn



Operating cost/income ratio, %



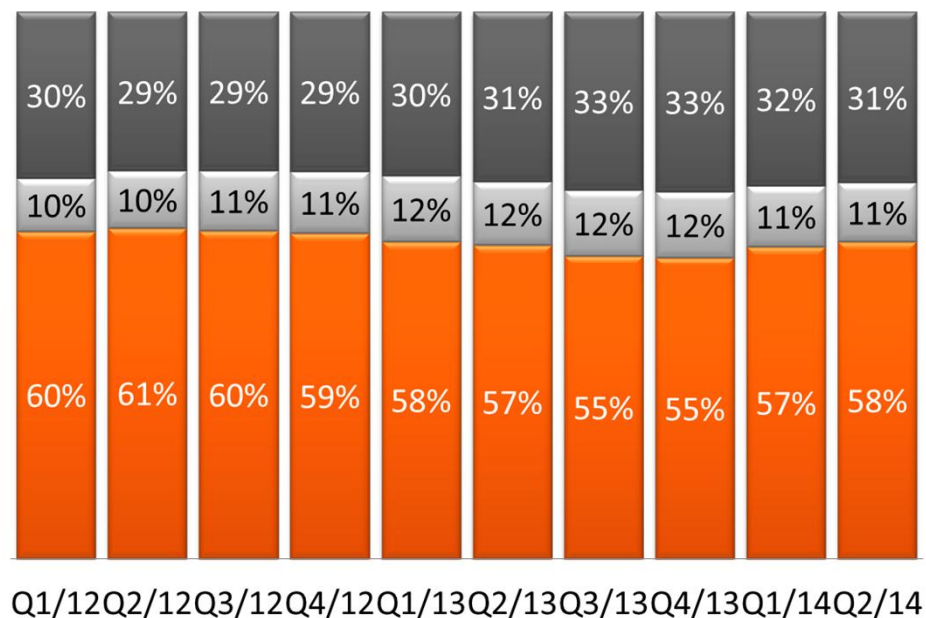
■ Operating cost/income ratio, % — Strategic target < 45 %

* excl. items related to corporate transactions

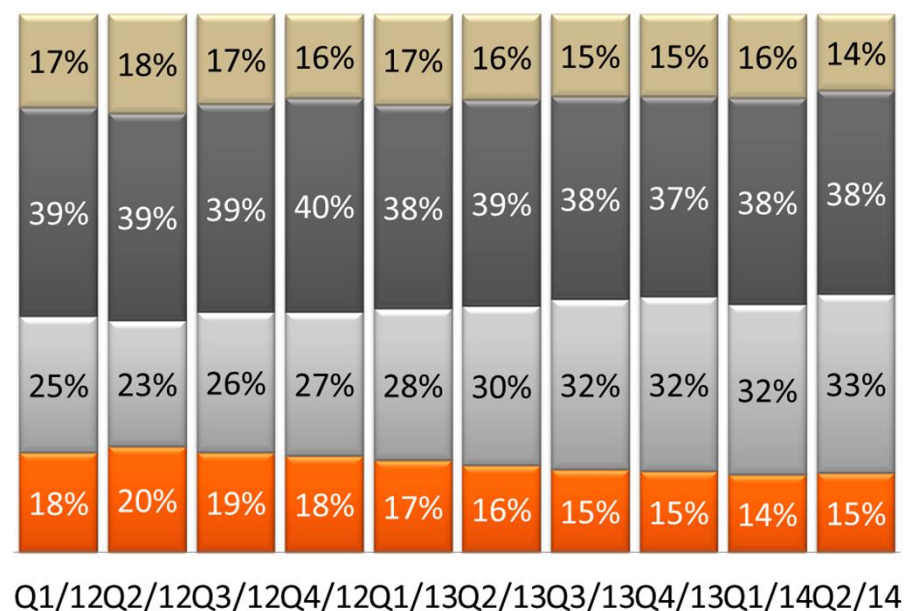
No Significant Changes in the Breakdown of Assets under Management in Q2/14

Institutional clients increased their proportion of AUM in H1/14

Assets under management by client group



Assets under management by asset class



- OP Mutual Funds
- Pohjola Private
- Institutional Clients

- Money Market
- Bonds
- Equities
- Other investments



Pohjola Group's Outlook Towards the Year End and Events After the Reporting Period

Pohjola Group's Outlook Towards the Year End and Events After the Reporting Period

Pohjola Group

- Consolidated EBT in 2014 are expected to be higher than in 2013.

Banking

- Loan portfolio is expected to grow at the same rate as in 2013. Banking earnings before tax in 2014 are expected to be at the same level as or higher than in 2013.

Non-life Insurance

- Operating COR for 2014 is estimated to vary between 87% and 91% if the number of large claims is not much higher than in 2013. Non-life Insurance earnings before tax in 2014 are expected to be higher in 2014 than in 2013.

Asset Management

- The greatest uncertainties related to 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.

Group Functions

- The key determinants affecting the 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 be lower than in 2013 due to low interest rates and tighter liquidity regulation.

Still great uncertainty about the economic outlook and the operating environment. The full version of "Outlook for 2014" can be found in the Interim Report.

Events after the reporting period

Pohjola decided to reduce the discount rate of Non-life Insurance pension liabilities by 0.3 percentage points from 2.8% to 2.5% as a result of low interest rates. This non-cash-flow-based change in the technical basis will lower consolidated earnings by roughly EUR 62 million in the third quarter.

2014

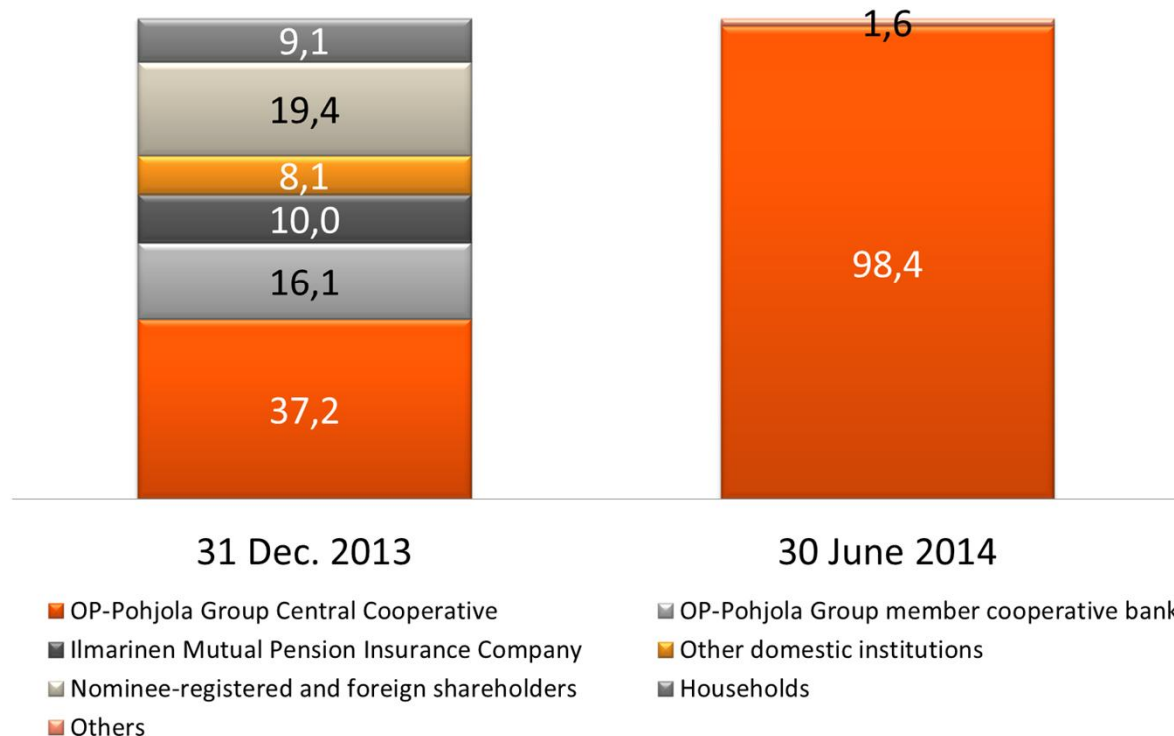


OP-Pohjola Group Central Cooperative's Public Voluntary Bid for all Pohjola Bank plc Shares and Squeeze-out of Minority Shareholders

OP-Pohjola Group Central Cooperative executed its public voluntary bid and initiated arbitration proceedings related to the redemption of minority shares

Pohjola's Board of Directors will file an application with NASDAQ OMX Helsinki Ltd for the termination of trading in Pohjola shares and the delisting of all Pohjola shares from NASDAQ OMX Helsinki Ltd in approximately autumn 2014.

Holdings by type of shareholder,
Series A and K shares, %



OP-Pohjola Group
Central
Cooperative's
proportion of
total shares

98.41%

and of total votes

99.14%

OP-Pohjola Group Central Cooperative initiated arbitration proceedings related to the redemption of minority shares

Pohjola's Board of Directors will file an application with NASDAQ OMX Helsinki Ltd for the termination of trading in Pohjola shares and the delisting of all Pohjola shares from NASDAQ OMX Helsinki Ltd in approximately autumn 2014.

- OP-Pohjola Group Central Cooperative has submitted a public voluntary bid for all Pohjola Bank plc shares, published on 6 February 2014. The offer period began on 24 February and expired 1 April 2014. OP-Pohjola extended the offer period with an extra offer period that began on 7 April 2014 and expired on 22 April 2014. As a result of the execution of the public voluntary bid, OP-Pohjola Group Central Cooperative holds 98.41% of Pohjola shares and 99.14% of the votes conferred by the shares.
- OP-Pohjola Group Central Cooperative announced on 11 April 2014 that, with more than nine tenths (9/10) of all shares and votes in Pohjola Bank plc, it has the right, under Chapter 18, Section 1 of the Limited Liability Companies Act, to redeem (right of squeeze-out) all of the shares held by Pohjola Bank's remaining shareholders at the fair price. OP-Pohjola Group Central Cooperative filed an application with the Redemption Committee of the Finland Chamber of Commerce for instituting arbitration proceedings and selecting arbitrators related to the squeeze-out of minority shareholders.
 - In the arbitration proceedings, OP-Pohjola Group Central Cooperative will request the transfer of title to the minority shares to OP-Pohjola Group Central Cooperative against collateral accepted by the arbitrators and confirm the squeeze-out price at 16.13 euros per share. The squeeze-out price equals the consideration paid by OP-Pohjola Group Central Cooperative based on the public voluntary bid announced on 6 February 2014. Furthermore, OP-Pohjola Group Central Cooperative will ask the arbitrator for the right to pay minority shareholders 16.13 euros per share that it considers a current price, including legal interest, prior to the close of the arbitration proceedings.
- OP-Pohjola Group Central Cooperative announced on 12 June 2014 that, based on an application filed by the Redemption Committee of the Finland Chamber of Commerce, the Helsinki District Court has appointed Attorney Matti Manner to act as the special representative to look after the rights of Pohjola's minority shareholders in the arbitration proceedings pertaining to the squeeze-out procedure.
- OP-Pohjola Group Central Cooperative announced on 29 July 2014 that, the Redemption Committee of the Finland Chamber of Commerce has appointed an Arbitral Tribunal consisting of three arbitrators to settle the disagreements over the right of squeeze-out relating to Pohjola shares not held by OP-Pohjola Group Central Cooperative and over the squeeze-out price. The Arbitral Tribunal comprises attorney Pekka Puhakka (Chairman), attorney Petra Kiurunen and attorney Matti Ylä-Mononen.
- OP-Pohjola Group Central Cooperative expects that the arbitrators issue their award on the transfer of title and on OP-Pohjola Group Central Cooperative's right to pay the amount in autumn 2014 that it considers the current price. The redemption proceedings pertaining to Pohjola's minority shares are expected to last until the first half of 2015.
- Pohjola's Board of Directors will file an application with NASDAQ OMX Helsinki Ltd for the termination of trading in Pohjola shares and the delisting of all Pohjola shares from NASDAQ OMX Helsinki Ltd in approximately autumn 2014.

Aim: a more efficient and competitive OP-Pohjola Group wholly owned by its customers

Strategic plans

1. More efficient in terms of control and a more dynamic and competitive Group in terms of business
2. More streamlined OP-Pohjola Group Central Cooperative Consolidated in terms of structure and decision-making
3. More unified customer experience through more intensified integration between Banking and Non-life Insurance
4. New strong player in the Helsinki Metropolitan Area
5. Profits will fully benefit the Group and its customers
6. Synergies

OP-Pohjola Group

1,4 million owner members

Some 180 member cooperative banks



Pohjola Group will undergo structural changes within the next 12 months, as a result of the completion of OP-Pohjola Group Central Cooperative's public voluntary bid for Pohjola Bank, whereby, for example, the Non-life Insurance and Asset Management segments will be directly transferred from Pohjola Group to OP-Pohjola Group Central Cooperative's ownership. In addition, the businesses of Helsinki OP Bank Plc and Pohjola Bank plc will be merged.



Pohjola IR team

Pohjola IR team



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