

Pohjola Bank plc Annual Review 2013



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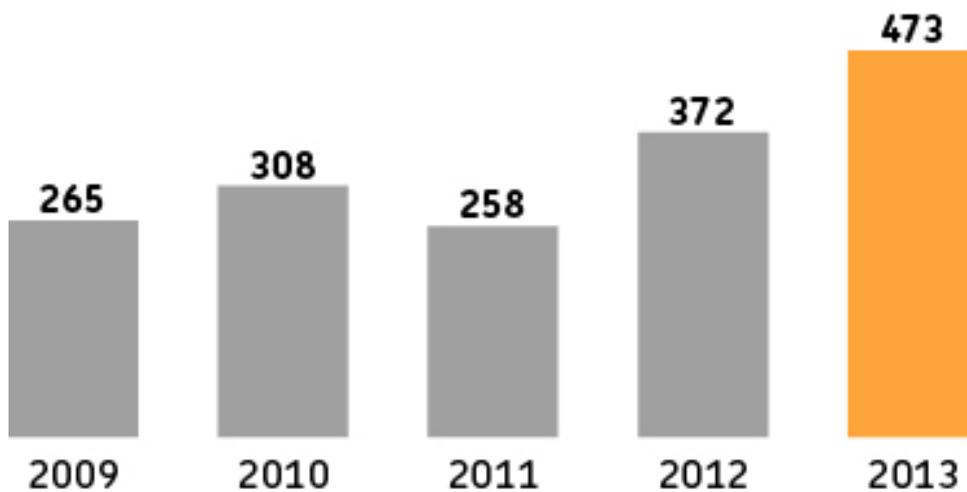
Year 2013

Pohjola reported record consolidated earnings in 2013 and its market position strengthened during the year. 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. Funding and liquidity positions remained good and the Core Tier 1 ratio improved.

Highlights

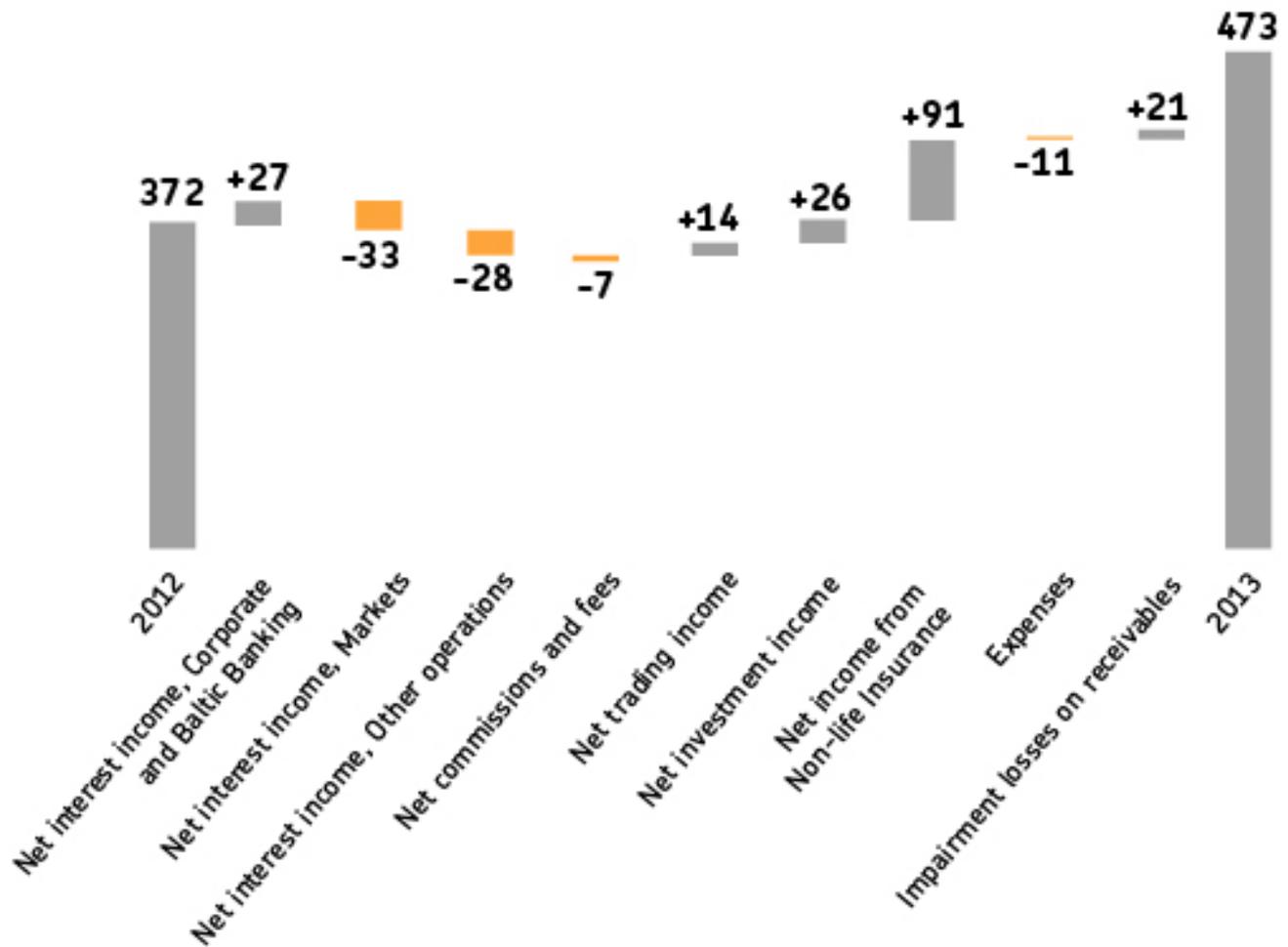
Earnings before tax

€ million



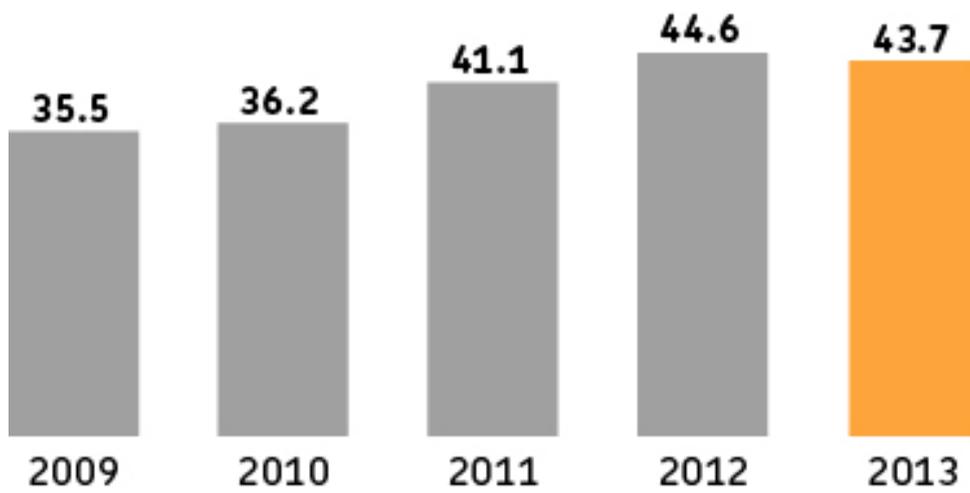
Earnings before tax, Change between 2012 and 2013

€ million

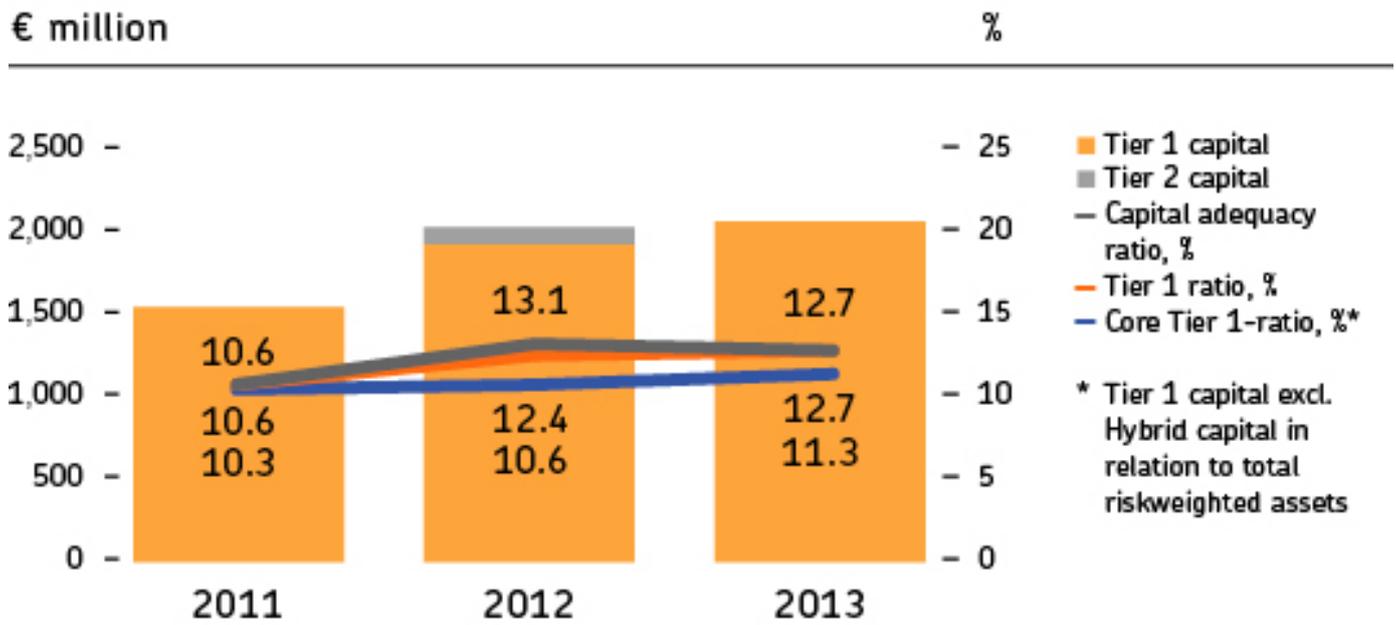


Balance sheet total

€ billion

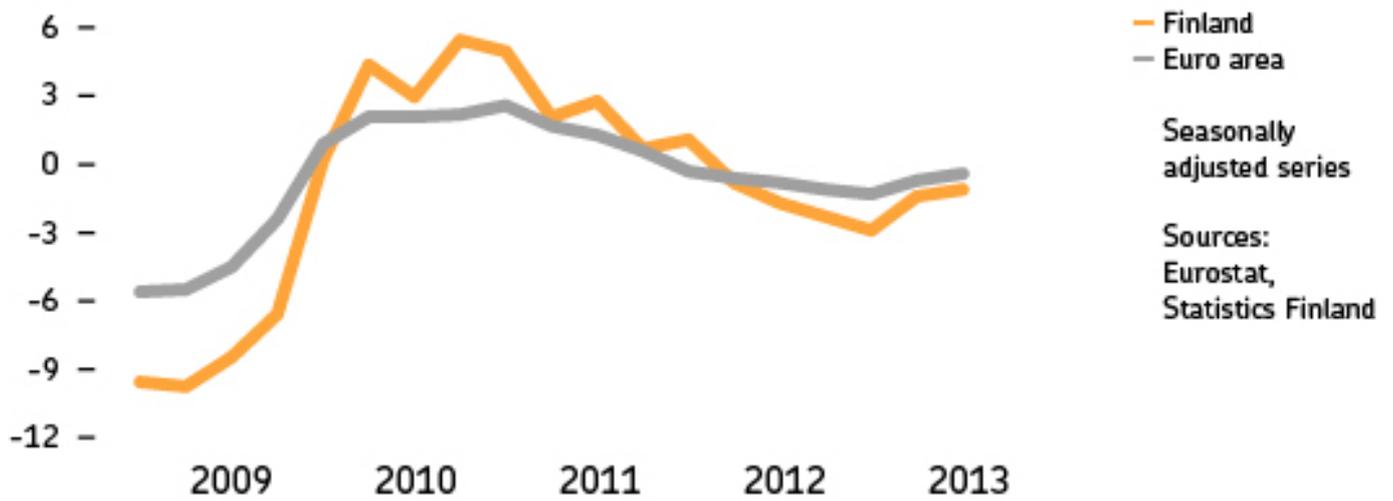


Capital base and capital adequacy



GDP volume change

annual volume change, %



President and CEO's Review

In 2013, Pohjola continued to grow strongly and posted record earnings. Banking, Non-life Insurance and Asset Management volumes increased at above the market average rate 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%. Cross-selling with OP-Pohjola Group cooperative banks continued successfully and the number of joint banking and non-life customers exceeded one and a half million.

Consolidated earnings before tax improved by 101 million euros to 473 million euros. 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. We continued to strengthen our role as a financier for Finnish companies and our market share in euro-denominated corporate loans increased to 22.1%. Our loan portfolio remained good in terms of quality. In non-life insurance, we strengthened our position as Finland's leading non-life insurer and the number of loyal customer households increased by over 45,000 to 615,000. The operating combined ratio of Non-life Insurance was at a record level of 86.9%. Within Asset Management, assets under management increased to 37.9 billion euros. Asset Management earnings were lower than a year ago due to a reduction in performance-based management fees.

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

We are building our future with a long-term approach and will prosper together with our customers. As specified in our core values, we will stand by our customers through thick and thin. We aim to create a competitive advantage out of customer experience. This will require in-depth knowledge of the existing and future needs of our customers, uncompromising customer service, top-quality services and contact points that our customers find valuable. During 2013, we created together with our customers innovative solutions, for example, for improving working capital efficiency, liquidity management, risk management and for making more efficient use of financial markets. Needs for health and wellbeing services will increase as the population is ageing, for example. For these needs, we launched new health insurance policies for private customers and opened Omasairaala, a hospital for outpatient surgery specialising in orthopaedics and hand surgery. Omasairaala has been able to considerably speed up people's recovery from accidental injuries. We have also received plenty of positive feedback from our customers, and more than 90% of the Omasairaala customers are ready to recommend us.

All in all, 2013 was an excellent year for Pohjola and we recorded all-time high earnings. According to the valid dividend policy, the Board of Directors will propose to the Annual General Meeting that a dividend of 0.67 euros be paid per listed Series A share and 0.64 euros per unlisted Series K share. This proposal corresponds to a 50% dividend payout ratio and a dividend distribution of 212 million euros.

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. We have a solid foundation for 2014.

On 6 February 2014, Pohjola's parent company OP-Pohjola Group Central Cooperative announced a public voluntary bid for all outstanding Pohjola shares. On 13 February 2014, Pohjola's Board of Directors issued a related statement where it recommends acceptance of the public voluntary bid to Pohjola's shareholders. The planned reorganisation following the public voluntary bid will make Pohjola's business lines integrate more closely with OP-Pohjola Group. As part of OP-Pohjola Group, Pohjola has the most extensive service network in the sector at its disposal and the largest customer base in Finland. In addition, the solid ownership structure and joint liability have enabled a high credit rating. Being part of OP-Pohjola Group is one of our key competitive advantages. As we will be more closely integrated with OP-Pohjola Group, we can provide the entire OP-Pohjola Group's resources for our customers and more effectively continue to promote their sustainable prosperity, security and wellbeing.

I should like to take this opportunity to express my warmest thanks to our shareholders and customers for their trust and OP-Pohjola Group cooperative banks and other partners for their constructive cooperation, not forgetting our personnel which once again did an excellent job in constantly changing circumstances.

Helsinki, 24 February 2014

Jouko Pölonen
President and CEO

Description of Strategy

Pohjola provides corporate and institutional customers with a diverse range of banking, asset management and non-life insurance services, and private individuals with an extensive range of non-life insurance and private banking services.

Finland and its neighbouring regions constitute Pohjola's key market area. Pohjola knows its customers well and is in close interaction with them. Pohjola will build customer relationships on a long-term basis with the aim of establishing total customer relationships. Pohjola is making dedicated efforts to further develop its service network in Finland and neighbouring regions. In other market areas, Pohjola's service capabilities are based on cooperation with high-profile local or international partners.

Pohjola stands out from the competition based on its competencies and high-quality solutions. Pohjola's competitive edge lies in our customer focus, comprehensive financial services and stable ownership base. As part of OP-Pohjola Group, Pohjola's largest shareholder, Pohjola boasts the most extensive and diversified service network and largest clientele in Finland.

Pohjola aims at strengthening its market position and growing profitably to enable a competitive Total Shareholder Return. Pohjola will secure business continuity by maintaining a strong capital base. Joint liability with OP-Pohjola Group Group's member cooperative banks strengthens Pohjola's creditworthiness.

Highly skilled and motivated employees are a prerequisite for providing comprehensive solutions and the best service within the sector. Pohjola enhances its intellectual capital systematically as part of business.

Strategy in a Nutshell

Mission	<ul style="list-style-type: none"> We promote the sustainable prosperity, security and wellbeing of our customers
Vision	<ul style="list-style-type: none"> We are the most preferred financial services partner
Key objectives	<ul style="list-style-type: none"> Increasing company value Strengthening market position profitably
Critical success factors	<ul style="list-style-type: none"> Exploiting customer potential Risk anticipation, selection and pricing Highly skilled personnel and high-profile partnerships Competitive solutions Cost-efficiency, flexibility and promptness Strong capitalisation
Competitive advantages	<ul style="list-style-type: none"> Comprehensive financial services Part of OP-Pohjola Group – Strong brand and stability Close to customers – Firmly rooted in Finland
Core values	<ul style="list-style-type: none"> People-first approach Responsibility Prospering together

Vision and Key objectives

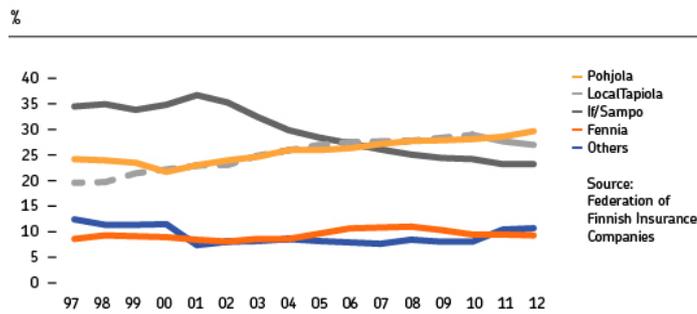
Pohjola's vision is to be the most preferred financial services partner. Pohjola's key objectives include strengthening the market position profitably and increasing company value.

Market position

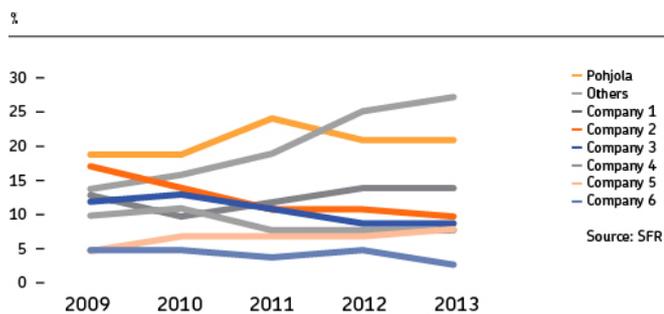
Market share of corporate loans



Market share of premiums written under Finnish direct insurance



Market shares of Institutional Asset Management



Financial targets

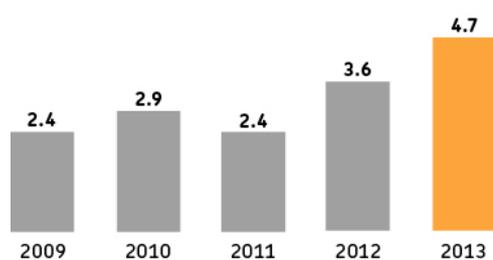
Financial targets	Target	Reported 2013	Reported 2012
Group			
ROE, %	13	14.6	11.2
Core Tier 1, %	≥ 11.0	11.3	10.6
Banking			
Operating cost/income ratio, %	< 35	36	34
Non-life Insurance			
Operating combined ratio, %	< 92	86.9	90.5
Operating expense ratio, %	18	18.7	21.5
Solvency ratio, %	70	73	81
Asset Management			
Operating cost/income ratio, %	< 45	53	47
Target for total expenses			
Total expenses at end of 2015, €	At the 2012-end level	580	569
Rating target			
	Target		
AA rating	AA rating issued by at least two credit rating agencies (or at least at the main competitors' level)	2	2
Dividend policy			
	Target		
% of earnings per share	A minimum of 50% of earnings per share in dividends, provided that Core Tier 1 remains at least 10%	50*	51

* As proposed by the Board of Directors

Market capitalisation

Market capitalisation (A- and K-shares total)

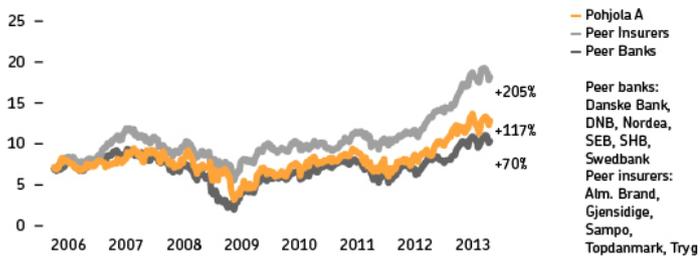
€ billion



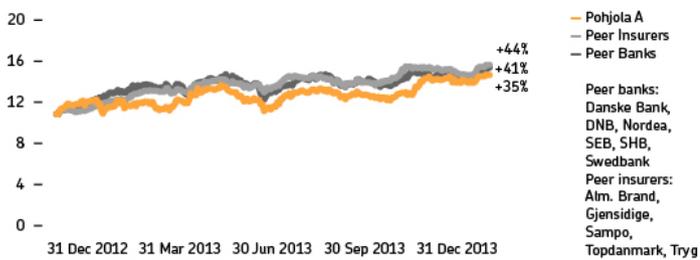
Total Shareholder Return

Pohjola aims at a Total Shareholder Return that is at the top level among Nordic peer banks and insurers.

Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2006–2013
€



Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2013
€



Competitive advantages

Pohjola implements its strategy by exploiting its three unique competitive advantages.



Read more about Pohjola's competitive advantages on pohjola.com > Investor Relations.

Strategy implementation in 2013

Pohjola's Board of Directors adopted Pohjola Group's updated strategy and revised financial targets in October 2012. The strategic theme is entitled "Value and efficiency through integration". The updated strategy highlights the following: improving customer experience, seeking more targeted growth in order to improve return on capital, making more efficient use of OP-Pohjola Group's competitive advantages and strengths, improving Group efficiency and increasing capital adequacy ratios.

1 Competitive advantage through customer experience

Pohjola aims to create competitive edge out of customer experience. To this end, ensuring customer benefits play a key role, which requires optimum total solutions that meet customer needs at any given time, customer service with the right attitude, professionalism and smoothly running services across the board.

2 More targeted growth

Seeking more targeted growth in order to improve return on capital is highlighted in Pohjola's strategy. Banking will concentrate on deepening customer relationships and will focus growth on business and products with high capital efficiency. Non-life Insurance aims to continue its successful cross-selling, seek competitive advantage in health and wellbeing services and improve efficiency. Within Asset Management, the key objective is to raise investment returns of OP Mutual Funds to a competitive level and to intensify OP-Pohjola Group's integration.

3 Part of OP-Pohjola Group

Making more efficient use of OP-Pohjola Group's competitive advantages and strengths involves measures which Pohjola will take to make more efficient use of shared customer potential and which will enable Pohjola to cut its costs by centralising functions within OP-Pohjola Group Central Cooperative Consolidated.

4 Enhancing intellectual capital

Skilled and motivated employees are the prerequisite for successful strategy implementation. Pohjola enhances its intellectual capital systematically as part of business development.

Competitive advantage through customer experience

In cooperation with OP-Pohjola Group, Pohjola created a customer experience improvement framework in 2013. On the basis of the framework, Pohjola identified areas in need of improvement and launched related projects. The quality of customer contacts and electronic services are highlighted in the projects.

More targeted growth

Banking strengthened its market position as a financier of Finnish companies and an arranger of bond issues, in particular, and in payment transactions and trade finance. The Markets division improved the international distribution of bonds, built a service concept for SME bond financing and further developed electronic bond and foreign exchange trading. Corporate Banking adopted a new, more customer-driven trade finance system and further developed payment transaction and cash management services. In order to enhance its international service capabilities, Pohjola opened a corporate branch office in Vilnius, Lithuania, and continued to systematically extend and further develop its partner network, especially in China and Russia.

Non-life Insurance remained successful in cross-selling, and the number of joint banking and non-life customers increased from 1.43 million to 1.52 million. Its development work focused on measures to make customer services running more smoothly, especially in online and mobile channels, and to launch new risk management products and services for customers. Pohjola invested heavily in its health and wellbeing business by launching a more comprehensive health insurance policy, by opening Omasairaala, a hospital for outpatient surgery specialising in orthopaedic diseases and injuries, to speed up the clinical pathway, and by reinforcing the sales organisation of personal insurance.

Asset Management improved its investment income, and 59% of OP Mutual Funds managed by Asset Management outperformed their benchmark index. Asset Management maintained its leading market position as an asset manager for Finnish institutional clients. Pohjola was successful in introducing three new real estate funds onto the market and invested heavily in the development of added value services, such as the Solvency II analysis system for investment risk management and investment portfolios.

More efficient use of OP-Pohjola Group's competitive advantages and strengths

The efficiency-enhancement programme launched within Pohjola Group in late 2012 is aimed at achieving annual cost savings of around 50 million euros by the end of 2015, job cuts accounting for around 40% of the estimated cost savings. The remaining cost savings will arise from eliminating overlapping activities and standardising practices within OP-Pohjola Group Central Cooperative Consolidated. Reported cost savings for 2013 amounted to 27 million euros.

In Non-life Insurance, growth in the private customer business continued strongly, thanks to OP-Pohjola Group's shared customer potential, the most extensive service network in Finland and the best loyalty benefits, OP bonuses.

Enhancing intellectual capital

In the field of enhancing intellectual capital, Pohjola put special focus on employee wellbeing and organisational renewal.

Operating environment

World economic growth was subdued in 2013. It was slower than a year ago not only in industrialised countries but also in emerging economies. The euro-area economy contracted over the previous year but output began to recover in 2013. Some crisis-ridden economies began to rebound. Economic uncertainty diminished and confidence improved towards the year end.

The European Central Bank (ECB) cut its main refinancing rate from the year-start 0.75% to 0.25%. The Euribor rates remained very low throughout 2013. Euro-area government bond yield spreads narrowed as markets calmed down.

The Finnish economy was weak in 2013 with decreasing GDP and increasing unemployment. The inflation rate decelerated markedly. Towards the year end, confidence began to improve in Finland too and there were more signs of exports recovery. Home prices rose by a few per cent but home sales and residential building were on the decrease.

World economic growth will strengthen in 2014 but remain below average. Economic growth in the US will speed up and the euro area economy will recover. An increase in exports will stimulate the Finnish economy but the economic growth rate will remain slow. The ECB will continue to conduct an expansionary monetary policy.

In the Finnish banking sector, the annual growth rate of the total consumer loan volumes slowed to 2%. This slowdown is explained by the uncertain economic outlook, slower housing markets and banks' tighter lending criteria. However, total corporate loans continued to grow at a relatively steady annual rate of 5%. In 2014, demand for loans is expected to remain weaker than average.

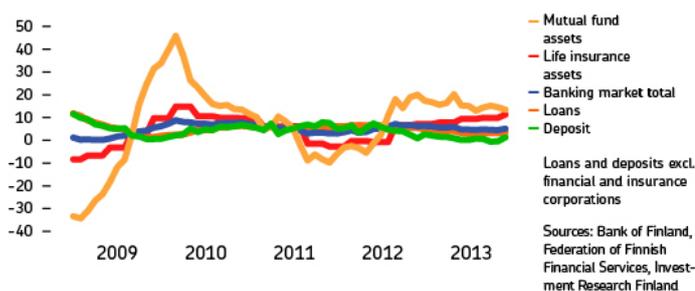
Growth in the total deposits made by private and corporate customers almost came to a halt last year. The use of current accounts increased, but the total term deposits were lower, as assets were allocated to savings products with higher investment risks because of favourable developments in financial markets and low interest rates.

Capital markets performed strongly during the second half of 2013. Mutual fund assets and insurance savings increased by 13% last year. Net asset inflows to mutual funds were positive throughout the year and life insurance premiums written increased by over 40% from their previous year's level. The trend in insurance savings continued as people shifted away from products with guaranteed technical interest in favour of unit-linked products.

According to preliminary information, non-life insurance premiums written increased by 6% in 2013. Claims expenditure and claims paid remained, however, at the previous year's level.

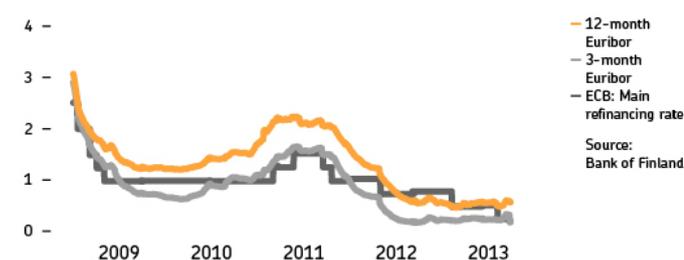
Banking business

12-month change, %



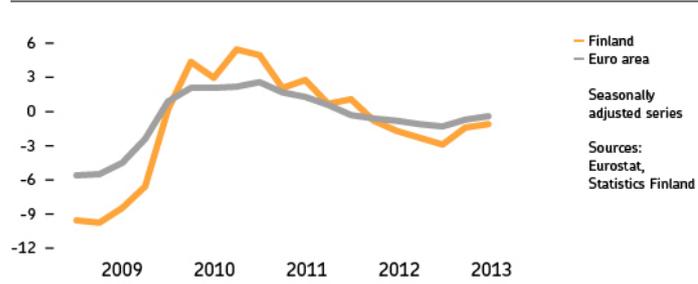
Euribor rates and ECB refi rate

%



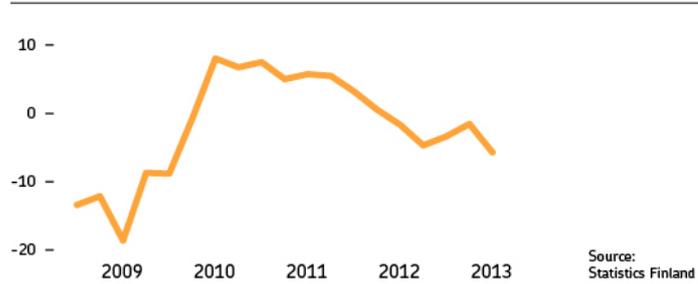
GDP

annual volume change, %



Fixed investments

annual volume change, %



Financial Sector in the face of Major Transformation

The financial sector is undergoing major transformation in many respects. The regulatory framework for capital adequacy and funding risk exposure in the financial sector has been considerably tighter since early 2014. Moreover, in order to counter systemic risks, there are measures underway to supplement regulation with instruments of macroprudential policy, such as countercyclical capital buffers for banks. As a result of the Banking Union under preparation, the European Central Bank (ECB) will assume responsibilities for supervising large banks in the euro area. Before taking over this single supervisory role, the ECB will carry out a comprehensive assessment of the banks to ensure that the banks are financially sound. A Single Resolution Mechanism will supplement the Banking Union in the years to come. The regulatory framework of insurance companies is being reformed too. However, uncertainties are still associated with the content and implementation schedule of these global regulatory frameworks.

The current low interest-rate environment coupled with tightening regulation will continue to put pressure on profitability in the financial sector. The weak economic outlook and structural changes will be reflected in the financial sector outlook. Changes in customer behaviour and cross-industry expansion mean greater needs for reforms and investments in the financial sector. The changing financial landscape will make financial services providers enhance their processes, upgrade their distribution channels, develop their electronic services further and adjust their business models.



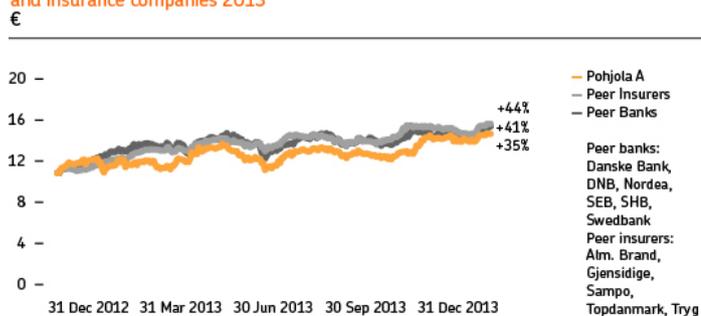
Investors

Pohjola's promise to its stakeholders, based on its strategy adopted in 2012, is to generate a Total Shareholder Return (TSR) which is at the top level among Nordic peer banks and insurers. In 2013, Pohjola's TSR was below its Nordic peer banks and insurers. Pohjola share reached a high of 14.67 euros during the financial year.

As its strategic goal, Pohjola aims at a dividend payout ratio of at least 50%, provided that the Core Tier 1 ratio remains at least 10%. The Board of Directors of Pohjola Bank plc proposes to the Annual General Meeting that a per-share dividend of 0.67 (0.46) be paid on Series A shares and EUR 0.64 (0.43) on Series K shares for the financial year 2013. This corresponds to a 50% dividend payout ratio.

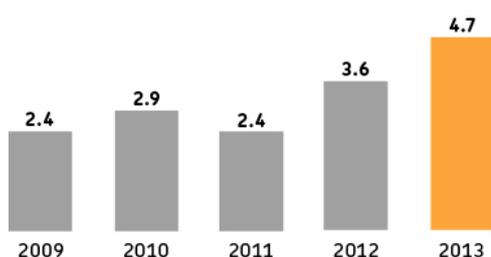
OP-Pohjola Group raises funds in the international markets with Pohjola Bank plc and OP Mortgage Bank acting as the issuers of debt instruments. Access to funding remained good in 2013. In 2013, Pohjola issued long-term bonds worth 1.9 billion euros and broadened its funding sources by issuing its first Samurai bonds in the Japanese market. Its strong AA rating affirmed from two credit rating agencies forms the basis of funding. Only two other Nordic banks have an AA credit rating for long-term debt affirmed by two credit rating agencies.

Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2013



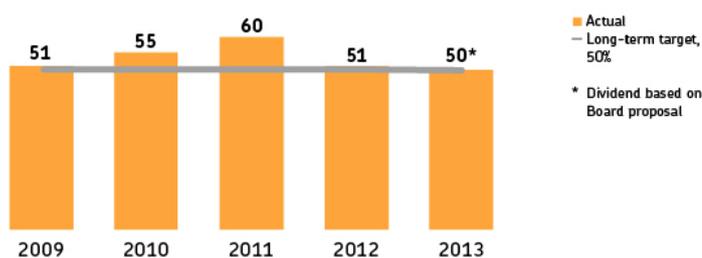
Market capitalisation (A- and K-shares total)

€ billion



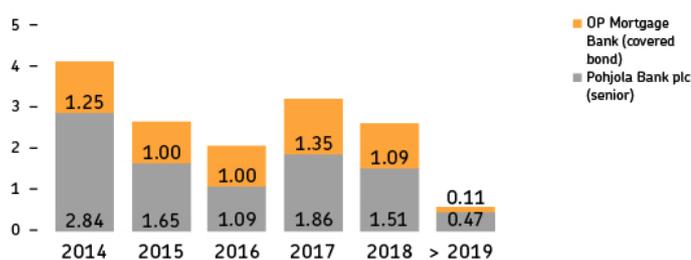
Dividend payout ratio

%



Pohjola and OP Mortgage Bank-long-term funding by maturity, 31.12.2013

€ billion



Credit ratings for long-term debt, 31 Dec. 2013

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

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

Pohjola Bank plc's strong credit ratings are based on the entire OP-Pohjola Group's financial position through joint and several liability.

OP-Pohjola Group Central Cooperative's public voluntary bid

OP-Pohjola Group Central Cooperative will make a public voluntary bid for all Pohjola Bank plc shares. Bid price is € 16,80 per Series A and K share. Premium is 18.1% from the closing price on 5 Feb. 2014 and 23.3% (30.5%) with respect to the weighted average trading price over the past 6 months (12 months). The acceptance period under the tender offer will commence on 24 February 2014 and the bid is expected to remain in force until 1 April 2014.

[op.fi > Stock exchange release: OP-Pohjola Group Central Cooperative to commence the public voluntary bid for all Pohjola Bank plc outstanding shares on 24 February 2014](#) (Includes: Offer Document, Terms and Conditions of the Offer)

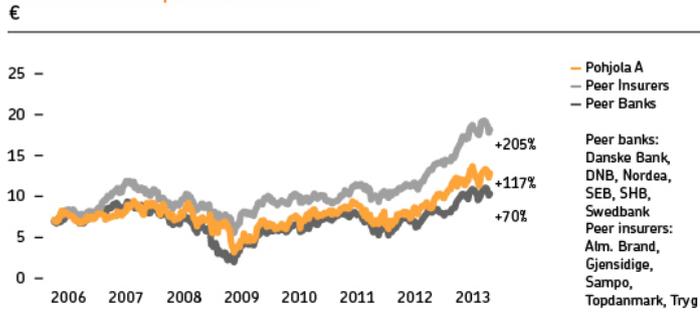
The Board of Directors of Pohjola has 13 February 2014 issued a statement pursuant to the Finnish Securities Market Act regarding the bid. The Pohjola Board has concluded that the bid provides a reasonable alternative for shareholders in prevailing circumstances and has recommended that the shareholders of Pohjola accept the bid. As part of its evaluation of the Bid, the Pohjola Board has requested from Deutsche Bank AG, London Branch, to deliver a fairness opinion (the "Fairness Opinion") concerning the fairness, from a financial point of view, of the Offer Price to Pohjola's shareholders not affiliated with the offeror or its affiliated parties.

[op.fi > Stock exchange release: Statement of the Board of Directors of Pohjola Bank plc regarding the voluntary public bid by OP-Pohjola Group Central Cooperative](#)

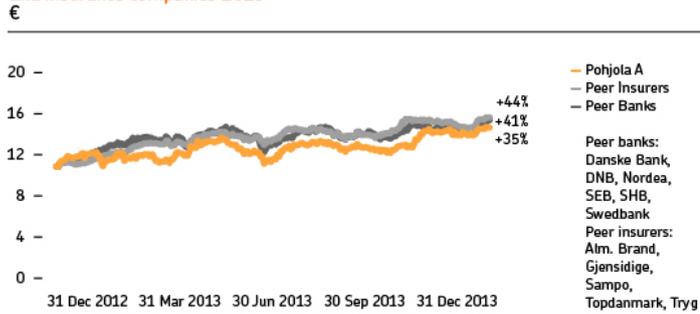
Equity Investors

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Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2006–2013



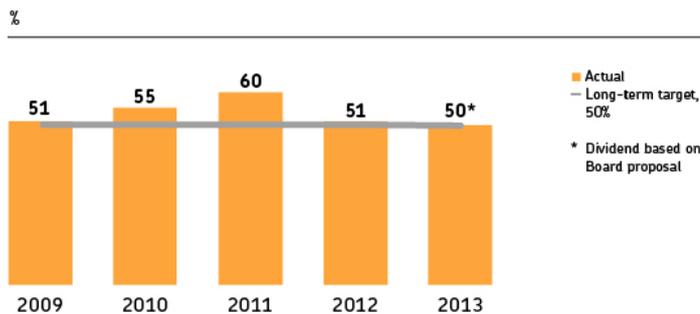
Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2013



Dividend policy and dividend

As its strategic goal, Pohjola aims at a dividend payout ratio of at least 50%, provided that the Core Tier 1 ratio remains at least 10%. The Board of Directors of Pohjola Bank plc proposes to the Annual General Meeting that a per-share dividend of 0.67 (0.46) be paid on Series A shares and EUR 0.64 (0.43) on Series K shares for the financial year 2013. This corresponds to a 50% dividend payout ratio. The dividend payout ratio during 2009–13 averaged 53%.

Dividend payout ratio



	2013*	2012	2011	2010	2009
Series A share, €	0.67	0.46	0.41	0.40	0.34
Series K share, €	0.64	0.43	0.38	0.37	0.31

* As proposed by the Board

Annual General Meeting and Dividend Payout

Pohjola Bank plc will hold its Annual General Meeting (AGM) in the Congress Wing of the Helsinki Exhibition & Convention Centre (Rautatieäisenkatu 3, Helsinki) on Thursday 20 March 2014, starting at 2.00 pm. Notice of the Meeting was published in the form of a stock exchange release on 17 February 2014.

10 March 2014	Record date for the AGM
20 March 2014	AGM
21 March 2014	Ex-dividend date
25 March 2014	Dividend record date
3 April 2014	Dividend payout

[Go to Pohjola's AGM 2014 site.](#)

Financial calendar and financial information for 2014

Pohjola Bank plc's financial calendar for 2014 is as follows:

29 April 2014	Interim Report for Q1/2014
6 August 2014	Interim Report for H1/2014
29 October 2014	Interim Report for Q1–3/2014

Available in Finnish, Swedish and English, Interim Reports will be published at approximately 8.00 am EET. They will be available at [pohjola.com > Media > Material Service](#).

Pohjola's management hold regular briefings for analysts and the media and have one-on-one meetings with equity and debt investors and meet them at group events and seminars. Pohjola Bank Group adheres to a three-week "silent period" before releasing its annual accounts and interim reports.

[Read Pohjola's disclosure policy.](#)

[Go to Pohjola's investor calendar.](#)

OP-Pohjola Group Central Cooperative's public voluntary bid

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[op.fi > Stock exchange release: Statement of the Board of Directors of Pohjola Bank plc regarding the voluntary public bid by OP-Pohjola Group Central Cooperative](#)

Debt Investors

OP-Pohjola Group raises funds in the international markets with Pohjola Bank plc and OP Mortgage Bank acting as the issuers of debt instruments. Both companies are subsidiaries of OP-Pohjola Group Central Cooperative, the central institution. According to the Act on the Amalgamation of Deposit Banks, OP-Pohjola Group Central Cooperative, the central institution, and its member credit institutions are liable for each other's debts and commitments. Pohjola Bank plc's strong credit ratings are based on the entire OP-Pohjola Group's financial position through joint and several liability.

Joint Liability

Joint liability within OP-Pohjola Group is based on the Laki talletuspankkien yhteenliittymästä Act (Act on the amalgamation of deposit banks).

According to this Act, OP-Pohjola Group Central Cooperative, the Group's central institution, and its member credit institutions are liable for each other's debts and commitments..

- OP-Pohjola Group Central Cooperative is liable for the debts of its member credit institution which cannot be paid using the member credit institution's capital.
- Each member credit institution is liable to pay a proportionate share of the amount which OP-Pohjola Group Central Cooperative has paid to either another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue which the creditor has not received from its debtor.
- Each member credit institution's liability for the amount OP-Pohjola Group Central Cooperative has paid to the creditor on behalf of one of the member credit institution is divided between the member credit institutions in proportion to their last adopted balance sheets.

This joint liability applies to OP-Pohjola Group Central Cooperative, OP-Pohjola Group member cooperative banks, Pohjola Bank plc, Helsinki OP Bank plc, OP Mortgage Bank, OP Card Company Plc and OP Process Services Ltd. Other OP-Pohjola Group companies, such as insurance companies, do not fall within the scope of joint liability.

The joint liability and solid financial position of the Group improve Pohjola's creditworthiness.

Credit Ratings

As its strategic goal, Pohjola aims at maintaining an AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors' level. At the end of 2013, Pohjola had an AA credit rating affirmed by two credit rating agencies. Only two other Nordic banks have an AA credit rating for long-term debt affirmed by two credit rating agencies. When assessing Pohjola's credit rating, credit rating agencies take account of the entire OP-Pohjola Group's financial standing, because they monitor the Group as a single entity and OP-Pohjola Group Central Cooperative and Group member banks (including Pohjola) are liable for each other's debts and commitments.

In 2013, no changes occurred in the credit rating of Pohjola Bank plc and the financial strength rating of Pohjola Insurance Ltd affirmed by Fitch Ratings Limited, Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Services Ltd, including their rating outlook.

- Fitch Ratings affirmed on 4 April 2013 and 20 November 2013 OP-Pohjola Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 and the outlook remained stable.
- Standard & Poor's affirmed Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ on 31 July 2013, and Pohjola Insurance Ltd's financial strength rating at AA- on 5 July 2013, while keeping their outlook negative.

Covered bonds issued by OP Mortgage Bank are rated AAA by Standard & Poor's and Aaa by Moody's.

Credit ratings for long-term debt, 31 Dec. 2013

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

* Credit rating outlook is negative

** Credit rating outlook is positive

*** Covered bond rating

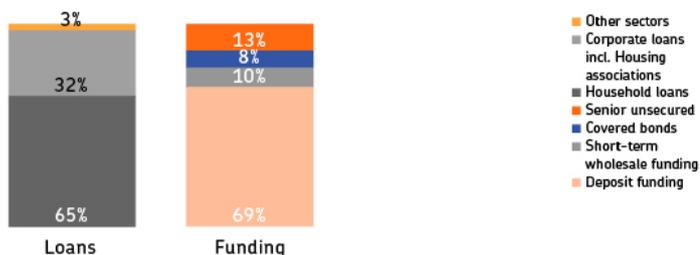
Funding

OP-Pohjola Group has a strong funding structure. Two-thirds of its lending is funded through deposits.

OP-Pohjola Group raises funds in international capital markets with Pohjola Bank plc (Pohjola) and OP Mortgage Bank as OP-Pohjola Group Central Cooperative's subsidiaries acting as the issuers of debt instruments. Pohjola acts as OP-Pohjola Group's central bank and is in charge of OP-Pohjola Group's liquidity and unsecured funding. OP Mortgage Bank is responsible for issuing covered bonds. On 31 December 2013, wholesale funding amounted to 16.1 billion euros. In wholesale funding, OP-Pohjola diversifies risk by maturity category, counterparty, product and market area.

Loans and funding by OP-Pohjola Group, 31 Dec 2013

%



Debt issuance programmes and debt issues in 2013

Pohjola has EUR 15-billion Euro Medium Term Note (EMTN) programme and EUR 12-billion Euro Commercial Paper (ECP) programme, with debt instruments with a maturity of over one year issued under the former programme and debt instruments with a maturity of less than one year issued under the latter. In addition, Pohjola issues certificates of deposits (CD) in the Finnish market.

OP Mortgage Bank issues covered bonds under its 10-billion Euro Medium Term Covered Note (EMTCN) programme. The Act on Mortgage Credit Banks was amended on 1 August 2010. Bonds issued before that date are included in pool A where the remaining bonds will mature between 2014 and 2015. Covered bonds issued since the date of the legislative amendment are included in pool B.

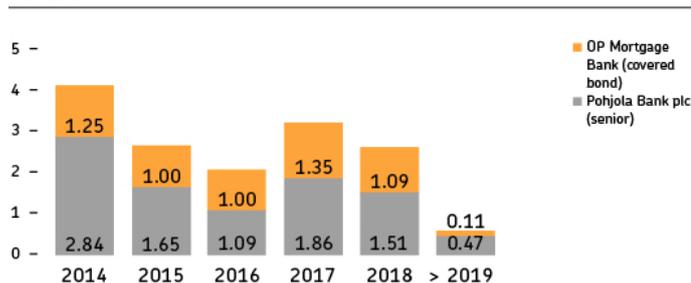
Debt Issuance Programme	Issuer	Amount
Euro Medium-Term Note Programme	Pohjola Bank plc	€ 15 bn
Euro Commercial Paper Programme	Pohjola Bank plc	€ 12 bn
Euro Medium-Term Covered Note Programme	OP Mortgage Bank	€ 10 bn

In 2013 Pohjola's access to funding remained good. During the reporting period, Pohjola issued long-term bonds worth EUR 1.9 billion. During the second quarter, Pohjola issued in the international capital market a senior bond of EUR 500 million with a maturity of five years. It also issued its first Samurai bonds in the Japanese market, totalling 30 billion yen (EUR 237 million). In the third quarter, Pohjola issued in the international capital market a senior bond of EUR 750 million with a maturity of five years.

Issuer	Month of issue	Amount	Maturity	Interest rate
Pohjola Bank plc	August 2013	€ 750 mn	5 years	m/s+46bps
Pohjola Bank plc	June 2013	¥ 30 bn (€ 237 mn)	3-5 years	m/s+50-73 bps, Eb3+90bps
Pohjola Bank plc	May 2013	€ 500 mn	5 years	m/s+50bps

Pohjola and OP Mortgage Bank-long-term funding by maturity, 31.12.2013

€ billion



Responsibility

Corporate social responsibility (CSR) is an integral part of Pohjola's business and, according to the strategy, it is developed as part of OP-Pohjola's CSR programme. The CSR programme is divided into Local Presence and Society, Stakeholder Responsibility, Responsible Products and Services and Environmental Responsibility.



OP-Pohjola's CSR measures encompass economic, social and environmental responsibility. OP-Pohjola's aim is to be a pioneer in CSR within its sector in Finland.

OP-Pohjola has prepared a CSR report for 2013 based on the GRI G4 Guidelines, which covers the entire group, including Pohjola.

[Read more in OP-Pohjola's CSR Report.](#)

Business Lines

Pohjola Group provides its customers with banking, non-life insurance and asset management services. In 2013, customer business volumes grew at a rate above the market average and earnings improved in Banking and Non-life Insurance, in particular. During 2013, we created together with our customers innovative solutions, for example, for liquidity management, for making more efficient use of financial markets, for risk management as well as for health and wellbeing.

Banking's Key figures

	2013	2012
Earnings before tax, € mn	251	221
Loan and guarantee portfolio, € bn	16.9	16.2
Margin on corporate loan portfolio, %	1.57	1.52
Impairments of receivables as percentage of loan and guarantee portfolio, %	0.2	0.34
Operating cost/income ratio, %	36	34
Personnel	634	745

Non-life Insurance's Key figures

	2013	2012
Earnings before tax, € mn	167	92
Combined ratio, %	91.6	97.1
Operating combined ratio, %	86.9	90.5
Operating expense ratio, %	18.7	21.5
Return on investments at fair value, %	3.5	10.8
Solvency ratio, %	73	81
Personnel	1,802	2,384

Wealth Management's Key figures

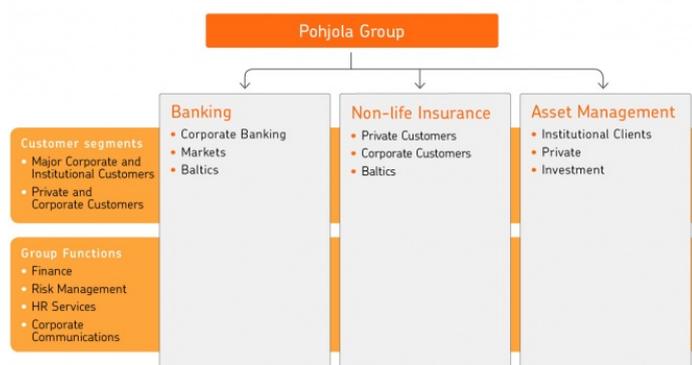
	2013	2012
Earnings before tax, € mn	24	32
Assets under management, € bn	37.9	32.7
Operating cost/income ratio, %	53	47
Personnel	88	153

Group function's Key figures

	2013	2012
Earnings before tax, € mn	32	27
Liquidity buffer, € bn	13.3	14.6
Receivables and liabilities from/to Pohjola and OP-Pohjola Group member banks, net position, € bn	4.7	3.2
Personnel	26	123

Pohjola in Brief

Pohjola Group is a Finnish financial services company providing banking, non-life insurance and asset management services. Pohjola's mission is to promote the prosperity, security and wellbeing of our customers.



The Group aims to be the most preferred financial services partner. Profitable growth and an increase in company value form our key objectives. Pohjola's strategic cornerstones lie in its three unique competitive advantages:

- Close to customers
- Comprehensive financial services offering
- Being part of OP-Pohjola Group

Pohjola aims to be the leading corporate bank, non-life insurer and institutional asset manager in terms of market share.

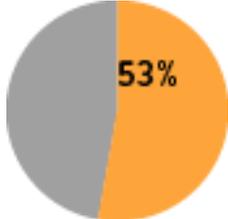
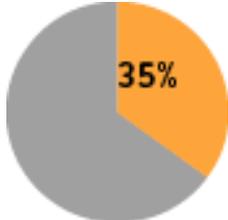
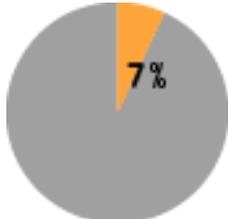
	2013	TARGET
Market position as a corporate bank	2.	1.
Market position as a non-life insurer	1.	1.
Market position as an institutional asset manager	1.	1.

Pohjola's profitable growth enables a competitive Total Shareholder Return. Its Series A shares have been listed on the Large Cap List on the NASDAQ OMX Helsinki since 1989, with POH1S as the trading code and Financials as the industry class. Pohjola has approximately 32,000 shareholders.

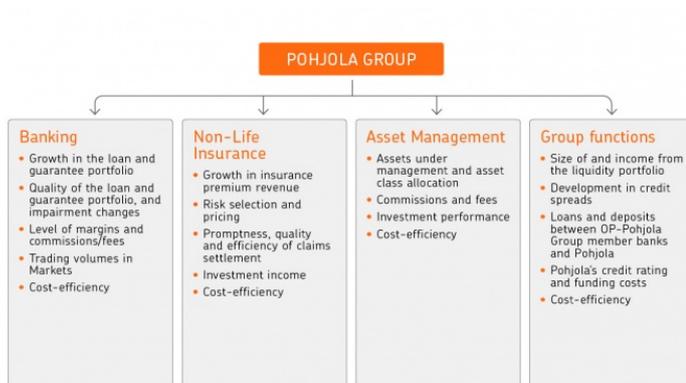
At the end of 2013, the number of Pohjola Group employees totaled 2,550.

Business structure

Pohjola Group consists of three business segments; Banking, Non-life insurance and Asset Management and the Group functions in support of these segments.

	BUSINESS LINES	BUSINESS DIVISIONS / FUNCTIONS	MAIN MARKET AREA	STRATEGIC ROLE	SHARE OF CONSOLIDATED EARNINGS BEFORE TAX IN 2013
Banking	Financing and financial management solutions for corporate and institutional customers	Corporate Banking Markets Baltics	Finland and neighbouring regions	Good profitability and stronger market position	 53%
Non-life Insurance	Insurance solutions for private, corporate and institutional customers	Private Customers Corporate Customers Baltics	Finland and neighbouring regions	Growing at a rate above the market average, strengthening market leadership and maintaining good profitability	 35%
Asset Management	Managing assets of institutions, wealthy private individuals and families Managing assets of OP-Pohjola Group's mutual funds	Institutional Clients Private Investment	Finland	Good profitability and stronger market position	 5%
Group Functions	Supporting the Group and its business lines Central banking and treasury Managing OP-Pohjola Group's liquidity and funding	Finance Risk Management HR Services Corporate Communications	-	Controlling, supporting and encouraging the business lines in their efforts to achieve Group goals	 7%

Key Value Drivers



Banking

Pohjola's Banking provides corporate and institutional customers with solutions for their financing and financial management needs. Pohjola ranks second in these services in Finland.

Banking comprises the following three business divisions; Corporate Banking, Markets and Baltic Banking. Steady and profitable growth is our key objective.

An in-depth understanding of the customer's business and needs forms the basis of the Banking business. In order to be able to provide customers with comprehensive solutions flexibly and on a long-term basis, Pohjola must have the most competent and motivated employees.



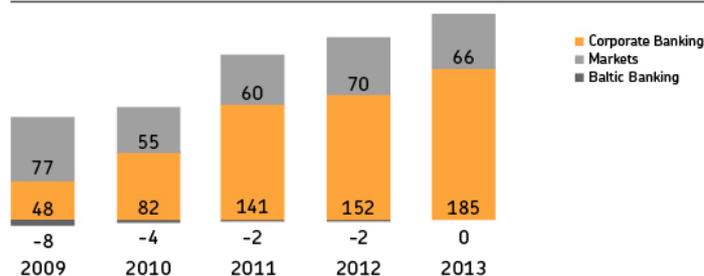
Year 2013

- A long-term, flexible and customer-focused approach strengthened Pohjola's position as a source of finance for Finnish companies.
- Pohjola was the leading arranger of the issues of euro-denominated Finnish corporate bonds (Source: Bloomberg).
- For the third year in a row, Pohjola was rated as the best Trade Finance bank (Source: TNS Sifo Prospera 2011, 2012 and 2013).
- Opening a corporate branch office in Vilnius, Lithuania, enhanced Pohjola's international service capabilities by providing Pohjola with better opportunities to serve Finnish companies in the neighbouring region.

In 2013, Banking earnings before tax increased by 13% year on year, to 251 million euros (221). Higher customer business volumes and margins and lower impairment losses improved earnings recorded by Banking. Corporate Banking increased its earnings before tax markedly to 185 million euros (152). Earnings before tax posted by Markets amounted to 66 million euros (70).

Banking's earnings before tax

€ million



Read more about the Banking financial performance in the Report by the Board of Directors.

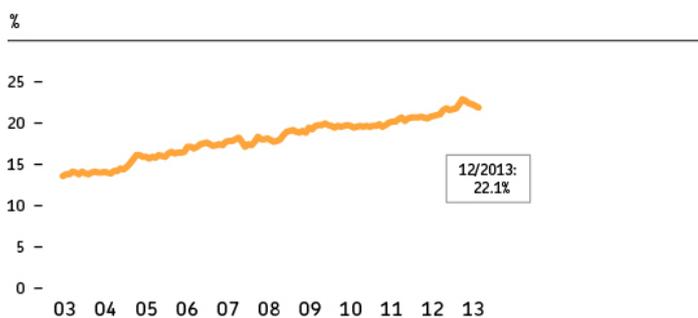
Strategy

According to Pohjola's updated strategy adopted in October 2012, the primary aim of Banking is to improve the return on capital by deepening long-term customer relationships, focusing growth on business and products with high capital efficiency and ensuring operational efficiency.

Our key growth areas are as follows:

- Stronger position as an arranger of bond issues launched by Finnish companies
- Stronger position in corporate payment transaction and cash management services, derivatives and foreign exchange trading
- Larger market share among mid-size companies and in the Baltic countries

Market share of corporate loans



More customer-focused service through stronger market position

Corporate Banking had a successful 2013. Pohjola increased its market share of corporate loans in euro terms to 22.1% (21.5) and of finance company products to 37.0% (34.3). Moreover, Pohjola is one of the largest arrangers of syndicated loans in Finland. Pohjola also strengthened its position in corporate deposits, bank guarantees and trade finance.

Demand for corporate loans was strong during the first half, in particular, until it became milder towards the end of the year. The corporate loan portfolio increased by 5% to 14.2 billion euros year on year, which was above the average market growth rate of 4%. The average corporate loan margin rose to by five basis points to 1.57% in 2013.

Pohjola Bank plc has acted as the primary intermediary of government payments since 1 December 2012. The agreement is effective for seven years. In this role, Pohjola is tasked with managing all payment and invoice intermediation services, such as those related to tax refunds. The agreement also covers electronic contract management and the introduction of an online invoicing portal. Pohjola's payment transaction volumes increased vigorously in 2013 when outgoing payments in euro terms rose by 78% and income payments by 168%.

Trade Finance adopted a new documentary payment system which offers customers not only several user-friendly and fast tools reducing their operational risks but also the best reporting tool available in the market. Pohjola Banking developed the system in cooperation with customers, which enabled us to react swiftly to customer feedback and wishes during the development process.

In 2013, capital markets continued to play an increasing role as a financing source for the corporate sector. Finland saw 35 issues of euro-denominated corporate bonds worth 3.95 billion euros and Pohjola Markets was the lead manager of almost half (16) of these issues in 2013, which is a record figure. In 2013, Pohjola Markets put special focus on client trading and its income indeed increased by more than 18% over the previous year, growth coming from currency and interest rate hedges, in particular. Stock broking volumes rose by 5% whereas trading volumes on NASDAQ OMX Helsinki dropped by 4%.

Pohjola Markets is continuously investing in the development of electronic services. Accordingly, the volume of electronic foreign exchange transactions has soared by 87% and Markets has won hundreds of new international institutional clients in electronic bond trading.

According to a survey conducted by Scandinavian Financial Research, large corporate customers set great store by Pohjola's service capabilities in bilateral lending, syndicated loans and interest rate derivatives, in particular. In the meanwhile, our customers representing mid-size companies appreciated Pohjola's service with respect to guarantees, bilateral lending and commodity derivatives.

Quality assessments for Large companies

	Corporate Banking Programme Bilateral lending	Finland 2013 Platinum Award
	Corporate Banking Programme Syndicated loans	Finland 2013 Gold Award
Corporate Banking Programme Interest rate derivatives	Finland 2013 Gold Award	

Quality assessments for mid-sized companies

	Corporate Banking Programme Commercial guarantees	Finland 2013 Platinum Award
	Corporate Banking Programme Bilateral lending	Finland 2013 Gold Award
Corporate Banking Programme Commodity derivatives	Finland 2013 Gold Award	

Banking continues to remain determined to implement the strategy by sharpening its competitive edge in debt capital markets and derivatives business. It is also enhancing service capabilities in payment transaction services and foreign exchange trading in order to create new growth opportunities. The primary goal of international business development is to secure competitive products and services for customers and strengthen OP-Pohjola Group's total service offering.

According to the strategy based on long-term customer relationships, Pohjola aims to ensure that Pohjola Group's all product and service expertise is readily available to our customers.

Non-life Insurance

Pohjola is Finland's largest non-life insurer. It offers comprehensive insurance coverage and proactive risk management services to private, corporate and institutional customers.

Pohjola's strengths include OP-Pohjola's strong market position in Finland, extensive electronic services and an extensive network of branch offices as well as comprehensive insurance solutions in the field of property and business liability and health and wellbeing. Our local presence, in-depth customer knowledge and highly skilled personnel provide a good foundation for non-life insurance sales.

Pohjola Group's non-life insurance operations comprise not only Pohjola Insurance but also A-Insurance, Eurooppalainen Insurance Company and Seesam operating in the Baltic countries.



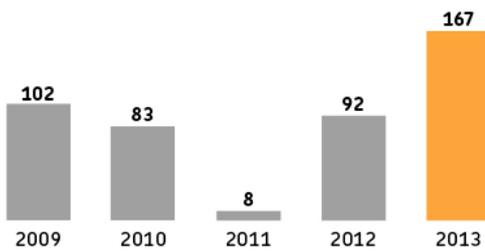
Year 2013

- Pohjola's non-life insurance business continued to grow strongly. Insurance premium revenue rose by 11% to over 1.2 billion euros. The number of loyal customer households and corporate customers showed excellent growth figures.
- Claims services had a busy year: 487,000 new claims were filed with Pohjola, which was 35,000 more than a year ago. The number of losses can also be attributed to the higher number of customers. The first stage of a new claims system was launched in 2013.
- In early 2013, Pohjola opened Omasairaala Oy, a hospital for outpatient surgery specialising in orthopaedic diseases and injuries. In October, the hospital opened a private emergency service that supplements services provided in the public sector. In early December, Omasairaala became the provider of occupational healthcare services for the OP-Pohjola Group Central Cooperative Consolidated staff in the Helsinki Metropolitan Area.

Non-life Insurance's pre-tax earnings increased to 167 million euros (92). The operating combined ratio improved to 86.9% (90.5) owing to solid growth and higher efficiency. Investment income was also higher than the year before.

Non-life's earnings before tax

€ million



Read more about Non-life Insurance financial performance in the Report by the Board of Directors.

Strategy

Pohjola's strategy adopted in October 2012 states that Non-life Insurance's primary target is to grow at a rate above the market average in terms of private customers and SMEs and to improve operational efficiency significantly.

The key priorities are as follows:

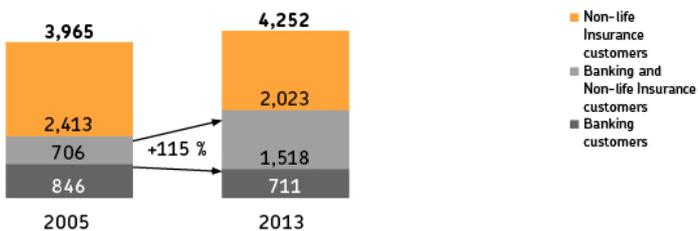
- Improving Pohjola's market position in terms of private customers and SMEs
- Improving efficiency
- Personal insurance and health and wellbeing/wellness services

Best comprehensive solutions and loyalty benefits

Pohjola's market share is expected to have increased during 2013. The stronger market position was the result of successful cross-selling as the number of joint banking and non-life customers increased from 1.425 million to 1.518.

OP-Pohjola Group customers

1,000 customers

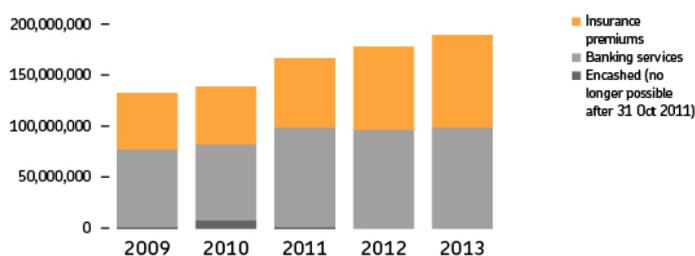


Pohjola wants to offer its customers the best comprehensive solutions and loyalty benefits. If private customers use OP-Pohjola Group as their main bank and insurer, we offer them OP bonuses which they can use for banking service charges and insurance premiums. In 2013, OP bonuses were used to pay 1.78 million insurance bills, with 253,000 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled 89 million euros (82).

Pohjola also updated the benefits provided to its partner companies. A partner company is the one that uses OP-Pohjola as its main bank and insurer, with the owner working for the company, too. The special benefits for 2014 are related to health insurance.

Use of bonuses

€ million



Smoothly running services and prevention of losses

Pohjola's objective is to offer a superior customer experience – not forgetting cost-efficiency. In order to make services run smoothly, Pohjola is investing heavily in online and mobile services. Pohjola wants to help its customers in the prevention of losses by introducing new risk management services.

OP eServices enable private customers to manage their insurance transactions comprehensively. They may, for example, file a claim and track the progress of its handling, and take out new policies. Using OP-mobile, customers can check their insurance details, get help and instructions concerning loss events and file a claim. The number of customers receiving all their insurance details electronically from Pohjola increased to 200,000 in 2013. This means that an average of 142 sheets of paper per customer are saved. We reduced the number of attachments sent to our customers by 1.3 million in 2013, which means we saved a total of 10 million sheets of paper.

Since March 2013, we have been offering corporate customers an electronic risk management tool, Pohjola's Risk Management Method, as part of Insurance Services. It consists of the following three parts: risk assessment, security observations and security monitoring. The identification and monitoring of risk factors help manage personnel, property and other risks of loss or damage and secure trouble-free processes within organisations.

In June, Pohjola launched the Home Safety Service to private customers, provided together with Pohjola's partner G4S. Home Safety Service provides protection for homes against burglary, water leaks and fires.

Securing health and wellbeing

In 2013, Pohjola invested heavily in its health and wellbeing business. Omasairaala hospital, which specialises in orthopaedics and hand surgery, opened its doors in early 2013. It is the first hospital in Finland that is established by an insurance company. Omasairaala provides specialists' consultations, examinations, surgery and rehabilitation all under the same roof. The staff can also help customers in any insurance questions. Omasairaala aims to speed up the clinical pathway. Omasairaala has been able to considerably reduce the average period of disability following various orthopaedic injuries, for example, by an average of 63% with knee meniscus injuries. Omasairaala measures customer experience on the basis of feedback received. The hospital's net promoter score (NPS) averaged 92.2 in 2013.

The year 2013 also saw the launch of Pohjola's new, more comprehensive personal insurance enabling customers to select even better coverage for their health. What's more, the upper age limit for such insurance was raised to 100. The key things are to ensure people's wellbeing, to prevent illnesses and to help people recover quickly in the case of an injury.

Pohjola's Non-life Insurance continues to implement the strategy systematically by increasing the number of the customers using OP-Pohjola as their main bank and insurer through cross-selling, especially among private customers and SMEs. Non-life Insurance intends to create new growth and increase customer loyalty through personal insurance and health and wellbeing services. It will enhance its competitive edge by providing more security and risk management services as part of the range of its insurance solutions.

Asset Management

Pohjola Asset Management is the leading asset manager in Finland. It boasts a unique service concept in Finland combining a strong, local organisation and client knowledge, international competencies and partnerships and a product range covering all asset classes.

Pohjola Asset Management provides institutional investors with a full range of asset management services, depending on client needs: discretionary investment management, advisory investment management or opportunities to invest in individual mutual funds available from OP Mutual Funds and a wide range of international partners' funds. Pohjola Private provides wealthy private individuals and families with personal and comprehensive asset management services. Its service concept also covers customised life and non-life insurance policies and banking services.

In addition to Pohjola Asset Management, Pohjola Group's asset management services include Pohjola Property Management, Pames and Access Capital Partners Group, an associated company.



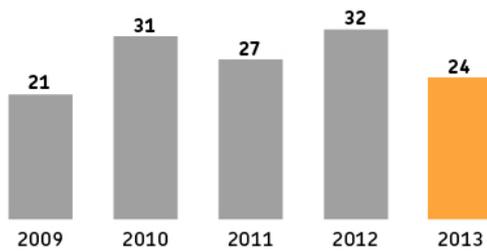
Year 2013

- For the most part, investment income was at a good level. Fixed income returns were excellent. Of OP Mutual Funds managed by Asset Management, 59% outperformed their benchmark index.
- Pohjola Asset Management maintained its market position as the leading institutional asset manager in Finland.
- Pohjola successfully launched three new property investment products: REDS (Real Estate Debt and Secondaries), OP-Rental Yield and Pohjola Asuntorahasto I Ky. REDS is a private equity real estate fund of funds, OP-Rental Yield is a non-UCITS and Pohjola Asuntorahasto I Ky is a real estate fund which invests in residential construction contracting.

In 2013, Asset Management earnings decreased to 24 million euros (32) as performance-based management fees were markedly lower than their high level a year ago. The operating cost/income ratio was 53% (47).

Asset Management's earnings before tax

€ million

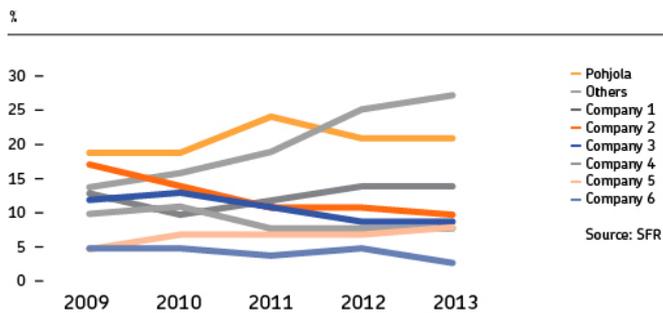


Read more about Asset Management financial performance in the Report by the Board of Directors.

Creating a superior customer experience is at the core of the strategy

According to Pohjola's updated strategy adopted in October 2012, the primary aim of Asset Management is to support OP-Pohjola Group's goal of becoming the leading provider of wealth management services in Finland by investing in the asset management of the Group's insurance institutions and mutual funds and in strengthening its position as an asset manager of mid-size institutions and wealthy families. Pohjola Asset Management maintained its market position as the leading institutional asset manager in Finland. Asset Management has a very extensive reach with Finnish institutional investors and more than 50% of the institutional clients interviewed by SFR use its services.

Market shares of Institutional Asset Management



Assets managed by Pohjola Asset Management increased by 16% year on year to 37.9 billion euros.

In 2013, Asset Management made heavy investments in the development of added value services, such as the Solvency II analysis system for investment risk management and investment portfolios. Clients demonstrated great interest in added value services at investor events organised by Asset Management, in which a record number of existing and new clients participated in 2013. Pohjola Asset Management will continue to provide its clients with the strongest organisation and the most extensive range of added value services in the sector.

Group Functions

In support of the Group and its businesses, the Group Functions comprises Finance, Risk Management, Corporate Communications, and HR Services. The Group Functions is tasked with guiding and supporting the business lines in their efforts to achieve Group goals.

Proactive risk management, optimum capital management coupled with motivated and skilled employees play a key role in this respect. The main task of Central Banking and Group Treasury is to manage Pohjola's and the entire OP-Pohjola Group's liquidity and wholesale funding.

The key task of the Group Functions is to secure OP-Pohjola Group's liquidity and access to funding in a cost-effective way in all circumstances. The Group Functions' key priorities include maintaining the credit rating at AA affirmed by at least two credit rating agencies, widening the sources of finance and broadening the investor base, as well as preparing for tighter capital adequacy and liquidity regulation on an extensive basis.

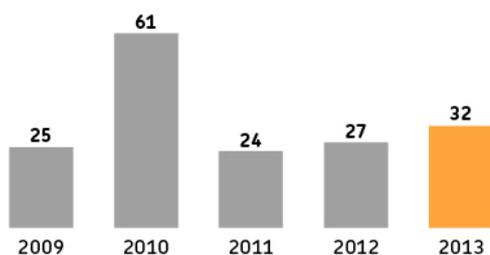
Year 2013

- The funding and liquidity position remained strong.
- The Group had good access to short-term funding and the year 2013 saw improved long-term wholesale funding markets.
- In 2013, Pohjola issued long-term bonds worth 1.9 billion euros and broadened its funding sources by issuing its first Samurai bonds in the Japanese market.
- Pohjola Bank plc's strong credit ratings (AA- / Aa3 / A+) are based on the entire OP-Pohjola Group's financial position through joint and several liability. Pohjola's credit ratings are among the strongest in the European financial sector.

In 2013, the Group Functions' earnings before tax increased by 18% year on year, to 32 million euros. Net investment income included 16 million euros (11) in interest on cooperative capital from Suomen Luotto-osuuskunta.

The Group Functions' earnings before tax

€ million

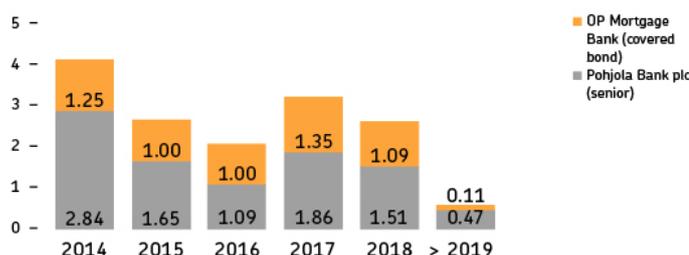


[Read more about the Group Functions' financial performance in the Report by the Board of Directors.](#)

Pohjola's access to funding remained good. During the reporting period, Pohjola issued long-term bonds worth EUR 1.9 billion. During the second quarter, Pohjola issued in the international capital market a senior bond of EUR 500 million with a maturity of five years. It also issued its first Samurai bonds in the Japanese market, totalling 30 billion yen (EUR 237 million). In the third quarter, Pohjola issued in the international capital market a senior bond of EUR 750 million with a maturity of five years.

Pohjola and OP Mortgage Bank-long-term funding by maturity, 31.12.2013

€ billion



As OP-Pohjola Group's central bank, Pohjola maintains a liquidity buffer which consists mainly of deposits with central banks, and notes, bonds and loans eligible for central bank refinancing. The liquidity buffer maintained by Pohjola plus other items based on OP-Pohjola Group's contingency funding plan can be used to cover wholesale funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

Human resources

As part of OP-Pohjola Group, Pohjola Group aims to be the most attractive employer in the financial sector and among the most recognised large employers in Finland. Through its internal operations, the Group makes heavy, long-term investments in employee wellbeing, competencies, leadership development and remuneration. Employees are encouraged to enhance their skills and competencies throughout their careers.

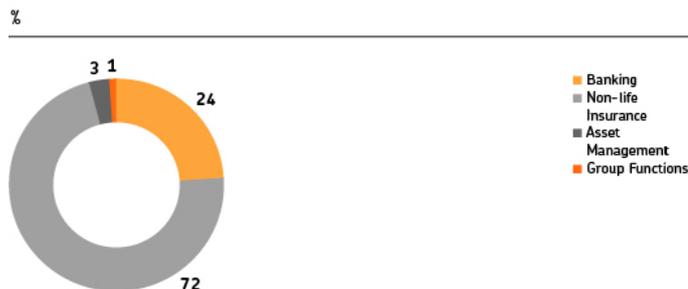
Knowledgeable and satisfied personnel – driving force behind the success

In 2013, Pohjola continued to enhance its employees' intellectual capital, which numbers among its strategic priorities, in order to promote wellbeing among its employees and management, their personal growth and organisational renewal. The targets set in our business strategy and improving customer experience form the basis of skill enhancement. We paid special attention, for example, to improving our employer branding, leadership and employee wellbeing.

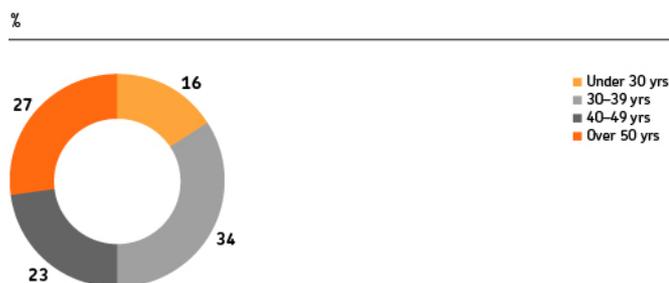
Pohjola monitors job satisfaction and employee wellbeing by conducting an annual personnel survey and regular pulse surveys, and uses the related results to make improvements. In 2013, the number of personnel survey respondents totalled 1,991 within Pohjola Group (a response rate of 80%).

Effective interaction and cooperation with the employer and employees and their representatives form the basis of a good human resources management. Employee and employer representation within OP-Pohjola Group Central Cooperative Consolidated and OP-Pohjola Group, by and large, is built to intensify integration within OP-Pohjola Group Central Cooperative Consolidated and to ensure consistency in aspects related to information and consultation of employees and in policies and practices applied by the employer.

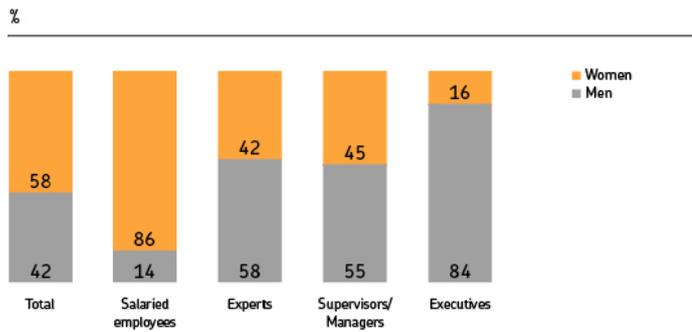
Personnel by business line



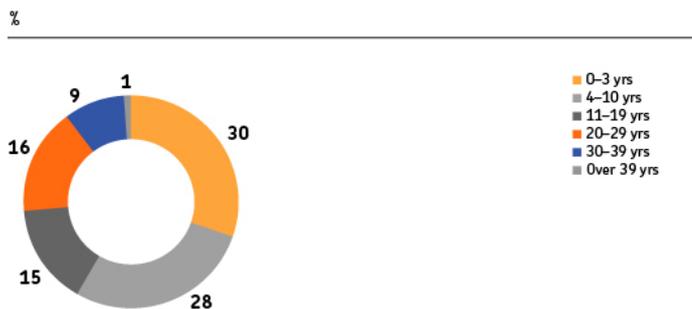
Personnel by age



Personnel by gender



Years of service



Aiming at equality between personnel groups

Pohjola wants to provide equal working opportunities for women and men and monitors employees' experiences of equality based on the results of its regular personnel surveys. In 2013, 16% of Pohjola Group employees were under the age of 30, 34% 30–39 years of age, 23% 40–49 years of age and 27% over 49 years.

OP-Pohjola Group has prepared an equality framework plan, as a guide for equality planning within Pohjola Group. The main principle governing equality planning is to support a good and equal workplace and promote structural changes in different personnel groups in such a way that the Group would be as diverse as possible in terms of age and gender structure.

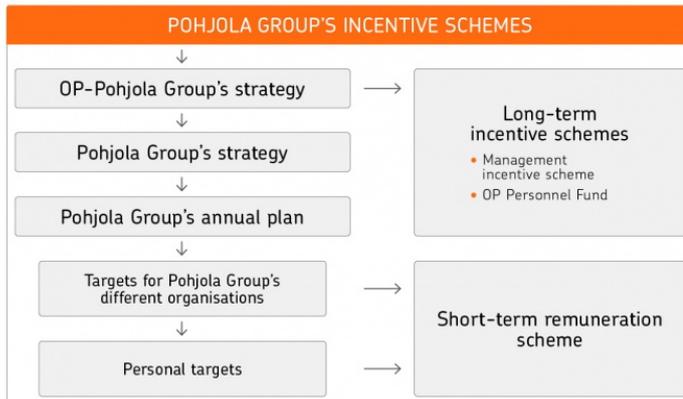
Remuneration

The purpose of remuneration schemes is to motivate, guide and engage employees in such a way that their work supports strategy implementation and the achievement of the goals and targets based on the strategy. Challenging financial targets set for the Group and its business lines and achieved results form the basis of remuneration and incentives. Rules on remuneration issued by the authorities and their application notes set the framework for the creation of remuneration schemes.

Remuneration structure:

- Bonuses based on annual results (short-term scheme) and
- Long-term scheme based on the achievement of OP-Pohjola Group's shared strategic goals and targets (Personnel Fund and long-term management incentive scheme).

OP-Pohjola Group's Personnel Fund covers all those not included in the management incentive scheme or Baltic operations



Read more about remuneration in [Pohjola Group's Financial Statements](#) and [the annual Corporate Governance Statement](#).

Case : Expanding in the neighbouring region is easy

The business-friendly environment in Estonia draws Finnish companies to the country. Atria acquired Valga lihatööstus in 2005 and acquired another two companies in 2008, Wõro and Vastse-Kuuste.

- The Baltic market looked interesting and we had decided to expand internationally in order to seek growth. At the same time, we also entered Russia, says **Juha Gröhn**, CEO of Atria Plc. According to Gröhn, the expansion was a typical expansion process. First, Atria carried out a thorough analysis of the local meat market and the benefits of cooperation.

- In the market analysis, we charted our competitors, company outlook, Estonian purchasing power and its development, explains Gröhn.

- And so we went there on the spot. That is exactly the work that must be done at a grass-roots level, i.e. visit shops and supermarkets, meet people, says Gröhn.

Other Finnish companies too shown interest in the Baltic meat market. Currently, the two biggest Estonian businesses in the meat sector are in Finnish hands.

- Ranking second in the market, Atria is a good and renowned supplier of meat products, but competition is tough, says **Olle Horm**, Executive Vice President of Atria Baltic, in Tallinn. As the second biggest player, Atria holds a market share of 14%.

- By and large, going international requires companies to solve the challenges of financing, cash and risk management. However, the most important thing is to carry out profound background analyses in support of strategic decision-making and select appropriate partners to support the business to be established, explains **Marko Aho**, Vice President, Pohjola.

Through its subsidiary Seesam, Pohjola provides its corporate customers in the Baltic countries with cash management services, working capital finance, lease financing and investment financing as well as non-life insurance services.



Case: Quick help from Omasairaala

The Omasairaala hospital based in Pikku Huopalahti, Helsinki, delivers on its promise. This is what **Olli Rimpiläinen** thinks, a man who broke his collarbone on a downhill slope.

- I have suffered all kinds of minor injuries when snowboarding. Compared with my previous experience of hospitals, the service provided by Omasairaala is faster and smoother. Everything here goes as scheduled and I have not even once had to sit and wait for treatments, says he.

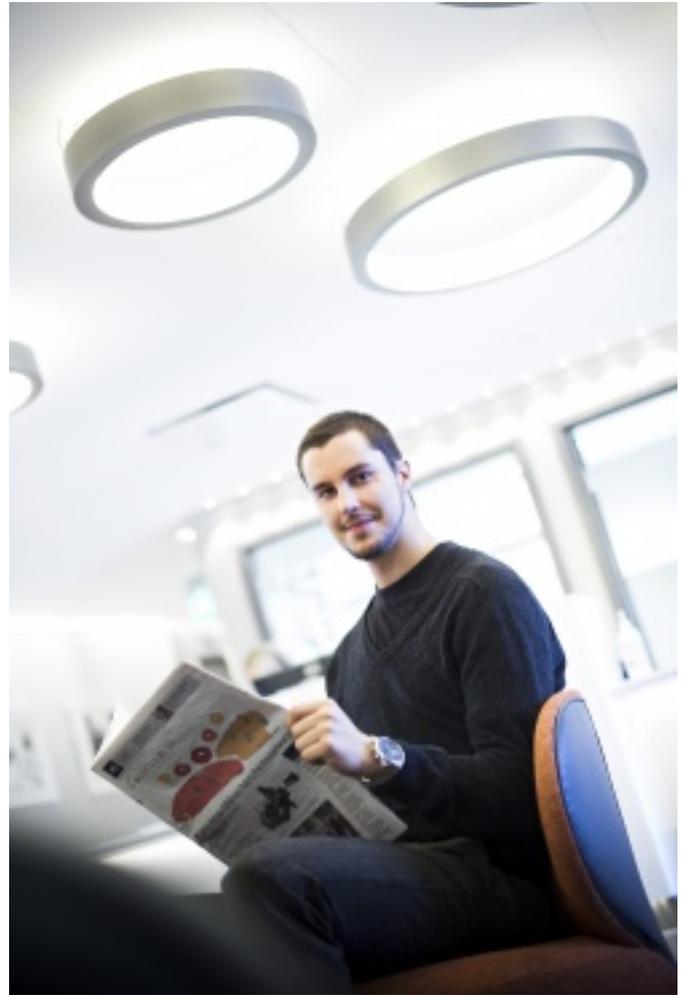
Olli was injured during the last day of his downhill vacation in Italy. Immediately after the trip, Olli called Pohjola which recommended Omasairaala specialising in orthopaedic illnesses and injuries. He could make an appointment with a doctor for Tuesday and was already on an operating table on Wednesday.

In addition to quick access to treatment at Omasairaala, all the red tape that filing a separate claim would have required could be avoided. It is also possible to deal with insurance-related matters at the insurer-owned hospital.

Rimpiläinen gives Omasairaala top marks for how he felt about care at the hospital.

- On the whole, this has been my best experience of medical care that went quickly and smoothly. I have been treated properly and professionally during every visit all the way from the appointment.

Omasairaala treats a lot of knee, shoulder, arm and wrist fractures, muscle strains and ligament injuries. Surgery is not an end in itself but we aim to find the right and effective treatment for every trouble and injury. Quick access to treatment shortens the sickness time, which means cost-savings in many ways. Our mission differs from that of conventional clinics: it is not based on the amount of treatment and care but on the outcome. This will benefit both patients, employers and ultimately our society as a whole, says **Markus Torkki**, Chief Medical Officer of Omasairaala.



Case: Innovative investment solutions

Pohjola Asset Management has for several years now provided the Seafarer's Pension Fund, Finland's oldest authorised pension provider in the private sector, with various services designed for institutional investors.

In 2013, the Seafarer's Pension Fund participated in the first subscription for units in Real Estate Debt and Secondaries (REDS), a funds-of-fund established by Pohjola Property Management

The fund invests its assets in units in international real estate funds on the secondary market, in real estate debt funds and other investment instruments that specifically utilise the real estate market situation. The three pillars of the fund's investment strategy respond well to the current market situation in which economic uncertainty and tightening regulation create good purchase and financing opportunities to competent Finnish investors.

- The real estate fund-of-funds has provided a new perspective for investment in the sector. Tighter financial regulation and its effect on financing in the sector are at work in the background, on the one hand, but the property-sector turmoil underway is creating good investment opportunities, on the other hand, says **Henrik Lilius**, Director, Investment and Finance of the Seafarer's Pension Fund.

- REDS is a good example of Pohjola's way of searching for products and services that add genuine value, in addition to conventional ones – something that we would not do ourselves. Pohjola also boasts top expertise and sufficiently large resources to provide a diverse range of services reliably and credibly, he continues.

The Seafarer's Pension Fund rich in tradition has already for 57 years now managed statutory pension cover for seafarers working on Finnish merchant ships for international transport and on icebreakers. Its investment assets at fair value total around 890 million euros.



Pohjola – part of OP-Pohjola Group

Pohjola is part of OP-Pohjola Group, the leading financial services group in Finland, which provides its customers with the most extensive and diversified range of banking, wealth management and insurance services.

Owner members	1,404,229
Private customers	3,819,000
Corporate customers	433,000
Personnel	11,983
Banking and non-life insurance locations	353

Market Leader

OP-Pohjola Group, the leading financial services group in Finland, leads the market in lending, deposits and non-life insurance. The Group is also the largest player in life insurance in terms of premiums written.

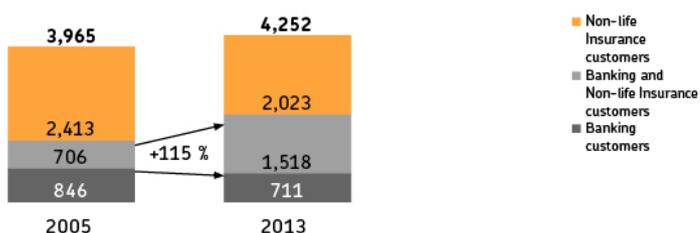
Broadest Customer Base and the Most Extensive Branch Network

Being part of OP-Pohjola Group provides Pohjola with competitive advantage, OP-Pohjola Group has more than four million customers, of whom joint banking and non-life insurance customers total around 1.5 million. With 350 branches providing banking and non-life insurance services, the Group boasts the broadest customer base and the most extensive branch network in Finland. About half of its branches provide both banking and non-life insurance services. This extensive branch network enables remarkable growth and cross-selling potential. As a result of integration, Pohjola can provide its customers with the best loyalty benefits.

Conducted by the TNS Gallup, the annual survey on bank and insurance company switch revealed that 41 percent of respondents use OP-Pohjola Group member banks as their main bank and 24 percent use Pohjola Insurance as their main insurer.

OP-Pohjola Group customers

1,000 customers

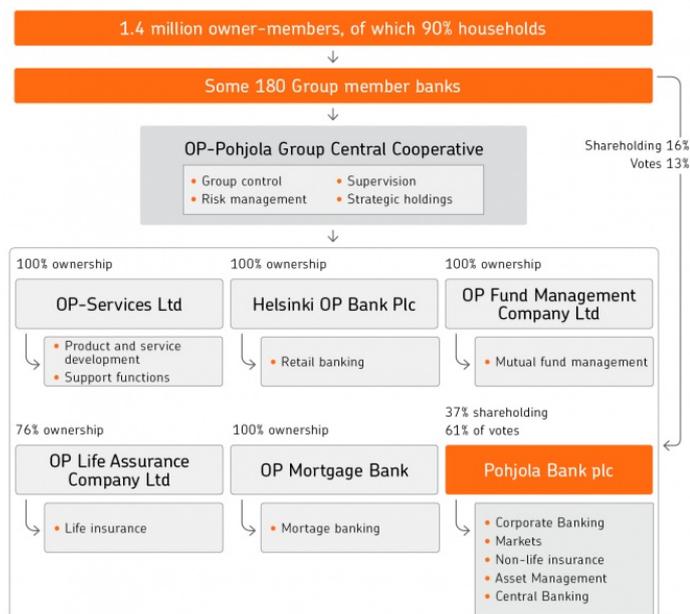


OP-Pohjola Group Structure and Division of Responsibilities

OP-Pohjola Group is made up of some 180 member cooperative banks and OP-Pohjola Group Central Cooperative which they own, including its subsidiaries and closely related companies. Pohjola Bank plc is OP-Pohjola Group Central Cooperative's most significant subsidiary acting as OP-Pohjola Group's central bank responsible, for example, for the Group's liquidity and international business.

OP-Pohjola Group Central Cooperative's other major subsidiaries include Helsinki OP Bank Plc, OP Life Assurance Company Ltd, OP-Services Lrd and OP Mortgage Bank Plc.

OP-Pohjola Group's structure



Joint Liability within OP-Pohjola Group

Joint liability within OP-Pohjola Group is based on the Laki talletuspankkien yhteenliittymästä Act (Act on the amalgamation of deposit banks).

According to this Act, OP-Pohjola Group Central Cooperative, the Group's central institution, and its member credit institutions are liable for each other's debts and commitments.

- OP-Pohjola Group Central Cooperative is liable for the debts of its member credit institution which cannot be paid using the member credit institution's capital.
- Each member credit institution is liable to pay a proportionate share of the amount which OP-Pohjola Group Central Cooperative has paid to either another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue which the creditor has not received from its debtor.
- Each member credit institution's liability for the amount OP-Pohjola Group Central Cooperative has paid to the creditor on behalf of one of the member credit institutions is divided between the member credit institutions in proportion to their last adopted balance sheets.

This joint liability applied to OP-Pohjola Group Central Cooperative, OP-Pohjola Group member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank, OP Card Company plc and OP Process Services Ltd. Other OP-Pohjola Group companies, such as insurance companies, do not fall within the scope of joint liability.

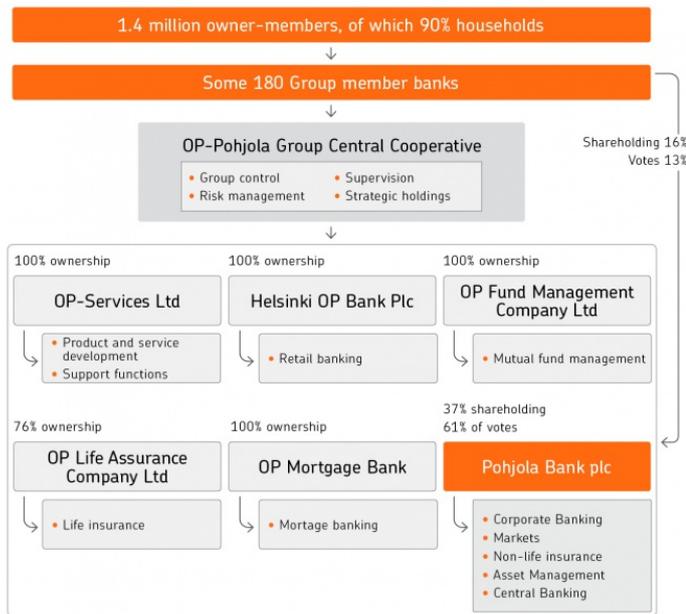
The joint liability and solid financial position of the Group improve Pohjola's creditworthiness.

Corporate Governance

As OP-Pohjola Group Central Cooperative's subsidiary, Pohjola Bank plc (Pohjola or the Company) belongs to OP-Pohjola Group providing banking, insurance and other financial services, in terms of operations and ownership.

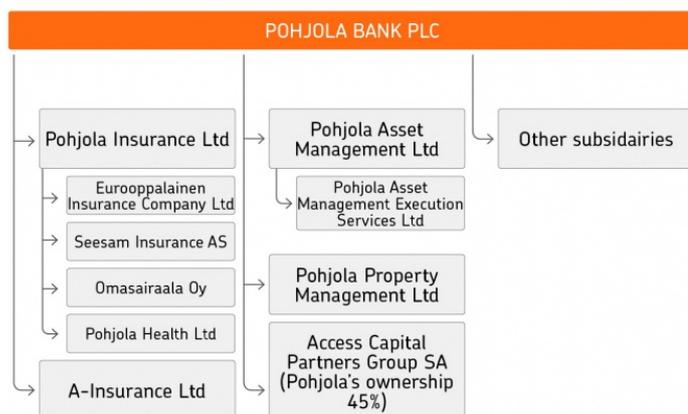
OP-Pohjola Group is made up of some 180 local member cooperative banks and OP-Pohjola Group Central Cooperative which they own, including subsidiaries.

OP-Pohjola Group's structure



Group structure

Pohjola Group comprises Pohjola Bank plc, the parent company, and its subsidiaries.



Corporate Governance Structure

Pohjola is a Finnish public limited company in which the duties and responsibilities of the executive bodies are laid down by the laws of Finland.

Pohjola's corporate governance is based on a so-called one-tier system. A General Meeting of Shareholders exercises the highest decision-making powers, and elects the Company's Board of Directors (except for the Chairman and Vice Chairman) and auditors. The Board of Directors is in charge of the Company's strategic management. The Board of Directors is assisted by its committees (Audit Committee, Risk Management Committee and Remuneration Committee). Responsibility for operational management rests with the President and CEO, appointed by the Board of Directors, supported by the Group's Executive Committee.

In its decision-making, Pohjola complies with the Finnish Limited Liability Companies Act, regulations governing public limited companies, its Articles of association and the rules and guidelines issued by NASDAQ OMX Helsinki Ltd. The Company complies with the Finnish Corporate Governance Code (2010) with certain, specifically stated exceptions.

The graph below depicts Pohjola Group's major decision-making bodies and reporting relationships in brief.



Corporate Governance Statement

Pohjola prepares annually a  [Corporate Governance Statement](#) requested by the Finnish Corporate Governance Code and the Securities Markets Act. Pohjola will issue the Statement separate from the Report by the Board of Directors, which will be available on its website.

Corporate Governance Update

Pohjola keeps its Corporate Governance information up-to-date available under [Investor Relations](#) on its website.

The most important updates appear when the Company publishes its Financial Statements and the Report by the Board of Directors, and decisions made by General Meeting of Shareholders.

Board of Directors

Reijo Karhinen

Chairman

- b. 1955
- Executive Chairman and CEO, OP-Pohjola Group, Vuorineuvos (Finnish honorary title)
- M.Sc. (Econ. & Bus. Adm.), Doctor Honoris Causa, Turku School of Economics
- Board member since 1994



Other relevant positions:

- Central Chamber of Commerce: Vice Chairman of the Board of Directors
- Savonlinna Opera Festival Ltd: Vice Chairman of the Board of Directors
- HelsinkiMissio: Chairman of the Delegation
- New Children's Hospital 2017 support association: Vice Chairman of the Board of Directors
- The Mannerheim Foundation: Member of the Board of Directors
- Unico Banking Group: Member of the Board

Relevant previous experience:

- OP Bank Group Central Cooperative: President 1997–2006, Executive Vice President 1994–96
- Kuopion Osuuspankki: Managing Director 1990–94
- Savonlinnan Osuuspankki: Managing Director 1988–90
- Varkauden Osuuspankki: Managing Director 1985–88
- Juvan Osuuspankki: Assistant Director 1979–84

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 56,540 on 1 January 2013 and 76,677 on 31 December 2013

Tony Vepsäläinen

Vice Chairman

- b. 1959
- Chief Business Development Officer and Deputy to Executive Chairman and CEO, OP-Pohjola Group Central Cooperative
- LL.M., eMBA
- Board member since 2007

Other relevant positions: -

Relevant previous experience:

- OP-Pohjola Group Central Cooperative: President 2007–10
- Tampereen Seudun Osuuspankki: Managing Director 1998–2006
- Turun Seudun Osuuspankki: Deputy Managing Director 1996–98
- Kuopion Osuuspankki: Bank Manager 1993–96
- Suomen Säästöpankki SSP Oy: Deputy to Area Manager 1992–93
- Pohjois-Savon Säästöpankki: Managerial duties 1985–92

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 11,655 on 1 January 2013 and 25,552 on 31 December 2013



Jukka Hienonen

- b. 1961
- President and CEO, SRV Group Plc
- M.Sc. (Econ. & Bus. Adm.)
- Board member since 2009

Other relevant positions:

- Helsinki Region Chamber of Commerce: Chairman of the Board of Directors since 2012
- Central Chamber of Commerce: Member of the Board of Directors since 2013



Relevant previous experience:

- Finnair Corporation: President and CEO 2005–10
- Stockmann Plc: Executive Vice President 2003–05, Director of Department Store Division 2001–05, and Director of Foreign Operations 1995–2000

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 15,712 on 1 January 2013 and 15,712 on 31 December 2013

Jukka Hulkkonen

- b. 1955
- Managing Director, Lounaismaan Osuuspankki, Kauppaneuvos (Finnish honorary title)
- M.Sc. (Forestry), eMBA
- Board member since 2012

Other relevant positions:

- SSP Yhtiöt Oy: Chairman of the Board of Directors
- Finnet-liiton valtuuskunta: Second Vice Chairman

Relevant previous experience:

- Salon Osuuspankki: Managing Director 2009–13
- Salon Seudun Osuuspankki: Managing Director 1997–2009
- Joensuun Osuuspankki: Bank Manager 1989–96
- Kainuun Osuuspankki: Area Manager 1984–89
- Oulun Osuuspankki: Business Liaison Officer 1984
- Suur-Helsingin Osuuspankki: Branch Manager 1983

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 6,834 on 1 January 2013 and 9,310 on 31 December 2013



Mirkku Kullberg

- b. 1962
- Managing Director, Artek oy ab
- Diploma in Business and Administration
- IDBM (International Design Business Management)
- Board member since 2012

Other relevant positions:

- KSF Media Ab: Member of the Board of Directors since 2010
- Loviisan Puhelinosuuskunta: Member of the Board of Directors since 2010
- Helsinki OP Bank Plc: Member of the Board of Directors since 2011
- Saga Furs Oyj: Member of the Board of Directors since 2012

Relevant previous experience:

- Nanso Oy: Brand Director 2002–05
- Grünstein Product Ab: Managing Director 1995–2002
- Turkistukku Oy: Export Manager, Product Manager 1992–95

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 0 on 1 January 2013 and 0 on 31 December 2013



Marjo Partio

- b. 1956
- Kymenlaakson Osuuspankki: Managing Director
- M.Sc. (Econ. & Bus. Adm.), DBA
- Board member 2013

Other relevant positions:

- Member of the South-East Finland Regional Advisory Committee of the Federation of Finnish Industries since 2005
- Kouvola Innovation Ltd (owned by the City of Kouvola): Member of the Board of Directors since 2010



Relevant previous experience:

- Kouvolan Seudun Osuuspankki: Managing Director from 1996 until 31 May 2012, Bank Manager 1991-1995, Investment Manager 1989-1991
- Iitin Osuuspankki: Assistant Director 1985-1989, Marketing Manager, corporate banker 1981-1984

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 6,725 on 22 March 2013 and 9,185 on 31 December 2013

Harri Sailas

- b. 1951
- President and CEO, Ilmarinen Mutual Pension Insurance Company
- M.Sc. (Econ.) Board member since 2010

Other relevant positions:

- Finnish Pension Alliance TELA: Chairman of the Board of Directors

Relevant previous experience:

- Nordea Bank Finland Plc: Head of Regional Bank 2004–06 and Deputy Managing Director, Head of Retail Banking Finland 2002–04
- Merita Nordbanken/Merita Bank Finland Plc: Deputy Managing Director, Head of Regional Bank 1998–2002
- Merita Bank Plc: District Director of Uusimaa 1995–98
- Kansallis-Osake-Pankki: Various duties 1975–95

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 0 on 1 January 2013 and 0 on 31 December 2013



Tom von Weymarn

- b. 1944
- M.Sc. (Eng.)
- Board member since 2006

Other relevant positions:

- K. Hartwall Oy Ab: Chairman of the Board of Directors
- Hartwall Capital Oy Ab: Chairman of the Board of Directors
- Sibelius Academy Foundation: Member of the Board of Directors
- IK Investment Partners Ltd: Senior AdvisorBoardman Ltd: Partner
- Hydrios Biotechnology Oy: Member of the Board of Directors
- Oy Transmeri Ab: Chairman of the Board of Directors
- Finnsweet Oy: Member of the Board of Directors

Relevant previous experience:

- Oy Rettig Ab: President and CEO 1997–2004
- Cultor Plc: Executive Vice President 1991–97
- Oy Karl Fazer Ab: Director 1983–91, the last two years of this period as President and CEO
- Telko Oy: Managing Director 1981–83
- Oy Huber Ab: Executive Vice President 1975–81

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 1,650 on 1 January 2013 and 1,650 on 31 December 2013



Executive Committee

Jouko Pölönen

- b. 1970
- Pohjola Bank plc: President and CEO
- Pohjola Bank plc: Group-level responsibility for private and corporate customer relationships
- OP-Pohjola Group-level responsibility for the development of non-life insurance business
- Pohjola Insurance Ltd: President
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2008
- M.Sc. (Econ. & Bus. Adm.), eMBA



Relevant previous experience:

- Pohjola Bank plc: CFO 2009–10
- Pohjola Bank plc: Chief Risk Officer 2001–08
- PricewaterhouseCoopers: Authorised Public Accountant 1999–2001 and auditor 1993–99

Other relevant positions:

- Non-life Insurance Executive Committee of the Federation of Finnish Financial Services: Member
- Federation of Accident Insurance Institutions: Chairman of the Board of Directors
- Insurance Europe Strategic Board: Member
- Unico Banking Group: Member of the Board of Directors
- OP-Pohjola Group Research Foundation: Member of the Board
- Kyösti Haataja Foundation: Member of the Board

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 7,862 on 1 January 2013 and 12,273 on 31 December 2013

Vesa Aho

- b. 1974
- CFO, Pohjola Bank plc
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2011
- M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

- Pohjola Bank plc: Various supervisory and managerial duties 2006–10

Other relevant positions: -

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 660 on 1 January 2013 and 1,918 on 31 December 2013



Karri Alameri

- b. 1963
- President, Pohjola Asset Management Ltd, OP-Pohjola Group-level responsibility for the development of wealth management business
- Employed by OP-Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2012
- B.Sc. (Econ. & Bus. Adm.), CEFA

Relevant previous experience:

- OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–12
- Danske Capital, Sampo Bank plc: Deputy Managing Director 2007–08
- Manadatum Asset Management Ltd: Deputy Managing Director 2004–06
- Carnegie Asset Management Finland Ltd: Chief Investment Officer 1997–2003

Other relevant positions:

- Securities Committee of the Federation of Finnish Financial Services: Chairman

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 2,000 on 1 January 2013 and 4,469 on 31 December 2013



Hannu Jaatinen

- b. 1957
- Acting Executive Vice President, Banking, Group-level responsibility for major corporate and institutional customers, Pohjola Bank plc
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2013 (since 28 Oct. 2013)
- M.Sc. (Econ. & Bus. Adm.), eMBA

Relevant previous experience:

- Head of Corporate Banking, Pohjola Bank plc, since 2008
- Expert, supervisory and managerial positions at Pohjola Bank plc, OP-Pohjola Group Central Cooperative and OP Bank Group Mutual Insurance Company between 1985 and 2008

Other relevant positions:

- Unico Banking Group: Member of the Executive Committee

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 9,279 on 28 October 2013 and 9,279 on 31 December 2013



Tarja Ollilainen

- b. 1960
- Senior Executive Vice President, Human Resources, Pohjola Bank plc
- Employed by Pohjola Group since 2003
- Member of Pohjola Group's Executive Committee since 2012 (1 Jan. 2012)
- M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

- Pohjola Bank plc: Senior Vice President, Investor Relations 2008–11
- Pohjola Bank plc: Securities Ltd, Senior Vice President 2003–08
- Danske Securities AB, Helsinki Branch: General Manager 2001–02
- Student Union of the Helsinki School of Economics: Finance Director 1995–2000
- Skandinaviska Enskilda Banken, Enskilda Securities: 1994–95
- Sp-Brokers Ltd: Managing Director 1991–94
- SKOP/Skopbank: Assistant Vice President, Section Chief, stock exchange dealer, Trainee for financial sector 1986–91

Other relevant positions: –

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 2,288 on 1 January 2013 and 3,851 on 31 December 2013



Petri Viertiö

- b. 1962
- CRO, Pohjola Bank plc
- Employed by Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2009
- M.Sc. (Tech.). AMP (Insead)

Relevant previous experience:

- Ernst & Young: Director 2007–09, Advisory Services
- Sampo plc: Chief Risk Officer 2002–07
- Sampo Bank plc: Chief Risk Officer 2000–01
- Varma-Sampo: Risk Manager 1999–2000
- Leonia Group: Various managerial positions 1997–99

Other relevant positions: –

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 3,950 on 1 January 2013 and 7,664 on 31 December 2013



op-pohjola-annualreport.fi/Pohjola2013/en