

Consolidated Financial Statements (IFRS)

FINANCIAL STATEMENTS

Consolidated income statement

EUR million	Note	2013	2012
Net interest income	4	229	263
Impairment of receivables	5	37	57
Net interest income after impairments		193	206
Net income from Non-life Insurance	6	529	438
Net commissions and fees	7	162	169
Net trading income	8	93	79
Net investment income	9	39	13
Other operating income	10	38	37
Total income		1,053	941
Personnel costs	11	184	232
ICT costs		90	87
Depreciation/amortisation	12	55	50
Other expenses	13	251	200
Total expenses		580	569
Share of associates' profits/losses		0	1
Earnings before tax		473	372
Income tax expense	14	49	89
Profit for the period		424	283
Attributable to owners of the Parent		424	283
Total		424	283
Earnings per share (EPS), EUR			
Series A	15	1.33	0.90
Series K	15	1.30	0.87

Consolidated statement of comprehensive income

EUR million	Note	2013	2012
Profit for the period		424	283
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		0	-10
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value		-1	401
Cash flow hedge		-16	17
Translation differences		0	0
Income tax on other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		2	-2
Items that may be reclassified to profit or loss			
Measurement at fair value		-9	98
Cash flow hedge		-5	4
Total comprehensive income for the period		419	592
Total comprehensive income attributable to owners of the Parent		419	592
Total		419	592

Consolidated balance sheet

EUR million	Note	31 Dec. 2013	31 Dec. 2012
Liquid assets	16	2,046	5,643
Receivables from financial institutions	17	9,899	8,815
Financial assets at fair value through profit or loss	18		
Financial assets held for trading		435	246
Financial assets at fair value through profit or loss at inception		9	9
Derivative contracts	19	3,444	4,462
Receivables from customers	20	14,515	13,839
Non-life Insurance assets	21	3,539	3,523
Investment assets	22	7,427	5,431
Investment in associates	24	29	26
Intangible assets	25	910	922
Property, plant and equipment (PPE)	26	84	69
Other assets	27	1,367	1,600
Tax assets	28	15	36
Total assets		43,720	44,623

EUR million	Note	31 Dec. 2013	31 Dec. 2012
Liabilities to financial institutions	29	4,789	5,840
Financial liabilities at fair value through profit or loss	30		
Financial liabilities held for trading		4	3
Derivative contracts	31	3,420	4,557
Liabilities to customers	32	10,188	10,775
Non-life Insurance liabilities	33	2,746	2,599
Debt securities issued to the public	34	16,097	13,769
Provisions and other liabilities	35	2,075	2,550
Tax liabilities	36	375	485
Subordinated liabilities	37	984	1,275
Total liabilities		40,677	41,854
Shareholders' equity	38		
Capital and reserves attributable to equity holders of the Parent			
Share capital		428	428
Reserves		1,257	1,260
Retained earnings		1,358	1,081
Total shareholders' equity		3,043	2,769
Total liabilities and shareholder's equity		43,720	44,623

Consolidated cash flow statement

EUR million	2013	2012
Cash flow from operating activities		
Profit for the period	424	283
Adjustments to profit for the period	161	262
Increase (-) or decrease (+) in operating assets	-4,150	-668
Receivables from financial institutions	-986	-1,284
Financial asset at fair value through profit or loss	-338	167
Derivative contracts	28	27
Receivables from customers	-736	-1,190
Non-life Insurance assets	-77	-185
Investment assets	-2,289	1,810
Other assets	248	-14
Increase (+) or decrease (-) in operating liabilities	-2,040	2,913
Liabilities to financial institutions	-1,031	-124
Financial liabilities at fair value through profit or loss	1	2
Derivative contracts	-10	-22
Liabilities to customers	-588	2,750
Non-life Insurance liabilities	48	10
Provisions and other liabilities	-460	298
Income tax paid	-126	-65
Dividends received	51	45
A. Net cash from operating activities	-5,680	2,770
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	129	320
Acquisition of subsidiaries and associates, net of cash acquired	-4	-3
Purchase of PPE and intangible assets	-45	-44
Proceeds from sale of PPE and intangible assets	3	2
B. Net cash used in investing activities	83	275
Cash flow from financing activities		
Increases in subordinated liabilities		502
Decreases in subordinated liabilities	-271	-274
Increases in debt securities issued to the public	24,340	22,516
Decreases in debt securities issued to the public	-21,833	-24,095
Dividends paid	-145	-129
Other monetary decreases in equity items	0	0
C. Net cash provided by (used in) financing activities	2,092	-1,479
Net increase/decrease in cash and cash equivalents (A+B+C)	-3,505	1,565
Cash and cash equivalents at year-start	6,177	4,612
Cash and cash equivalents at year-end	2,671	6,177
Interest received	1,790	2,448
Interest paid	-1,582	-2,153

Adjustments to profit for the financial year**Non-cash items and other adjustments**

Impairment losses on receivables	40	59
Unrealised net earnings in Non-life Insurance	108	164
Change in fair value for trading	-199	196
Unrealised net gains on foreign exchange operations	2	-254
Change in fair value of investment property	1	-1
Planned amortisation/depreciation	55	50
Share of associates' profits	1	1
Other	154	33

Items presented outside cash flow from operating activities

Capital gains, share of cash flow from investing activities	-1	0
Capital losses, share of cash flow from investing activities		13
Total adjustments	161	262

Cash and cash equivalents

Liquid assets*	2,051	5,654
Receivables from financial institutions payable on demand	620	523
Total	2,671	6,177

* Of which EUR 4 million (10) consists of Non-life Insurance cash and cash equivalents.

Consolidated statement of changes in equity

EUR million	Share capital	Fair value reserve			Retained earnings	Total equity
		Measurement at fair value	Cash flow hedge	Other reserves		
Balance at 1 January 2012	428	-159	10	1,093	934	2,306
Total comprehensive income for the period		303	13	0	276	592
Profit for the period					283	283
Other comprehensive income		303	13	0	-7	309
Profit distribution					-129	-129
EUR 0.41 per Series A share					-103	-103
EUR 0.38 per Series K share					-26	-26
Equity-settled share-based transactions					0	0
Other					0	0
Balance at 31 December 2012	428	144	23	1,093	1,081	2,769

EUR million	Share capital	Fair value reserve			Retained earnings	Total equity
		Measurement at fair value	Cash flow hedge	Other reserves		
Balance at 1 January 2013	428	144	23	1,093	1,081	2,769
Total comprehensive income for the period		8	-12	0	422	419
Profit for the period					424	424
Other comprehensive income		8	-12	0	-2	-6
Profit distribution					-145	-145
EUR 0.46 per Series A share					-116	-116
EUR 0.43 per Series K share					-29	-29
Equity-settled share-based transactions					-1	-1
Other					1	1
Balance at 31 December 2013	428	152	11	1,093	1,358	3,043

Segment information

The segment analysis has been prepared in accordance with IFRS 8 Operating Segments. Financial information serves as the basis of this standard, which the executive in charge monitors regularly. Defining segments and presentation are based on management reporting.

Pohjola Group is organised into three business segments – Banking, Non-life Insurance and Asset Management – and the Group Functions which together constitute the Group's operating segments. The Board of Directors is the executive body in charge of deciding on the Group's operations, which allocates resources to the reportable segments and assesses their performance.

Segment accounting policies

Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Income, expenses, assets and liabilities which are considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to the business segments are reported under the Group Functions. Inter-segment Group eliminations are reported under the "Eliminations" column. Intra-Group transfer prices are based on market prices. The acquisition costs of intangible and PPE assets are presented as investments. The number of employees in each segment is presented as the number of employees at the end of the period.

Capitalisation of Banking, Asset Management and the Group Functions is based on Pohjola Group's capital adequacy measurement under the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. The Group has allocated capital to its operating segments in such a way that the Core Tier 1 ratio stands at 11%.

Non-life Insurance capitalisation is based on the solvency capital requirement (SCR) within the proposed Solvency II framework plus intangible assets and goodwill arising from company acquisition. The SCR for Non-life Insurance has been covered by Core Tier 1 capital and the solvency requirement for intangible assets and goodwill by Tier 2 notes/bonds.

Banking

Pohjola's Banking provides corporate and institutional customers with solutions for their financing and financial management needs. Banking consists of the following divisions: Corporate Banking, Markets and Baltic Banking.

Corporate Banking provides corporate and institutional customers with financing and cash management services and financing services for foreign trade, and grants loans and guarantees as well as leasing and factoring services. Its income derives mainly from lending margins and commissions and fees resulting from the arrangement of financing and the management of payment transactions.

The Markets division's services range from the arrangement of debt issues, corporate finance services and custody, equity, foreign exchange, money market and derivative products to investment research. The division executes both its clients' and the Bank's orders in international financial markets and is also an active player in international derivatives markets, the government bond market in the euro area and corporate bond markets. Its income derives from net commissions and fees and income from trading. Pohjola Corporate Finance Ltd merged with Pohjola Bank plc on 31 December 2013 and is part of the Markets division.

Baltic Banking provides finance-company products in Estonia, Latvia and Lithuania. Pohjola has established itself in Estonia, Latvia and Lithuania through its own branch offices.

Non-life Insurance

The following three Group companies conduct Non-life Insurance business in Finland: Pohjola Insurance Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. Non-life insurance business in Estonia is conducted by Seesam Insurance AS with a branch in both Latvia and Lithuania. On 1 January 2012, Pohjola Health Ltd merged with Excenta Ltd. As a result of the merger, the company operates under the corporate name of Pohjola Health Ltd which provides solutions for strategic wellness/wellbeing-at-work management solutions.

The Non-life Insurance segment also includes Omasairaala Oy which started its business in early 2013.

The range of Non-life Insurance products includes non-life policies for corporate and private customers. In addition, the domestic service network provides corporate customers with OP-Pohjola Group's life and pension policies and Ilmarinen Mutual Pension Insurance Company's employment pension policies while being in charge of customer service for Suomi Mutual Life Assurance Company and Ilmarinen. Furthermore, commissions and fees come from managing certain statutory charges and from risk management services.

Non-life Insurance pre-tax earnings consist of the balance on technical account, investment income and other income and expenses. The balance on technical account refers to insurance premium revenue less claims incurred and operating expenses. The most important profitability indicator is the combined ratio showing the proportion of claims incurred and operating expenses to insurance premium revenue. With respect to investment operations, Non-life Insurance is tasked with investing assets covering insurance liabilities and equity in a safe and profitable way conducting a policy of sufficient risk diversification.

Asset Management

The Asset Management business line comprises Pohjola Asset Management Ltd, Pohjola Asset Management Execution Services Ltd, Pohjola Property Management Ltd and the associated company Access Capital Partners Group SA. Pohjola Asset Management Ltd provides Finnish institutional clients and wealthy private individuals with discretionary and advisory investment management services. Furthermore, the portfolio management of OP Fund Management Company Ltd's mutual funds is mainly centralised within Pohjola Asset Management. In addition to its own portfolio management, Pohjola Asset Management has some 30 international partners boasting a wide range of funds for the needs of both institutional and private clients. Pohjola Property Management Ltd focuses on real property investment in Finland and on the selection of real estate funds in international markets. The division's income comes mainly from management commissions and fees.

Group Functions

In support of the Group and its business segments, the Group Functions comprises Finance, Risk Management, HR Services, and Corporate Communications.

It is responsible for the management of financing and liquidity for OP-Pohjola Group's retail banks and Pohjola Group, as well as for OP-Pohjola Group's wholesale funding. Income, expenses, investments and capital which have not been allocated to the business segments are reported under the Group Functions. Group taxes are allocated to the Group Functions in their entirety.

Eliminations

Inter-segment eliminations are presented under the "Eliminations" column.

Segment information

2013, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking	227					227
Markets	-3					-3
Other operations		-24	3	26	1	5
Total	224	-24	3	26	1	229
Net commissions and fees	100	17	51	-1	-4	162
Net trading income	101	0	0	-12	3	93
Net investment income	0		0	39		39
Net income from Non-life Insurance						
From insurance operations		440				440
From investment operations		132			-1	131
From other items		-43				-43
Total		529			-1	529
Other operating income	17	10	1	9	0	38
Total income	443	533	55	61	-1	1,090
Personnel costs	57	107	14	6		184
ICT costs	31	50	3	5	1	90
Amortisation on intangible assets related to company acquisitions		21	2			24
Other depreciation/amortisation and impairments	15	14	1	1		31
Other expenses	54	174	11	14	-2	251
Total expenses	157	366	32	26	-1	580
Earnings/loss before impairment of receivables	285	166	24	35	0	510
Impairments of receivables	35			2		37
Share of associates' profits/losses		0	0		0	0
Earnings before tax	251	167	24	32	0	473

Change in fair value reserve	9	-17	0	-9	0	-17
Gains/(losses) arising from remeasurement of defined benefit plans	0	0	0	0		0
Total comprehensive income for the period, before tax	260	150	24	23	0	457

2012, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Net interest income						
Corporate Banking and Baltic Banking	199					199
Markets	31					31
Other operations		-8	3	36	2	33
Total	230	-8	3	36	2	263
Net commissions and fees	96	24	60	-2	-8	169
Net trading income	72	0	0	1	5	79
Net investment income	2		0	11		13
Net income from Non-life Insurance						
From insurance operations		367				367
From investment operations		115			0	115
From other items		-45				-45
Total		438			0	438
Other operating income	19	5	2	18	-7	37
Total income	418	458	65	65	-7	998
Personnel costs	64	135	19	14		232
ICT costs	27	51	3	6	1	87
Amortisation on intangible assets related to company acquisitions		21	2			24
Other depreciation/amortisation and impairments	15	9	1	1		27
Other expenses	37	150	8	13	-8	200
Total expenses	143	366	33	34	-7	569
Earnings/loss before impairment of receivables	275	92	32	30	0	429
Impairments of receivables	54			3		57
Share of associates' profits/losses		0	0		0	1
Earnings before tax	221	92	32	27	0	372
Change in fair value reserve	6	191	0	222	-1	418
Gains/(losses) arising from remeasurement of defined benefit plans	-7	-1	0	-2		-10
Total comprehensive income for the period, before tax	220	282	32	247	-1	780

31 Dec 2013, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Receivables from customers	14,432			296	-213	14,515
Receivables from credit institutions	659	4	3	11,295	-16	11,945
Financial assets at fair value through profit or loss	487			-42		444
Non-life Insurance assets		3,750			-210	3,539
Investment assets	524	16	22	6,879	-14	7,427
Investments in associates		2	27			29
Other assets	3,792	781	114	1,241	-109	5,819
Total assets	19,894	4,553	166	19,669	-562	43,720
Liabilities to customers	7,035			3,309	-156	10,188
Liabilities to credit institutions	614			4,387	-213	4,789
Non-life Insurance liabilities		2,844			-98	2,746
Debt securities issued to the public				16,159	-62	16,097
Subordinated liabilities		50		934		984
Other liabilities	4,381	56	9	1,460	-33	5,874
Total liabilities	12,029	2,950	9	26,249	-561	40,677
Shareholders' equity						3,043
Average personnel	634	1,802	88	26		2,550
Capital expenditure, EUR million	15	27	2	1		45

31 Dec 2012, EUR million	Banking	Non-life Insurance	Asset Management	Group Functions	Eliminations	Group total
Receivables from customers	13,723			286	-169	13,839
Receivables from credit institutions	433	5	3	14,037	-19	14,458
Financial assets at fair value through profit or loss	360			-104		256
Non-life Insurance assets		3,627			-104	3,523
Investment assets	457	16	23	4,943	-9	5,431
Investments in associates		2	24			26
Other assets	4,681	773	127	1,585	-77	7,090
Total assets	19,653	4,423	178	20,748	-378	44,623
Liabilities to customers	6,786			4,055	-66	10,775
Liabilities to credit institutions	1,225			4,784	-169	5,840
Non-life Insurance liabilities		2,657			-58	2,599
Debt securities issued to the public				13,817	-48	13,769
Subordinated liabilities		50		1,225		1,275
Other liabilities	5,573	63	12	1,985	-36	7,595
Total liabilities	13,583	2,769	12	25,867	-377	41,854
Shareholders' equity						2,769
Average personnel	745	2,384	153	123		3,404
Capital expenditure, EUR million	19	22	1	2		43

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Pohjola Bank plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Pohjola Bank plc for the year ended 31 December 2013. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, Act on Credit Institutions or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We recommend that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown at the balance sheet is in compliance with the Limited Liability Companies Act. We recommend that the Members of the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, 6 February 2014

KPMG OY AB

Sixten Nyman
Authorized Public Accountant in Finland