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Chairman's Review



Watch video

2011 was divided into two quite distinct parts: everything looked fine in the first half and confidence was high until suddenly there was a dramatic change for the worse, and the autumn was extremely difficult for the financial sector.

The year actually taught us that we have entered a time where continuous fluctuations and uncertainty are the norm. Whoever can survive in an environment like this will be successful.

OP-Pohjola Group's result was good – our full-year operating profit was over 500 million euros, and considering the circumstances it was achieved in, extremely good.

It was Banking that gave us such a good result, with earnings improving significantly, while Non-life Insurance and Life Insurance performed poorly. Both insurance sectors were adversely affected by the operating environment, and Non-life Insurance was hit particularly badly after we reduced the discount rate and introduced a new mortality model. These two factors eroded our earnings considerably in the latter part of the year.

Yet we never stepped on the brake pedal or made any staff cuts.

In fact, we did the reverse and made a staff increase of over 700. This represents a major investment into the future.

We made a bold move and established a new development unit in Oulu and decided to start an extensive investment programme to revamp the Vallila office premises that will take several years to complete. This way we wanted to show that we are looking well into the future.

We want to provide a safe haven in the financial sector and intend to have solid capital adequacy also in the future.

Recent European-wide stress tests conducted by banking authorities have shown that OP-Pohjola Group is among the top in Europe in terms of capital adequacy. We want to retain that position.

We have set ourselves some rather challenging targets for the future.

The financial crisis or euro area sovereign debt crisis has not eroded OP-Pohjola Group's performance, capital adequacy or funding.

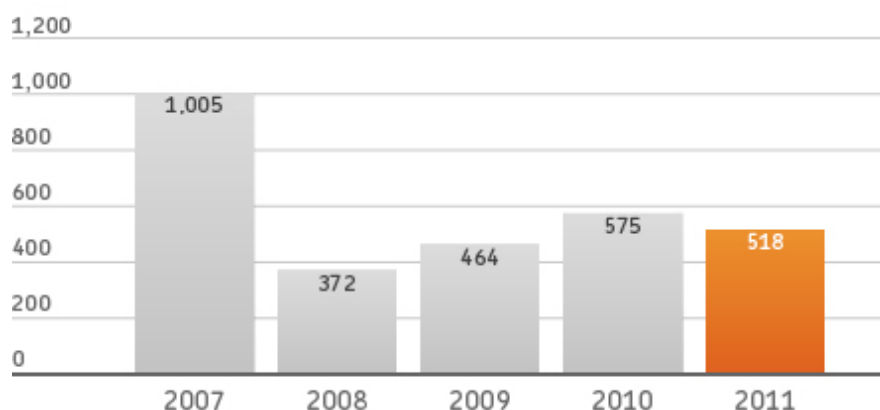
Our orange logo holds special meaning to me. I want to thank you all for making this logo even stronger and attractive in 2011.

Reijo Karhinen

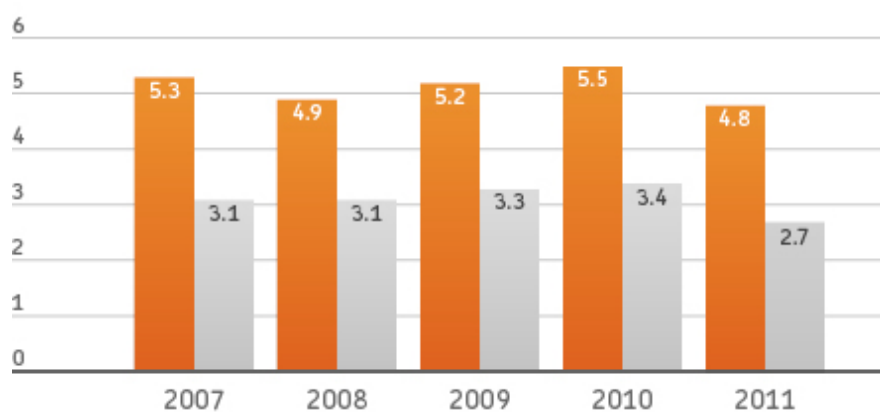
Key Figures and Ratios

- OP-Pohjola Group's capital adequacy is very strong. The Core Tier 1 ratio stood at 14.0%. The Group's capital base exceeded the statutory minimum by EUR 2.5 billion in 2011.
- Banking's earnings before tax grew by 30% to EUR 478 million.
- Non-life Insurance's earnings before tax amounted to EUR 8 million (83). Insurance premium revenue increased by 6.2% (2.3).
- Life Insurance's earnings before tax were EUR 10 million (43); earnings at fair value turned negative owing to investment market instability. The share of unit-linked insurance of insurance savings increased to 48.0% (44.0).

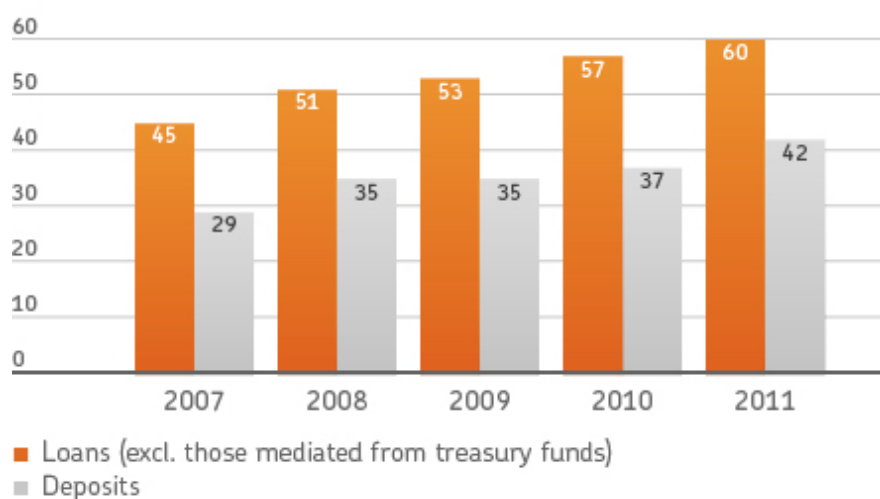
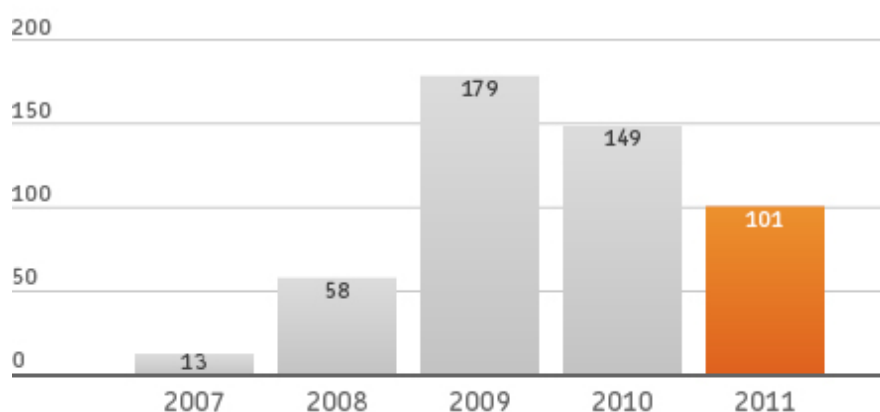
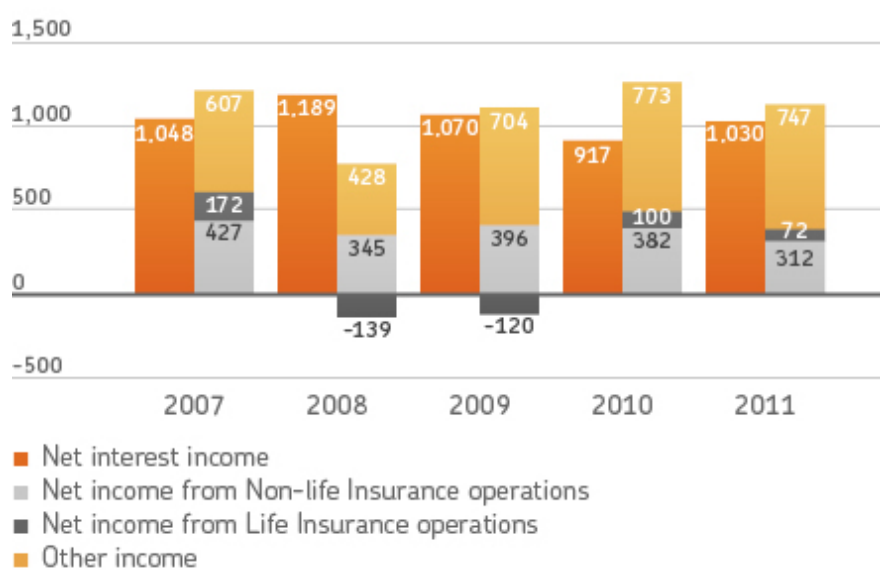
Earnings before tax, € million

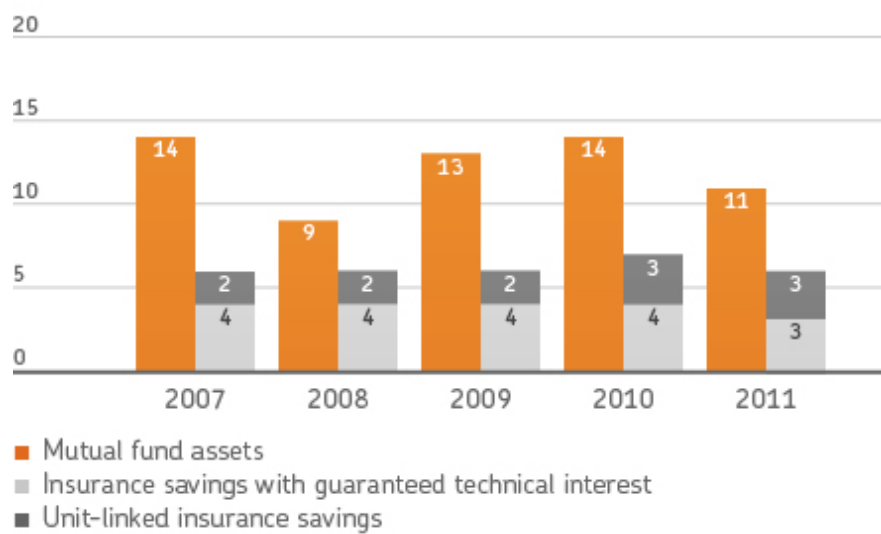


Capital resources, € billion



- Capital resources
- Minimum regulatory capital

Loans and deposits, € billion**Impairments of receivables, € million****Net interest income and other income, € million**

Life insurance savings and mutual fund assets, € billion

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 Life Insurance.

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 their 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.

OP-Pohjola Group

1.3 million owner-members, of which 90% households

some 200 Group member banks

OP-Pohjola Group Central Cooperative



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](#)

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.

OP-Pohjola Group Central Cooperative

OP-Pohjola Group Central Cooperative

- Group control
- Risk Management
- Supervision
- Strategic holdings

Executive Chairman Reijo Karhinen

Tony Vepsäläinen

Business and
Service Provision
Management

Tom Dahlstöm

Planning and
Development
Management

Harri Luhtala

Business control

Markku Koponen

Legal Services
and Supervision
of Group Interests

Erik Palmén

Risk Management
Control

Carina Geber-Teir

Identity and
Communications

Heikki Vitie

Administration

Leena Kallasvuo

Audit

[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 Bank Group provides comprehensive finance, investment, cash management and non-life insurance services. For private customers, Pohjola Group 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. There are around 34,000 shareholders.

Pohjola Insurance Ltd is a subsidiary of Pohjola Bank plc. It engages in non-life insurance operations in Finland, offering comprehensive insurance cover for private, corporate and institutional customers. Pohjola Bank Group'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 and Contact Centre services work well. It also sees to the smooth operation of banking and investment services, and the production of various materials.

Great Finnish Success Story

For over 110 years, OP-Pohjola has been building Finnish society and enhanced our national prosperity. We have firm roots in Finland.

OP-Pohjola's history is considered to date back to 1902 when Osuuskassojen Keskuslainarahasto (Central Lending Fund of the Cooperative Credit Societies Limited Company) was founded. Pohjola, which OP-Pohjola acquired in 2005, started its operations under the corporate name of Palovakuutus-Osakeyhtiö Pohjola (fire insurance company) in 1891.

Early 20th century

1902

Osuuskassojen Keskuslainarahasto Osakeyhtiö (Central Lending Fund of the Cooperative Societies Limited Company) is founded on 14 May 1902. The first local cooperative credit societies are founded in autumn 1902 but lending does not actually begin until 1903 after the Central Lending Fund has received a large loan promised by the State.



1912

Palovakuutus-Osaakeyhtiö Pohjola joins the Helsinki Stock Exchange being established.



1915

OKO Bank receives the right to grant loans not only to the credit societies but also to other cooperative enterprises and later on to municipalities and parishes. The first domestic bond is issued in 1916.



1920s

The operations of credit societies become firmly established in the 1920s. In 1920, the credit societies obtain a licence to receive deposits from not only their members but also from the public, and their operations begin to resemble banking business to a great extent.



1928

The Central Association of Cooperative Funds is founded with the aim of acting in rural areas as the ideological central organisation for cooperative funds and local associations of cooperative funds and a link between them, as well as promoting cooperative credit societies.



1930s

During the 1930s, the cooperative credit society organisation increases its market share of public deposits to around 10 per cent and the credit societies become the most important group of credit institutions in rural areas.



1930

OKO Bank floats its first international bond issue in the French capital market.



1933

The cooperative credit society organisation's mutual liability becomes reality in 1933 when the Guarantee Fund for Cooperative Funds begins its operations.

War years

and post-war years (1939–55)

The post-war period is a real success story when it comes to the cooperative credit society organisation. During post-war reconstruction, its market share first increases in lending and in a few years' time in deposits by up to ten percentage points. As a result of this most abrupt market share change in the Finnish banking history, cooperative banks are on a par with the old-established bank groups.



1941

OKO Bank starts mortgage bank operations.

1950s

Rural-urban migration intensifies in the early 1950s. This also means that the focus of the cooperative credit societies' operations shifts towards urban areas. This presents a challenge to cooperative credit societies to arrange home loans and be involved in building homes for new urbanites.



During 1955–69, the cooperative credit societies' market shares develop favourably, which is proof of the credit societies' flexible adjustment to new circumstances.

As a result of larger deposits with the cooperative credit societies, funds deposited with OKO Bank as the central bank increases. As a result, OKO Bank is much better-positioned to provide finance for businesses too. OKO Bank acquires funding mainly from Germany by issuing bonds that help increase lending to small and mid-size companies.

1952

In honour of the 50th anniversary in 1952, the cooperative credit societies adopt the Sowerlogo symbolising growth, saving and a sense of security.



1960s

In the 1960s, OKO Bank takes its first step in the field of automated data processing. It signs the first purchase agreement for computers in 1966.



1968

The granite bear statute becomes Pohjola's symbol and appears, for example, in Pohjola's headed notepapers in 1968.



1970s

In 1970, new banking laws come into force, which means that local banks are almost in an equal position with commercial banks. The cooperative credit societies become cooperative banks. In 1974, cooperative banks accept the approach adopted in practice, according to which they act as general banks serving all population groups equally.



The market share of cooperative banks develops favourably from the early 1970s. In the mid-1980s, the market share of FIM deposits reaches some 25 per cent. Good reputation of cooperative banks among their customers is of great help in their success. Customers regard cooperative banks as reliable banks focusing on personal banking.

1970

A stylised percent sign becomes the new logo. It also depicts a combination of the acronyms op and ab.



1975

OKO Bank branches out into finance company operations. OKO Bank joins the SWIFT payment transfer system established by the banks' international cooperation network.



1976

OKO Bank and five Western European cooperative banks establish Unico Banking Group for cooperative central banks in London.

1979

A bear paw becomes Pohjola companies' new logo in 1979.



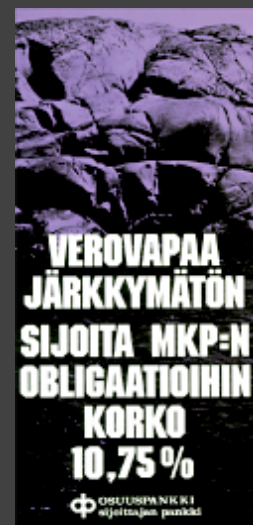
1980s

The banking system in place since World War II is deregulated in the 1980s. Bank funding is decontrolled and the nature of the banking business changes. The former "regulators" become "money sellers" within a short period of time. However, the cooperative banks and their central bank OKO Bank move ahead and make steady progress.

The market share begins to increase markedly as the problems of a rival group of local banks, savings banks, come to a head.

1987

OP Fund Management Company Ltd is established and introduces its first mutual funds, OP-Tuotto and OP-Kasvu, into the market.



1989

OKO Bank becomes a listed company. OKO receives around 60,000 new shareholders when it organises an initial public offering and lists its shares on the Helsinki Stock Exchange.



1990s

In the early 1990s, banking business in Finland experienced an unequalled crisis. Despite difficulties, OP Bank Group survives the crisis years under its own steam.

In 1991, OP Bank Group becomes the largest bank group. The sale in 1993 of Suomen Säästöpankki SSP Oy's sound business to competing bank groups strengthens OP Bank Group's position further. The market share of deposits rose to almost 34 per cent at its best.

The role of OP Bank Group as a nationwide player can be seen in the lending structure. In 1996, private customers account for almost 52 per cent of loans raised, corporate customers for 36 per cent and agricultural and forestry customers for 11 per cent.

During the decade, OP Bank Group also becomes a forerunner of electronic services even on a global level.

1991

A non-life insurance company is established in Estonia, which later becomes a Pohjola subsidiary, Seesam International.

1996

The logo is modernised with its round shape conveying a message of service and people-first approach.

OP eServices is launched. It used to be the first online bank in Europe and the second in the world.



1997

A decision is made to convert the Central Association of Cooperative Banks into a cooperative acting as the central institution of the amalgamation of the cooperative banks. The Group's cooperation model undergoes a thorough reform.

21st century

Finland experiences strong growth and increased prosperity. During the decade, OP Bank Group further strengthens its role as a creator of wealth in Finland.



OP Bank Group becomes a financial services group. It achieves the market leading position in almost all of its business areas. Bankassurance proves to be a concept appreciated by customers. At the end of the decade, OP-Pohjola Group has more than 1.1 million customers using both banking and insurance services. The Group also receives international recognition when The Banker magazine awards OP-Pohjola Group the title of the Bank of the Year in Finland for several years.

2001

The introduction of a modernised sharp-edged and strong-coloured logo that conveys a message of expertise and a high level of activity.



2005

OP Bank Group becomes Pohjola Group plc's largest shareholder. With the historical significance for the Group, the transaction has been the largest ever done by OP Bank Group which branches out into non-life insurance. As a result, OP Bank Group becomes the leading financial services group in Finland.



2007

September sees the introduction of the financial services group's new name: OP-Pohjola Group. In March, OKO Bank plc is renamed Pohjola Bank plc. OP-Pohjola Group's logo ranks among the most recognisable ones in Finland: a survey reveals that 95% of the respondents recognise it spontaneously.



2011

OP-Pohjola Group enters 2011 with a new central organisation. Accordingly, OP-Pohjola Group Central Cooperative is split into two entities of which OP-Pohjola Group Central Cooperative as the central institution is in charge of controlling and supervising the Group's business while OP-Services Ltd, a service company separate from the central institution, is tasked with the development and production of shared services for OP-Pohjola Group and its member cooperative banks.

2012

The United Nations General Assembly declares 2012 as the International Year of Cooperatives.

Finland's leading financial services group, OP-Pohjola Group, will celebrate its 110th anniversary. Currently, it provides its customers with the most extensive and diversified range of banking, investment and insurance services. The Group is made up of some 200 member cooperative banks and OP-Pohjola Group Central Cooperative which they own, including its subsidiaries and closely related companies.



Highlights 2011

OP-Pohjola Group entered 2011 with a new central organisation. Accordingly, OP-Pohjola Group Central Cooperative was split into two entities of which OP-Pohjola Group Central Cooperative as the central institution is in charge of controlling and supervising the Group's business, while OP-Services Ltd, a service company separate from the central institution, was tasked with the development and production of centralised services of OP-Pohjola Group and its member cooperative banks.

In the early part of the year, we had problems with service production owing to our own systems and difficulties in SEPA payment transfers relating to the new payment transfer system all European banks adopted. The production processes were systematically streamlined and improved, and as a result, service quality improved.

The Supervisory Board made a decision that OP-Pohjola Group central institution will remain in Vallila, Helsinki. An architectural competition was announced to design new premises. New premises will be built and old ones refurbished. Almost 20,000 square metres of new offices will be built, of which some 12,000 require a change in the city plan. The plans include a new office building on Teollisuuskatu and underground parking facilities. JKMM Architects was chosen to design OP-Pohjola Group's Vallila campus. Their entry is titled "Wings", winning the architectural competition announced in late May by unanimous vote of the jury.

OP-Pohjola Group decided to establish a development unit in Oulu that will focus on eBusiness and mobile applications for financial services in particular. These plans also include a competence centre in Oulu related to the Group's other ICT services. Operations have been started in stages and eventually up to 150 people will be employed in Oulu.

OP-Pohjola Group published its long-term Group-level incentive scheme and common objectives for all personnel groups. The common, Group-level long-term performance indicators applying to all personnel will help OP-Pohjola Group implement its strategy. The short-term incentive schemes of Group member banks and other Group companies are still based on the achievement of company-specific targets.

The results of the stress tests published in 2011 proved that the Group's financial standing is extremely solid. OP-Pohjola Group's capital adequacy clearly exceeds the stress test's threshold level. In the adverse scenario, the Group's capital adequacy remained on a solid basis and was clearly above the minimum requirement applied in the tests. According to an estimate by the European Banking Authority (EBA), OP-Pohjola Group is not required to take any action to improve its capital adequacy because the Group's Core Tier 1 ratio is high and the sovereign bond risks are low. Towards the end of the year, OP-Pohjola Group announced that it was raising its Core Tier 1 target to 15%, which is well above EBA's minimum requirement of 9%; this will serve as a beacon for the entire sector.

The SEPA transition period ended in Finland: from the beginning of November, companies had to send all payment data to the bank in SEPA format, and the bank account numbers had to be in the international format, IBAN. OP-Pohjola Group's customers transferred to SEPA very smoothly. The next major SEPA change will be in the beginning of 2014 when domestic direct debiting will be replaced by eBills and autogiro payments.

OP-Pohjola Group Central Cooperative's subsidiary Pohjola Bank plc was chosen as the primary intermediary of the Finnish state's payment transfers. The competitive bidding included all services related to the transfer of payments and invoices, paying particular attention to service quality. The contract is for seven years with an option to extend it by 12 months. The new contract period begins on 1 December 2012.

OP-Pohjola Group's central institution, OP-Pohjola Group Central Cooperative, announced that it will acquire Skandia Life Finland's business from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc. The target date of the acquisition is 30 June 2012, provided that all the required regulatory approvals can be gained within these timescales. The acquisition will involve the transfer to OP-Pohjola of some 100,000 customers' unit-linked life and pension policies with unaudited total assets of around 1.3 billion euros as of 30 September 2011.

2011 was a year of major mergers: for example, Pohjois-Savon Osuuspankki and Suur-Savon Osuuspankki, were created. There were a total of five mergers in 2011. At the end of 2011, OP-Pohjola Group comprised 205 member banks.

Strategy

Our strategy is based on long-term business development designed to benefit the customer. The cooperative principle is the foundation of OP-Pohjola Group's operations and the driving force behind our strategy. OP-Pohjola's mission is to promote the sustainable prosperity, safety and wellbeing of our owner-members, customers and operating regions.

OP-Pohjola has initiated a strategy updating process, with the objective of building an agile organisation better equipped to adapt to changes in the business environment. The revised strategy will rely on our mission and the strengths of the cooperative model. Our strategy focuses on telling our story as part of Finnish society. It expresses our willingness and ability to invest in the future. OP-Pohjola has identified key objectives for 2012. These will allow us to build a foundation for long-term success and respond to the demands of our business environment.

Strategy Summary

STRATEGY SUMMARY

Vision

We are the leading financial services group in Finland. We grow at a rate above the market average.

Key objectives

- Faster growth than other players in the sector
- Moderate risk-taker
- Strong capital base
- Efficiency at the main competitors' level
- Sufficient profitability

Customer promise

We provide the best loyalty benefits.

Core values

People-first approach, responsibility, prospering together.

Mission

We promote the prosperity, well-being and security of our owner-members, customers and operating regions through our local presence.

Strategic Goals

OP-Pohjola strives for long-term business development.

Outperforming market growth in the long term

challenges us to identify new sources of sustainable growth, both in the Group's traditional areas of strength and in new business areas. Priority areas include loyal private customers using both our banking and insurance services; corporate customers; asset management; and non-life insurance. The Helsinki Metropolitan Area and major population growth centres still offer the highest regional growth potential.

Strong capital adequacy offering a competitive edge

is OP-Pohjola's strength, allowing it to develop its business independently. In uncertain economic conditions, sufficient capital buffers help build trust among customers, markets and the authorities.

Healthy profit level

secures business continuity and allows us to provide excellent financial services at competitive prices. We seek profitability while paying attention to customers and the business environment, through our cooperative business approach. Our objective is to ensure positive capital adequacy development. We also seek to offer excellent financial services and efficient customer service, while securing customer benefits and investments in the future.

Moderate risk-taking

supports long-term stability of business development and ensures business continuity and sufficient profits. OP-Pohjola's effective risk management, strong capital base and extensive business portfolio ensure that the Group can withstand even major disruptions in the global economy and market environment.

Stronger financial position compared to key competitors

builds a convincing foundation for business stability in uncertain conditions. As a reliable and credible operator, we are an attractive partner for customers and investors. We can ensure our performance even in the most challenging circumstances.

High efficiency that secures competitiveness

is a requirement for healthy business. Efficient performance permits competitive pricing, enables the necessary investments in service development and helps maintain market trust.

OP-Pohjola Group's long-term financial targets

	12/2011	12/2010	Target
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.80	1.70	1.5
Return on economic capital (12-month rolling)	13.6	14.4	17
Growth differential between income and expenses, percentage points (12-month rolling)	-6.7	2.9	>0

Continued Strategic Reinvention

OP-Pohjola's business model has proven effective. It enables the Group to achieve market leadership in several product areas, while further cementing its leading position in the Finnish financial markets. The number of customers using both banking and insurance services rose by 84 per cent between 2005 and 2011.

Through its customisable approach to providing comprehensive financial services, the Group has been able to increase its share of the corporate customer markets in line with the Group strategy.

OP-Pohjola Group believes firmly in the future and continues to invest in development work in selected priority areas. A case in point is OP-Pohjola's decision to invest strongly in the development of mobile services and electronic sales, and to open a development unit specialising in this area in Oulu, Finland. By doing so, the Group supported structural change in the Oulu region, helping to keep the region's research and development network in full swing.

Key terms used in the strategy process currently underway in OP-Pohjola Group are openness and involvement. Steps have been taken to further enhance dialogue within the Group. Strategy work developments are regularly communicated to personnel during the whole process, making use of new and interactive communication channels.

As a cooperative group, we value giving our owner-customers the opportunity to have their say on the strategy and to contribute to strategy work. They do so through representatives on the administrative bodies of the cooperative banks and of the Group. A large group of people from different walks of life is helping to forge our revised strategy. During the strategy round in progress, we organised an extensive online discussion of a strategic theme, requesting the participation of all personnel and administrative bodies.

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.

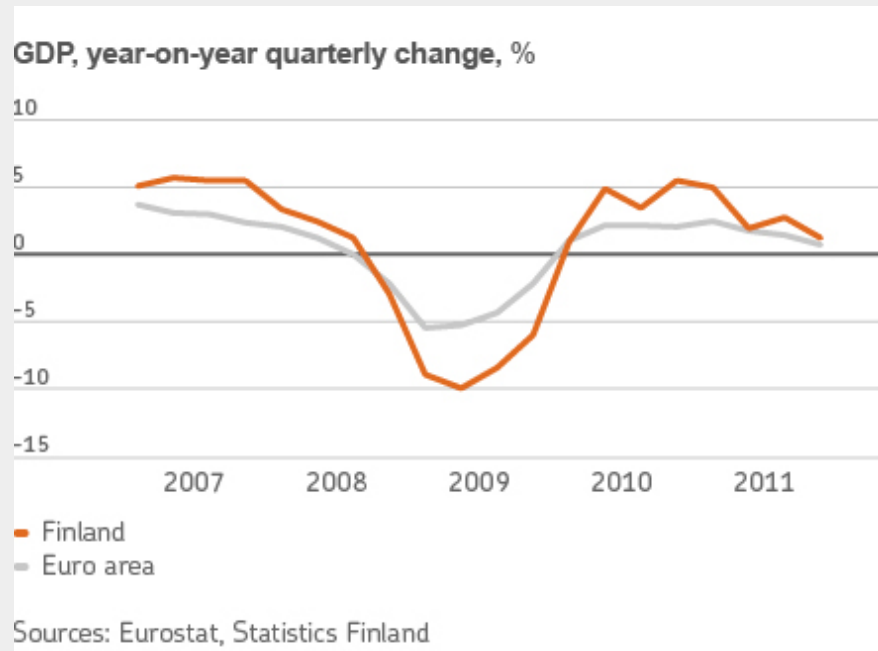
Operating Environment

The world economy grew at a fairly brisk rate in 2011. However, economic growth characterised by uncertainty slowed down clearly during the year and was uneven. The European sovereign debt crisis escalated during the second half, which substantially deteriorated the operating environment. However, lack of confidence in the economy is overshadowing the outlook, and changes in the operating environment place challenges on the financial sector.

The Finnish economy showed fair growth in 2011. Following the favourable first half of the year, economic sentiment worsened dramatically during the second half due to the euro-area debt crisis. Nevertheless, this was not so strongly reflected in spending or investment decisions among consumers although exports slowed down markedly in the second half.

The world economic outlook for 2012 is uneven. The euro-area sovereign debt crisis will continue to cast a shadow over the euro-area outlook and economic growth is likely to remain feeble. The Finnish economic prospects for 2012 look weak.

Graph: GDP, year-on-year quarterly change, %



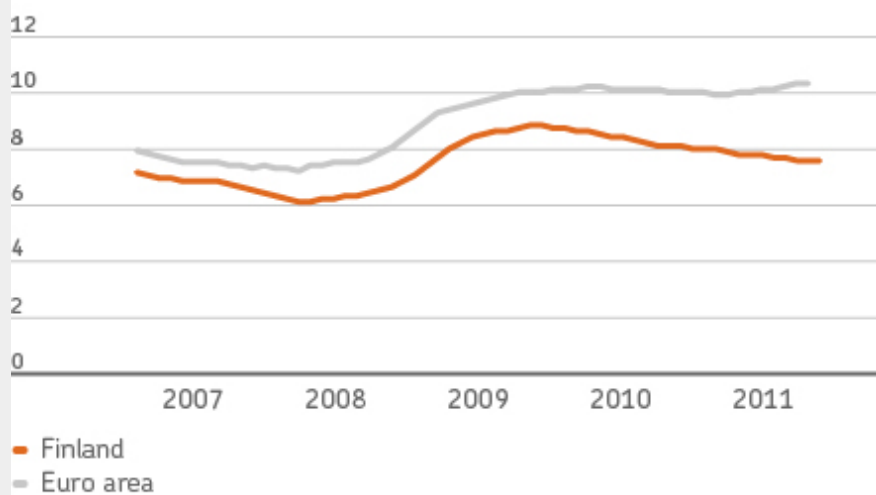
Graph: Consumer prices*, %

Consumer prices*, %

* Change compared to the same month a year ago

Sources: Eurostat, Statistics Finland

Graph: Unemployment rate, %

Unemployment rate, %

Source: Eurostat

Graph: Confidence indicators, balance figure

Confidence indicators, balance figure



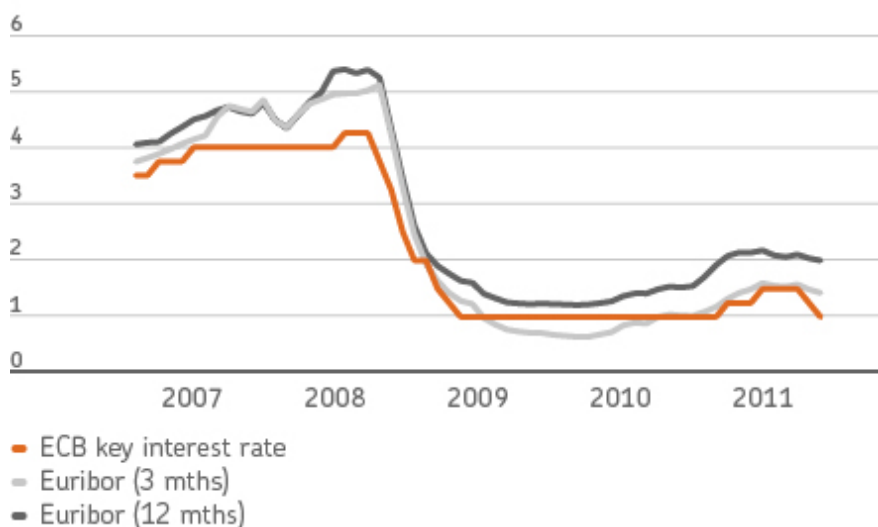
Sources: Statistics Finland and Confederation of Finnish Industries EK

Interest Rates

The euro-area sovereign debt crisis weighed on financial markets in 2011. After their rise in the first half of the year, market rates began to fall in the summer. The European Central Bank (ECB) cut its main refinancing rate to 1.00% in December 2011 and also supported markets by providing banks with additional enhanced credit support, and bought government bonds in the market.

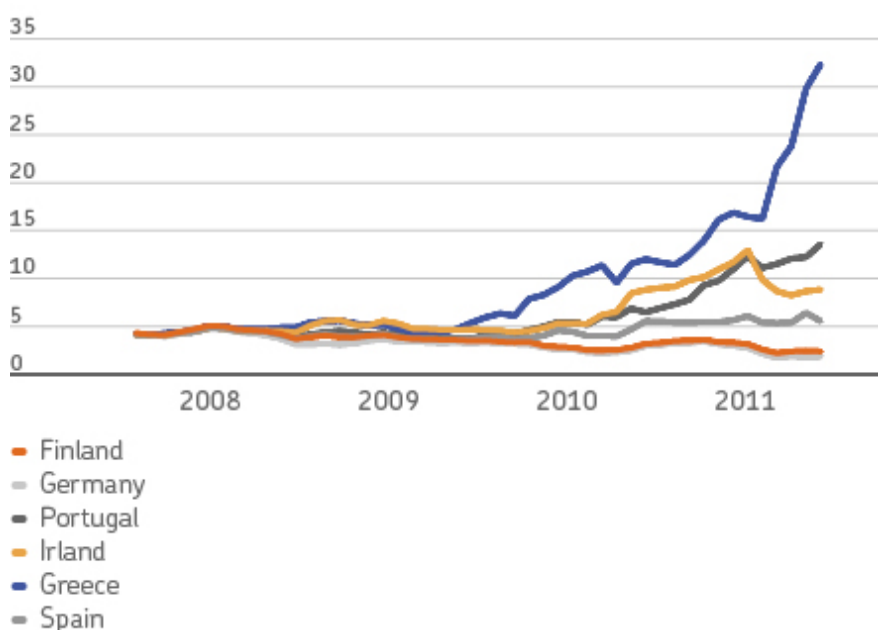
The ECB is still supporting economic development by increasing market liquidity. The Euribor rates are exceptionally low.

Euribor rates and ECB's benchmark rate, %



Source: Bank of Finland

Government bond (10 yrs) interest, %



Source: Reuters

Lack of Confidence Affects Financial Markets' Growth Prospects

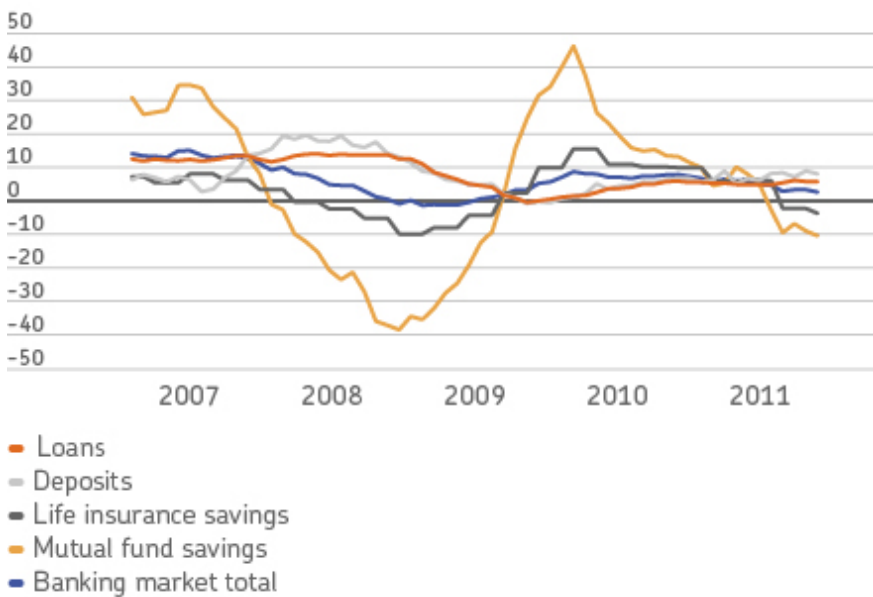
The euro-area sovereign debt crisis only had a minor effect on bank lending in Finland in 2011, as evidenced by lending growing at an annual rate of 6%. Despite weaker consumer confidence, home sales remained brisk and consumer loans showed a steady growth rate. The rate at which banks increased their corporate loan portfolio accelerated somewhat towards the end of the year. If the market jitters continue, the growth of lending in 2012 will probably be lower than in 2011.

In 2011, the combined assets invested in mutual funds and insurance declined in Finland as a result of weak developments in capital markets. Share prices fell by an average of around 10% globally and by almost 30% in Finland. Mutual funds and the sale of new life insurance policies experienced a decline in their net asset inflows. However, growth in deposits rose to an annual rate of 8%. The current market situation is expected to further bolster deposits.

Non-life insurance premiums written rose at a steady annual rate of almost 5%. Claims expenditure increased much more than premiums written, by about 10%. For the second year in a row, unusually heavy storms and a snowy winter led to higher claims expenditure. The uncertain outlook in capital markets and low interest rates will continue to present challenges to insurance companies' investment operations.

Business volumes

Sector total, %



Sources: Bank of Finland, Federation of Finnish Financial Services, The Finnish Association of Mutual Funds

Risk Management

OP-Pohjola Group has a strong risk-bearing capacity. This consists of high-quality risk management and sufficient capital adequacy. OP-Pohjola Group uses a systematic and comprehensive risk management process that ensures business continuity in the long run. Measurable risks are hedged against by means of limits and control limit indicators that control operations at Group level and in individual institutions. Risks that cannot be measured are limited, for example, by ensuring that instructions issued by the Central Institutions are followed.

The Group's capital adequacy is solid and the capital base sufficient to ensure operations to continue. At the end of 2011, our capital adequacy was much higher than the statutory minimum. Our capital base clearly exceeded the economic capital requirement, which is the Group's own estimate on the amount of capital required to cover business risks.

The Group's capital adequacy is also very good by European comparison. Indeed, in the stress tests carried out by the European Banking Authority (EBA) in the summer of 2011, OP-Pohjola Group was one of the strongest banks that were tested.

Good risk management is part of our strategy

The purpose of risk management is to ensure the Group's risk-bearing capacity and continued operations, having as its foundation the risk management principles included in OP-Pohjola Group's strategy. The Supervisory Board has approved a strategy according to which we are moderate risk-takers. This is in effect realised through careful risk-management and calculated risks.

A high-quality risk management process consists of risk identification, measurements and assessment. The process also involves limiting risks to an acceptable level, and regular risk reporting and supervision.

Great uncertainty in the operating environment casts a shadow over business prospects

The great uncertainty on how the operating environment will change makes it difficult to predict the business outlook. The European economic outlook is dimmed by concerns over the scale of inevitable economic structural changes. The risk of a period of continued slow growth is higher. Financial market jitters are expected to continue. Slow economic growth and the low interest rates that may remain low for a long time cast a shadow over growth and profitability expectations by Banking. Investment market jitters are similarly giving us a bleaker outlook on investments by Non-life Insurance and Life Insurance.

Changes in financial sector regulation will also reduce business confidence. A number of significant changes will take place in financial sector regulation between 2012 and 2019, and their exact content is only now beginning to take shape. The key changes in Basel III will tighten capital adequacy requirements, restrict banks' indebtedness and increase regulation on funding risk exposure. Likewise, in Solvency II for insurance companies, capital adequacy calculation will be changed significantly.

Proactive risk management results in a more secure future

The importance of risk management as part of business control is more pronounced in times of financial insecurity. The changes planned to take effect in the coming years in the financial sector will make proactive risk management all the more important.

Business control must be prepared for a situation in which changes in the operating environment may have rapid effects on businesses. Risk management holds a key role in the preparation of both expected and unexpected changes. Solid and vigilant risk management ensures that the Group's risk-bearing capacity is sufficient even if changes take place quickly. Thanks to proactive risk management, OP-Pohjola Group can view the future with confidence.

A Major Financial Services Group May Encounter a Variety of Risks

A financial services group providing banking, investment and insurance services can come up against a number of risks in the ever-quickly changing operating environment. OP-Pohjola Group's biggest business risks and the most common means to tackle them are described in the table below.

OP-Pohjola Group's major risks...

...and the most common ways to tackle them

1. Strategic risk

Strategic risk arises when a poor strategy has been selected or the chosen strategy is not able to achieve the targets set. It may also be the result of poor implementation of the chosen strategy.

Strategic risks are managed by analysing the risks when drawing up the strategy and by continually monitoring and analysing changes in the operating environment and the realisation of the strategy.

2. Credit risk

A credit risk is created in banking operations when the customers cannot pay back agreed liabilities and the collateral obtained is not enough to cover them. In investment operations, credit risk means that the company that has issued an investment instrument (such as a bond) cannot fulfil its obligations.

Credit risk in banking is managed through customer selection, collateral, special terms for granting loans and avoidance of risk concentrations. Credit risk associated with investments is managed through careful selection of investments, and investment planning.


3. Liquidity risk

Liquidity risk arises when the maturities of receivable and liabilities differ. For example, it is typical in banking that long-term lending is financed with financing that has a shorter maturity. It is also a case of liquidity risk when liabilities or receivables, or both, are concentrated with respect to counterparties, instruments or market segments. Such concentrations may compromise a company's liquidity.

Liquidity is managed by means of financial structures planning, risk limits and control limit indicators, and other indicators. Other important things in liquidity risk management are close follow-up of liquidity, appropriate liquidity reserve and daily planning and management of liquidity.

4. Market risks, most importantly interest rate risk


Market risk refers to risk regarding losses when the market price or market price volatility changes unfavourably. The greatest risk for Banking is realised when a change in the interest rates affects the net interest income. In investment operations, market risk means, for example, losses that arise when the market price changes unfavourably for the investor. In insurance operations, interest rate risk associated with technical provisions arises when interest rate changes affect the profit and value of cash-flows of technical provisions.



The interest rate risk of retail banking is mainly managed by the choice of borrowing and lending products and the terms and conditions offered. Derivatives may also be used for hedging. The market risks of investments by insurance and pension institutions are managed by diversifying the investment portfolio sufficiently into various types of instruments. The diversification is done by means of sales and purchases and derivatives. Interest rate risk associated with technical provisions can be managed by means of derivatives or by offering clients the option of taking unit-linked policies instead.

5. Underwriting risks


Underwriting risks arise when policies are priced using the pricing bases but any compensation is paid on the basis of losses when they occur.



Underwriting risks are managed by careful selection of risks, secure pricing and reinsurance.

6. Operational risks

Operational risk refers to the risk of financial loss or other harmful consequences resulting from inadequate or failed processes, systems or external events. Operational risks also include a compliance risk which means a risk caused by non-compliance with external regulations, internal procedures and ethical principles.

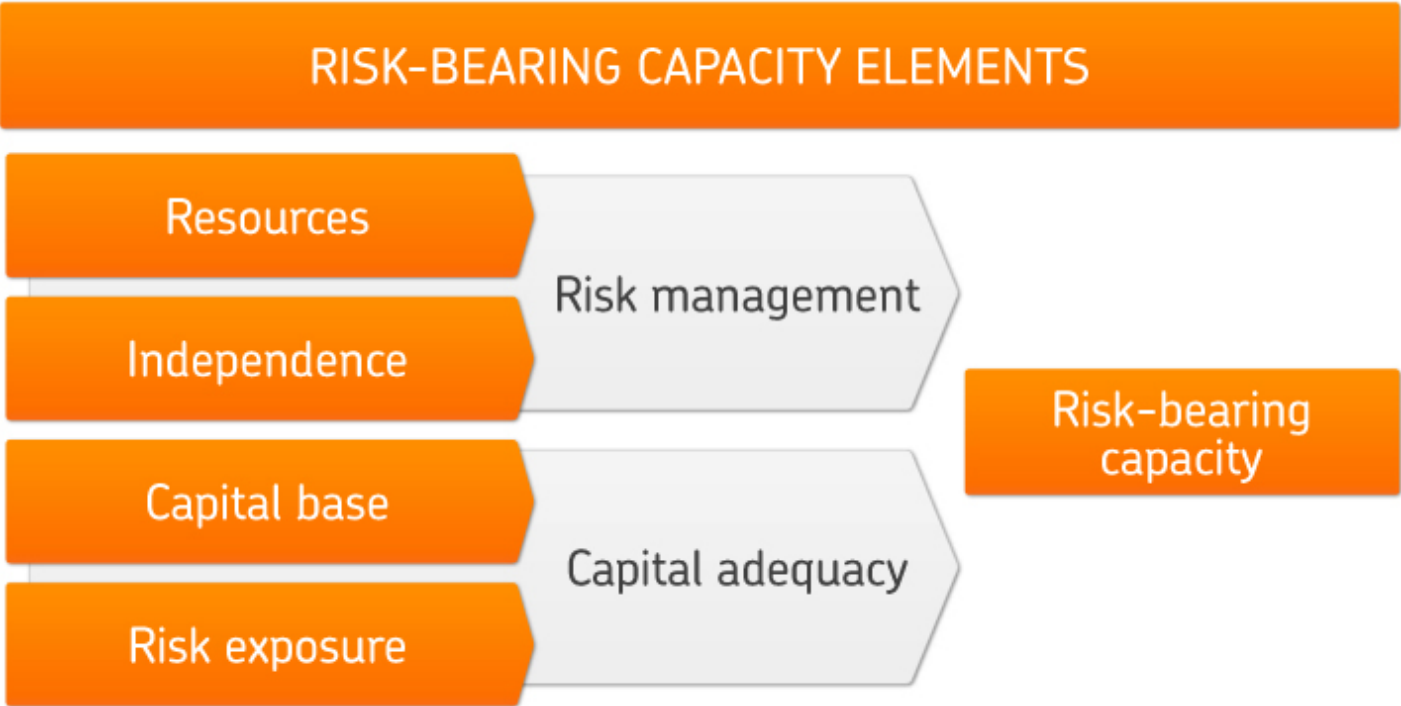


Operational risks are managed by identifying and analysing risks and by ensuring that control and management measures are appropriate and sufficient. Operational risk management does not always aim to remove the risk altogether but to bring it down to an acceptable level.

Risk Management Process



Risk-bearing capacity elements



Rating

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	Aa2

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

As part of its extensive review of the global and European banking sector, Fitch Ratings has reduced OP-Pohjola Group's and Pohjola Bank plc's long-term IDR from 'AA-' to 'A+' and short-term IDR from 'F1+' to 'F1', with a stable outlook for these ratings.

Standard & Poor's Ratings Services affirmed on 8 December 2011 Pohjola Bank plc's long-term counterparty rating at 'AA-' and short-term counterparty rating at 'A-1+', considering the outlook as stable.

In August, Moody's placed OP-Pohjola Group and Pohjola Bank plc on review for a possible credit rating downgrade.

Product and Service Development Review

What do customers expect from OP-Pohjola Group?

Customers still expect banks and insurance companies to provide good and reliable basic services and modern products. The services of financial services companies must also be easy to use, and the increased availability of electronic services alongside the old customer service channels has raised customers' quality expectations. This transition has been even more pronounced as the boundaries within the sector have shifted. At the moment OP-Pohjola Group offers its customers Finland's most extensive product and service portfolio, but the changes taking place challenge companies operating in the financial sector to rethink their service offering and channels. This is where OP-Pohjola Group wants to lead the way.

Reliable services

Owing to the introduction of SEPA and other major system projects, bank services were put to the test in early 2011, and unfortunately we had an exceptional amount of disturbances. But something good came out of it, too: these changes and the temporary problems we experienced helped us see better the key factors of our service capabilities. A redistribution of duties and the extensive development projects returned service reliability back to normal level by autumn – and we can still improve.

OP-Pohjola was chosen as the primary intermediary of the Finnish state's payment transfers as of 1 December 2012. This is a job well suited to us, as we already have a majority of Finns as either our banking or insurance customers. This new and responsible task encourages us to continue with determination to make our services even better.

Service availability

Modern banking and insurance services are based on both personal services and – increasingly – electronic services. All our business is steered by profitability requirements, but the cooperative nature of OP-Pohjola Group and the local banks enable us to operate in a different way from our competitors. OP-Pohjola Group's network of branch offices is currently more extensive than any other bank or insurance company, and we will be focusing on good local services in the future, too.

Our objective is to be near to our customers online as well. Most of our customers operate comfortably online, and it is for this group that we try to create new services. OP-Pohjola Group made a major investment in 2011 for the creation of future services by establishing a development unit in Oulu that will focus on eBusiness and mobile applications for financial services in particular.

Service availability is also affected by customers' own choices, and many customers could actually use online services much more than they do currently. Almost all customers need to be encouraged to use web services to a greater extent. In the future, the range of online services will be even more extensive, with better usability. Combining a faceless online service to face-to-face service is part of our future vision.

New angles to service development

OP-Pohjola Group has been working since 2005 on ideas on how to offer banking and insurance services on a one-stop shop basis. This was at the time quite a novel idea to our customers, but now most of them take it for granted. In just a few years, the number of joint Group member bank and Pohjola Insurance customers has almost doubled, currently standing at about 1.3 million.

We have been able to offer our customers the best loyalty benefits on the market, but it is also beneficial to our customers to take a moment to go through all of their financial issues. Our services to both homes and businesses are good tools for effective financial management. We want to respond to our customers' wishes, and we are constantly developing our services and expertise to be more and more comprehensive.

Modern service packages may extend over old sector boundaries, as our experience of combining banking and insurance services has already shown. We are actively seeking new ideas of similar nature with an open mind. In 2011, for example, we combined non-life insurance and wellbeing services.

Tony Vepsäläinen

Product and Service Portfolio



Customers

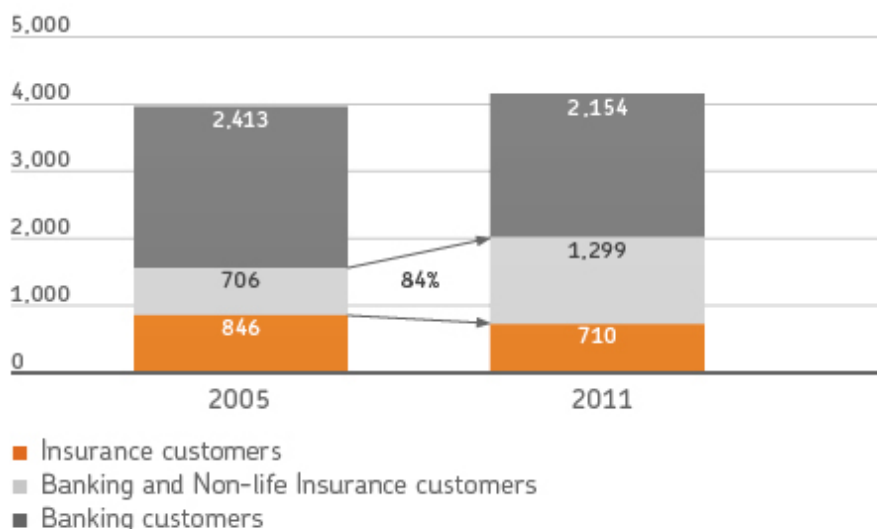
OP-Pohjola is there for its owner-members and customers. The OP-Pohjola Group has 4.2 million customers, with private customers accounting for just over 3.7 million and corporate customers for some 430,000.

With its products and services, OP-Pohjola hopes to make customers' everyday lives easier, help them with investments and make their dreams come true. In 2011, the number of customers using both banking and insurance services showed unprecedented growth: it grew by more than 100,000 to 1.3 million. Since the Pohjola acquisition in 2005, the number of customers using both banking and insurance services has grown by almost 600,000.

The number of insurance customers grew by 87,000, to more than two million in 2011. Since the Pohjola acquisition, the number of insurance customers has grown by almost half a million. The number of loyal customer households in the insurance business rose by 43,000 in 2011, bringing the total number of loyal customer households to more than half a million.

Customers are invited to take part in business development. Owner-members can participate in their own co-operative bank's decision-making. Indeed, through the customer community, customers have been actively involved in product and service development. OP-Pohjola has been able to maintain a high customer satisfaction level. One of the things customers hoped for was more active communication. In 2011, practices were modified to better accommodate customer wishes, and further action will be taken in 2012.

OP-Pohjola Group customers, 1,000 pcs.



Loyalty Benefits

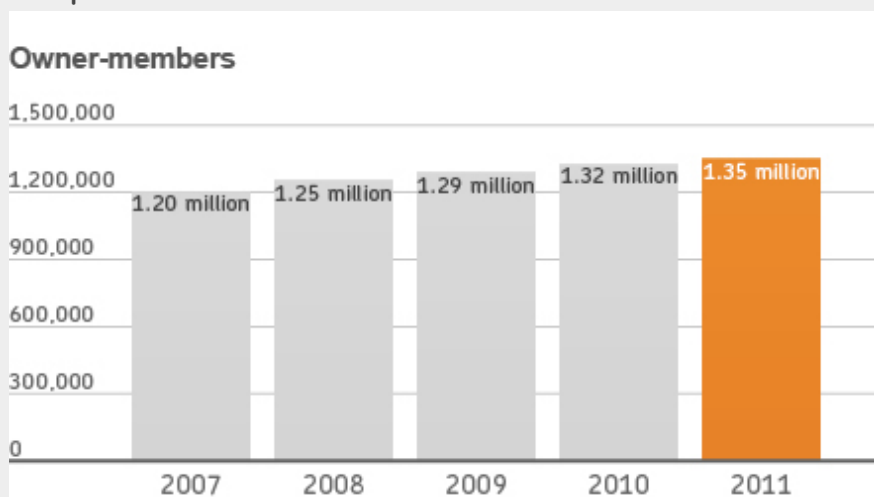
Being an owner-member in a cooperative bank gives customers a say in the local cooperative bank's decision-making. In addition, owner-members earn unique benefits for concentrating their banking and insurance business with OP-Pohjola.

Local cooperative banks and Helsinki OP Bank Plc award customers OP bonuses in proportion to their volume of business transactions. OP bonuses have been awarded since 1999. In 2011, customers earned bonuses worth EUR 163 million. Customers earn bonuses from banking and insurance business. Bonuses can be used to pay banking and insurance fees specified by OP-Pohjola Group, as well as the commissions of OP-Kiinteistökeskus estate agents. In addition to banking transactions, bonuses accrue from home, family and motor vehicle insurance premiums. Any insurance premiums paid using bonuses also accrue more bonuses. Customers who concentrate all their banking and insurance services with the OP-Pohjola Group gain most, receiving an additional discount on insurance premiums as a loyalty benefit.

The rules regarding OP bonuses were revised on 1 November 2011. Accumulated unused bonuses are no longer paid out in cash. The objective is to offer a greater range of uses for the bonuses.

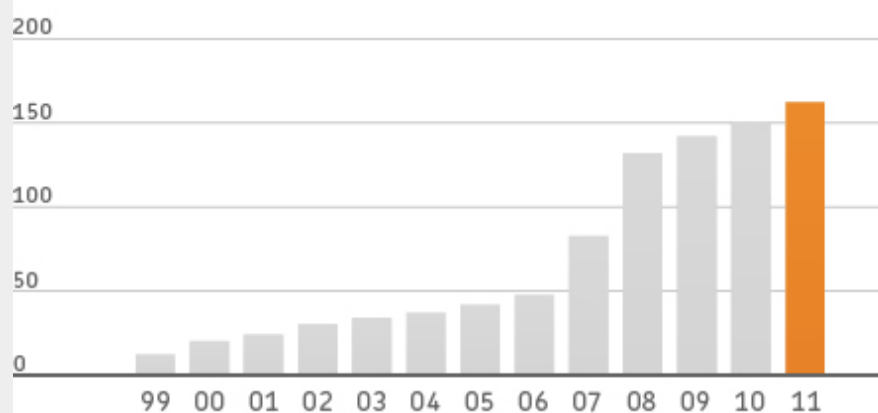
A growing number of OP-Pohjola customers have taken out non-life insurance with a cooperative bank. In this way, they have discovered the financial benefits of being a loyal customer, as well as the simplicity of using OP services.

Graph: Owner-members



Graph: Accumulation of OP bonuses (history)*, € million

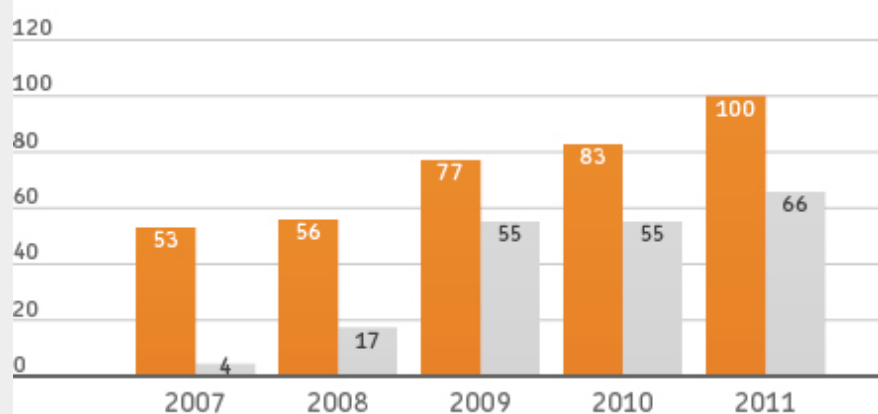
Accumulation of OP bonuses (history)*, € million



* OP bonuses accumulated since 1999

Graph: Use of OP bonuses, € million

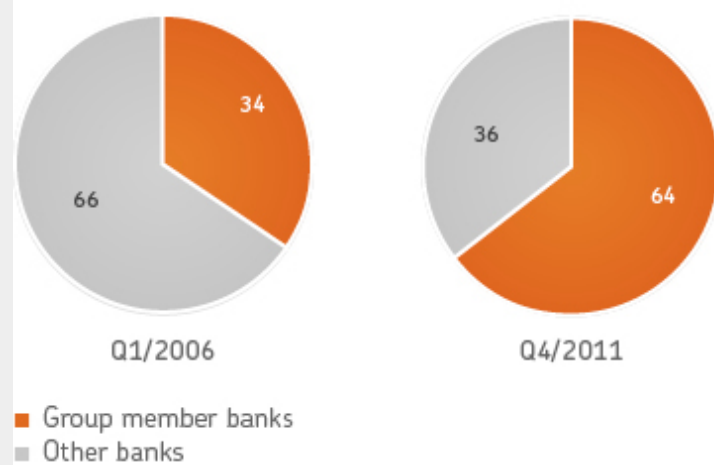
Use of OP bonuses, € million



■ Banking services
■ Non-life insurance

Graph: Main bank used by Pohjola Insurance customers, %

Main bank used by Pohjola Insurance customers, %



Source: Survey of bank and insurance company switch by TNS Gallup; main customer relationship

Service Network

Although the Internet is increasingly important as a channel for service transactions, personal service and branch offices remain crucial to the management of personal finances. All service channels are continuously developed to meet the customers' existing and new needs.

In spring 2011, the OP mobile service was introduced, offering customers a convenient channel for their banking business. This service is available on iPhones and Android phones, and user experiences have been encouraging.

Local service everywhere in Finland

Based on their strong, local knowledge, independent, customer-owned local cooperative banks serve customers throughout Finland. Service network development reflects OP-Pohjola Group's objective of offering all financial services under one roof: more than half of cooperative bank branch offices offer both banking and insurance services.

Cooperative bank subsidiaries and OP-Kiinteistökeskus estate agents offer real estate services from 174 locations.

Future development work will focus e.g. on making electronic services part of the customer experience at branch offices. On the other hand, online services are being developed for more personalised service.

Telephone service

In 2011, the OP-Pohjola Group's 0100 0500 telephone service and the banks' own telephone service answered some 632,000 customer calls. Customer calls answered and made in this way totalled around one million.

OP-Pohjola has 100 people handling customer calls, with an average waiting time of 79 seconds. The telephone service handles approximately 20% of all customer contacts.

Online service is personal and safe

Last year, the OP online service celebrated its 15th anniversary. Over the years, OP online service has grown into a unique banking and insurance service channel, which customers visit more and more actively. Customers visit the OP online service eight times a month on average.

The most recent online upgrade in spring 2011 focused on making the service more personal. When logging in, customers can see all their banking and insurance details at a glance. The upgrade also involved easing the online purchase of insurance policies. The number of e-invoices ordered broke the previous years' records.

Some areas of online service network development are being continuously addressed. These include customer-oriented and personal service, as well as safety and security. Preventive steps are being taken to prepare for online crime, with new security features being introduced as threats emerge.

OP-Pohjola Group's service network on 31 December 2011

eServices Agreements	1,504,618
of which use the service at least once a month	83%
OP mobile (no. of downloads)	approx. 60 000
Bank branches	535
of which also provide insurance services	345
Private Banking branches	36
OP-Kiinteistökeskus real estate agent branches	174
Online customer terminals at branch offices' self-service points	547

Banking

The effects of the protracted sovereign debt crisis in the euro area on Banking's operating environment started to materialise towards the end of the year mainly in the form of lower interest rates.

OP-Pohjola Group's deposits increased in the year to December by 13.3%. Payment transfer accounts increased by 12.4% and investment deposits by 14.4%.

The number of housing deals brokered by OP-Kiinteistökeskus real estate agents in 2011 reached a record high. The deals totalled 17,200, thus exceeding last year's figures by about 200, and this despite the uncertainties in the operating environment.

The volume of home mortgages issued in 2011 increased by 11.8% year on year. The margins of new home mortgages turned upward towards the end of the year and are forecast to continue increasing owing to tighter capital adequacy regulations and higher funding costs. On 31 December, the Group held 36.0% (35.8) of the home mortgage portfolio. The consumer loan portfolio grew by 3.7% from last year's figure.

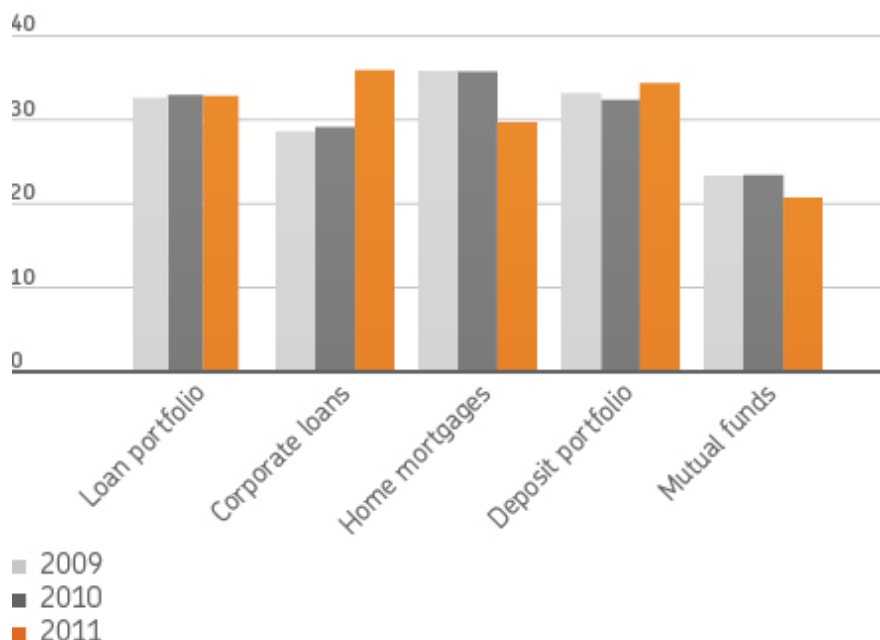
The volume of payment transfers intermediated by OP-Pohjola Group increased somewhat. Pohjola Bank plc was chosen as the primary intermediary of the Finnish state's payment transfers as of 1 December 2012.

The corporate loan portfolio grew in the year to December by 11.3%. The Group's market share of the loan portfolio by businesses and housing corporations increased in the year to December from 29.2% to 29.7%.

Capital invested in mutual funds managed by OP-Pohjola Group decreased in the year to December to EUR 11.5 billion (14.4) as a result of a lower volume of net subscriptions and lower market values.

The Banking result improved clearly and earnings before tax rose by 30% to EUR 478 million (367). Banking income grew by 6.9%, reaching EUR 1,708 million. Net interest income increased by 16% (-13).

OP-Pohjola Group's market share, %



Asset Management Services

Uncertainty in the investment markets had a negative impact on asset management services in 2011. Net subscriptions of mutual fund shares fell into the red, while falling share prices prompted a slight decline in insurance savings. Similarly, turnover from stock brokerage and the sale of structured bonds fell slightly from last year. Meanwhile, demand for deposits remained strong throughout the year, as customers sought safe alternatives. In asset management, the most important product launch was the OP Investment Service. Based on unit-linked policies, this service attracted huge interest from customers who appreciate carefree asset management.

Deposits

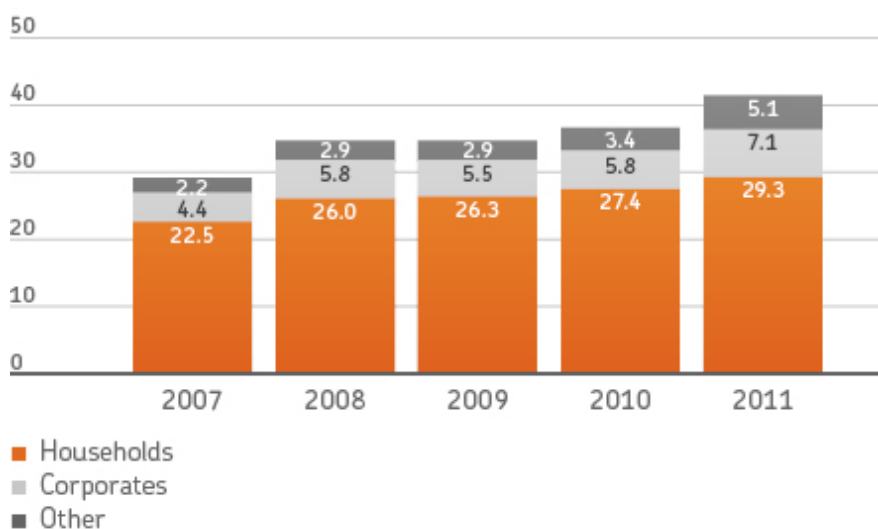
Total deposits grew by 14.8% in 2011. Growth was particularly strong in deposits by companies and public sector entities. On 31 December 2011, OP-Pohjola Group's market share of deposits was 34.4%.

OP-Pohjola Group's deposit account, billion EUR

	2011	2010
Private customers' current accounts	13	12
Corporate customers' payment transfer accounts	9	7
Private customers' investment accounts	16	15
Corporate customers' investment accounts	3	2
OP-Pohjola Group total	41	36

Price competition was, at times, extremely intense in 2011. Particularly for fixed-term deposits of more than a year, banks paid much higher interest rates than the Euribor reference rates. The rise in interest rates levelled off in the summer, following the European debt crisis. This temporarily dampened competition for long-term investments. Investment accounts from which funds can be freely withdrawn became increasingly popular due to stock market volatility.

Deposits, € billion



Mutual Funds

OP Fund Management Company Ltd seeks to respond to its customers' savings and investment needs by offering mutual fund products and solutions best suited to each customer's needs. The Group's share of capital invested in mutual funds registered in Finland totalled 20.7% (23.4%) and of shareowners 20.6 % (20.9%). Fluctuations in the share and interest markets in 2011 impacted on the capital invested in mutual funds, following the fall in market values and the resulting redemptions.

Capital invested in mutual funds

€ bn	2011	2010
Equity and hedge funds	3.3	4.9
Balanced funds	1.2	1.5
Long-term bond funds	4.7	5.9
Money market funds	2.2	2.1
Total	11.5	14.4

In 2011, three new mutual funds were added to the product range. In addition, major changes were made to the investment policies of two existing funds.

New funds:

- OP-Nordic Countries Index Fund
- OP-Asia Index Fund
- OP-Capital Guaranteed Fund 2017

Revised investment policies:

- OP-Europe Index Fund
- OP-America Index Fund

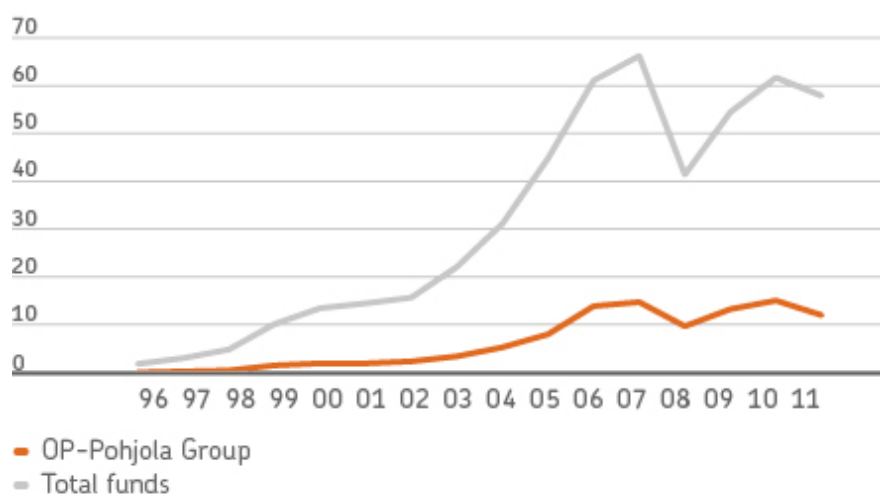
[Read more at op.fi](http://op.fi)

Equity funds and corporate bond funds remained the most popular means of saving and investment. The index funds launched in 2011 were tremendously popular. There was marked growth in the number of shareowners in these funds, as well as the assets being managed. Otherwise, powerful market uncertainty limited demand for high-risk investments.

Most OP mutual funds' portfolios are managed by Pohjola Asset Management Ltd, the Finnish market leader in institutional asset management. For some funds, the company has outsourced portfolio management to international partners. There are currently nine international partners.

International partners' funds complement the OP mutual fund range. Key international partners include J.P.Morgan Asset Management and Fidelity Worldwide Investments. OP Fund Management Company acts as the broker of these funds to Private Banking customers.

In support of investment decisions, OP-Pohjola offers many free-of-charge services to mutual fund customers. The most popular services are the Mutual Fund Review, model portfolios for investors and mutual fund tips for the prevailing market situation.

Fund capital in Finland, € billion

Private Banking

Asset management by agreement in OP-Pohjola Group is provided by the OP-Private units of local cooperatives and Helsinki OP Bank Plc, as well as Pohjola Private. OP-Pohjola Group offers signatories of a Private Banking agreement comprehensive and personalised service, as well as access to its own and its partners' product and service offering. The related service models are asset management under full power of attorney, and investment consultation.

In 2011, the number of customers rose considerably, by 1,685 or 14% to 13,760 at the year-end. Assets managed totalled EUR 6,221 million at the end of 2011, down by 10.7% year on year due to dramatic fluctuations in the share and interest markets.

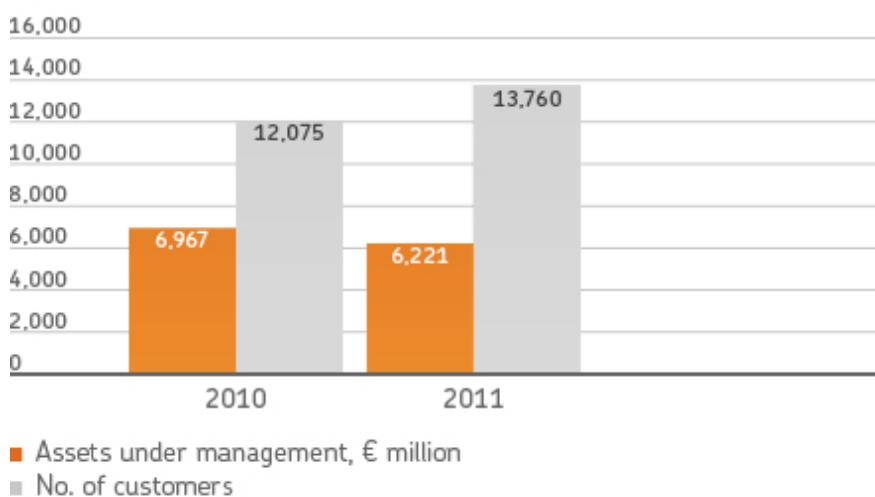
Determined efforts were made to develop the Private Banking services, translating into higher points scored for overall customer satisfaction, service commitment, and services provided by the personal asset manager.

With 36 locations at the year-end, the OP-Pohjola Group runs Finland's largest Private Banking network. New units launched operations in 2011 in Varkaus, in Tapiola, Espoo, and in Tikkurila, Vantaa. The regional cooperation model used in the network makes the OP-Private service available to all local cooperative bank customers.

Private Banking customers

	2010	2011	Change	Change-%
OP-Private				
OP-Private, funds managed, € mill.	3,567	3,421	-146	-0.041
OP-Private, no. of customers	10,893	12,554	1,661	0.152
Pohjola Private				
Pohjola Private, funds managed, € mill.	3,400	2,800	-600	-0.176
Pohjola Private, no. of customers	1,182	1,206	24	0.02
Total				
funds managed, € mill.	6,967	6,221	-746	-10.7
Number of customers	12,075	13,760	1,685	14.0

OP-Pohjola Group's Private Banking



Residential Lending and Brokerage Services

The residential lending business had a record-breaking year. Demand for home loans remained at the healthy level seen in 2011, despite uncertainty caused by the debt crisis and the weakening economic outlook. The entire home loan market in Finland grew by 6.6%.

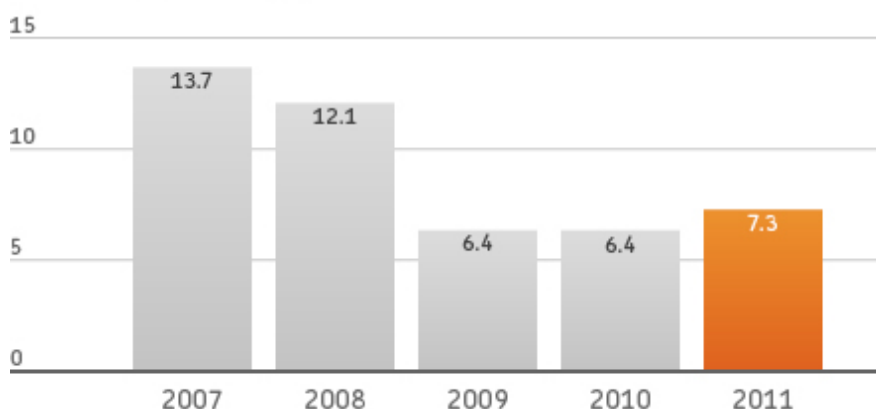
OP-Pohjola Group is Finland's leading player in the home loan markets. In 2011, OP-Pohjola Group was able to grow its home loan portfolio faster than its competitors, raising its market share of home loans by 0.2 percentage points. At the year-end, its market share totalled 36%. In the eyes of customers, OP-Pohjola retained its long-held position as the best home loan bank (based on the 'Pankkien asuntolainat 2011' survey on banks' home loans, conducted by Taloustutkimus Oy).

Home loans taken out with OP-Pohjola Group in 2011 amounted to EUR 7.4 billion, up by 11% from 2010. This was more than in any other year in the 2000s.

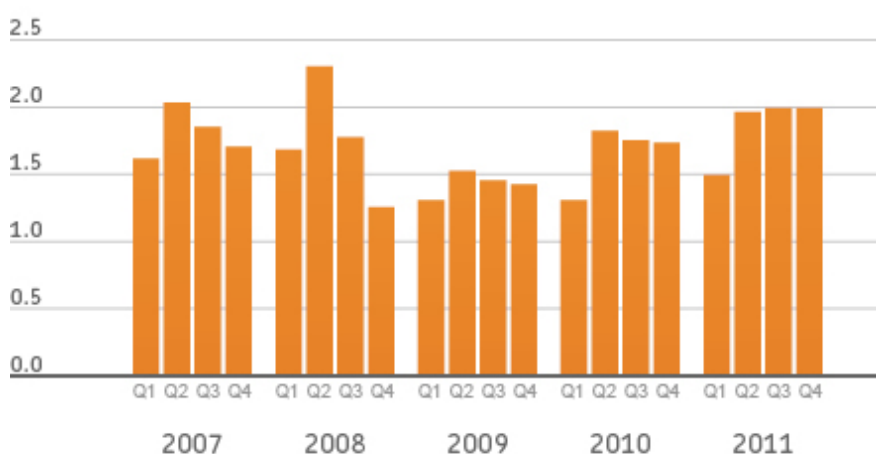
Margins on new home loans fell slightly during the first half of 2011, but rose towards the year-end. Due to the rising cost of long-term borrowing, and foreseeable regulatory changes, margins will rise considerably during 2012.

Despite the unfavourable economic outlook, customers have been able to cope with their loans; the number of non-performing home loans has been very small.

Annual growth of home mortgage portfolio in OP-Pohjola Group, %



Mortgages drawn down by quarter, € billion

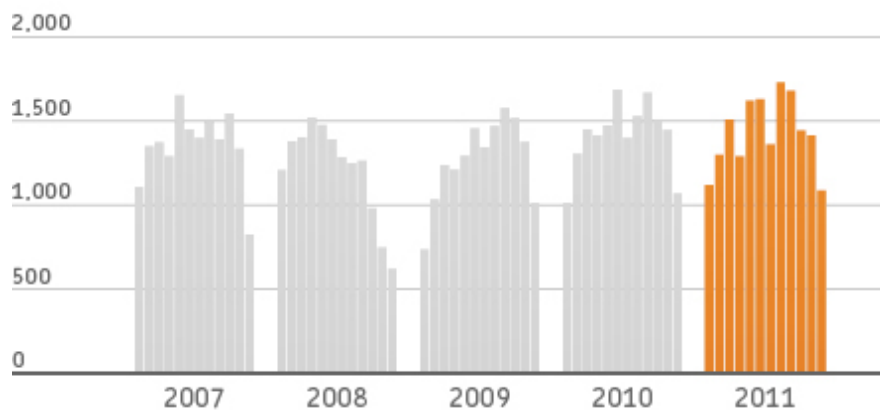


OP-Kiinteistökeskus

For OP-Kiinteistökeskus estate agents, 2011 turned out to be a record-breaking year. Across Finland, they closed a total of 17,240 residence and property deals – an increase of more than 200 from 2010.

High activity in the property markets was attributable to low financing costs, steady price development on the housing markets, the good employment situation, and purchasing power that remained strong throughout the year.

OP-Kiinteistökeskus home sales per month, pcs.



Consumer Credit and Card Services

OP-Pohjola's consumer credit portfolio grew by 5.2%. The strongest growth driver was car purchase financing. OP-Pohjola's market share of consumer credit rose by 0.3 percentage points, to 32.4% at the year-end.

Positive development in card business

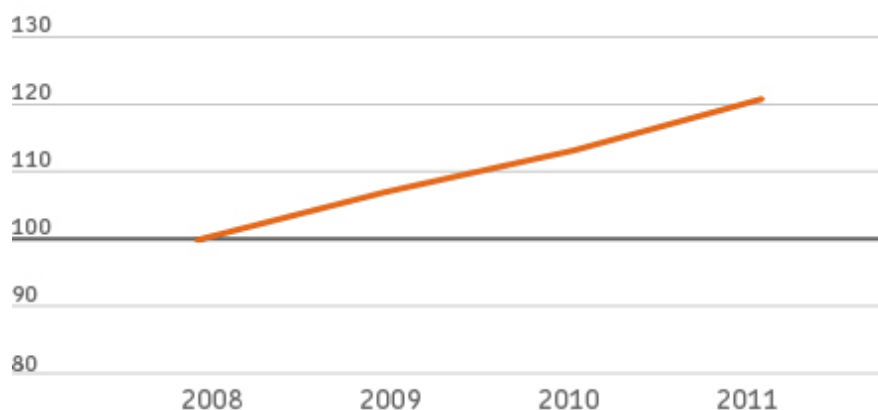
OP-Pohjola Group's card business saw favourable development in 2011. The Group's card portfolio growth kept pace with the growing number of customers, and cards were used more frequently for payment purposes. Despite new cards launched by competitors, OP-Pohjola's cards are in active use. Money transactions made with such cards grew by almost 7%.

Card fraud, and the resulting media attention, cast a shadow over card payment and the card business. During the review period, several incidents of card duplication came to light. But the true situation is more complex: although more card duplications made the headlines and more cards had to be cancelled than in previous years, there has been no notable growth in losses from card fraud. Such losses remained low in proportion to the entire card portfolio and card use frequency. For the cardholder, card use is very safe. In recent years, major progress has been made in methods of preventing card fraud. Means are now available of effectively preventing card misuse.

OP Merchant Services to complement the payment transfer and cash management services

In 2011, OP-Pohjola Group supplemented its card services with Visa and MasterCard payment settlement services for merchants. The new OP Merchant Services further extends the range of cash management and payment transfer services available to companies. OP-Pohjola Group offers this service in cooperation with Luottokunta, a company with several decades of experience in international payment card transactions. The new service has been enthusiastically welcomed, with sales growing as expected.

Development of purchases made using OP-Pohjola Group's cards



Corporate and Housing Corporation Loans

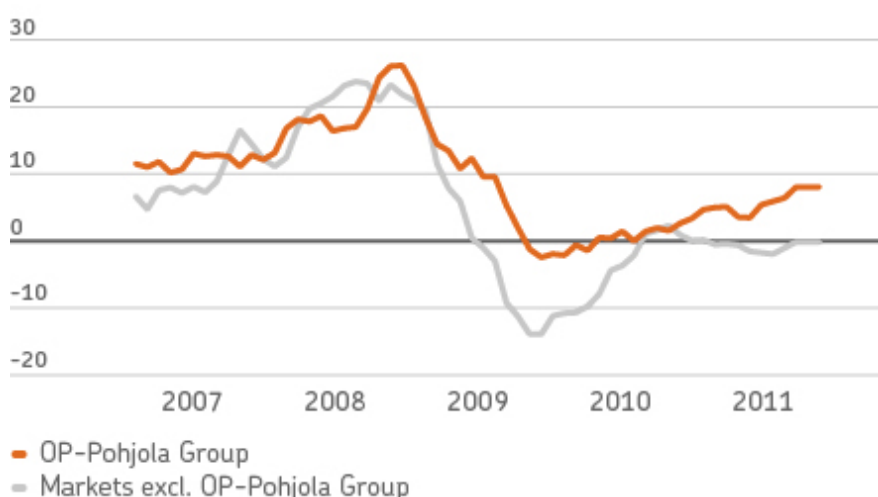
Corporate loans continued to grow in 2011 despite the uncertain economic outlook. Considerably faster growth was experienced by OP-Pohjola Group than a year earlier. The uncertain economy, higher funding by banks and anticipated cost rise in corporate financing did not affect demand for financing; instead, demand remained healthy throughout the year.

New corporate loans raised amounted to EUR 6.7 billion. The corporate loan portfolio at the year-end was EUR 15.6 billion (14.0) and the guarantee portfolio EUR 2.7 billion (2.8). The domestic corporate loan portfolio grew by EUR 1.6 billion, or 11.3%. Corporate loans grew faster than the loans for housing or other corporations. Both local cooperatives and Pohjola enjoyed healthy growth. OP Pohjola Group's market share of corporate loans was 29.3% by the end of December.

Despite the loan portfolio growth, corporate loan losses in 2011 were lower than expected and lower than a year earlier.

OP-Pohjola Group has continued to develop its corporate financing services and offering, particularly through regional corporate banks and Pohjola. Areas where growth has been sought include investment and acquisition financing offered to medium-sized corporate customers.

Corporate loan total, 12-month change, %



Source: Bank of Finland

Payment Transfer Services

More than a million private customers have a daily financial services package, including a payment transfer account, online services and online bank statements, and an international, SEPA-compliant card. Indeed, online services have become the most popular transaction channel among OP-Pohjola Group's 1.5 million customers.

OP-Pohjola Group the intermediary for state payment transfers

In autumn 2011, Pohjola Bank plc won a competitive tender for the Finnish state's payment transfers. OP-Pohjola Group will act as the intermediary for the Finnish state's payment transfers in 2012–2018. Winning the competitive tender confirms that OP-Pohjola Group can meet the most demanding service needs of even the biggest customers. OP-Pohjola Group succeeded extremely well in public sector tenders in 2011. Cooperative banks and Pohjola Bank won most public contracts for payment transfers and electronic billing in Finland.

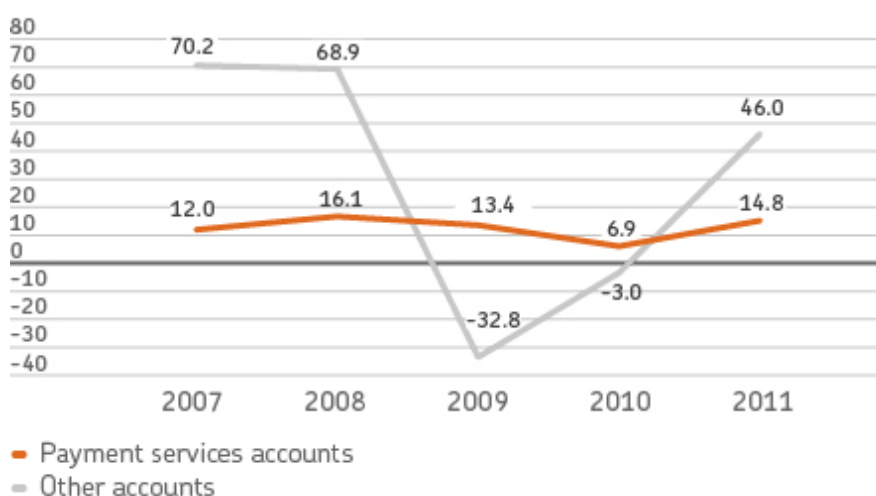
Electronic Banking – a Daily Activity

Adoption of SEPA payment transfer services by corporate customers was extremely smooth: by the end of October 2011, 94% of corporate customers had adopted SEPA payment services and the rest by the end the year. Local cooperative banks played a key role in helping their corporate customers to make the necessary SEPA arrangements. This took months of systematic work and personal consultation. For private customers, adoption of SEPA services involved switching to a new, international IBAN account number. Use of SEPA services is now an everyday activity for them.

In technical terms, SEPA required greater effort than the adoption of the euro. In view of the magnitude of the change, being able, by late 2011, to provide almost interruption-free payment transfer services was quite an achievement. In 2012–2013, SEPA changes will continue in direct debiting. The existing direct debit service will be replaced with an eBilling solution. For customers using the OP online service, direct debit transactions will be replaced with an eBill. For other customers it will be replaced with a direct payment, which is functionally identical to the current direct debit. This change will benefit companies that use direct debit for invoicing, since it simplifies invoicing, allowing companies to use a single method for both private and corporate customers. Similarly, the recipient receives bills in the desired format, either electronically in the online service, as a direct payment, or on paper. The next development stage is the adoption of international eBilling; here, OP-Pohjola Group is striving to open its doors to Finland-based companies engaged in international trade.

Most corporate and private customers send and receive eBills every day, and this trend is set to continue. E-Billing will soon replace direct debit as a payment option. Private customers received 28% more eBills through their online bank than a year earlier. For corporate customers, the number of eBills in inter-company invoicing doubled.

Increase of corporate deposits with OP-Pohjola Group, %



OP Mobile Certification

OP-Pohjola Group is strongly committed to the development and promotion of electronic services in Finland. In autumn 2011, the Group introduced a new service – a mobile certification solution developed by telecom operators. OP-Pohjola partnered with the telecom operator DNA for this project. The new certification solution allows merchants to identify customers using the mobile certification of any bank or telecom operator. It offers companies and organisations greater opportunities to develop their electronic services and improve customers' user experiences, particularly with new devices. When using services, consumers can verify their identity more handily, for example by mobile phone.

Safe, efficient and easy electronic identification, and the electronic agreements, approvals and similar actions it permits, are the key drivers of the information society. At OP-Pohjola Group, we believe that we play a vital role in this. This is because banks are the providers of this identification method, which is based on key code lists. With the introduction of mobile certification, it is now a viable option for new devices and connections.

As a bank, OP-Pohjola aims to contribute to safe and secure customer experiences in the electronic environment. A large number of user identifications occur through banking services. This means that banks play a major role in shaping new user conventions and building trust in new services.

Agricultural and Forestry Customer Services

Number one in agricultural banking

OP-Pohjola Group accounts for more than 60% of all credit granted to the forestry and agricultural sector. Surveys show that farmer customers consider OP-Pohjola Group a reliable Finnish forerunner, the leading expert in forestry and agricultural banking, and the provider of the best loyalty benefits.

Uncertainty reflected in agricultural investments

Adverse economic conditions, fluctuations in market prices and the EU's agricultural policy reforms have caused high uncertainty for farms. As a result, fewer investments were made despite record-low interest rates. The dairy industry continued to experience strong structural changes. Although fewer investments were made in cow sheds, projects were larger. This kept the amount of loan granted at almost the previous year's level. Meanwhile, in cattle and pig farming the difficult market situation clearly reduced investments. In pig farming, production took a downward turn. Despite these circumstances, OP-Pohjola Group remained steadfast as the clear leader in agricultural financing.

The financial crisis lowered timber sales revenue

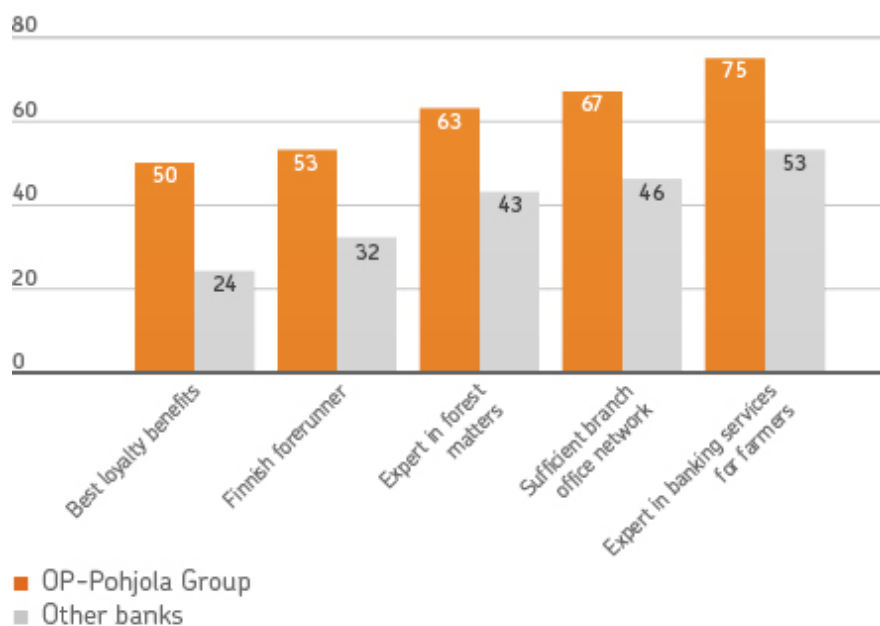
Uncertainty due to the euro area's financial crisis spread into the timber and forest product markets. Timber buyers and sellers were made cautious by the uncertain outlook. Timber sales revenues of private forest owners were lower than a year earlier. OP-Pohjola Group's stumpage revenue amounted to more than EUR 650 million and its market share of stumpage revenue was 52%. To improve services to forest owners, a team of forest property agents was established. This will operate in OP-Kiinteistökeskus estate agency locations across Finland.

Insurance

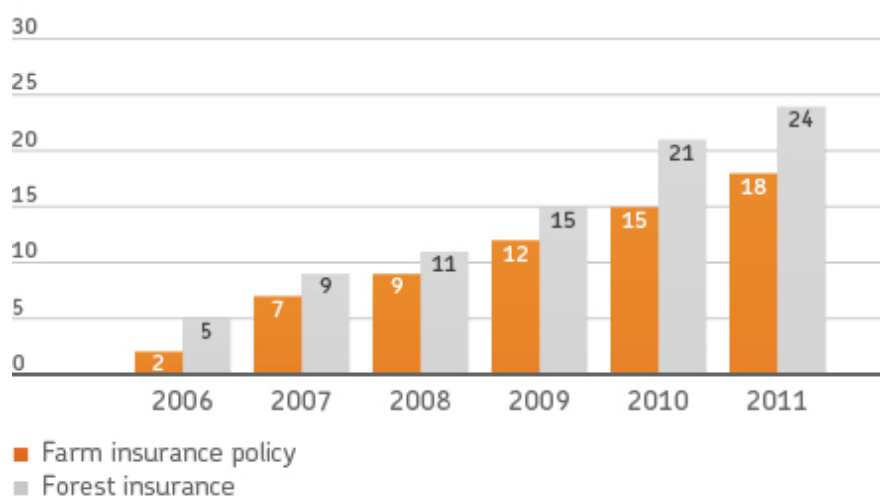
Pohjola Insurance increased its market share in farm insurances to 18%, an increase of nearly 4 percentage points from 2010. The number of major fires on farms has grown. To prevent such fires, pre-inspections of electric equipment were begun. This project had good results from the outset.

Based on experiences gathered from the storms of 2010, alterations were made to forest insurance. Since July, customers have been offered three alternatives for maximum compensation: 16, 23 or 32 euros per square metre. On Boxing Day, a severe storm swept over Finland, causing significant damage to forests. Pohjola Insurance contacted its forest insurance customers by text message, giving instructions on how to report damage.

Farmer's image of their primary bank, %



Development of farm and forestry insurance policies, %



Non-life Insurance

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 Insurance Ltd is Finland's leading non-life insurer providing its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. While A-Insurance Ltd is a specialist in policies for commercial transport, Eurooppalainen is the only insurer in Finland that sells exclusively travel policies. Seesam provides non-life policies in Estonia, Latvia and Lithuania.

Non-life Insurance has the strategic goal of growing at a rate above the market average, strengthening its market leadership and maintaining good business profitability. The operating combined ratio – the sum of the loss ratio and the operating expense ratio – is a profitability indicator.

Non-life Insurance, key figures

	2011	2010
Earnings before tax, € mill.	8	83
Operating combined ratio, %	89.9	89.7
Combined ratio, %	97.7	96.6
Operating expense ratio, %	21.8	21.3
Return on investments at fair value, %	-0.4	5.1
Solvency ratio, %	77	86
Personnel	2,355	2,090

Market Review

Some fifteen Finnish non-life insurers and 70 local mutual insurance associations operate actively in Finland. In addition, a few foreign insurance companies based in an EEA member state operate in Finland.

The combined premiums written reported by Finnish non-life insurance companies in 2011 amounted to an estimated EUR 3.7 billion, up by 4% year on year, with the largest four insurance groups generating over 80% of all premiums written.

Private Customers accounted for 50% of premiums written and Corporate Customers for 50%.

Statutory policies and voluntary policies accounted for roughly 35% and 65% of the premiums written, respectively. Statutory and mandatory non-life insurance policies include statutory workers' compensation insurance, motor liability insurance, patient insurance and environmental damage insurance. Slightly over half of the voluntary policies have been taken out by households and the rest by companies and institutions.

In Finland, there is still great growth potential in personal insurance, given that property is usually better insured than people. The economy in the Baltic countries is recovering and the insurance market is expected to develop favourably.

Market Position

Pohjola continued to strengthen its market position. Insurance premium revenue rose by 7% among Private Customers. We became the market leading insurer of private customers' motor vehicles. Insurance premium revenue from Corporate Customers rebounded by 6%, the strongest growth coming from SMEs. Insurance premium revenue in the Baltic countries remained at the previous year's level.

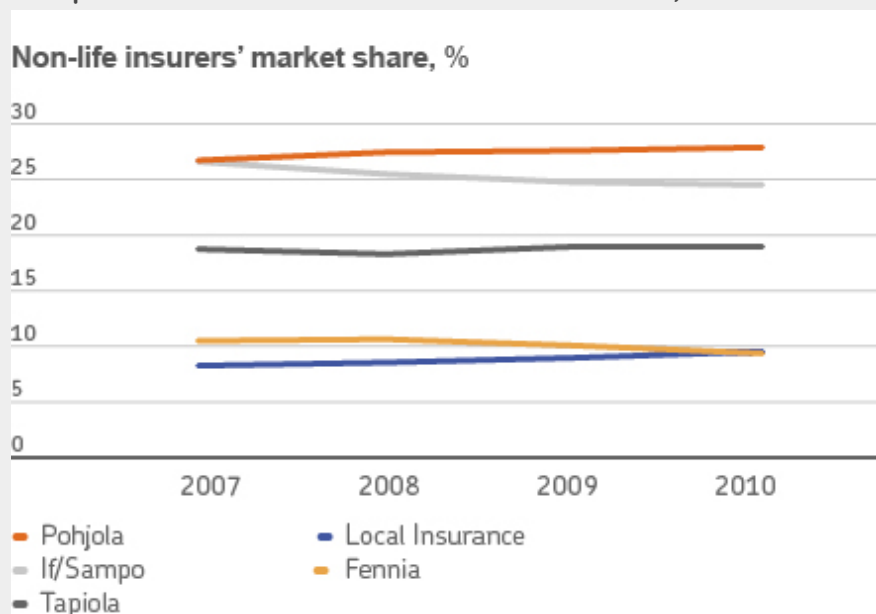
The number of loyal customer households using Pohjola as their main insurer increased by over 42,000, totalling more than half million at the end of 2011. Up to 66% of these customers use OP-Pohjola as their main bank.

Our market share of premiums written under Finnish direct insurance stood at almost 29% in 2011.

Pohjola is Finland's leading non-life insurer. Our strength in the Finnish market lies in OP-Pohjola Group's strong market position and extensive branch network and the extensive range of electronic services. Local presence and in-depth customer knowledge provide good foundations for the sales of non-life insurance policies.

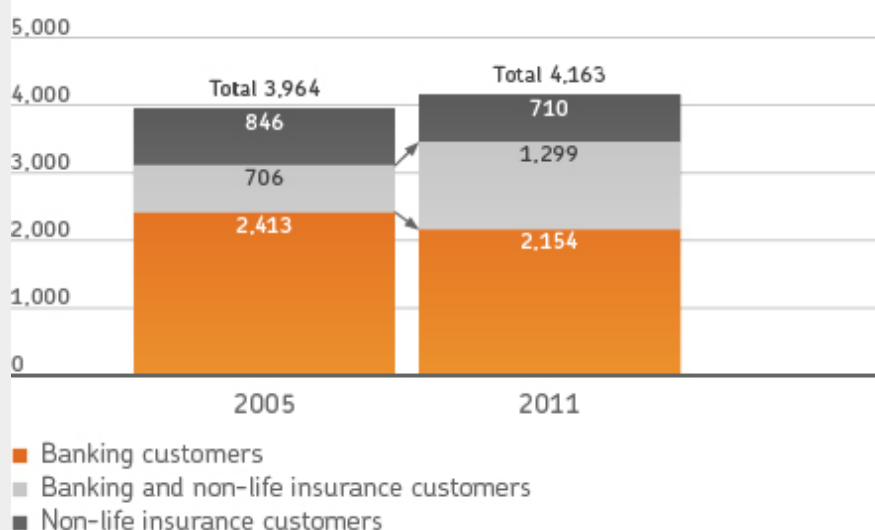
Our strategic goal is to continue to strengthen our position as a non-life insurer in all of our customer segments in Finland and in the non-life insurance market in the Baltic region.

Graph: Non-life insurers' market share, %



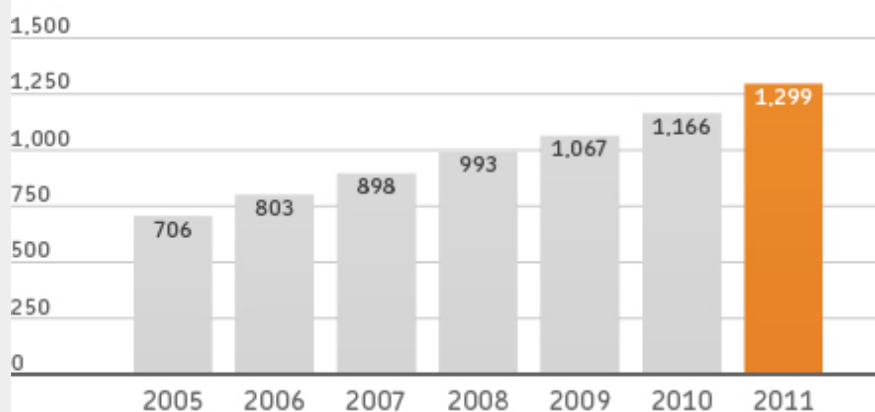
Graph: OP-Pohjola Group's customer potential, 1,000 customers

OP-Pohjola Group's customer potential, 1,000 customers



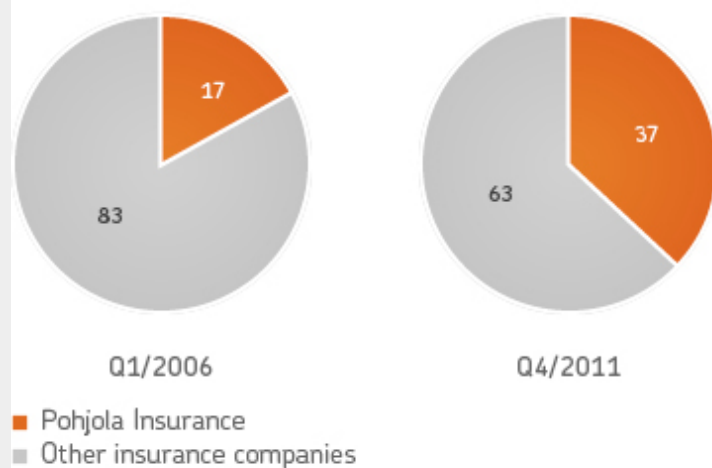
Graph: OP-Pohjola Group's joint banking and non-life insurance customers, 1,000 persons

OP-Pohjola Group's joint banking and non-life insurance customers, 1,000 persons



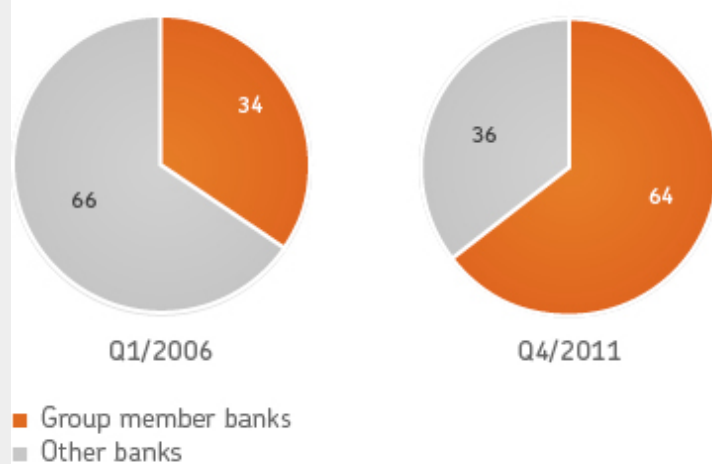
Graph: OP-Pohjola Group member bank customers and their main non-life insurer, %

OP-Pohjola Group member bank customers and their main non-life insurer, %



Graph: Main bank used by Pohjola Insurance customers, %

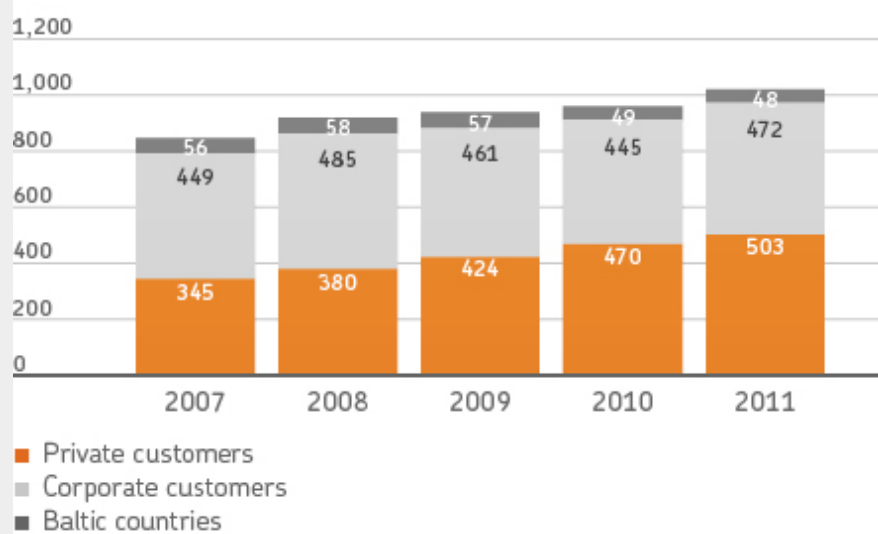
Main bank used by Pohjola Insurance customers, %



Source: Survey of bank and insurance company switch by TNS Gallup; main customer relationship

Graph: Non-life Insurance Insurance premium revenue, € million

Non-life Insurance Insurance premium revenue, € million



Case: Damage Inspection with a Mobile Phone



Damage inspection with a mobile phone

The entire home contents were destroyed in a fire started from an extension cord.

Some 1,500 fires caused by electricity or electric appliances occur in Finland every year. At the Lehto family's home, an extension cord caused a fire that wreaked havoc in their home and destroyed all of their personal property. Thanks to the Tarmo mobile service, the damage was inspected already the next day.

For inspection purposes, the property claims department at Pohjola Insurance uses the Tarmo mobile inspection service. Tarmo allows a damage inspector to be called in quickly, as the assignment is sent by mobile phone to the inspector or partner firm located closest to the scene of the accident. At the scene, the inspector uses a smart phone to send information, images and video clips directly to an up-to-date information system.

Having the information immediately available saves time and money, and damage can be quickly assessed and restored.

In the best case scenario, a claim decision can be issued immediately, during the inspection. Where major damage has occurred, or if a partner firm has inspected the property, the claim decision is centrally forwarded through four claims handling centres.

The damage inspector visited the Lehto family the day after the accident.

"I was surprised by how quickly the inspector appeared. I thought it would take much longer to sort everything out. As the customers, we are really glad that the claims decision arrived quickly. The quicker the better," says Risto Lehto.

Year 2011

Insurance premium revenue continued to grow vigorously in 2011. The number of private customers increased by 4.7% and that of corporate customers by 4.9%. In early 2012, more than 914,700 households and almost 138,000 companies had insurance policies with Pohjola.

In particular, growth among private customers was above the market average rate and we also became the market leading insurer of motor vehicles among this customer segment.

Insurance premium revenue from corporate customers took off, the strongest growth coming from SMEs. The operating combined ratio developed favourably.

Life expectancy in Finland will continue to increase further with the result that pensions will be paid for longer terms. Owing to the changed mortality model, we increased technical provisions by EUR 27 million. We also cut the discount rate for technical provisions related to pension liabilities by 0.2 percentage points to 3.3%, which eroded earnings by EUR 32 million.

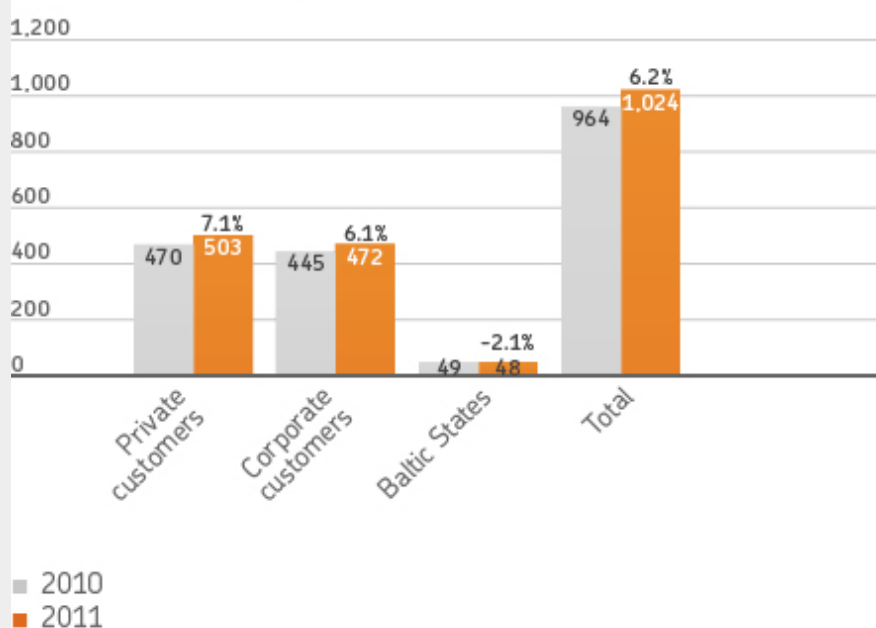
Claims services had a busy year, as evidenced by the 420,000 loss reports received by Pohjola. This higher number of losses and claims was attributable to the larger number of customers, challenging weather conditions early in the year and storms late in the year.

By and large, claims expenditure in the insurance business continued to grow markedly faster than premiums written. Slower economic growth is nevertheless expected to offset the growth in claims expenditure in relation to that in premiums written.

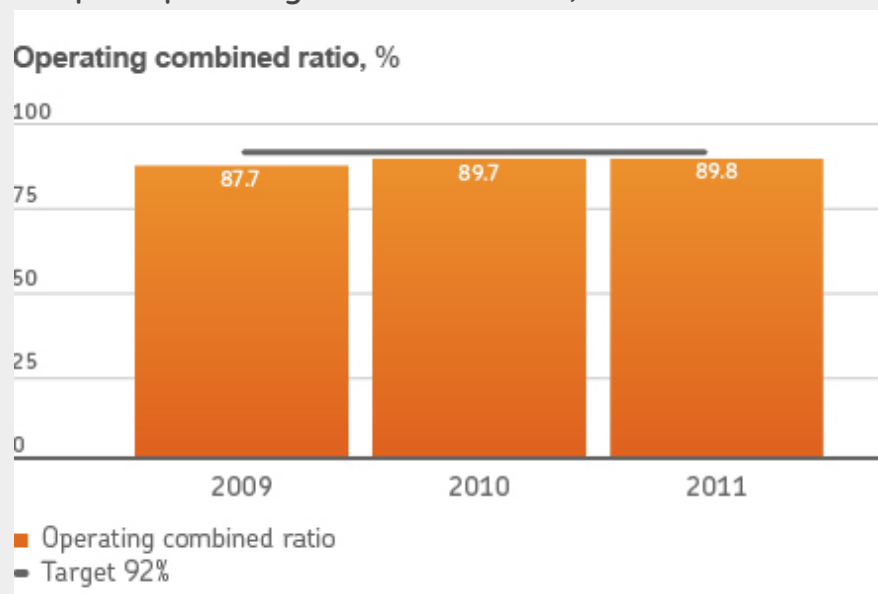
The European sovereign debt crisis and capital market uncertainty eroded investment income. Uncertainties over the investment environment and low interest rates are expected to increase challenges related to investment by insurance companies.

Graph: Insurance premium by business division, and change, € million

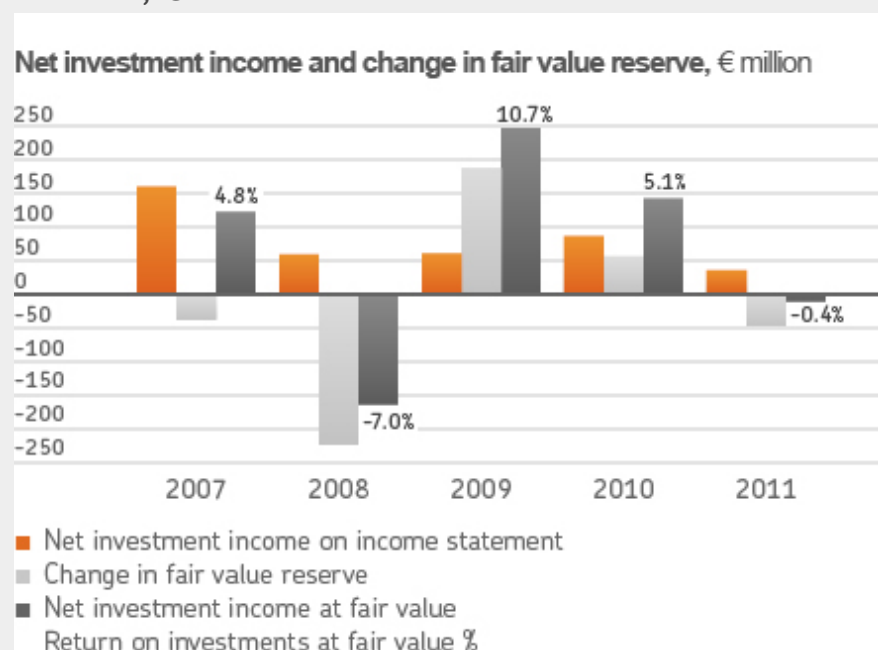
Insurance premium by business division, and change, € million



Graph: Operating combined ratio, %

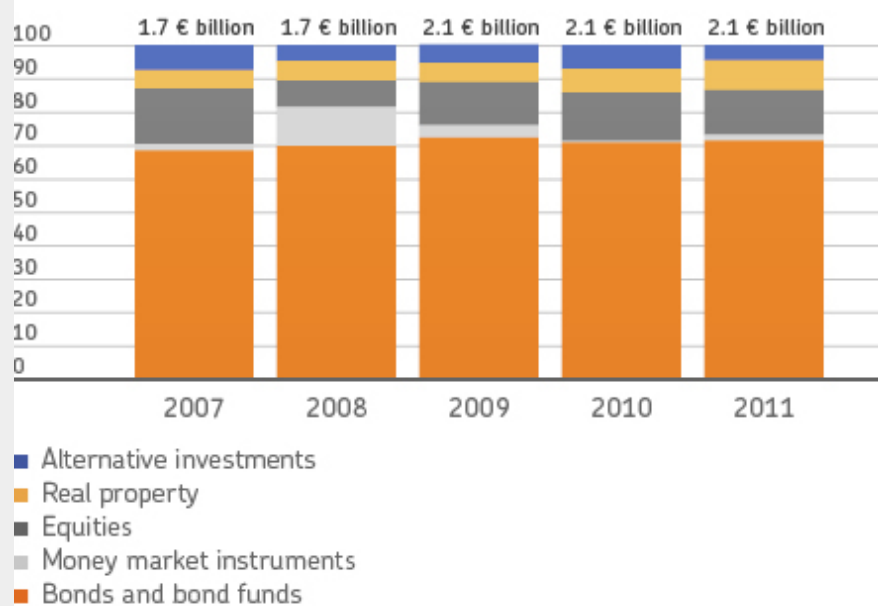


Graph: Net investment income and change in fair value reserve, € million



Graph: Allocation of investment portfolio, %

Allocation of investment portfolio, %



Q&A Jouko Pölönen

1. What are the core strengths and competitive advantages of Non-life Insurance?

Our strengths include in-depth customer knowledge, local presence and an extensive service network. In addition, we are constantly improving our online and telephone services. As part of the leading financial services group in Finland, our services are not limited to comprehensive and versatile insurance cover – we are also able to offer the best loyalty benefits in the sector, accompanied with other products and services provided by the Group. OP bonuses, a unique loyalty benefit for our customers, are our competitive advantage.

2. What kind of business surprises were experienced in 2011?

The storm on Boxing Day was followed by the highest peak in loss reports in Pohjola's history: by the end of January, we received some 10,000 loss reports and our employees in Claims Services did extremely well in processing them.

Losses caused by this storm alone amounted to more than the total of losses caused by all storms in 2010. Yet thanks to our reinsurance cover, the storm did not have any major effect on our financial performance.

3. What kind of new features can customers expect in the near future?

We aim to be the most preferred financial services partner and non-life insurer in Finland.

We are constantly developing our services in order to provide cover for our customers' property and business and to promote health and well-being.

Risk Management Centre of Excellence established in 2011 helps our corporate customers to assess safety and risk factors and to prevent dangerous situations, while Pohjola Health provides companies with employee well-being services.

This year, Pohjola Insurance Ltd will extend its services into the health care market by founding a hospital for outpatient surgery specialising in diagnostics and orthopaedics in Helsinki. Omasairaala Oy will begin to operate in early 2013. For our customers, opening this hospital means having access to quick treatment of the highest quality.

Life Insurance

In the life insurance business, the strategic objective is to outperform market growth in unit-linked savings, pension insurance and pure risk policy. In this respect, our performance in 2011 was robust. Market share in unit-linked savings grew by 0.9 percentage points. Meanwhile, in pension insurance savings, market share shrank somewhat, as did premiums written in pure risk policies. In terms of financial performance, however, 2011 was disappointing. The sovereign debt problems in the euro area created exceptional uncertainty in investment markets, while net investment income at fair value was negative.

Life Insurance, key figures

	2011	2010
Premiums written (FAS), € mill.	811	1846
percentage of unit-linked premiums written	68.4	33.8
Insurance savings, € mill.	6,733	7,079
of which unit-linked, %	48.3	44.3
Earnings/loss before tax at fair value, €mill.	-181	263
Net return on committed capital at fair value, %	-1.5	9.5
Solvency ratio, %	12.9	15.9
Employees	148	151

Market Review

In the life insurance sector, 2011 was a year of challenges. Coupled with the general economic gloom, uncertainty in the investment markets eroded demand for savings products and the performance of life assurance companies. According to statistics published by the Federation of Finnish Financial Services, total premiums written by life insurance companies decreased by 32%, to EUR 3.3 billion, and insurance savings by 3% to EUR 32.2 billion. Similarly, customer interest in tax-subsidised individual pension saving was rather modest. The terms and conditions of tax-subsidised pension insurance policies were tightened in early 2010. At the same time, the tax incentive for individual pension insurance was extended to the bound long-term savings account offered by banks, fund management companies, and investment service companies. Only 7,680 new individual pension insurance policies were sold in Finland. Customers were not interested in the new pension saving product, i.e. the long-term savings account. Only 8,833 new long-term savings accounts were opened in 2011.

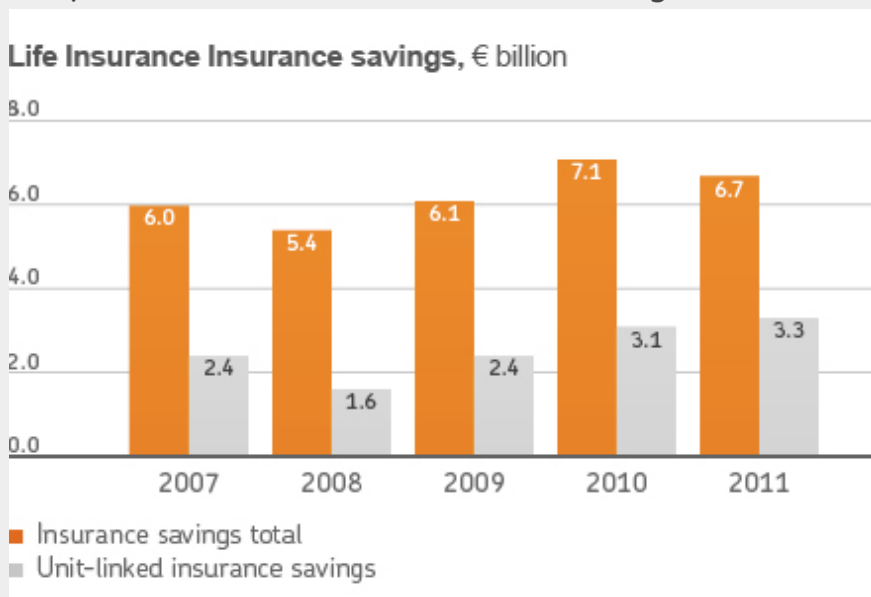
Year 2011

In 2011, OP Life Insurance focused on developing asset management services offering greater customer convenience. A new OP investment service was made available in the spring. Based on this, an active investment committee of the Group's portfolio management specialists handles investment decisions for customers. The service also offers other benefits, such as the gift and inheritance tax benefits of a unit-linked policy.

The individual unit-linked policy offered to OP-Private customers was modified. This policy is a product offered to OP-Private customers that combines direct investment instruments with the benefits of insurance saving. The customer can choose between a consultative investment strategy and an asset management-type investment strategy.

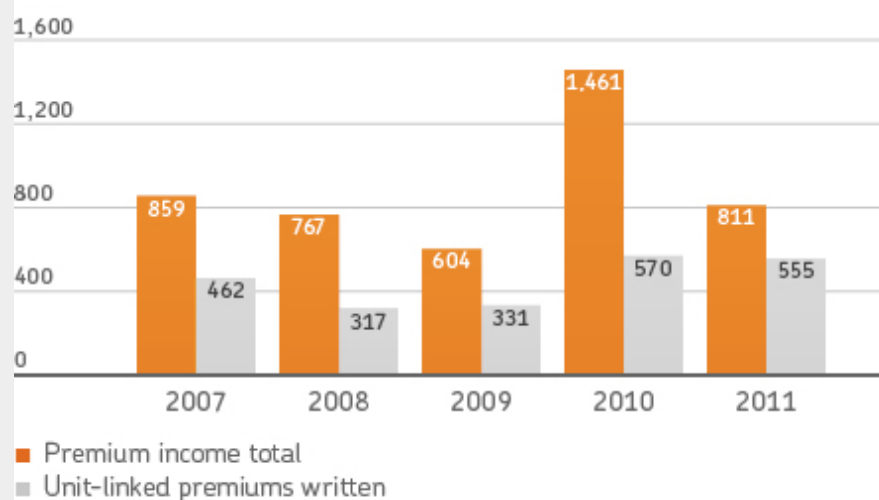
As an alternative to interest-bearing endowment insurance, a new deposit-based OP-Henki Kukkaro product range was developed. This was very well received by customers.

Graph: Life Insurance Insurance savings, € billion



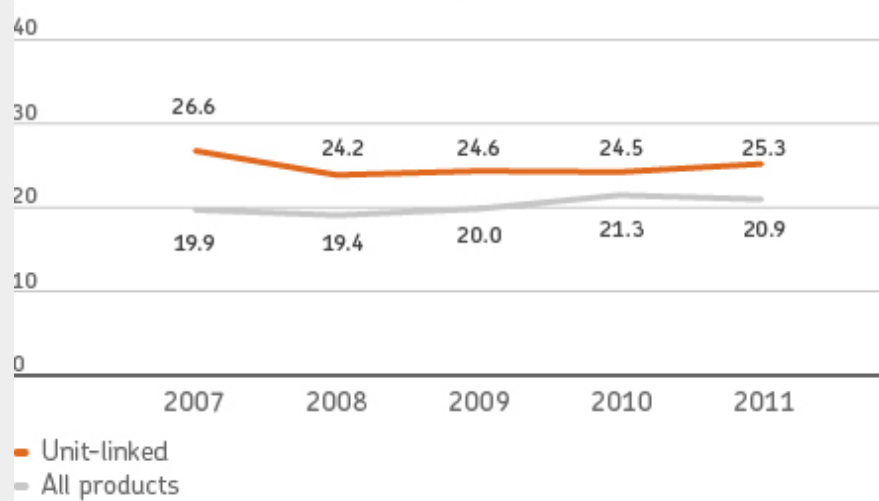
Graph: Life Insurance Premium Income, € million

Life Insurance Premium Income, € million



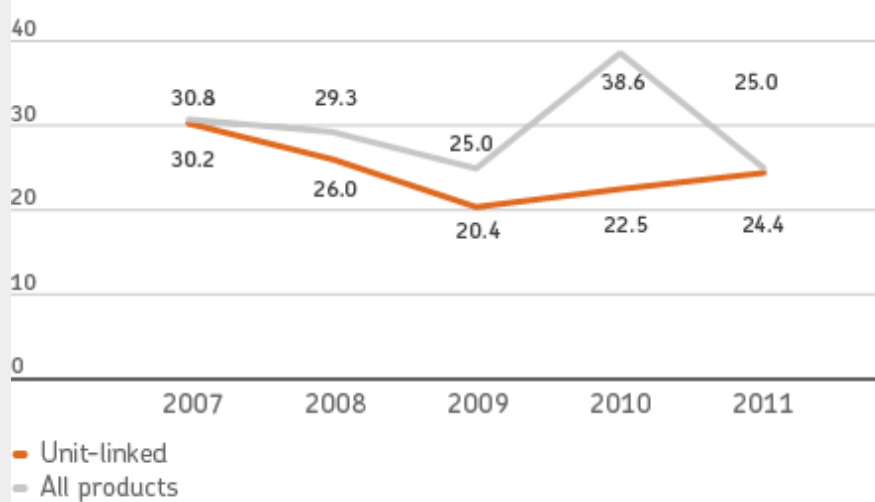
Graph: Market share of insurance savings, %

Market share of insurance savings, %



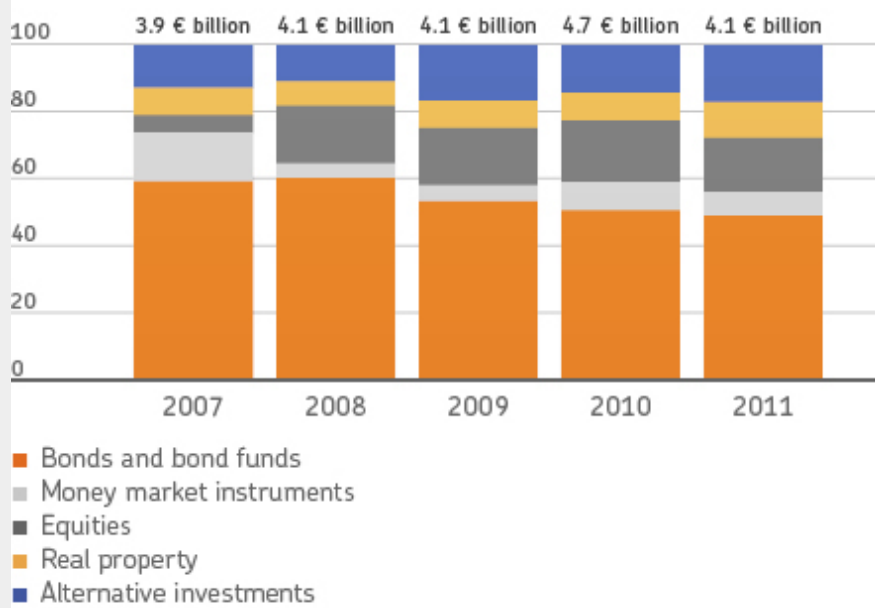
Graph: Market share of insurance premiums written, %

Market share of insurance premiums written, %



Graph: Allocation of investment portfolio, %

Allocation of investment portfolio, %



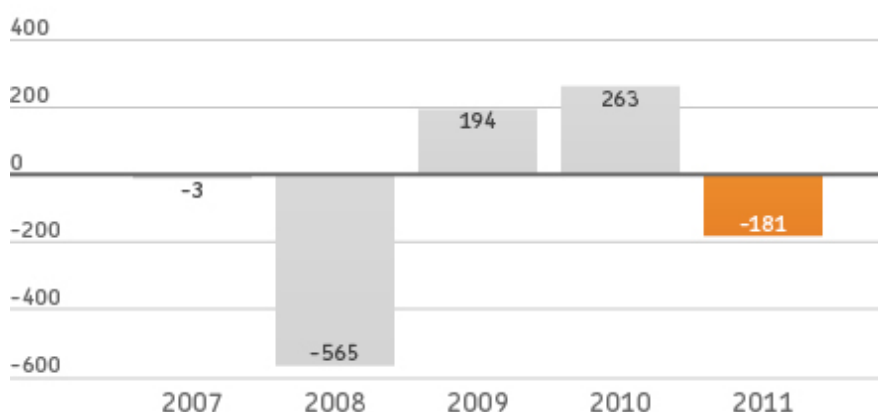
In focus

According to preliminary information, the reform affecting solvency calculation in insurance companies (Solvency II) will enter into force at the beginning of 2014. This will significantly affect business operations in life assurance companies over the next few years. Calculation of solvency capital requirement (SCR) covers all material risks for which insurance companies must prepare. The better a company manages insurance and investment risks, the lower its SCR becomes. Following the reform, life assurance companies will increasingly shift their business focus to unit-linked insurance and pure risk policies.

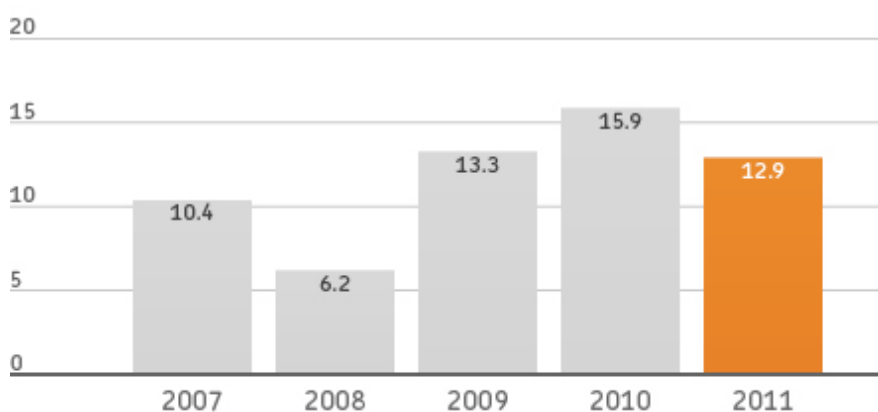
OP Life Insurance is making good progress with preparations for the introduction of Solvency II. Risk management in insurance and investment operations was enhanced by introducing secured interest rate derivatives as a means of managing market risks associated with technical provisions. The risk level in investment activities was also lowered. Determined steps were taken to reduce interest-bearing technical provisions. As an alternative to interest-bearing endowment insurance, customers were offered new investments with a low risk and moderate return. Demand for these exceeded expectations.

In December 2011, OP-Pohjola announced its intention to acquire the Finnish business operations of Skandia Life. The target date of the acquisition is 30 June 2012, provided that all the required regulatory approvals can be gained within these timescales. The acquisition will involve the transfer to OP-Pohjola of some 100,000 customers' unit-linked life and pension policies with unaudited total assets of around EUR 1.3 billion as at 30 September 2011.

Earnings/loss before tax at fair value, Life Insurance, € million



Solvency ratio, %



Pure risk policies supplements social security

Almost 50 per cent of Finns believe voluntary insurance is a necessary supplement to social security. Almost all households have home insurance but only one in four Finns has a pure risk policy. In 2011, OP Life Insurance arranged an active pure risk policy campaign to increase risk awareness among Finnish people. This product was also launched in the online service. Premiums written in term life insurance remained at the previous year's level, totalling EUR 86 million.

Q&A Jarmo Kuisma

What are Life Insurance's key strengths and competitive edges?

Life insurance is a business based on trust, and this is why OP-Pohjola Group's reliable corporate image combined with a nationwide, extensive service network create an excellent basis for our operations. At a time of jittery capital markets and owing to the cyclic nature of events, the Group's solid capital adequacy creates a feeling of security and trust among the customers.

We have made good progress in product development in combining asset management services with insurance saving and creating not only profit to customers and control of capital markets but also providing ease of asset management in a constantly changing market environment.

What kind of business surprises did the year 2011 see?

The speed at which euro area debt problems exacerbated and how deep the problems really were took even the most active investors by surprise. On the other hand, we were positively surprised by how warmly our customers welcomed our new unit-linked insurance based on deposit interest. Sales worth over 300 million euros in six months is an excellent achievement.

What kind of new features can customers expect in the near future?

Asset management services will be more closely linked to saving for retirement. Employers, too, should pay more attention to pension cover. Our tailored solutions enable more flexible personnel policies. And including traditional life insurance as part of online banking services will also help to improve customer's insurance cover.

Personnel

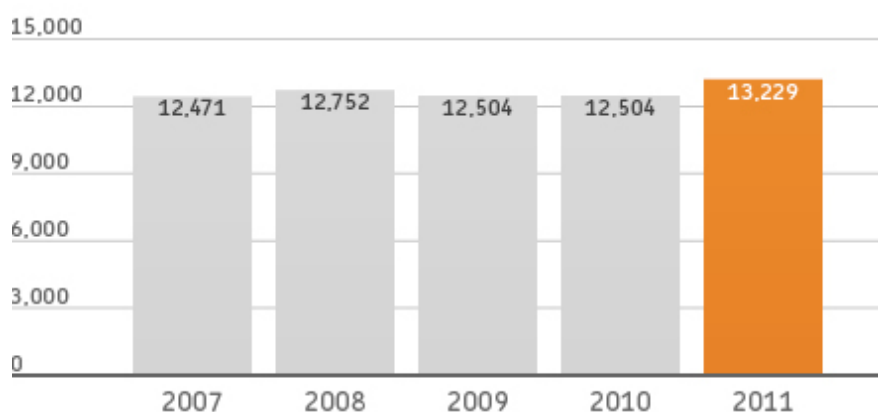
OP-Pohjola aims to be the financial sector's most attractive employer, and one of the most desired amongst major Finnish companies. In in-house activities, the Group makes a strong long-term commitment to improving employee wellbeing, competence, leadership development and rewarding practices. Personnel are encouraged to pursue professional growth throughout their careers.

Personnel wellbeing the secret to the Group's success

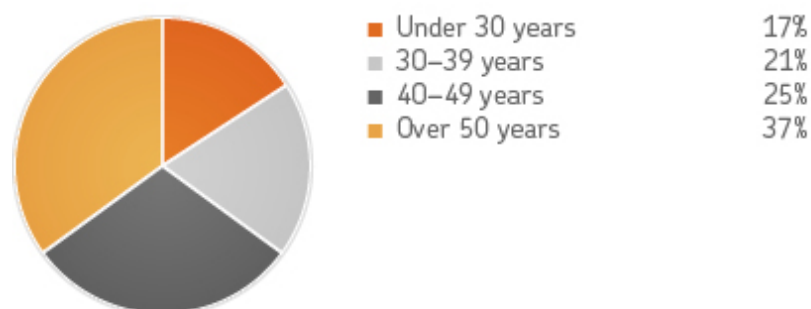
OP-Pohjola makes determined and continued efforts to promote personnel wellbeing. In order to track job satisfaction and employee wellbeing, the Group conducts a personnel survey. In 2011, this was adjusted to more accurately measure work motivation, commitment and managerial work in accordance with OP-Pohjola's values and principles. The results are used to improve activities at staff, company and Group level. Over the years, steps have been taken to improve employee wellbeing and personnel satisfaction; these long-term efforts are reflected in the personnel survey results.

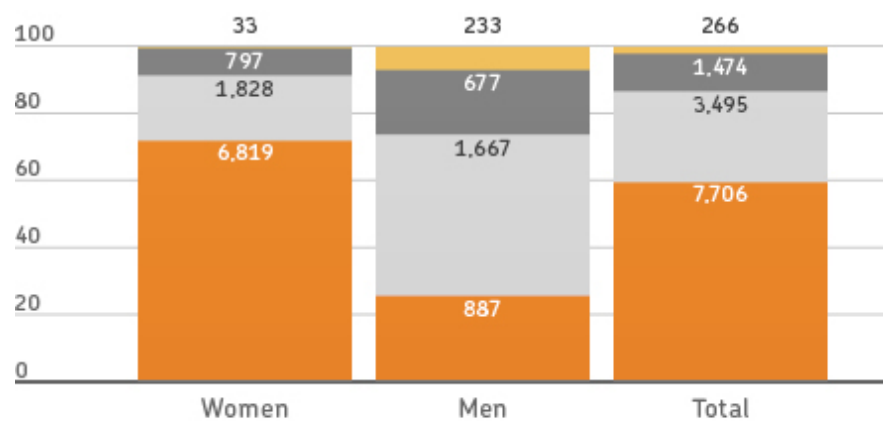
OP-Pohjola seeks to offer equal opportunities for men and women. Regular personnel surveys are conducted on how personnel experience equality. The Hyvä Ikä (Good Age) programme is designed to ensure sound management of people of different ages in different life situations. It also aims to secure cooperation between the generations.

Personnel



Personnel by age, %



Gender distribution, %

- Salaried employees
- Experts
- Supervisors/team leaders
- Management

Strong Investment in Improved Competencies and Management

OP-Pohjola personnel are offered good opportunities for competence development. Competence needs are assessed in connection with annual planning, and competence management is supported using shared competence management tools across the Group.

The OP Academy serves the entire Group, offering a wide range of coaching programmes to employees in different positions. This coaching supports the implementation of OP's business strategy. In these programmes, special attention has been paid to sales and interaction skills. Management development efforts focused on renewal and reinvention.

In 2011, OP Academy organised more than 300 coaching events and provided more than 100 web-based training programmes. Various training programmes and coaching sessions were attended by more than 12,500 OP-Pohjola employees, the number of training days exceeding 22,000.

In management development, OP-Pohjola cooperates with other parties such as Aalto University. In 2011, a total of 15 experts and supervisors completed an Executive MBA programme tailored for OP-Pohjola.

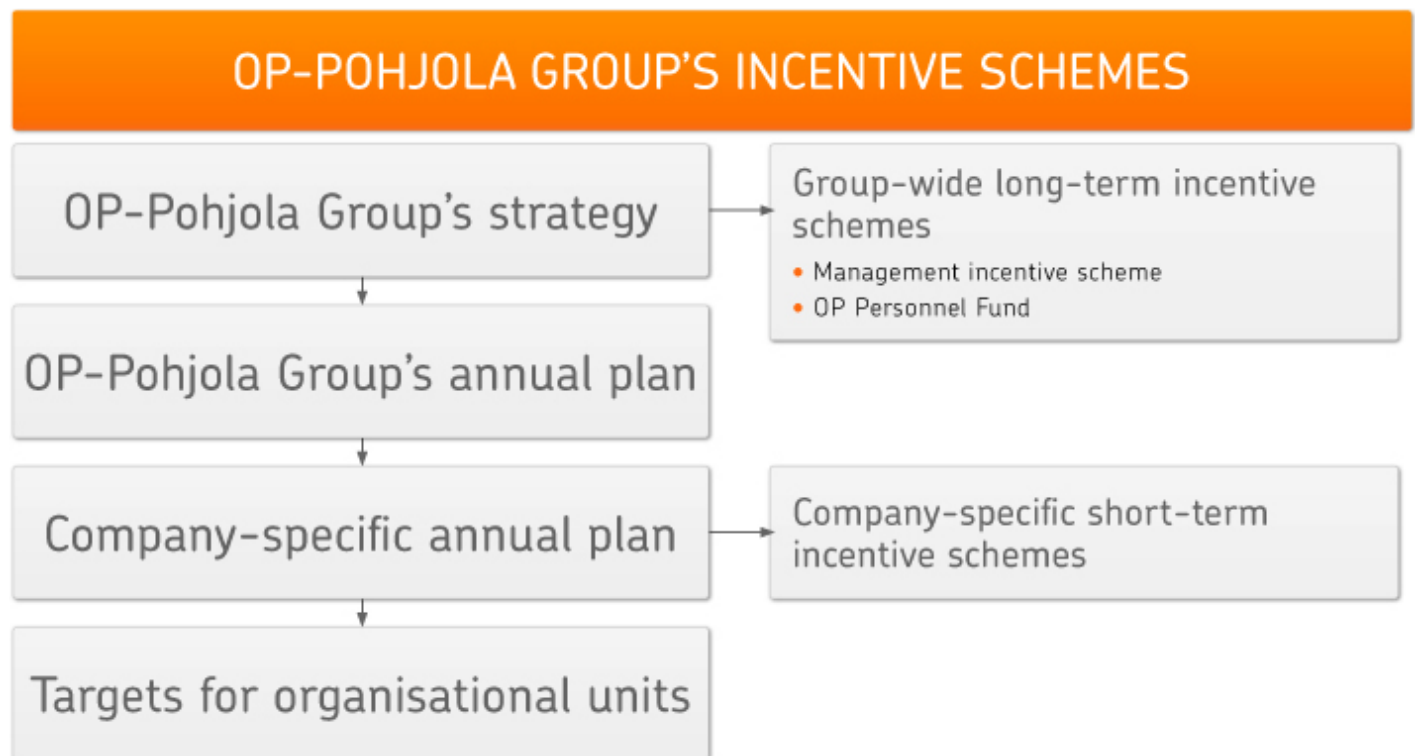
Besides offering coaching, as a major finance sector employer OP-Pohjola Group offers employees a range of opportunities for professional growth through job rotation.

Transparent Rewarding Policy and Shared Goals Support Motivation

OP-Pohjola Group operates a rewarding policy, used as a guideline for salary payment and rewarding. Salary payment and rewarding systems and schemes are actively developed to ensure the Group's long-term positive earnings performance, growth, competitiveness, effective incentives, employee commitment, and the ability to attract new, skilled employees.

To ensure general awareness of the rewarding principles, the rewarding policy is published on the Group's intranet. Payment and rewarding practices are developed in active cooperation with personnel and their representatives. Personnel also receive regular reports on the progress made in target achievement.

At the beginning of 2011, the personnel fund and the long-term management rewarding criteria were revised to ensure consistency across the Group. Short-term rewarding practices are company-specific, the systems complying with the rewarding policy principles. During 2011, the rewarding systems were updated to meet the more stringent regulatory requirements applicable in the financial sector.



Good Human Resources Policy Thanks to Joint Efforts

The basis of good HR management lies in smooth, interactive cooperation with employees and their representatives. To further improve the already strong intra-Group dialogue, steps were taken in 2011 to streamline the cooperation structure and both employer and employee representation in OP-Pohjola Group Central Cooperative Consolidated and at Group level. These changes are helping to drive the integration of the Central Cooperative Consolidated. They are also ensuring the consistency of guidelines on cooperation issues and employer policies.

Company leisure activities

In 2011, the key events organised for OP-Pohjola Group employees were the traditional summer and winter events. The winter event, attended by 852 OP-Pohjola employees, was held in Joensuu in March. The summer event, held in Kuopio in August, attracted 1,565 employees. In addition, the regional clubs and the PoGo personnel club run by the Central Cooperative Consolidated organised several regional activities.

Corporate Social Responsibility at OP-Pohjola Group

Corporate social responsibility is responsibility for the economic, social and environmental impacts of business operations. The financial sector also plays a key role in promoting the stability of the whole of society.

Economic responsibility encompasses both ensuring the economic sustainability of an organisation's operations and taking account of the economic impacts on the organisation's stakeholders.

Social responsibility includes taking care of employee wellbeing and competence development, respecting human rights, product liability and consumer protection issues, and fair business practices in the corporate network, as well as in relations with society and local communities.

Environmental responsibility, in turn, refers to responsibility for the ecological environment. It covers the reduction of an organisation's environmental impacts, as well as taking account of the environmental impacts of the whole value chain.

OP-Pohjola Group uses the term 'corporate social responsibility' (CSR), since this encompasses all of the impacts of our operations. Responsibility is an integral part of OP-Pohjola's values and strategy, and the Group is committed to promoting CSR in its business.

Economic and social responsibility have long traditions in the history of OP-Pohjola, and CSR is deeply embedded in its operations and day-to-day activities in Finland. The Group's strategic goal is to be a pioneer in CSR in the Finnish financial sector. OP-Pohjola collaborates with various stakeholder groups in assessing the importance of CSR to its stakeholders. Daily activities are guided by OP-Pohjola's Corporate Social Responsibility Programme and Code of Business Ethics.

The focus areas of the CSR Programme are a local presence and society, ethical business, responsible products and services, stakeholder responsibility and environmental responsibility.

OP-Pohjola respects and complies with the principles of economic, social and environmental responsibility recognised internationally in the sector. OP-Pohjola Group has signed the UN Global Compact, and OP Fund Management Company and Pohjola Asset Management have committed to the UN Principles for Responsible Investment.

Executive Chairman's Statement



Watch video

At OP-Pohjola Group, corporate social responsibility is based on our strong cooperative values, in which the roles of customer and owner are united. Our mission is to promote sustainable prosperity, security and wellbeing.

At the end of 2011, we signed the Global Compact, thereby committing ourselves to embedding its principles in our operations. The long-term strategic goal of OP-Pohjola's corporate social responsibility is to be an industry pioneer in Finland. Our CSR measures encompass economic, social and environmental responsibility.

In 2011, our sector was challenged by the unstable economic climate in Europe. On several occasions during the year, OP-Pohjola Group initiated discussions on the situation in Europe and possible solutions. As Finland's leading financial services group, we feel the need to take responsibility for the reliability of our country's financial infrastructure. Open and transparent discussion is part of that.

In our own operations, we have ensured appropriate capital adequacy and competent risk management. In 2011, we raised our long-term capital adequacy target (Core Tier 1) to 15 per cent, whereas at the end of the year it was 14 per cent. We have continuously increased our market share of corporate financing since the 2008 financial crisis, and our share of corporate and institutional loans stood at 29.7 per cent at the end of 2011.

In 2011, we built a firm foundation for our new Corporate Social Responsibility Programme, made progress in reporting by applying the GRI Guidelines, and defined the importance of corporate responsibility to our business. Our operational target is to make corporate responsibility an integral part of our operations. We have decided that:

- OP-Pohjola Group will step up its efforts to develop responsible products and services. Responsible financing, investing and non-life insurance practices will be continuously improved. Environmental and social responsibility will be taken into account across the value chain.
- OP-Pohjola Group is a responsible employer that supports staff development and wellbeing. We have in-depth knowledge of CSR, and our expertise is valued by our stakeholders.
- As Finland's leading financial services group, OP-Pohjola bears responsibility for the reliability of the country's financial infrastructure. Being a Group owned by our customers, we focus on the promotion of financial literacy.
- Our CSR communications are open and transparent. Active interaction with stakeholders is a natural way for OP-Pohjola Group to develop a pioneering approach to CSR.

Advancing the security of banking and insurance services will continue to play a key role in our corporate responsibility efforts. We also believe that new responsible product and service innovations will be in demand. We need to secure expertise in economic, social and environmental responsibility throughout our organisation. Our new strategy, currently under preparation, is also a good example of how we can influence the development of CSR in our Group, through intensive engagement.

Reijo Karhinen
Executive Chairman

Key Impacts, Risks and Opportunities

From the perspective of corporate social responsibility, key global trends are population growth, climate change and the rise of responsibility awareness among consumers. These have implications for all business operations. Weakening of growth prospects in the global economy, uncertainty related to management of the European debt crisis, and changes in industry regulations are setting demands on the responsibility exercised by banks and insurance companies. Promoting financial stability and ensuring the reliability of the financial market infrastructure are of the utmost importance.

Banks and insurance companies also play a special role in society and bear responsibility for building the nation's wellbeing. The foundation of banking operations is formed by the property entrusted to banks by customers, especially their deposits.

Furthermore, banks and insurance companies have indirect responsibility for their customers' finances. They should provide guidance and advice in cases of over-indebtedness, preparing for damage and asset management.

The industry is well regulated, and responsibility is an integral part of the corporate governance, risk management and compliance of banks and insurance companies. In the future, responsibility will receive even more emphasis in banking, investment and insurance services. Development of responsibility will also open up opportunities for new competitive financial products.

Corporate social responsibility is an inherent part of OP-Pohjola's mission, which is to promote the sustainable prosperity, safety and wellbeing of its owner-members, customers and operating regions. Responsibility is also one of the Group's values, according to which OP-Pohjola operates locally, regionally and nationally as an ethically responsible company.

Materiality Assessment

OP-Pohjola conducted a CSR materiality assessment in 2011 to identify the responsibility expectations of stakeholders and to analyse their impact on business operations. In this assessment, stakeholders evaluated the materiality of general CSR aspects to OP-Pohjola's operations. This online survey was answered by representatives of private and corporate customers, administration, personnel and other external stakeholders. The stakeholder survey was completed by 408 people.

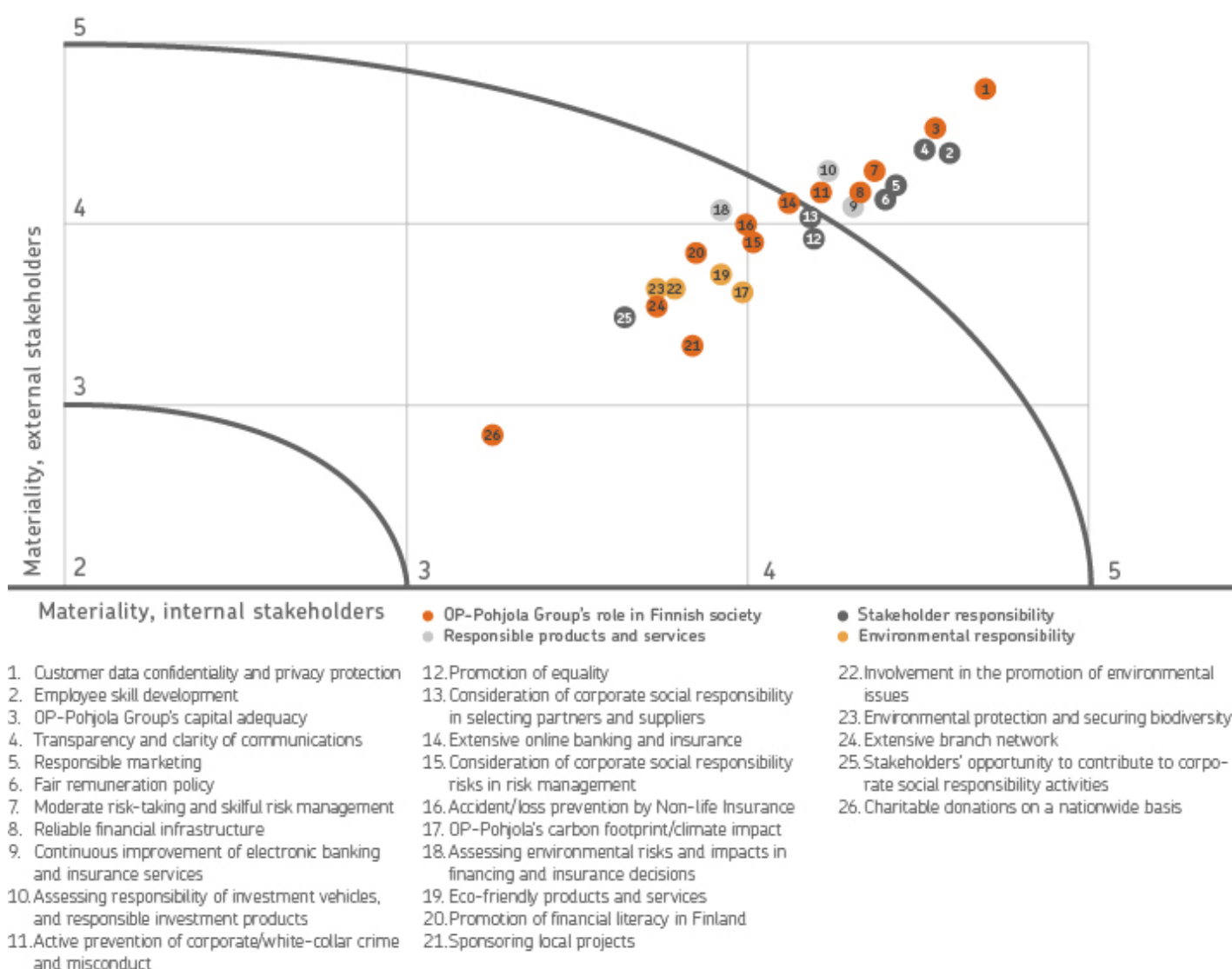
In the survey, CSR aspects were divided into four areas: OP-Pohjola's role in Finnish society, responsible products and services, stakeholder responsibility and environmental responsibility.

Results of the Materiality Assessment

On the basis of the stakeholders' responses, OP-Pohjola's most important CSR aspects are customer data confidentiality and privacy protection, employee skills development, the Group's capital adequacy, and transparency and clarity of communications.

Other CSR aspects deemed material to OP-Pohjola's operations were responsible marketing, fair remuneration policy, moderate risk-taking and skilful risk management, a reliable financial infrastructure, continuous improvement of electronic banking and insurance services, and assessing the responsibility of investment vehicles.

OP-Pohjola's materiality matrix



In addition to materiality assessment, stakeholder representatives were asked to provide their views on OP-Pohjola's corporate social responsibility. More than 500 free-form responses were received, demonstrating stakeholders' keen interest in the subject. The responses emphasised local social responsibility and how responsibility is naturally integral to the cooperative mode of organisation and the opportunity to be a pioneer. On the other hand, respondents also expected more concrete measures and proof of action. The results of this assessment support OP-Pohjola Group's approach, in which CSR is being developed as an integral part of business operations.

The assessment results have been used in determining the focus areas and measures of the Group's Corporate Social Responsibility Programme. In future, stakeholder feedback will be systematically utilised in the development of OP-Pohjola's responsibility activities.

CSR development always has an impact on business. In companies, these effects take the form of business risks and opportunities. For OP-Pohjola, business opportunities are related to product and service development and new product innovations. Through CSR measures, the Group can make even more of a contribution to the creation of financial prosperity at local, regional and national level.

The reliability of financial infrastructure in all circumstances, protection of customer data, prevention of corporate/white-collar crime and misconduct, and extreme weather conditions due to climate change are examples of risks affecting business operations. At OP-Pohjola, managing these risks is integrated into the Group's risk management, corporate governance and compliance activities.

Corporate Social Responsibility Management

At OP-Pohjola, corporate social responsibility is based on cooperative values, robust capital adequacy and skilful risk management. Strategic CSR management is the responsibility of OP-Pohjola Group Central Cooperative's Executive Board. Operational measures are defined with reference to the Corporate Social Responsibility Programme.

Implementation of the CSR Programme is controlled by a steering group, which comprises representatives of the Group's business divisions, the central institution and member banks. Responsibility for practical CSR activities lies with the Boards of Directors and Executive Boards of Group companies, which implement corporate social responsibility in accordance with their own decision-making processes. Measures are carried out as part of business management throughout the Group. In the OP-Pohjola Group Central Cooperative's Executive Board, CSR falls within the Chief Communications Officer's area of responsibility.

In 2011, OP-Pohjola Group Central Cooperative's Executive Board approved the Corporate Social Responsibility Programme and the CSR policy definitions. A decision was also taken to apply the Global Reporting Initiative (GRI) Guidelines, and the CSR Key Performance Indicators (KPI) were accepted as part of OP-Pohjola's CSR Programme. In addition, OP-Pohjola Group signed the UN Global Compact at the end of 2011.

OP-Pohjola Group's corporate governance is based on Finnish legislation, the Finnish Corporate Governance Code and the Group's own corporate governance recommendations.

[Read more about corporate governance at OP-Pohjola Group](#)

[Read more about corporate governance at Pohjola Bank plc](#)

OP-Pohjola's CSR policy definitions:

- OP-Pohjola Group will step up its development of responsible products and services and engages in ongoing efforts to improve responsible financing, investment and non-life insurance practices. Environmental and social responsibility is taken into account across the value chain.
- Being a responsible employer that supports staff development and wellbeing forms an integral part of OP-Pohjola Group's policy. We have in-depth knowledge of CSR, and our expertise is valued by our stakeholders.
- Active interaction with stakeholders provides OP-Pohjola Group with a natural way of developing a pioneering approach to CSR. As Finland's leading financial services group, OP-Pohjola bears responsibility for the reliability of the country's financial infrastructure. Being a Group owned by our customers, we strive to promote financial literacy in all of our target groups.
- Our CSR communications are open and transparent.

OP-Pohjola systematically develops management practices related to corporate social responsibility. As part of the Group's financial reporting, OP-Pohjola monitors CSR development and provides regular reports on the results.

OP-Pohjola's Corporate Social Responsibility Programme

Corporate social responsibility programme



KPIs of Corporate Social Responsibility Programme

	2011	2010	2009
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.80	1.70	1.58
Customer service performance reliability (%)	99.78	99.89	99.87
Support for local projects (€ million)	3.3 1	2.1 1	1.8
No. of eBills/eInvoices received by private customers (1,000)	2,955	2,315	1,479
Customer satisfaction, private customers (scale 1–5)	3.9	4.0	4.0
Bonuses to owner-members (€ million) 2	163	151	142
Share of member banks with Representative Assembly of all member banks (%)	71	67	65
Job satisfaction (scale 1–5)	3.9 3	3.9	3.8
Average retirement age	61.5	61.3	60.4
Our carbon footprint (tonnes CO ₂) 4	34,990	28,318	28,057
Green Office Label, no. of employees	2,550	2,422	2,420

1 Furthermore, in 2010 OP-Pohjola Group decided to donate 3.6 million euros to Finnish universities, with the payments being made in 2010–11

2 Accrued bonuses

3 Since the personnel survey's structure changed in 2011, the previous scores are not comparable.

4 Scope 1 and 2

Corporate social responsibility has been part of OP-Pohjola Group's business operations in the 21st century. The planning of the Corporate Social Responsibility Programme began in 2010, with a workshop attended by experts from all over the Group. In 2011, the contents of the programme assumed a more concrete form with the performance of a materiality assessment. On the basis of this assessment, OP-Pohjola Group Central Cooperative's Executive Board defined the Group's CSR policy. In the future, the programme will also support the Group's annual planning.

In 2011, cooperative banks' annual planning was supported by a joint pilot, the outcome of which was a workbook on cooperative banks' corporate social responsibility. The aim of this workbook is to concretise the significance of corporate social responsibility in business management at cooperative banks.

KPIs describing the operations were created for the CSR Programme and cooperative operations. GRI reporting was also initiated during the year. Its practices were described and GRI performance indicators for OP-Pohjola Group established, in line with the Financial Services Sector Supplement. In late 2011, OP-Pohjola Group signed the UN Global Compact.

Responsible investment, financing and insurance were deeply embedded in business management in 2011. Creation of ethical guidelines for subcontracting was initiated as part of the development of purchasing activities. The aim is to set CSR requirements for suppliers and subcontractors. An online course on the Group's Code of Business Ethics was planned in 2011 and will be offered in 2012.

In 2012, the key focus areas in corporate social responsibility will be data security in banking and insurance services, strong capital adequacy and skilful risk management. In addition, as part of its business management OP-Pohjola will develop responsible investment, financing and insurance operations.

CSR training and skills development, especially awareness of the Code of Business Ethics and responsible business management, will be important priorities in 2012. In addition, the Global Compact's principles will be promoted among employees, and the Green Office system will be used to make environmental matters more firmly rooted in OP-Pohjola's corporate culture. OP-Pohjola seeks to differentiate itself by offering responsible banking and insurance products and services.

Stakeholder Engagement

Responsibility cannot be defined by organisations alone; it is closely related to the needs of stakeholder groups. Stakeholder engagement is deeply embedded in OP-Pohjola's cooperative business model and philosophy.

When a company is owned by its customers, recognising their needs and understanding their expectations is easier. Due to OP-Pohjola being a cooperative business, it has direct communication channels with its important stakeholders, such as customers and administrative members. These channels can be effectively used to maintain ongoing dialogue. OP-Pohjola's key stakeholder groups include employees, administration, customers, authorities, media representatives, NGOs, subcontractors, schools and universities.

The UN has designated 2012 as the International Year of Cooperatives. OP-Pohjola Group's representatives have been actively involved in planning for this on the Finnish advisory board for cooperative business (Osuustoiminnan neuvottelukunta), the working group on the year of cooperatives and the European Association of Co-operative Banks (EACB). OP-Pohjola has prepared for the year by producing an online course on cooperative business for personnel and administration and an electronic newsletter for administrative members. As part of the Group's business measures, the aim is to continue the modernisation of cooperative communications in 2012.



International Commitments

At the end of 2011, OP-Pohjola signed the Global Compact, which binds the Group to comply with the UN's ten principles in the areas of human rights, labour, the environment and anti-corruption. Within their spheres of influence, the Global Compact initiative asks companies to embrace, support and enact these core values.

Created in 1999, upon the initiative of the then UN Secretary-General Kofi Annan, the Global Compact's principles are derived from and are therefore in harmony with the following universal principles:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

By signing the initiative, OP-Pohjola has brought its CSR activities within the framework of international corporate social responsibility. The initiative also supports the implementation of the Group's CSR Programme and Code of Business Ethics.

In 2009, Pohjola Asset Management Ltd and OP Fund Management Company Ltd were among the first Finnish companies to sign the UN Principles of Responsible Investment (UN PRI), thereby committing to adherence to these principles in their operations. In addition, both companies have signed the international investor-based Carbon Disclosure Project initiative, which encourages companies to engage in better reporting on climate change-related issues, through more-established methods. These companies are also involved in the Water Disclosure project, in which organisations are urged to take account of water use and availability in their operations.

[Read more about UN Global Compact](#)



Corporate Social Responsibility Themes

OP-Pohjola Group's CSR Programme is built around five themes and their respective KPIs.

The **Local Presence and Society** theme draws attention to the Group's operations alongside stakeholders at local and regional levels. It also takes account of OP-Pohjola's position in Finland's financial infrastructure.

Stakeholder Responsibility encompasses stakeholder engagement and matters affecting employee and customer satisfaction.

Responsible Products and Services covers the principles for responsible investment, as well as the responsibility of the banking and insurance services and products offered by OP-Pohjola.

The **Ethical Business** theme concerns the Code of Business Ethics and its implementation within the Group.

The **Environment** theme deals with the environmental impacts of the Group's operations.

Local Presence and Society

OP-Pohjola Group's firm roots in the Finnish society are reflected in the Group's core values and corporate practices. Strong capital adequacy, skilful risk management and good governance form the foundation of OP-Pohjola's corporate social responsibility. The Group contributes to regional vitality, while building long-term trust with stakeholders.

OP-Pohjola boasts Finland's largest network of banking and non-life insurance services. This means that customers have equal access to services wherever they live. With its 532 locations across Finland, OP-Pohjola is well-placed to engage with local communities and customers. The Group also provides customers with a wide range of Web-based banking and insurance services.

Responsibility for Finnish Financial Infrastructure

OP-Pohjola's values, type of business organisation, capital adequacy and skilful risk management form the basis for the Group's responsibility. Robust capital adequacy provides stability in the event of unforeseeable industry developments and enables growth, even in difficult times. Furthermore, solid finances create a good foundation for bearing environmental and social responsibility.

OP-Pohjola sees the financial sector playing a key role in the growth and prosperity of the national economy, as well as in creating and providing fundamental services and opportunities for citizens, companies and organisations, in economically challenging times as well.

The Group's basic lending principles were not changed in 2011. The weaker economic climate has not affected the number of non-performing loans and credit losses, which has remained small.

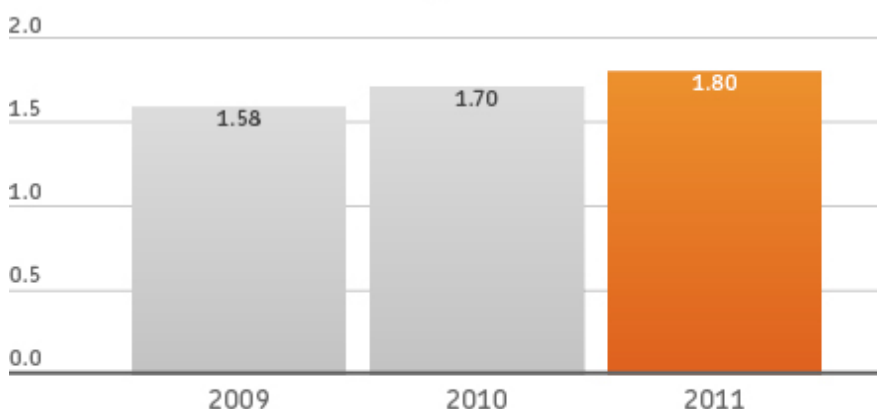
The purpose of capital adequacy management is to secure OP-Pohjola Group's risk-bearing capacity and ensure that the Group's operations are not jeopardised over the long term. The Group's capital adequacy is on a very solid basis in terms of both the ratio [under the Act on the Supervision of Financial and Insurance Conglomerates](#) and the ratio under the Act on Credit Institutions.

OP-Pohjola Group carries out regular stress tests of various types to ensure the continuity of its operations. In the EU-wide stress tests conducted by the European Banking Authority (EBA), OP-Pohjola Group's Banking capital adequacy was very strong, as expected.

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 liquidity and financial risk exposure. Meanwhile, the new Solvency II reform will involve major changes in the solvency measurement of insurance companies. Within the banking and insurance business, the regulatory framework governing the capital adequacy and solvency is being specified on an ongoing basis to be in line with market changes, and the related regulations have undergone changes at intervals of a few years. OP-Pohjola Group is active in preparing for the upcoming, new regulatory framework.

More detailed information on capital adequacy can be found in [OP-Pohjola Group's Financial Statements](#) available at [op.fi](#).

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates



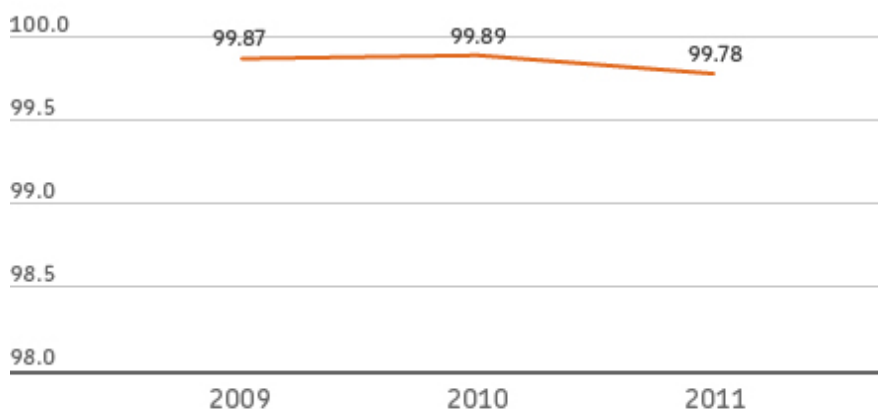
Development of Transaction Channels

Responsibility at OP-Pohjola involves the development of transaction channels in order to meet customers' new and increasing needs. The Internet has considerably increased in importance as a transaction channel – the OP online service has been continuously developed to provide customers with comprehensive, high-quality online banking and insurance services. When redesigning the online service in 2011, the emphasis was on making it easy to use, personal and customer-oriented. The revamped service provides customers with an overall view of their banking and insurance activities.

In addition to private customers, thanks to a dedicated Web service the transactions of non-life insurance corporate customers were also simplified. An online service for micro and small businesses was piloted in a few locations in 2011. The goal is to offer more services in the future, on the basis of the experiences gained.

The popularity of online transactions was reflected in a sharp increase in the number of Web service users (e.g. insurance declarations and payment services) and steadily growing interest in online bank statements and e-invoices. A future aim is to further improve access to electronic services for all customers, and to encourage customers to use these services and provide the necessary guidance. In addition, a new service called 'OP Mobile' was introduced in 2011 to offer customers an easy way of conducting their banking transactions via a smartphone.

Customer service performance reliability, %¹



¹ Trouble-free availability of key business systems vis-à-vis total service time

OP-Pohjola Group pays particular attention to contributing to the reliability of financial infrastructure. This involves securing the reliability of the Group's own operations, including payment transfers and IT system maintenance.

Data security and the provision of reliable services to customers play a crucial role in the Group's responsible business operations. In addition to the service range, security issues are continually emphasised in the development of online and mobile services. Preparations are made to counter cybercrime, and new security features are introduced as threats increase.

Case: Ensuring Data Protection



The security and reliability of online transactions are prerequisites for the success of the Web-based services provided by OP-Pohjola. The Group proactively evaluates and develops data security solutions for electronic customer services.

In 2011, further payment confirmation was introduced to the OP online service. This is a security solution that offers customers enhanced security against any malware that may have infected their computers. Further confirmation is intended to make the customer aware of any abuses related to online payment transactions. If a transaction seems unusual, the data transferred to the bank is forwarded to the customer's mobile phone. The customer must then check the authenticity of the payment before it can be confirmed through the online service.

The idea of further payment confirmation is to protect customers' assets from criminals and to ensure the reliability of online payment transfers, which are essential in today's society. Anti-cybercrime activities are conducted by operators engaged in online business, the police and other authorities. According to security professionals, the fact that further payment confirmation works via SMS sent to a mobile phone, thus requiring two channels, makes it one of the safest solutions available for defeating malware. Banking customers were asked to test the usability of the service during the design and development stages.

Further payment confirmation has already proved useful. As more experience is gained, payment confirmation and other security solutions will be further developed. Constant efforts will be made to ensure the security of customers.

Local and Regional Projects with Stakeholders

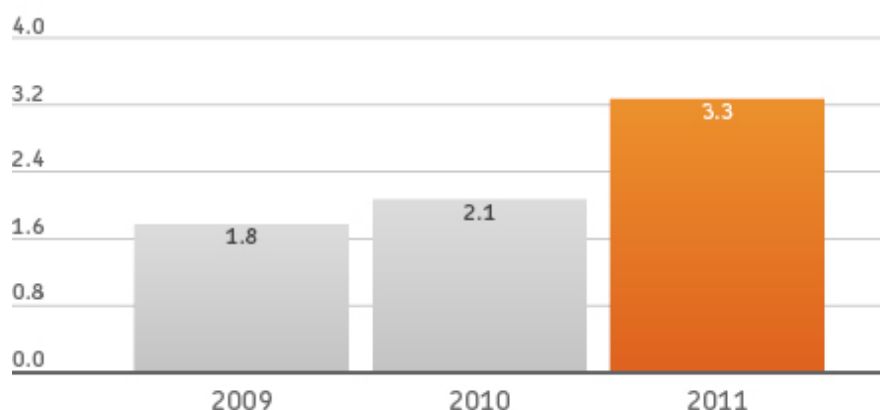
A key element of OP-Pohjola's Corporate Social Responsibility Programme is local and regional projects. Their aim is to support wellbeing and vitality all over Finland.

Member banks organise a wide variety of local events and projects across the country. Examples include a project aimed at creating summer jobs for young people initiated by Valkeakosken Osuuspankki and a Facebook campaign by Tampereen Seudun Osuuspankki, implemented in cooperation with Syli ry, an association of parents of children with cancer. An example of a local environmental project is the Vesijärvi project of Päijät-Hämeen Osuuspankki, which raises funds to save Lake Vesijärvi and other, small lakes in the region.

In 2010, OP-Pohjola decided to donate over EUR 3.6 million to Finnish universities. These donations were made in 2010 and 2011, and both the central institution and cooperative bank federations (regional cooperation organisations of member banks) were involved.

Member banks provide local and regional support for educational institutions and various environmental projects. In 2011, several local events were organised under the theme of financial literacy, for instance. Many cooperative banks also support local sports activities and there is a long tradition of organising children's HIPPO skiing contests and other sports events. A major event is the cooperative banks' annual international arts competition for children, organised in cooperation with visual arts teachers and the Finnish National Board of Education.

Support for local projects, € million¹



¹ Furthermore, in 2010 OP-Pohjola Group decided to donate 3.6 million euros to Finnish universities, with the payments being made in 2010–11

Case: Corporate Social Responsibility of Cooperative Banks – a Pilot Project



A workbook on cooperative banks' corporate social responsibility was compiled in 2011 in a pilot project with six member banks, as part of OP-Pohjola's Corporate Social Responsibility Programme.

The aim was to provide banks with practical solutions and models in support of stakeholder cooperation, sustainable development and, thereby, sustainable business success, as well as to support the creation of ethical business guidelines. The workbook is intended as a practical tool for implementing, monitoring and documenting CSR solutions suitable for each bank.

The workbook takes account of the five themes of OP-Pohjola's Corporate Social Responsibility Programme. member banks can assess their position with reference to stakeholder responsibility, local presence and society, products and services, ethical business and environmental matters. The idea is that banks will integrate the workbook on cooperative banks' corporate social responsibility into their annual planning and, thereby, into their business and day-to-day operations.

Financial Literacy

As a Group owned by its customers, OP-Pohjola has a focus on promoting financial literacy and knowledge of the financial sector in Finland.

In 2011, OP-Pohjola conducted a financial literacy survey to gain an understanding of how Finns rate their knowledge of financial matters and their financial planning and management skills. The survey results will be used in planning OP-Pohjola's Financial Literacy Programme. A similar survey will be carried out in 2012.

To promote financial skills and financial literacy, member banks have also organised local events for young people and senior citizens, as well as events on various financial themes for private customers and companies. Start Days events, for example, have been held across Finland for as long as 12 years. Arranged by Pohjola Insurance and local cooperative banks, these events are targeted at people who are thinking of establishing or acquiring a business.

In 2012, OP-Pohjola is planning to intensify its work with schools, alongside selected partners. The idea is to increase the awareness of financial business operations among students. Local work with schools is the responsibility of member banks, together with other OP-Pohjola Group companies. Forms of cooperation include student visits and theses, work placements and recruitment fairs. OP-Pohjola Group Central Cooperative is in charge of work with schools in the areas of product and service development and business-related research projects.

OP-Pohjola publishes the Chydenius magazine, whose mission is to provoke social discussion and present the views of prominent experts and policy-makers on the economy and the working world. The magazine is targeted at financial, political and corporate decision-makers, including those working in OP-Pohjola Group's administration. In addition to Chydenius, OP-Pohjola Group publishes a range of customer magazines for various target groups.

OP-Pohjola uses social media (Facebook and Twitter) to promote the Group's services and products and answer questions posed by customers. The idea is to increase interaction through new electronic channels of communication.

Case: Promoting Financial Literacy



As a result of economic globalisation and an increasingly complex operating environment, consumers have more need to understand the economy and financial matters. Research shows that many Finns are unsure about the state of their own finances.

Managing one's own finances is about listing all income and expenses, covering day-to-day living expenses and purchases, and about practical payment arrangements. As more property is acquired, more knowledge and skills are also needed to plan one's finances and make the best of the services available on the market.

OP-Pohjola's role in this is to help customers form a big picture and an idea of the future prospects of their finances and to provide the necessary financial advice. For this reason, all of the customer's banking and insurance issues are discussed at customer meetings.

Stakeholder Responsibility

OP-Pohjola is there for its owner-members and customers. OP-Pohjola Group maintains an active dialogue with its various stakeholders. Stakeholder engagement is one of the Group's key CSR themes, alongside cooperation with customers and open communications.

Dialogue with Stakeholders

In 2011, communications on and engagement in the strategy process were revised. OP-Pohjola is promoting deeper involvement among employees and the administration in this process. The strategy process is now clearly more transparent than before. The intention is for dialogue to run through all stages of the process.

In autumn 2011, an online survey on the strategy was conducted within the Group, among employees and administrative members. The subject of the survey was the Group's identity in 2020. Some 4,365 people responded, of whom 628 represented the administration and 3,737 were employees. In total, the strategy survey produced 9,321 views and 27,652 assessments.

Customers and partners have been taken into account in the background analyses for the strategy and in strategy work by, for example, utilising completed customer analyses and surveys, of which the materiality assessment was one.

OP-Pohjola Group emphasises transparency and responsibility for its customers by also engaging in active dialogue with the media. Through the member banks' strong local presence and the central institution's nationwide communications, OP-Pohjola Group is well connected with the entire Finnish media sector. In journalist surveys carried out in Finland, OP-Pohjola Group is usually rated among the best Finnish companies.

An important element of stakeholder engagement lies in various projects and events throughout Finland. In addition to major nationwide projects, OP-Pohjola organises numerous local projects and events. In 2011, OP-Pohjola Group also participated in several fairs, of which the largest were the Housing Fair, Sijoitus-Invest 2011, Tax 2011, KoneAgria, the Forest Fair and a range of education and recruitment fairs.

Examples of national projects

Event	History	In 2011
Future of Entrepreneurship This workshop is targeted to SMEs and organised in cooperation with Kauppalehti business magazine and Balance Consulting. The Business Manager and Company of the Year awards are given in the workshop.	Organised annually since 2003. Participants: 450–600 people depending on the locality. In addition to the main workshop, smaller local events organised during the year.	The workshop was held in Helsinki and it was themed around current economic issues concerning Finland and Sweden.
OP-Pohjola Week main celebration The OP-Pohjola Week main celebration is an annual festive event intended for customers, administrative staff and other stakeholders. It opens the OP-Pohjola Week during which local Group member banks organise various events.	Organised annually since the 1960s and the locality changes every year. Participants: 400–700 people depending on the locality.	The OP-Pohjola Group Week main celebration was held in Mikkeli.
OP-Pohjola Group Forest Day This workshop is intended for forest owners and target groups interested in the subject. Forestry experts and elected officials gather together to discuss topical issues in the sector.	Organised annually since 1985. Participants: 300–700 people depending on the locality.	The workshop was held in Helsinki and its theme was titled “Forestry profitability in Finland”.
OP-Pohjola Group’s Harvest Session This workshop is intended for those engaged in agribusiness, with farmers in particular being the target audience.	Organised annually since 1975. Participants: 300–700 people depending on the locality.	The workshop was held in Pori and its theme was titled “Food supply chain strengths in Finland and elsewhere”.
OP-Pohjola Group Research Foundation theme day Held in Helsinki, this annual workshop forms part of the activities of this scholarship foundation.	Organised annually since 1990. Participants: 200–250.	The workshop's title was “Europe in the melting pot – debt crisis, financial markets and economic growth”.

Personnel

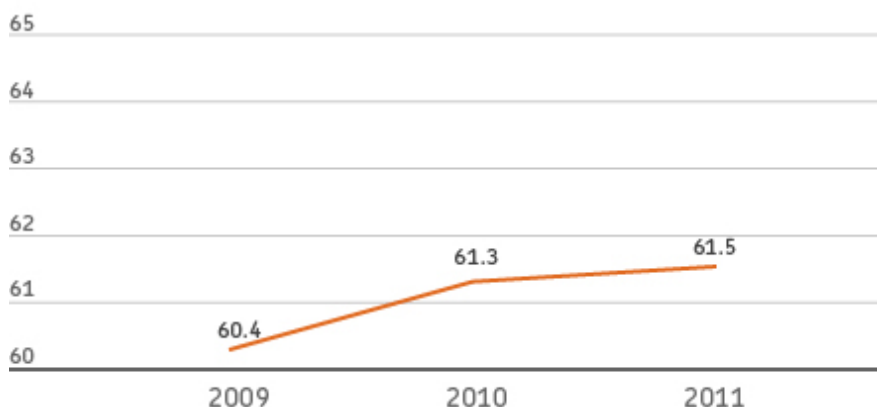
OP-Pohjola aims to be the financial sector's most attractive employer and one of the most desired amongst major Finnish companies. Our strategic goal is to turn our management and employee wellbeing into a competitive edge. Business and service network development, employee competence enhancement, and staff numbers and structure are all based on the Group strategy.

Through its internal operations, the Group makes heavy, long-term investments in employee skills and leadership development, employee wellbeing, rewarding and promotion of equality. Employees are encouraged to develop their competence throughout their careers. OP-Pohjola's employer image in Finland is regularly measured and monitored.

Job satisfaction and employee wellbeing are actively monitored in a Finnish employee survey, which was revised in 2011 to be consistent throughout the Group. Topics covered by the survey include job motivation, commitment and supervisory work, in line with OP-Pohjola's principles of good management. On the basis of the survey results, operations are developed at work community, company and Group level.

Employee wellbeing is supported by moving the occupational health care focus towards preventive activities throughout the Group. In addition, supervisors are trained to identify risks related to working capacity. Good management of people of various ages in different life situations and cooperation between the generations are developed through the 'Good Age' programme.

Average retirement age



At OP-Pohjola, employees have good opportunities for skills development. Future competence needs are explored during annual planning. Competence management within the Group is supported by uniform competence management tools. OP Academy supports the implementation of the strategy by offering a comprehensive selection of training events for people in various positions.

In personnel training, a special emphasis has been placed on sales and interaction skills. In management development, the focus has been on enhancing the supervisory skills of new supervisors, as well as more widely on leadership through coaching. As a major employer in the financial sector, OP-Pohjola can offer its employees not only training, but also opportunities to develop their skills by transferring from one position to another.

A shared equality framework plan has been prepared for the Group, as a guide for equality planning in Group companies. Based on this framework plan, the companies draw up their own annual plans. An extensive equality survey is conducted at least every three years, with implementation of the annual plans monitored annually. Employees' experiences of equality are also studied annually.

Remuneration and rewarding at OP-Pohjola Group are guided by the Group's remuneration policy. Since the policy is available on the Group's intranet, employees are aware of the principles involved. Remuneration, incentive schemes and rewarding are developed actively with a view to the long-term, to ensure strong earnings performance, growth, competitiveness, motivation, commitment and the availability of new, competent employees. Here, the objective is competitive and transparent rewarding. Employees and employee representatives are engaged in active cooperation in the development of remuneration practices.

In 2011, the regulation of reward systems was tightened in the financial sector. Adjustments were made at OP-Pohjola to meet these new requirements. The metrics of OP Personnel Fund and management's long-term bonuses were also revised to render them consistent throughout the Group.

Case: Interactive Skills Development

In the future, fewer and fewer people will be working alone. In particular, good customer service will require intensive cooperation between various parties. For this reason, organisational citizenship and work community skills, in addition to leadership by coaching, became development priorities at OP-Pohjola in 2011.

The ICT organisation of OP-Services has created a new training project around interactive skills and leadership by coaching. This idea originated in the ICT organisation's project to develop coaching for supervisors. During planning, it became evident that coaching cannot be a one-way process. Brainstorming led to the creation of a programme for interactive training, piloted in the autumn at a unit of ICT Competence Centre. The aim of this training is to emphasise that everyone can affect their own goals and development. It is also highlighted that everyone can coach other people and promote mutual learning.

Interactive coaching and organisational citizenship support prospering together, a core value of OP-Pohjola Group. Because business development is highly dependent on experts, organisational citizenship and interactive coaching are of major importance.

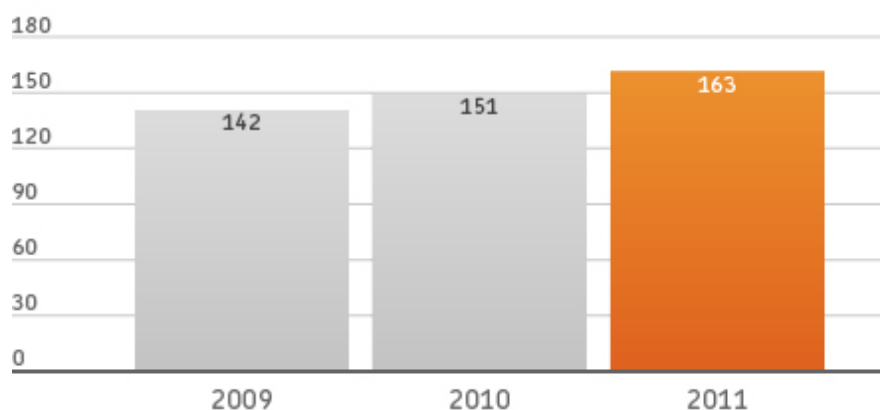
At OP-Pohjola, leadership by coaching has been implemented by offering training to all experts, in addition to supervisors. Working together produces the best results when the parties involved have the same level of knowledge and awareness of the fundamental ideas behind operations.

The pilots were carried out in 2011 and the overall project results will be presented in 2012. The first experiences were positive. Pilots and assessments will continue in 2012. The aim is to implement interactive coaching on a wide scale in other OP-Pohjola organisations as well.

Owner-members and Shareholders

Every customer of a cooperative bank can become an owner-member of their bank. Owner-members can participate in the bank's administration and decision-making. Owner-members have major opportunities to have a say through the service network, feedback system and member banks' administration. Cooperative banks distribute OP bonuses to their owner-members to the extent they use the banks as their main bank and insurer, in accordance the principles of cooperative business. Banking and insurance transactions accumulate bonuses, a certain number of which entitles a customer to become a bonus customer. Bonus customers receive benefits, such as discounts on the daily financial services package and insurance premiums. The bonuses paid out in 2011 totalled EUR 163 million.

Bonuses to owner-members, € million¹



¹ Accrued bonuses

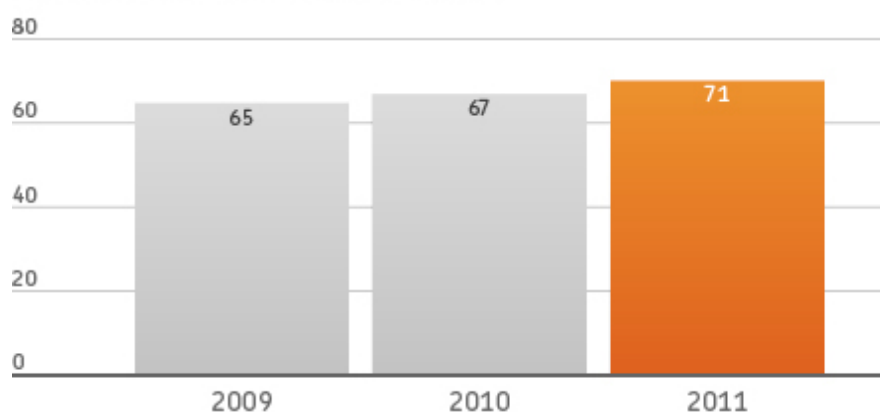
Pohjola Bank plc has approximately 34,000 holders of series A shares. OP-Pohjola Group Central Cooperative owns 37 per cent and the member banks 16 per cent of the shares.

Engagement of Administration

In cooperative banks, the highest decision-making body is the Representative Assembly or the Cooperative Meeting. In OP-Pohjola, the aim is for at least the largest member banks to have a Representative Assembly. An assembly is a more democratic alternative, particularly if a bank has thousands or even tens of thousands of owner-members.

Currently, more than 70 per cent of owner-members belong to banks that have a Representative Assembly. The target is to raise this figure to 90 per cent by 2017. Among the duties of the Representative Assembly is adoption of the bank's financial statements and balance sheet, as well as election of the Supervisory Board, which in turn elects the Board of Directors. The Representative Assembly is also a stepping stone to other administrative duties within the bank.

Share of owner-members at banks with Representative Assembly of all owner-members, %



The Supervisory Board oversees the Board of Directors and managing director in the management of the cooperative bank and elects the Board of Directors. It also confirms the bank's principles of capital adequacy management. The Supervisory Board confirms the bylaws of the bank, which deal with matters of far-reaching and fundamental importance, as well as deciding on the division of duties between the managing director and Board of Directors. The Supervisory Board elects the Board of Directors and, upon a proposal by the Board of Directors, the managing director.

The Board of Directors is the central decision-making body in a cooperative bank. It sees to the proper organisation of the bank's management and operations. To achieve continued success, the Board of Directors also ensures that the bank's business operations are systematic, efficient and profitable, adaptable to changes in the operating environment and well-managed in terms of risks.

Members of the banks' Boards of Directors have the opportunity to participate in a training event involving an in-depth discussion of cooperative banks' operations and objectives. Since 2011, members of the Boards of Directors and Supervisory Boards have also been able to take OP-Pohjola's online courses on cooperative and banking operations, for instance. In 2011, an electronic newsletter was launched for members of these administrative bodies. This enables the fast provision of information on topical issues. In addition, those involved in the banks' administration can participate in the customer community's online activities.

Case: Representative Assembly Elections Go Electronic

The Representative Assembly of a cooperative bank is elected through democratic elections, in which any owner-member can be a candidate and every owner-member has one vote. The aim is to increase voter turnout and improve democracy among members.

In 2011, web-based elections were piloted in two cooperative banks, Etelä-Karjalan Osuuspankki and Kainuun Osuuspankki, alongside postal elections. Owner-members were able choose whether to vote in the traditional manner by posting their vote in an envelope or to vote online. In the latter case they were directed from the OP online service to an external voting service. An online elections guide was also piloted to give all candidates an equal chance to introduce themselves. This helped voters to select the best candidate.

The pilots were a success, with more women and young people being elected to the Representative Assemblies. The composition of the banks' membership is now better reflected in the assemblies. OP-Pohjola Group companies have the mutual goal of growing the number of member banks' Representative Assemblies. A further aim is to simultaneously organise as many Representative Assembly elections as possible in 2013.

Responsible Products and Services

OP-Pohjola invests heavily in the development of responsible products and services, through continuous improvement of its operating models in the areas of responsible investment, financing and insurance. In product and service development, the aim is to ensure responsible operations throughout the value chain, from the perspective of both environmental and social responsibility. The Global Compact signed in 2011 obliges OP-Pohjola to comply with the principles under this initiative.

Pohjola Asset Management Ltd and OP Fund Management Company Ltd have committed themselves to observing the UN Principles for Responsible Investment (UN PRI). Both are also involved in the international investor community's Carbon and Water Disclosure projects. In the future, Pohjola's Investment Banking's reports will include information on Finnish public companies' responsible operations with respect to the environment, society and corporate governance.

OP-Pohjola offers a comprehensive range of electronic banking and insurance services. A local presence and responsibility are also emphasised in the use of electronic channels, since the extensive branch network guarantees personal support to customers as they begin to use these channels. Products must be user-friendly and take account of the individual needs of customers of all ages living in different areas. Here, the aim is easy-to-use, intuitive products, as well as transparency and plain reporting. OP-Pohjola's solid capital adequacy and customer ownership ensure secure products and services to customers.

Development of Electronic Services

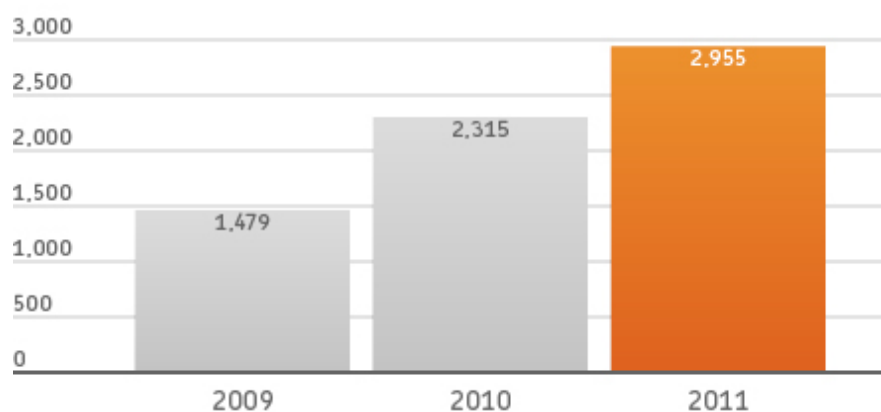
Most of OP-Pohjola's customers have replaced paper-based statements with online bank statements. Approximately three million online statements are sent to customers every month, while the number of statements sent by mail is less than a million. The online bank statement has been the default statement for all OP-Pohjola customers since the beginning of 2010; as few as 16 per cent now receive their statements on paper. During 2012, the aim is a further reduction in the number of bank statements sent by mail, by around 100,000 a month.

In 2012, an online balance statement will be introduced in the corporate online service, to reduce the number of paper-based bank statements mailed to companies.

The goal is to further raise the share of e-invoices. OP-Pohjola launched the e-invoice for corporate customers in 2003. E-invoices have been marketed to private customers since 2005. This makes OP-Pohjola Finland's first bank to do so. The statistics for 2011 show that over 650,000 orders for e-invoices were made through the OP online service. OP-Pohjola expects that 60 per cent of customers registered with the online service will be using the e-invoice service by the end of 2015.

Corporate customers have also recognised the opportunity to increase efficiency presented by e-invoices, which have become part of the basic payment services package. In 2011, the Group's corporate customers sent and received approximately nine million e-invoices in all. Volumes more than doubled compared to the previous year.

OP-Pohjola recommends using the e-invoice service as a replacement for the Finnish direct debit system, which will end as a result of changes brought about by SEPA. As of the end of 2012, customers will be offered an easy way to transfer from direct debit to using e-invoices.

No. of eBills/invoices received by private customers, 1,000

Mobile services are constantly growing in importance. For this reason, OP-Pohjola invested strongly in the development and provision of new services during the year. In spring 2011, OP-Pohjola established a new development unit in Oulu, with a special focus on the development of mobile services and electronic sales. In addition, the ICT organisation complemented its existing expertise by setting up a new unit in Oulu.

Responsible Investment

Responsible investment is a standard form of investment for OP Fund Management Company and Pohjola Asset Management. They were among Finland's first asset management companies to sign the UN Principles for Responsible Investment in 2009. Since then, both companies have developed responsible investment practices with even greater determination, and participated in wider development efforts in the sector.

Assessing the sustainability of investments results in more sustainable business operations, thereby contributing to the realisation of investors' objectives. Responsibility analyses are performed by Pohjola Asset Management's investment managers and analysts who make investment decisions daily. Pohjola Asset Management believes that, by working in this way, it can effectively involve understanding of critical environmental, social and corporate governance-related matters in decision-making.

Meetings between investment managers and the companies in which customers' funds have been or will possibly be invested form a key way of obtaining information on and assessing the sustainability of companies.

In 2011, discussions on corporate social responsibility were conducted in 83 meetings or through other forms of contact. These discussions can be broken down by subject as follows: the environment 61 per cent, social responsibility 16 per cent, and corporate governance 23 per cent. These figures include contacts with five companies in which OP Fund Management Company's and Pohjola Asset Management's stance on certain issues, mainly related to the code of governance of Finnish public companies, was addressed.

Implementation of corporate responsibility principles can increase the economic value of a company. Partners are therefore encouraged to conduct investment studies that include responsibility aspects, in addition to conventional financial analyses.

Pohjola Asset Management and OP Fund Management participated in the Carbon and Water Disclosure projects in 2011. The purpose of these projects is to encourage businesses all over the world to pay attention to the environmental impacts of their operations and to seek solutions to matters related to climate change and water consumption.

In 2011, OP Fund Management Company and Pohjola Asset Management signed a global statement of investors directed at the Climate Change Conference held in Durban, South Africa. The statement urged policy-makers to adopt national and international treaties and to take action to reduce emissions, promote sustainable economic growth and improve investors' opportunities to participate in financing projects and finding solutions.

In 2011, OP Fund Management Company and Pohjola Asset Management were also actively involved in the activities of Finland's Sustainable Investment Forum (FINSIF). The purpose of this forum is to increase awareness of responsible investment. OP Fund Management Company and Pohjola Asset Management are FINSIF's founding members, and Pohjola Asset Management has been represented on its board since the very beginning.

Positive Screening

OP Fund Management Company and Pohjola Asset Management have not excluded certain industries or sectors from their investment range, as the aim is to approach matters from a positive perspective. Positive screening is particularly emphasised in the OP Climate Fund. This portfolio includes companies that will be in a good position as societies and businesses adapt their energy solutions and use of materials towards lower-carbon alternatives. Companies with water-related operations are also included in the portfolio, since climate change affects water consumption and availability. At the end of 2011, capital invested in the fund totalled EUR 49.6 million.

Active ownership is an integral part of responsible investment. OP Fund Management Company exercises the voting rights of the mutual funds managed by it, in accordance with the ownership policy approved by the company's Board of Directors. Pohjola Asset Management contributes to the practical implementation of OP Fund Management Company's ownership policy by actively participating in the general meetings of Finnish companies, in particular, under the authorisation of OP Fund Management Company. In 2011, OP Fund Management Company exercised its right to vote at 47 annual or extraordinary general meetings. Moreover, a representative of OP Fund Management Company was appointed to the nomination committees of two companies in 2011.

Case: Responsible Investment

The transport of people, raw materials and end products to the desired destination calls for a global logistics system. Typical transport options include road, air and sea transport, which are, almost without exception, dependent on fossil energy sources. According to the Intergovernmental Panel on Climate Change (IPCC), the logistics sector generates approximately 13 per cent of global carbon dioxide emissions. Due to rising energy prices and increasing pressure to reduce carbon dioxide emissions, logistics companies are required to draw up plans and take concrete action to cut down their emissions and energy consumption.

As part of responsible investment, attention must also be paid to environmental issues such as these. In 2011, Pohjola Asset Management's investment managers had meetings with several logistics sector companies. Examples of topics discussed were the measurement of and trends in the carbon dioxide emissions of sea transport companies, measures planned to reduce these emissions and the environmental impacts and energy use of road transport operators. Most companies have already prepared plans and initiated measures to tackle the above-mentioned concerns. They expect the solutions to lie in technological development, larger transport units and lower travel speed in sea transport, for instance.



Responsible Banking Products and Services

At OP-Pohjola Group, corporate financing is guided by ethical principles and guidelines for lending, which take account of social and environmental responsibility. In line with the Global Compact, OP-Pohjola is committed to promoting respect for human rights and fundamental principles and rights at work, environmental protection and anti-corruption activities.

Recognising, analysing and taking account of the environmental impacts of the projects financed is also important from the perspective of risk management. The recognition of environmental risks is included in OP-Pohjola's standard company analysis.

OP-Pohjola refrains from financing projects whose purpose, background or environmental impacts are insufficiently understood. In accordance with the Group's guidelines, lending is conditional on meeting the necessary official regulations and acquisition of the required permits and insurance policies. OP-Pohjola also instructs banks to verify that environmental risk management in companies receiving funding is sufficient and to find out whether changes are expected in environmental legislation that might result in investment needs and complicate operations. Furthermore, the history of the business operations should be examined, if there is reason to suspect that activities harmful to the environment have been carried out.

Pohjola finances overseas operations of Finnish companies. In addition to OP-Pohjola's ethical guidelines for lending, assessment of environmental risk is part of the standard process of assessing a customer's creditworthiness. Where necessary, analyses are backed up by more in-depth assessments, conducted by independent third parties, of environmental risks and responsibilities related to individual customers. These assessments can be further expanded to cover the customer's social responsibility as a whole.

Pohjola's Investment Banking published the first ESG analysis of Finnish listed companies' corporate responsibility in 2011. This analysis examines how companies take account of environmental, social and corporate governance issues in their operations. These are called the ESG criteria (environmental, social, governance). Investment Banking's responsibility analysis currently covers all companies in the OMX Helsinki 25 Index, excluding Pohjola.

Financing for Private Customers

OP-Pohjola's guidelines for lending to private customers are based on responsible practices that take account of the customer's ability to repay the loan. A customer's risk is assessed holistically and lending is carried out with consideration to the Financial Supervisory Authority's lending recommendations and the customer's share of self-financing.

In loan negotiations, special attention is paid to the customer's ability to pay their debt, which is based on available income and risks associated with loan servicing. Topics discussed with the customer include the impact of an increase in interest rates on loan servicing costs and the loan period.

Careful assessment of the customer's ability to pay back the loan is mutually beneficial to the customer and the bank. An extensive financial services package allows OP-Pohjola to provide customers with essential information in support of decision-making and to offer customised comprehensive solutions from the Group's banking and insurance product range. Young customers in particular are assisted in managing their finances.

In line with OP-Pohjola's long-term perspective on operations, the best possible loan arrangement is selected for each customer, depending on their life situation. If a customer is in financial difficulties, an appropriate solution is always sought together with the customer. The aim is to help customers and viable companies through difficult times.

Case: Responsibility in Financing



In 2011, Pohjola Bank plc and the Nordic Investment Bank (NIB) signed a contract for a EUR 50 million loan programme. This financing is targeted at investments made by Pohjola Bank to improve customer companies' energy efficiency, such as building projects for housing cooperatives and wastewater treatment in harbours. The purpose of environmental loans is to finance repair investments made by households and housing cooperatives to increase energy efficiency and reduce negative environmental impacts, as well as new construction projects. In order to create the sought-after environmental benefits, such projects are required to exceed building regulations.

Through lending, Pohjola and NIB support measures that reduce emissions into water and air and promote the use of environmentally friendly solutions in heating systems. This loan programme is an excellent example of how account can also be taken of smaller-scale projects aimed at mitigating direct environmental effects. Enhanced waste management and energy efficiency have a clear positive impact, not only on the environment but also on standards of living.

The operating model is principally the same as that used in Pohjola Bank's existing credit lines from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). The maturity of the environmental loan is eight years and it forms part of Pohjola Bank's long-term funding activities.

Responsible Insurance Services

The purpose of a non-life insurance company is to ensure that possible damage does not pose insurmountable financial difficulties to the party suffering the loss. A non-life insurance company assumes risks that are too great for customers to bear. In this role, the company must take care to act responsibly and in the customer's interests in all situations.

A non-life insurance company must also ensure that it has good financial standing. In practice, this means that the company's solvency and operations must have a financially stable foundation. This is why the minimum target credit rating set for Pohjola Insurance Ltd is the current 'A'.

Pohjola Insurance is tasked with promoting its customers' risk management and security and preventing damage. A dedicated Risk Management Competence Centre was established in 2011, to collaborate with customers in assessing their potential risk and security factors and optimising their insurance solutions.

Climate-related risks are increasing in significance. Finland has so far been spared damage caused by dramatic natural phenomena, but the country must nevertheless prepare for risks of this type. A non-life insurance company should do its share to ensure that sufficient attention is paid to climate-based risks.

The importance of personal insurance is constantly growing. Pohjola Insurance focuses on ensuring the wellbeing of both private customers and the employees of corporate customers. The company provides statutory and voluntary insurance policies aimed at managing customers' accident and health risks.

In order to promote wellbeing and preventive health activities, Pohjola Insurance has established Pohjola Health Ltd, which offers services related to wellbeing. By assessing factors affecting customers' health and wellbeing, the company can ensure that all health risks are covered.

A non-life insurance company's ability to serve their customers is put to the test when an accident occurs. Since it is important for Pohjola Insurance to offer a high-quality claims settlement service, claims settlement has been further improved. This work will be continued, alongside continuous development of online customer service.

Owing to its close cooperation with the Group's member banks, Pohjola Insurance Ltd can also be locally present when a customer expects personal service.

Case: Pohjola Insurance – Risk Management Competence Centre

In early 2011, Pohjola Insurance established a Risk Management Competence Centre, which brings all risk management services under one roof. The purpose of the Competence Centre is to develop risk management and security services for insurance customers.

The group of experts employed by the Competence Centre includes more than 110 risk management and security professionals. It also collaborates closely with the Group's risk management function.

In 2012, for the first time the Risk Management Competence Centre will present a national Security Award and regional Security Awards to corporate customers that have developed security and risk management in a responsible manner within their companies.

The Risk Management Competence Centre will also introduce a new corporate risk management solution, aimed at increasing corporate customers' development efforts in responsible security. In addition, a service package designed to improve the safety of private customers' homes will be launched in 2012.

In early 2012, a training programme will be initiated for customer service personnel, with the aim of training approximately 200 people in enterprise risk management (ERM). The purpose of this programme is to complement the risk management competence of Pohjola Insurance employees, thereby also enabling even better customer service in categories other than insurance products.

Case: 'Keep It Cool' Collaborative Project



Ensuring security and risk management are important to Pohjola Insurance. The company's key objectives include the development of security partnerships and the acquisition of new partners.

In spring 2011, Pohjola Insurance implemented a project titled 'Keep It Cool', in cooperation with the Finnish Refrigeration Enterprises Association (FREA). Better servicing and maintenance of refrigeration appliances contribute to environmental protection and improve the management of claims expenditure. Regular inspections and servicing increase energy efficiency and reduce the risk of refrigerant leaks.

Keeping an inspection record of refrigeration appliances enables the prevention of damage, protection of the environment and a reduction in claims expenditure. In addition to an inspection record, customers are given a journal for monitoring the servicing of equipment. Customers have been informed of the importance of inspections and maintenance for the prevention of refrigerant leaks and minimisation of environmental impacts. A condition was subsequently added to insurance policies that obliges the customer to keep a record of inspections.

At the end of the year, those involved in the Keep It Cool project were asked to provide comments and ideas for the development of the project. Trends in loss and damage statistics are also being followed. The aim is to expand these activities with retail trade customers and to raise the number of customers who, by acting responsibly with respect to their refrigeration equipment, protect the environment and reduce their energy consumption.

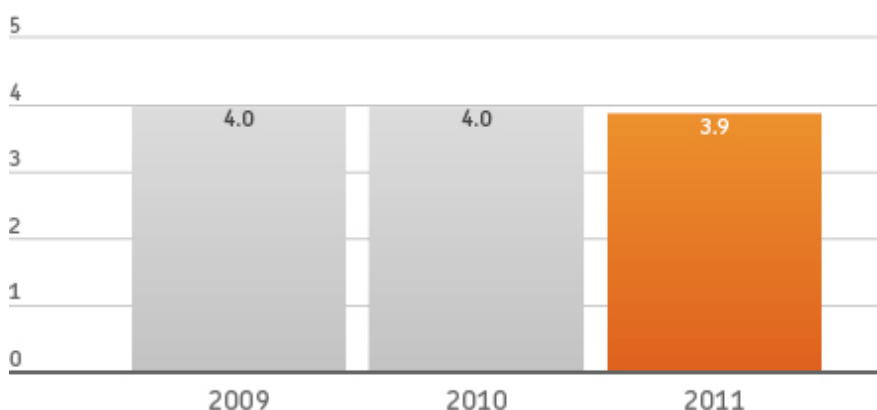
Ethical Business

OP-Pohjola Group builds long-term customer relationships based on mutual trust. Bolstered by strong professional skills, the Group bears responsibility for the high quality, expertise and reliability of its services, as well as for the security of its services and products. OP-Pohjola's operations are guided by good banking and insurance practices. We comply with laws, standards and regulations and adhere to the principles of honest and fair operations everywhere.

Customer confidence is the prerequisite for successful operations in the financial sector. OP-Pohjola Group strives to know its customers and be familiar with their business operations and backgrounds, as thoroughly as required. Knowing customers is helpful in recognising their needs, thereby enabling the provision of the best possible products and services. OP-Pohjola Group's salaried employees and members of governance bodies are bound to confidentiality by law; bank and insurance secrecy guarantee confidential processing of all customer data. Employees may process customer information only to the extent required by their duties.

Regulation of the financial sector sets strict requirements on business operations. Among the fundamental requirements are ensuring the confidentiality of customer data and continuous development of data security. As required by good practice, OP-Pohjola values its customer relationships and treats its customers equally and professionally. OP-Pohjola is also engaged in active efforts to prevent money laundering and terrorist financing. Customer satisfaction is monitored through a customer satisfaction survey conducted on a regular basis. Feedback from customers is important and all feedback and complaints are taken seriously.

Customer satisfaction, private customers, scale 1–5



OP-Pohjola is committed to responsible marketing and advertising. The Group complies with marketing legislation and the self-regulation guidelines of international organisations, including those of the International Chamber of Commerce (ICC). OP-Pohjola also adheres to the marketing guidelines of the Finnish Consumer Agency.

In marketing, OP-Pohjola aims to provide all information on products and services that may be of importance to customers when making decisions. Marketing directed at children and young people is highly restricted. OP-Pohjola takes account of this group's general inexperience and limited capacity to act.

Code of Business Ethics

OP-Pohjola complies with industry regulations, good banking and insurance practices and good stock market practices, which guide its operations. In addition, OP-Pohjola adheres to several acts as well as regulations and guidelines issued by supervisory authorities. The Code of Business Ethics provides an ethical foundation for all those employed by OP-Pohjola, whatever their role, position or location.

Good banking and insurance practice requires OP-Pohjola to apply customer due diligence and be aware of each customer's financial standing to the necessary extent. OP-Pohjola treats its customers in an appropriate, fair and equal manner, and all customer-related information is processed with due care.

Employees are trained in order to enhance their professional expertise, by providing a wide range of training opportunities in various areas of banking and insurance, including insider regulations, ethics, data security and legislation. In 2011, the diverse guidelines and principles in use in OP-Pohjola Group companies were combined to create a Code of Business Ethics. Over the course of 2012, employees across the Group will be familiarised with the code through an online course.

Examples of the tools used in 2011 to implement the Code of Business Ethics are training events for entities within OP-Pohjola Group on insider regulations and the prevention of money laundering. Such training is provided by the Legal Services group of the Legal and Collection Services of OP-Services Ltd.

Prevention of money laundering and terrorist financing is a statutory obligation (Act on Preventing and Clearing Money Laundering and Terrorist Financing) for all those operating in the financial sector. OP-Pohjola Group sees to it that its employees are aware of the obligations set out under legislation, to the extent necessary for the performance of their duties. At OP-Pohjola Group, guidelines and employee training form an important part of the processes in place to ensure that payment transfers and other services, for instance, are not used to obscure the origin of assets obtained through criminal activity.

Risk-taking is an inherent part of banking and insurance operations. At OP-Pohjola Group, the purpose of risk management is to identify threats and opportunities affecting the Group's operations.

The primary objective of risk management is to secure the risk-bearing capacity of all entities within the Group and to ensure that they are not exposed to excessive risk that may endanger the profitability, solvency or continuity of the entity's operations, or those of the entire OP-Pohjola Group. The risk management process includes the recognition, measurement and evaluation of risks, and their limitation, reporting and supervision.

The Compliance function ensures that all entities within OP-Pohjola Group comply with laws, official instructions and orders, self-regulation of the markets as well as the internal policies and guidelines of the Group and its entities. A further aim of compliance activities is to ensure that appropriate and ethically acceptable policies and practices are observed in customer relationships.

Case: Employee Training to Prevent Abuse

Familiarising employees with the Code of Business Ethics and training them in the prevention of abuse are an important part of OP-Pohjola's employee training. An online course titled 'The Many Faces of Money Laundering', prepared in collaboration with the Federation of Finnish Financial Services, was launched in 2009. This course illustrates the identification and due diligence obligations related to the prevention and detection of money laundering and terrorist financing, the obligation to obtain information on unusual transactions, and the obligation to report suspicious transactions.

In addition to the theoretical part, the course includes interactive exercises that enable participants to test their knowledge. At the end, the participants take a final test. The course is suitable for all supervisors, contact persons for money-laundering issues, experts and salaried employees at OP-Pohjola. Supervisors see to it that all those working in their team take the online course and present a certificate of completion.

The online course covers the most common cases that occur in banking and insurance operations and considered typical in terms of money laundering. It also creates a basis for further training. In addition to the online course, other training sessions are available. The aim of this is to ensure that OP-Pohjola's employees are aware of statutory obligations related to the prevention of money laundering, and to ensure that these obligations are fulfilled.

Environmental Responsibility

OP-Pohjola aims to reduce the environmental impacts of its operations and systematically develop its environmental management practices. It also strives to promote solutions that cause less harm to the environment. In 2012, OP-Pohjola will establish targets for the reduction of emissions across the Group.

Environmental responsibility encompasses the environmental impacts of both products and services and the Group's own operations. It is important that OP-Pohjola raise environmental awareness among its customers, offering products and services that allow the Group to mitigate the environmental effects of the entire value chain.

In 2011, OP-Pohjola continued the development of investment, financing and insurance products and services that are more environmentally friendly. It also promoted the implementation of the Green Office system in its offices.

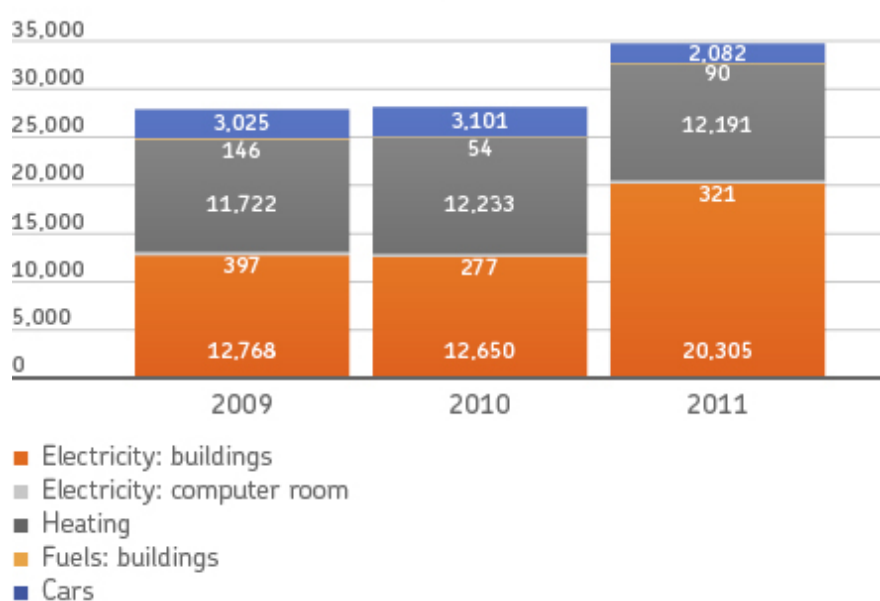
OP-Pohjola Group's Carbon Footprint

In recent years, the carbon footprint has become a key indicator of environmental responsibility. It is helpful in recognising an organisation's impact on global warming and in cost-effectively diminishing greenhouse gas emissions.

Calculation of the carbon footprint is based on activity-specific data (kWh, kg, km) and the emission factors for materials and activities (tnCO₂/kWh, tnCO₂/kg), selected to best match local conditions. The carbon footprint is measured in a transparent manner, using international standards and generally accepted practices. Use of data based on assumptions is recognised and highlighted, and a margin of error is calculated for the footprint.

The carbon footprint is expressed as carbon dioxide equivalents (tnCO₂eq). Carbon dioxide equivalents are calculated for all greenhouse gases (in addition to carbon dioxide, methane and nitrous oxide, among others) by taking account of their global warming potential compared to carbon dioxide.

Our carbon footprint, tonnes CO₂¹



¹ Scope 1 and 2

OP-Pohjola's carbon footprint was calculated in accordance with the [Greenhouse Gas Protocol](#) guidelines developed by the World Resources Institute and the World Business Council for Sustainable Development. It is the best available tool for calculating the carbon footprint of an organisation.

When assessing the calculation results, it should be noted that the carbon footprints of different organisations are not directly comparable. Before such a comparison, it must be verified that the limitations and assumptions applied in the calculation, as well as the emissions factors, correspond to each other.

Targets for reducing OP-Pohjola Group's carbon footprint will be set in 2012. In the evaluation of OP-Pohjola's carbon footprint, major factors affecting the carbon footprint included electricity, heating of properties, paper consumption and motoring. We strive to influence our carbon footprint by promoting the environmental awareness of employees and the expansion of the Green Office system.

Case: OP-Pohjola Group's Carbon Footprint



OP-Pohjola Group assessed its carbon footprint in 2009, 2010 and 2011. Calculation of the carbon footprint is helpful in recognising an organisation's impact on global warming and in cost-effectively diminishing greenhouse gas emissions.

In 2011, OP-Pohjola Group's carbon footprint was approximately 46,490 tonnes of carbon dioxide equivalents (38,380 in 2010), which equals 3.7 tnCO₂ per employee¹ (3.2 tnCO₂). Some 70 per cent (65) of OP-Pohjola Group's carbon footprint was caused by electricity and heat consumed on office premises, 9.4 per cent (13.5) by motoring and 10.3 per cent (11.7) by paper consumption. The margin of error is 18 per cent (15).

OP-Pohjola's carbon footprint corresponds to the emissions from the energy consumption of around 10,566 average Finnish single-family homes² (8,723). The planting of 150,453 trees (124,208) would be required to compensate for these emissions³.

¹ The annual carbon footprint of the average Finn is approximately 12 tonnes of CO₂. In addition to housing and transport, this figure includes emissions generated by industry and agriculture. Globally, the average footprint of one person is 4.5 tn CO₂ (source: World Bank Online Database / CO₂ emissions (metric tons per capita). These figures have been arrived at by dividing a country's total emissions by the number of residents.

² A 120 m² house of a family of four consumes about 20,000 kWh of energy per year. A rough estimate is that electricity and heat consumption account for 5,000 and 15,000 kWh of this consumption, respectively. If a house has district heating, the emissions of a single-family home amount to about 4.4 tonnes of carbon dioxide. These emissions have been calculated on the basis of the average specific emissions of electricity production, 200 g CO₂/kWh, and the average specific emissions of separate production of district heat, 226 g CO₂/kWh, in Finland. (Source: WWF Finland)

³ One tree absorbs an average of 0.9175 tonnes of carbon dioxide over a period of 40 years after planting. However, the growth of a tree requires space for the roots, sunshine and water. For this reason, three trees must be planted to ensure that at least one lives the required 40 years. One tree is therefore needed to absorb 0.309 tonnes of carbon dioxide. (Source: WWF Finland)

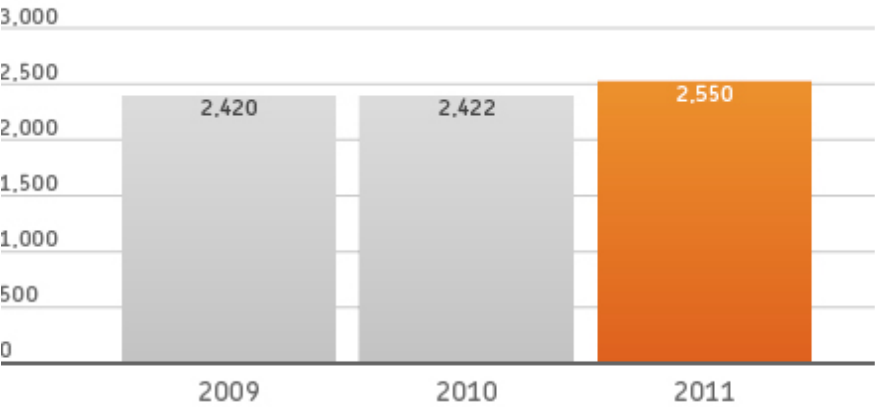
WWF's Green Office

Green Office is an environmental management system for offices, developed by WWF Finland in 2002.

The aim of this system is to reduce the greenhouse gas emissions of offices, raise environmental awareness and encourage people to make ecological everyday choices.

Offices play a crucial role with regard to energy consumption and sustainable solutions. The system benefits both the organisation and the environment.

Green Office Label, no. of employees



OP-Pohjola Group is committed to expanding use of the Green Office system in 2012.

Case: Green Office



With WWF's Green Office system, workplaces can enhance their employees' environmental awareness, reduce their environmental impact, achieve cost-savings and slow down climate change. OP-Pohjola is committed to expanding the use of the Green Office system in its offices. In 2011, OP-Pohjola negotiated with WWF on Group-wide Green Office targets. The Green Office system has been in place in OP-Pohjola's offices in Teollisuuskatu Street, Helsinki, and certain cooperative banks, since 2003. In 2011, the system was implemented by OP-Pohjola's offices in Lapinmäentie Road and Hiomotie Road, as well as the Group's new Oulu unit and member banks all over Finland.

Green Office enables offices of all sizes to reduce their environmental impacts and achieve savings in waste and energy costs, for example. With regard to OP-Pohjola's carbon footprint, particular attention is paid to the energy and paper consumption of offices. The system provides tools for enhancing the environmental awareness of employees and diminishing the environmental effects of operations.

The objective is widespread use of the Green Office diploma and logo in 2012.

GRI Corporate Responsibility Data

OP-Pohjola Group's sustainability reporting has been implemented by integrating it with the Group's annual reporting. The Corporate Social Responsibility Report has been prepared in compliance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. Consideration has also been taken of the GRI Financial Services Sector Supplement. OP-Pohjola Group's sustainability reporting also encompasses information required by the Global Compact, with regard to the promotion of principles related to human rights, labour, the environment and anti-corruption activities.

Integrated reporting combines CSR data with the Group's strategy and business, corporate governance and financial results. In the development of its approach to sustainability reporting, OP-Pohjola follows the work of the International Integrated Reporting Committee (IIRC), which is preparing a model for integrated corporate reporting. Our aim is to develop sustainability reporting as an integral part of the Group's annual reporting and, thereby, to measure the results and impact of our CSR activities in relation to the Group's operations.

GRI Content Index

The GRI content index shows where in OP-Pohjola Group's annual report the disclosures referred to in the GRI Guidelines can be found. Standard disclosures are mainly presented in the corporate responsibility section. In addition, standard disclosures are included in the following sections: OP-Pohjola Group in 2011, Business Operations, and Structure and Governance. The GRI content index has been prepared in accordance with the guidelines provided by the GRI Financial Services Sector Supplement. OP-Pohjola Group's GRI reporting contains all information and indicators identified by a materiality assessment as significant to stakeholders and the Group's business operations. Part of this information is reported in a different manner to that recommended by the GRI Guidelines. An account is given of deviations with respect to such information.

☒ Fully reported
 ☐ Partly reported
 ☐ Not reported

	GRI CONTENT	REFERENCE	STATUS	EXPLANATION	GLOBAL COMPACT
1	Strategy and analysis				
1.1	Statement from the CEO	Executive Chairman's Statement	<input checked="" type="radio"/>		x
1.2	Key impacts, risks and opportunities	Key Impacts, Risks and Opportunities	<input checked="" type="radio"/>		x
2	Organisational profile				
2.1	Name of the organisation	OP-Pohjola Group	<input checked="" type="radio"/>		
2.2	Primary brands, products and/or services	OP-Pohjola Group	<input checked="" type="radio"/>		
2.3	Operational structure of the organisation	OP-Pohjola Group	<input checked="" type="radio"/>		
2.4	Location of headquarters	OP-Pohjola Group	<input checked="" type="radio"/>		
2.5	Countries in which the organisation's operations are located	OP-Pohjola Group	<input checked="" type="radio"/>		
2.6	Nature of ownership and legal form	OP-Pohjola Group	<input checked="" type="radio"/>		
2.7	Markets served	OP-Pohjola Group	<input checked="" type="radio"/>		
2.8	Scale of the reporting organisation	Key Figures	<input checked="" type="radio"/>		
2.9	Significant changes during the reporting period	Highlights 2011	<input checked="" type="radio"/>		
2.10	Awards received during the reporting period	Highlights 2011	<input checked="" type="radio"/>		
3	Report parameters				
	Report profile				
3.1	Reporting period	Reporting Principles	<input checked="" type="radio"/>		

3.2	Date of the most recent report	Reporting Principles	
3.3	Reporting cycle	Reporting Principles	
3.4	Contact information	Contact Information	
Report scope and boundaries			
3.5	Process for defining report content	Reporting Principles Materiality Assessment	
3.6	Boundary of the report	Bases for Calculations	
3.7	Specific limitations on the scope or boundary	Bases for Calculations	
3.8	Basis for reporting on joint ventures, subsidiaries etc.	Bases for Calculations	
3.9	Data measurement techniques	Bases for Calculations	
3.10	Restatement of information	Bases for Calculations	
3.11	Significant changes in the scope, boundary or measurement methods applied	Bases for Calculations	
GRI content index			
3.12	GRI content index	GRI Content Index	
Assurance			
3.13	Policy and practice with regard to external assurance	Bases for Calculations	
4	Governance, commitments and engagement		
Governance			
4.1	Governance structure	OP-Pohjola Group's Corporate Governance Principles Pohjola Bank's Corporate Governance Principles	

4.2 Position of the chair of the Board of Directors

OP-Pohjola Group's
Corporate
Governance
Principles

Pohjola Bank's
Corporate
Governance
Principles

4.3 Independent, non-executive directors on the Board of Directors

OP-Pohjola Group's
Corporate
Governance
Principles

Pohjola Bank's
Corporate
Governance
Principles

4.4 Mechanisms for shareholders and employees to provide recommendations to the Board of Directors

OP-Pohjola Group's
Corporate
Governance
Principles

Pohjola Bank's
Corporate
Governance
Principles

4.5 Executive compensation

OP-Pohjola Group's
Corporate
Governance
Principles

Pohjola Bank's
Corporate
Governance
Principles

4.6 Avoiding conflicts of interest

OP-Pohjola Group's
Corporate
Governance
Principles

Pohjola Bank's
Corporate
Governance
Principles

4.7	Determining the qualifications and expertise of Board members in terms of strategic management and CSR	OP-Pohjola Group's Corporate Governance Principles Pohjola Bank's Corporate Governance Principles	●	
4.8	Mission, values statements, ethical principles and sustainability principles	Core Values Corporate Social Responsibility Management	●	
4.9	Board-level procedures overseeing sustainability performance	OP-Pohjola Group's Corporate Governance Principles Pohjola Bank's Corporate Governance Principles	●	
4.10	Evaluating Board performance	OP-Pohjola Group's Corporate Governance Principles Pohjola Bank's Corporate Governance Principles	●	
Commitments to external initiatives				
4.11	Addressing the precautionary approach or principle	International Commitments, UN Global Compact Principle 7	●	7
4.12	External charters, principles or initiatives endorsed	International Commitments	●	
4.13	Memberships in associations	Responsible Investment; FINSIF	●	
Stakeholder engagement				
4.14	List of stakeholder groups engaged	Stakeholder Engagement	●	
4.15	Identification and selection of stakeholders	Stakeholder Engagement	●	
4.16	Approaches to stakeholder engagement	Stakeholder Engagement	●	

4.17 Responding to key topics concerning stakeholders

Stakeholder Engagement
Materiality Assessment



Financial indicators (FS)

Management approach to financial responsibility

FS1 Policies with specific environmental and social components applied to business lines

Responsible Products and Services



FS2 Procedures for assessing and screening environmental and social risks in business lines

Responsible Products and Services



FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

Responsible Products and Services



FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

OP-Pohjola's Corporate Social Responsibility Programme



FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities

Responsible Products and Services



Product portfolio

FS6 Product portfolio breakdown

Product Portfolio by Business Lines 31.12.2011






FS8 Monetary value of products and services designed to deliver a specific environmental benefit

Responsible Products and Services
Responsible Investment



Active ownership

FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Responsible Investment		
FS11	Percentage of assets subject to positive and negative environmental or social screening	Responsible Investment		Positive screening
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to voting shares or advises on voting	Responsible Investment		

Economic indicators (EC)




Management approach to economic responsibility

Corporate Social Responsibility Management

Environmental Responsibility



Economic performance

EC1	Direct economic value generated and distributed	Economic Responsibility		
EC3	Coverage of the organisation's defined benefit plan obligations	OP-Pohjola Group's Surplus of Defined Benefit Pension Plans Pohjola Bank's Surplus of Defined Benefit Pension Plans		
EC9	Indirect economic impacts	Economic Impacts		












Environmental indicators (EN)

Management approach to environmental responsibility


Corporate Social Responsibility Management

Environmental Responsibility



Materials					
EN1	Materials used by weight or volume	Materials			8
Energy					
EN4	Indirect energy consumption	Energy and Climate			8
Emissions and waste					
EN16	Total direct and indirect greenhouse gas emissions	Energy and Climate OP-Pohjola Group's Carbon Footprint			8
EN17	Total indirect greenhouse gas emissions	OP-Pohjola Group's Carbon Footprint			
EN22	Total amount of waste	Waste			8
Products and services					
EN26	Mitigating environmental impacts of products and services	Environmental Impacts of Products and Services Responsible Products and Services			7, 8, 9
Social indicators					
	Management approach to social responsibility	Corporate Social Responsibility Management Stakeholder Responsibility			
Labour practices and decent work					
Employment					
LA1	Breakdown of workforce	Workforce Structure			
LA2	Breakdown of employee turnover	Workforce Structure			6
Occupational health and safety					
LA7	Injuries, occupational diseases, lost days, absentee rates and fatalities	Employee Wellbeing		Sickness absence	1
Training and education					
LA10	Average hours of training per year per employee	Skills Development		Average training expenditure	

LA12	Employees receiving performance and career development reviews	Skills Development		
Diversity and equal opportunity				
LA13	Composition of governance bodies and employee breakdown	Workforce Structure		1, 6
Human rights (HR)				
HR3	Employee training on human rights	Human Rights		Training in good business practices
HR4	Total number of incidents of discrimination and actions taken			No reportable cases
Society (S0)				
Corruption				
S03	Anti-corruption training	Society		Training to prevent misconduct and fraud
S07	Total number of legal actions over anti-competitive, cartel and monopoly practices			No reportable cases
Product responsibility (PR)				
Management approach to product responsibility		Corporate Social Responsibility Management Responsible Products and Services		
FS15	Policies for the fair design and sale of financial products and services	Financial Literacy Responsible Products and Services		
Product and service labelling				
PR5	Results related to customer satisfaction, including results of surveys	Ethical Business		
FS16	Initiatives to enhance financial literacy by type of beneficiary	Financial Literacy		

Customer privacy					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Ethical Business		Customer feedback processing	1

GRI Performance Indicators

	2011	2010	2009
FS8 Monetary value of products and services designed to deliver a specific environmental benefit. OP-Climate Fund's share of all OP equity funds' assets (%)	1.5	2.6	3.4
EC3 Coverage of defined benefit pension plan obligations (€ million) ¹	-71	-182	-159
LA1 Total workforce	13,229	12,504	12,504
LA2 Employee turnover (%)	3.6	4.7	4.6
LA7 Lost time (sickness absence) rate (%)	3.5	3.7	3.6
LA10 Training investments, % of total payroll	2.5	2.0	2.4
LA12 Employees involved in performance and career development reviews (%)	90	92	95
LA13 Employees by gender (%)			
Men	27	25	25
Women	73	75	75
LA13 Employees by age (average age)	43	44	44
EN4 Energy consumption (kWh) ²	45,064,231	49,236,757	49,633,794
EN16 Total greenhouse gas emissions (tonne)	46,490	38,380	38,715
EN1 Materials used (office paper, kg) ³	387,365	448,601	574,154
EN22 Total weight of waste (tonne) ⁴	1,058	990	1,166

¹ For details, see [Note 28 to OP-Pohjola Group's Financial Statements](#)

² Includes electricity consumed by office premises in OP-Pohjola Group Central Cooperative Consolidated's use and by data centres within the Haaga and Teollisuuskatu premises and heating energy consumed by office premises in OP-Pohjola Group Central Cooperative Consolidated's use

³ Includes OP-Pohjola Group Central Cooperative Consolidated and Helsinki OP Bank Plc and an estimate of materials used by OP-Pohjola Group member cooperative banks based on the use by the first two per employee

⁴ Includes buildings in OP-Pohjola Group Central Cooperative Consolidated's own use

GRI Aspects in the Financial Sector

The GRI Financial Services Sector Supplement specifies and provides guidance on special issues related to the sustainability reporting of banks and insurance companies, including a responsible product and service portfolio and responsible investment and ownership. With regard to the product and service portfolio, responsibility refers to the reporting organisation's activities and initiatives aimed at developing and marketing products and services that meet responsibility criteria. Particular attention is paid to products and services that generate benefits related to social responsibility or environmental impacts. A further objective is to describe the share of such products and services in the existing product and service portfolio as well as how the organisation promotes new sustainable product innovations in the financial sector.

Responsible Products and Services

Responsible products and services is one of the focus areas of OP-Pohjola Group's corporate social responsibility. Matters related to corporate responsibility and their development have influenced the content of many products and services offered by the Group. This is despite the only partial completion, so far, of integrating responsibility into our product and service development. An example of a product providing environmental benefits is the OP Climate Fund, in which investments are made in line with sustainability principles, with a special emphasis on the environment. The fund's assets are mainly invested in sectors on which climate change and the related preparations are estimated to have the greatest impact. The companies in the fund's portfolio are typically those that stand to gain from climate change mitigation measures. Their business has to do with energy efficiency and technology, recycling, water and waste management and the related infrastructure.

Product Portfolio

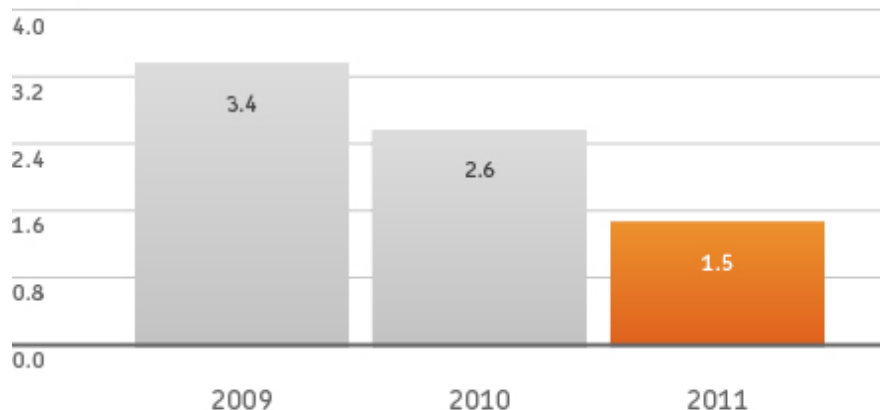
Percentage of the portfolio for business lines by sector (FS6)

The Group's product portfolio is composed of various financial sector products and services. A breakdown of the portfolio is presented in detail in Note 57. [Segment reporting](#) to OP-Pohjola Group's Financial Statements.

Products designed to deliver a specific environmental benefit, OP Climate Fund's share of the capital invested in all equity funds (FS8)

The trend in OP Climate Fund's value and the fund's share of the capital invested in all equity funds is shown in Figure: FS8 OP-Climate Fund's share of all OP equity funds' assets. The fund's portfolio includes companies that will be in a good position as societies and businesses adapt their energy solutions and use of materials towards lower-carbon alternatives. At the end of 2011, the capital invested in the fund totalled EUR 49.6 million, which accounts for 1.5 per cent of the capital invested in all equity funds.

FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose, OP-Climate Fund's share of all OP equity funds' assets %



In addition, Pohjola Bank plc and the Nordic Investment Bank (NIB) have signed an agreement for a EUR 50 million loan programme. This is for financing projects related to improving energy efficiency and wastewater treatment. Financing is targeted at investments made in energy efficiency by Pohjola Bank's customer companies. These investments support measures that reduce emissions into water and air and promote the use of environmentally friendly solutions in heating systems.

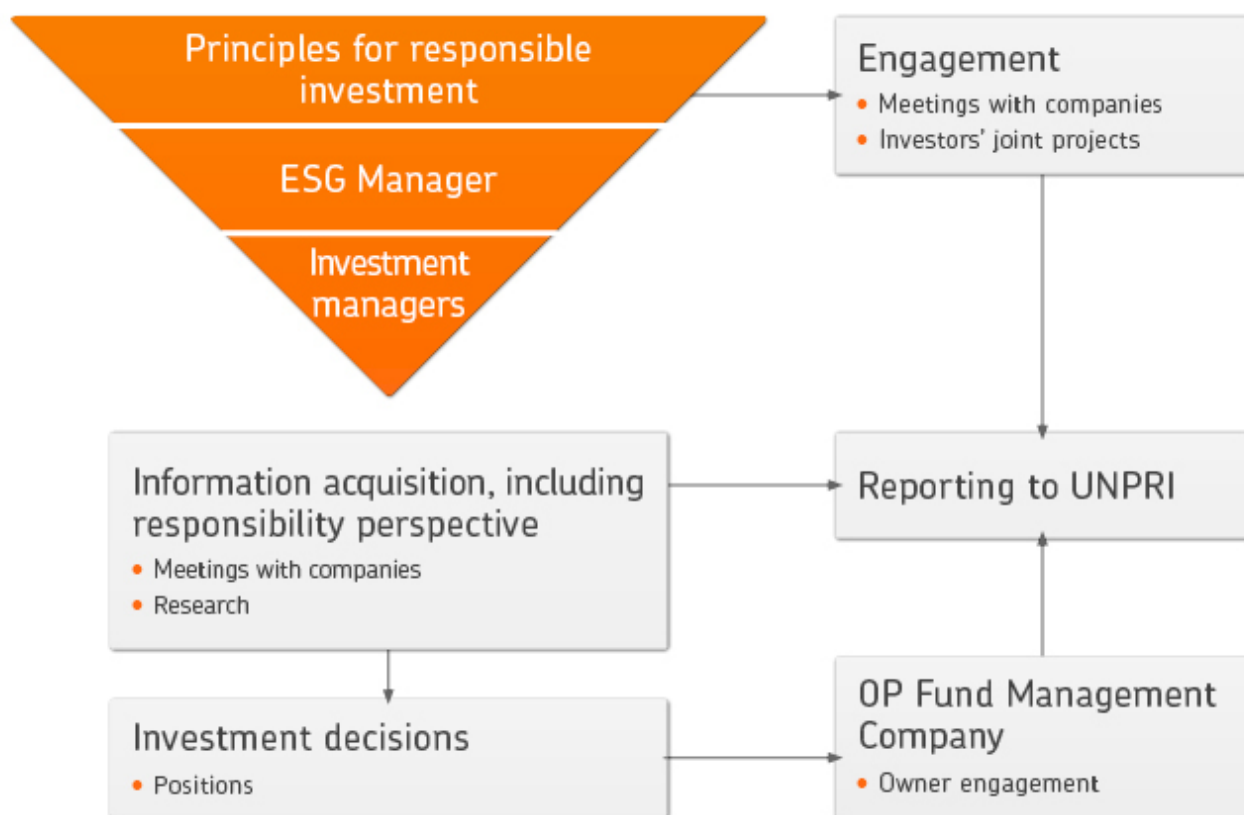
Responsible Investment

Active Ownership

FS10 Interaction on sustainability issues with companies held in the organisation's portfolio

A responsible investment process is used by both Pohjola Asset Management and OP Fund Management Company. This process covers the entire chain, from Pohjola Asset Management's principles for responsible investment to meetings with companies and engagement processes within investment management. In line with this process, the voting rights of OP funds are used by OP Fund Management Company. Both companies report to the UN PRI annually.

Pohjola Asset Management's ESG process description



In 2011, Pohjola Asset Management discussed corporate social responsibility in 83 meetings or through other forms of contact. The breakdown of these discussions by subject was as follows: the environment 61 per cent, social responsibility 16 per cent, and corporate governance 23 per cent. Responsibility analyses are performed by investment managers and analysts, who make investment decisions daily. Meetings between investment managers and companies in which customers' funds have been or will possibly be invested are a key way of obtaining information on and assessing the sustainability of companies.

OP Fund Management Company exercises the voting rights of the mutual funds managed by it, in accordance with the ownership policy approved by the company's Board of Directors. Pohjola Asset Management contributes to the practical implementation of OP Fund Management Company's ownership policy, by actively participating in general meetings of Finnish companies, in particular, under the authorisation of OP Fund Management Company. Some OP Funds investing abroad are managed by investment managers outside Pohjola Asset Management. OP Fund Management Company has

also signed the UN Principles for Responsible Investment (UN PRI), and reports on their implementation with respect to all of its funds.

Pohjola's Investment Banking published the first ESG analysis of Finnish listed companies' corporate responsibility in 2011. This analysis examines how the companies take account of environmental, social and corporate governance issues in their operations. Investment Banking's responsibility analysis currently covers all companies in the OMX Helsinki 25 Index, excluding Pohjola.

Assets subject to positive or negative environmental or social screening, OP Climate Fund (FS11)

At the end of 2011, assets invested in OP Climate Fund amounted to EUR 49.6 million, accounting for 1.5 per cent of the assets of all equity funds.

Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote or advises on voting (FS12)

Active ownership is an integral part of responsible investment. OP Fund Management Company exercises the voting rights of the mutual funds it manages in accordance with the ownership policy approved by the company's Board of Directors. Pohjola Asset Management contributes to the practical implementation of OP Fund Management Company's ownership policy, by actively participating in general meetings of Finnish companies, in particular, under the authorisation of OP Fund Management Company. In 2011, OP Fund Management Company exercised its right to vote at 47 annual or extraordinary general meetings. Moreover, a representative of OP Fund Management Company was appointed to the nomination committees of two companies in 2011.

Financial Literacy (FS16)

In 2011, financial literacy was promoted among various target groups, by working with schools, for instance. In addition, our member banks have organised small-scale local events related to teaching financial skills and financial literacy to young people and senior citizens. Banks have also held events with various financial themes for private customers and companies. A financial literacy survey was conducted during the year to gain an understanding of people's knowledge of financial matters in Finland and of their financial planning and management skills. The survey will be utilised in the planning of measures aimed at promoting financial literacy. Chydenius, the financial magazine published by OP-Pohjola Group for financial, political and corporate decision-makers, underwent a transformation.

Economic Responsibility

Economic responsibility encompasses both ensuring the economic sustainability of an organisation's operations and taking account of the wider economic impacts on society. In the financial sector, economic responsibility is of key importance, since responsibility for customers and the role of companies as capital and insurance providers are emphasised during difficult economic times. Economic responsibility lies at the core of OP-Pohjola Group's operations. Solid capital adequacy, moderate risk-taking and skilful risk management, along with commitment to the long-term development of society, are the cornerstones of our business.

In accordance with its mission, OP-Pohjola creates local, regional and national prosperity and stability. The Group contributes to regional vitality and builds long-term trust in local communities.

OP-Pohjola generates long-term financial prosperity for its stakeholders. Direct economic impacts on shareholders are illustrated in Table EC1 Direct economic value generated and distributed to stakeholders.

EC1 Direct economic value generated and distributed to stakeholders

		2011	2010	2009
Direct economic added value generated (€ million)				
a) Income	Customers	2,059	2,024	1,872
Breakdown of economic value added				
b) Purchases	Suppliers	547	505	489
c) Employee compensation	Personnel	696	643	622
d) Returns to owner-members	Owners	176	163	160
e) Income tax	Government	87	135	126
f) Donations and other community investments	Non-profit organisations	3	2	2
Business development		549	575	473

Economic Impacts (EC1 and EC9)

Economic impacts are created by direct cash flows, such as bonus payments to customers, purchases from suppliers and service providers, employee compensation, tax payments to the state and municipalities and support for community activities. OP-Pohjola Group's goal is to offer its owner-members the financial sector's best loyalty benefits. OP-Pohjola has Finland's largest network of banking and non-life insurance services. This network seeks to ensure that customers have equal opportunities to carry out transactions. Our cooperative banks and their offices across Finland enable effective interaction with customers and the local community.

OP-Pohjola Group is a significant purchaser of Finnish goods and services, as evidenced by Finnish suppliers and service providers accounting for 97 per cent of the value of purchases in 2011. Estimated on the basis of information on the 100 largest suppliers and service providers. This share excludes operations in the Baltic countries. OP-Pohjola Group is further developing its purchasing policy by, for example, applying more detailed guidelines to the assessment of supplier and service provider responsibility.

OP-Pohjola Group is a major employer in many municipalities and, consequently, a driver of the regions' purchasing power. Cooperative banks are often among the largest taxpayers.

OP-Pohjola Group directs economic benefits towards non-profit organisations through support, donations and sponsorship.

Economic impacts on stakeholders may also be indirect. Such indirect impacts are created through contributions to local and regional economic vitality, as well as through social contributions. Examples of indirect economic impacts are:

- Employment (creation of new jobs, work placements, summer jobs, apprenticeship training);
- Acquisitions (purchases from local suppliers and service providers);
- Investments (properties, maintenance, local infrastructure and building projects);
- Financing (financing for start-ups, local financing, ethical lending criteria by sector);
- Tax payments (income tax, local taxes, property taxes, other taxes).

Coverage of the organisation's defined benefit plan obligations (EC3)

At OP-Pohjola Group, retirement benefits are determined by pension legislation and OP-Pohjola Group's own pension plans. Statutory pension cover for OP-Pohjola's employees is arranged through pension insurance taken out with OP Bank Group Pension Fund or pension insurance companies. A few companies within OP-Pohjola Group have provided supplementary pension cover for their employees through OP Bank Group Pension Fund or a life insurance company.

Read more in the [Consolidated Financial Statements](#) of OP-Pohjola Group's Annual Review 2011.

Environmental Responsibility

At OP-Pohjola, environmental responsibility encompasses the environmental impacts of both products and services and the Group's operations. We aim to systematically reduce our carbon footprint and openly report on the environmental impacts of our operations. Through its actions, OP-Pohjola also strives to increase environmental awareness among its employees and customers.

Energy and Climate

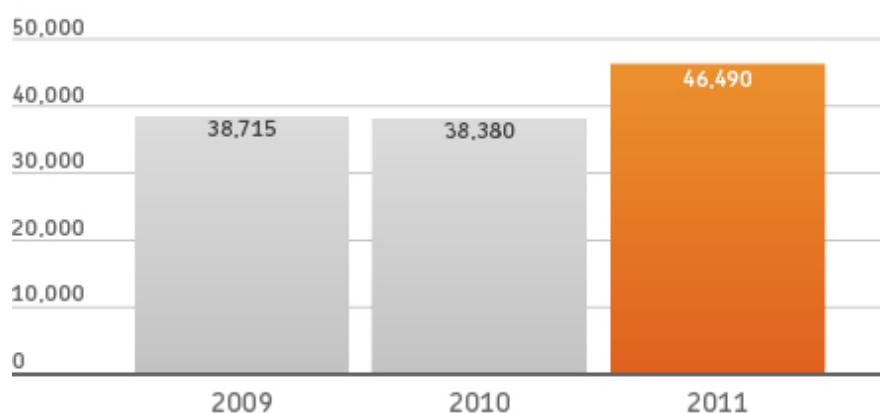
Carbon footprint, reduction of greenhouse gas emissions (EN4 and EN16)

OP-Pohjola Group's operations have both direct and indirect environmental impacts. The latter are related to the Group's role in taking account of the environmental impacts of customers' operations and in providing guidance and advice to customers on financing, non-life insurance and investment decisions.

OP-Pohjola aims to reduce the environmental impacts of its operations (energy, waste and materials) and to systematically develop its environmental management practices.

OP-Pohjola Group assessed its carbon footprint in 2009, 2010 and 2011. In 2011, its carbon footprint totalled around 46,490 tonnes of CO₂e (38,380 in 2010). The greenhouse gas emissions of the Group's operations (Scope 1 & 2) amounted to 34,990 tonnes of CO₂e (28,316).

EN16 Total greenhouse gas emissions, tonne

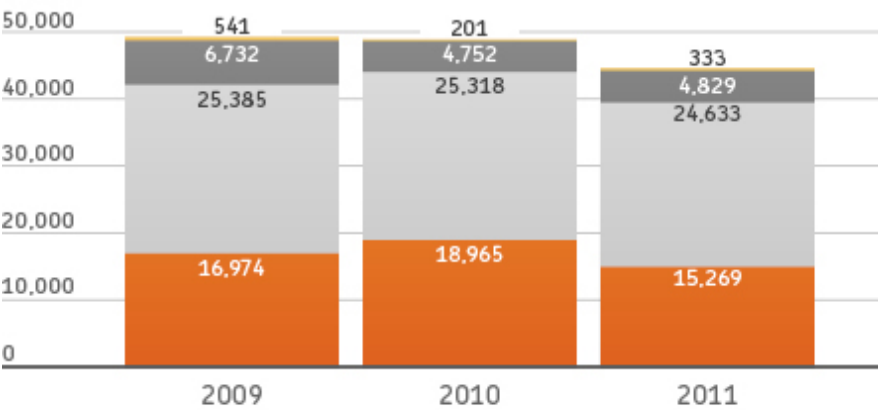


OP-Pohjola Group's energy consumption

Curbing climate change resulting from energy consumption is a key objective of the Group's environmental activities. In collaboration with its partners, OP-Pohjola Group has developed solutions for the repair, maintenance and use of its properties, which reduce their life-cycle environmental impacts.

Specific consumption of electricity in OP-Pohjola Group's largest properties in Helsinki (Teollisuuskatu, Vääksyntie, Lapinmäentie and Hiomotie) was 45.1 GWh (49.2).

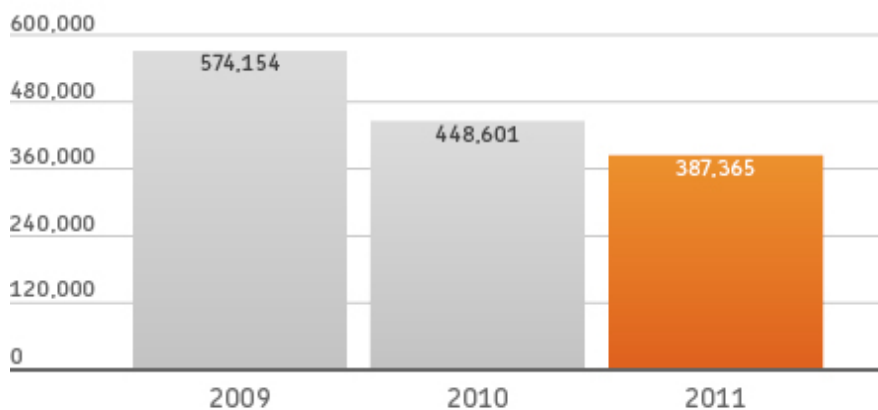
EN4 Energy consumption, MWh



- Heating: OP-Pohjola Group Central Cooperative Consolidated buildings
- Electricity: OP-Pohjola Group Central Cooperative Consolidated buildings
- Electricity consumed by centralised server computer systems
- Fuels: OP-Pohjola Group Central Cooperative Consolidated buildings

Materials (EN1)

EN1 Materials used, office paper, kg¹



¹ Includes OP-Pohjola Group Central Cooperative Consolidated and Helsinki OP Bank Plc and an estimate of materials used by OP-Pohjola Group member cooperative banks based on the use by the first two per employee

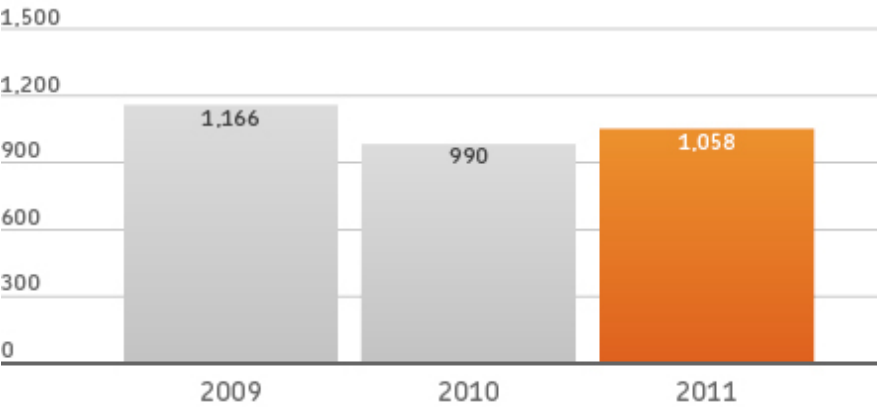
OP Pohjola Group's operations consume large amounts of office paper. OP-Pohjola has initiated measures to reduce the use of paper through wider implementation of the Green Office system within the Group and the development of electronic services. In 2011, OP-Pohjola consumed 387.4 tonnes of office paper (448.6 in 2010).

Waste (EN22)

Waste sorting is an everyday activity at OP-Pohjola. All employees have their own containers for office paper, waste paper and waste which can be used in energy generation. Shared premises have containers for confidential material, mixed waste and biodegradable waste. There are also collection points for other types of waste, such as batteries, wood and hazardous waste. The amount of waste generated is reduced by developing practices, for example by enhancing electronic archiving and recycling and by providing better instructions on waste sorting. On office premises used by OP-Pohjola Group Central Cooperative Consolidated, waste volumes have fallen in recent years, due to conscious efforts.

Owing to efficient sorting, the recovery rate of 87.4 per cent has been achieved for all waste generated by OP-Pohjola Group Central Cooperative Consolidated. Waste taken to a landfill site accounted for 12.6 per cent.

EN22 Total weight of waste, tonne¹



¹ Includes buildings in OP-Pohjola Group Central Cooperative Consolidated's own use

Environmental Impacts of Products and Services (EN26)

OP-Pohjola offers a comprehensive range of electronic banking and insurance services, which are continuously developed. In 2011, personal customer service also went online. New tools, such as videoconferencing and online discussion, were tested on the Web. The goal is to offer customers investment, financing and non-life insurance products and services that can help reduce environmental impacts across the value chain. The creation of ethical guidelines for subcontracting was initiated as part of the development of purchasing activities. The aim is to specify CSR requirements for suppliers.

[Read more about responsible products and services](#)

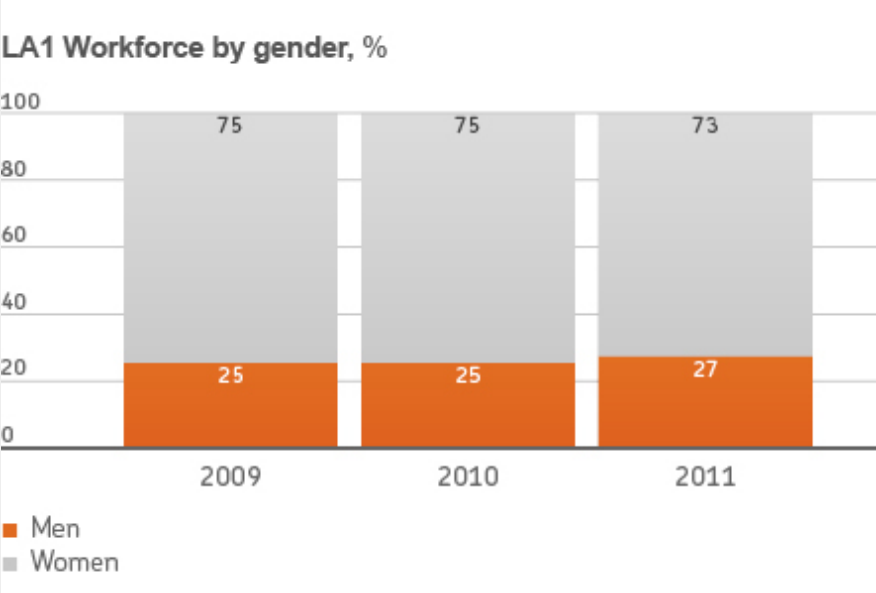
Social Responsibility

OP-Pohjola Group's cooperative structure and operating principles make it well-placed to implement social responsibility. HR management at OP-Pohjola is based on the Group's values and responsible practices. The principles of HR management guide responsible operations and their development. The Group invests heavily in the development of employee skills and management, employee wellbeing, remuneration and the promotion of equality. Employees are encouraged to develop their competencies throughout their careers.

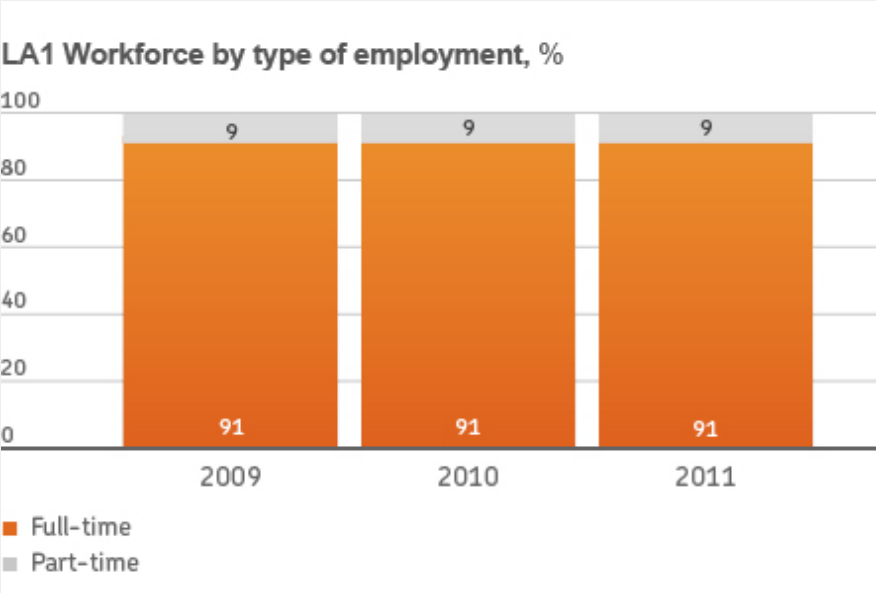
Workforce Structure (LA1, LA2 and LA13)

In 2011, the number of OP-Pohjola Group employees grew by 723. At the end of 2011, the Group employed 13,229 people (12,504 in 2010). Of these, 92 per cent (92) were indefinite-term and 8 per cent (8) fixed-term employees. In the Baltic countries (Seesam and Pohjola Finance), OP-Pohjola Group has 335 employees (336), of whom 95 per cent (91) have indefinite-term and 5 per cent (9) fixed-term contracts.

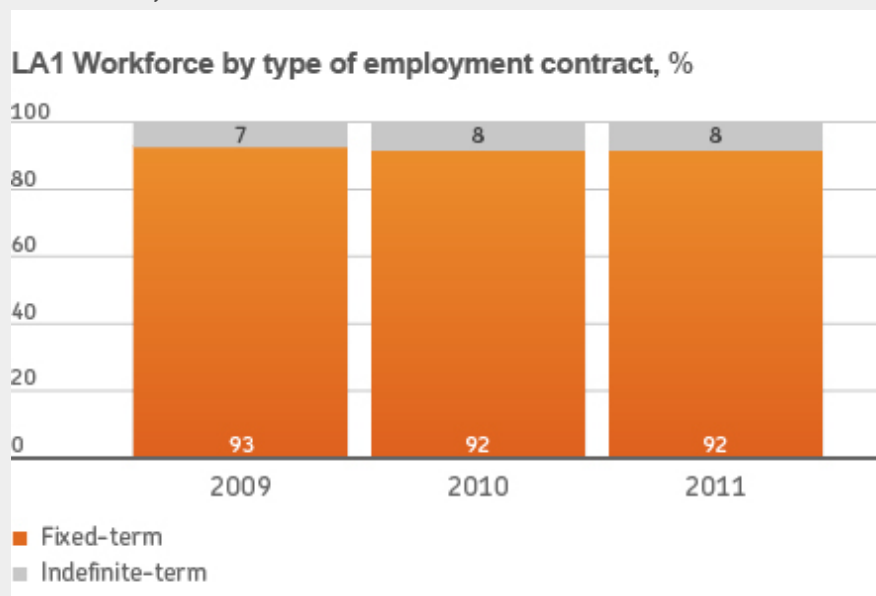
Graph: LA1 Workforce by gender, %



Graph: LA1 Workforce by type of employment, %



Graph: LA1 Workforce by type of employment contract, %

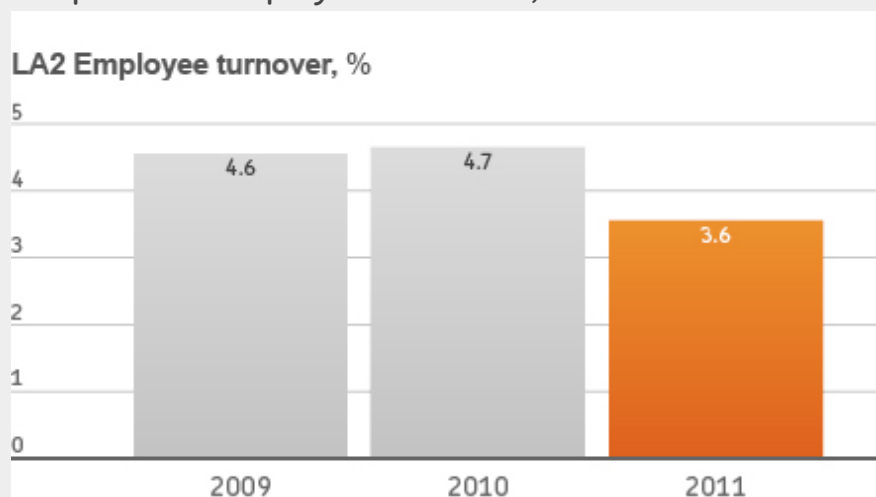


LA1 Workforce in the Baltic countries by country, gender, type of employment and type of employment contract (%)

	Estonia	Latvia	Lithuania
Man	37	32	39
Woman	63	68	61
Full-time	100	92	94
Part-time	0	8	6
Fixed-term	94	94	97
Indefinite-term	6	6	3

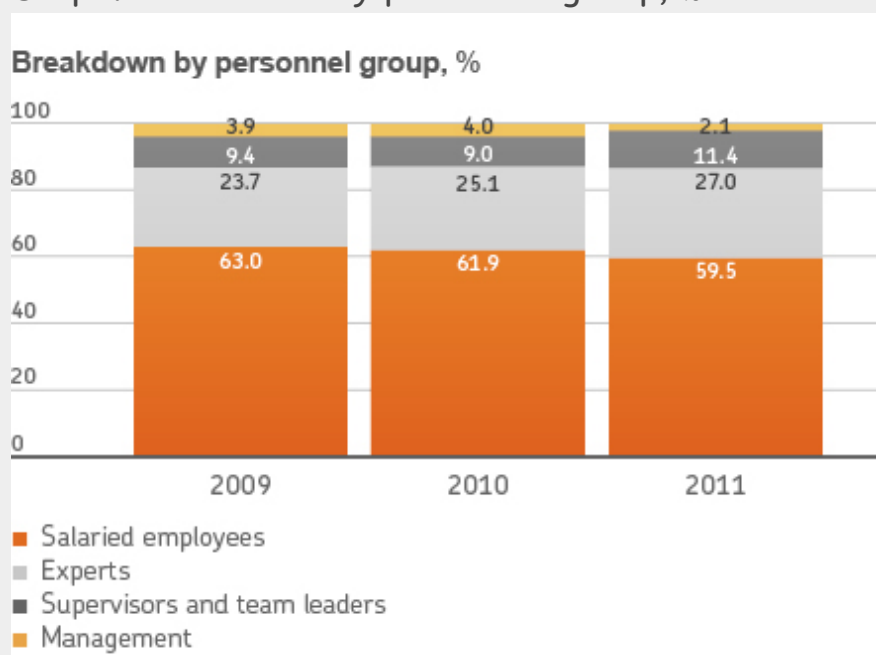
Employee turnover was 3.6 per cent (4.7), which can be regarded as low in the financial sector.

Graph: LA2 Employee turnover, %

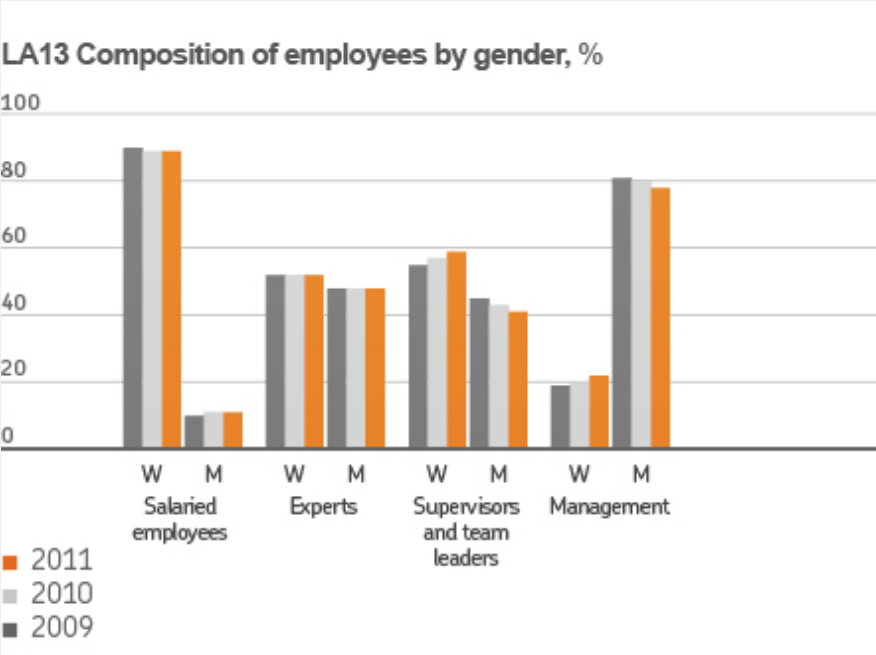


OP-Pohjola wants to provide equal working opportunities for all employees. Of the total workforce, women accounted for 73 per cent (75) and men for 27 per cent (25) in 2011. OP Pohjola Group's age distribution has remained stable. At the end of 2011, the average age of was 43 years (44).

Graph: Breakdown by personnel group, %



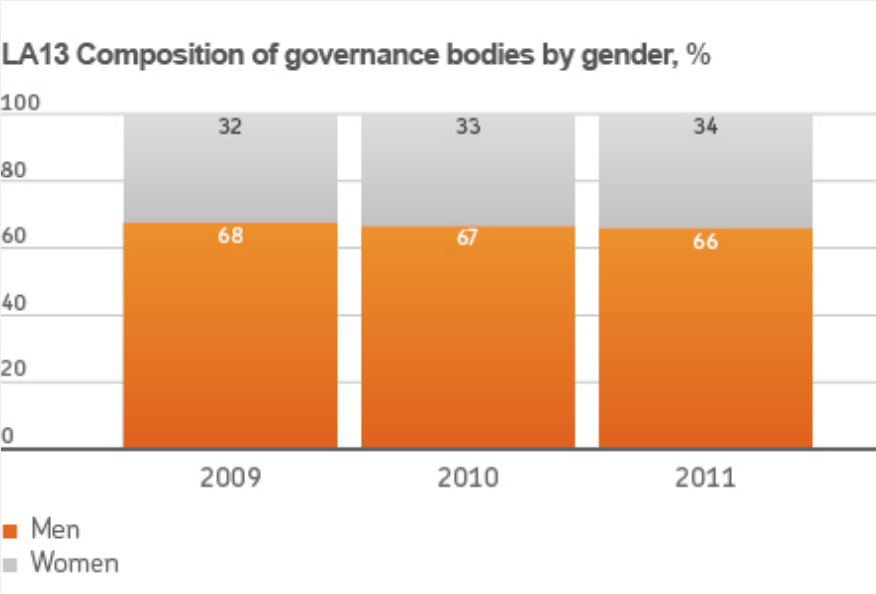
Graph: LA13 Composition of employees by gender, %



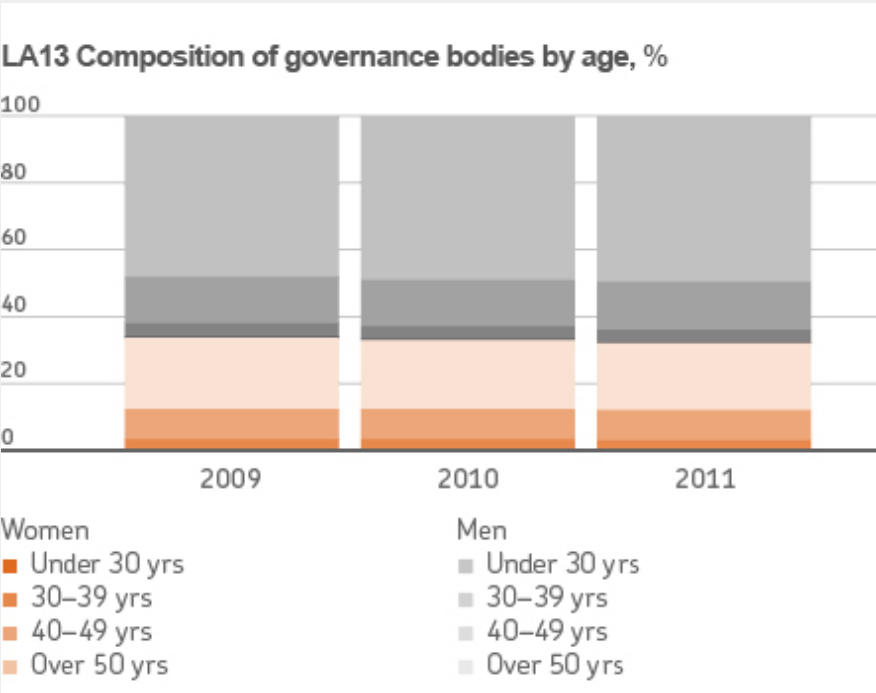
Graph: LA13 Composition of employees by age, %



Graph: LA13 Composition of governance bodies by gender, %



Graph: LA13 Composition of governance bodies by age, %

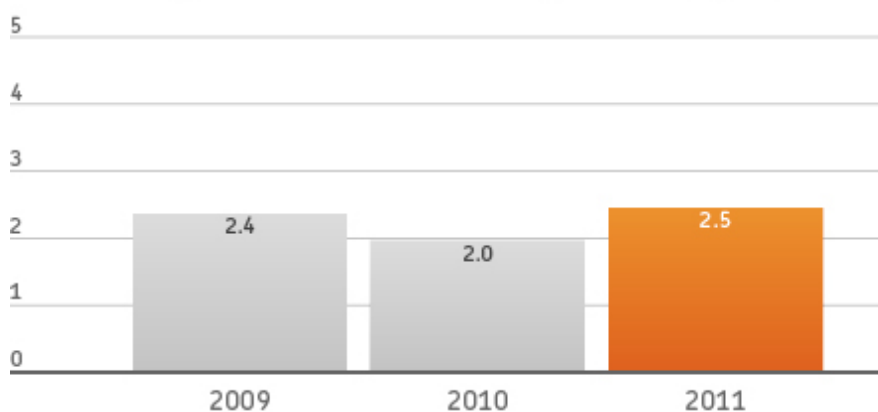


In 2011, the average age of retired employees was 61.5 years (61.3), and they had been employed by the Group for 24.5 years (23.3), on average.

Skills Development (LA10 and LA12)

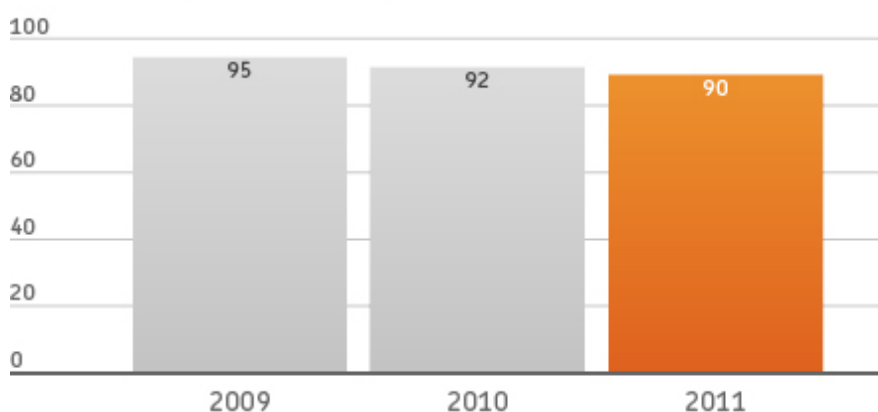
At OP-Pohjola Group, employees have good opportunities for skills development. Employee training has emphasised sales and interaction skills, while management development has focused on the ability to change and develop, among other themes. OP-Pohjola Group also offers its employees a wide array of opportunities for competence development by transferring from one position to another. In 2011, training investments accounted for 2.5 per cent (2.0 in 2010) of the total payroll.

LA10 Training investments as percentage of total payroll, %



Employee performance reviews also play an important role in training and education. Performance and career development reviews are conducted with all of OP-Pohjola Group's employees in Finland and overseas.

LA12 Employees involved in performance and career development reviews, %



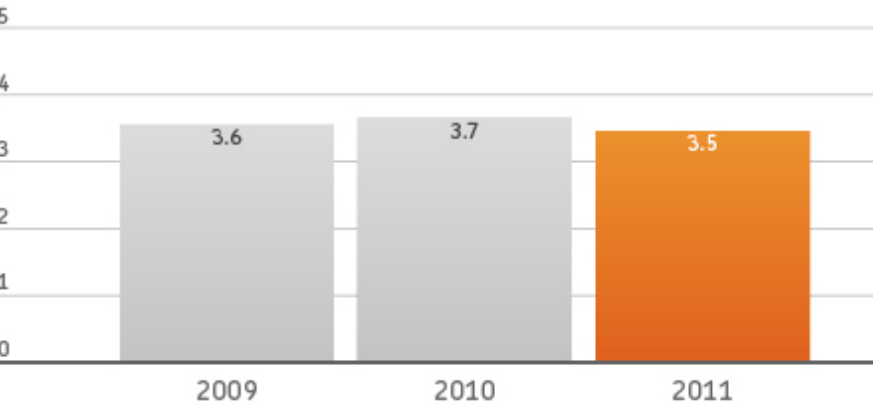
Employee Wellbeing (LA7)

OP-Pohjola is committed to determined and ongoing efforts to promote employee wellbeing. Job satisfaction and employee wellbeing are monitored in an employee survey, which was revised in 2011. On the basis of the survey results, operations are developed at work community, company and Group level.

In Finland, all of OP-Pohjola’s employees are covered by occupational health services. In the Baltic countries, these services are arranged as required under the legislation of each country.

In 2011, the lost time rate was 3.5 per cent (3.7 in 2010) of the standard working hours.

LA7 Lost time (sickness absence) rate, %



Human Rights (HR3)

Respecting human rights is a key element of corporate social responsibility. By signing the principles of the UN Global Compact, OP-Pohjola Group has committed itself to supporting human rights and fundamental labour principles in its business operations. OP-Pohjola Group does not, under any circumstances, accept the violation of human rights or workers' rights. OP-Pohjola Group operates mainly in Finland and to a minor extent in the Baltic countries. The recognition and management of human rights risks are part of the Group's risk management, compliance operations and stakeholder engagement.

OP-Pohjola Group can best promote human rights through its products and services as well as through responsible purchasing. The assessment of human rights risks is an integral part of the process of responsible investment. Account is also taken of social responsibility risks in ethical lending principles and insurance risk assessments. Moreover, respect for human rights and labour standards will be included in the Group's new purchasing policy, which is currently being revised. We expect our partners and suppliers to act responsibly, in compliance with the Group's operating principles.

The online course of the Code of Business Ethics that is to be initiated in 2012, will also include training on human rights. In addition, employees will receive training on the principles of the Global Compact as part of OP-Pohjola Group's Corporate Social Responsibility Programme. This will enable them to identify ways in which they can promote the realisation of human rights in business.

Society (S03)

OP-Pohjola contributes to sustainable financial prosperity, security and wellbeing in society. The Group interacts continuously with local communities and collaborates on a wide scale to boost regional vitality. In accordance with its values, the Group operates locally, regionally and nationally as an exemplary and ethically responsible company.

OP-Pohjola's operations are guided by a Code of Business Ethics. We comply with laws, standards and regulations and adhere to the principles of honest and fair business everywhere. This includes anti-corruption and anti-bribery policies, transparency in influencing public policy-making and adherence to competition regulations. Industry regulations place strict requirements on business operations and their social impacts. OP-Pohjola Group's internal control, corporate governance and capital adequacy management process are governed by the Act on Credit Institutions, the Act on Cooperative Banks and Other Cooperative Credit Institutions, the Insurance Companies Act and the Act on Deposit Bank Amalgamations, as well as the Financial Supervisory Authority's standards, regulations and guidelines. By signing the Global Compact's principles, OP-Pohjola has also committed to promoting the development of anti-corruption and anti-bribery policies within its sphere of influence.

Continuous staff training aimed at fighting money laundering and other financial fraud forms are an important part of OP-Pohjola Group's operations. Employee training events on the prevention of money laundering and customer due diligence were actively organised in 2011. Training in which the latest aspects of the Group's Code of Business Ethics have been added will begin in 2012. This training is targeted at all employees.

GRI Reporting Principles

This report is OP-Pohjola Group's first actual Corporate Social Responsibility Report prepared in accordance with the Global Reporting Initiative (GRI) Guidelines. Previously, the GRI Guidelines have been used in OP-Pohjola's sustainability reporting as general guidance only. The report includes a GRI Content Index and an assessment of the GRI Application Level. OP-Pohjola aims to further develop the Group's sustainability reporting in compliance with the recommendations of the GRI Guidelines and the Financial Services Sector Supplement. The Group's GRI report also meets the reporting obligations related to the UN Global Compact and the promotion of human rights, labour, environmental and anti-corruption policies in OP-Pohjola's business. The GRI Content Index shows which indicators have been used to describe the implementation of the Global Compact's ten principles. In the future, OP-Pohjola will develop its sustainability reporting as an integral part of the Group's annual reporting.

Reporting Principles

OP-Pohjola Group's Corporate Social Responsibility Report includes the data for 2011, in accordance with the Group's structure and financial reporting principles. The report is divided into three parts. Corporate Social Responsibility at OP-Pohjola Group explores corporate responsibility from the perspective of business and strategy. It defines the fundamental elements of OP-Pohjola Group's corporate responsibility and introduces the focus areas, measures and management of the Group's Corporate Social Responsibility Programme. Corporate Social Responsibility Themes gives a more detailed presentation of the content, measures and objectives, as well as key performance indicators, of the focus areas of OP-Pohjola's corporate responsibility. These focus areas have been selected on the basis of the materiality principle. The CSR themes are built around the responsibility aspects identified as most material to OP-Pohjola Group's operations. GRI Corporate Responsibility Data presents the GRI performance indicators regarded as most significant on the basis of the materiality analysis. The GRI indicators include the most material economic, social and environmental indicators as well as indicators from the GRI Financial Services Sector Supplement related to product and service responsibility.

Definition of materiality

Materiality has been assessed by considering the importance of various sustainability aspects, from the perspective of stakeholder interests and the impacts of OP-Pohjola's operations. To find out which topics are of interest to the Group's stakeholders, a survey was performed of key stakeholder groups. The survey was responded to by 408 stakeholder representatives, who evaluated the importance of various sustainability aspects for OP-Pohjola, on a scale of 1 to 5. A materiality matrix was drawn up as a result of the survey, showing which aspects are prioritised on the basis of stakeholders' interests. The most material CSR themes to OP-Pohjola Group's business operations are reflected in the focus areas of the Group's Corporate Social Responsibility Programme. The impacts of corporate responsibility on business were assessed as risks and opportunities and as factors affecting competitiveness.

As a result of the materiality assessment, the Corporate Social Responsibility Report presents those CSR issues that are most important to OP-Pohjola Group. In the future, the assessment will be regularly updated through stakeholder engagement and as part of the Corporate Social Responsibility Programme.

Bases for calculations

OP-Pohjola Group's sustainability reporting is mainly performed within the same boundaries as the Group's financial reporting. The KPI and GRI indicators related to economic and social indicators and products and services were calculated and are presented in accordance with the accounting principles. Environmental responsibility data differ from the used boundaries because the data presented are based on those on OP-Pohjola Group's Facility Management Services. Any deviations and restrictions are reported in connection with the indicators concerned.

Numerical data are presented for the reporting period and comparative data for at least two previous financial years. For indicators for which no comparative data is available from previous financial years, only the data for the reporting period is presented in the report.

Bases for Calculations of the CSR Programme KPIs

The 'Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates' was calculated by dividing OP-Pohjola Group's total capital resources by the minimum amount of capital resources. These figures were obtained from [OP-Pohjola Group's financial statements](#).

Customer service performance reliability refers to the trouble-free availability of key banking and insurance business systems. The availability of business services is reported monthly by providing the uptime percentage compared to the total minutes measured during that month. The annual figure is the average of the monthly figures.

The figures for 'Support for local projects' were derived from accounting records by taking into account donations, awards and sponsorship. The following were manually removed from the figures: sponsorship classified as sports advertising and EUR 3.6 million donations to universities, whose payment was divided between the years 2010 and 2011. 'Support for local projects' does not include the Baltic operations.

'Bonuses to owner-members' include bonuses accrued in 2011 by the cooperative banks' owner-members and Helsinki OP Bank Plc's bonus customers.

The 'Job satisfaction' figures are based on the annual personnel survey by calculating a job satisfaction index. In 2011, the survey was responded by 4,105 people from OP-Pohjola Group Central Cooperative Consolidated and 3,592 people from Group member banks across Finland. Since the personnel survey's structure changed in 2011, the previous scores are not comparable.

The figures on eBills received by private customers are collected monthly in a service statistics system.

Customer satisfaction is calculated based on the results of customer satisfaction surveys conducted among private customers by member banks. The result is the average of the scores for customer loyalty and customer satisfaction (on a scale of 1 to 5). In 2011, a total of 25 Group member banks conducted the survey with a total of 7,415 respondents.

'Our carbon footprint' includes the Group's direct greenhouse gas emissions (Scope 1) and indirect emissions resulting from the generation of electricity and heat purchased from other entities (Scope 2). The GRI reporting principles explain the calculation in greater detail. The calculations exclude the operations in the Baltic countries.

The number of employees working in Green Office-labelled offices is calculated on the basis of the numbers reported by the offices concerned. The calculations exclude employees working in offices in the Baltic countries.

GRI Indicators Specific to the Financial Sector (FS)

In relation to the GRI indicators specific to the financial sector, the information is based on figures provided by business units, the accuracy of which has been internally assured.

Financial Reporting (EC1 and EC3)

Information on economic responsibility is based on OP-Pohjola Group's audited IFRS-compliant Financial Statements 2011.

Environmental Reporting

Energy and climate (EN4 and EN16)

OP-Pohjola's carbon footprint was calculated in accordance with the **Greenhouse Gas Protocol** guidelines developed by the World Resources Institute and the World Business Council for Sustainable Development, which is the best available tool for calculating the carbon footprint of an organisation.

The following emission sources were taken into account, in line with the division of the Greenhouse Gas Protocol:

- Direct greenhouse gas emissions from the Group's operations (Scope 1 – must be included): fuel consumption of emergency power systems and vehicles owned by the Group (including leased cars in use);
- Indirect greenhouse gas emissions from consumption of electricity and heat purchased from other entities (Scope 2 – must be included): electricity and heat on office premises used by OP-Pohjola Group Central Cooperative Consolidated and the member banks;
- Other indirect emissions (Scope 3 – inclusion is voluntary): waste and wastewater, electricity consumption in a server room located on a service provider's premises, business travel, purchased transport and mailing, life-cycle emissions of paper consumption.

The following were left out of calculations: energy consumption in holiday properties in the Kuusiniementie housing corporation and on rented premises for ATMs; overseas operations; commuting; and business travel by train, bus and local transport. No data were available on these excluded activities, which fall under Scope 3, within the time frame reserved for calculations. In addition, sufficient emissions factor data were unavailable for the consumption of materials other than paper.

Energy consumption is reported for OP-Pohjola Group's largest properties in Helsinki (Teollisuuskatu, Vääksyntie, Lapinmäentie and Hiomotie), as accurate electricity consumption data is available for these.

Materials (EN1) and waste (EN22)

The materials reported include office paper consumed by OP-Pohjola Group Central Cooperative Consolidated and an estimate of office paper used by member banks on the basis of their number of employees. Waste recovery rate is reported for OP-Pohjola Group Central Cooperative Consolidated.

The accuracy of the reported corporate responsibility data was ensured by the providers of the data and those in charge of reporting. In the future, OP-Pohjola will improve the scope of reporting, as well as data collection and internal quality assurance practices.

Social Reporting

The data on employees were obtained from the SAP Personnel system. The figures for employees cover OP-Pohjola Group, excluding the Baltic operations (Seesam and Pohjola Finance) and OP-Kiinteistökeskus estate agents (OPKK).

Workforce structure (LA1, LA2 and LA13)

The number of employees is reported for the entire OP-Pohjola Group (incl. the Baltic operations), broken down by employment type, employment contract, gender and age.

The following are included in administration broken down by age and gender: members of the Representative Assembly and Supervisory Board, chairman and deputy chairman of the Supervisory Board, members of the Board of Directors, chairman and vice chairman of the Board of Directors and deputy members of the Board of Directors.

Employee turnover is reported for the entire Group. These figures do not include internal turnover, i.e. employees who have transferred from one position to another within the Group.

Skills development (LA10 and LA12)

Training was calculated in the form of training investments as a percentage of the total payroll.

All employees of OP-Pohjola Group, including management and employees in the Baltic countries, are involved in performance and career development reviews. With respect to OP-Pohjola Group Central Cooperative Consolidated, the percentage share of those involved in these reviews is calculated on the basis of responses to the annual personnel survey. The calculations exclude employees who joined the Group after the period covered by the previous performance and career development reviews.

Employee wellbeing (LA7)

The wellbeing of the Group's employees is monitored in an employee satisfaction survey.

All of OP-Pohjola's employees in Finland are covered by occupational health services, provided in accordance with the Occupational Health Care Act (1383/2001). In the Baltic countries, these services are arranged as required by legislation in each country.

The lost time rate is proportioned to the theoretical working time.

GRI Application Level

The OP-Pohjola Group's CSR Report corresponds to GRI Application Level B. In line with this level, OP-Pohjola reports on those corporate responsibility data and indicators that are material to its operations, in such a manner as to provide an adequate and balanced account of the Group's corporate social responsibility and its impacts.

Contact Information

Contact persons for CSR issues

Carina Geber-Teir

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Stina Suominen

Senior Vice President, Brands and CSR

Juha Kortesalmi

Vice President, CSR

Sanna Auvinen

CSR Manager

Niina Pullinen

Senior Vice President, Investor Relations, Pohjola Bank plc

Rami Tulonen

Controller

Inquiries and other contacts: viestinta (at) op.fi

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](#)

Direct ownership structure within OP-Pohjola on 1 January 2012

Share of ownership, %	Member cooperative banks	Pohjola Group	OP-Pohjola Group Central Cooperative	Group total
OP-Pohjola Group Central Cooperative	100.0	0.0		100.0
Pohjola Bank plc	15.6		37.2	53.1
Pohjola Insurance Ltd		100.0		100.0
Eurooppalainen Insurance Company Ltd		100.0		100.0
A-Insurance Ltd		100.0		100.0
Seesam Companies		100.0		100.0
Pohjola Asset Management Ltd		93.0		93.0
Pohjola Corporate Finance Oy		65.0		65.0
Pohjola Property Management Ltd		100.0		100.0
Pohjola IT-Procurement Ltd		100.0		100.0
Pohjola Finance Estonia As		100.0		100.0
Pohjola Finance SIA		100.0		100.0
UAB Pohjolan Finance		100.0		100.0
OP Life Assurance Company Ltd	15.0	9.0	76.0	100.0
Helsinki OP Bank Plc			100.0	100.0
OP-Kotipankki Oyj	60.7	16.9	18.5	100.0
OP Mortgage Bank plc			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 Bank Group Mutual Insurance Company	78.5		14.9	100.0

Member cooperative banks account for 13.6% and OP-Pohjola Group Central Cooperative for 61.0% 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.



Group Member Banks and Cooperative Bank Federations

Group member banks

Group member banks own and are members of OP-Pohjola Group Central Cooperative, the central institution of the amalgamation. In terms of their corporate form, they are cooperatives where decisions are made under a 'one member, one vote' principle.

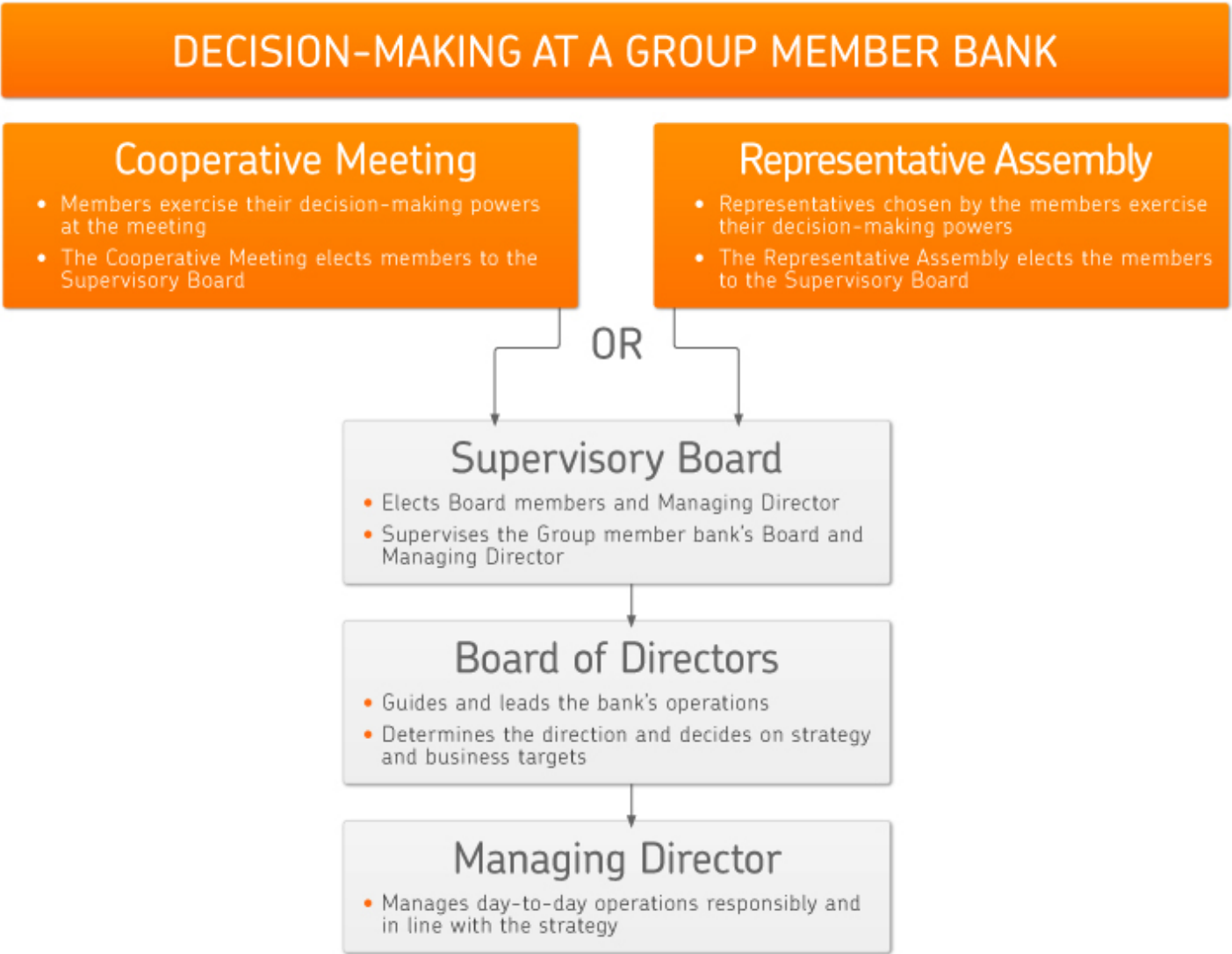
Within Group member banks, the highest decision-making body is the Representative Assembly elected from owner-members or the Cooperative Meeting, which elects the bank's Supervisory Board. The bank's Executive Board is elected by the Supervisory Board, in turn.

Helsinki OP Bank Plc, OP-Pohjola Group Central Cooperative's subsidiary, provides retail banking services in the Helsinki Metropolitan Area.

Cooperative bank federations

Cooperative bank federations are member banks' regional cooperation bodies. There are 16 federations, taking the form of registered associations. The federations nominate their candidates for the OP-Pohjola Group Central Cooperative Supervisory Board.

Decision-making at a Group member bank



Central Cooperative Subsidiaries

Pohjola Bank plc

Pohjola Bank plc (Pohjola) is a Finnish financial services group which provides its customers with banking, non-life insurance and asset management services. Its highest decision-making powers rest with the General Meeting of Shareholders and the Board of Directors elected by it. At the end of 2011, the Board of Directors comprised eight members, of whom the Chairman and Vice Chairman were also members of OP-Pohjola Group Central Cooperative's Executive Board. Pohjola's business is headed by the President and CEO, assisted by the Group Executive Committee made up of key business lines' Executive Vice Presidents and heads of other functions and operations.

OP-Services Ltd

OP-Services Ltd provides, develops and maintains services needed by OP-Pohjola Group companies.

Other subsidiaries

Helsinki OP Bank Plc is engaged in retail banking in the Helsinki Metropolitan Area.

OP Life Assurance Company Ltd manages OP-Pohjola Group's life and pension insurance business and its development on a centralised basis. The company's portfolio includes life, pension, unit-linked and risk insurance services.

OP Fund Management Company Ltd manages OP-Pohjola Group's mutual funds. In selling fund units, the company uses the member banks and Helsinki OP Bank's service network, as well as OP-Pohjola Group's online services.

OP Mortgage Bank, acting via the Group member banks, grants long-term housing loans against full collateral. The bank finances its operations by issuing mortgage-backed bonds.

OP-Kotipankki Oyj provides unsecured consumer credit to the Group member banks' private customers.

Other institutions

OP Pension Fund manages OP-Pohjola Group's statutory pension security, while OP Pension Foundation handles the supplementary pension security for persons covered by it.

OP Bank Group Mutual Insurance Company is OP-Pohjola Group's internal insurance company which forms part of the Group's internal risk management system.

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 > OP-Pohjola Group > OP-Pohjola Group > Corporate Governance > Corporate Governance](#).

Executive Board



Reijo Karhinen, b. 1955

President of OP-Pohjola Group Central Cooperative

- Chairman
- Executive Chairman
- Member of the Board since 1994
- Area of responsibility: Strategic Control – the Group's strategic steering, Group solidarity 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:

- President of OP Bank Group Central Cooperative 1997–2006 and its Executive Vice President 1994–1996
- Kuopion Osuuspankki, Managing Director 1990–1994
- Savonlinnan Osuuspankki, Managing Director 1988–1990
- Varkauden Osuuspankki, Managing Director 1985–1988
- Juvan Osuuspankki, Assistant Director 1979–1984

Other relevant positions:

- Federation of Finnish Financial Services, Vice Chairman of the Board of Directors
- Ilmarinen Mutual Pension Insurance Company, member of the Board of Directors
- 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 2011 and 52,802 on 31 December 2011



Tony Vepsäläinen, b. 1959

Chief Business Development Officer and Deputy to Executive Chairman

- Vice Chairman
- Member of the Board since 2006
- Area of responsibility: Business and Service Provision Management – CRM, business, service channels, service provision and strategic subsidiaries
- Vice Chairman of the Board of Directors of Pohjola Bank plc
- LL.M., eMBA

Relevant previous experience:

- OP-Pohjola Group Central Cooperative, President 2007–2010
- Tampereen Seudun Osuuspankki, Managing Director 1998–2006
- Turun Seudun Osuuspankki, Deputy Managing Director 1996–1998
- Kuopion Osuuspankki, Bank Manager 1993–1996
- Suomen Säästöpankki SSP Oy, Deputy to Area Manager 1992–1993
- Pohjois-Savon Säästöpankki, supervisor duties 1985–1992

Other relevant positions:

- Luottokunta, Vice Chairman of the Board of Directors
- Finnish Cultural Foundation, member of the Board of Trustees

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 8,665 on 1 January 2011 and 8,665 on 31 December 2011



Tom Dahlström, b. 1970

Chief Strategy Officer

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

Relevant previous experience:

- OP-Pohjola Group, various expert and supervisor duties 2000–2008

Other relevant positions: -

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 124 on 1 January 2011 and 124 on 31 December 2011



Carina Geber-Teir, b. 1972

Chief Communications Officer

- Member of the 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, member of the Communications Committee

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 0 on 1 January 2011 and 0 on 31 December 2011



Harri Luhtala, b. 1965

Chief Financial Officer

- Member of the Board since 2007
- Area of responsibility: Business Control – balance sheet control, business control, central bank operations, norm-based control, ownership and Group efficiency
- M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

- OP-Pohjola Group, various expert and supervisor duties 1989–2007

Other relevant positions:

- Deposit Guarantee Fund, Chairman of the Board
- Confederation of Finnish Industries EK, member of Finance and Tax Commission
- Federation of Finnish Financial Services, Chairman of the Finance Committee

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 4,677 on 1 January 2011 and 4,677 on 31 December 2011



Erik Palmén, b. 1959

Chief Risk Officer

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

Relevant previous experience:

- Nordea Bank Finland Plc, various expert and supervisor duties 1987–2009

Other relevant positions: –

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 0 on 14 June 2011 and 0 on 31 December 2011



Heikki Vitie, b. 1952

Chief Administrative Officer

- Member of the Board since 1994
- Area of responsibility: Administration – finance and personnel of the central institution, labour market activities and premises
- Master of Laws trained on the bench, M.Sc. (Econ.)

Relevant previous experience:

- OP-Pohjola Group Central Cooperative, Senior Executive Vice President, Deputy to the President and Head of ICT and Human Resources Services 2007–2010
- Executive Vice President of OP Bank Group Central Cooperative, Head of Service Function 2001–2006, of Group Administration 1995–2001 and of Management Support Services 1993–1994
- OKO Bank, Executive Board Secretary 1985–1992
- OP-Pohjola Group, various expert and supervisor duties 1979–1993

Other relevant positions:

- Federation of Finnish Financial Services, member of the Labour Market Executive Committee
- Oy Porasto Ab, Chairman of the Board of Directors
- Deposit Guarantee Fund, Chairman of the Delegation

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 6,366 on 1 January 2011 and 6,366 on 31 December 2011



Markku Koponen, b. 1957

Chief Legal Officer

- Deputy member
- Secretary of the Boards
- Deputy member of the 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 Boards since 1996
- OKO Bank plc, Secretary of the Executive Board 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 1989–1996
- OP-Pohjola Group, various expert and supervisor duties 1985–1989

Other relevant positions:

- HSO säätiö, Chairman of the Board of Directors
- Helia-säätiö, Vice Chairman of the Board of Directors
- EACB, Executive Committee

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 2,061 on 1 January 2011 and 2,061 on 31 December 2011



Leena Kallasvuo, b. 1956

Chief Audit Executive

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

Relevant previous experience:

- Financial Supervisory Authority (Financial Supervision Authority), various expert and supervisor duties 2005–2010
- Trema Finland Oy 2000–2005
- Aktia Savings Bank 1997–2000
- Säästöpankkien Keskus-Osake-Pankki 1983–1996

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 14 June 2011 and 0 on 31 December 2011

Supervisory Board of OP-Pohjola Group Central Cooperative

Members of OP-Pohjola Group Central Cooperative's Supervisory Board and their terms of office on 29 March 2011

Etelä-Pohjanmaa

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

Etelä-Suomi

- Vesa Lehtikainen, Managing Director, Janakkala, 2011–2014, Vice Chairman of the Supervisory Board
- Tomi Korpisaari, Managing Director, Hausjärvi, 2009–(2012)*
- Jorma Pitkälä, maakuntaneuvos (Finnish honorary title), Hämeenkoski, 2009–(2012)*

Kaakkois-Suomi

- Jarmo Partanen, Professor, Lemi, 2009–2012
- Kyösti Harju, maanviljelysneuvos (Finnish honorary title), Lappeenranta, 2009–(2012)*
- Marjo Partio, Managing Director, Jaala, 2009–(2012)*

Kainuu

- Mervi Väisänen, Senior Lecturer, Marketing, Sotkamo, 2010–2013

Keski-Pohjanmaa

- Hannu Simi, Planner, Alavieska, 2010–2013

Keski-Suomi

- Jaakko Pehkonen, Professor, Jyväskylä, 2011–2014, Vice Chairman of the Supervisory Board
- Heikki Rosti, Managing Director, Jämsä, 2009–(2012)*

Lappi

- Pekka Ahvenjärvi, Attorney, Tornio, 2010–2013
- Markku Salomaa, Managing Director, Rovaniemi, 2009–(2012)*

Pirkanmaa

- Ari Kakkori, Managing Director, Virrat, 2011–2014
- Timo Viitanen, Principal, Pälkäne, 2009–(2012)*

Pohjois-Karjala

- Seppo Laaninen, Principal, Nurmee, 2011–2014
- Paavo Pelkonen, Professor, Joensuu, 2009–(2012)*

Pohjois-Pohjanmaa

- Paavo Haapakoski, liikuntaneuvos (Finnish honorary title), Pyhäjoki, 2010–2013, Chairman of the Supervisory Board
- Timo Levo, kauppaneuvos (Finnish honorary title), Oulu, 2009–(2012)*

Pohjois-Savo

- Matti Pulkkinen, Director of the Northern Savo Hospital District, Kuopio, 2010–2012
- Antti Hult, Managing Director, Kuopio, 2009–(2012)*

Satakunta

- Marita Marttila, Senior Nursing Officer, Vampula, 2011–2014
- Juhani Suoramaa, rakennusneuvos (Finnish honorary title), Rauma, 2009–(2012)*
- Jarmo Tuovinen, talousneuvos (Finnish honorary title), Harjavalta, 2009–(2012)*

Suur-Savo

- Kari Manninen, Managing Director, Mikkeli, 2009–2012
- Markku Lehtosaari, kunnallisneuvos (Finnish honorary title), Savonlinna, 2009–(2012)*

Sydkusten

- Ola Eklund, Product Director, Karjaa, 2010–2013

Varsinais-Suomi

- Juha Pullinen, Managing Director, Pöytyä, 2011–2012
- Irja Hirsinummi, Managing Director, Tarvasjoki, 2009–(2012)*
- Mauri Kontu, Entrepreneur, Uusikaupunki, 2009–(2012)*

Österbotten

- Bo Storsjö, farmer, Kristiinankaupunki, 2010–2013

Other members:

- Timo Parmasuo, Chairman of the Board, Espoo, 2011–2014

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

* These members are elected on the basis of their member banks' capital adequacy. The maximum term is three years, which can end earlier if the allocation of seats among Cooperative Bank Federations changes.

Supervisory Board



Supervisory Board

OP-Pohjola Group Central Cooperative's Supervisory Board supervises the Central Cooperative's corporate governance, managed by the Executive Board and the Executive Chairman and CEO. It also ensures that the Central Cooperative's operations are managed in a professional and prudent manner, as required by the Co-operatives Act and in the best interests of OP-Pohjola Group. The Supervisory Board confirms OP-Pohjola Group's strategy, other shared objectives and operating policies. It appoints and dismisses the Executive Chairman acting as the President, the other Executive Board members and deputy members, and the Chief Audit Executive. It also carries out the other duties stipulated for it in the Central Cooperative Statutes.

The Supervisory Board has a minimum of 32 and a maximum of 36 members, elected by the Cooperative Meeting. First, 16 to 20 members are elected to represent each cooperative bank federation. The, another 16 members are from areas covered by the Federation of Cooperative Banks with the number of members from the member banks involved decided on the basis of capital adequacy. From among its members, the Supervisory Board elects a Chairman and two Vice Chairmen.

