

OP-Pohjola launches public tender offer for all shares in Pohjola Bank

STOCK EXCHANGE RELEASE
OP-POHJOLA GROUP CENTRAL COOPERATIVE
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OP-POHJOLA ANNOUNCES PUBLIC TENDER OFFER FOR ALL SHARES IN POHJOLA BANK. THE BOARD OF DIRECTORS OF POHJOLA BANK HAS EVALUATED THE OFFER TO BE A REASONABLE ALTERNATIVE.

The OP-Pohjola Group Central Cooperative (the 'Offeror') will make a voluntary public tender offer to purchase all of the issued and outstanding series A and series K shares (the 'Shares') in Pohjola Bank Plc (the 'Company') that are not already held by the Offeror.

As at the publication of the tender offer, the Offeror holds approximately 37.2% of all Shares and approximately 61.3% of the related voting rights in Pohjola Bank Plc. Together with the cooperative banks and certain other entities belonging to the OP-Pohjola Group, the total ownership equals approximately 55.4% of all Shares and approximately 75.8% of the related voting rights in Pohjola Bank Plc.

The consideration being offered is EUR 16.80 in cash for each series A and series K Share (the 'Offer Price'). The total value of the tender offer is approximately EUR 3.4 billion. The Offer Price represents:

- a premium of approximately 30,5 % compared to the volume-weighted average trading price of the series A Shares on NASDAQ OMX Helsinki Ltd (the 'Helsinki Stock Exchange') during the 12-month period preceding the date of the announcement of the tender offer;
- a premium of approximately 23,3 % compared to the volume-weighted average trading price of the series A Shares during the 6-month period preceding the announcement of the tender offer, and;
- a premium of approximately 18,1 % compared to the closing price of the series A Share of EUR 14,23 on 5 February 2014, the last trading day before the announcement of the tender offer.

The amount of distributed dividends or other assets payable for each Share will be deducted from the Offer Price in the event that the Company decides on the distribution of dividends or other assets before the Shares have been transferred to the Offeror. The Company's board of directors proposes to the annual general meeting a dividend for the financial year 2013 of EUR 0.67 per series A Share and EUR 0.64 per series K Share. The proposed dividend payment date is 3 April 2014.

The Company's board of directors has considered that the Offeror's initial contact relating to the tender offer was of a serious nature as set out in the Helsinki Takeover Code published by the Securities Market Association referred to in the Finnish Securities Markets Act (the 'Takeover Code'). The board of directors also deemed that entering into negotiations with the Offeror, including allowing a due diligence review of the Company, was in the interest of all of the Company's shareholders. According to the Company's board of directors, the tender offer represents a reasonable alternative for the shareholders in the prevailing circumstances, in which

- (i) the Offeror directly and indirectly holds approximately 62,4 of the Shares and 62,4 of the related voting rights in the Company and is the central institution of the OP-Pohjola Group,
- (ii) the Company faces a regulatory environment which is changing due to, among other things, tightening capital requirements,
- (iii) the capital adequacy targets of the OP-Pohjola Group may be increased in accordance with the Offeror's announcement in connection with the announcement of the tender offer, and

(iv) the liquidity of the Company's Share may be reduced as a consequence of the tender offer.

The board of directors will make an overall evaluation of the tender offer and its merits to the Company and its shareholders, after which the board of directors will make public its statement as required in the regulation governing tender offers (on or about 14 February 2014 at the latest). For the evaluation of the tender offer, the Company's board of directors has established an independent working group comprised of non-disqualified members of the board that are independent in relation to the Offeror or the tender offer. The members of the working group are Tom von Weymarn (chairperson of the working group), Jukka Hienonen and Mirja-Leena (Mirkku) Kullberg. In questions related to the tender offer that require a quorum, board members Jukka Hulkkonen and Marjo Partio have also attended the meetings of the board. Mr. Hulkkonen and Mrs. Partio are not disqualified in the matter, but they have certain connections relating to the tender offer as referred to in the Takeover Code. Mr. Hulkkonen and Mrs. Partio have not participated in the preparation of decisions related to the tender offer. Reijo Karhinen (chairman of the board), Tony Vepsäläinen (deputy chairman) and Harri Sailas (board member) have not participated in the preparation of matters related to the tender offer or in decisions concerning these matters.

The Offeror intends to purchase Shares outside of the tender offer in trading on the Helsinki Stock Exchange or otherwise in such a way that the purchase price of the Shares will not exceed the Offer Price and the other terms and conditions of such purchases will not be better than those of the tender offer.

If the Offeror acquires more than ninety (90) per cent of all Shares and related voting rights in the Company, the Offeror intends to redeem any existing minority shareholdings and apply for a permit from the Helsinki Stock Exchange to remove the Company's series A Shares from the stock exchange list.

On the date of this stock exchange release, the Company's share capital amounts to EUR 427,617,463.01. The number of series A Shares issued amounts to 252,009,866 and the number of series K Shares issued amounts to 67,541,549. The Offeror holds 58,351,020 series A Shares and 60,641,131 series K Shares. In addition, the cooperative banks and certain other corporations belonging to the OP-Pohjola Group hold a total of 51,076,001 series A Shares and 6,900,418 series K Shares.

Comments from Executive Chairman Reijo Karhinen

'The main reasons for the tender offer are the high degree of concentration of voting rights in Pohjola, Pohjola's non-independent role as part of a conglomerate of cooperative banks and the need for more centralised steering of the Group resulting from new tightening regulation.

A model consisting of two different types of ownership structures is no longer functional. In this situation, we are making a clear strategic choice based on our basic mission. The OP-Pohjola Group was originally created as a customer-owned group. This will be the foundation for the group's future development.

Through the public tender offer, we are offering Pohjola's shareholders a good and fair opportunity to divest their shares, and we will be offering customers better service through an even stronger group.'

BACKGROUND FOR THE TENDER OFFER

The OP-Pohjola Group is a cooperative financial services group comprised of independent cooperative banks and the group's central institution and its subsidiaries operating with joint and several liability that was established in 1902. In practice, joint and several liability has formed a strong financial dependency between the Company, which is the central bank for the group, and the cooperative banks that is stronger than usual in a cooperative group.

The group's success lies on a strong foundation of promoting the financial success, well-being and safety of its owner-members, customers and business partners. Being Finnish is an important part of the group's identity.

The group's rise to become a market leader has been based on a strong customer proposition, a strong presence in its customers' day-to-day lives and a successful financial conglomerate model.

The Company, which acts as the group's central bank, was listed on the Helsinki Stock Exchange in 1989 under its old name Osuuspankkien Keskuspankki Oy ('OKO'). Being listed was beneficial, among other things, when the deregulation of the financial markets rapidly changed the nature of the entire banking industry in the 1980s. In 2005, OKO together with the OP Group at the time acquired Pohjola Yhtymä Oyj through a public tender offer. Then Pohjola Yhtymä Oyj merged with OKO to form the current listed company Pohjola Bank Plc. Pohjola Insurance Ltd was listed already in 1912.

OFFEROR'S STRATEGIC PLANS

1. A Group with More Efficient Steering and More Dynamic and Competitive Business Operations

In the context of the long history of the group, the listed company phase has been successful but short. In the current shifting regulatory and operating environment, a model consisting of two different types of ownership structure is no longer functional from the perspective of the entire group.

New regulations require more unified group operations, unified financial goals and the management of the group balance sheet as a single entity. As more active steering from the OP-Pohjola Group is required, situations may arise where the best interests of the central institution and the cooperative banks on the one hand and those of the minority owners of listed company Pohjola Bank Plc on the other not aligned. In order to function properly, intensifying group steering requires that ownership governance is built on a unified foundation. For this reason, it is necessary to remove the potential conflict between the management and goal-setting of business operations undertaken by a cooperative and a listed company.

Alignment of the ownership base will allow further development of the group's business operations, balance sheet management and competitiveness in a more comprehensive and effective manner. Ultimately, the customers of the enhanced customer-owned financial group will benefit from this improved efficiency.

Tightening regulation is not the only factor requiring improvement of structures and processes. The strong progression of digitalisation and the radical changes to the operating environment require the OP-Pohjola Group to be more agile and effective.

2. More Streamlined Structure and Decision Making for the Group Central Cooperative

A unified ownership base for OP-Pohjola Group Central Cooperative Consolidated will make it possible to carry out significant structural reforms, remove overlaps, clarify management and streamline decision making.

The plan is for the foundation of the management of the business operations of the OP-Pohjola Group and OP-Pohjola Group Central Cooperative Consolidated to be formed by three business areas: Banking, Asset Management and Non-life Insurance.

If the tender offer is completed in accordance with its terms and conditions, the intention of the Offeror is for Pohjola Insurance Ltd and Pohjola Asset Management Ltd, which are owned by the Company, to be transferred through various structural arrangements to the Offeror as fully owned direct subsidiaries as well as for the Company and Helsinki OP Bank Plc to be merged.

Banking will in the future be comprised of a new company to be formed by the Company and Helsinki OP Bank Plc as well as of OP Mortgage Bank Plc and OP Card Company Plc. Asset Management will be comprised of Pohjola Asset Management Ltd, OP Life Assurance Company Ltd and Aurum Investment Insurance Ltd as well as OP Fund Management Company Ltd. Non-life Insurance, on the other hand, will be comprised of Pohjola Insurance Ltd and its subsidiaries, A-Insurance Ltd as well as Omasairaala Oy.

3. A More Uniform Customer Experience from Deeper Integration of Banking and Non-life Insurance

Having a single owner will create opportunities to benefit more from the integration of banking and non-life insurance operations through the standardisation of the customer benefits, internal functionality, corporate culture and sales management of both the banking and non-life insurance operations.

The product and service expertise of Non-life Insurance and the cooperative banks can be further integrated into an enhanced offering, thereby boosting their ability to compete.

4. A New Strong Operator in the Helsinki Metropolitan Area

The planned merger of the Company and Helsinki OP Bank Plc is expected to bolster the OP-Pohjola Group's ability to compete in the Helsinki Metropolitan Area. The merger will strengthen the new bank's capital base and standardise the range of our products and services especially in the corporate banking and asset management sectors. The arrangement will enable the more efficient use of the OP-Pohjola Group's capital base in financing the Company's major customers in the future.

Our goal is to become the number one operator in all business segments in the Helsinki Metropolitan Area. The new bank will be significantly better equipped to handle customer service. Customers, in particular, will enjoy the increased transparency when services are provided only by one operator. With regards to Asset Management, and especially Private Banking, the Group will be in a stronger position to provide even more comprehensive and flexible customer service not just in the Helsinki Metropolitan Area, but also elsewhere in Finland.

A strong new bank will mean better opportunities for financing the growth of Finnish undertakings and for creating success on a global arena.

5. The Profits Will Fully Benefit the Group and Its Customers

Following the acquisition of the Company's Shares, the OP-Pohjola Group will once again become a truly customer-owned group that continues its basic mission and whose profits will remain within the group in its entirety to strengthen capital adequacy and create better opportunities for growth. Ceasing the distribution of dividend outside the group will also contribute to the strengthening of the Company's capital adequacy.

6. Synergy Benefits

The arrangements that will take place after the transaction are expected to generate approximately EUR 50 million per annum in synergy benefits for the OP-Pohjola Group, of which approximately EUR 20 million is estimated to come from cost synergies and EUR 30 million from revenue synergies. The cost synergies are limited due to the extensive streamlining project implemented in OP-Pohjola Group Central Consolidated at the end of 2012. OP-Pohjola Group Central Consolidated is expected to generate the majority of the synergies. The synergies will be fully implemented over approximately five years.

An estimated EUR 20 million of restructuring charges will be incurred, the majority of which will be incurred in 2014–2015.

7. Status of the Company's Management and Employees in the Future

The possible impact of the planned arrangements on the status of the management and employees of the Company and OP-Pohjola Group Central Cooperative Consolidated will be specified at a later date in connection with the re-organisation and integration planning that will take place after the completion of the tender offer.

FINANCING OF THE TENDER OFFER

The Offeror intends to finance the purchase of the Shares of approximately EUR 3.4 billion through cooperative capital, supplementary cooperative capital, debt financing and internal liquid assets in the following manner:

- The cooperative banks intend to invest approximately EUR 2.2 billion in the Offeror, which comprises approximately EUR 0.5 billion in cooperative capital, EUR 0.9 billion in additional cooperative capital and EUR 0.8 billion in debt financing. The investment made by the cooperative banks in the Offeror will be financed from the market as part of the OP-Pohjola Group's debt issues in addition to using internal liquid assets.
- The remaining part will be financed using the Offeror's liquid assets amounting to approximately EUR 1.2 billion. In addition, the Offeror has entered into an arms-length credit line arrangement with the Company in line with the Company's obligation to act as the central bank of the OP-Pohjola Group with a purpose to provide funding according to the needs of the OP-Pohjola Group. This credit line ensures the fulfilment of the certain funds requirement in relation to the tender offer, in accordance with the Securities Markets Act.

ACTIONS TAKEN TO STRENGTHEN THE SOLVENCY OF THE OP POHJOLA GROUP

The pro forma core tier 1 ratio (CET1) of the OP-Pohjola Group in accordance with the CRR/CRD4 regulatory changes as at 1 January 2014 before the completion of the tender offer was 17.6%, and its total capital ratio was 19.6%. The pro forma core tier 1 ratio of the OP-Pohjola Group after the completion of the tender offer is estimated to be 11.7%, and the total capital ratio is 13.7%.

In light of increased regulatory requirements and the need to preserve the OP-Pohjola Group's competitive position towards customers, rating agencies and funding markets, the Offeror has decided to raise the core tier 1 target for the OP-Pohjola Group from 15% currently to 18%. The target is to be reached by 2016.

It is estimated that the core tier 1 ratio of the OP-Pohjola Group will reach the new 18% target by 2016 through the strong internal capital generation of the OP-Pohjola Group and through the issuance of new profit shares. The OP-Pohjola Group intends to issue a total of approximately EUR 1.3 billion in new profit shares from the cooperative banks' customer owners during 2014 and 2015 in order to strengthen its core capital adequacy. In addition, the intention is to convert approximately EUR 0.6 billion of the existing supplementary cooperative capital into profit shares. As part of its capital adequacy-strengthening actions, Helsinki OP Bank Plc also intends to issue approximately EUR 0.2 billion as a Tier II subordinated debenture loan.

The completion of the tender offer will also lower the capital adequacy ratio of the OP-Pohjola Group under the Finnish Act on the Supervision of Financial and Insurance Conglomerates. The core capital adequacy-strengthening actions mentioned above, the group's strong internal capital generation and the issuance of new profit shares will also increase the capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates.

POHJOLA BANK'S CURRENT CAPITAL ADEQUACY POSITION

The pro forma core tier 1 ratio (CET1) of the Pohjola Bank Group in accordance with the CRR/CRD4 regulatory changes as at 1 January 2014 was 11.9%, and its total capital ratio was 16.5%. The

Company's capital adequacy position is affected by the permission granted by the Finnish Financial Supervisory Authority to the Company and OP-Pohjola Group to not deduct its insurance investments subject to insurance conglomerate supervision from its own assets and to risk weight these investments by 280% in accordance with the capital adequacy calculation principles. At this stage it has not been clarified how the insurance investments will be treated for capital adequacy purposes after 2014 when ECB assumes supervisory responsibility for the OP-Pohjola Group.

The Offeror has proposed to the board of the Company that the core tier 1 ratio for the Company be raised to 15% on a front-loaded basis no later than year-end 2016. The increased target is driven by tougher regulatory requirements, the need to adjust to higher peer group capital ratios thereby preserving its competitive position and the requirement to contribute its share to the OP-Pohjola Group's capitalisation whilst enjoying the support of the broader group through the joint and several liability structure.

In order to ensure compliance with the new target and reflecting the uncertainty around the capital treatment of the insurance investments, the Offeror has proposed to the Company's board that the dividend pay-out ratio be reduced to 30% until the Company's core tier 1 ratio reaches the 15% target.

TENDER OFFER IN BRIEF

The acceptance period for the tender offer is estimated to begin on 24 February 2014, and the tender offer is expected to remain in force until 1 April 2014. The Offeror reserves the right to extend the offer period from time to time in accordance with the terms and conditions of the tender offer.

The completion of the tender offer is conditional, among other things, on the following preconditions for the completion being met or on the Offeror waiving fulfilment thereof:

- 1) the offer is validly approved for Shares that, together with the other Shares owned by the Offeror or those acquired thereby during or before the offer period, represent more than ninety (90) per cent of the Shares and votes issued by the Company;
- 2) all necessary permits, approvals and permissions are granted by the authorities, including but not limited to approvals issued by competition authorities (if any) as well as approval acquired pursuant to the notification procedure concerning the acquisition of a percentage of holding as referred to in sections 32a–32c of the Finnish Act on the Financial Supervisory Authority (878/2008) in such a manner that the terms and conditions possibly included in these approvals are acceptable to the Company;
- 3) after the tender offer is undertaken, no material adverse changes occur in the business operations, assets, financial position or operating profits or losses of the Company or its subsidiaries or in the financial markets or authority regulations;
- 4) no competent court or authority has issued an order or undertaken actions that could prevent or delay the tender offer from being completed or which could materially affect the approval of the tender offer or which could prevent the Offeror from owning the Shares; and
- 5) the Company's board of directors has recommended that the shareholders accept the tender offer, and said recommendation remains in force without amendment.

The Offeror reserves the right to cancel the tender offer in the event that one of the above terms is not met.

The detailed terms and conditions of the tender offer as well as instructions on how to approve the tender offer will be included in the offer documents, which the Offeror expects to publish by 21 February 2014.

The Offeror has agreed to comply with the Takeover Code.

ADVISORS

J.P. Morgan is acting as financial advisor to the Offeror. Pohjola Bank Plc's Capital Markets Financing department is acting as a lead manager of the tender offer. Castrén & Snellman Attorneys Ltd is acting as legal advisor to the Offeror in connection with the tender offer.

Pohjola Bank Plc has appointed Deutsche Bank AG (London branch) as its financial advisor and Hannes Snellman Attorneys Ltd as its legal advisor.

OP-Pohjola Group Central Cooperative

Carina Geber-Teir
Chief Communications Officer

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op.fi, pohjola.com

Press conference

The OP-Pohjola Group will organise a briefing for the media at the address Vääksyntie 4, Vallila, Helsinki at 12:00 noon on 6 February 2014. The briefing will cover both the earnings for 2013 and the public tender offer concerning the Company's Shares.

Additional information:

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OP-Pohjola Group is Finland's leading financial services group providing a unique range of banking, investment and insurance services. The Group has the mission of promoting the sustainable prosperity, well-being and security of its owner-members, customers and operating regions through its local presence. Its objective is to offer the best and most versatile package of loyal customer benefits on the market. OP-Pohjola Group consists of some 180 member cooperative banks and the Group's central institution, OP-Pohjola Group Central Cooperative, with its subsidiaries and closely-related companies, the largest of which is the listed company Pohjola Bank plc. With a staff of 12,000 OP-Pohjola Group posted consolidated earnings of 705 million euros before tax in 2013 and had total assets of 101 billion euros on 31 December 2013. The group has 4.3 million customers.

www.op.fi

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