

OP-Pohjola Group Annual Review

2012



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Summary: Year 2012

OP-Pohjola, Finland's largest financial services group, shows a strong financial performance. The conditions were difficult, but the Group's performance was better than a year ago, just as we had expected. OP-Pohjola Group grew vigorously while maintaining a strong capital base. The integration of banking and non-life insurance operations continued at an accelerated pace.

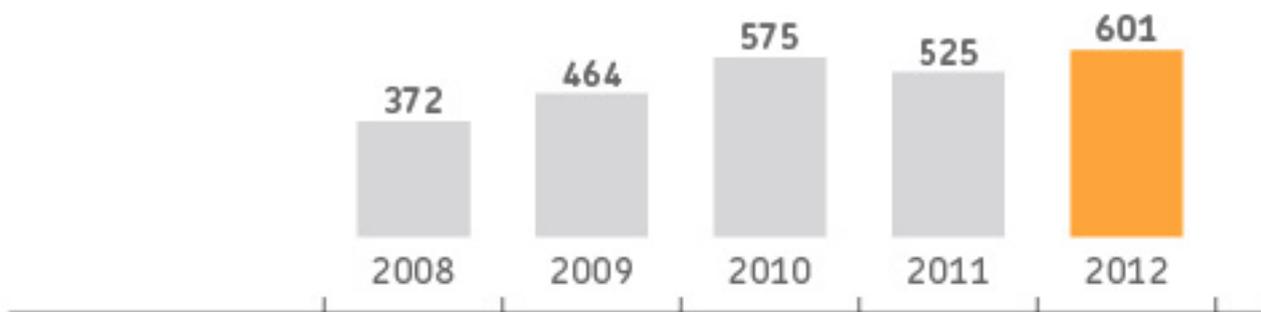
Year 2012

	1-12/2012	1-12/2011	Change, %
Earnings before tax, EUR million	601	525	14.5
Banking	437	447	-2.2
Non-life Insurance	92	8	
Wealth Management	101	47	
Returns to owner-members and OP bonus customers	192	176	8.8
	12/31/2012	12/31/2011	Change, %
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.90	1.80	0.10*
Core Tier 1 ratio, %	14.1	14.0	0.1*
Non-performing receivables within loan and guarantee portfolio, %	0.46	0.47	-0.02*
Joint banking and insurance customers, 1,000	1,425	1,299	9.7
Employees	13,290	13,229	

* Change in ratio

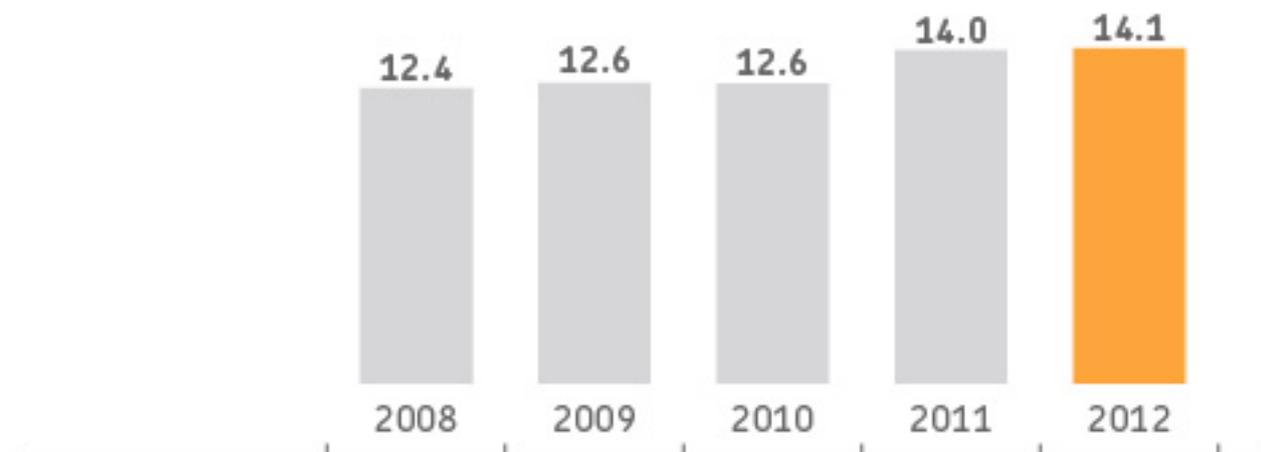
Earnings before tax

€ million



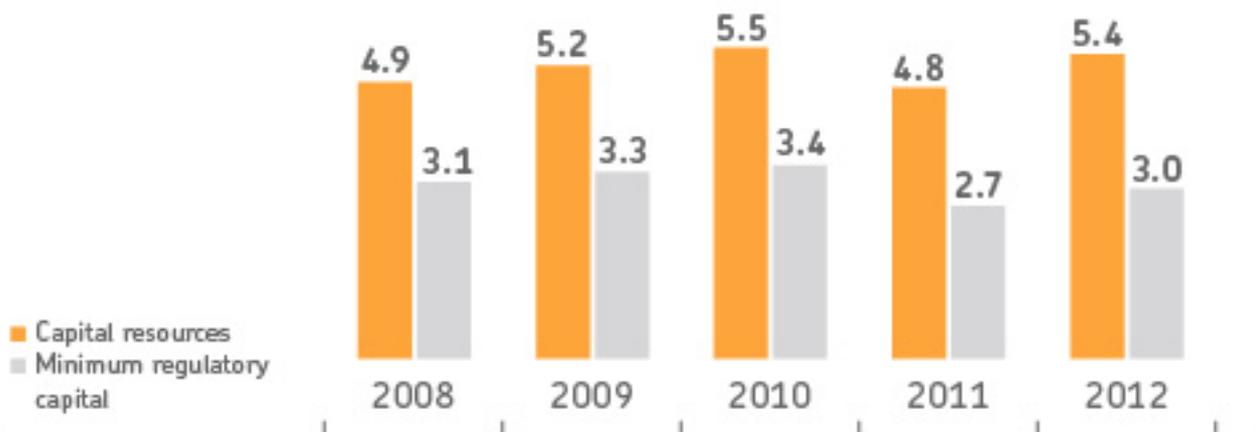
Capital adequacy ratio

Core Tier 1, %



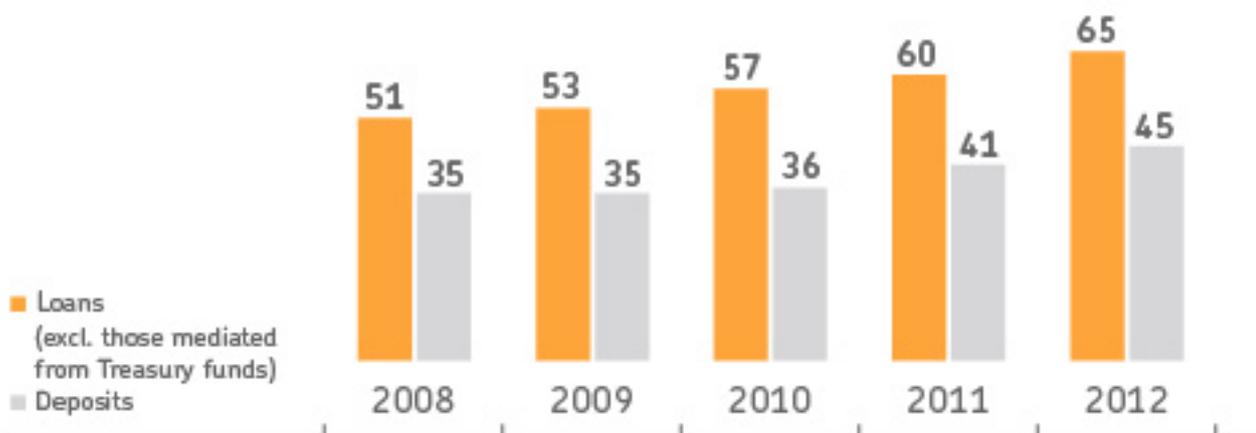
Capital resources

€ billion



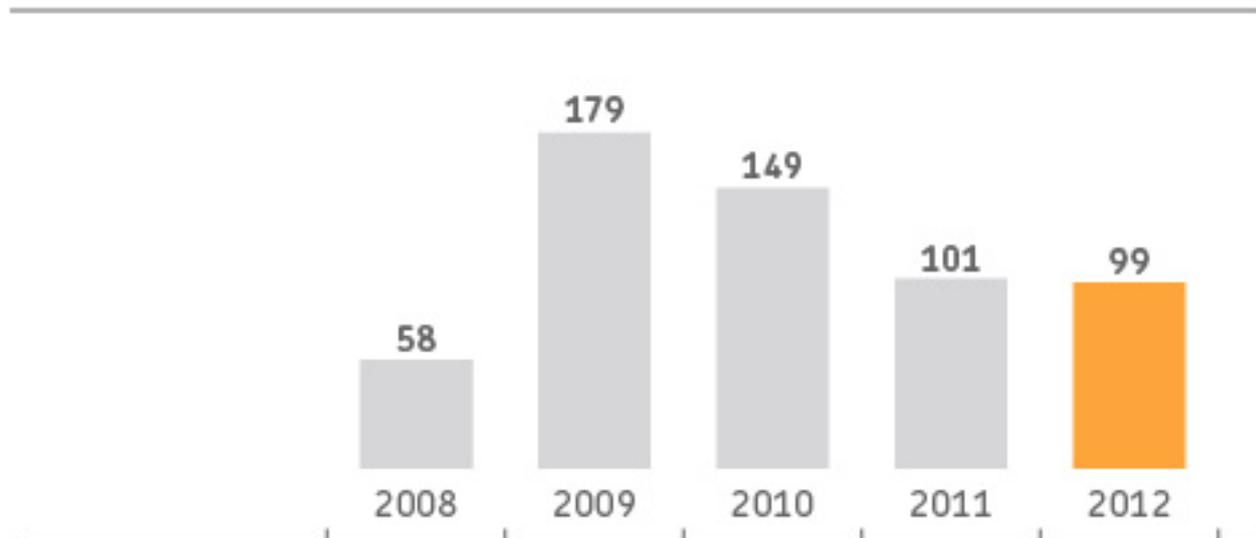
Loans and deposits

€ billion



Impairments of receivables

€ million



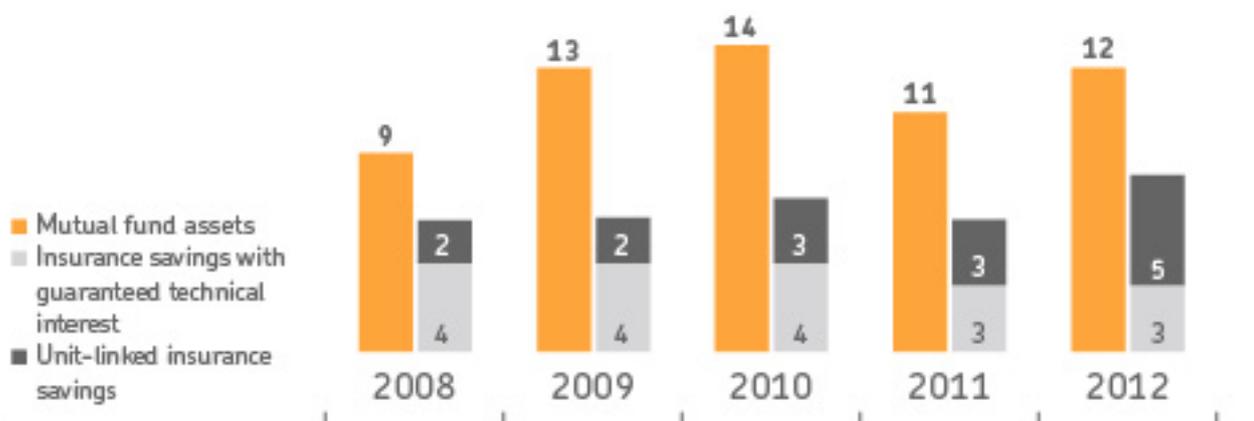
Net interest income and other income

€ million



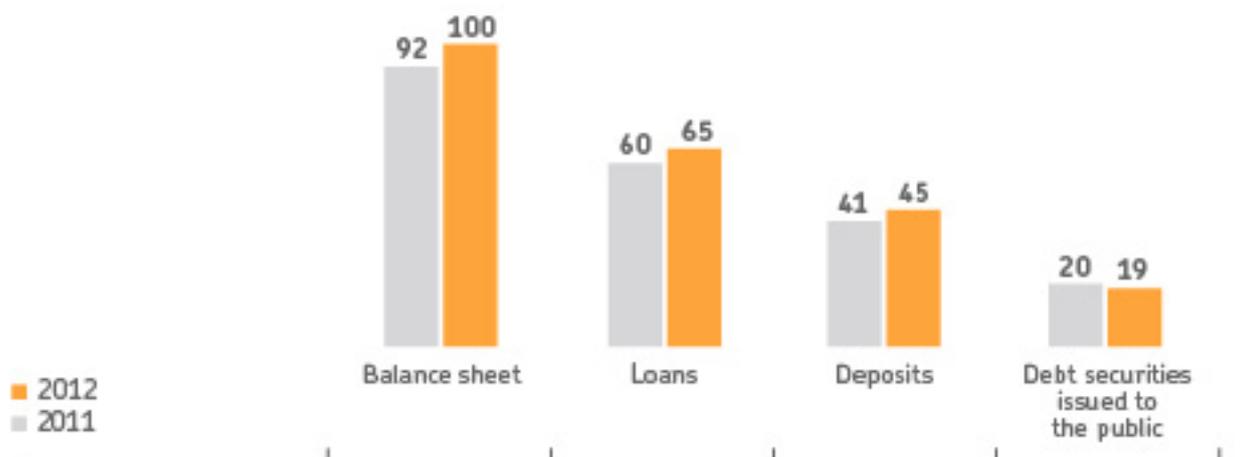
Life insurance savings and mutual fund assets

€ billion

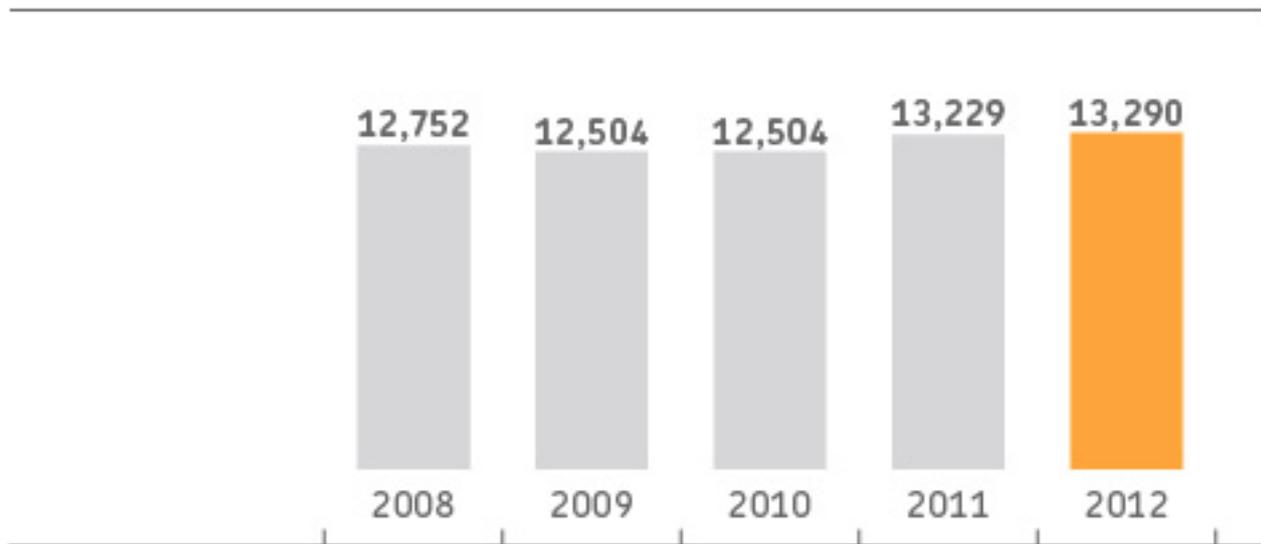


Key Balance Sheet Items

€ billion



Personnel



On the whole, 2012 was an eventful year for OP-Pohjola Group with many twists and turns.

Growth in the number of customers is a clear indication of our personnel's expertise and the competitiveness of our products and services.

- + 126,000 joint banking and non-life customers
- +183,000 new customers
- + 43,000 owner-members

OP-Pohjola Group's updated strategy highlights, for example, customer experience and responsibility. A comprehensive range of financial services and the best loyalty benefits form the Group's competitive advantages.

Executive Chairman's Review

2012 was a good year for OP-Pohjola Group in terms of earnings. At EUR 601 million, they were in line with our expectations although the operating environment was and continues to be unstable. We were obviously aided by a favourable investment environment, with Non-life Insurance and Wealth Management being the best performers. On the other hand, low interest rates eroded Banking's performance.

2012 was again a year of solid growth. Our lending grew at a clearly higher rate than the industry average, underlining our role as a promoter of economic activity and employment.

These excellent growth figures in home and corporate loans and non-life insurance's premium revenue stem from our solid capital adequacy and our basic mission to respond to our customers' needs and expectations. OP-Pohjola Group is Finland's largest provider of home and corporate loans.

We broke records in the number of new customers and the number of customers who use us not only as their main bank but also their main insurer. I consider this as a sign of trust. Our products and services are already good, and we are also prepared to develop them further to meet any new needs of our customers.

2012 was the International Year of Cooperatives and it also marked our 110th anniversary. We drew up a new strategy which emphasises, for example, customer experience and responsibility. We also embarked on revamping the Vallila campus in Helsinki. This project will enable us use our premises more efficiently and seal the integration of our banking and insurance operations. In 2015 we will all work under the same roof.

We began a reorganisation of the entire OP-Pohjola Group Central Cooperative Consolidated last autumn, resulting in 561 redundancies. This is part of our streamlining project aiming at annual cost savings of EUR 150 million until the end of 2015. However, two thirds of the changes arise from other than personnel costs.

This streamlining will enable us to build a foundation for the years to come. The current major transformation of the financial sector demands from us great vigilance, continuous adaptation and proactive measures to ensure that we can continue to provide high-quality services to our customers.

2012 showed us that some financial market actors froze when faced with the jittery economic environment and threats of tighter regulation and taxes. As a Finnish cooperative group, we have a special responsibility to ensure that our financial buffers remain sufficient and we continue to be able to provide funding to our customers. We will continue to do our part to help the Finnish economy grow.

Reijo Karhinen

OP-Pohjola Group in Brief

OP-Pohjola Group is Finland's largest financial services group. It provides its customers with the best loyalty benefits and the most extensive and diversified range of banking, investment and insurance services. The Group has three business segments: Banking, Non-life Insurance, and Wealth Management.

The Group is made up of some 200 independent member cooperative banks and OP-Pohjola Group Central Cooperative which they own, including its subsidiaries and closely related companies. Group's operations are based on the cooperative principle – cooperation and sharing the fruits of success with everyone. OP-Pohjola's mission is to promote the sustainable prosperity, safety and wellbeing of its owner-members, customers and operating regions. Our long-term customer-centred approach also enables continuous renewal. We develop our services and products to meet our customers' needs.

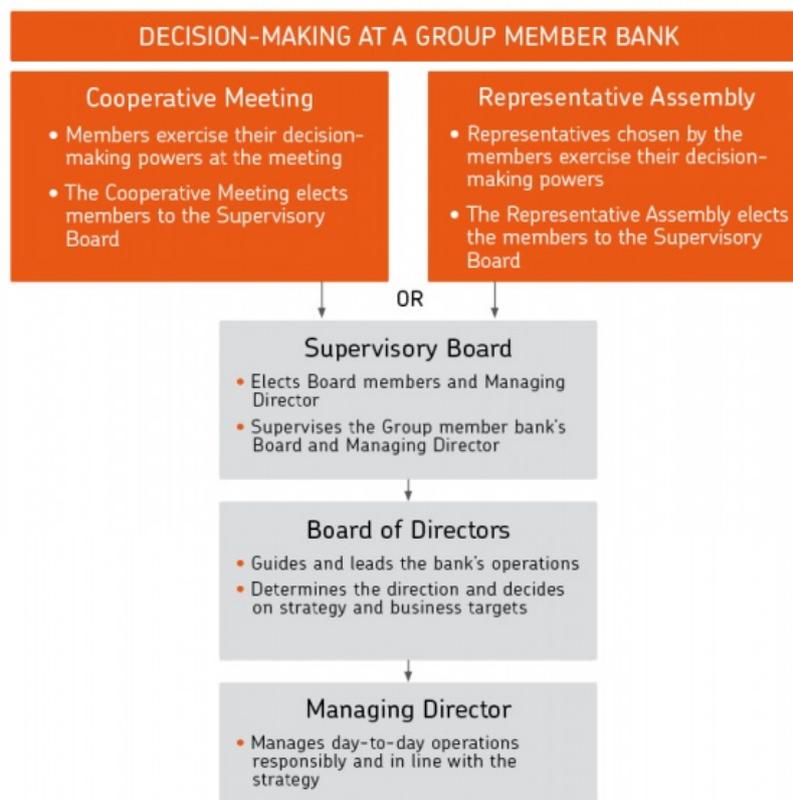


Group Member Banks

A Group member cooperative bank is owned by its customers. It is an independent, local deposit bank engaged in retail banking within its region. Its operations rest on a customer-oriented approach. In terms of their corporate form, they are cooperatives where each owner-member has one, equal vote. Thanks to this, Group member banks cannot be purchased and decision-making powers remain with the owner-members.

The operation of Group member banks is based on profitability. The member banks offer high-quality and competitive banking and insurance services to their customers. Rather than focusing on short-term profits, Group member banks aim at continuous success together with its customers. Operating profit is used for the benefit of owner-members: for the development of products, services and benefits.

[Read more about Group member banks at op.fi](#)



OP-Pohjola Group Central Cooperative

OP-Pohjola Central Cooperative is the central institution of the amalgamation of the cooperative banks. The cooperative's members are the amalgamation's deposit banks and other credit institutions. By virtue of Laki talletuspankkien yhteenliittymästä (Act on the Amalgamation of Deposit Banks), the central institution has both the right to control its credit institutions and the obligation to supervise their operations.

OP-Pohjola Group Central Cooperative carries out control and supervision duties from its position at the head of the financial and insurance conglomerate formed by OP-Pohjola Group. It also acts as the Group's strategic owner institution.

OP-Pohjola Group Central Cooperative's mission is to create the basis for OP-Pohjola Group's unity and success. Its task is to supervise and steer the Group's business in line with the jointly agreed strategy. OP-Pohjola Group Central Cooperative also analyses the operating environment and gathers information on changes in the industry. It is in charge of the Group's corporate image, reputation and brands.



[Read more about the Board members](#)

Pohjola Bank plc

Pohjola Bank plc is the most important subsidiary of OP-Pohjola Group Central Cooperative. Pohjola is a listed financial services group providing banking, non-life insurance and asset management services. For Finnish and global corporate customers, Pohjola provides comprehensive finance, investment, cash management and non-life insurance services. For private customers, Pohjola provides non-life insurance and asset management services.

Acting as OP-Pohjola Group's central bank, Pohjola manages the Group's liquidity and international operations. Pohjola's A-shares are listed on NASDAQ OMX Helsinki and the number of shareholders is approximately 32,000.

Pohjola Insurance Ltd is a Pohjola Bank plc subsidiary. It engages in non-life insurance operations in Finland, offering comprehensive insurance cover for private, corporate and institutional customers. Pohjola's non-life insurance operations comprise not only Pohjola Insurance but also A-Insurance, Eurooppalainen Insurance Company, and Seesam company operating in the Baltic countries.

[Read more about Pohjola Bank plc](#)

OP-Services Ltd

OP-Services Ltd – a subsidiary wholly owned by OP-Pohjola Group Central Cooperative – develops and implements state-of-the-art solutions for the financial sector. It also ensures the performance and quality of such solutions. OP-Services Ltd is in charge of the development, production and maintenance of the Group's products and services. It provides Group companies with business development and ICT services, and services for business process management. For example, the company ensures that online services perform well. It also sees to the smooth operation of banking and investment services, and the production of various materials.

Highlights 2012

OP-Pohjola Group's new strategy was adopted by the Supervisory Board at its meeting in June. Cooperative ideology, which forms the basis of OP-Pohjola's operations and strategic goals, is also highlighted in the Group's core values: People-first approach, Responsibility and Prospering together. The Group has the mission of promoting the sustainable prosperity, security and wellbeing of its owner-members, customers and operating regions through its local presence. The Group's vision is to be the leading and most successful financial services group in Finland.

With a view to adapting to the new operating environment in the financial sector, OP-Pohjola initiated in September OP-Pohjola Group Central Cooperative Consolidated's reorganisation programme and the procedures for information and consultation of employees, as referred to in the Finnish Act on Co-operation within Undertakings, aimed at personnel reduction. This process covered all personnel groups within OP-Pohjola Group Central Cooperative Consolidated, involving a total of some 6,500 employees. The programme forms part of the strategy and continues to intensify the integration of banking and non-life insurance businesses. The programme will eliminate overlapping activities and streamline the management structure. As a result of the end of the process on 10 December, OP-Pohjola Group Central Cooperative Consolidated cut 561 jobs. In addition, 150 jobs will be outsourced. The programme is aimed at achieving annual cost savings of around 150 million euros by the end of 2015, with job cuts accounting for a third of the total cost savings targets.

The Finnish Competition Authority approved OP-Pohjola Group Central Cooperative's acquisition of Skandia Life Finland's business. Skandia Life's portfolio of 100,000 pension, savings and investment policies transferred to Aurum Investment Insurance Ltd which became an OP-Pohjola Group Central Cooperative subsidiary on 31 August 2012. The insurance portfolio amounted to 1.3 billion euros on 30 June 2012. OP-Pohjola Group member cooperative banks will take charge of the management of the unit-linked life and pension policies of Aurum Investment Insurance Ltd's clients, as Aurum's cooperation with its agents will come to an end during 2013.

Based on the results of the European Banking Authority (EBA) recapitalisation exercise announced in October, OP-Pohjola Group continues to show markedly larger capital buffers than those required by the EBA. Accordingly, no measures to enhance the capital base are required of OP-Pohjola Group. OP-Pohjola Group has both a high Core Tier 1 ratio and low exposure to sovereign debt. On 30 June 2012, OP-Pohjola Group's Core Tier 1 ratio, measured based on the EBA methodology, stood at 14.5%, which is clearly above the minimum core capital ratio of 9% set by the EBA. The exercise concerning OP-Pohjola Group applies to its banking business covering, among others, Pohjola Bank plc and the Group member cooperative banks.

At the end of 2012, OP-Pohjola Group comprised 196 cooperative banks. The year 2012 saw nine cooperative bank mergers, the creation of Kymenlaakson Osuuspankki being the most significant one.

Reconstruction and renovation began in the OP-Pohjola Vallila campus in Helsinki. All in all, well over 60,000 square metres of office space will be built and renovated for 3,400 employees. The construction project is aimed at creating flexible premises for employees that support new ways of working in the financial sector. The space utilisation rate in the new block will be 30% higher, and operating costs will decrease by around 25%. The construction site based on the Vallila 2015 project numbers among the largest ones in the Helsinki Metropolitan Area that recycles construction material. A total of 95% of the deconstruction waste will be recycled, i.e. as much as is possible. JKMM Architects has designed OP-Pohjola Group's Vallila campus while Haahtela Group has acted as construction consultant. Construction and renovation in the Vallila block will be completed during 2015.

OP-Pohjola Group began to act as the primary intermediary of government payments on 1 December 2012. Immediately at the beginning of the 7-year term of the agreement, OP-Pohjola transferred tax refunds to the bank accounts of 3.3 million Finns, totalling 2.3 billion euros. The related money transactions were executed according to the SEPA standards for the first time.

Pohjola Bank plc subsidiary Pohjola Insurance Ltd founded Omasairaala Oy, a hospital in Helsinki for outpatient surgery specialising in the examination and treatment of orthopaedic diseases and injuries. The hospital began to operate in early 2013. The operating theatre capacity of the new hospital is planned to accommodate annually some 7,000 outpatient surgeries.

Pohjola is responsible for OP-Pohjola Group's international services. In 2012, **Pohjola expanded its business in the Baltic countries by opening a branch office for corporate customers in Riga.** In Latvia, Pohjola provides its customers and large local Latvian companies with payment and liquidity management services and working capital finance and investment financing. **Pohjola also agreed to intensify cooperation with Bank of China,** with the aim of providing Finnish companies already operating in China or planning to start China-based operations with competitive banking services in a more flexible way and also supporting investments of Chinese companies in Finland. The operating model is based on two-way partnership, which means that Bank of China will open a China Desk in Pohjola's branch office in Helsinki, while Pohjola will open a corresponding service outlet on Bank of China's premises in Shanghai. This was the first China Desk agreement that Bank of China has concluded with a European bank.

OP-Pohjola launched an extensive OP-mobile service onto the market for Windows, Android and iPhone smartphones. The service enables its users to monitor bank accounts, use savings and investment services, search the nearest bank branches and Otto. ATMs, pay bills using the phone's camera that reads the barcode and manage their personal insurance information and monitor the progress of their claims. The savings and investment services are specifically designed for experienced investors willing to track stock prices and follow news in support of their investment decisions.

In the autumn, OP-Pohjola Group introduced payment cards utilising contactless technology, making it possible to pay for small purchases without entering the PIN. Payment will be made by holding the card a maximum of two or three centimetres away from the POS terminal. Cards utilising contactless technology will function in Finland and abroad in stores where POS terminals are compatible with contactless payments. From the technological perspective, contactless payments are chip payments, which guarantees payment security.

Strategy

Updated in 2012, OP-Pohjola Group's strategy is based on a long-term business development in the best interests of customers. The cooperative system is the basis of our operations and the driving force of our strategy. Our mission is to promote the sustainable prosperity, security and well-being of our owner-members, customers and operating regions through our local presence.

The updated OP-Pohjola 2012 strategy has been built to withstand any major unexpected changes in the operating environment. It is vital to continue our success story in Finnish society, invest in our future and further strengthen foundations for our long-term success.

Strategy in a nutshell



Key Elements of Strategy

Mission	<ul style="list-style-type: none"> • We promote the sustainable prosperity, wellbeing and security of our owner-members, customers and operating regions through our local presence.
Vision	<ul style="list-style-type: none"> • We are the leading and most successful financial services group in Finland.
Customer promise	<ul style="list-style-type: none"> • We provide the best package of solutions and loyalty benefits.
Core values	<ul style="list-style-type: none"> • People-first approach. Responsibility. Prospering together.
Competitive advantages	<ul style="list-style-type: none"> • Comprehensive financial services offering The most extensive range of financial services on the market for both private and corporate and institutional customers. • Best loyalty benefits The most diversified and rewarding package of loyalty benefits in the sector. • Close to customers The most extensive network of branches and service outlets in Finland, plus an extensive range of electronic services. A people-first approach and local decision-making. • Cooperative basis Strong cooperative values, the combination of being an owner and a customer, and a long-term and responsible approach for the benefit of our owners, customers and operating region. • Finnish roots A financial services group in Finnish hands, which develops services for the needs of Finns. OP-Pohjola wants to promote prosperity and wellbeing in Finland and the success of Finnish business. • Stability Long-termism, reliability and security.

Financial Targets

OP-Pohjola aims to develop its business on a long-term basis:

- A faster-than-market growth rate in the long term
- Solid capital adequacy that creates competitive edge
- Strengthening profitability
- Moderate risk-taking
- Being in a better financial position than its main competitors
- Efficiency at the level that secures competitiveness

OP-Pohjola Group's long-term financial targets

	12/2012	12/2011	Target
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.9	1.8	1.6
Return on economic capital (12-month rolling)	14.9	13.7	18
Growth differential between income and expenses, percentage points (12-month rolling)	0.8	-6.1	> 0

Continuous Strategic Renewal

Transparency and dialogue represent the key words in the strategy renewal process and strategy implementation. As a cooperative group, we find it highly important that not only our personnel but also our owner-members can have their say in the strategy and be involved in the process through Group member cooperative banks and their representatives in the Group's administration. At its meeting of 13 June 2012, the Group's Supervisory Board adopted the OP-Pohjola 2012 strategy.

The next few years will see changes in the financial sector. The regulatory environment will become more rigorous, and Finland imposed a national bank tax for 2013–15. Future profitability will be eroded by extremely low market interest rates, the weak economic situation and the challenging investment environment. These changes will be felt more deeply in 2013. In the challenging near-future operating environment, we will maintain growth on a long-term basis and increase our emphasis on profitability and capital adequacy. Our strategic long-term goal is to grow at a rate above the market average while strengthening profitability. We will secure our risk-bearing capacity in all circumstances and keep risk-taking vis-à-vis the risk-bearing capacity moderate.

OP-Pohjola aims to develop its business on a long-term basis. We want to invest in the future during unstable times too and profile ourselves as an innovator in the Finnish financial sector: we will further develop our services and products and customer service processes. Customer experience has become one of our strategic priorities. Superior and consistent customer experience in all channels and business lines is our goal.

We will bring the integration of our banking and non-life insurance services to a completely new level in terms of both customer experience and operational efficiency. Shared banking and non-life customers still have huge growth potential. We will make full use of synergies by enhancing the efficiency of our internal practices and processes.

The reorganisation programme initiated within OP-Pohjola Group Central Cooperative Consolidated in autumn 2012 forms part of the Group's strategy and continues the integration of our banking and non-life insurance businesses, with the aim of improving profitability by streamlining organisations and processes and reorganising operations. The reorganisation programme will eliminate overlapping activities and streamline the management structure of OP-Pohjola Group Central Cooperative Consolidated. We will develop the personnel structure according to strategic priorities by shifting the focus to customer contact points and making intensified efforts to streamline back-office processes. Within the framework of the programme, the production of services for OP-Pohjola Group Central Cooperative Consolidated and OP-Pohjola Group member cooperative banks will be centralised in OP-Services Ltd that is undergoing a major transformation. The reorganisation programme is aimed at achieving annual cost savings of around 150 million euros by the end of 2015. A significant amount of the cost savings will be realised during 2013.

Sustained Growth

Only sustained growth will secure our future. We have utilised our solid capital base for the benefit of our customers. Our growth rate of home loans and corporate financing has been markedly above the market average. Moreover, the number of our shared banking and non-life insurance customers has still continued its growth at a very brisk pace since the acquisition of Pohjola seven years ago.

Key focus areas of growth are as follows:

- Helsinki Metropolitan Area
- Completing the integration of banking and non-life insurance services
- Corporate customer business
- Electronic financial services
- Wealth management services
- Payment transaction services

Core Values

Core values

People-first approach

OP-Pohjola is for people. A genuine concern for people – both customers and co-workers – is the basis of our operations. We are easy and agreeable to approach. Each person is treated as a dignified and equal individual. Human respect is visible in all of our operations.

Responsibility

We operate locally, regionally and nationally as an exemplary and ethically responsible company. We build long-term customer relationships based on mutual trust. Bolstered by our strong professional skills, we bear responsibility for the high quality, expertise and reliability of our services.

Prospering together

Prospering together with our customers: this idea both points the way and sets the pace for the development of our operations and services. Operating as a unified group gives our customers greater security and improves our service capabilities. The winning spirit, shared by our administration and employees, creates continuous success – the basis of our strong reputation.

Operating Environment

Global economic growth slowed down in 2012, showing a slower growth rate than the last decade's average. Economic development was characterised by great uncertainty and was uneven. The US economy grew at a moderate pace and employment improved, whereas the euro area headed for a mild recession.

The European sovereign debt crisis continued to weigh on financial markets. In the early summer, uncertainties mounted as a result of Greece's parliamentary elections. During the second half, the greatest worries about the crisis faded after the European Central Bank (ECB) announced its government bond-purchase programme.

The ECB cut its key interest rate to 0.75% and in the first half increased market liquidity significantly through its extraordinary long-term refinancing operations. Market interest rates fell to record low during 2012.

Economic growth in Finland remained weak in 2012. Following the favourable first quarter, economic growth faded towards the year end. Economic growth was supported by consumer spending, whereas exports and capital spending were subdued. The slower economic growth made unemployment increase during the second half of the year. Home prices rose by a few per cent but home sales and residential building decreased slightly.

The global economic growth outlook for 2013 is still weaker than on average. Economic growth in the euro area will remain weak. The Finnish economy will at its best grow slowly. The ECB will keep its key interest rate low and, if required, take extraordinary measures to support financial stability. Euribor rates will remain record low.

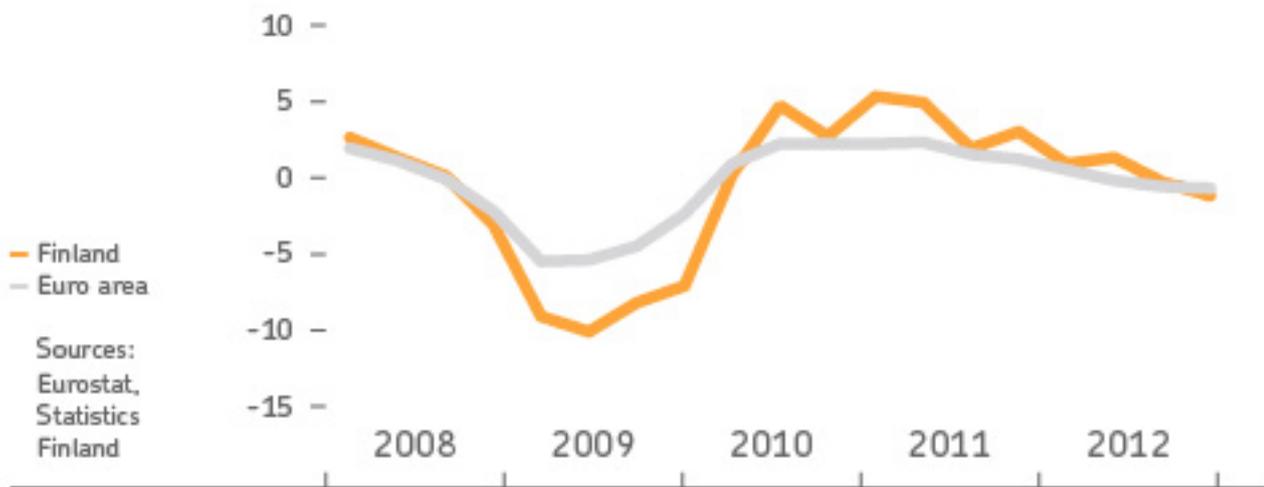
Last year, total loans in the Finnish banking sector increased by 7%, which was markedly above the average growth rate in the euro area. Loans to households continued their relatively steady growth, supported by lower market rates, whereas demand for corporate loans subsided in the second half as a result of the weaker economic outlook. Growth prospects on total loans for 2013 are dimmer than last year.

As a result of favourable developments in financial markets, mutual fund and insurance assets grew during the second half of 2012. Stock prices in Finland rose by an average of around 10% in 2012. Mutual funds' net asset inflows increased. The growth rate of deposits slowed down slightly towards the year end as a result of a decline in market interest rates and the restored risk appetite. The year-end total deposits were 6% higher than the year before.

The total premiums written by the non-life insurance sector still grew at a steady annual rate of around 6%. Claims paid increased by 4%, which is a slower rate than previously. This can be specifically attributed to the better weather conditions than the year before.

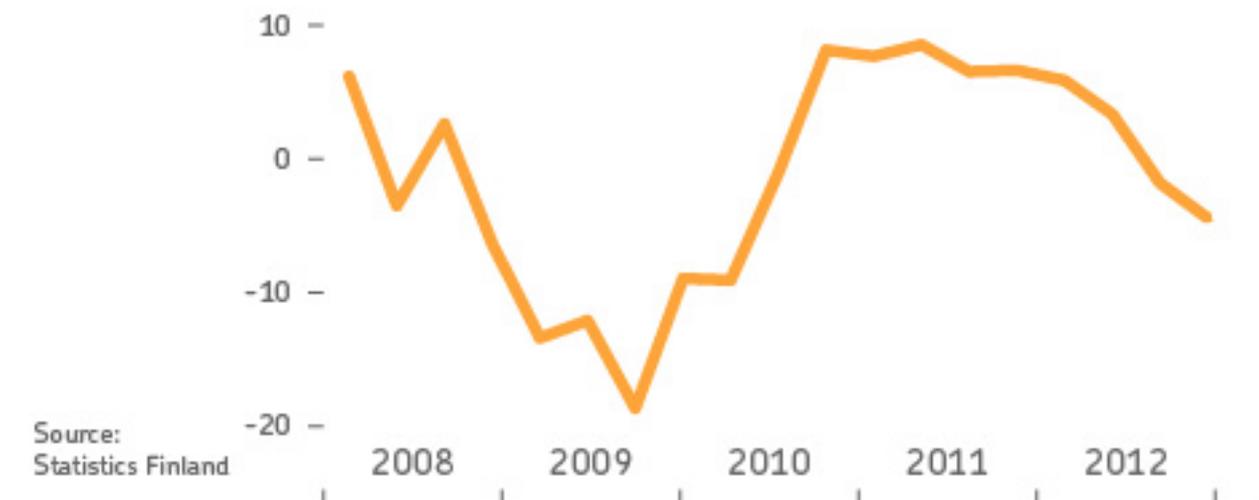
GDP

annual change in volume, %



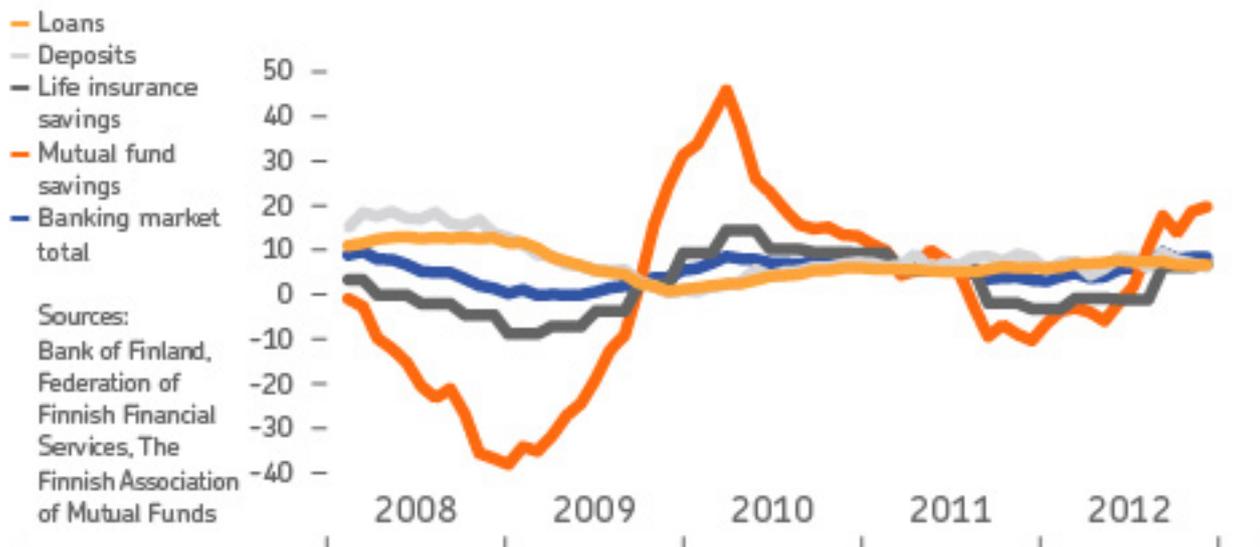
Fixed investments

annual change in volume, %



12-month change in banking

sector total, %

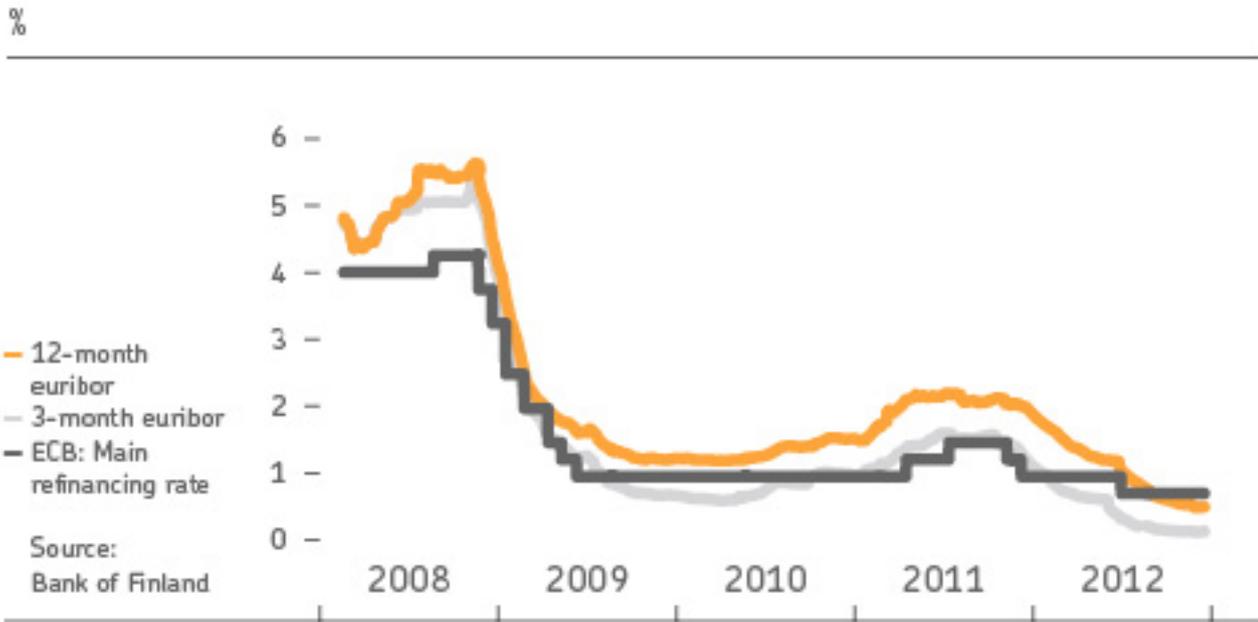


Confidence indicators

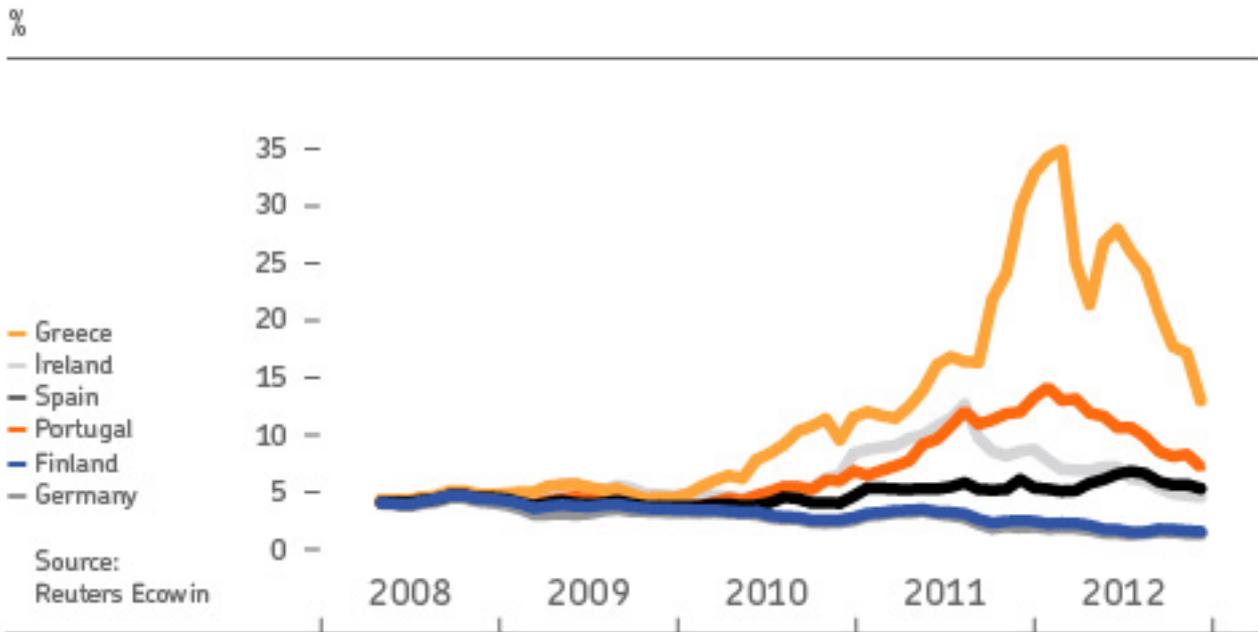
Balance figure



Euribor rates and ECB refi rate



Long-term interest rates Government bonds (10 years)



Financial Sector in the face of Major Transformation

The financial sector is undergoing major transformation in many respects. The authorities are considerably tightening regulations on banks' capital adequacy and liquidity. For example, the key regulatory changes of the Basel III reform for financial institutions will impose more stringent capital adequacy requirements, introduce new regulatory requirements on bank leverage and involve increased regulation in the field of financial risk exposure. Moreover, Finland has adopted a temporary bank tax since early 2013. The regulatory framework for insurance companies will also undergo changes through Solvency II. However, uncertainties are still associated with the content and implementation schedule of these international regulatory frameworks.

Today's low interest-rate environment coupled with tighter regulation and a higher tax burden will increase profitability pressures in the financial sector. The outlook for low growth and concerns about the euro-area economy are still reflected in prospects in the financial sector. The sector is also currently undergoing structural changes. It is developing electronic services and reshaping distribution channels.



Risk Management

Risk management has a role to play in ensuring the implementation of OP-Pohjola Group's strategy. According to the strategy adopted in 2012, the Group will secure its risk-bearing capacity in all circumstances and keep risk-taking vis-à-vis the risk-bearing capacity moderate. This moderate risk-taking approach is manifested in our daily business and is taken into consideration in the management of all of OP-Pohjola Group's most significant risks.

Numbering among OP-Pohjola Group's most significant risks, credit risk is primarily associated with banking operations. Within banking, credit risk management pays particular attention to maintaining the good quality of the loan portfolio and supervising the risk level associated with growth. Risk management also ensures that growth can be financed as specified in the Group's funding plan. Creating a strong structural funding risk position and liquidity ensures funding at a reasonable price.

The greatest market risk associated with banking arises when a change in interest rates affects net interest income. Within non-life and life insurance operations too, interest rate risk is the most significant risk among market risks included in insurance liabilities. Market risks associated with investment also play a key role in non-life and life insurance business. The moderate risk-taking approach obliges us to identify these risks and limit them to an acceptable level. Within insurance business, this approach requires well-performing risk selection and pricing processes as well as well-defined reinsurance principles.

Risk management forms an integral part of our daily operations and corporate culture

It is part and parcel of daily business and its management. Long-termism and responsibility provide a framework for customer relationship management. The role of risk management in retail banking is reflected, for instance, in that a borrower's repayment capacity is a prerequisite for loan approval. Risk awareness is involved in every business decision and forms an integral part of our corporate culture.

In particular, operational risk management pays much attention to an organisation's risk awareness. Operational risk management identifies and assesses risks while ensuring the effectiveness and sufficiency of risk controls and risk management tools. It puts the moderate risk-taking approach into practice by also ensuring compliance with the instructions issued by the authorities and the Group's internal principles.

In-depth customer knowledge is the core of risk management

OP-Pohjola Group's risk management consists of three components. The first component involves daily risk decisions and the monitoring of risk exposure. In-depth customer knowledge acquired through active customer relationship management forms the prerequisite for successful risk management and ensures moderate risk-taking. Robust risk management is in the interests of both customers and OP-Pohjola Group.

The second component involves the Group's centralised risk management function in charge of general risk management conditions within OP-Pohjola Group. This function independent of business lines and divisions controls and supervises risk management of Group institutions and analyses their risk exposure. The third risk management component involves internal audit which assesses risk management performed by both the central institution and member institutions.

Credit Ratings

Fitch Ratings affirms a rating for both OP-Pohjola Group and Pohjola Bank plc. OP-Pohjola Group's financial position also affects credit ratings affirmed for Pohjola Bank plc.

Standard & Poor's affirmed on 16 May and 20 November 2012 Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+, and on 20 November, S&P revised the outlook from stable to negative.

Fitch Ratings affirmed on 10 October 2012 Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 while keeping the outlook stable.

Moody's Investors Service downgraded on 31 May 2012 Pohjola Bank plc's long-term debt rating by one notch from Aa2 to Aa3, still affirming the rating as very strong, while Pohjola Bank plc's Prime-1 short-term debt and deposit ratings remained unchanged, with a stable outlook for these ratings.

Rating agency	Short-term funding	Long-term funding
Fitch Ratings (OP-Pohjola Group and Pohjola Bank plc)	F1	A+
Standard & Poor's (Pohjola Bank plc)	A-1+	AA-
Moody's (Pohjola Bank plc)	P-1	Aa3

Summary: Business Lines

Considering the circumstances, OP-Pohjola Group performed extremely well in 2012. Investment income formed the key to the good financial performance. Earnings improvement came from Non-life Insurance and Wealth Management in particular. Low interest rates undermined earnings from Banking. A decrease in net interest income is expected to level off during 2013. (326 merkkiä)

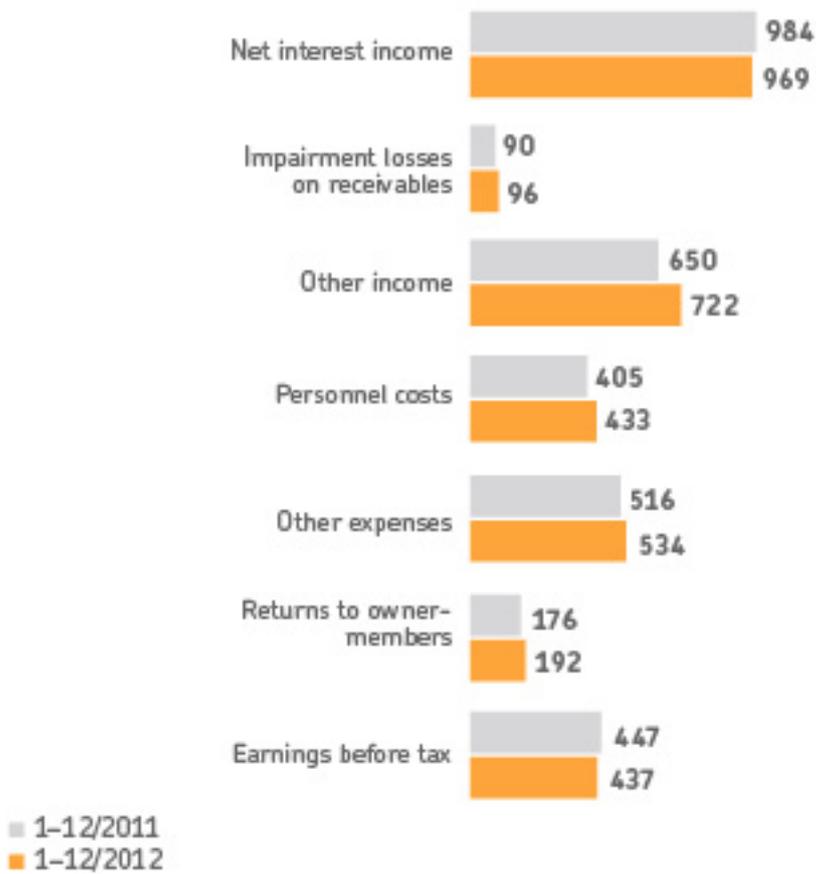
Earnings before tax by Business Segment

€ million



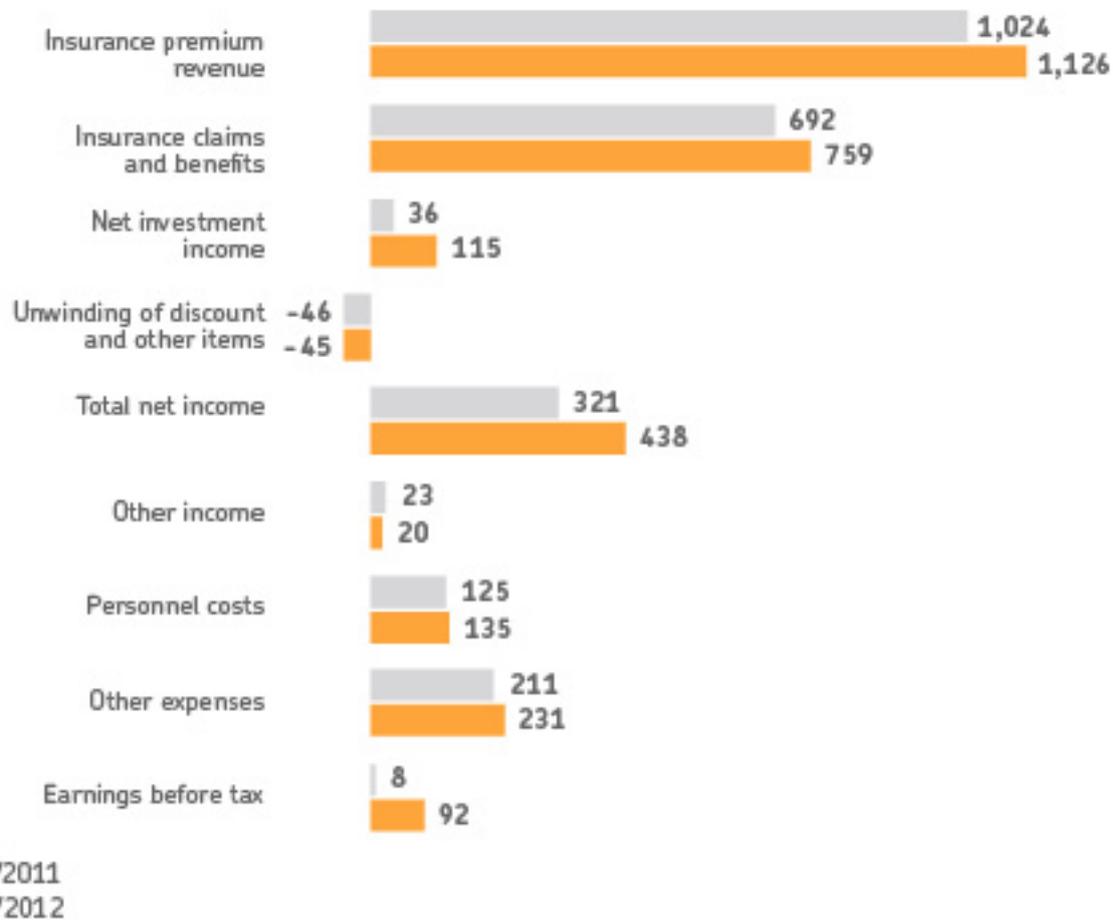
OP-Pohjola Group: Banking

€ million



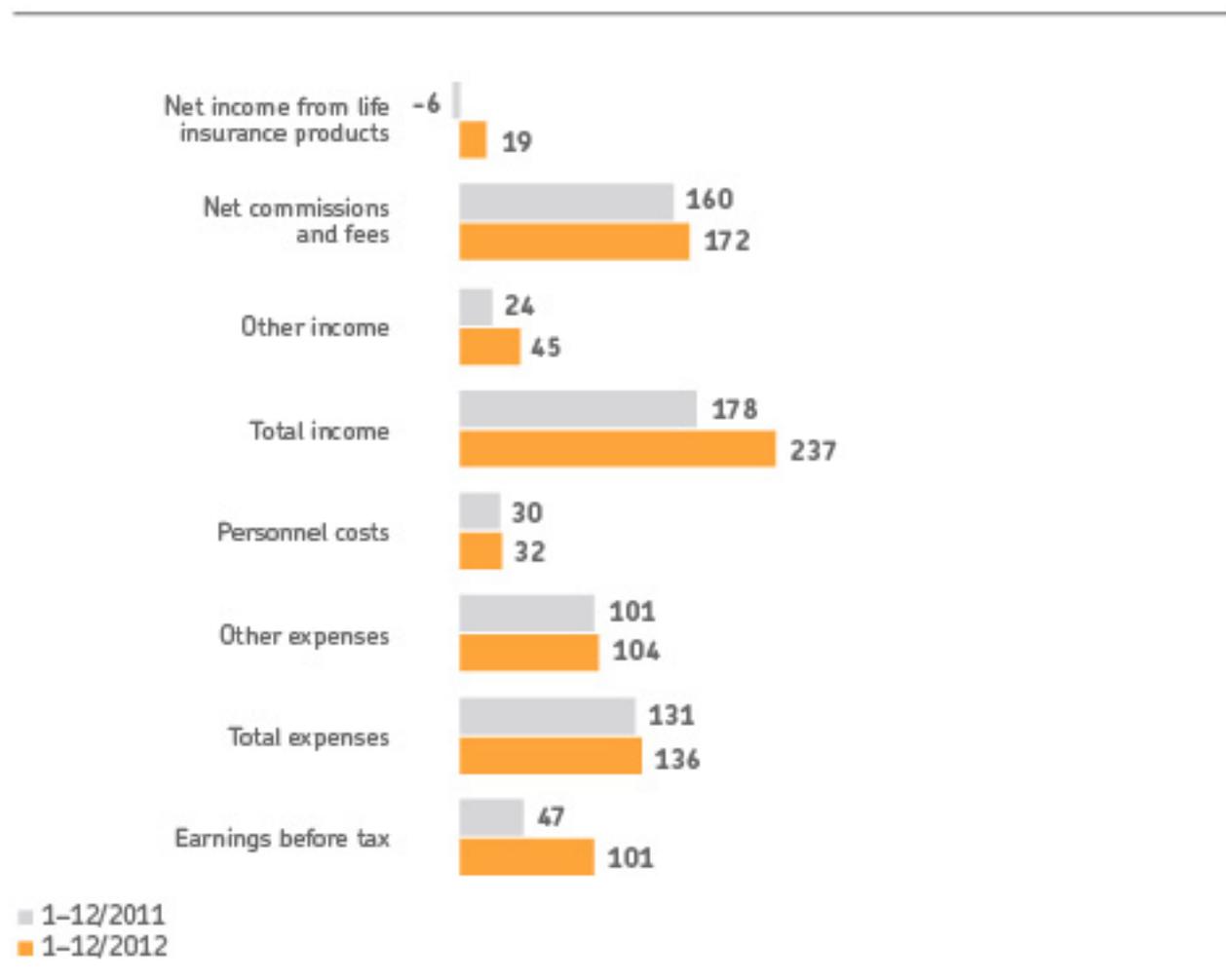
OP-Pohjola Group: Non-Life Insurance

€ million



Wealth Management

€ million

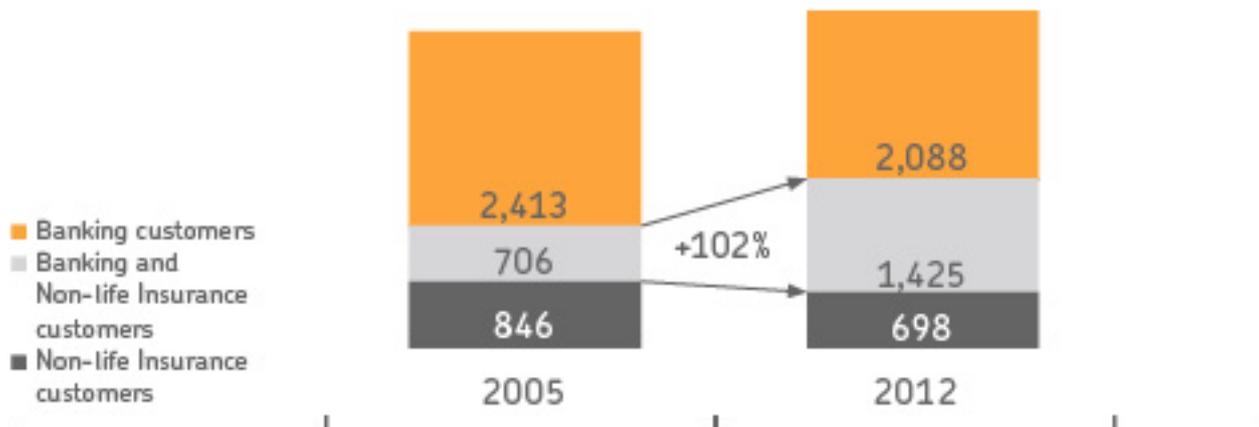


Service network

OP-Pohjola Group's service network	31 December 2012	12-month change
eServices Agreements	1,611,229	52,533
Locations	519	-16
providing both banking and insurance services	350	5
Private Banking branches	37	1
OP-Kiinteistökeskus real estate agent branches	178	4
Online customer terminals at branch offices' self-service points	530	-17

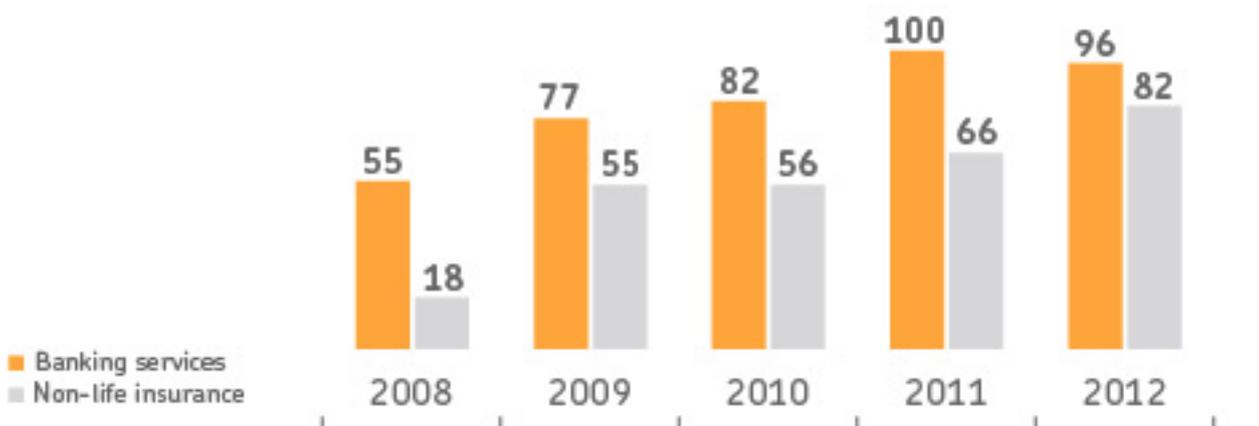
OP-Pohjola Group customers

1,000 customers



Use of OP bonuses

€ million



OP-Pohjola Group is Finland's largest provider of home and corporate loans. It plays a major role in promoting economic activity and employment in Finland.

Market share

- of total home loans 36.9%
- of total corporate loans 35.5%

OP-Pohjola provides its customers with the most extensive range of products and services in Finland. Delivering a superior customer experience guides our product and service development.

In 2012:

- 215,000 downloaded mobile applications
- 320,000 customers received eBills

Comprehensive Financial Services

As the leading financial services group in Finland, OP-Pohjola Group offers its customers a complete range of banking and insurance services. We also have a unique opportunity to combine banking and insurance products into packages that bring customers new added value. This idea is visible in our product and service development.

In line with our customer promise, we wish to offer the best loyalty benefits to customers concentrating both their banking and insurance services with the Group.



Customers

OP-Pohjola is there for its owner-members and customers. OP-Pohjola Group has 4.2 million customers, with retail customers and corporate customers accounting for 3.8 million and around 400,000, respectively. The acquisition of Skandia Life Finland's business in August increased the number of customer by well over 20,000.

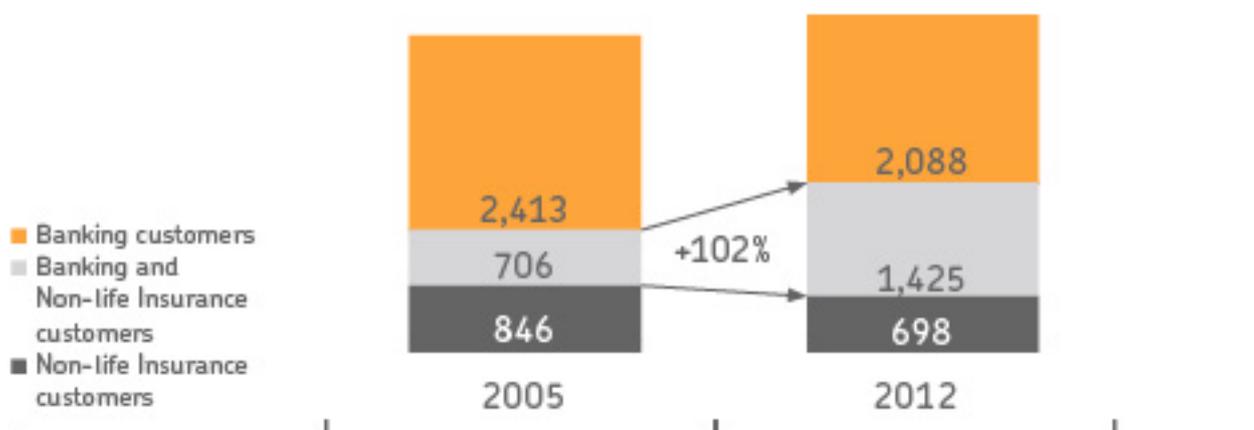
In 2012, growth in the number of shared banking and insurance customers hit an all-time high, up by almost 130,000. This number has doubled since the acquisition of Pohjola in 2005. The number of shared banking and insurance customers has increased by 700,000 to 1.4 million in the last seven years.

In 2012, the number of insurance customers also showed a record growth figure, increasing by more than 110,000 to 2.1 million. Since the Pohjola acquisition, their number has increased by almost 600,000. The number of non-life loyal customer households rose by almost 50,000 in 2012 to 570,000.

Customers have the chance of being involved in the development of operations and activities. Owner-members have the opportunity to contribute to the decision-making of their local Group member cooperative bank. Improving customer experience became a top strategic priority in 2012 with the aim of providing increasingly better customer service.

OP-Pohjola Group customers

1,000 customers



Loyalty Benefits

Being an OP-Pohjola Group member cooperative bank owner-member provides such an owner-member with the opportunity to contribute to the decision-making of his local cooperative bank. What is more, owner-members reap unequalled loyalty benefits from the use of banking and insurance services.

Group member cooperative banks and Helsinki OP Bank reward their customers in terms of OP bonuses that they earn in proportion to the value of banking and insurance service they use. The OP bonus scheme has already been in place since 1999 and bonuses earned by customers in 2012 were worth EUR 173 million. The use of banking and insurance services generates bonuses that are used for various bank service charges and insurance premiums determined by OP-Pohjola Group and for OP-Kiinteistökeskus realty commissions. OP bonus customers also earn bonuses from insurance premiums for home, family and motor vehicle policies. Moreover, insurance premiums paid with OP bonuses generate bonuses. OP bonuses will offer customers the most if they use OP-Pohjola Group not only as their main bank but also their main insurer, because they get an extra discount on insurance policies.

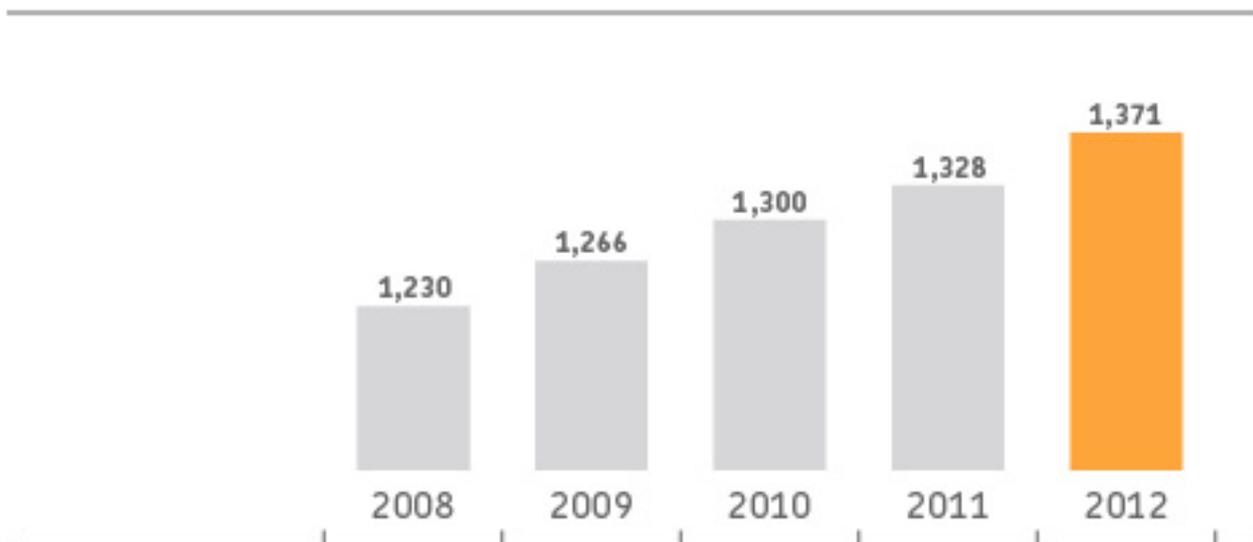
OP-Pohjola Group further develops its loyalty scheme on an ongoing basis. Since the autumn of 2012, customers have had the opportunity to use their OP bonuses to cover charges and fees relating to individual unit-linked insurance.

Companies run by owner-managers, which meet the criteria set for customer loyalty in terms of an active corporate account and several insurance policies taken out with Pohjola Insurance Ltd, receive annually varying, special benefits based on such loyalty.

An increasing number of OP-Pohjola customers have taken out their non-life policies with a Group member cooperative bank and discovered the financial benefits from loyalty and the convenience of one-stop shopping.

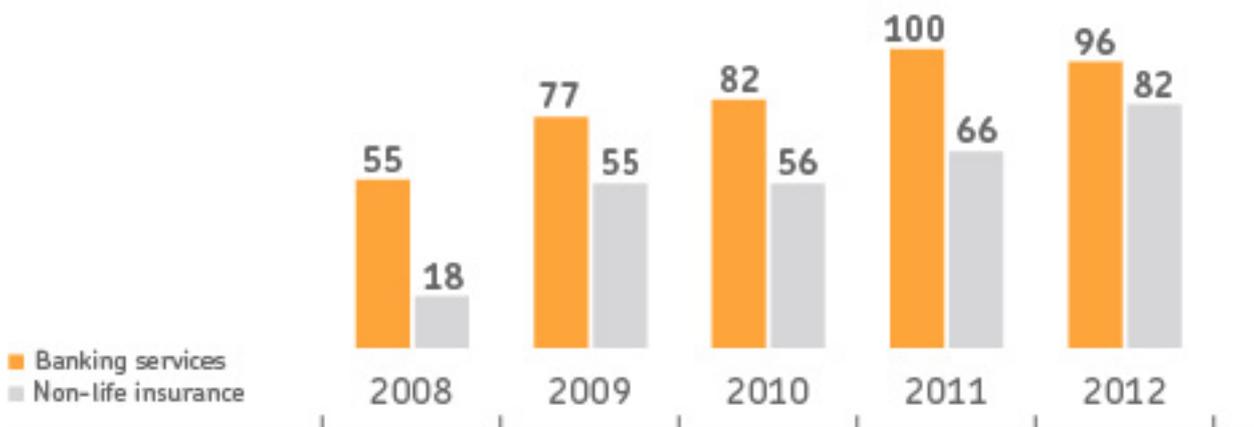
Owner-members

1,000 members



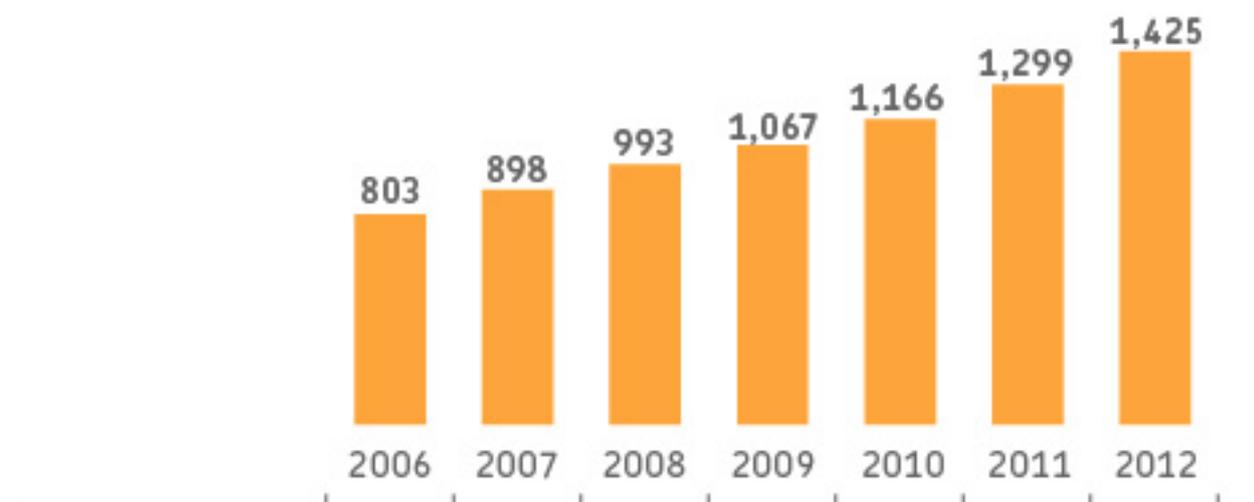
Use of OP bonuses

€ million



OP-Pohjola Group's joint banking and non-life insurance customers

1,000 customers



Banking

Banking is the largest of OP-Pohjola Group's business segments. From OP-Pohjola's range of banking services, private customers can find suitable solutions for not only financial management and home buying but also for investment. For companies, OP-Pohjola provides financing, cash management and payment transaction services.

In 2012, Banking grew particularly strongly in deposits and corporate and home loans. The Group gained a higher market share in loans. The market share rose particularly well in corporate loans.

Loan margins continued to rise in 2012 as all banks passed the costs of higher funding onto lending margins and were preparing for tighter regulation. The margins of term deposits stopped rising in the second half of 2012.

The volume of new home loans raised from OP-Pohjola Group increased by 2.2% year on year. Demand was supported by low interest rates. Loan interest rates are historically low, although margins are clearly higher than a year ago. On 31 December, the Group held 36.9% (36.0) of the home mortgage portfolio in Finland. The consumer loan portfolio grew by 8.1% from last year's figure.

The number of homes sold through OP-Kiinteistökeskus real estate agents was 16,291 in 2012, or 5.5% lower than a year ago (17,240).

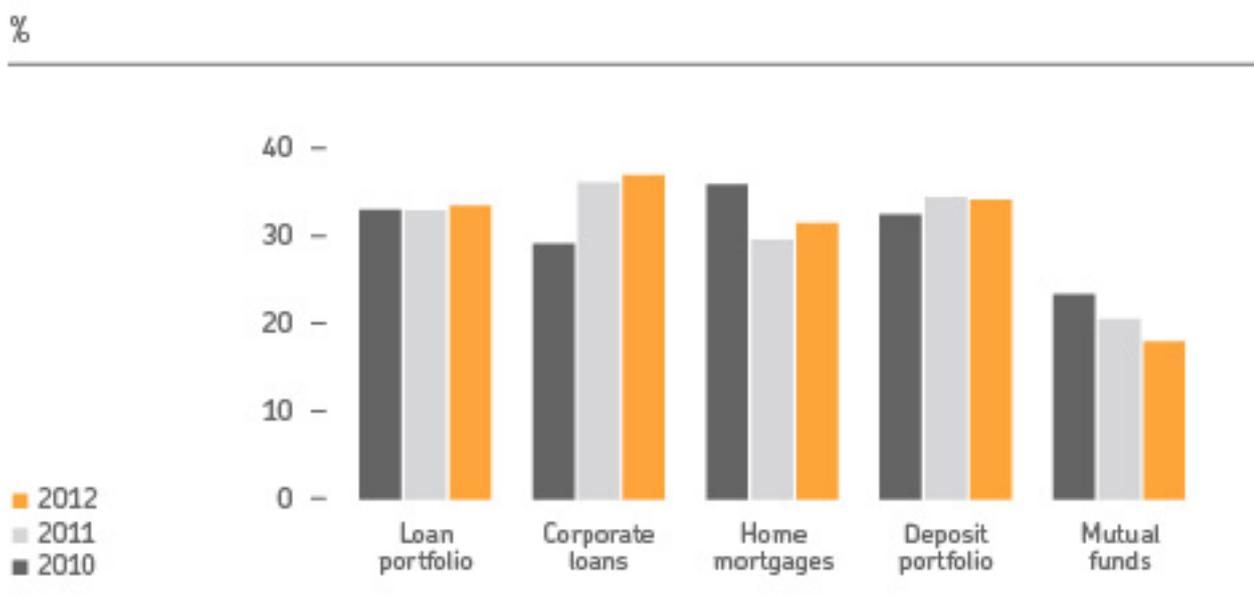
The corporate loan portfolio grew by 9.3%. The Group's market share of corporate loans increased from 33.3% to 35.5% in the year to December.

Deposits with OP-Pohjola Group increased by 9.0% in 2012. Payment transaction accounts increased by 9.7% and investment deposits by 8.2%.

Pre-tax earnings by Banking shrank by 2.2% to EUR 437 million as a result of lower net interest income and higher expenses. Income grew by 3.5 per cent to EUR 1,692 million. Net interest income contracted by 1.5% as a result of low market interest rates.

Credit risk exposure remained stable with a moderate risk level. Impairment loss on receivables, EUR 96 million, was as low as they were a year ago, as expected.

OP-Pohjola Group's market share



Residential Lending and Brokerage Services

Demand for home loans remained quite strong although economic growth was subdued and consumer confidence was much weaker than the long-term average. In 2012, the Finnish home loan market grew by 5.6%, showing only a slightly lower growth rate than a year earlier (6.6%).

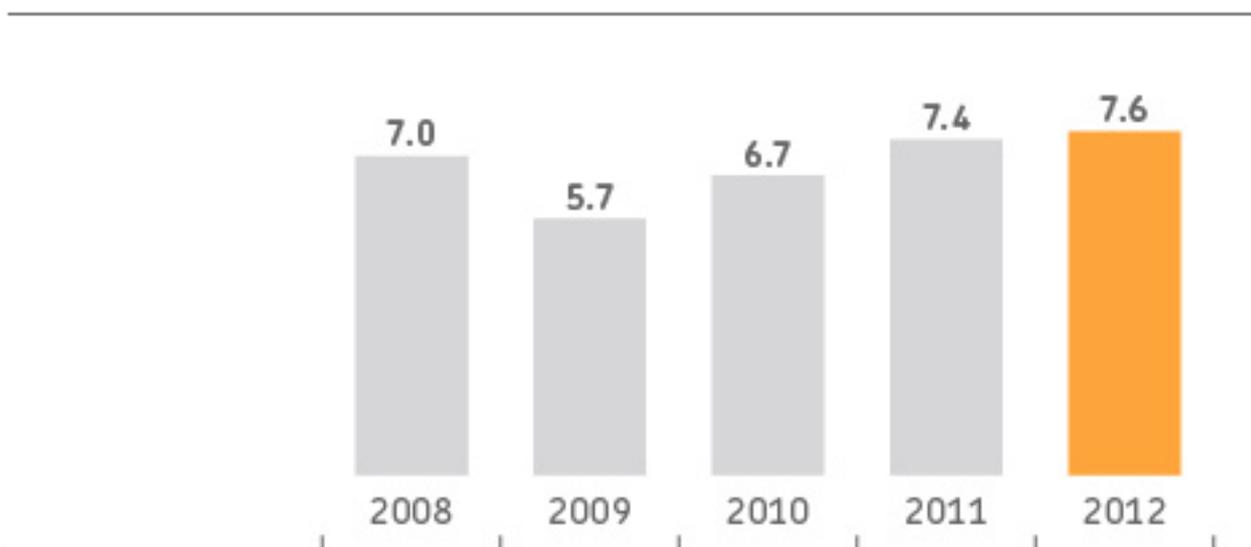
OP-Pohjola Group continued to strengthen its position as the largest provider of housing loans in Finland. New home loans raised from OP-Pohjola Group in 2012 amounted to EUR 7.6 billion, or EUR 0.17 billion more than in 2011, the busiest year in the 2000s thus far. OP-Pohjola Group's market share of home loans stood at 36.9% at the end of 2012.

Because of higher long-term funding costs and the regulatory changes in the offing, the margins of new home loans rose considerably during 2012. The margin stood at around 1.4% on average at the end of the year and will increase further in 2013.

Despite the weaker economic situation and the higher unemployment rate towards the year end, borrowers have on average managed to hold to their repayment plans well and non-performing housing loans have remained at low levels.

Mortgages drawn down

€ billion



OP-Kiinteistökeskus real estate agents

In 2012, home and property sales remained steady due, for example, to low interest rates, with total transactions reducing slightly from their previous year's levels.

The chain of OP Kiinteistökeskus real estate agents recorded sales of roughly 16,300 homes and properties, which is over 5% less than its record year of 2011.

Consumer Credit and Card Services

Consumer loan portfolio still rising

OP-Pohjola's consumer loan portfolio increased by 8.1%, and as the year before, the best growth was experienced by car financing. The Group's market share of consumer loans grew by 1.7 percentage points and was 34.2% at the end of the year.

New card type on the market

OP-Pohjola Group is again a forerunner cards by introducing the first contactless cards in Finland. Cards used without a PIN for small payments make the transaction quicker and easier at the checkouts of shops and other service companies. It is not only handy but also as safe as chip payments. Contactless OP-Visa Debit cards were introduced in autumn 2012.

The settlement services for international card payments we began to provide for merchant customers in late 2011 continued lively throughout 2012. OP-Pohjola Group provides comprehensive services to facilitate card acquiring services. In the basic service, the cooperative bank credits Visa and MasterCard transactions directly to the customer, while as a supplementary service, customers may make agreements with American Express and Diners Club and get POS terminals, too.

Company and housing association loans

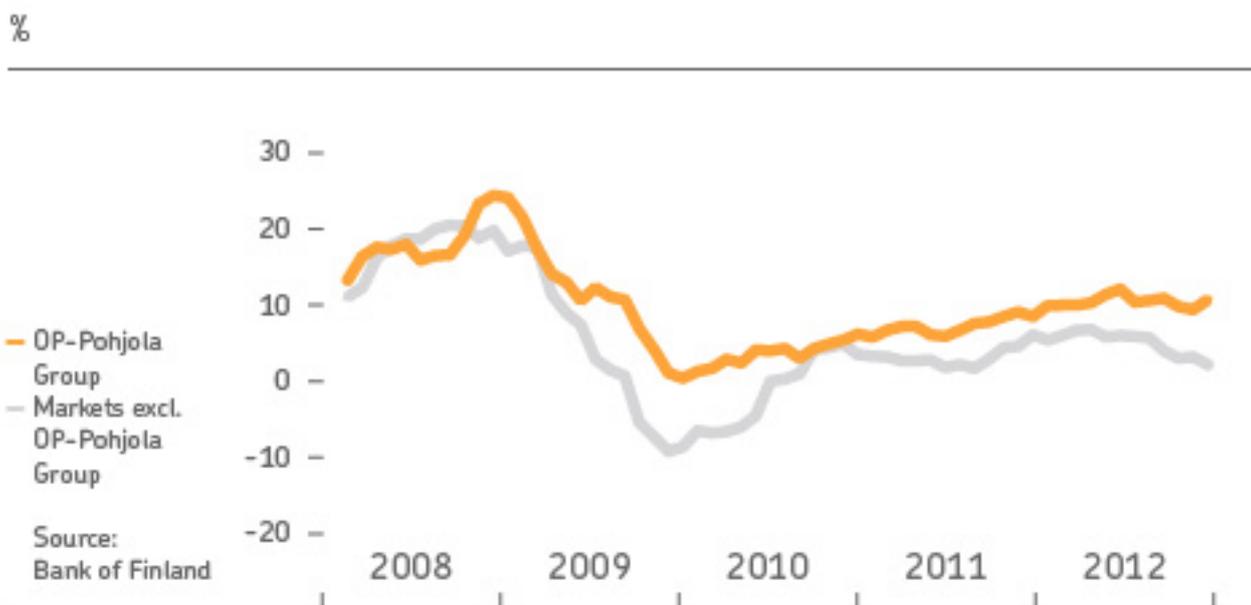
Corporate loans continue their growth in 2012 despite the slower-than-expected economic growth and the unstable economic environment. Higher funding costs incurred by banks and the resulting more expensive finance for companies did not undermine demand for borrowing but it remained relatively brisk throughout the year. Banks have also offered financing for viable projects.

In 2012, OP-Pohjola Group's corporate and housing association lending increased markedly faster than that of other banks. The domestic corporate loan portfolio increased by 9.3%, the growth being more slowly (11.3) than a year ago. Housing association loans increased by 18.9%, representing a faster growth rate (11.0) than the year before.

New corporate loans drawn down amounted to EUR 7.4 billion. On 31 December 2012, the corporate loan portfolio stood at EUR 17.0 billion (15.6) and the guarantee portfolio totalled EUR 3.1 billion (2.7). The domestic loan portfolio increased by EUR 1.5 billion in 2012, with both Group member cooperative banks and Pohjola showing brisk growth. At the end of December, the market share of corporate loans was 35.5% (33.3).

Impairment loss on corporate loans in 2012 remained at the previous year's level.

Corporate loan total, 12-month change



Deposits

Total deposits increased by 9 percent in 2012, with corporate and institutional deposits showing a particularly strong growth. OP-Pohjola Group's market share of deposits stood at 34.1 percent at the end of 2012.

Deposit accounts with OP-Pohjola Group, € billion (Source: monthly statistics of borrowing)

	2012	2011
Private customers' current accounts	13	13
Corporate customers' payment transfer accounts	11	9
Private customers' investment accounts	17	16
Corporate customers' investment accounts	4	3
OP-Pohjola Group total	45	41

Interest rates came down during 2012. Competition for deposits remained virtually unchanged and 12-month time deposits paid out interest rates above the Euribor. Demand deposits and the combination of deposits and investment products were popular investment vehicles.

Deposits

€ billion



Payment Transfer Services

Intermediary for government payments

Pohjola Bank plc was chosen as the primary intermediary of the Finnish state's payment transfers in autumn 2011, with OP-Pohjola Group being in charge of them from 2012 to 2018. In order to ensure a smooth transition, cooperation with the State Treasury was intense all the way up to 1 December when we took over as intermediary. Pohjola Bank plc transferred tax refunds to the bank accounts of 3.3 million people in Finland. The entire operation was carried out without any problem in cooperation with the Tax Administration and State Treasury.

eBanking more and more popular

Both businesses and individuals preferred electronic invoices and bills to a greater extent. The number of new users of OP-Pohjola Group's eBilling service in 2012 was more than double that in 2011. At the end of 2012, some 320,000 customers were receiving eBills, which should in most parts supercede Finnish direct debiting that will be discontinued in 2014.

Use of banking services on mobile devices is in a steep rise. OP-mobile offers customers a safe and easy way to use our banking and insurance services.

More dedicated efforts to prevent online crime

Online crime increased last year. Most criminal attempts were based on malware designed to transfer funds from the customer's bank account without the customer realising it when they were using our online banking services.

OP-Pohjola continued to improve its online banking services' safety and data security features. We sent our customers plenty of information on how to detect new threats. OP-Pohjola Group tries to investigate criminal attempts and to prevent threats in close cooperation with the authorities. Despite new kinds of threats, our online banking and insurance services are safe to use.

Non-Life Insurance

OP-Pohjola Group is Finland's leading non-life insurer providing its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions.

Pohjola Group's Non-life Insurance serves customers through Pohjola Insurance Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company, and Seesam company operating in the Baltic countries.

Pohjola's Non-life Insurance continued its strong growth. Earnings before tax for 2012 improved over the previous year to EUR 92 million. This improvement had its root in the increase of insurance premium revenue and the good performance of investment operations. A reduction from 3.3% to 3.0% in the discount rate for technical provisions related to pension liabilities eroded the balance on technical account by EUR 52 million.

Insurance premium revenue rose by 10% to over EUR 1.1 billion. The number of loyal customer households and corporate customers showed record growth figures. There were 570,000 loyal customer households on 31 December. A total of almost 70% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank.

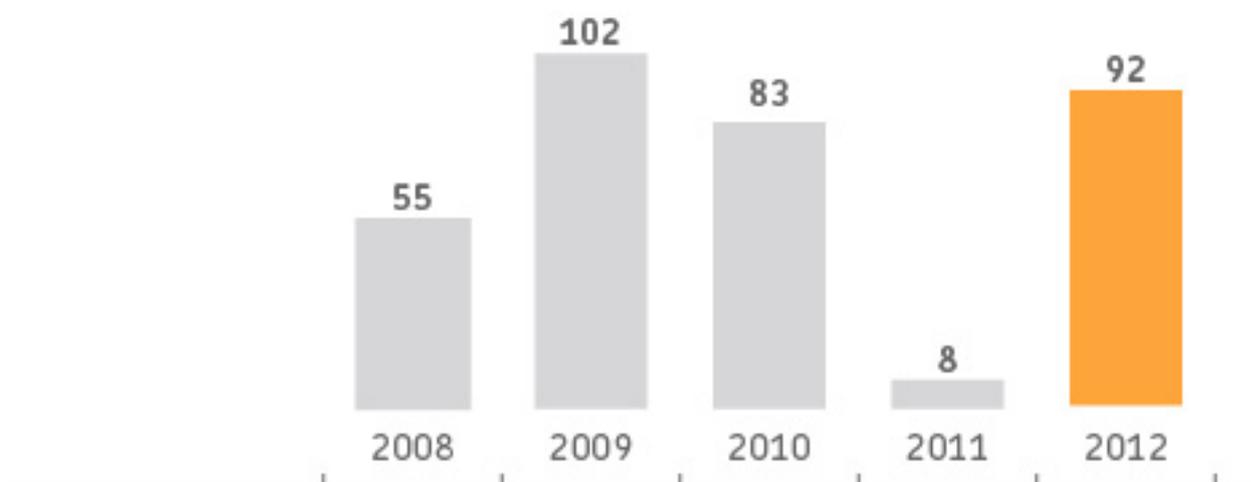
Claims services had a busy year, as evidenced by the over 450,000 loss reports received by Pohjola, which is some 30 000 more than during previous year. This higher number of losses and claims was attributable to the larger number of customers.

Omasairaala Oy founded by Pohjola is a hospital for outpatient surgery, specialising in the examination and treatment of orthopaedic diseases and injuries, which began to operate in early 2013.

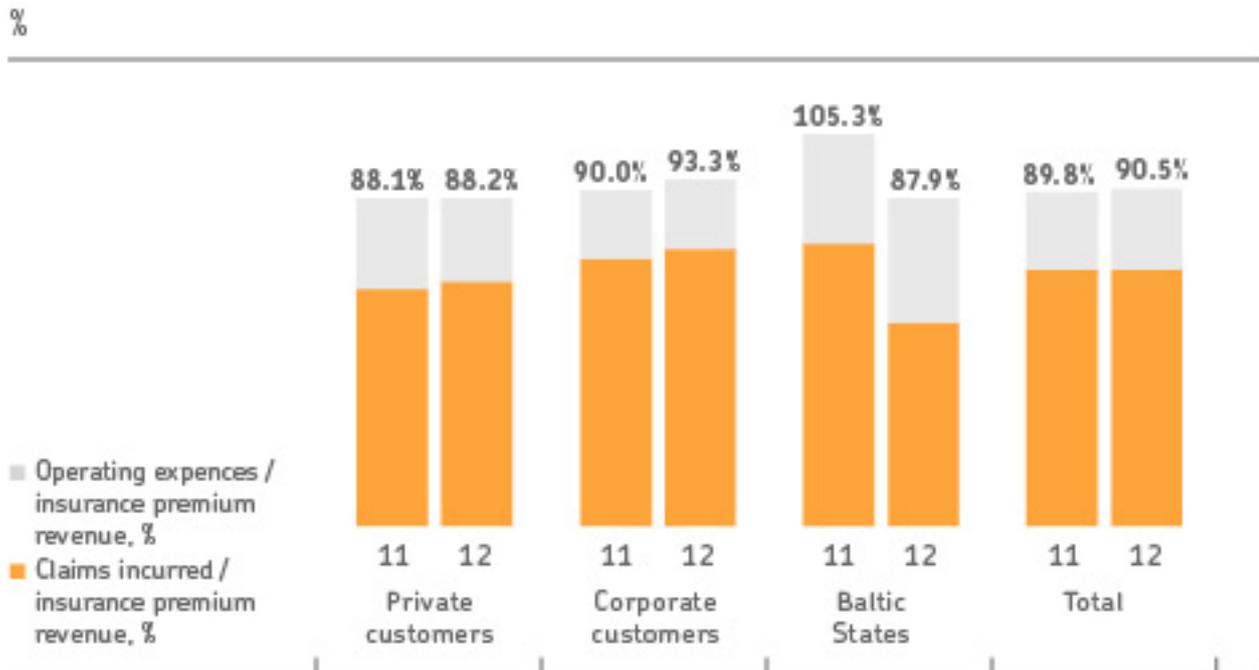
When it comes to Non-life Insurance, Pohjola has the key aim of improving operational efficiency substantially and growing at an above-market-average rate among private, SME and corporate customers. Key priorities include also personal insurance and health and wellbeing/wellness services.

Non-life's earnings before tax

€ million



Operating combined ratio



Wealth Management

OP-Pohjola Group's Wealth Management segment provides a diverse range of services and products in insurance saving, term life insurance, mutual funds, and discretionary and advisory mandates. An extensive service network is OP-Pohjola's asset.

The commissions and fees of the Wealth Management segment consist of commissions and fees from asset and fund management and life insurance policies. In 2012, earnings before tax were EUR 101 million (47) and earnings before tax at fair value EUR 315 million (-144). OP-Pohjola Group increased its market share considerably in unit-linked insurance savings following the acquisition of Aurum Investment Insurance Ltd. The share of unit-linked insurance of insurance savings increased to 61.9% (48.3). Return on investments at fair value was 9.2% (-1,5).

Life Insurance

For the life insurance business, 2012 marked a year of growth. The eased fears related to the financial crisis increased demand for savings products in particular. Demand for pure risk insurance was on the increase too. Only the popularity of tax-subsidised saving-for-retirement products continued to wane because their terms became increasingly tighter from the beginning of 2013 when the exemption from gift tax applied to policies worth up to EUR 8,500 given as a gift was also abolished. In the Finnish life insurance sector, premiums written rose by 18% to EUR 3.8 billion and insurance assets under management increased by 4% to EUR 35 billion.

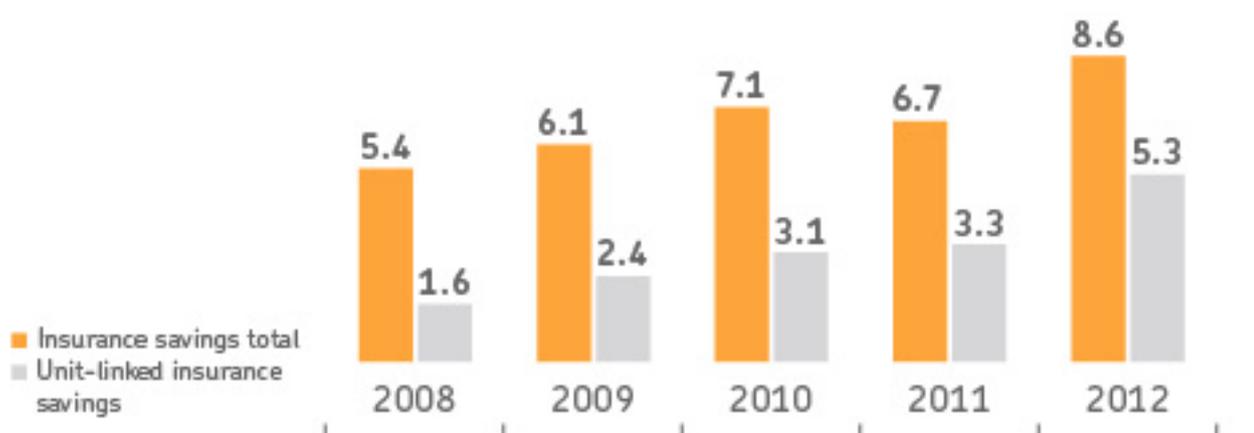
OP-Pohjola Group increased its market share in insurance savings considerably. Unit-linked insurance assets increased by 64% to EUR 5.3 billion. Around 41% of this increase came from a company acquisition. In August 2012, OP-Pohjola Central Cooperative acquired the share capital of Aurum Investment Insurance Ltd from Skandia Life Assurance Company Ltd. As part of the acquisition, OP-Pohjola received some 100,000 unit-linked life and pension policies with the related assets totalling EUR 1.3 billion at the end of 2012.

The share of unit-linked insurance assets of all insurance assets rose to 62%. Pure risk policies showed a steady upward trend and their premiums written were up by 7%. All in all, Life Insurance did well in 2012. Despite the lowered level of investment risks, return on investments at fair value was excellent (9.2).

Life insurance premiums changed in December 2012 because the gender of those insured may no longer be used as a risk-rating factor, based on the ruling of the European Court of Justice, whereby a directive allowing unequal treatment of men and women was in breach of the principles of equality and anti-discrimination written into the Treaty on European Union.

Life Insurance Insurance savings

€ billion



Mutual Funds

In 2012, OP-Pohjola Group accounted for 18.0% (20.7) of the assets of the mutual funds registered in Finland and for 19.6% (20.6) of unitholders. Uncertainty occasionally prevailing in the stock and bond markets and institutional investors' preparing for a more rigorous regulatory environment diminished fund assets resulting from redemptions. Nevertheless, retail clients showed much greater interest in investing in mutual funds in 2012 and their net asset inflows into mutual funds began to increase after several years of a downward trend. OP-Pohjola reported excellent returns in all asset classes.

Capital invested in mutual funds, €bn	2012	2011
Equity and hedge funds	3.9	3.3
Balanced funds	1.4	1.2
Long-term bond funds	4.7	4.7
Money market funds	1.9	2.2
Total	11.9	11.5

OP-Pohjola remained active in developing mutual fund products in 2012. It launched eight new fund products and also made major changes in a few funds' investment policy.

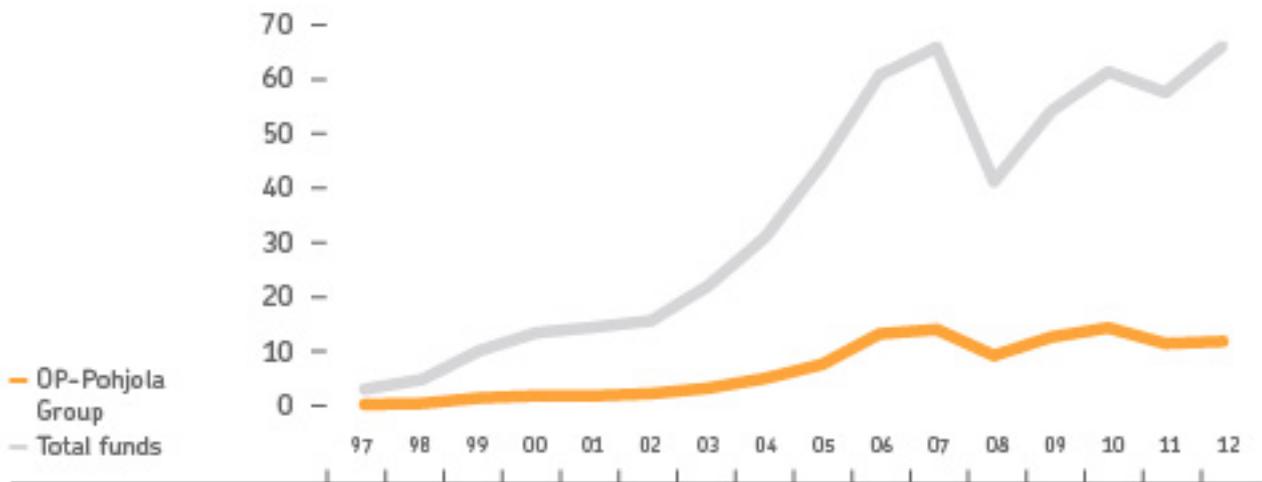
Equity and corporate bond funds maintained their position as the most popular investment vehicles. The revamp of balanced funds aimed at retail investors was a success and the funds increased their popularity in terms of both the number of unitholders and the amount of assets invested. In response to the needs of professional clients, OP-Pohjola established, for example, OP-Africa Fund (non-UCITS) and OP-EMD HC Corporate IG fund, the latter investing in emerging market bonds. The increasing importance of socially responsible investing in clients' investment decisions contributed to the decision to establish OP-Clean Water Fund.

Pohjola Asset Management Ltd, the leading institutional asset manager in Finland, is in charge of managing the majority of the portfolios of OP mutual funds. The portfolio management of some funds have been outsourced to international partners currently numbering 12. The range of OP mutual funds is supplemented with the funds managed by our international partners J.P. Morgan Asset Management and Fidelity Worldwide Investments, which OP Fund Management Company Ltd provides to Private Banking clients.

OP-Pohjola offers its mutual fund clients a number of services without any charges in support of their investment decisions. Investor's Fund Portfolios, individual mutual fund ideas suggested for the prevailing market situation and a fund calculator helpful in planning to invest in mutual funds rank among the most popular of these services.

Fund capital in Finland

€ billion



Asset Management

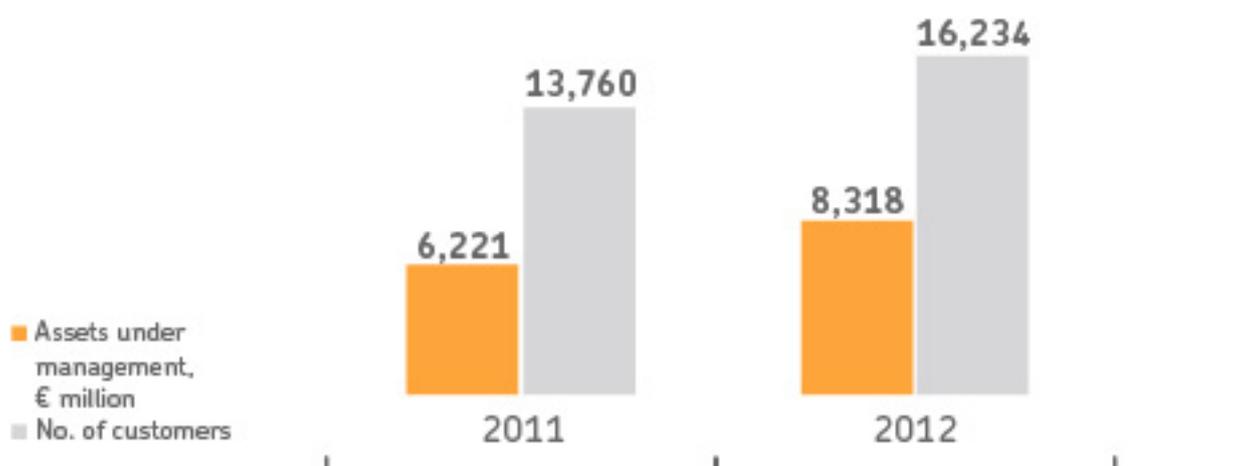
OP-Pohjola is the market leader in institutional asset management in Finland. Pohjola Asset Management provides institutional investors with a full range of asset management services, depending on client needs: discretionary investment management, advisory investment management or opportunities to invest in individual mutual funds available from OP Mutual Funds and a wide range of international partners' funds. Institutional clients' assets under management have developed favourably and amounted to EUR 19 billion on 31 December 2012.

A Private Banking agreement gives customers access to comprehensive and personal services through product and service offerings provided by both OP-Pohjola Group and its partners. Private Banking uses discretionary investment management and advisory investment management as its wealth management service concepts and also provides banking and insurance services and legal services. Private Banking also helps customers in property investments, home buying and selling and tax-related issues. Contractual wealth management services within OP-Pohjola Group are provided by the units of its cooperative member banks, Helsinki OP Bank Plc and OP-Private as well as Pohjola Private.

The year 2012 marked a period of vigorous growth in the number of customers and assets under management. The number of customers increased by 2,374, or 18%, and totalled 16,234 at the end of 2012. Assets under management at the end of 2012 amounted to EUR 8,318, representing a year-on-year growth of almost 34%.

OP-Pohjola Group boasts Finland's most extensive Private Banking network, the year-end number of offices totalling 38. OP-Pohjola opened new offices in Imatra and Kotka in 2012. Private Banking services are available to all customers of OP-Pohjola Group member cooperative banks, enabled by a regional cooperation model.

OP-Pohjola Group's Private Banking



Human Resources

OP-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 competencies throughout their careers.

Satisfied personnel – Driving force behind the Group's success

Effective interaction and cooperation with the employer and employees and their representatives forms the basis of a good HR policy. Employee and employer representation within OP-Pohjola Group Central Cooperative Consolidated and at OP-Pohjola Group level, 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.

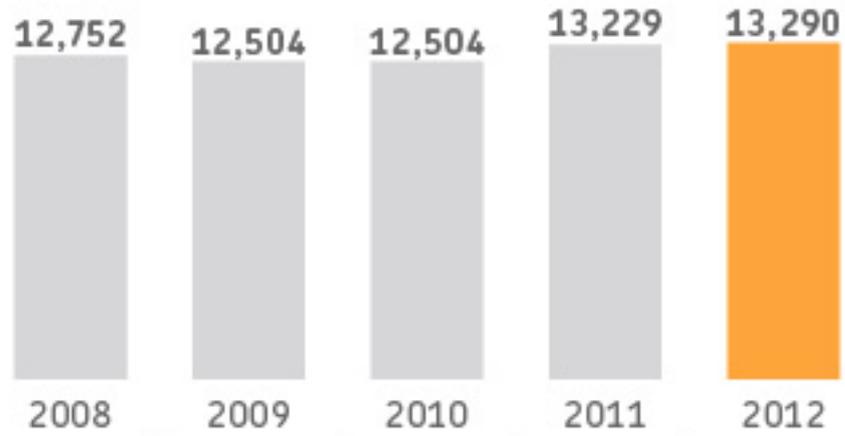
OP-Pohjola is committed to determined and ongoing efforts to promote employee wellbeing. The Group monitors job satisfaction and employee wellbeing by conducting an annual personnel survey that gauges job motivation, employee engagement and leadership work in line with OP-Pohjola's core values and principles. On the basis of the survey results, OP-Pohjola further develops activities at workplace, company and Group level.

In the autumn of 2012, OP-Pohjola conducted a Group-level personnel survey aimed at eliciting information on management and leadership, job motivation, employee engagement and each organisation's practices and ability to reinvent itself. This new type of Group-level personnel survey was conducted in the autumn of 2011 for the first time, covering 9,071 respondents (response rate of 83%) with employees within OP-Pohjola Group Central Cooperative Consolidated accounting for 4,458 and those within OP Kiinteistökeskus real estate agents for 4,613.

OP-Pohjola wants to provide equal working opportunities for women and men. OP-Pohjola monitors employees' experiences of equality based on the results of its regular personnel surveys. Good management of people of various ages in different life situations and cooperation between the generations are developed through the 'Good Age' programme, for example.

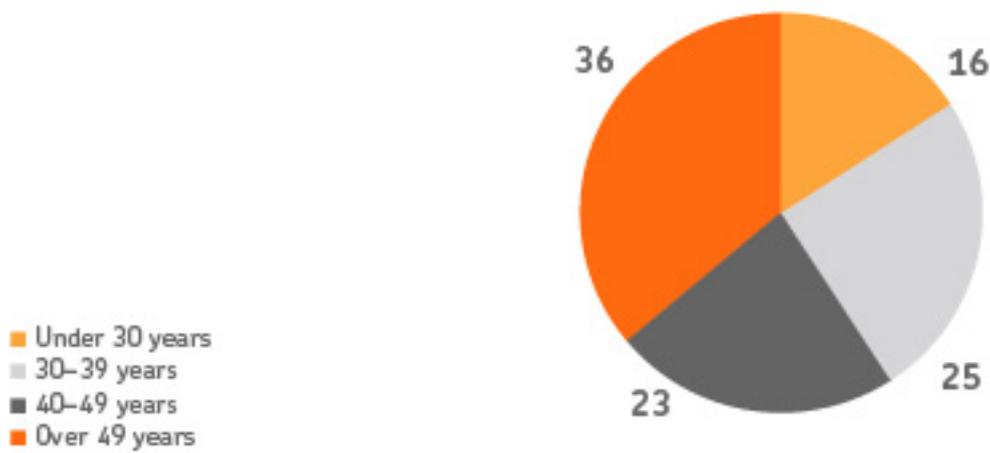
In 2012, OP-Pohjola Group spent a total of around EUR 14 million on training and coaching.

Personnel

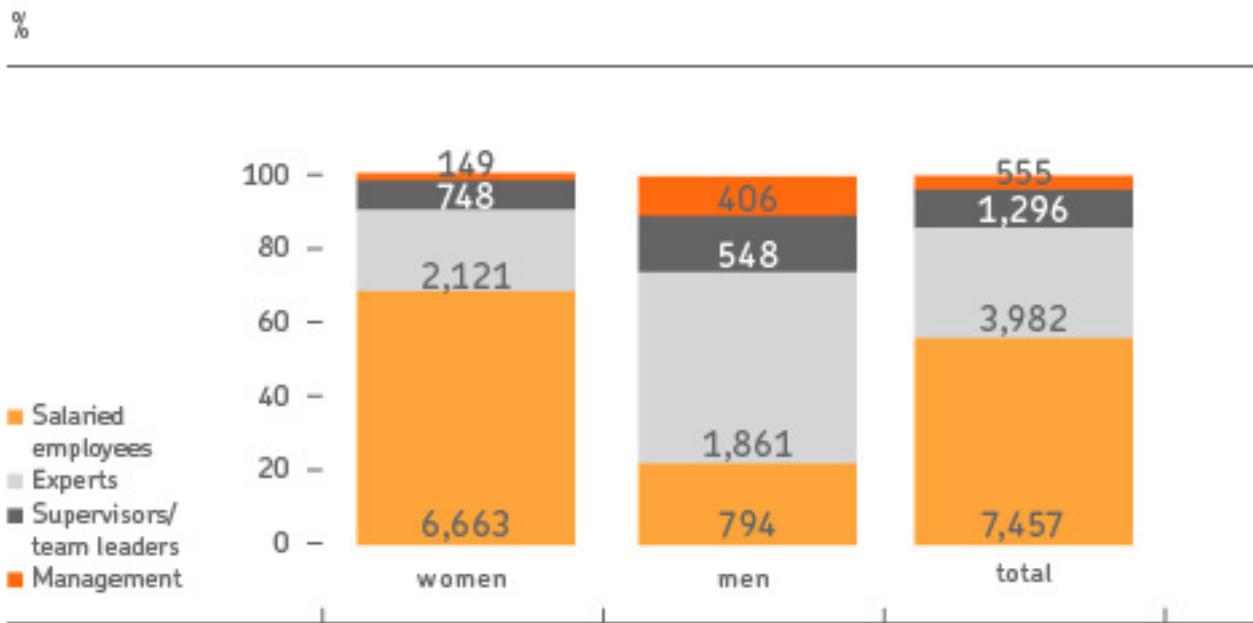


Personnel by age

%



Gender distribution



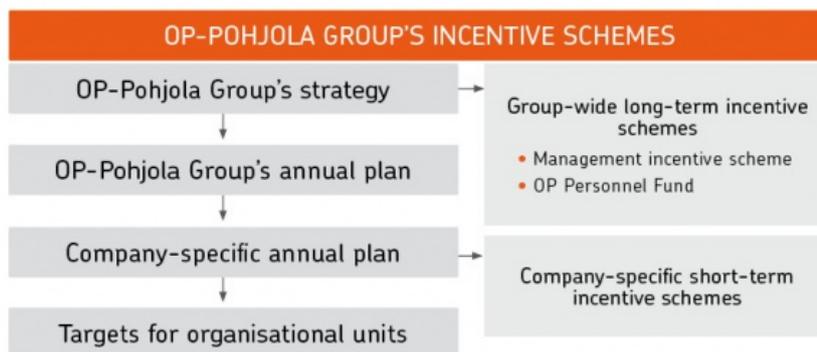
Transparent remuneration policy and shared goals as motivators

Remuneration at OP-Pohjola Group is guided by the Group's remuneration policy. OP-Pohjola is active in developing remuneration and incentive schemes on a long-term basis in order to ensure strong earnings performance, growth, competitiveness, job motivation and incentive, employee engagement and the availability of new, competent employees.

Since the policy is available on the Group's intranet, employees are aware of the principles involved. Employees and employee representatives are engaged in active cooperation in the development of remuneration practices, and the achievement of goals and targets are reported to employees on a regular basis.

The performance indicators applied to the Personnel Fund and the long-term management incentive scheme are consistent throughout OP-Pohjola Group. Short-term remuneration is based on how an individual Group company or business unit reaches its targets, and the related schemes are in compliance with the principles specified in the remuneration policy. The remuneration schemes are in line with regulatory requirements in the financial sector.

Pohjola has dismantled a remuneration scheme in place in its subsidiaries Pohjola Asset Management Ltd and Pohjola Corporate Finance Ltd, under which their management held shares in the company concerned.



Reorganisation of OP-Pohjola Group Central Cooperative Consolidated to harmonise practices

On 24 September 2012, OP-Pohjola Group Central Cooperative initiated a reorganisation programme and the procedures for information and consultation of employees, as referred to in the Finnish Act on Co-operation within Undertakings, covering all personnel groups and some 6,500 employees. As a result of the termination of these procedures on 10 December, OP-Pohjola Group Central Cooperative Consolidated cut 561 jobs. Of these, redundancies amounted to 247 and 314 employees left OP-Pohjola Group Central Cooperative Consolidated through other arrangements. In addition, 150 jobs will be outsourced. The programme is aimed at achieving annual cost savings of around 150 million euros by the end of 2015, with job cuts accounting for a third of the total cost savings targets.

The reorganisation programme within OP-Pohjola Group Central Cooperative Consolidated forms part of the strategy and continues the integration of banking and non-life insurance businesses. The programme will eliminate overlapping activities and streamline the management structure of OP-Pohjola Group Central Cooperative Consolidated. Within the framework of the programme, the production of services for OP-Pohjola Group Central Cooperative Consolidated and OP-Pohjola Group member cooperative banks will be centralised in OP-Services Ltd that is undergoing a major transformation.

Structure and Governance of OP-Pohjola Group

OP-Pohjola Group comprises the amalgamation of the cooperative banks and those companies of which entities belonging to the amalgamation hold more than half of the total votes.

The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate. Read more: [Legal structure of OP-Pohjola Group](#)

SHARE OF OWNERSHIP, %	MEMBER	POHJOLA GROUP	OP-POHJOLA	GROUP TOTAL
	COOPERATIVE BANKS		GROUP CENTRAL COOPERATIVE	
OP-Pohjola Group Central Cooperative	100.0	0.0		100.0
Pohjola Bank plc	15.8		37.2	53.3
Pohjola Insurance Ltd		100.0		100.0
Eurooppalainen Insurance Company Ltd		100.0		100.0
Seesam Insurance AS		100.0		100.0
Pohjola Health Ltd		100.0		100.0
Omasairaala Oy		100.0		100.0
A-Insurance Ltd		100.0		100.0
Pohjola Asset Management Ltd		100.0		100.0
Pohjola Asset Management Execution Services Ltd		100.0		100.0
PAM USA Funds Ltd		100.0		100.0
Pohjola Corporate Finance Ltd		100.0		100.0
Pohjola Property Management Ltd		100.0		100.0
Pohjola Finance Estonia As		100.0		100.0
Pohjola Finance SIA		100.0		100.0
UAB Pohjola Finance		100.0		100.0
OP Life Assurance Company Ltd	15.0	9.0	76.0	100.0
Aurum Investment Insurance Ltd			100.0	100.0
Helsinki OP Bank Plc			100.0	100.0
OP-Kotipankki Oyj	60.7	16.9	18.5	100.0
OP Mortgage Bank			100.0	100.0
OP Fund Management Company Ltd			100.0	100.0
OP IT Procurement LTD			100.0	100.0
OP-Services Ltd			100.0	100.0
OP Process Services Ltd			100.0	100.0
OP Bank Group Mutual Insurance Company	78.5		14.9	100.0

Member cooperative banks account for 13.3% and OP-Pohjola Group Central Cooperative for 61.3% of Pohjola Bank plc's votes.

Amalgamation of Cooperative Banks

The amalgamation of cooperative banks is an amalgamation of deposit banks, as referred to in Laki talletuspankkien yhteenliittymästä (Act on the Amalgamation of Deposit Banks).

The amalgamation consists of 1) its central institution, OP-Pohjola Group Central Cooperative; 2) companies and member credit institutions belonging to the Central Cooperative's consolidation group and, further, companies belonging to their respective consolidation groups; and 3) credit institutions and service companies in which the above-mentioned entities jointly hold more than half of the votes.

The minimum consolidated capital requirement for and liquidity of the companies within the amalgamation of cooperative banks is controlled on a consolidated basis. The Central Institution is liable for its member credit institutions' debts, and the member credit institutions are jointly and severally liable for each other's debts.



OP-Pohjola Group's Corporate Governance

In their decision-making and corporate governance, OP-Pohjola Group and its central institution, OP-Pohjola Group Central Cooperative, comply with Finnish legislation. OP-Pohjola Group's operations are specifically governed by the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä), the Act on Cooperative Banks and Other Cooperative Institutions, the Act on Credit Institutions, the Insurance Companies Act and the Co-operatives Act. OP-Pohjola Group Central Cooperative's subsidiary Pohjola Bank plc (Pohjola) complies with provisions and instructions governing public limited companies, in addition to its Articles of Association, and has issued its own Corporate Governance.

Taking into account the specific characteristics of the cooperative system, The Group's Corporate Governance conforms, whenever applicable, with the Finnish Corporate Governance Code approved by the Securities Market

Association in June 2010. In preparing this Corporate Governance, OP-Pohjola Group has also taken account of the Financial Supervisory Authority's standard on internal governance and organisation of activities.

This Corporate Governance describes the structure and tasks of OP-Pohjola Group and its key functions and units, the duties and responsibilities of key administrative bodies, the corporate governance applied by subsidiaries, Group control and steering principles, as well as internal control and financial reporting. The Corporate Governance enables OP-Pohjola Group to ensure that its operations are open and transparent. This Corporate Governance is available online at op.fi.

Executive Board of OP-Pohjola Group Central Cooperative on 1 January 2013

Reijo Karhinen

Executive Chairman and CEO, OP-Pohjola Group Central Cooperative

- b. 1955
- Chairman
- Member of the Executive Board since 1994
- Area of responsibility: Strategic Control – the Group’s strategic control, Group unity and stakeholder relations
- Chairman of the Board of Directors of Pohjola Bank plc
- Vuorineuvos (Finnish honorary title), M.Sc. (Econ. & Bus. Adm.), Honorary Degree from Turku School of Economics



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

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
- Luottokunta: Member of the Supervisory Board
- HelsinkiMissio: Chairman of the Delegation
- Unico Banking Group: Member of the Board of Directors

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 52,802 on 1 January 2012 and 56,540 on 31 December 2012

Tony Vepsäläinen

Chief Business Development Officer and Deputy to Executive Chairman and CEO

- b. 1959
- Vice Chairman
- Member of the Executive Board since 2006
- Area of responsibility: Business Management – CRM, business
- Vice Chairman of the Board of Directors of Pohjola Bank plc
- LL.M., eMBA

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

Other relevant positions:-

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 8,665 on 1 January 2012 and 11,655 on 31 December 2012



Tom Dahlström

Chief Strategy Officer

- b. 1970
- Member of the Executive Board since 2010
- Area of responsibility: Planning and Development Management – strategic planning, development management, ICT management, macroeconomic monitoring, sector and competitor monitoring, and research activities.
- D.Soc.Sc.

Relevant previous experience:

- OP-Pohjola Group: various expert and managerial duties 2000–2010

Other relevant positions:

- Confederation of Finnish Industries EK: Member of the General Assembly

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 124 on 1 January 2012 and 124 on 31 December 2012



Carina Geber-Teir

Chief Communications Officer

- b. 1972
- Member of the Executive Board since 2009
- Area of responsibility: Identity and Communications – brands, marketing, communications and corporate social responsibility
- M.Soc.Sc.

Relevant previous experience:

- Varma Mutual Pension Insurance Company: Communications Director 2002–2009

Other relevant positions:

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

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 0 on 1 January 2012 and 0 on 31 December 2012



Harri Luhtala

Chief Financial Officer

- b. 1965
- Member of the Executive Board since 2007
- Area of responsibility: Financial Management – financial management asset/liability management, central banking and Group efficiency
- M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

- OP-Pohjola Group: various expert and managerial duties 1989–2007

Other relevant positions:

- Deposit Guarantee Fund: Chairman of the Board
- Confederation of Finnish Industries EK: Member of the Finance and Tax Commission

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 4,677 on 1 January 2012 and 4,677 on 31 December 2012



Erik Palmén

Chief Risk Officer

- b. 1959
- Member of the Executive Board since 2010
- Area of responsibility: Risk Management Control – capital adequacy management, risk management methods, types of risk, risk exposure and joint liability
- M.Sc. (Econ. & Bus. Adm.), M.Sc. (Eng.)

Relevant previous experience:

- Nordea Bank Finland Plc: various expert and managerial duties 1987–2009

Other relevant positions:

- Deposit Guarantee Fund: Chairman of the Delegation

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 0 on 1 January 2012 and 965 on 31 December 2012



Teija Sarajärvi

Chief Human Resources Officer

- b. 1969
- Member of the Executive Board since 2012
- Area of responsibility: HR Management
- M.A.

Relevant previous experience:

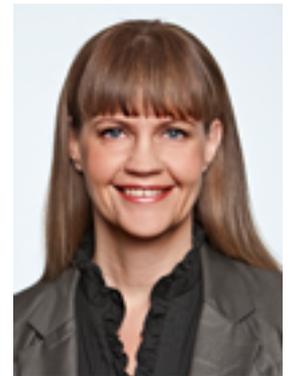
- Metso Corporation: SVP, Human Resources, Energy and Environmental Technology, from 2009 and SVP Human Resources, Paper and Fiber Technology, from 2011
- Nokia Corporation: HR director in various duties in both Finland and China 1998–2009
- ABB: various expert and managerial duties 1994–98

Other relevant positions:

- Federation of Finnish Financial Services: Chairman of the Labour Market Committee

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 0 on 1 January 2012 and 0 on 31 December 2012



Markku Koponen

Chief Legal Officer

- b. 1957
- Deputy member
- Secretary of the Executive Board and Supervisory Board
- Member of the Executive Board since 2009
- Area of responsibility: Legal Affairs and Supervision of Group Interests
- Master of Laws trained on the bench, eMBA



Relevant previous experience:

- OP Bank Group Central Cooperative: Senior Vice President in charge of Corporate Communications 1998–2009 OP-Pohjola Group Central Cooperative (and its precursor), Secretary of the Executive Board and Supervisory Board since 1996
- OKO Bank plc: Secretary of the Executive Committee 1996–2006
- Pohjola Bank plc (OKO Bank plc): Secretary of the Board of Directors since 2006
- OKO Bank and Opstock Ltd: Issue Financing Chief and Issue Chief 1989–96
- OP-Pohjola Group: various expert and managerial duties 1985–89

Other relevant positions:

- Federation of Finnish Financial Services: Board of Directors
- European Association of Cooperative Banks (EACB): Executive Committee
- Central Chamber of Commerce: Member of the Legislation Committee
- HSO-säätiö: Chairman of the Board of Trustees
- Helia Foundation: Vice Chairman of the Board

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 2,061 on 1 January 2012 and 2,061 on 31 December 2012

Leena Kallasvuo

Chief Audit Executive

- b. 1956
- Attending Executive Board meetings since 2010
- Area of responsibility: Audit
- M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

- Financial Supervisory Authority (Finnish Financial Supervision Authority): various expert and managerial duties 2005–10
- Trema Finland Oy 2000–05
- Aktia Savings Bank 1997–2000
- Säästöpankkien Keskus-Osake-Pankki 1983–96

Other relevant positions:

- Sisäiset Tarkastajat ry (the Institute of Internal Auditors Finland): Member of the Board of Directors since 2011

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 0 on 1 January 2012 and 0 on 31 December 2012



Supervisory Board of OP-Pohjola Group Central Cooperative

Members of OP-Pohjola Group Central Cooperative's Supervisory Board and their terms of office:

Etelä-Pohjanmaa

- Jorma Vierula, Area Manager, Seinäjoki, 2012–15
- Jussi Ruuhela, Managing Director, Alavus, 2009–(2015)*

Etelä-Suomi

- Vesa Lehtikainen, Managing Director, Janakkala, 2011–14, Vice Chairman of the Supervisory Board
- Annukka Nikola, Director, Administration, Kirkkonummi, 2012–(2015)*
- Jorma Pitkälä, maakuntaneuvos (Finnish honorary title), Hämeenkoski, 2012–(2015)*

Kaakkois-Suomi

- Jarmo Partanen, Professor, Lemi, 2012–15
- Jari Himanen, Managing Director, Lappeenranta, 2012–(2015)*
- Tapani Eskola, Managing Director, Kotka 2012–(2015)*

Kainuu

- Mervi Väisänen, Senior Lecturer, Marketing, Sotkamo, 2010–13

Keski-Pohjanmaa

- Hannu Simi, Planner, Alavieska, 2010–13

Keski-Suomi

- Jaakko Pehkonen, Professor, Jyväskylä, 2011–14, Vice Chairman of the Supervisory Board
- Tuomas Kupsala, Managing Director, Korpilahti, 2012–(2015)*

Lappi

- Pekka Ahvenjärvi, Attorney, Tornio, 2010–13
- Markku Salomaa, Managing Director, Rovaniemi, 2012–(2015)*

Pirkanmaa

- Ari Kakkori, Managing Director, Virrat, 2011–14
- Timo Viitanen, M.A., Pälkäne, 2012–(2015)*

Pohjois-Karjala

- Seppo Laaninen, Principal, Nurmes, 2011–14

- Paavo Pelkonen, Professor, Joensuu, 2012–(2015)*

Pohjois-Pohjanmaa

- Paavo Haapakoski, liikuntaneuvos (Finnish honorary title), Pyhäjoki, 2010–13, Chairman of the Supervisory Board
- Timo Timo Levo, kauppaneuvos (Finnish honorary title), Oulu, 2012–(2015)*

Pohjois-Savo

- Jukka Kääriäinen, Assistant Director, Iisalmi, 2012–15
- Seppo Pääkkö, Managing Director, Nilsiä, 2012–(2015)*

Satakunta

- Marita Marttila, Senior Nursing Officer, Vampula, 2011–14
- Ilmo Aronen, R&D Director, Hinnerjoki, 2012–(2015)*
- Simo Kauppi, Managing Director, Pori, 2012–(2015)*

Suur-Savo

- Kari Manninen, Managing Director, Mikkeli, 2012–15
- Juha Kiiskinen, Headmaster, Sulkava, 2012–(2015)*

Sydkusten

- Ola Eklund, Product Group Director, Karjaa 2010–13

Varsinais-Suomi

- Juha Pullinen, Managing Director, Loimaa, 2012–15
- Jarna Heinonen, Professor, Kaarina, 2012–(2015)*
- Ari Mikkola, Rector, Tammela, 2012–(2015)*

Österbotten

- Bo Storsjö, farmer, Kristiinankaupunki, 2010–13

Other members:

- Timo Parmasuo, teollisuusneuvos (Finnish honorary title), Espoo, 2011–14

The Supervisory Board members' term of office is three years.

* Members elected on the basis of capital adequacy of the member banks, whose term of office is a maximum of three years. The term of office may end earlier if the allotment between the Federation of Cooperative Banks changes.

