

MERGER PLAN

POHJANTÄHTI MUTUAL INSURANCE COMPANY
Merging company

POHJOLA INSURANCE LTD
Acquiring company

28 September 2010

MERGER PLAN

1 ACQUIRER AND ACQUIREE

1.1 Acquiring company

Pohjola Insurance Ltd (hereinafter “Pohjola Insurance” or the ”acquiring company”)

Business ID: 1458359-3

Domicile: Helsinki

Address: Lapinmäentie 1,
00350 Helsinki

1.2 Merging company

Pohjantähti Mutual Insurance Company (hereinafter “Pohjantähti” or the ”merging company”)

Business ID: 0146905-4

Domicile: Hämeenlinna

Address: Keinusaarentie 2,
13100 Hämeenlinna

Pohjola Insurance and Pohjantähti are hereinafter also referred to as the “Party” severally and the “Parties” jointly.

2 MERGER

The Board of Directors of both Pohjola Insurance and Pohjantähti have approved and signed this merger plan whereby Pohjantähti will merge into Pohjola Insurance (“Merger”). In the Merger, the insurance portfolio, assets, liabilities, obligations and rights shall transfer to the acquiring company, and the shareholders of the merging company shall receive a cash consideration.

The Merger is subject to provisions under Chapter 19 of the Insurance Companies Act (521/2008 as amended) and, to the extent appropriate, to provisions under Chapter 16 of the Limited Liability Companies Act (624/2006 as amended).

3.1 Rationale behind the Merger

Pohjola Insurance and Pohjantähti share common Finnish values and have a strong Finnish ownership base. The purpose of the Merger is to strengthen the competitiveness in the Finnish non-life insurance market of the new entity formed by the insurance business of Pohjola Insurance and Pohjantähti through the combination of these two insurance businesses.

The Merger is aimed at enhancing growth potential and profitability of the combined insurance businesses. The new entity will also be able to more efficiently manage product and service development, ICT development, staff recruitment and training, and capital, given the increasingly demanding operating and regulatory environment. The Merger is also supported by the location of both companies, considering that Pohjantähti is headquartered in the dynamic Hämeenlinna business region where Pohjola Insurance will, at the time of the merger, decide to establish a new service centre. Pohjola Insurance currently runs three service centres across Finland.

3.2 Proposal for the Articles of Association of the acquiring company

Pohjola Insurance will not alter its Articles of Association due to the Merger.

3.3 Proposal for a consideration to the shareholders of the merging company, and for its distribution

3.3.1 The aggregate of the merger consideration, grounds for the determination of the merger consideration, and entitlement to the merger consideration

As merger consideration, Pohjola Insurance shall pay Pohjantähti's policyholder-shareholders and holders of guarantee shares a total of eighty million (80,000,000.00) euros in cash, in accordance with this merger plan. Interest on the guarantee capital or asset distribution shall be deducted from this aggregate amount, which Pohjantähti shall pay or on which Pohjantähti shall decide following the signature of this merger plan.

Pohjantähti's estimated future cash flows, its asset-liability position and insurance portfolio have been taken into account in determining the aggregate of the merger consideration. This aggregate is also based on the estimate of Pohjantähti's fair value made by the Board of Directors of both the merging company and the acquiring company, using generally accepted valuation techniques. The determination of Pohjantähti's value is primarily based on the measurement of the company's value at the time of signing the merger plan and on the company's share of any synergies generated by the combination of the Pohjola Insurance and Pohjantähti businesses.

The Board of Directors of both the merging company and the acquiring company has received an external expert's opinion of the merger consideration. These opinions do not conflict with the estimate made by the Board of Directors of the merging company and the acquiring company.

Upon registration of the Merger execution, Pohjantähti shareholders shall receive entitlement to the merger consideration. In accordance with Pohjantähti's

Articles of Association, the company shareholders comprise policyholders and holders of guarantee shares.

Of Pohjantähti's policyholders, policyholders entitled to the merger consideration are those

- i) who have taken out an insurance policy with the company that was valid at the end of 2009; and
- ii) who will have a valid insurance policy with Pohjantähti during the extraordinary general meeting convened to discuss the Merger (estimate: December 2010); and
- iii) who will be Pohjantähti's shareholders, as referred to in Article 8 of the company's Articles of Association, at the time of registration of the Merger execution (estimate: April 2011).

As prescribed in the Insurance Companies Act, the merger consideration shall be distributed to a) the holder of guarantee capital in the manner described in 3.3.2 below; b) to Pohjantähti's policyholder-shareholders in the manner described in greater detail in 3.3.3 based the proportion of insurance premiums paid by the policyholder-shareholders between 2005 and 2009.

The merger consideration excludes Pohjola Insurance shares or any merger consideration other than the cash payment described herein.

3.3.2 Merger consideration payable to the holder of guarantee capital

The guarantee capital of Pohjantähti amounts to 8,064,000.00 euros and consists of 96 guarantee shares each having a nominal value of 84,000.00 euros. All of the guarantee shares are held by Ilmarinen Mutual Pension Insurance Company.

Under the Articles of Association, interest is payable on the guarantee capital, which is a five-year TEL reference rate plus a margin of 2% per annum. The interest rate for a new financial year is determined on the basis of the quotation on the last day of the preceding financial year. In 2010, the applicable rate is 4.20%.

Unpaid interest on Pohjantähti's guarantee capital amounts to approximately 253,075 euros at the time of signing this merger plan. Interest will be accrued on the guarantee capital until the date of registration of the Merger execution, as referred to in Article 6 of Pohjantähti's Articles of Association.

The holder of the guarantee shares shall be paid a merger consideration that equals the repurchase price under Pohjantähti's Articles of Association. Under Article 6 of Pohjantähti's Articles of Association, the repurchase price equals the nominal value of the guarantee shares when repaying the guarantee capital in part or in full. In connection with such repayment, all accrued interest shall be paid first.

As merger consideration, the holder of the guarantee capital shall receive the guarantee capital of 8,064,000.00 euros plus interest unpaid at the time of Merger registration.

3.3.3 Merger consideration payable to the policyholder-shareholders

The amount of the merger consideration payable to the policyholder-shareholders comes to an estimated 71.5 million euros, based on the aggregate of the merger consideration as determined in 3.3.1 above less the guarantee capital and accrued and unpaid interest on said capital as described in 3.3.2 above.

The merger consideration payable to the policyholder-shareholders shall be distributed among those entitled thereto in proportion to the combined direct-insurance premiums they paid during the last five calendar years preceding Pohjantähti's extraordinary general meeting that adopted the merger plan, or during 2005–09 as a rule. However, employees' group life-insurance premiums and the employer's unemployment insurance premiums will not be taken into account in calculating the merger consideration.

Unless otherwise provided by reliable evidence presented by a policyholder-shareholder, direct-insurance premiums referred to above are regarded as direct-insurance premiums registered by Pohjantähti, which were paid into Pohjantähti's bank account and from which insurance premium tax or other tax-like charges were deducted.

The basis for merger consideration distribution among policyholder-shareholders has been specified by applying the principles under Article 21 (Dissolution) of Pohjantähti's Articles of Association.

3.4 **Proposal for the time of consideration distribution and for other terms and conditions**

The amount of the merger consideration payable to each policyholder-shareholder entitled thereto shall be calculated as soon as possible after registration of the Merger execution. Owing to the large amount of work involved in the calculation, the merger consideration is anticipated to be paid to the policyholder-shareholders in the third quarter of 2011. The merger consideration will be deposited in a deposit bank in Finland, selected by Pohjola Insurance, on behalf of the policyholder-shareholders on the date of registration of the Merger in such a way that those entitled to the merger consideration will receive a return on their merger consideration tied to the 3-month Euribor rate on the date of registration of the Merger execution, calculated from the date of said registration until the date on which Pohjola Insurance begins to pay the merger consideration to the policyholder-shareholders.

The merger consideration will be paid into the policyholder-shareholder's bank account in Finland, provided that the person entitled to the consideration has notified Pohjola Insurance or a third party specified by Pohjola Insurance of information on such an account, or in accordance with other instructions issued by Pohjola Insurance. Unless the policyholder-shareholder entitled to the merger consideration has notified of his bank account prior to registration of the Merger execution for the purpose of payment of the merger consideration, said consideration will be paid to him only after such bank account information has been provided.

The Parties shall have the right to deduct from the merger consideration payable to the policyholder-shareholder and set off any of his overdue and out-

standing insurance premiums, including interest and penalty interest accrued on them.

In cases where it is unclear to whom or how much merger consideration should be paid, such as due to changes pertaining to the policyholder (for example merger, demerger, business transfer, name change of the policyholder) or due to paid insurance premiums or the duration of the insurance contract being open to interpretations or for a similar reason, the principles and decisions governing the distribution of the merger consideration approved by Pohjantähti's Board of Directors shall apply, or if such ambiguity is to be settled after the Merger execution, those approved by Pohjola Insurance's Board of Directors, in view of the equal treatment of policyholders.

Under Chapter 16, Section 16, Subsection 4 of the Limited Liability Companies Act, if the policyholder has not claimed his merger consideration within ten years of registration of the Merger execution, the general meeting of Pohjola Insurance may decide that the right to the merger consideration and the respective rights have been forfeited. The forfeited consideration shall devolve on Pohjola Insurance.

The merger consideration shall be promptly paid to the holder of the guarantee shares after registration of the Merger execution, into the bank account in Finland which the holder of the guarantee shares has reported to Pohjola Insurance.

3.5 Special rights and benefits

The Parties have not given stock options, convertible bonds or other special rights comparable to shareholder rights.

3.6 Share capital of the acquiring company

The Merger will not involve any increase of the share capital of the acquiring company.

3.7 Account under Chapter 16, Section 3, Subsection 9 of the Limited Liability Companies Act

Appendix 3.7 contains an account of the merging company's insurance portfolio, assets and liabilities, and equity transferred to the acquiring company, and factors affecting their valuation. It also contains an account of the planned effect of the Merger on the acquiring company's balance sheet, and of the accounting methods applicable to the Merger.

Pohjantähti shall prepare interim accounts as per 31 August 2010 and Pohjola Insurance as per 30 September 2010. The audited interim accounts will be available for inspection in accordance with Chapter 19, Section 8 of the Insurance Companies Act.

3.8 Proposal for arrangements beyond the normal business operations of the companies involved in the merger as referred to Chapter 16, Section 3, Subsection 10 of the Limited Liability Companies Act

During the merger procedure, Pohjola Insurance and Pohjantähti may make decisions within the sphere of their normal business operations.

Without the express written and prior permission from Pohjola, Pohjantähti shall have no right to distribute its assets, be party to any mergers, demergers or corporate transactions other than the Merger referred to herein, sell its business or any part thereof or take any other similar measures prior to registration of the Merger execution.

During the merger procedure, Pohjola Insurance shall have the right to be party to other mergers and corporate transactions, distribute its assets, sell and buy-back its own shares and special rights entitling to its shares, and to be engaged in other significant arrangements and alter its Articles of Association to the extent that such an arrangement or alteration does not affect the implementation of the merger plan. Furthermore, Pohjola Insurance shall have the right to hold general meetings of shareholders and discuss at these meetings matters belonging within the remit of the meeting prior to the Merger execution.

3.9 Subordinated loans

The merging company has no subordinated loans.

3.10 Business mortgages

The property of the merging company and the acquiring company is not encumbered by business mortgages.

3.11 Shareholdings in the acquiring company or the merging company

Pohjantähti or any of its subsidiaries does not hold shares of Pohjola Insurance or its parent company Pohjola Bank plc.

Pohjola Insurance does not hold any guarantee shares in Pohjantähti and is not a Pohjantähti policyholder.

3.12 Special benefits and rights granted to the management and auditors

In connection with the Merger, no special benefits or rights shall be given to the members of the Board of Directors and CEOs of the companies involved in the Merger, or the auditor who will issue a statement of the merger plan.

3.13 Proposal for the planned time of registration of the Merger execution

The Merger execution should be registered on or about 1 April 2011.

4 ADDITIONAL INFORMATION PRESCRIBED BY THE INSURANCE COMPANIES ACT

4.1 Proposal for the transfer of the merging company's insurance portfolio and other assets and liabilities to the acquiring company

The merging company's insurance portfolio and other assets and liabilities transferred to the acquiring company are detailed in Appendix 3.7.

4.2 Equalisation provision and joint guarantee provision to be transferred

The equalisation provision and joint guarantee provision to be transferred to the acquiring company are detailed in Appendix 4.2.

4.3 Details on the acquiring company to fulfil its requirements to cover technical provisions as prescribed in Chapter 10 of the Insurance Companies Act and the solvency requirements prescribed in Chapters 11 and 12 of said Act

Details on the acquiring company to fulfil its requirements to cover technical provisions as prescribed in Chapter 10 of the Insurance Companies Act and the solvency requirements prescribed in Chapters 11 and 12 of said Act are presented in Appendix 4.3.

5 OTHER TERMS AND CONDITIONS OF THE MERGER

5.1 Conditions for Merger execution

Unless the Board of Directors of the merging and acquiring companies decides otherwise, the Merger cannot be executed unless all of the conditions in this merger plan from 5.1.1 to 5.1.3 are fulfilled. The Parties undertake to the best of their ability to have all the Merger conditions fulfilled.

The Merger will not take place unless all of the Merger execution conditions have been fulfilled by the Merger execution registration date, latest 30 September 2011, except if the merging and acquiring companies decide otherwise.

5.1.1 Running of Pohjantähti business operations normally

One of the conditions for the merger is that following the signing of this merger plan Pohjantähti has been managed and its business has been operated according to good insurance and business practices and essentially as was done previously.

5.1.2 Official permits

One of the conditions for the merger is that the appropriate official permits have been obtained from the Financial Supervisory Authority, Finnish Competition Authority and other authorities and that these permits do not involve conditions which the Parties cannot be reasonably expected to accept or fulfil.

5.1.3 Decisions by the extraordinary general meetings

One of the conditions for the merger is that the extraordinary general meeting of both the merging and the acquiring company agree to the Merger as detailed herein, with a qualified majority required by law. Let it be noted that Pohjola Bank plc, the sole shareholder of the acquiring company, has agreed to vote in favour of the Merger at the Pohjola Insurance extraordinary general meeting (Appendix 5.1.3).

5.2 Company names

When the Merger execution is registered, Pohjola Insurance will receive the right to use Pohjantähti's company names, and Pohjantähti will give its consent to Pohjola Insurance or a party designated by the latter, in connection with the Merger execution, to register as its auxiliary business names and adopt in a separately specified sector the following Pohjantähti company names and auxiliary business names:

- Pohjantähti Vakuutus

- Pohjantähti Försäkring
- Pohjantähti Insurance
- Pohjantähti Versicherung
- Hämeen Vakuutus.

6 OTHER BUSINESS

6.1 Auditor's statement

The Board of Directors of both Parties has appointed the following to provide the statement referred to in Chapter 19, Section 3, Paragraph 2 of the Insurance Companies Act: Hannu Paunikallio, APA, of KPMG Oy Ab, a firm of authorised public accountants, for the merging company; and Timo Nummi, APA, of KPMG Oy Ab for the acquiring company. The auditors' statements are included as Appendices 6.1a and b to this merger plan.

6.2 Authorisation

Attorney Pekka Jaatinen of Castrén & Snellman Attorneys Ltd or his order (on behalf of Pohjola Insurance) and Attorney Mikko Heinonen of Hannes Snellman Attorneys Ltd or his order (on behalf of Pohjantähti) were authorised to jointly sign the trade register forms related to this Merger and also to represent the companies in other issues related to the merger.

Helsinki, 28 September 2010

POHJOLA INSURANCE LTD

BOARD OF DIRECTORS

POHJANTÄHTI MUTUAL INSURANCE COMPANY

BOARD OF DIRECTORS

APPENDICES

- Appendix 3.7** Pohjantähti Mutual Insurance Company's insurance portfolio, assets, liabilities and equity capital and their effect on Pohjola Insurance Ltd's balance sheet, and a proposal for the transfer of Pohjantähti Mutual Insurance Company's insurance portfolio and other assets and liabilities to Pohjola Insurance Ltd.
- Appendix 4.2** Equalisation provision and joint guarantee provision to be transferred
- Appendix 4.3** A report on fulfilment of the requirement referred to in Chapter 19, Section 3, Subsection 1(4) of the Insurance Companies Act concerning solvency and technical provisions.
- Appendix 5.1.3** Pohjola Bank plc's commitment to vote in favour of the merger plan in Pohjola Insurance Ltd's extraordinary general meeting.
- Appendices 6.1.a and 6.1b** Statements on the merger plan by the appointed auditors.