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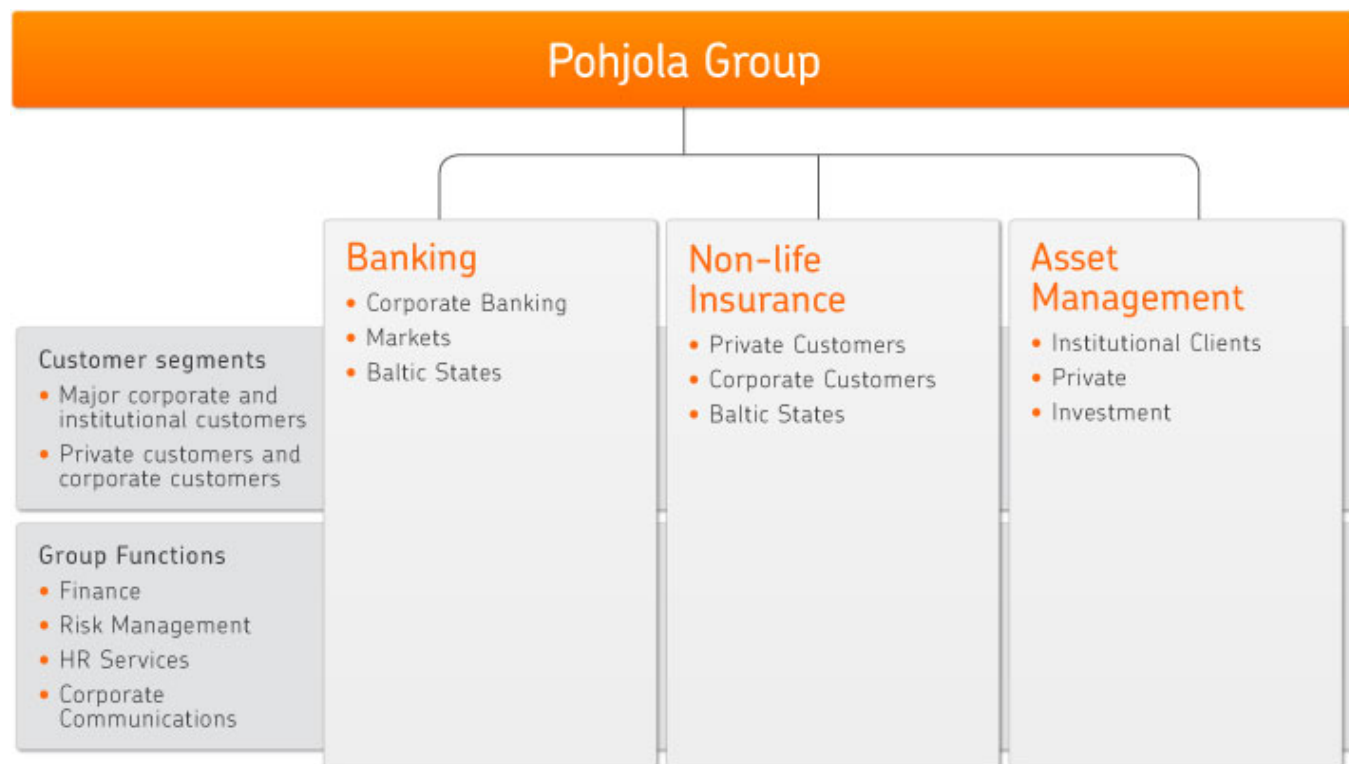
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# Pohjola in Brief

Pohjola Group is a Finnish financial services company providing banking, non-life insurance and asset management services. Our mission is to promote the prosperity, security and wellbeing of our customers.



Pohjola aims to be the leading corporate bank, non-life insurer and institutional asset manager in terms of market share.

	2011	Target
Market position as a corporate bank	2nd	1st
Market position as a non-life insurer	1st	1st
Market position as an institutional asset manager	1st	1st

The Group aims to be the most preferred financial services partner. Profitable growth and an increase in company value form our key objectives. Pohjola's strategic cornerstones lie in its three unique competitive advantages:

- Close to customers
- Comprehensive financial services offering
- Being part of OP-Pohjola Group



Pohjola is committed to strong capitalisation and a shareholder-friendly dividend policy. Its Series A shares have been listed on the Large Cap List of the NASDAQ OMX Helsinki since 1989, with POH1S as the trading code and Financials as the industry class. Pohjola has approximately 34,000 shareholders.





At the end of 2011, the number of Pohjola Group employees totalled around 3,400.



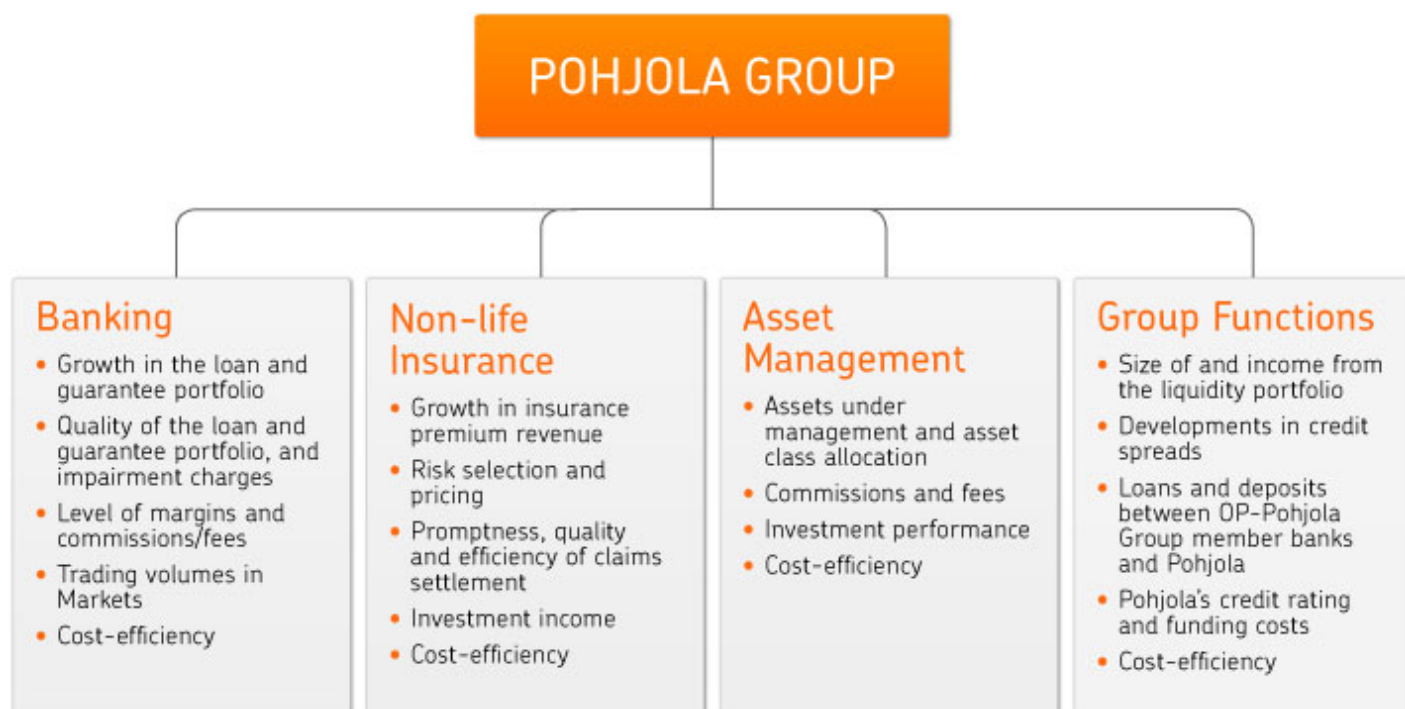
# Business Structure

Pohjola Group consists of three business segments – Banking, Non-life Insurance and Asset Management – and the Group Functions in support of these segments.

## Business Structure

	Business lines	Business divisions / functions	Main market area	Strategic role	Share of consolidated earnings before tax in 2011
<b>Banking</b>	Financing and financial management solutions for corporate and institutional customers	Corporate Banking Markets Baltics	Finland and neighbouring regions	Good profitability and stronger market position	
<b>Non-life Insurance</b>	Insurance solutions for private, corporate and institutional customers	Private Customers Corporate Customers Baltics	Finland and neighbouring regions	Growing at a rate above the market average, strengthening market leadership and maintaining good profitability	
<b>Asset Management</b>	Managing assets of institutions, wealthy private individuals and families Managing assets of OP-Pohjola Group's mutual funds	Institutional Clients Private Investment	Finland and neighbouring regions	Good profitability and stronger market position	
<b>Group Functions</b>	Supporting the Group and its business lines Central banking and treasury Managing OP-Pohjola Group's liquidity and funding	Finance Risk Management HR Services Corporate Communications	–	Controlling, supporting and encouraging the business lines in their efforts to achieve Group goals	

# Key Value Drivers



# Credit Ratings

Pohjola manages OP-Pohjola Group's liquidity and, together with OP Mortgage Bank, international funding.

## Credit ratings 31 Dec 2011

Rating agency	Long-term debt	Outlook
Standard & Poor's Credit Market Services Europe Limited	AA-	Stable
Moody's Investor Service Ltd	Aa2*	Negative
Fitch Ratings Limited	A+	Stable

\*) Credit rating under review

## 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.



## Dear Pohjola shareholders



### [Watch video](#)

OP-Pohjola Group's strategy emphasises the development of and investments in the corporate customer business. Another important focus area is to deepen the integration between non-life insurance and banking operations.

It is clear that these efforts will also support Pohjola's key business operations and help it become more successful. What's more, the fact that OP-Pohjola Group ranks among Europe's top financial services groups in terms of capital adequacy creates stability and growth potential for Pohjola.

On the other hand, OP-Pohjola Group expects Pohjola to provide a steady and high flow of dividends. This is what the Board had in mind with its proposal for the distribution of dividends for 2011.

**Reijo Karhinen**

Chairman of the Board of Directors

# President and CEO's Review



[Watch video](#)

## 2011 – an exceptional year

2011 was a very dichotomous year. The first half was hopeful in terms of sentiments and economic development. With the stabilising economy in the spring, market volatility calmed down and funding risk premiums were smaller until the summer saw the exacerbation of the euro-area sovereign debt crisis, which resulted in a difficult investment environment during the second half.

The turbulence in the operating environment presented challenges to us but it also involved opportunities. Some international financial services providers exited the Finnish market, providing our banking business with many new opportunities. The time of uncertainty only highlighted our unique competitive advantages based on local presence and customer focus, while showing the strength of our business model as part of OP-Pohjola Group. In 2011, we could operate without trouble and be a genuine partner with our customers by supporting them and contributing to their financial performance, security and prosperity.

## On a steady growth path

Pohjola strengthened its market position in 2011. Customer business volumes increased within Banking and Non-life Insurance corporate and private customers. Our market share of corporate loans rose to over 20% for the first time. I also find it highly positive that the number of loyal customer non-life insurance households increased by 42,000 to over 520,000 in the year to December.

Nevertheless, consolidated earnings before tax were lower than the year before, amounting to EUR 258 million. Lower investment income and changes in reserving bases, which consisted of a reduction in the discount rate for technical provisions related to pension liabilities and higher technical provisions resulting from increased life expectancy, contributed to these lower earnings.

Our solid liquidity and capital base enable us to distribute dividends in line with our strategy. Accordingly, the Board of Directors will propose to the Annual General Meeting that a dividend of 0.41 euros be paid per listed Series A share, and 0.38 euros per unlisted Series K share. This proposal corresponds to a 60% dividend payout ratio.

## Deeper customer knowledge

In 2011, we implemented operating models similar to the CRM organisation adopted earlier and shared by Banking and Non-life Insurance. In addition, we intensified cooperation with OP-Pohjola Group member banks in order to provide mid-size and large companies in rural areas with a full range of financial services: for example, Corporate Banking and Markets strengthened their product and service expertise in the regional organisation.

## Employees as key to success

We are strongly committed to enhancing our employees' competencies and keeping them motivated and ensuring their wellbeing. Enhancing our intellectual capital forms one of the cornerstones of our strategy. Last year, we hired a large number of new staff members in order to ensure effective customer service. We also launched our first tailored career development programme, Talent.

## Towards challenges on solid foundations

It is probable that the economic growth rate in Finland and the rest of Europe will remain more slowly in 2012 than last year. However, Pohjola has entered 2012 with confidence and on solid foundations: we are competitive in terms of our capital base and creditworthiness, our liquidity is on a solid basis and we have good access to market funding. Consolidated earnings before tax in 2012 are expected to be markedly higher than in 2011.

I should like to take this opportunity to express my warmest thanks to our shareholders and customers for their trust and OP-Pohjola Group member banks and other partners for their constructive cooperation. I also wish to express my gratitude and thanks to our employees who did an excellent job in an environment that was difficult occasionally.

**Mikael Silvennoinen**  
President and CEO

# Key Figures and Ratios 2011

	2011	2010
Earnings before tax, € mn	258	308
Earnings before tax at fair value, € mn	78	291
Return on equity at fair value, %	3.4	9.3
Earnings per Series A share, €	0.67	0.72
Dividend (Series A share), €	0.41*	0.40
Dividend (Series K share), €	0.38*	0.37

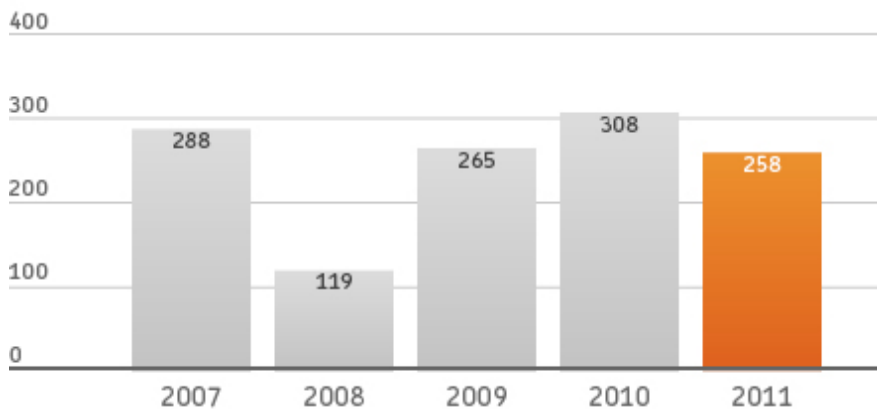
\* Board proposal

## Capital adequacy and risk exposure

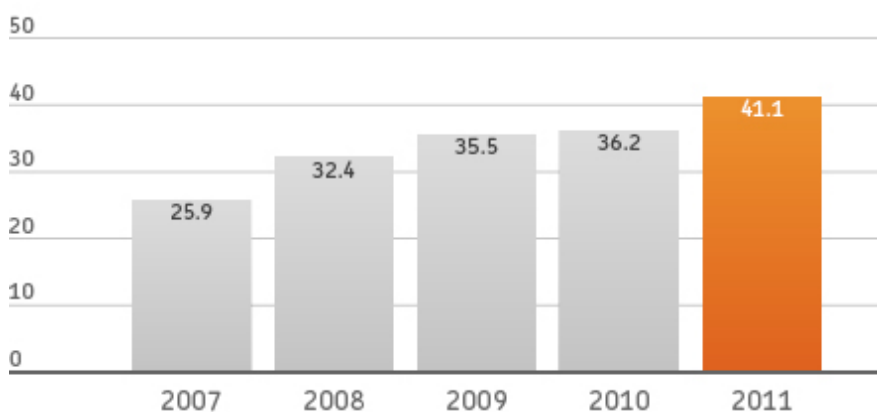
	2011	2010
Capital adequacy ratio, %	10.6	13.3
Tier 1 ratio, %	10.6	12.5
Core Tier 1 ratio, % *	10.3	10.5
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.41	1.71
Risk-weighted assets, € mn	14,409	13,520
Non-life Insurance solvency ratio, %	77	86

\* Tier 1 capital excl. hybrid capital in relation to total risk-weighted assets

## Earnings before tax, € million

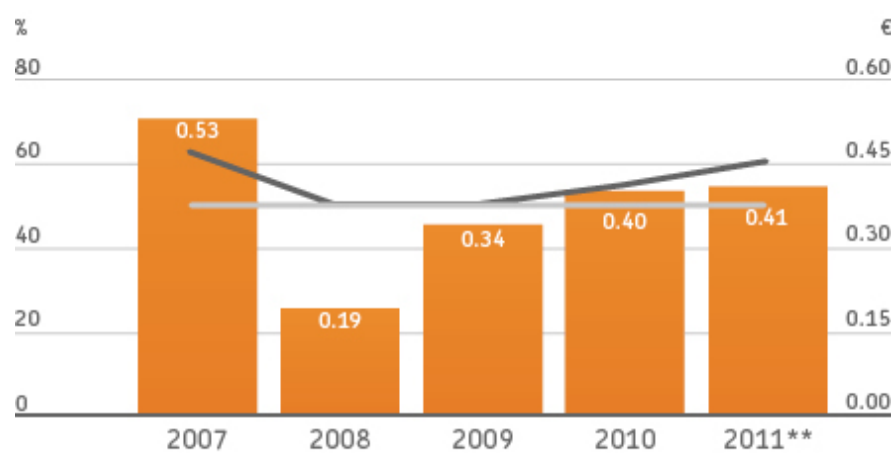


## Balance sheet total, € billion





## Dividend/Series A share and dividend payout ratio



■ Dividend per Series A share, EUR\*

— Dividend target, %

— Dividend payout ratio, %

Dividend payout ratio during 2007–2011 averaged 56%

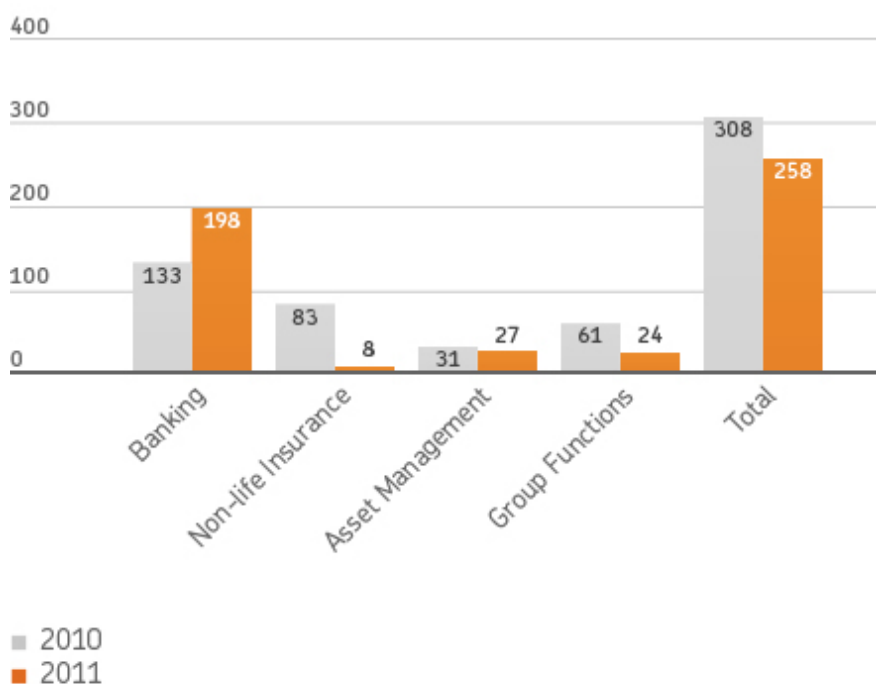
\* Share-issue adjusted dividend during 2007–2008

\*\* Board's proposal

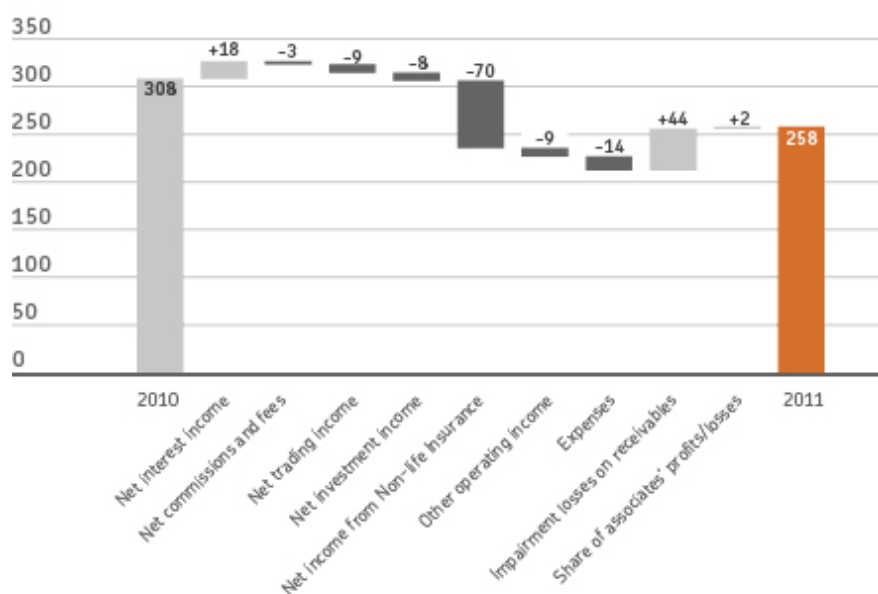
# Consolidated Financial Results

- Consolidated earnings before tax amounted to EUR 258 million (308). Consolidated earnings before tax excluding changes in reserving bases within Non-life Insurance (a lower discount rate and higher technical provisions arising from increased life expectancy) came to EUR 317 million (322). Consolidated earnings before tax at fair value were EUR 78 million (291) and return on equity at fair value stood at 3.4% (9.3).
- Banking earnings before tax rose to EUR 198 million (133). These included EUR 49 million (105) in impairment charges on receivables. The loan portfolio increased by 9% from its level on 31 Dec. 2010 and the average margin stood at 1.34% (1.36).
- Within Non-life Insurance, insurance premium revenue rose by 6%. The combined ratio was 97.7% (96.6). Excluding the changes in reserving basis and amortisation on intangible assets arising from company acquisition, the operating combined ratio stood at 89.8% (89.7). Return on investments at fair value was -0.4% (5.1).
- Earnings before tax posted by Asset Management totalled EUR 27 million (31). Earnings a year ago included net income of EUR 6 million deriving from corporate transactions. Assets under management on 31 Dec. 2011 totalled EUR 31.3 billion (35).
- Earnings before tax reported by the Group Functions decreased to EUR 24 million (61) as a result of higher funding costs and lower capital gains.

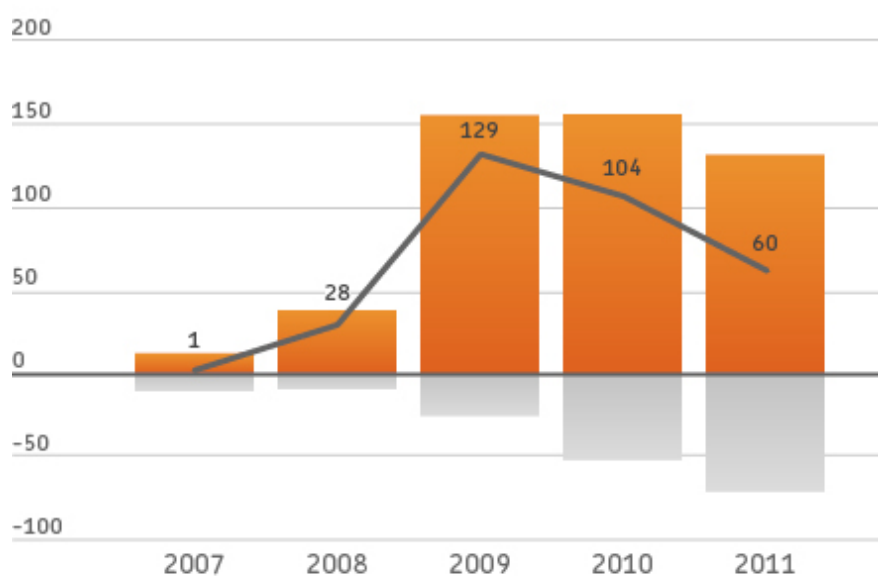
## Earnings before tax by division, € million



### Earning/loss before tax, change between 2010 and 2011, € million



### Group's impairment charges, € million



- New impairment charges
- Reversal of impairment losses and recoveries from loan losses
- Net impairments

# Key Figures and Ratios in Tables

## Consolidated earnings, € million

	2011	2010	2009	2008	2007
Net interest income	276	258	241	174	115
Net commissions and fees	161	164	143	122	115
Net trading income	26	35	71	-81	-34
Net investment income	23	31	-13	6	28
Net income from Non-life Insurance	318	388	402	353	433
Other operating income	41	50	50	42	71
<b>Total income</b>	<b>843</b>	<b>926</b>	<b>895</b>	<b>617</b>	<b>728</b>
<b>Total expenses</b>	<b>528</b>	<b>514</b>	<b>501</b>	<b>470</b>	<b>440</b>
<b>Earnings before impairments of receivables</b>	<b>316</b>	<b>412</b>	<b>394</b>	<b>147</b>	<b>288</b>
Impairments of receivables	60	104	129	28	1
<b>Earnings before tax</b>	<b>258</b>	<b>308</b>	<b>265</b>	<b>119</b>	<b>288</b>
Change in fair value reserve	-180	-17	243	-252	-54
<b>Earnings/loss before tax at fair value</b>	<b>78</b>	<b>291</b>	<b>508</b>	<b>-133</b>	<b>234</b>

## Consolidated balance sheet, € million

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Liquid assets	4,247	1,501	3,102	2,260	448
Receivables from credit institutions	7,367	8,033	7,630	6,644	5,217
Financial assets at fair value through profit or loss	183	422	1,279	3,255	4,701
Derivative contracts	3,326	1,962	1,443	1,486	528
Receivables from customers	12,701	12,433	11,323	12,279	9,288
Non-life Insurance assets	3,256	3,198	3,156	2,745	2,809
Investment assets	7,368	6,364	5,417	1,287	727
Intangible and tangible assets	1,002	1,022	1,077	1,114	1,096
Other assets	1,691	1,248	1,083	1,379	1,108
<b>Total assets</b>	<b>41,142</b>	<b>36,184</b>	<b>35,510</b>	<b>32,448</b>	<b>25,922</b>
Liabilities to credit institutions	5,935	4,960	4,984	3,643	2,739
Derivative contracts	3,460	2,054	1,456	1,644	548
Liabilities to customers	8,025	4,231	4,133	3,508	2,738
Non-life Insurance liabilities	2,508	2,351	2,279	2,238	2,140
Debt securities issued to the public	15,179	16,685	17,295	16,425	12,856
Other liabilities	3,702	3,526	3,097	3,350	3,032
<b>Total liabilities</b>	<b>38,811</b>	<b>33,807</b>	<b>33,244</b>	<b>30,808</b>	<b>24,053</b>
<b>Total shareholders' equity</b>	<b>2,331</b>	<b>2,377</b>	<b>2,267</b>	<b>1,640</b>	<b>1,869</b>
<b>Total liabilities and shareholders' equity</b>	<b>41,142</b>	<b>36,184</b>	<b>35,510</b>	<b>32,448</b>	<b>25,922</b>

## Key figures and ratios

	2011	2010	2009	2008	2007
Profit for the financial year, € million	215	229	194	89	212
Balance sheet total, € billion	41.1	36.2	35.5	32.4	25.9
Return on equity at fair value, %	3.4	9.3	19.2	-5.6	9.3
Loan portfolio, € billion	12.4	11.4	10.7	11.6	9.4
Loan and guarantee portfolio, € billion	15.0	14.0	13.4	14.1	11.4
Assets under management, € billion	31.3	35.0	33.1	25.3	31.3
Non-life Insurance premium revenue, € million	1024	964	943	923	850
Capital adequacy ratio, %	10.6	13.3	13.5	11.3	11.2*
Tier 1 ratio, %	10.6	12.5	11.8	9.4	10.7*
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.41	1.71	1.73	1.26	1.38*
Earnings/share (EPS), € **					
Series A share	0.68	0.72	0.66	0.36	0.85
Series K share	0.65	0.69	0.63	0.33	0.84
Equity/share, € **	7.29	7.44	7.09	6.58	7.51
Dividend/share, € **					
Series A share	0.41***	0.40	0.34	0.19	0.53
Series K share	0.38***	0.37	0.31	0.16	0.5
Dividend/earnings, (dividend payout ratio) %	60***	55	51	51	62
Effective dividend yield, % (Series A share)	5.5	4.5	4.5	2.4	5
Price/earnings ratio (P/E), (Series A share)	11.2	12.5	11.5	22.4	12.5
Market capitalisation (Series A and K shares), € billion	2.40	2.87	2.41	1.98	2.66
Share trading volume (Series A share), million	174	154	175	119	147
% of all Series A shares	69	61	75	74	92
Number of shares (Series A and K shares) year end, million	320	320	320	203	203
Number of shares (Series A and K shares) year end, million **	320	320	320	249	249
Average personnel	3,189	3,005	2,966	3,085	3,006

\* The bases of calculation have changed from those in 2008. Figures for 2007 have been converted into comparable ones in conformity with the Basel II framework and have not been specifically audited. Figures for 2006 have been calculated in accordance with the former calculation bases.

\*\* Due to Pohjola Bank plc's rights issue and new shares entered in the Trade Register on 4 May 2009, the per-share ratios for 2006-08 have been adjusted retro-actively using the share issue ratio.

\*\*\* As proposed by the Board of Directors

## Financial Performance: Banking

- Earnings before tax amounted to EUR 198 million (133).
- The loan portfolio grew by 9% and the market share of corporate loans increased to over 20%.
- The average corporate loan portfolio margin stood at 1.34% (1.36), rising by 2 basis points in the fourth quarter.
- Impairment charges for receivables shrank by EUR 55 million to EUR 49 million (105).
- Operating cost/income ratio stood at 35.5% (35.4), which was better than the strategic target of 40%.

## Financial Performance: Non-life Insurance

- Earnings before tax were EUR 8 million (83). Excluding changes in reserving bases, earnings amounted to EUR 66 million (103). Investment income was EUR 50 million lower than a year ago as a result of the difficult market situation.
- Insurance premium revenue rose by 6% to over one billion euros.
- Excluding the changes in reserving bases, the balance on technical account was at the previous year's level. The operating combined ratio stood at 89.8% (89.7).
- Return on investments at fair value was -0.4% (5.1).

## Financial Performance: Asset Management

- Earnings before tax came to EUR 27 million (31). Earnings before tax for 2010 included net income of EUR 6 million deriving from corporate transactions.
- Assets under management dropped by 11% to EUR 31.3 billion (35.0).
- The operating cost/income ratio improved to 49% (53).



## Financial Performance: Group Functions

- Earnings before tax amounted to EUR 24 million (61), eroded by lower net interest income and capital gains on notes and bonds as well as higher impairment losses on notes and bonds.
- Earnings before tax at fair value fell by EUR 86 million year on year to EUR –98 million (–12).
- Liquidity and the availability of funding remained good.

## Outlook for 2012

Consolidated earnings before tax in 2012 are expected to be markedly higher than in 2011. There is still great uncertainty about the economic outlook and the operating environment. A major risk that may undermine the economic outlook is the exacerbation of the fiscal crisis in certain euro countries. The full version of the outlook can be found in the Report by the Board of Directors 2011.

[Read more about Pohjola Group's outlook for 2012](#)

# Highlights 2011

## January

- Vappu Taipale receives the Pohjola and Suomi Mutual Medical Award 2011. The Award has been granted to a Finnish physician since 1981 in recognition of his outstanding international and national career.

## February

- Vesa Aho, M.Sc. (Econ. & Bus. Adm.) is appointed Chief Financial Officer and member of the Group's Executive Committee as of 1 March 2011.
- Pohjola Bank plc redeems Lower Tier 2 subordinated notes of EUR 150 million which it issued in March 2006. According to the terms and conditions, the notes would have matured in 2016 but with the Finnish Financial Supervisory Authority's permission the issuer has the right to call in the notes prematurely in March 2011.
- The centenary fund of Pohjola companies, one of the named funds in the Finnish Cultural Foundation, gives a total of EUR 84,000 for research into environmental protection.

## March

- Pohjola's Annual General Meeting adopts the Financial Statements for 2010, discharges members of the Board of Directors and the President and CEO from liability and decides on dividend distribution.

## April

## May

- Suomi Mutual Life Assurance Company and OP-Pohjola Group Central Cooperative notifies Pohjola Bank plc of a share transaction, whereby Suomi Mutual has sold OP-Pohjola all of its Pohjola shares accounting for 7.26 per cent of all shares and 3.91 per cent of all votes conferred by the shares.
- Pohjola Bank plc's Board of Directors decides that Pohjola joins OP-Pohjola Group's new long-term incentive schemes. OP-Pohjola's Group-level targets apply to these schemes and conform to those covering a new, share-based management incentive scheme and OP Personnel Fund for the entire Group's personnel. The common, Group-level long-term performance indicators applying to all personnel will help OP-Pohjola Group implement its strategy.
- Pohjola Insurance Ltd acquires Excenta, a strategic corporate wellness services provider, from its management and Elisa Corporation. This acquisition strengthens Pohjola's new wellbeing business and diversifies Pohjola Health Ltd's services for corporate customers. Excenta provides its corporate customers with wellness management consulting services, training for supervisors and managers, and offers wellbeing measurement tools and practical solutions for the enhancement of employee wellbeing.

## June

- Pohjola Bank plc issues Lower Tier 2 subordinated notes of CHF 100 million with a maturity of ten years and traded on the SIX Swiss Exchange.
- Pohjola expands its services in the Baltic region by opening a branch office in Tallinn. These new services for corporate customers in Estonia cover payment and liquidity management as well as working capital finance and investment financing.

## July

- Pohjola Bank plc joins the European Securities Network LLP (ESN) partner network which is an independent, multi-local partnership of banks and brokerage firms. The network provides its customers with high-quality, European-wide equity research and trading.
- The European Banking Authority (EBA), the European Systemic Risk Board (ESRB), the European Commission and national regulators coordinated in spring 2011 an EU-wide forward-looking stress test whose results were published on 90 banks. Of the Finnish banks, OP-Pohjola Group was included in the stress test exercise. Given that Pohjola Bank plc is part of OP-Pohjola Group operating under the principle of joint liability, its data are included in the test results. This was the second time running that OP-Pohjola Group receives a clean bill of health from the Committee of the European Banking Supervisors (CEBS) that carries out the stress test, and this time the test was more stringent than last year.

## August

- Pohjola Bank plc redeems Lower Tier 2 subordinated notes of USD 325 million which it issued in September 2006. According to the terms and conditions, the notes would have matured in 2016 but with the Finnish Financial Supervisory Authority's permission the issuer has the right to call in the notes prematurely in September 2011.
- Moody's Investors Service puts OP-Pohjola Group, Pohjola Bank plc and Pohjola Insurance Ltd on review for a possible credit rating downgrade.
- Pohjola Insurance Ltd and the Finnish Ice Hockey Association agree to continue their partnership for the 2011–12 season, continuing a partnership they have had for decades.
- Excenta Ltd, a Pohjola Insurance Ltd subsidiary, conducts a survey Strategic Wellness in Finland in 2011 together with the Finnish Institute of Occupational Health. Representatives of 368 companies from seven industries take part in the survey. The results show that although companies are investing more money in employee wellbeing than in 2010, their efforts aimed at extending careers have nevertheless weakened.

## September

- Pohjola Bank plc issues Lower Tier 2 subordinated notes of EUR 100 million with a maturity of ten years. An application is made for the notes to be admitted to trading on the London Stock Exchange.
- Tarja Ollilainen, M.Sc. (Econ. & Bus. Adm.), is appointed Pohjola Group's Senior Vice President, Human Resources, and an Executive Committee member as of 1 January 2012.

## October

- As part of its extensive review of the global and European banking sector, Fitch Ratings, a credit rating agency, puts OP-Pohjola Group's and Pohjola Bank plc's credit ratings under review for a possible downgrade. Fitch's reassessment applies to several large global and European banks with a relatively high credit rating.
- The European Banking Authority (EBA) comes up with a new assessment concerning banks' capital buffers. Of the Finnish banks, OP-Pohjola Group was included in the stress test exercise. Given that Pohjola Bank plc is part of OP-Pohjola Group operating under the principle of joint liability, its data are included in the test results. According to EBA's estimate, 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.

## November

- Investment Technology Group (ITG), Inc., a leading agency research broker and financial technology firm, and Pohjola Asset Management Ltd announce the launch of a Smart Routing and Algorithmic Trading Service.

## December

- The European Banking Authority (EBA) updates its assessment concerning banks' capital buffers on the basis of figures on 30 September 2011. Of the Finnish banks, OP-Pohjola Group was included in the stress test exercise. Given that Pohjola Bank plc is part of OP-Pohjola Group operating under the principle of joint liability, its data were included in the test results. According to EBA's estimate, 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. OP-Pohjola Group's Core Tier 1 ratio was 11.1% on 30 September 2011, which was clearly above the minimum level of 9% set by the EBA. Neither did the mark-to-market valuation of government bonds measured at cost in the balance sheet create any need to increase the amount of capital on 30 September 2011.
- Standard & Poor's Ratings Services affirms Pohjola Bank plc's long-term counterparty rating at AA- and short-term counterparty rating at A-1+, considering the outlook as stable. Standard & Poor's also upgraded Pohjola Insurance Ltd's credit rating from A+ to AA-. Affirming Pohjola Bank plc's credit rating is part of Standard & Poor's more extensive analysis of the banking sector both globally and in Europe, and their change of methodology. Standard & Poor's emphasises that Pohjola's rating reflects its solid market position, capital adequacy and earnings power.
- As part of its extensive review of the global and European banking sector, Fitch Ratings downgrades 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. Fitch states that the general developments in the global economy and a notable shift in market confidence towards the banking sector are the main reasons for the downgrade. Fitch also states that OP-Pohjola Group's asset quality is sound, liquidity well managed and its risk weighted capital ratios are solid.
- Niina Pullinen, M.Sc. (Econ. & Bus. Adm.) and CEFA, is appointed Pohjola Bank plc's Senior Vice President, Investor Relations, effective as of 15 January 2012.

# Strategy

We provide our corporate and institutional customers with a diverse range of banking, non-life insurance and asset management services and private individuals with an extensive range of insurance and private banking services. Profitable growth and an increase in company value form our key objectives.

## Strategy in summary

Finland and its neighbouring regions constitute our key market area. We know our customers well and are in close interaction with them. We build customer relationships on a long-term basis with the aim of establishing comprehensive customer relationships. Pohjola provides services promptly, flexibly and consistently. We are making dedicated efforts to further develop our service network in Finland and neighbouring regions. In other market areas, our service capabilities are based on cooperation with high-profile local or international partners.

Pohjola stands out from the competition based on its competencies and high-quality solutions. Our competitive advantages lie in customer-focused, flexible and prompt services, a comprehensive financial services offering and a solid ownership base. As part of OP-Pohjola Group, Pohjola boasts the most extensive and diversified service network and largest clientele in Finland.

Our profitable growth enables a competitive Total Shareholder Return. We will secure business continuity by maintaining a strong capital base. Joint liability with OP-Pohjola Group Central Cooperative and OP-Pohjola Group's member credit institutions strengthens Pohjola's creditworthiness.

## Strategy in a nutshell

### MISSION

We promote the prosperity, security and wellbeing of our customers

### VISION

We are the most preferred financial services partner

### KEY OBJECTIVES

Increasing company value, profitable growth

### CORE VALUES

People-first approach, responsibility, prospering together

# Mission, Vision, Key Objectives and Core Values

Our mission is to promote the prosperity, security and wellbeing of our customers. Our vision is to be the most preferred financial services partner built around the ability to exceed customer expectations and around reliability. Profitable growth and an increase in company value form our key objectives.

## Core Values

Pohjola's success lies in its sustainable core values: People-first approach, Responsibility and Prospering together.

### CORE VALUES

#### People-first approach

- We are approachable and accessible.
- Our service is based on friendliness, initiative and promptness.
- We appreciate our customers, partners and co-workers.

#### Responsibility

- We deliver on our promise and perform consistently.
- We aim at long-term customer relationships based on mutual trust.
- We foster our competencies and a good organisational climate.
- We ensure that our business is in the interests of our shareholders and meets high ethical standards.

#### Prospering together

- We prosper together with our customers.
- We establish networks in Finland and at international level on an extensive basis.

## Promises to Stakeholders

### SHAREHOLDERS

Our total shareholder return is competitive

### CUSTOMERS

We provide the best solutions and operate on a long-term basis

### PERSONNEL

We foster a motivating organisational climate and create excellent opportunities for skill development

### SOCIETY

We promote the sustainable development and prosperity of our operating regions

Pohjola aims at a Total Shareholder Return that is above its peer group average. We will grow and strengthen our market position profitably. Strong capitalisation enables us to secure the continuity of our business.

We will operate on a long-term basis and provide our customers with the best solutions. Our competencies, active approach and service quality make us stand out. We will anticipate our customers' needs while actively developing new service packages.

We foster a motivating organisational climate and create excellent opportunities for skill development. We aim to be the most attractive employer in the financial sector. We will invest in leadership work and management development.

Pohjola operates in a responsible way and promotes the sustainable prosperity and wellbeing of its operating regions. Our profitable business will provide foundations for business continuity, employment and the fulfilment of social obligations.



# Value Through Integration Based on Competitive Advantages

Pohjola implements its strategy by exploiting its three unique competitive advantages.



## Close to customers

We make decisions at local level, genuinely close to our customers. We can offer quick, consistent, predictable and clear service and decision-making to our customers. As a Finnish service provider, we have made a long-term commitment to our home market.

We know our customers and their needs and will serve them through thick and thin.

We can make use of the most extensive service network serving customers throughout Finland. We provide our international services in cooperation with high-profile partners.

## Comprehensive financial services offering

We boast Finland's largest group of banking, non-life insurance and asset management professionals providing customers with the most suitable solutions and best service.

Our comprehensive financial services offering enables us to establish comprehensive customer relationships. We manage customer relationships on a long-term basis.

Together with OP-Pohjola Group member banks we promise our private customers the best loyal customer benefits, with OP bonuses at the core. In this way, we will ensure high customer retention, which in turn improves profitability.

## Part of OP-Pohjola Group

OP-Pohjola Group and its central bank Pohjola have operated for over a hundred years now. The financial services group's capital adequacy and credit rating are among the strongest in the sector and being part of OP-Pohjola Group strengthens Pohjola's creditworthiness.

OP-Pohjola Group has more than four million customers, of whom joint banking and non-life insurance customers total over one million. Being part of OP-Pohjola Group provides Pohjola with remarkable growth and cross-selling potential in both insurance and banking services while creating cost-efficiency and providing a huge amount of information used, for instance, for targeting services and pricing.

Pohjola's and the Group's shared logo numbers among the most recognisable ones in Finland and we have an appealing and revered corporate image associated with trustworthiness.

## Strategic Initiatives

1. When it comes to upgrading business for corporate and institutional customers, we have the aim of strengthening not only our own but also the entire OP-Pohjola Group's market position as a partner of mid-size companies in particular. Well-defined responsibilities between Pohjola and OP-Pohjola Group member banks play a key role in this respect.
2. Intensifying business integration involves measures to make more efficient use of Pohjola's shared customer potential. We exploit customer data in identifying customer potential, targeting efforts, selecting customers and determining prices.
3. When it comes to improving our international service capabilities, we will extend our international partner network in order to provide our customers with competitive services on a global scale. We are also a full-blown financial services provider for our customers abroad.
4. When it comes to enhancing the Group's intellectual capital, we will invest in our ability to reinvent ourselves and develop our operations further in order to be able to provide our customers with the best solutions and services available in the sector. We will enhance our competencies on a long-term basis in view of future needs.

## IMPLEMENTATION OF STRATEGIC INITIATIVES 2011

	Banking	Non-life Insurance	Asset Management
Upgrading business for corporate and institutional customers	When it comes to mid-size corporate customers, Pohjola has agreed on its roles and responsibilities vis-à-vis OP-Pohjola Group member cooperative banks and expanded its operations according to plan. In order to achieve its strategic growth targets, Pohjola has allocated resources to customer service for these customers.		
Intensifying integration of Banking and Non-life insurance business	<ul style="list-style-type: none"> <li>Pohjola adopted CRM organisations shared by Banking and Non-life Insurance in order to ensure solutions in support of customer needs</li> <li>Shared customer data have been exploited systematically in decision-making</li> </ul>		
Improving international service capabilities	Pohjola campaigned to increase awareness of its international products and services		
	<ul style="list-style-type: none"> <li>We opened a corporate bank branch in Tallinn</li> <li>We have strengthened our competitive position by extending the network of international partners</li> </ul>	<ul style="list-style-type: none"> <li>We have continued to further develop our international partner network</li> </ul>	<ul style="list-style-type: none"> <li>We have introduced new international investment products to our clients</li> <li>We have further developed our international partner network</li> </ul>
Enhancing the Group's intellectual capital	<ul style="list-style-type: none"> <li>We have updated competence surveys, and personal development plans prepared during performance reviews cover all personnel</li> <li>We have implemented our Talent Programme to secure potential successors for key positions</li> <li>We have systematically implemented our Employee Wellbeing Programme involving all our personnel</li> <li>Pohjola was involved in a Dialogue project in cooperation with students, which dealt with future employees and future workplace improvements</li> </ul>		

## Strategy Implementation in 2012 and the Next Few Years

OP-Pohjola Group has begun to work on its new strategy and Pohjola will also update its strategy during 2012.

Key tasks in 2012 will involve pursuing strategic initiatives and putting them into practice at the operational level. Our annual plans for 2012 are aimed at enhancing customer experience, taking a more active role among customers, providing increasingly higher-quality products and services, maintaining profitable growth and increasing cost-efficiency within the organisation.

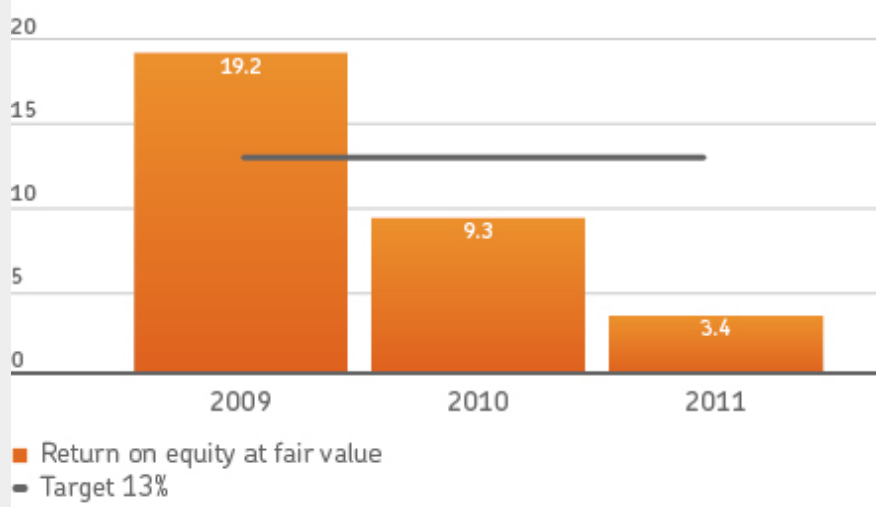
# Financial Targets over the Economic Cycle

Financial targets	Target	Reported 2011	Reported 2010
<b>Group</b>			
Return on equity at fair value, %	13	3.4	9.3
Tier 1 ratio, %	> 9.5	10.6	12.5
<b>Banking</b>			
Operating cost/income ratio, %	< 40	35	35
<b>Non-life Insurance</b>			
Operating combined ratio, %	92	89.8	89.7
Operating expense ratio, %	< 20	21.8	21.3
Solvency ratio, %	70	77	86
<b>Asset Management</b>			
Operating cost/income ratio, %	< 50	49	53
<b>Rating target</b>	<b>Target</b>		
AA rating	AA rating issued by at least two credit rating agencies	2	3
<b>Dividend policy</b>	<b>Target</b>		
% of earnings per share	A minimum of 50% of earnings per share in dividends, provided that Tier 1 stands at a minimum of 9.5%.	60*	55

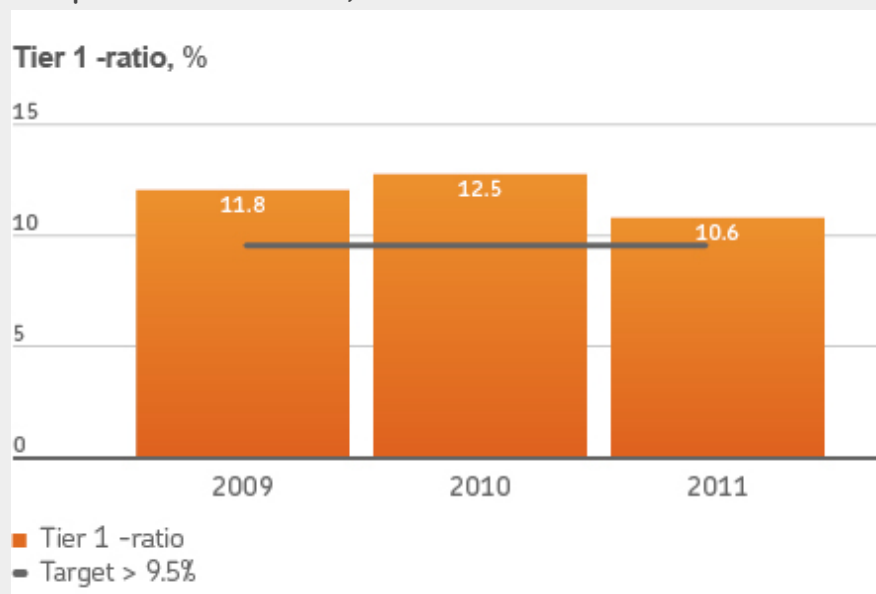
\* As proposed by the Board of Directors

Graph: Return on equity at fair value, %

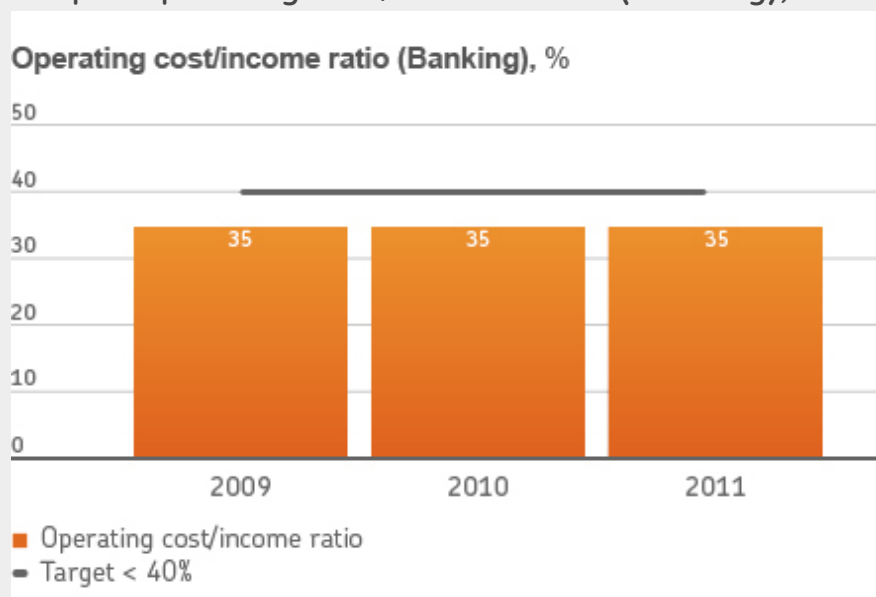
Return on equity at fair value, %



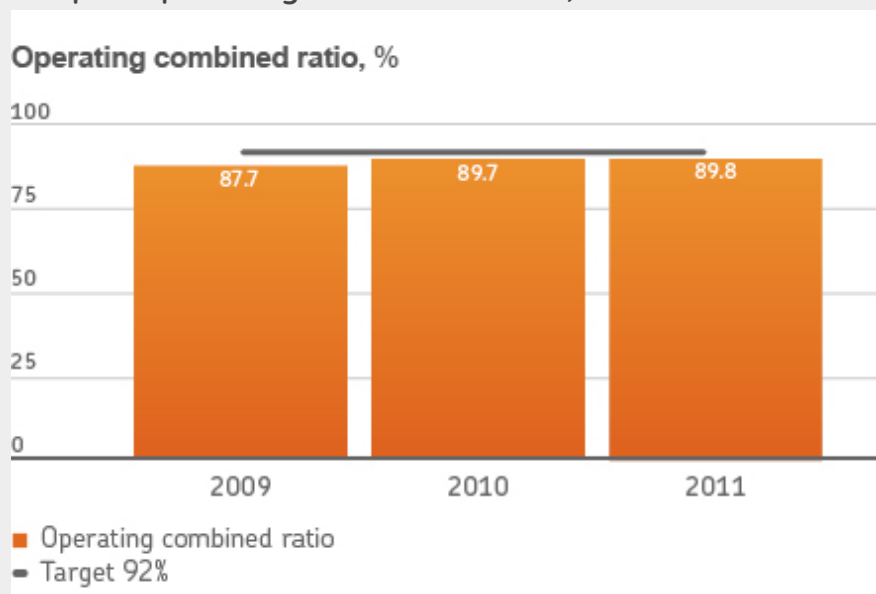
Graph: Tier 1 -ratio, %



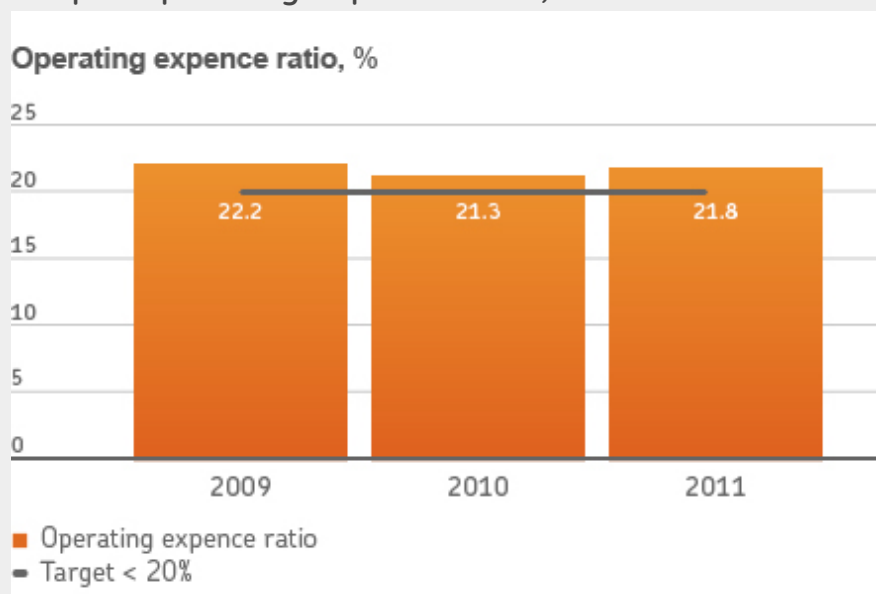
Graph: Operating cost/income ratio (Banking), %



Graph: Operating combined ratio, %

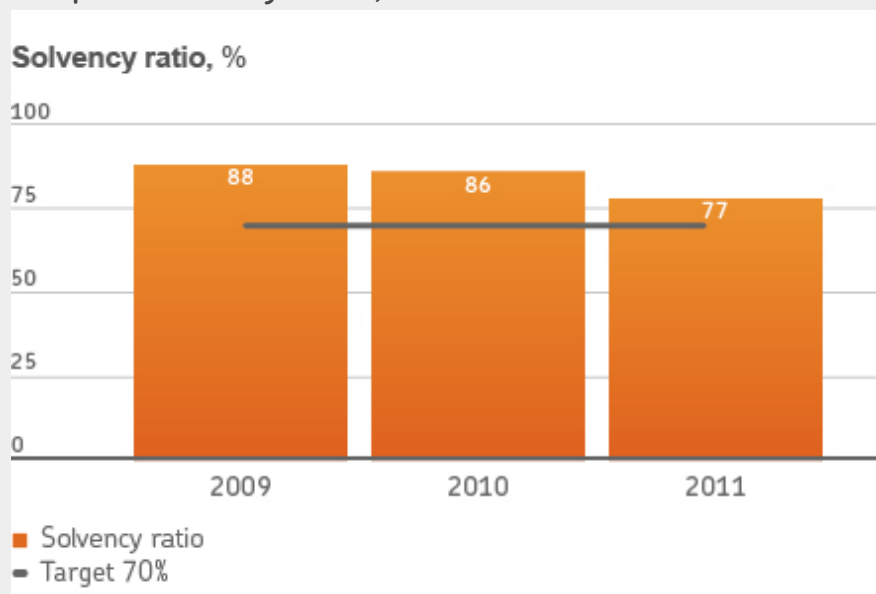


Graph: Operating expense ratio, %

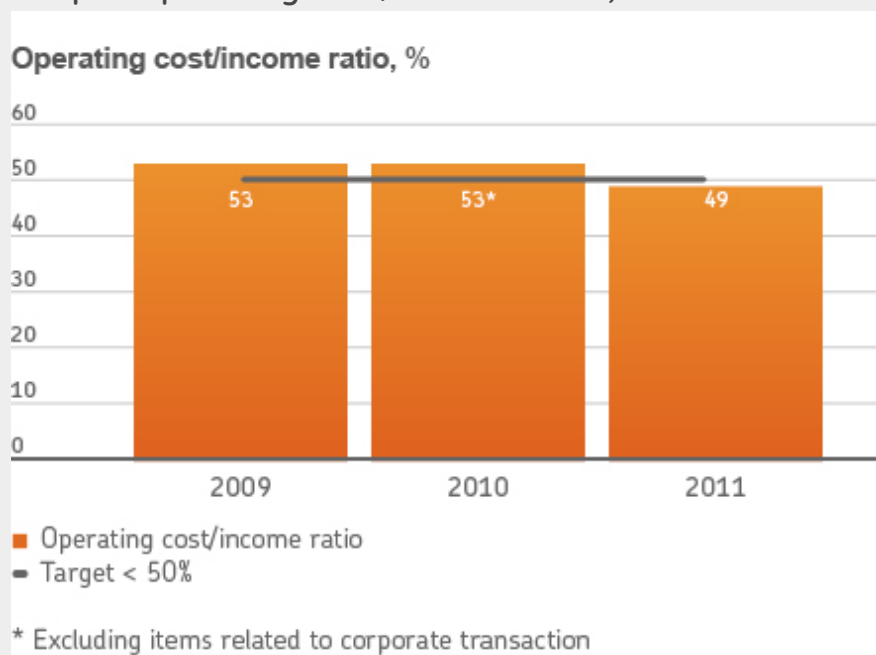




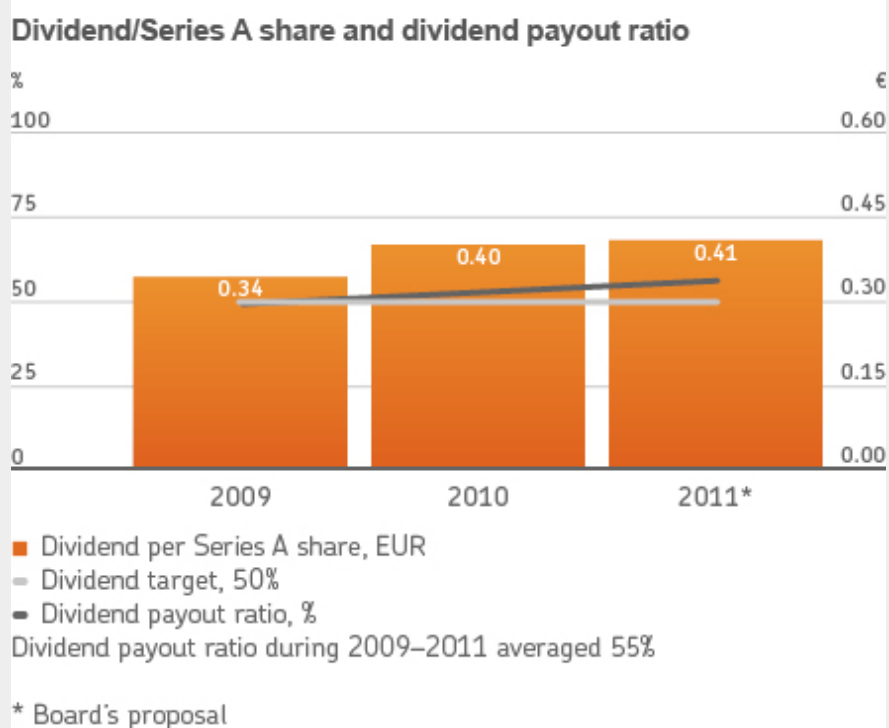
Graph: Solvency ratio, %



Graph: Operating cost/income ratio, %



## Graph: Dividend/Series A share and dividend payout ratio



# Operating Environment

On average, 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. In the USA, economic growth remained subdued in the first half of the year but GDP growth picked up slightly during the rest of the year. The Chinese economy continued to grow at a brisk rate although the pace slowed down in the course of the year.

The European sovereign debt crisis escalated during the second half, which substantially deteriorated the operating environment. Portugal too had to resort to help from the EU. Moreover, after the situation in Greece worsened a number of measures were taken to reduce Greece's debt burden and increase public finances.

Inflation accelerated apace due to a rise in raw-material prices in the first half but slowed down towards the year end as the global economic environment deteriorated.

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. Economic growth elsewhere in the world is expected to be moderate. Inflation is expected to calm down both in the euro area and the USA.

## Global economic challenges in 2012

- The southern Europe's debt crisis will continue to trouble the euro area
- In the USA, the presidential election may create economic policy uncertainty.
- Unusually large fluctuations are possible in financial markets due to economic policy uncertainty and major differences between different countries' economic situation.
- Exceptional monetary policy measures may have unexpected effects.

# Slowdown in Finnish Economic Growth in 2011

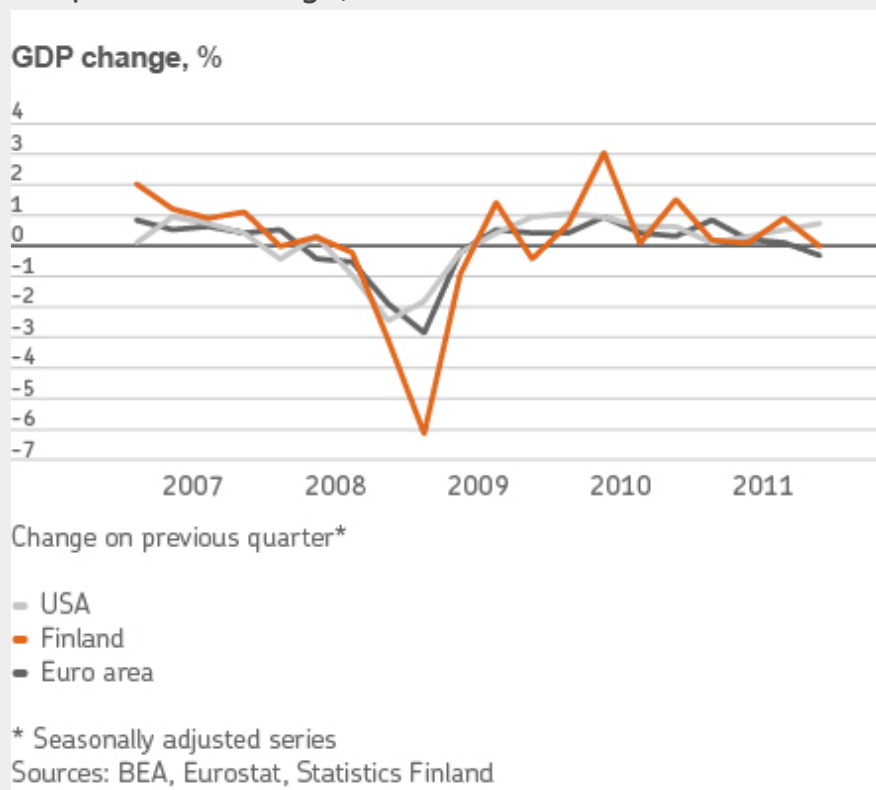
The Finnish economy showed fair growth in 2011. However, the year was very dichotomous. The economy grew strongly on a wide front in the first half whereas exports in particular began to flounder in the latter half. This was mainly due to the fact that Finland's key export markets in Europe began to limp.

The uncertainty caused by the euro-area sovereign debt crisis undermined consumer and business confidence towards the year end. Nevertheless, this was not so strongly reflected in spending or investment decisions among consumers. As a whole, both consumer spending and investments increased last year, although their pace waned towards the year end.

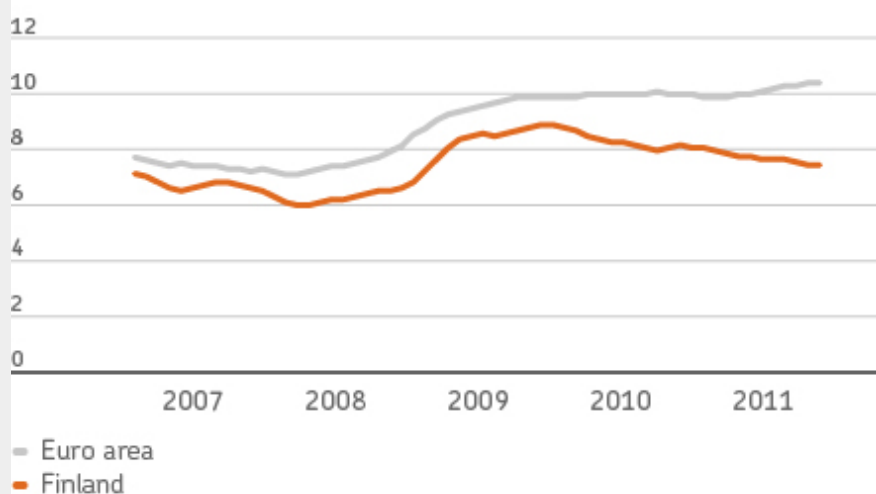
The relatively high inflation rate eroded spending power in 2011. It began to slow down during the second half when, for example, the price of crude oil came down slightly in the world market. Unemployment too decreased in the second half.

The Finnish economic prospects for 2012 look subdued. Euro-area debt problems make it more difficult to predict prospects for major European export markets. Uncertainty is also reflected in capital spending. Nevertheless, the consumer outlook is relatively steady because real wages are expected to rise and interest rates to remain low.

Graph: GDP change, %



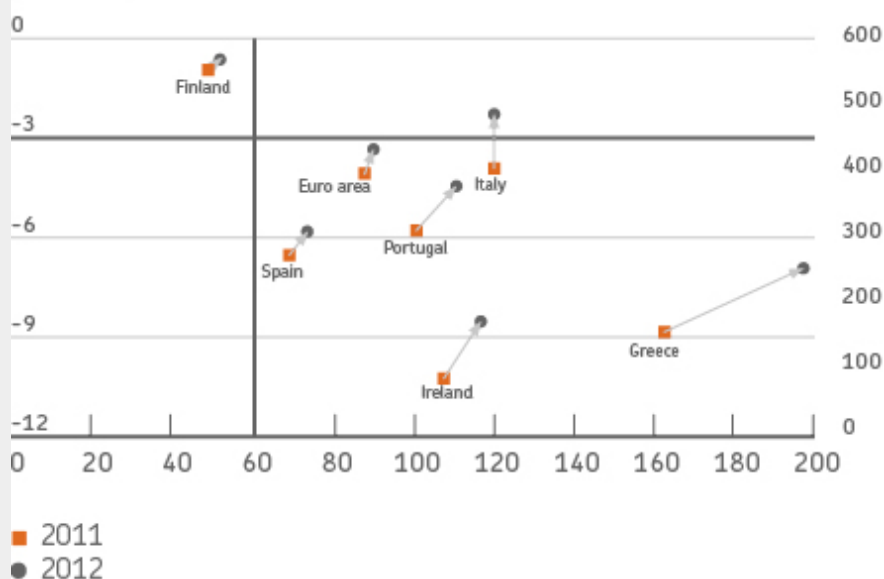
Graph: Unemployment rate\* in Finland and euro area, %

**Unemployment rate\* in Finland and euro area, %**

\* Seasonally adjusted series

Sources: Statistics Finland and OECD

Graph: Fiscal balance and government debt, surplus/deficit as percentage of GDP

**Fiscal balance and government debt, surplus/deficit as percentage of GDP**

Source: Autumn forecast 2011 by European Commission

## Graph: Confidence indicators in Finland, Balance figure

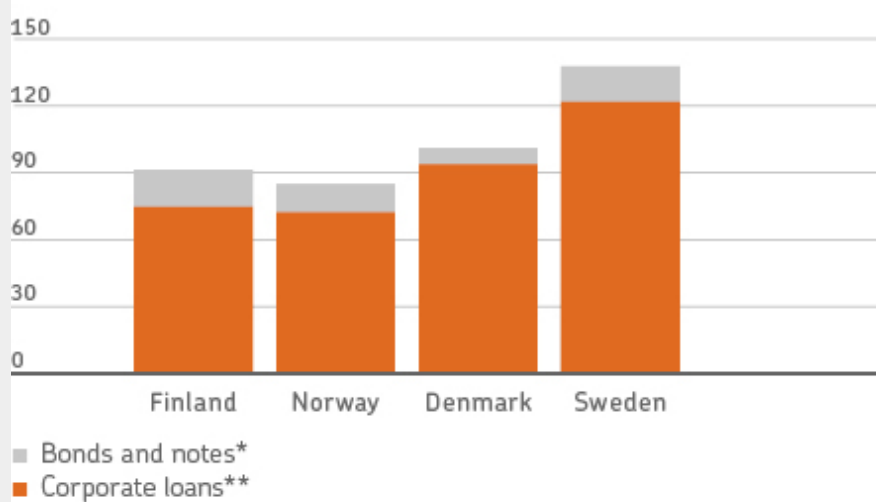
**Confidence indicators in Finland, Balance figure**



Sources: Statistics Finland and Confederation of Finnish Industries EK

## Graph: Corporate debt-to-GDP ratio, 31 Dec 2010, %

**Corporate debt-to-GDP ratio, 31 Dec 2010, %**

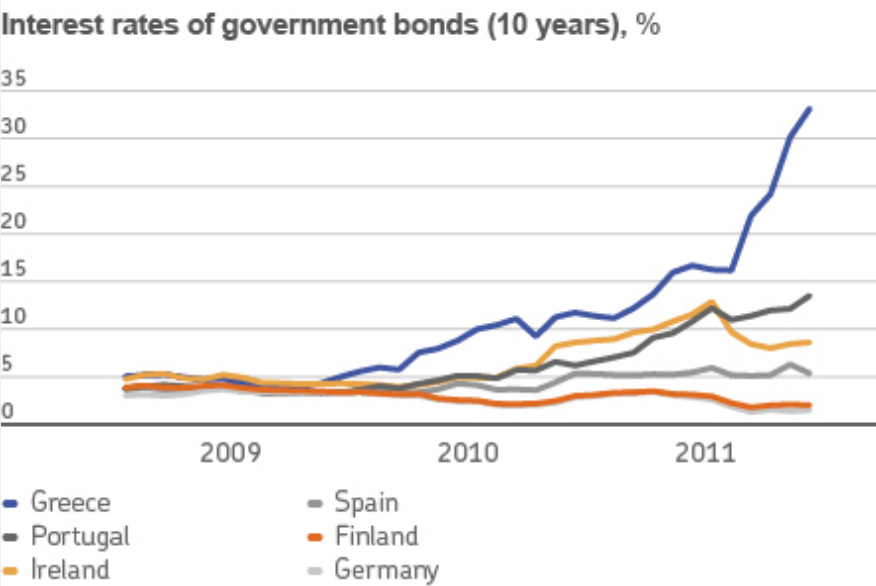


\* Money market instruments, bonds and derivative contracts

\*\* Excl. loans between companies

Sources: Eurostat, Statistics Finland

Graph: Interest rates of government bonds (10 years), %



Source: Reuters

# Bond and Equity Markets

## Bond markets in 2011

The euro-area sovereign debt crisis weighed on financial markets in 2011. The first half saw favourable economic development and an accelerating inflation rate. The European Central Bank (ECB) raised its benchmark interest rate to 1.50%.

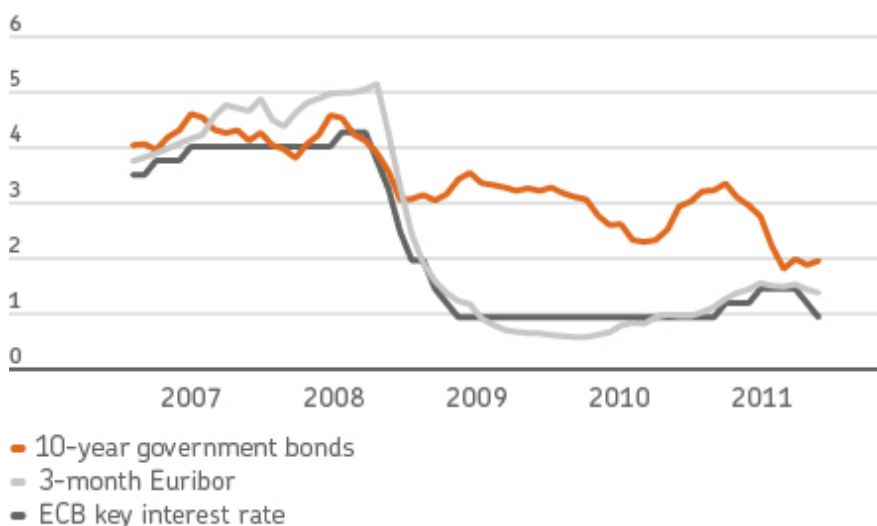
However, after their rise in the first half of the year, market rates began to fall in the summer. The ECB cut its benchmark interest rate to 1.00 per cent in December 2011 and also supported markets by providing banks with additional enhanced credit support, and bought government bonds in the market.

## Bond market prospects for 2012

The euro-area economic outlook for 2012 is feeble although there are relatively large differences between the economies. Inflation should decelerate to the target rate set by the ECB. In 2012, the ECB will continue to support economic development by increasing market liquidity through exceptionally long-term refinancing operations, and to buy government bonds. The ECB's measures will keep Euribor rates exceptionally low in 2012.

- Money market rates will continue to fall in the first half according to market expectations. The ECB's second three-year money auction in February will further enhance liquidity in the euro area, which will support market expectations of lower Euribor rates.
- When the euro area entered 2012, its long-term interest rates (10 years) were unprecedentedly low. When it comes to long-term rates, their rise, at least temporarily, presents the primary risk. Factors supporting a rise in long-term rates include economic sentiment remaining higher than expected and the Fed's efforts to revive the housing market.
- Banks' liquidity status will support the normalisation of risk premiums of short-term government securities and corporate bonds

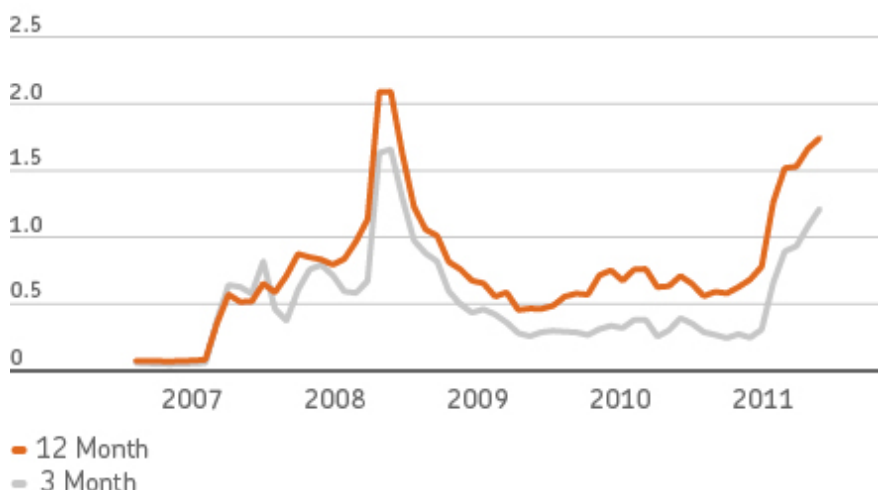
**Major euro area interest rates, %**



Sources: Bank of Finland, Reuters



### Money markets risk premiums, Euribor-Eurepo, percentage points



Source: Bank of Finland

## Stock markets in 2011

- Stock market development was highly uneven and characterised by drastic price fluctuations. Key US stock indices closed at somewhat the same level as at the beginning of the year, while stock prices fell sharply in Europe. Stock price developments in Finland were saddening as the weakening economic outlook and problems in the corporate sector undermined profitability prospects.
- Companies in the USA and Europe showed increasing profits, whereas corporate Finland reported the opposite.
- As was the case elsewhere in financial markets, share price performance was dominated by the exacerbation of the euro-area sovereign debt crisis and by heightened risk aversion.

### Stock indices in Finland, Europe and the USA



31 January 2007=100

Sources: NASDAQ OMX, STOXX Limited and Standard & Poor's

## Equity market prospects for 2012

- Consensus forecasts expect financial results in the corporate sector to continue to improve but any greater-than-expected slowdown in economic growth would pose a risk to companies' financial performance.
- Corporate balance sheets mainly show strength but any drastic economic slowdown and the exacerbation of the financial crisis are potential risks to dividend yields.
- In addition to the euro-area debt crisis, continued growth in emerging economies and the USA will play a key role in 2012 developments.

# More Stringent Bank Regulation as a Result of the Financial Crisis

## Changes effective since the beginning of 2011

The Capital Requirements Directive, CRD 3, for credit institutions came into force on 1 January 2011, applying to rules on derogations for bank networks from prudential requirements, large customer exposures, the capital base and notably the treatment of hybrid capital instruments within an institution's capital base, as well as liquidity risk management.

The new, specified financial sector's EU-level variable remuneration regulations came into effect on 1 January 2011.

## European Commission issued a proposal for the CRD IV package in July

The debate prompted by the financial crisis that began in 2008 on the need for enhancing financial regulation and supervision resulted in concrete measures within the EU between 2009 and 2011. These measures not only involve tighter capital adequacy and liquidity requirements for banks but also other measures to secure stability in the financial market and mend the problems caused by the crisis. The regulatory changes are aimed at improving the quality of the banks' capital base, reducing the cyclic nature of capital requirements and setting quantitative limits for liquidity risk. These changes are still under preparation, due to be effective between 2013 and 2019, and it is too early to predict precisely what their effects will be on markets and the banking business. In any event, the regulatory changes will considerably increase the minimum capital requirements and the need for long-term funding. As a consequence of the changes, costs of banks' equity capital and liabilities are expected to rise. Transition periods under the Basel III regulatory framework are fairly long so that the financial sector will have enough time to adapt to the changes and that the economic recovery will not be jeopardised. The financial sector will need stronger capitalisation on a global scale, which will enhance its stability.

On July 20 2011, the European Commission adopted a legislative package to strengthen the regulation of the EU banking sector. The essence of this proposal relates to the adoption of the Basel III regulatory framework, developed by the Basel Committee on Banking Supervision, within specified transition periods. Based on the proposal, the Capital Requirements Regulation (CRR) and the CRD IV will replace the existing capital requirements directives. The CRR specifies capital adequacy measurement and liquidity requirements for credit institutions and investment firms. The use of the regulation means that all of the Pillar I requirements are binding through EU legislation without its transposition in national law (maximum harmonisation). The directive, for its part, covers regulations governing the taking up and pursuit of business of banks and the provision of services, as well as supervisory review (Pillar II) and corporate governance.

The main content of the proposed CRR and CRD IV is as follows:

- Harmonising the capital adequacy measurement methods of the EU member states' banks
- Increasing the quantity and quality of bank capital, and harmonising deductions from bank capital
- In addition to the minimum capital requirement, introducing two capital buffers to secure adequate capital and reduce procyclicality: a mandatory capital conservation buffer set at the level applicable to all EU banks and a discretionary countercyclical buffer which may be set by national regulators
- Higher capital requirements for counterparty credit risk, which, for example, provides the banks with additional incentives to move the clearing of OTC derivative contracts to central counterparties
- Proposing liquidity requirements to improve financial institutions' short-term liquidity
- Supervising the minimum leverage ratio in order to limit an excessive build-up on leverage

- Strengthening the requirements for corporate governance arrangements and supervision and monitoring. Introducing new rules aimed at increasing the effectiveness of risk oversight by senior management, improving the status of the risk management and control function and ensuring effective monitoring by supervisors of risk governance (such as enhanced supervision on the basis of a specific risk assessment and sufficiency of auditing)
- New proposals on sanctions for non-compliance: regulators could apply effective sanctions, such as administrative fines or temporary bans on members of the supervised institution's management body

## Pending changes in accounting regulations

In 2011, the International Accounting Standards Board (IASB) continued its uncompleted projects to make amendments to the most significant IFRSs. At the end of 2011, it published an amended standard of financial instruments that must be applied from 1 January 2015 as against the previous date of 1 January 2013. At the end of 2011, the IASB published an amended standard, related to the uncompleted parts of the standard, regarding offsetting financial assets and financial liabilities, due to take effect on 1 January 2014. However, the project for other uncompleted parts of the standard – hedge accounting and impairment – was postponed until 2012. A new draft standard related to revenue recognition was published in 2011. The publication of new draft standards on leases and insurance contracts was postponed until 2012 and these standards are expected to take effect on 1 January 2015. All of the above amendments will have major effects on presentation and disclosure.

## Solvency II to Improve Risk Management of Insurance Companies

In the spring of 2009, the EU adopted a new, major solvency regime applying to the insurance sector. This Solvency II Directive is aimed at harmonising the regulatory framework for insurance company risk management and solvency management EU-wide. The Directive enables insurers to better take account of their risks in their solvency measurement. Coming into force on 1 January 2014, the directive will encourage the adoption of more sophisticated risk management methods.

# Capital Adequacy and Risk Exposure

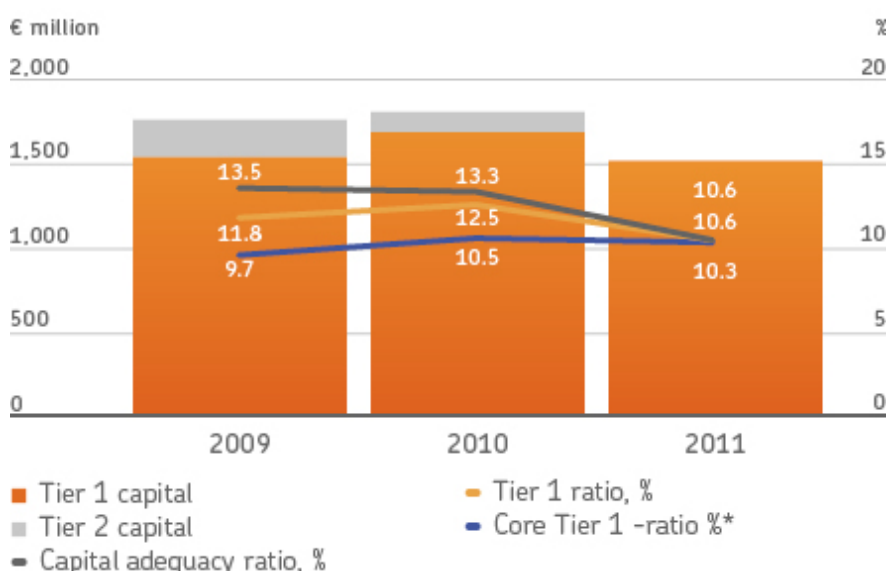
Pohjola's capital adequacy ratio stood at 10.6% (13.3) as against the statutory minimum requirement of 8%. The Tier 1 ratio was 10.6% (12.5). The decrease in the capital adequacy ratio was mainly due to the arrangements related to Tier 2 notes. Pohjola Group's Tier 1 target ratio stands at a minimum of 9.5% over the economic cycle.

## Capital adequacy and risk exposure

	2011	2010
Capital adequacy ratio, %	10.6	13.3
Tier 1 ratio, %	10.6	12.5
Core Tier 1 ratio, % *	10.3	10.5
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.41	1.71
Risk-weighted assets, € mn	14,409	13,520
Non-life Insurance solvency ratio, %	77	86

\* Tier 1 capital excl. hybrid capital in relation to total risk-weighted assets

## Capital base and capital adequacy



\* Tier 1 capital excl. hybrid capital in relation to total riskweighted assets

Tier 1 capital came to EUR 1,521 million (1,692) and the total capital base amounted to EUR 1,521 million (1,803). On 31 December 2011, risk-weighted assets (RWA) totalled EUR 14,409 million (13,520). When comparing RWAs with the comparable figures at the end of last year, they rose by 7%.

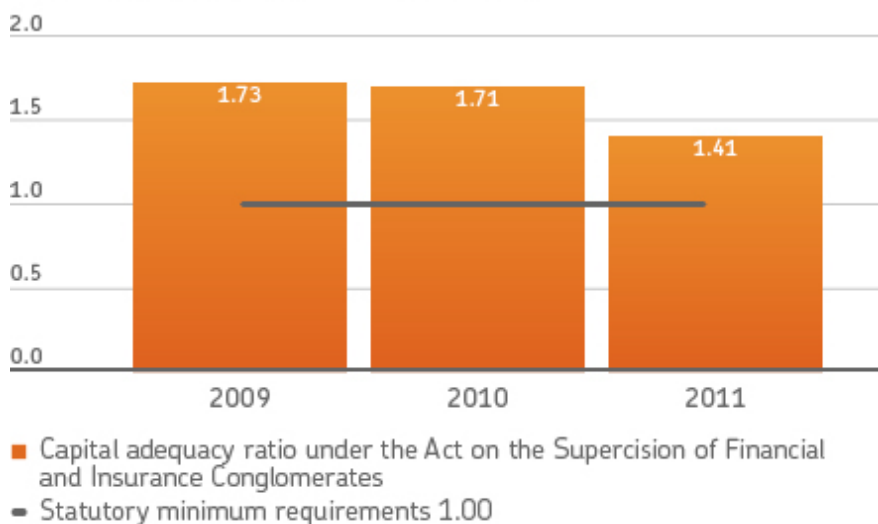
On 31 December 2011, in its capital requirement measurement Pohjola adopted the Internal Ratings Based Approach (IRBA) to retail and credit institution exposures. Since September 2008, Pohjola has had permission to use IRBA to its corporate exposures. The minimum capital adequacy requirement for market risks and operational risks is calculated using the Standardised Approach (SA).

### Exposure classes under Basel II framework on 31 Dec 2011, € million



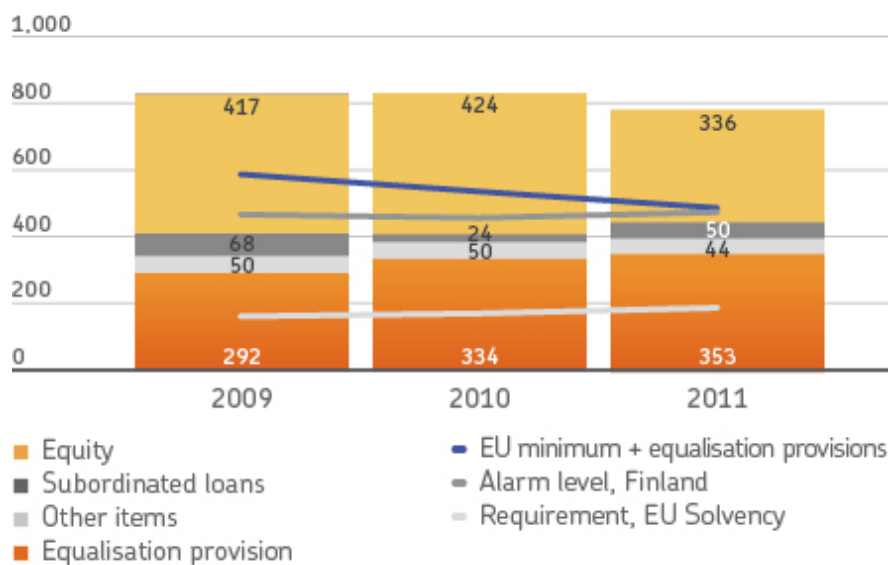
Pohjola Group belongs to OP-Pohjola Group whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. Pohjola Group's capital adequacy ratio under the Act, measured using the consolidation method, decreased to 1.41 (1.71).

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



Non-life Insurance solvency ratio stood at 77% (86).

### Non-life Insurance solvency capital and solvency ratio, € million



In the autumn of 2011, the European Banking Authority (EBA) set the minimum requirement for the Core Tier 1 ratio at 9% applying to major European banks.

In a test carried out by EBA in October, OP-Pohjola Group clearly exceeded the stricter requirements of the test, since it has a strong capital base and the risks associated with sovereign bonds are low. Calculated with the 30 June figures, OP-Pohjola Group's Core Tier 1 ratio was 11.5% in EBA's tests at the time. Pohjola's data were included in OP-Pohjola Group's capital adequacy figures.



## Major Risks

Pohjola Group's major risks include credit risk, market risks, liquidity risks and underwriting risks. Strategic and operational risks, such as changes in the operating environment, competition or customer behaviour, are also inherently related to all Group business lines.

## Financial Position and Liquidity Remained Strong

The financial and liquidity position remained strong. Short-term funding performed well but the European sovereign debt crisis has made it more difficult for banks to access long-term funding. Nevertheless, OP-Pohjola Group's funding operations have functioned as expected, despite the market conditions. Pohjola Bank plc maintains OP-Pohjola Group's liquidity portfolio, which mainly consists of notes and bonds eligible as collateral for central bank refinancing. The liquidity portfolio amounted to EUR 12.6 billion (9.5) on 31 December 2011. This liquidity portfolio plus other items included in OP-Pohjola Group's balance sheet and eligible for central bank refinancing constitute the total liquidity buffer, which can be used to cover OP-Pohjola Group's wholesale funding maturities for at least 24 months.

## Risk Exposure Remained Favourable Despite Uncertainties

The Group's risk exposure remained favourable. Impairment charges for the full year 2011 remained markedly lower than the year before. Net loan losses and impairment losses recognised for the financial year reduced earnings by EUR 60 million (104), accounting for 0.40% (0.73) of the loan and guarantee portfolio. Investment-grade exposures remained at good levels and exposures within lower credit rating categories came down. Doubtful receivables continued to remain low relative to the loan and guarantee portfolio.

The Group kept market risks moderate throughout the financial year.

In addition to market risks associated with investment, a reduction in the discount rate for technical provisions related to Non-life Insurance pension liabilities and a change in technical provisions arising from increased life expectancy affected Non-life Insurance's risk exposure.

There is still great uncertainty about the economic outlook and the operating environment. A major risk that may undermine the economic outlook is the exacerbation of the fiscal crisis in certain euro countries. The crisis with its repercussions may have a significant impact on the entire financial sectors operating environment.

## Regulatory Changes

As a result of the financial crisis, the regulatory framework for banks' capital and liquidity requirements is becoming significantly more rigorous. The regulatory changes are aimed at improving the quality of their capital base, reducing the cyclic nature of capital requirements and setting quantitative limits to liquidity risk. These changes are still under preparation, due to be effective between 2013 and 2019, and it is too early to predict precisely what their effects will be. From Pohjola Group's viewpoint, the most significant changes in the new regulations are related to allowances for insurance company holdings and liquidity risk requirements whose treatment will most likely to be finalised only in national legislation.

# Comprehensive Financial Services Close to Customers

Pohjola Group provides its corporate and institutional customers with a diverse range of banking, non-life insurance and asset management services, and private individuals with an extensive range of non-life insurance and private banking services. OP-Pohjola Group's member cooperative banks provide banking services for private customers.

We boast Finland's largest group of banking, non-life insurance and asset management professionals with strong expertise and consistent practices aimed at ensuring the best service. Together with OP-Pohjola Group member banks we promise our private customers the best loyal customer benefits, with OP bonuses at the core. Loyalty and partnership benefits strengthen customer retention.

We operate through the most extensive branch network in Finland and also provide our customers with high-quality electronic services. We provide companies with our international services in cooperation with our foreign partners.

## Listening to customers – key to innovative and modern solutions

We make decisions at local level close to our customers, and our service is prompt, flexible and consistent. We know our customers and their needs, which enables us to find the most suitable solutions for them and anticipate risks.

We serve our customers through a shared customer relationship management organisation shared by Banking and Non-life Insurance, in which customers are divided into major corporate and institutional customers, and private customers and corporate customers.

Through this organisation, we aim to understand our customers' needs and businesses better and seek more customer-focused operations in the provision of comprehensive financial services.

When it comes to major corporate and institutional customers, we place particular emphasis on teamwork and the search for innovative solutions in an unconventional way. We create added value to our customers by customising services on the basis of their business needs.

We have deepened our cooperation in services for private and corporate customers with OP-Pohjola Group member cooperative banks and in services for SMEs with Helsinki OP Plc. We have lately reinforced product and service expertise in our regional organisation and, through this cooperation, all our expertise is available to customers throughout Finland. We are in highly intense cooperation with OP-Pohjola Group member banks in sales of insurance policies to private customers.



# Banking

- Corporate loans hit an all-time high market share in euro terms.
- The Estonian branch started its operations.
- Pohjola Bank plc was chosen as the primary intermediary of the Finnish state's payment transfers as of 1 December 2012.
- Pohjola joined European Securities Network LLP (ESN), a multi-local partnership of banks and brokerage firms.

Pohjola's long-term approach to customer relationships in a more difficult market situation has reinforced Pohjola's role in services for Finnish corporate and institutional customers. The effects of the European sovereign debt crisis on Banking have remained limited while reduced impairment losses have also supported the segment's financial performance.

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

International service capabilities will play a key role in the development of Banking business in the next few years, and our service provision in international markets is strongly built on our partnership strategy. This cooperation ranges from payment transfers to strategic partnerships.

## Key figures and ratios

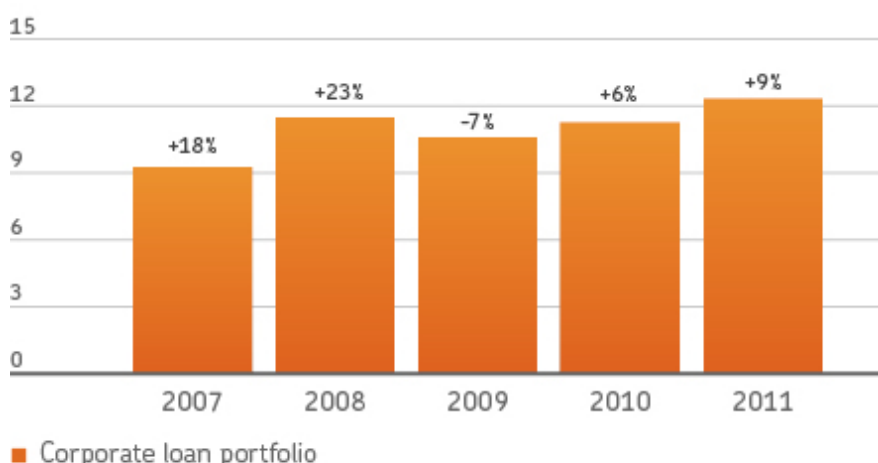
	2011	2010
Earnings before tax, € mn	198	133
Loan and guarantee portfolio, € bn	14.9	14.0
Margin on corporate loan portfolio, %	1.34	1.36
Impairments of receivables as percentage of loan and guarantee portfolio, %	0.33	0.75
Operating cost/income ratio, %	35	35
Personnel	748	657

## Market review

The combined corporate loans of financial institutions in Finland totalled EUR 60.4 billion at the end of 2011. Finnish companies have financed their business by issuing bonds and commercial papers worth around EUR 28.9 billion in capital markets (September 2011) and pension insurers have lent EUR 9.2 billion to the corporate sector (September 2011).

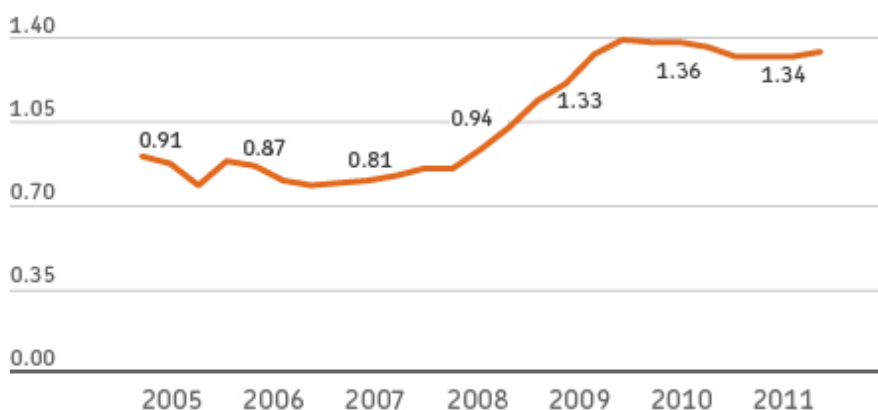
Although market uncertainty in 2011 cramped demand for corporate loans, the corporate loan portfolio grew by 9% over the previous year. Although corporate capital spending is still weak, greater demand for working capital explains the growing willingness to borrow, thanks to growth in output.

### Corporate loan portfolio and changes to it, € billion



The average corporate loan margin decreased in the first half of 2011 but levelled off towards the year end. Due to the market situation and regulatory changes, margins are expected to rebound. Corporate lending rate margins varied depending on the risk level involved, i.e. the difference of financing costs widened between companies with a good credit score and those with a bad one. Low interest rates continued to keep corporate financing costs exceptionally low.

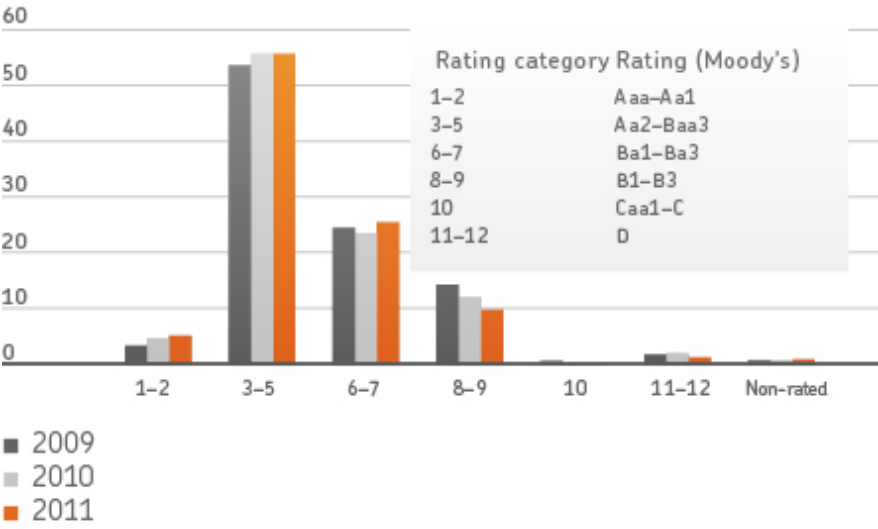
### Average margin on corporate loan portfolio, percentage points



Due to highly volatile bond markets, some investors have shied away from notes and bonds as investment instruments. However, many companies have shown considerably greater willingness to use derivatives in order to hedge their liabilities and receivables.



Corporate exposure by rating category, %



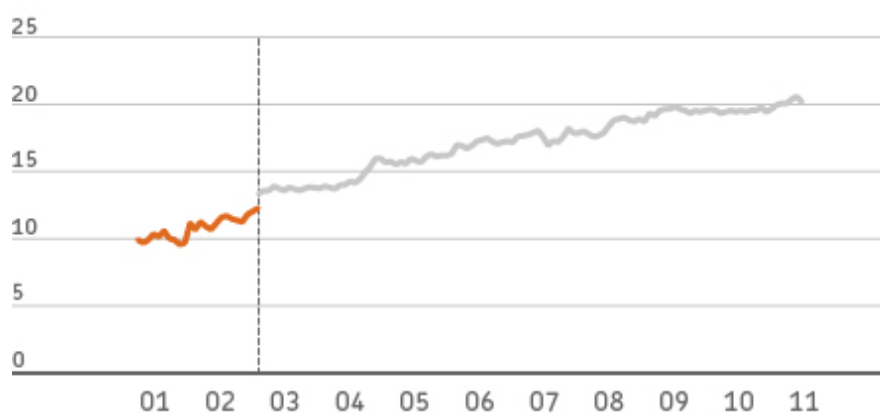
## Market position

Pohjola accounted for 20.2% of the market share of corporate loans and the entire OP-Pohjola Group for 29.3% of the market share of corporate and institutional loans. We rank second as the main bank used by large Finnish corporations (survey by SFR).

Finnish corporate customers have appreciated our dedicated commitment to funding for domestic companies. Our strong capital base and high expertise have contributed to our stronger position for instance as an arranger of Finnish companies' syndicated loans. In 2011, the market for syndicated loans was lively in Finland, and these loans involve a remarkable refinancing potential in the years to come too.

Despite the difficult equity and debt capital market environment, we strengthened our market position as the arranger of equity and debt financing.

### Market share of corporate loans\*, %

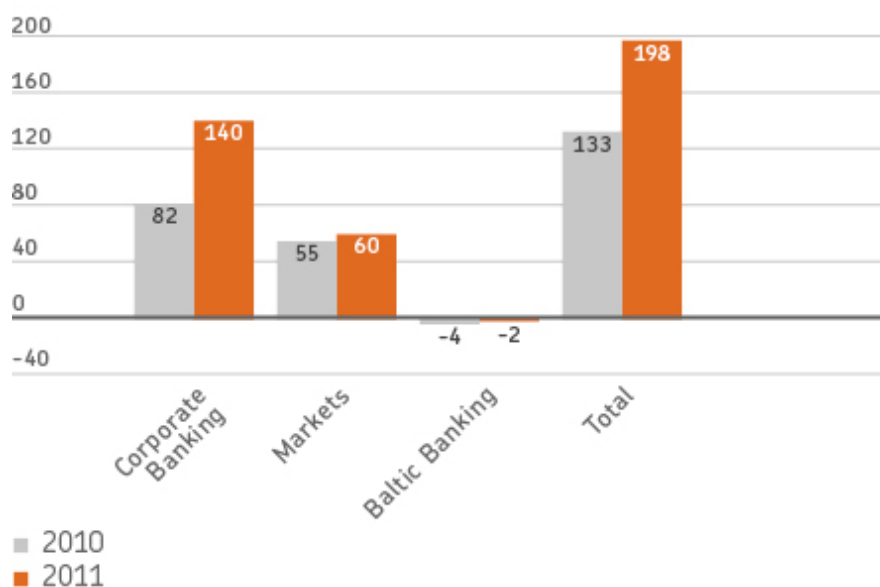


\* Until the end of 2002, the corporate loan portfolio of deposit banks, since 2003 the proportion based on a new statistical basis of the Bank of Finland.

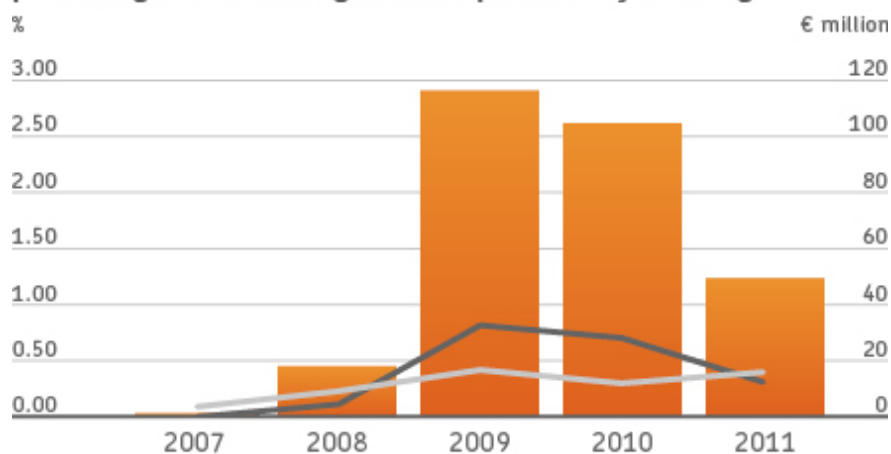
# Year 2011

Banking showed a year-on-year improvement in its financial performance, because our corporate loan portfolio grew at a rate above the market average and impairment charges were lower than the year before. We also continued to strengthen our position in the market for syndicated loans. Our customer-focused capital markets business remained strong and Markets reported earnings that were at somewhat the previous year's level. As a result of the greater economic uncertainty, income from trading fell during the latter half in particular.

## Earnings before tax by division, € million



## Impairments of receivables and doubtful receivables as percentage of loan and guarantee portfolio by Banking



- Impairment charges, € million
- Doubtful receivables as percentage of loan and guarantee portfolio, %\*
- Impairments of receivables as percentage of loan and guarantee portfolio, %

\* Method of calculation changed in Q4/11; previous data of 2009 and 2010 were adjusted to correspond to the present method.

## Earnings by Banking

€ mn	2011	2010
Net interest income	238	199
Net commissions and fees	97	93
Net trading income	18	47
Other income	31	29
<b>Total income</b>	<b>384</b>	<b>368</b>
<b>Total expenses</b>	<b>136</b>	<b>130</b>
Earnings before impairments of receivables	248	238
Impairments of receivables	49	105
Earnings before tax	198	133

## Pohjola's Tallinn Branch Opens its Doors



### Pohjola's Tallinn branch opens its doors

On the opening day of Pohjola's Tallinn branch, guests are received by Reima Rytsölä, Senior Executive Vice President, Banking; Arja Jurmu, Country Director, Estonia; and Jorma Alanne, Executive Vice President, Baltic Banking.

Pohjola expanded its services in the Baltic region in spring 2011 by opening a branch office in Tallinn engaged in providing banking services for corporate customers.

Pohjola has run finance-company business in all of the three Baltic countries for several years now. Its service range has included an extensive range of finance lease services plus non-life insurance services through its Seesam subsidiaries for some two decades.

Pohjola changed its representative office in Estonia to a branch office in 2010 and launched corporate customer services in 2011. The new services provided by Pohjola in the Estonian market encompass payment and liquidity management as well as working capital finance and investment financing.

- We want to serve our current customers in the Estonian market too. We are also targeting our services at local mid-size and large companies. Customer focus, flexibility and speed number among our assets – we build our customer relationships on a long-term basis, based on in-depth knowledge of customer needs and close interaction, explains Arja Jurmu, Country Director of Estonia.

More than 3,000 Finnish companies are actively operating in Estonia. Estonia's adoption of the euro in January 2011 increased Finnish companies' appetite for investment in Estonia while Estonian businesses too are showing growing interest in investing in Finland.

### Successful year in a highly competitive market

The Tallinn corporate branch office's first year of operation can be considered a success. Despite tough competition for corporate customers between banks, Pohjola performed well, achieving its targets in Estonia in 2011. Its corporate awareness has increased quickly and feedback based on a customer satisfaction survey has been positive. In 2011, Pohjola won several contracts for financing projects, such as that for the Tallinn Airport and Tartu University, and entered into a financing arrangement with Eesti Energia.

Enabled by the new branch office, Pohjola and OP-Pohjola Group member cooperative banks can provide their corporate customers in Estonia with payment and cash management services. According to Jurmu, Group member banks have also increasingly become conscious of the availability of Pohjola's services in Estonia.

During 2012, Pohjola will extend the range of services provided by its Estonian branch office. In addition, Pohjola and Seesam will intensify cooperation in financial and insurance services when they adopt a shared sales concept, for example.

# Business divisions

## Corporate Banking

Corporate Banking provides financing, payment transfer and cash management services, and financing services for foreign trade. It grants, for example, loans and guarantees and provides leasing and factoring services.

We aim to be the leading corporate bank in Finland and diversify our services as a provider of payments and cash management services in particular. As provider of these services, we have been successful in attracting new customers, which provides good opportunities to develop this business further. We have also strengthened our position as a provider of financing for foreign trade.

In November, Pohjola Bank plc was chosen as the primary intermediary of the Finnish state's payment transfers, the seven-year contract period beginning on 1 December 2012. Previously, Pohjola acted as a secondary intermediary.

Our strengths lie in our domestic services for Finnish customers and our strong international partner network. We are making dedicated efforts to develop our banking services for corporate customers in the fast-growing BRIC markets, i.e. Brazil, Russia, India and China. Our representative office in St. Petersburg tracks the local market and helps to upgrade the range of banking services and enhance the service network.

Euroalueen talousnäkymät vuonna 2012 ovat heikot, mutta erot maiden välillä ovat verrattain suuria. Inflaatio hidastuu keskuspankin tavoitteen tuntumaan. Vuonna 2012 Euroopan keskuspankki tukee edelleen talouden kehitystä lisäämällä markkinoiden likviditeettiä poikkeuksellisen pitkällä operaatioilla. Lisäksi se jatkaa valtion lainojen ostoa. EKP:n toimet pitävät euribor-korot poikkeuksellisen matalalla vuonna 2012.

## Markets

The Markets division's services range from money, foreign-exchange, equity, commodity to debt-capital market products plus the related services.

We aim to be the most preferred partner in the Finnish capital market while seeking growth in the derivatives business in particular by expanding our product range and utilising various sales channels. The derivatives business forms one of the Group's strategic priorities, given that companies are increasingly utilising derivatives in an effort to hedge against interest rate risks, foreign exchange risks and other price risks.

Pohjola aims to increase equity brokerage, and sales of money-market and foreign-exchange products while enhancing its position as the arranger of share issues and other issues for Finnish companies and as a financial advisor in mergers and acquisitions.

In 2011, Pohjola Bank plc joined the European Securities Network LLP (ESN) partner network which is an independent, multi-local partnership of banks and brokerage firms. The network provides its customers with European-wide equity research and trading. Through ESN, we may sell European equities to our clients as a new product while ESNs extensive institutional client base obtains a European-wide distribution channel for Finnish equities.

Our cooperation with Citibank in international custody and clearing services has diversified the range of our products and services. This cooperation has also enabled us to win new international customers.

Pohjola Corporate Finance Ltd, a Pohjola Group subsidiary providing services for share issues, equity sales and corporate transactions, acts as a consultant in the field of securities-based financing solutions and various corporate transactions.

## Baltic Banking

The range of our banking services in the Baltic States is the widest in Estonia where corporate customers can enjoy a diverse range of services. Our Estonian branch office launched its customer services in 2011 and its business is growing strongly thanks to brisk demand for payment services in particular.

In the other Baltic States, Pohjola provides corporate customers with finance-company products and other financing. Corporate leasing and factoring solutions provided by Pohjola Finance form the core of our Baltic Banking operations in

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Latvia and Lithuania. We will continue to further develop our Baltic Banking business in the next few years and also aim to open branch offices in Latvia and Lithuania during 2012.



## Major international partnerships

Pohjola aims to cooperate with foreign banks which have established a firm foothold in their markets, boast the best expertise in local business and banking and have the best opportunities to provide corporate customers in these markets with services that meet their needs. Pohjola has agreed with its partner banks on mutual customer referrals, cooperation in trade finance and international payment services provided for Finnish companies which are engaged in foreign trade or plan to operate at local level.

Our partner banks abroad are as follows:

- Raiffeisen Bank in Russia
- ICICI Bank Limited in India
- Bank of China in China
- Banco Itaú in Brazil

## Unico Banking Group

Pohjola is a member of the Unico Banking Group, a group of European banks with a cooperative background and origin. The Unico cooperation focuses on the development of payment transfer and cash management services, and international capital market, financing and leasing services for corporates. All Unico member banks are leaders in their respective markets and the branches of these member banks form an extensive international service network which also serves as a service channel for our corporate and institutional customers. Unico member banks include Crédit Agricole in France, DZ BANK in Germany, Rabobank in the Netherlands, RZB Group in Austria and ICCREA Holding in Italy.

## Key value drivers

- Growth in the loan and guarantee portfolio
- Quality of the loan and guarantee portfolio, and impairment charges
- Level of margins and commissions/fees
- Trading volumes in Markets
- Cost-efficiency

# In focus

## Improving and extending services

### Solutions that go beyond traditional product lines

We seek to better understand our customers' needs and business and to enhance customer focus, with a view to creating innovative solutions that go beyond traditional product lines, according to customer needs. Such service solutions form a significant distinguishing factor and competitive advantage to us.

### Improving service capabilities

Pohjola Banking will improve its service capabilities and job productivity by upgrading its general systems. In addition, enhancing eService capabilities will number among the top priorities. Fast and convenient services will further improve customer processes and customer satisfaction with our services.

### Developing business in the Baltic countries

Our Estonian branch office launched its customer services in 2011 and its business is growing strongly thanks to brisk demand for payment services in particular. We will continue to further develop our Baltic Banking business in the next few years and also aim to open branch offices in Latvia and Lithuania during 2012.

### Internationalising the brokerage business

In 2011, Pohjola Bank plc joined the European Securities Network LLP (ESN) partner network which is an independent, multi-local partnership of banks and brokerage firms. Through ESN, we may sell European equities to our clients as a new product while ESNs extensive institutional client base obtains a European-wide distribution channel for Finnish equities.

## Q&A: Reima Rytsölä, Senior Executive Vice President, Banking

### What strategic goals has Pohjola set for Banking?

Good profitability and a stronger market position represent our goals within Banking. The long-term profitability target measured by the operating cost/income ratio stands at less than 40%. Our goal is to be the leading corporate bank in Finland and the leading service provider in the capital market. We aim at market leadership as a bank for large corporate customers and, together with OP-Pohjola Group member banks, as a bank for SMEs. As an arranger of financing in the capital market, we aim at the leading market position in Finland.

### What are the tools that Pohjola will use to achieve these goals?

We seek to occupy the position of the main bank among our customers by providing them with comprehensive solutions fulfilling all of their needs for banking and insurance services. We make decisions locally close to our customer and we know our customers and their needs, which enables us to find the most suitable solutions for them and anticipate risks.

### What is your promise to Banking customers?

Our competitiveness is built around skilled employees, consistent service based on a long-term approach and around cost-efficiency. We are committed to our customers on a long-term basis. We are there for our customers through thick and thin.

### What are the components of great customer experience?

Genuine added value received by the customer. We help our customers to succeed and develop their business further.

# Non-life Insurance

- Pohjola Insurance Ltd is on a strong growth path. The number of its 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.
- Insurance premium revenue rose by 6% to over one billion euros.
- Customer service, claims services and the well-being-at-work business hired a total of almost 300 new employees.
- Non-life Insurance is continuing with improvements in its claims services. In 2011, the number of loss reports received by Pohjola totalled 420,000, representing a year-on-year increase of 30,000.
- Pohjola Insurance Ltd will found a hospital in Helsinki for outpatient surgery, specialising in the examination and treatment of orthopaedic diseases and injuries. It will begin to operate in early 2013.

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.
- A-Insurance Ltd is a specialist in policies for commercial transport
- Eurooppalainen Insurance Ltd 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.

## Key figures and ratios

	2011	2010
Earnings before tax, € mn	8	83
Combined ratio, %	97.7	96.6
Operating combined ratio, %	89.8	89.7
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 the non-life insurance market of the Baltic countries, the combined premiums written in 2011 amounted to an estimated EUR 750 billion, or at somewhat the same level as a year ago.

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.

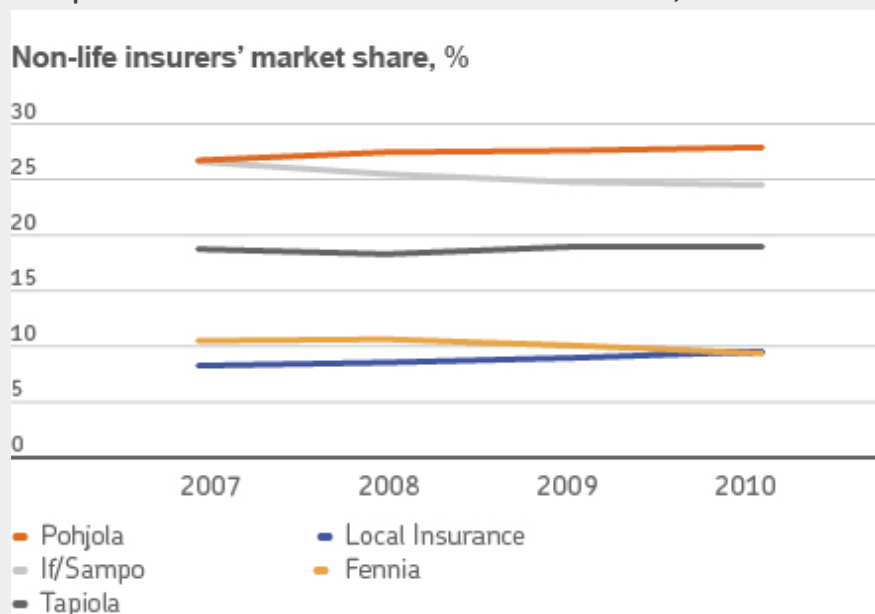
The number of loyal customer households using Pohjola as their main insurer increased by over 42,000, totalling more than half million at the end of 2011. Up to 66% of these customers use OP-Pohjola as their main bank.

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.

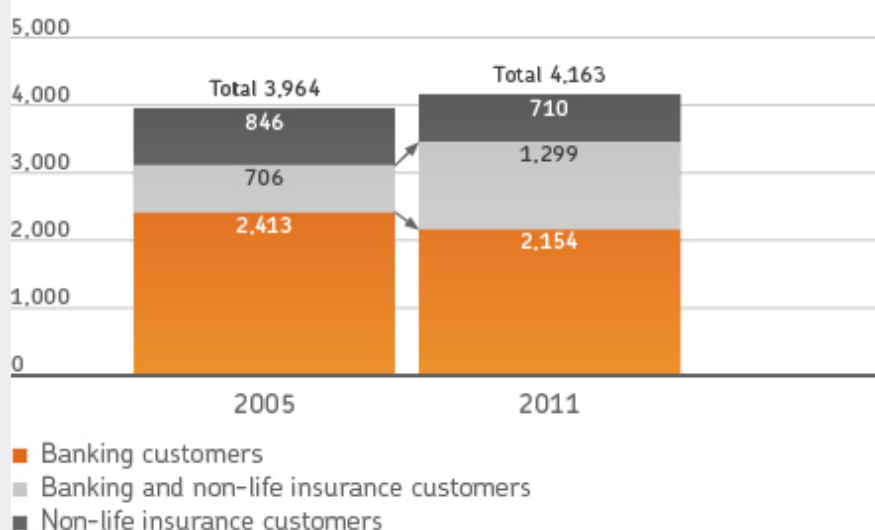
Our strategic goal is to continue to strengthen our position as a non-life insurer in all of our customer segments in Finland and in the non-life insurance market in the Baltic region.

Graph: Non-life insurers' market share, %



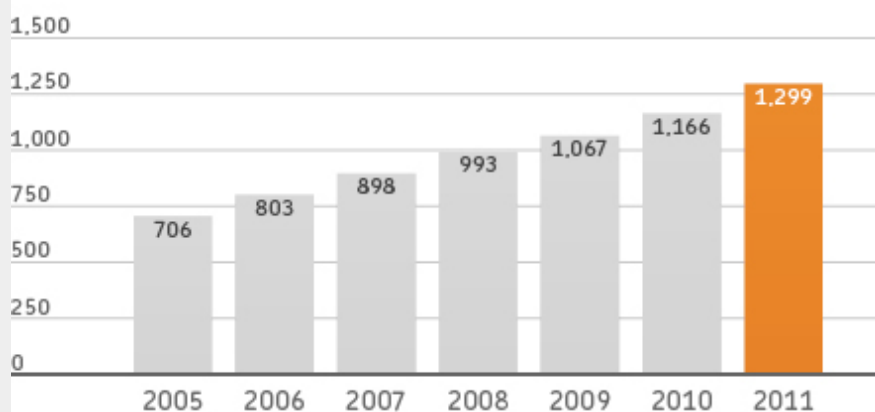
## Graph: OP-Pohjola Group's customer potential, 1,000 customers

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



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

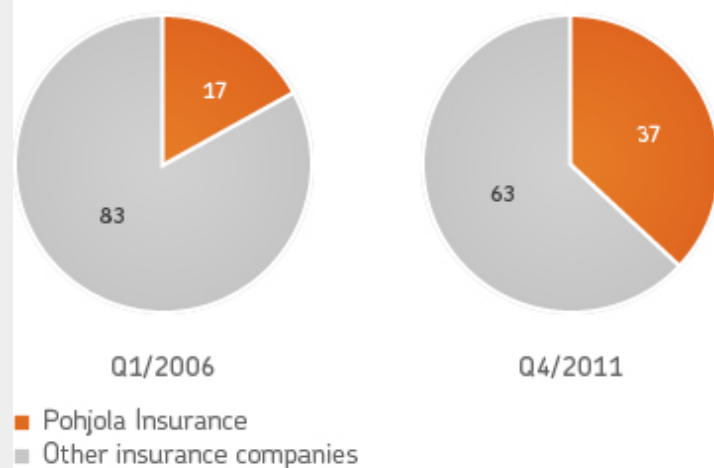
OP-Pohjola Group's joint banking and non-life insurance customers, 1,000 persons





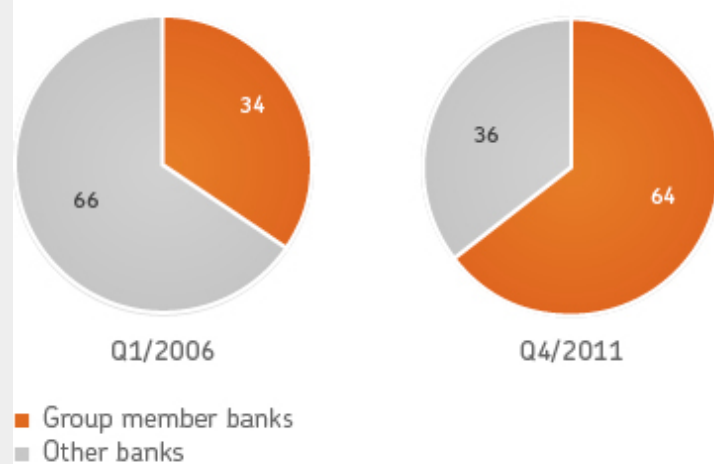
### Graph: OP-Pohjola Group member bank customer and their main non-life insurer, %

**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

# 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.

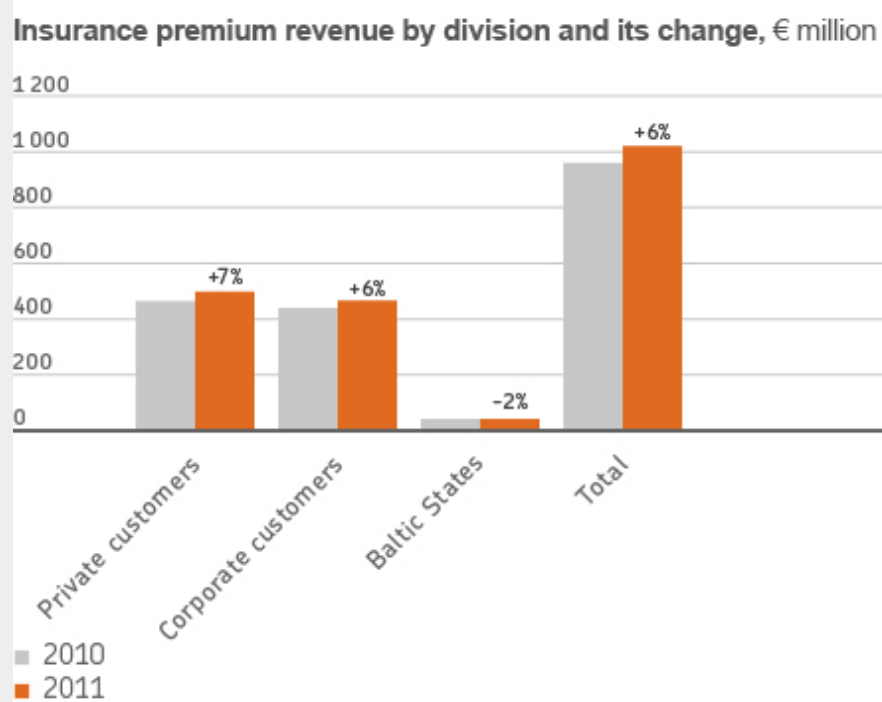
By and large, claims expenditure in the insurance business continued to grow markedly faster than premiums written. Slower economic growth is nevertheless expected to offset the growth in claims expenditure in relation to that in premiums written.

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.

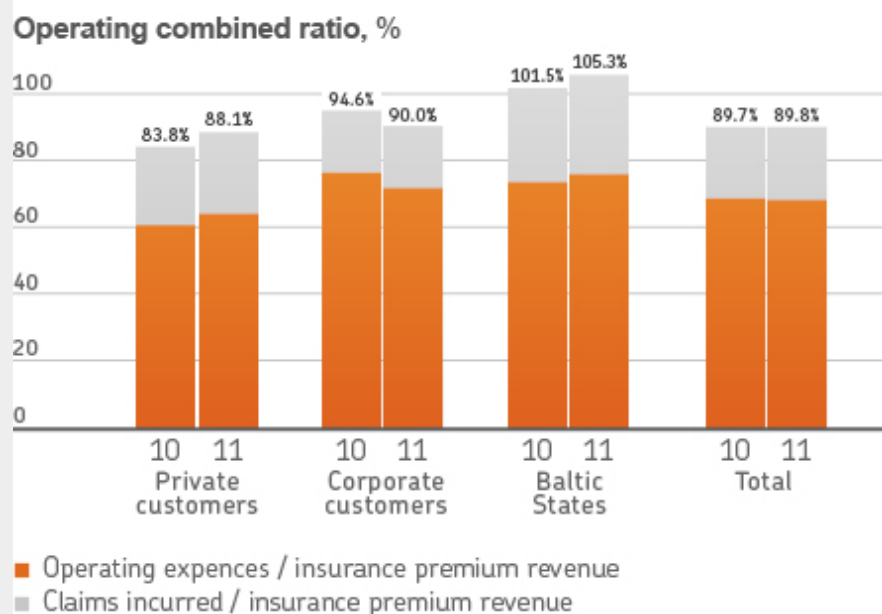
## Earnings by Non-life Insurance

€ mn	2011	2010
Insurance premium revenue	1024	964
Claims incurred	-754	-694
Operating expenses	-223	-205
Amortisation adjustment of intangible assets	-22	-31
Balance on technical account	24	33
Investment income and expenses	36	87
Other income and expenses	-52	-37
Earnings before tax	8	83
Earnings before tax at fair value	-39	139

Graph: Insurance premium revenue by division and its change, € million

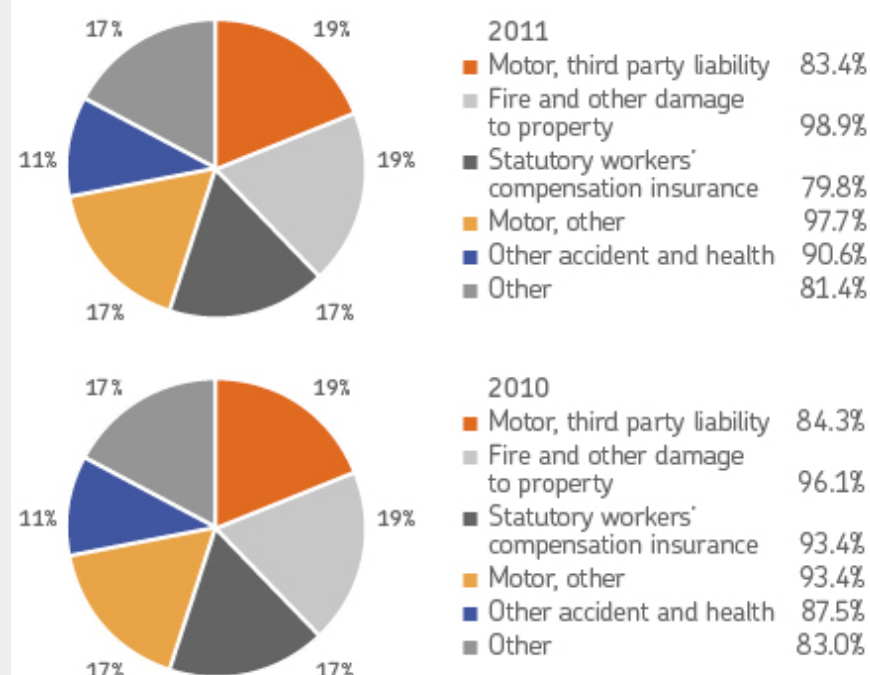


Graph: Operating combined ratio, %



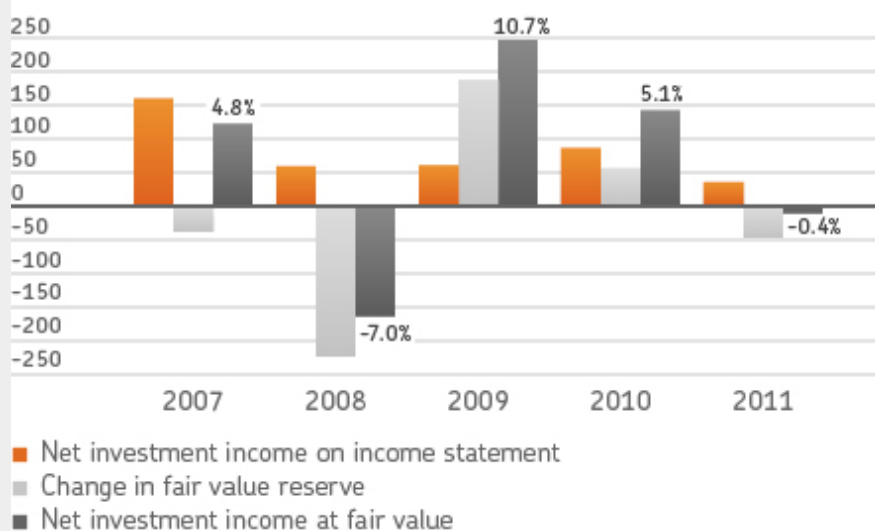
Graph: Operating combined ratio by insurance line, %

## Operating combined ratio by insurance line, %



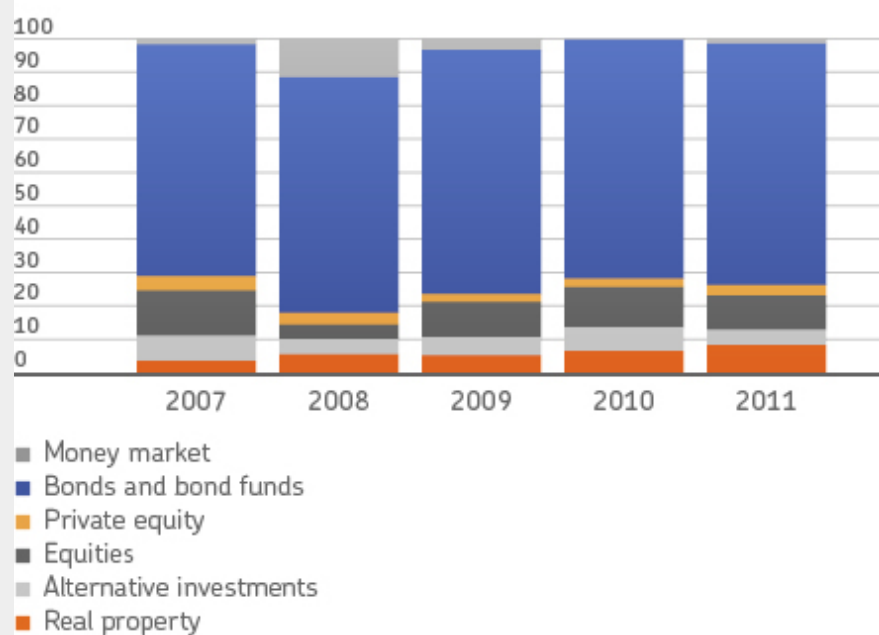
Graph: Net investment income and change in fair value reserve, € million

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



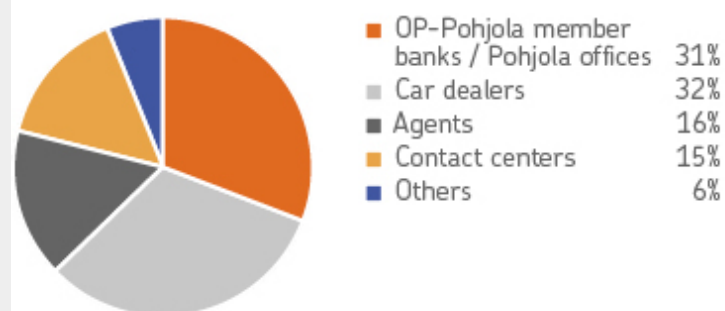
Graph: Investment portfolio allocations, %

Investment portfolio allocations, %



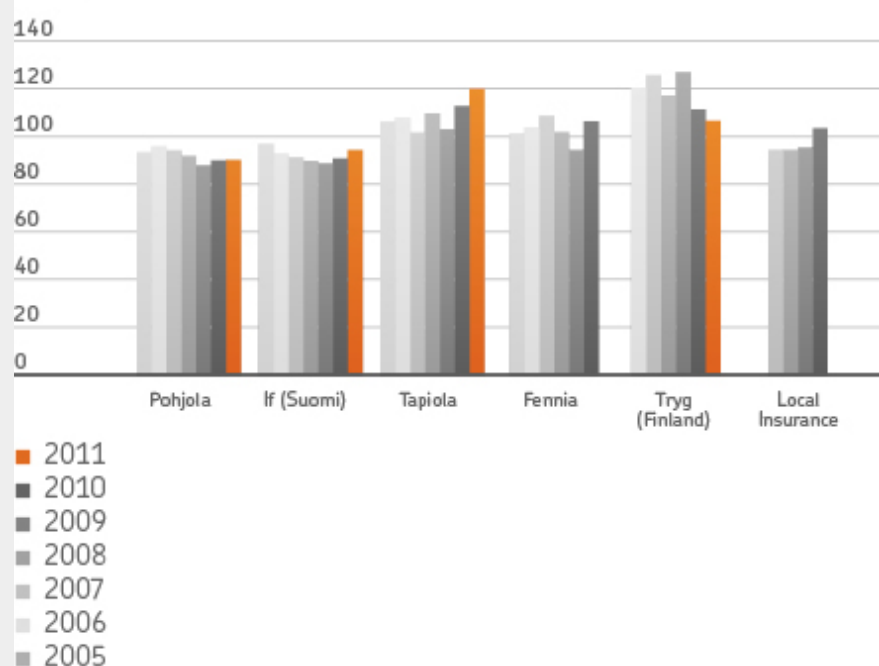
Graph: Non-life Insurance sales channels for private customers, %

Non-life Insurance sales channels for private customers , %



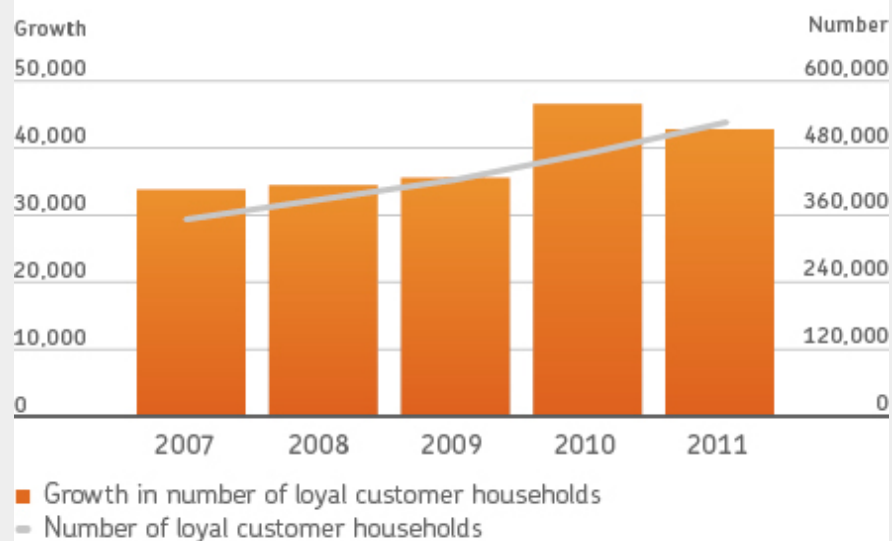
Graph: Profitability of Finnish insurance companies  
2005–11, combined ratio, %

Profitability of Finnish insurance companies 2005–11, combined ratio, %



Graph: No. of loyal customer households

No. of loyal customer households



# Business Divisions

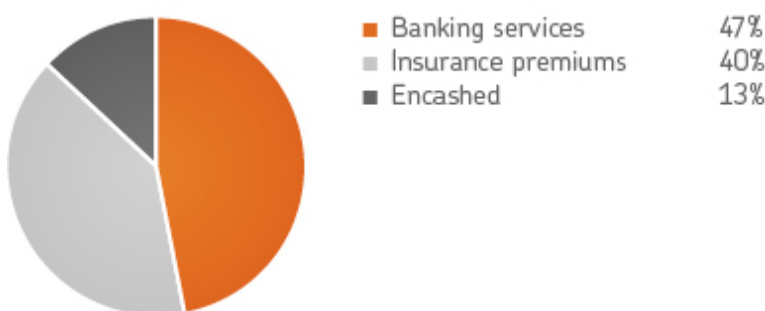
## Private Customers

Using OP-Pohjola as the main insurer and bank brings the best benefits to customers. These customers enjoy the convenience of one-stop shopping for insurance and banking services and earn OP bonuses. OP bonuses earned from banking transactions and home, family and motor vehicle insurance premiums can be used to pay banking service charges and insurance premiums.

In 2011, OP bonuses were used to pay 1,391,000 insurance bills, with 209,000 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 66 million.

We have telephone service and an extensive range of online services for our private customers. At pohjola.fi, they can file loss reports and track the status of their insurance claims, buy non-life policies and update their insurance cover. Moreover, banking and insurance services are available from more than 300 OP-Pohjola Group member bank branches across Finland.

### Use of bonuses, %



## Corporate Customers

An extensive range of diverse risk management services, services related to employee pension provided by Ilmarinen Mutual Pension Insurance Company, proactive loss prevention and safety consultancy services play a key role in our service concept for corporate customers.

When it comes to international insurance for customers, our international service network offers insurance and risk management services all around the world, based on in-depth knowledge of local conditions. Royal & SunAlliance, which is a world leading non-life insurer operating through its network in over 135 countries, has been our partner for over 30 years.

In order to mitigate risks, we reinsure all of the greatest individual risks and the risk accumulation that may arise from catastrophes. For risk diversification purposes, we have entered into partnership with almost 50 reinsurers. All of these reinsurance partners have at least A rating category affirmed by S&P.

## Baltic States

The Pohjola-owned Seesam company provides its customers with services on a local basis and comprehensive insurance coverage in Estonia, Latvia and Lithuania. Seesam also sells its insurance products through other distribution channels, such as banks, brokers and its agents. Our market share averages 6% in the Baltic countries, which we are determined to increase.

In the Baltic countries' non-life insurance market, the combined premiums written amounted to an estimated EUR 750 million in 2011. Considering that the Baltic countries are still characterised by a low ratio of premiums written to GDP, there is a market for a more extensive range of policies offered to customers now that the market has begun to pick up.

## Claims settlement

In claims settlement, we continued to develop a new operating model and a new claims system that supports the model. Claims services' aim is to provide the best customer service experience in the industry.

Last year we recruited 100 new claims services employees, the number of the claims services staff now totalling 740.

In 2011, the number of loss reports filed by customers amounted to 420,000, representing a year-on-year increase of 30,000. Claims services experienced a busy year because of the challenging weather conditions early in the year and the storms late in the year.

Our extensive partner network enables efficient claims services. We have entered into partnership with firms representing over 20 industries, such as healthcare services providers, car repair shops, building firms and household appliance retailers.

## Wellbeing at work

At the beginning of 2011, Pohjola branched out into the wellbeing-at-work business by establishing Pohjola Health Ltd which provides corporate customers with wellbeing-at-work analyses and expert services in the management and measurement of employee wellbeing.

Pohjola Health's team of experts in charge of customers' employee wellbeing development boasts diverse skills and experience in HR management, occupational healthcare, financial analyses and non-life and pension insurance.

In May, we acquired Excenta Ltd, a leading strategic corporate wellness services provider in Finland, to reinforce our expertise in the new business. This acquisition extended the range of services for corporate customers and brought 30 wellbeing and wellness experts to Pohjola Health. Pohjola Health and Excenta merged at the beginning of 2012.

It is estimated that demand for employee wellbeing enhancement services will grow vigorously in Finland in the next few years.



## Case: Fire Ruined a Department Store



A fire ruined the Hong Kong department store in Vantaa but business interruption insurance enabled continued business.

A fire was detected in the downstairs warehouse of the Hong Kong department store in Vantaa at 4 pm on the day before Christmas eve in 2010. Flames were already running rampant around the room. At that time, there were 200 Christmas shoppers on the premises. The customers and staff were safely evacuated with no one being injured.

The fire spread quickly from the warehouse to the actual outlet. Fire fighters' work was made difficult by fireworks in stock and extremely cold weather (minus 25 degrees Celsius) that froze machines and fire hoses.

Some three hours after the fire was detected the department store was completely destroyed, resulting in financial losses of around 12 million euros.

### Business interrupted?

The store chain's importing company and central administration were also housed within the same building as the department store. Information and computer equipment vital to the chain's business continuity could be salvaged but everything else was destroyed.

Business interruption insurance enabled the importing company and central administration to operate almost normally on temporarily rented and furnished office premises with ICT connections. The business interruption insurance also provided business income protection.

– We have extensive policies with Pohjola, which is why we did not incur losses. The entire process from inspection to compensation went extraordinarily smoothly. In every way, we are very pleased with Pohjola's fast and professional claims service, says Matti Vassinen, Managing Director of Hong Kong Import LTD.

Pohjola compensated the building's owners for the damaged building that was rented for the department store. In addition to the 2-million-euro compensation paid under the business interruption insurance, Hong Kong received around 2.5 million euros in compensation for damaged property.

## 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.

## Key Value Drivers

- Growth in insurance premium revenue
- Risk selection and pricing
- Promptness, quality and efficiency of claims settlement
- Net investment income
- Cost-efficiency

## In Focus

Pohjola Insurance Ltd will found a hospital in Helsinki for outpatient surgery, specialising in the examination and treatment of orthopaedic diseases and injuries. It will begin to operate in early 2013.

Mr. Harri Aho will act as the company's Managing Director, and Mr. Markus Torkki, M.D., will take up his duties as the hospital's Chief Medical Officer in early September. The operating theatre capacity of the new hospital is planned to accommodate annually some 7,000 outpatient surgeries.

Partnership with Omasairaala will supplement Pohjola Insurance Ltd's partner network of 160 medical centres and hospitals currently in charge of the treatment of Pohjola Insurance Ltd's customers' diseases and injuries.

Omasairaala's orthopaedic services will be available to everyone, and we will not limit the access to hospital services only to Pohjola Insurance's customers.

# Q&A: Jouko Pölönen, President, Pohjola Insurance Ltd

## 1. What strategic goals has Pohjola set for Non-life Insurance?

Pohjola Insurance Ltd is on a strong growth path. At the moment, we are Finland's leading non-life insurer and our objective is to remain so. Our strategic goal is to grow at a rate above the market average and maintain good business profitability.

## 2. What are the tools that Pohjola will use to achieve these goals?

Pohjola Insurance Ltd is a Finnish company that knows its customers. Our customers are at the heart of our operations, and we are continuously improving our products and services to meet our customers' needs. Thanks to the most extensive service network in Finland, we are also close to our customers.

OP-Pohjola Group has almost 4.2 million customers, of which some two million have taken out non-life insurance policies with Pohjola. This presents huge growth potential.

## 3. What is your promise to non-life insurance customers?

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.

## 4. What are the components of a great customer experience?

A great customer experience is built on customer needs and the best solutions to meet those needs. We know our customers and provide them with personal service. Ease of use, promptness and reliability of our services are at the core of our operations. And we keep our promises.

# Asset Management

- The positive capital market mood turned sour in the summer and early autumn when the European sovereign debt crisis escalated. Low-risk government bonds and corporate bonds were virtually the only asset classes that delivered positive returns during the reporting year.
- Faced by the challenging market situation, Pohjola Asset Management strengthened its market position as Finland's leading institutional asset manager.
- Asset Management established a subsidiary to be responsible for offering Smart Order Routing (SOR) services.
- Last year saw significant efforts to develop portfolio management and risk management further: Asset Management adopted a new investment risk management system and recruited more experts in portfolio management and risk management.
- The operating cost/income ratio dropped below the strategic target (<50%) to 49%.

Pohjola Asset Management is a trusted domestic asset manager and the leading player in Finland. Its 150 investment management experts manage assets, worth some EUR 31 billion, of institutions, wealthy private individuals and families, and OP-Pohjola Group's mutual funds. The Asset Management business line comprises Pohjola Asset Management Ltd, Pohjola Asset Management Execution Services Ltd, Pohjola Property Management Ltd and the associated company Access Capital Partners Group SA.

Our own portfolio management covers euro-denominated fixed-income investments and European equities (including Eastern European and Russian), and we also make asset allocation decisions ourselves, or choices of how investments are distributed among asset classes. Using our in-house trading team in equity trading provides our clients with price and return benefits. In addition, we cooperate with many high-profile international investment management firms.

In addition to conventional fixed-income and equity asset classes, Pohjola Asset Management has its own Hedge Fund, Property and Private Equity teams. These teams have a total of over 60 portfolio managers and analysts, most of them being based in Helsinki, and the resulting information flow and intense teamwork form the key basis of our success in investment operations.

## Key figures and ratios

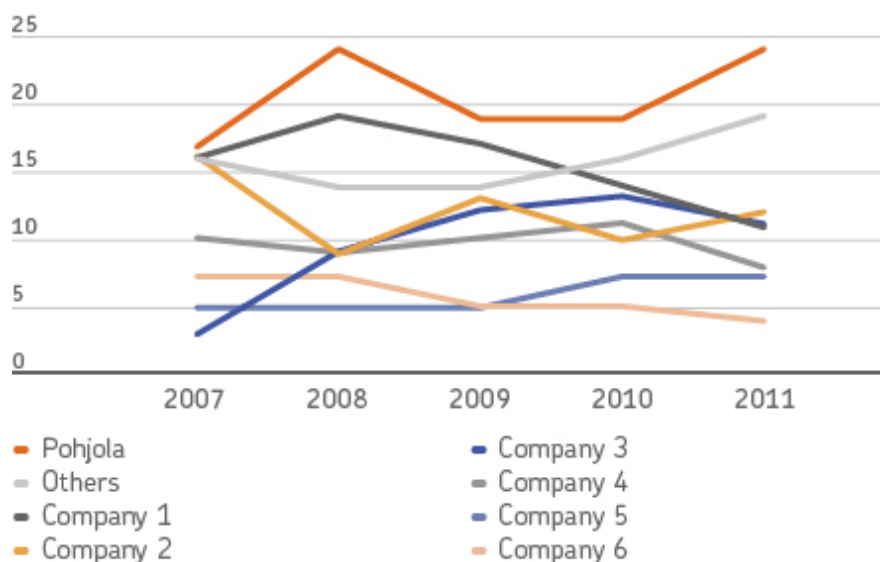
	2011	2010
Earnings before tax, € mn	27	31
Assets under management, € bn	31.3	35.0
Operating cost/income ratio, %	49	53*
Personnel	149	144

\* Excluding items related to corporate transaction

## Market Position

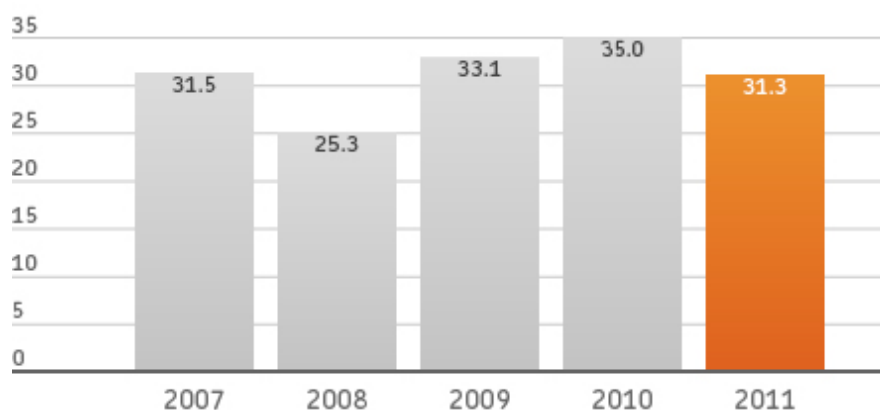
For the fifth year in a row, Pohjola Asset Management was clearly the largest institutional asset manager in Finland in 2011. Measured by the number of clients, we also emerged as the most used asset manager (survey by SFR). In markets characterised by tough competition, we pulled ahead of our main competitors. The quality of Pohjola Asset Management's client service was rated above the industry average.

### Market shares of Institutional Asset Management, %



Source: SFR

### Assets under management, € billion

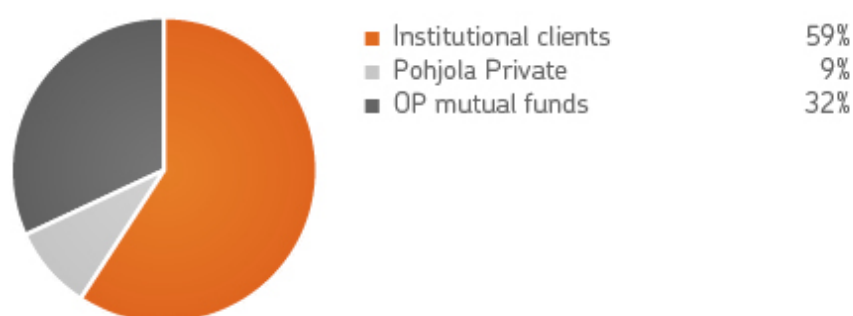


Institutional assets under management totalled EUR 18.5 billion at the year end.

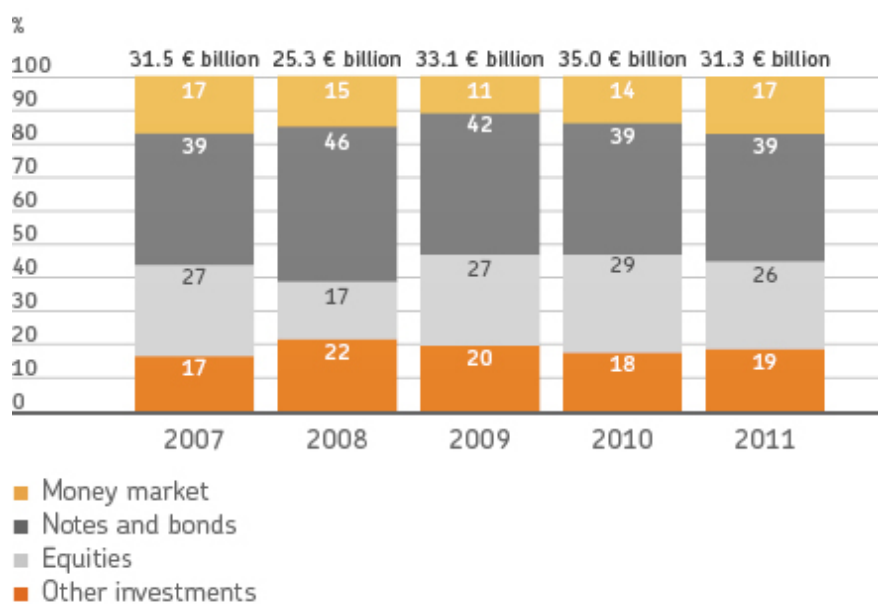
Pohjola Private provides its services for wealthy private individuals and families. Its strength lies in banking and insurance services offered together with a wide range of international investment management services, and in tax advisory services. On 31 December 2011, Pohjola Private's assets under management amounted to EUR 2.8 billion.

The portfolio management of OP mutual funds is mainly centralised within Pohjola Asset Management, and assets under its management totalled EUR 9.9 billion on 31 December 2011. The assets of OP Fund Management Company Ltd's funds totalled EUR 11.5 billion on 31 December 2011 and these funds' market share of mutual funds registered in Finland stood at 20.7% (2nd largest).

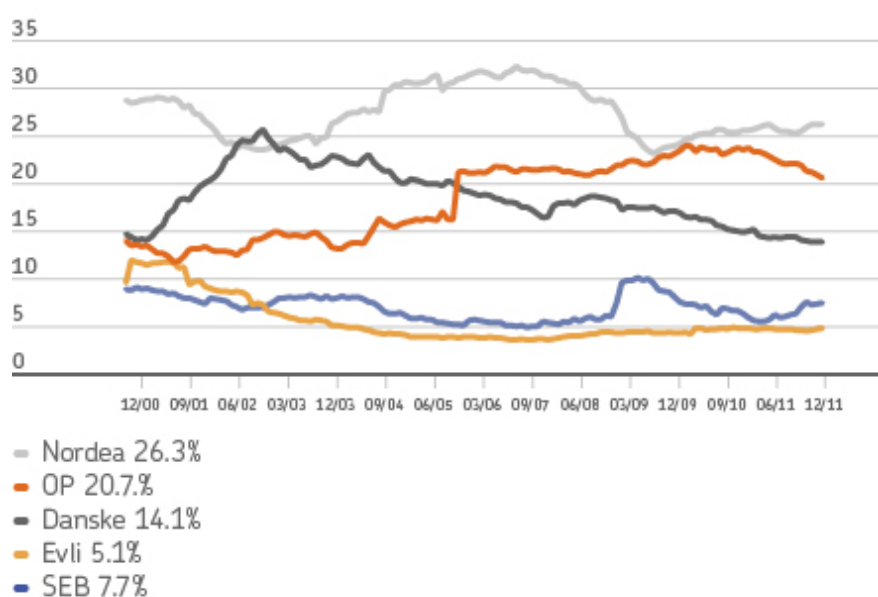
### Assets under management by client, %



### Assets under management by asset class



### Market share of capital in mutual funds registered in Finland, %





# Year 2011

The first-half optimism in capital markets turned into pure pessimism in the summer and early autumn when the European sovereign debt crisis escalated. This uncertainty was also reflected in returns that remained weak, and low-risk government bonds and corporate bonds were virtually the only asset classes that delivered positive returns in 2011.

Moreover, this greater uncertainty was reflected in client portfolios whose risk level was reduced in 2011. Assets under management shrank as a result of bearish equity markets in particular but fund unit redemptions associated with the reduction in risk levels of client portfolios also played their role.

Despite the challenging operating environment, we improved our earnings before tax to EUR 27 million. Earnings for 2010 included net income of EUR 6 million deriving from corporate transactions, and earnings before tax were EUR 31 million. The operating cost/income ratio dropped below the strategic target (<50%) to 49%.

Pohjola Asset Management's analysis team of international funds won the first prize as the Finnish Institutional Fund Selection Team of the Year in the Nordic Fund Selection Awards 2011 by Tell Media Group.

Asset Management has been one of the pioneers of the development of electronic trading among European investment management firms. Electronic trading has the aim of improving investment returns. In 2011, we established a new subsidiary, Pohjola Asset Management Execution Services Ltd, to be responsible for developing and marketing electronic trading and Smart Order Routing (SOR) services mainly for international investors.

Pohjola Asset Management continued its development project for market risk management and adopted in early 2011 MSCI's Riskmetrics RiskManager 4.0 risk management system. Its adoption will support the analyses and decision-making of our investment operations and risk management, and our preparation for the Solvency II regulatory framework. In addition, we recruited more portfolio-management and risk-management experts during the reporting year.

## Earnings by Asset Management

€ mn	2011	2010
Net commissions and fees	50	58
Other income and expenses	6	9
<b>Total income</b>	<b>56</b>	<b>67</b>
<b>Total expenses</b>	<b>31</b>	<b>35</b>
Earnings before tax	27	31

# Institutional Clients and Pohjola Private

## Institutional clients

We provide institutional investors with a full range of asset management services, depending on client needs: discretionary investment management, advisory investment management or opportunities to invest in individual mutual funds available from OP Mutual funds and a wide range of international partners' funds. We boast the most extensive international services offerings on the market and in 2011 won the first prize as the Finnish Institutional Fund Selection Team of the Year in a Nordic survey. In addition to mutual funds, we make direct investments for our clients and investments in exchange-traded funds (ETFs). Our services also include a variety of portfolio analyses and modelling.

In addition to conventional asset classes, we offer international private equity, property and hedge fund investment options at the international level.

**Pohjola Asset Management is a forerunner of responsible investing in Finland.**

## Pohjola Private

Pohjola Private provides wealthy private individuals and families with asset management, banking and insurance services, as well as tax advisory services. Representing the Finnish forerunner of asset management concepts aiming at absolute returns, Private offers concepts of various return and risk levels.

Our client service is always personal in nature, and Finland's largest portfolio management team specialising on an asset class basis is there to support asset managers. We provide wealthy private individuals with diverse expertise and high cost-efficiency and a wide range of international investment products typically available only to the largest professional investors.

# Key Value Drivers

- Investment performance
- Assets under management and asset class allocation
- Commissions and fees
- Cost-efficiency

## In Focus

Asset Management has been one of the pioneers of the development of electronic trading among European investment management firms. Electronic trading has the aim of improving investment returns. Pohjola Asset Management Execution Services Ltd started its operations in late 2011 and international clients have shown great interest in the service. The first clients have begun to trade using the Smart Order Routing system.

The Smart Order Routing project was based on cooperation between Pohjola Asset Management and Investment Technology Group (ITG), Inc., an international agency research broker and financial technology firm. In this one-year research and cooperation project, ITG created an ultra-low latency data centre in Stockholm and re-constructed order routing. The system reduces slippage costs and creates better Smart Routers and Algorithms mostly for international buy-side traders.

## Q&A Karri Alameri, President, Pohjola Asset Management Ltd

### What strategic goals has Pohjola set for Asset Management?

Our goal is to be the leading provider of asset management services in Finland. And our financial target over the economic cycle is an operating cost/income ratio of less than 50%.

### What are the tools that Pohjola will use to achieve these goals?

Our highly skilled employees, competitive investment returns and pioneership through expertise will make us reach our goals.

### What is your promise to Asset Management clients?

We promise solid cooperation and competitive investment returns.

### What are the components of great customer experience?

A service concept that is transparent to the client and based on his needs and goals. It means that both the client and we understand each other's objectives and approaches.

## Group Functions

In support of the Group and its businesses, the Group Functions comprises Finance, Risk Management, Identity and Communications, and HR Services. The Group Functions is tasked with guiding, supporting and encouraging the business lines in their efforts to achieve Group goals. Proactive risk management, optimum capital management coupled with motivated and skilled employees play a key role in this respect. The main task of Central Banking and Group Treasury is to manage Pohjola's and the entire OP-Pohjola Group's liquidity and wholesale funding.

### Key figures and ratios

	2011	2010
Earnings before tax, € mn	24	61
Liquidity portfolio, € bn	12.6	9.5
Receivables and liabilities from/to Pohjola and OP-Pohjola Group member banks, net position, € bn	1.7	3.4
Personnel	129	126

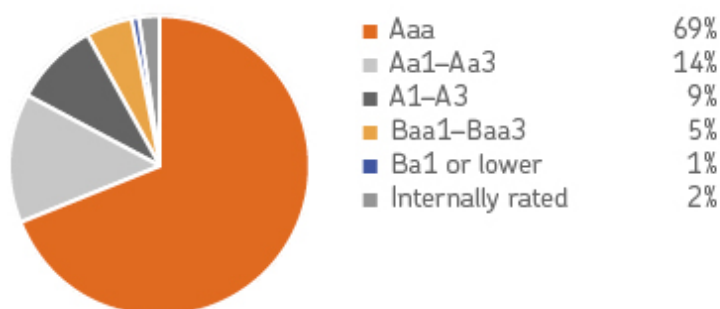
## Market Review and Operating Environment

OP-Pohjola Group's liquidity management is aimed at securing the required funding and its availability in a cost-effective way and in all circumstances. With the prolonged financial crisis in 2011, the financial position of Pohjola and the entire OP-Pohjola Group remained stable. Thanks to its high credit rating, Pohjola had no difficulty in receiving market funding and also increased the share of corporate deposits in its funding.

# Year 2011

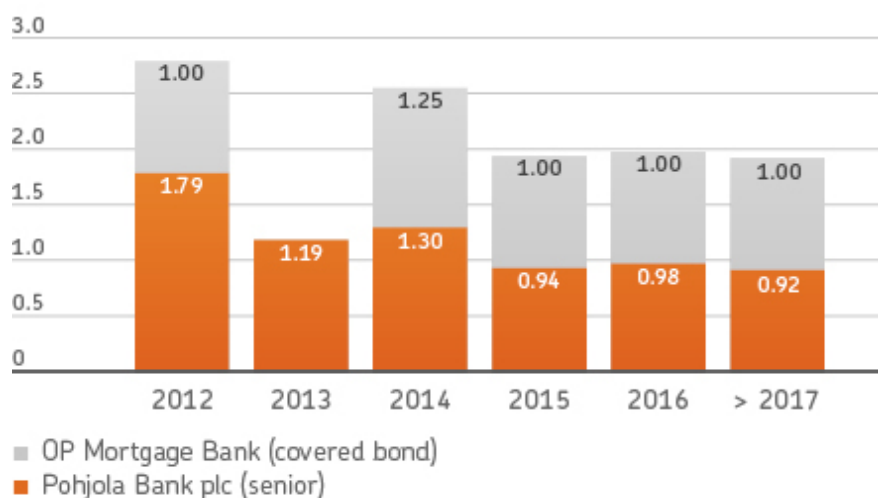
The liquidity position remained strong throughout 2011 and the liquidity portfolio amounted to EUR 12.6 billion on 31 December, accounting for 31% of Pohjola's consolidated balance sheet and for 14% of OP-Pohjola Group's balance sheet, invested in notes and bonds issued by governments, municipalities and financial institutions, and securitised assets and corporate bonds eligible as collateral for central bank refinancing.

## Liquidity portfolio by rating category 31 Dec 2011, %



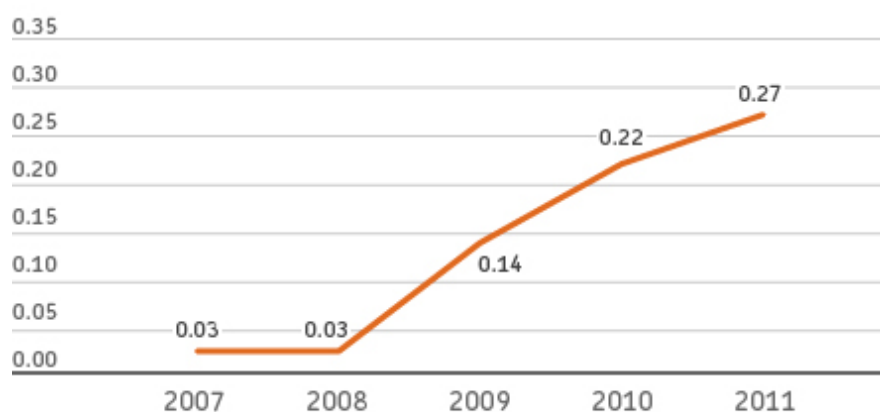
Pohjola obtained long-term funding by issuing a senior bond with a maturity of five years and worth EUR 500 million. In addition, OP Mortgage Bank issued covered bonds each worth EUR 1 billion and with a maturity of five and seven years.

## Long-term funding by maturity 31 Dec 2011, € billion



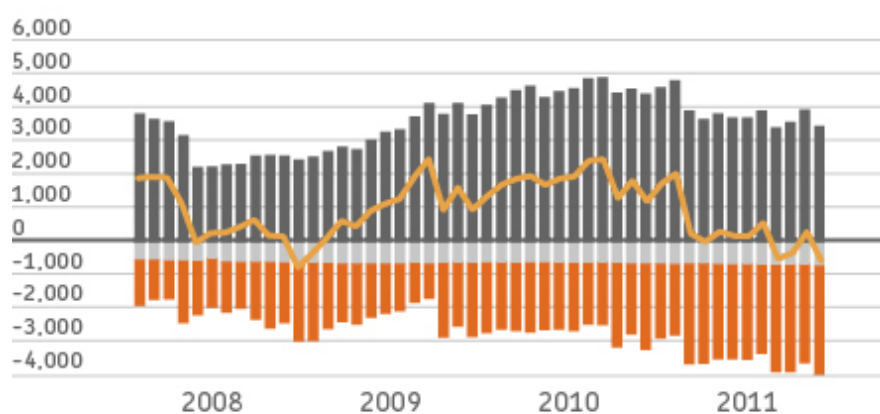


### Average margin of wholesale funding, %



— Average margin of senior wholesale funding

### Receivables and liabilities between Pohjola and OP-Pohjola Group retail banks, € million



■ Other loans  
 ■ Reserve holdings  
 ■ Other deposits  
 — Net position

### Earnings by Group Functions

€ mn	2011	2010
Net interest income	35	64
Net trading income	3	-9
Net investment income	18	31
Other income	11	12
<b>Total income</b>	<b>67</b>	<b>98</b>
<b>Total expenses</b>	<b>31</b>	<b>38</b>
Earnings before impairments of receivables	36	60
Impairments of receivables	11	-1
Earnings before tax	24	61

## Key Value Drivers

- Size of and income from the liquidity portfolio
- Development in credit spreads
- Loans and deposits between OP-Pohjola Group member banks and Pohjola
- Pohjola's credit rating and funding costs
- Cost-efficiency

## In Focus

The most significant drivers of change in the European banking sector in the next few years relate to the effect of regulatory changes in financial markets on the capital adequacy framework and liquidity management and on accounting for financial instruments. Analysing these changes and estimating their effects on markets and the Group's business form the Group Functions' key tasks in 2012.

[Read more about the operating environment and regulatory changes](#)

## Good employee wellbeing – an enabler of good performance and great customer experiences

- Competence management is based on Pohjola's strategy and business goals and targets
- Pohjola launched its Talent Programme to ensure the availability of potential experts and managers in the future
- We are ready to meet future workplace challenges and opportunities

According to Pohjola's promise to its employees, we foster a motivating organisational climate and create excellent opportunities for skill development. A good organisational climate and skill enhancement enable us to provide the best service and excellent expertise, according to our goals, to cater for the service needs of our customers. In 2011, we continued our strategic initiative launched in the previous year to enhance Pohjola Group's intellectual capital, with a view to delivering on the promise to our personnel: motivating organisational climate and excellent opportunities for skill development.

There is no doubt that employees will stay longer in their jobs and perform well if they feel well at work. All employees and their supervisors are involved in Pohjola's employee wellbeing programme aimed at fostering a climate in which people feel well. This programme encourages responsibility, cooperation and a positive preparation for changes at work. For a long time now, we have conducted annual personnel surveys that we use to monitor wellbeing at work and factors affecting it. We have for many years made multifaceted efforts to promote job satisfaction and wellbeing and have achieved rather good results in that respect. At the beginning of 2012, we decided to adopt a monthly "wellbeing pulse measurement" to supplement our annual survey. The purpose of this measurement is to ensure quick response in case an employee suddenly feels an overload of stress or excessive workload or something else turns up among employees that requires measures.

We at Pohjola also want to proactively contribute to the development of workplaces in view of our staff of tomorrow – whether they already are on Pohjola's payroll or soon-to-be graduates. Pohjola was involved in the Dialogue project launched in 2011 and aimed at generating ideas and developing future workplace and work in cooperation with eight other major employers and future employees.

Pohjola's business strategy goals and customer needs form the core of our competence development. We support personal growth and development and the organisation's ability to reinvent itself and innovate. All employees are involved in annual performance reviews during which the employee and his supervisor analyse skills and competencies vis-à-vis business requirements and the employee's own objectives and targets. This forms the basis for development plans for each employee and competence development plans for the Group as a whole.

Every year, Pohjola assesses potential successors for senior management positions and the required development measures. In 2011, we launched our Talent Programme with some 60 participants to create a long-term succession plan and secure potential successors. Personal development plans and the senior management's strong commitment to enhancing the competencies of each person involved in the programme form the key of the programme. The senior management acts as mentors to the participants and as "sponsors" when they prepare their strategy work during the programme.

# Towards a Better Workplace



## Dialogue of a New Way of Working

Eva Valkama, who retired at the turn of the year as Pohjola's Senior Executive Vice President, Human Resources, has a dialogue about a future workplace with Janne Karlsson, an Aalto University student.

In 2011, Pohjola was involved in the Dialogue project aimed at improving a true dialogue between employers and top employees of tomorrow.

The purpose of the Dialogue project is to provide foundations for a new way of working so that a job is motivating, inspiring and productive. The project survey probed into Aalto University students' attitudes towards work and doing work and into the employees' way of doing work and future capabilities. In addition to Pohjola, eight other large Finnish companies were involved in the project.

## Dialogue of a New Way of Working

Eva Valkama, Pohjola's Senior Executive Vice President, Human Resources, and Janne Karlsson, an Aalto University student, hold a dialogue of key topics related to the project. While the former, who retired at the turn of the year after almost thirty years of service to Pohjola, is no novice at work, the latter will soon graduate and enter the workforce.

### What is the most important thing in a job?

Eva: It clearly appears that an increasing number of employees want to understand how their daily work contributes to the company's big picture. That a job is interesting and inspiring and that people can feel that they can achieve something real number among the most important factors associated with work.

Janne: From the perspective of young people, the world of work consists of a variety of networks in which the role of one's personal work and contribution is valuable and meaningful – at its best it is part of identity.

### Opportunities provided by job rotation?

Eva: Both the employer and the employee benefit from job rotation because it enables the sharing of knowledge and ideas, thereby providing new ideas, experiences and knowledge throughout the organisation. I would like to encourage cross-functional job rotation. Career development may involve both horizontal and lateral movements when employees can deepen their skills and enhance their strengths within the company.

Janne: For generations X and Y that I represent, it is important to be able to monitor potential employers and to be able to have our say and contribute to decision-making in the workplace. Perhaps, we are more loyal to our values and want our job to be consistent with these values.

### How important do you think working hours adjustment is? Where do we actually do our work?

Eva: A personal work contribution is the most important thing in most positions – not the time when or the location where you work. However, there are duties, such as front-office services, in which, say, remote work is not possible. Paying attention to the special needs of staff members at their different life stages forms an integral part of a good HR policy. People find it increasingly important to have flexitime opportunities, no matter whether they are young or old.

Janne: Although we young adults expect flexibility, we understand that flexibility is a two-way arrangement between the employee and the employer.

As digital natives, young people want to make the most of new technology. At the same time, however, they still appreciate gathering together to generate ideas, engaging in social interaction in the workplace and working face-to-face. E-work is also important, i.e. the opportunity to leave an open-plan office for a quieter place to work.

### What do you think it takes to be a supervisor/team leader in the future?

Eva: I believe that being a supervisor/team leader of tomorrow will be an appropriate mixture of management and leadership skills. This means development measures and building confidence by means of organisational citizenship. Everyone has various roles in the workplace and is responsible not only for his personal skill development but also the performance of his organisation.

Janne: It goes without saying that there must be a certain leadership framework within which limits freedoms can be allowed. We young adults also learn much through mentoring. Therefore, holding dialogues and sharing various ideas and thoughts are important.

### What will be a future workplace like?

Eva: It will be a workplace which respects and motivates every staff member and is dynamic, goal-oriented and achieves the set objectives.

Janne: Young people appreciate openness, the opportunity to contribute to decision-making, honesty, flexibility and the ability to enhance skills so as to at least keep up to date with developments.

## HR key figures

In 2011, the number of Pohjola Group employees increased by 364 because an increased market share made it necessary to hire more personnel to ensure effective customer service. We had a busy year in terms of job induction and the provision of diverse training courses to the personnel in a number of fields.

On 31 December 2011, Pohjola Group had a staff of 3,380 employees.

The average age of Pohjola's personnel is 41 years. Women increased their share somewhat in managerial duties, accounting for 23% at the end of 2011 against 18% a year earlier.

Graph: Personnel by business line, %

Personnel by business line, %



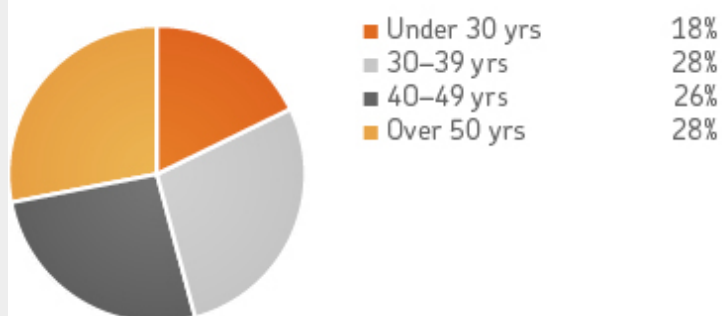
Graph: Personnel by gender, %

Personnel by gender, %



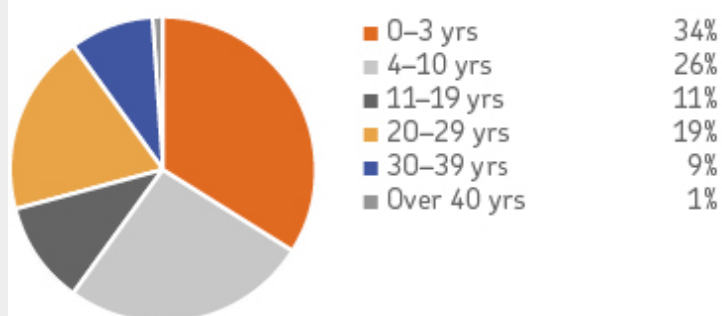
## Graph: Personnel by age, %

**Personnel by age, %**



## Graph: Years of service, %

**Years of service, %**





# Pohjola Group's incentive schemes

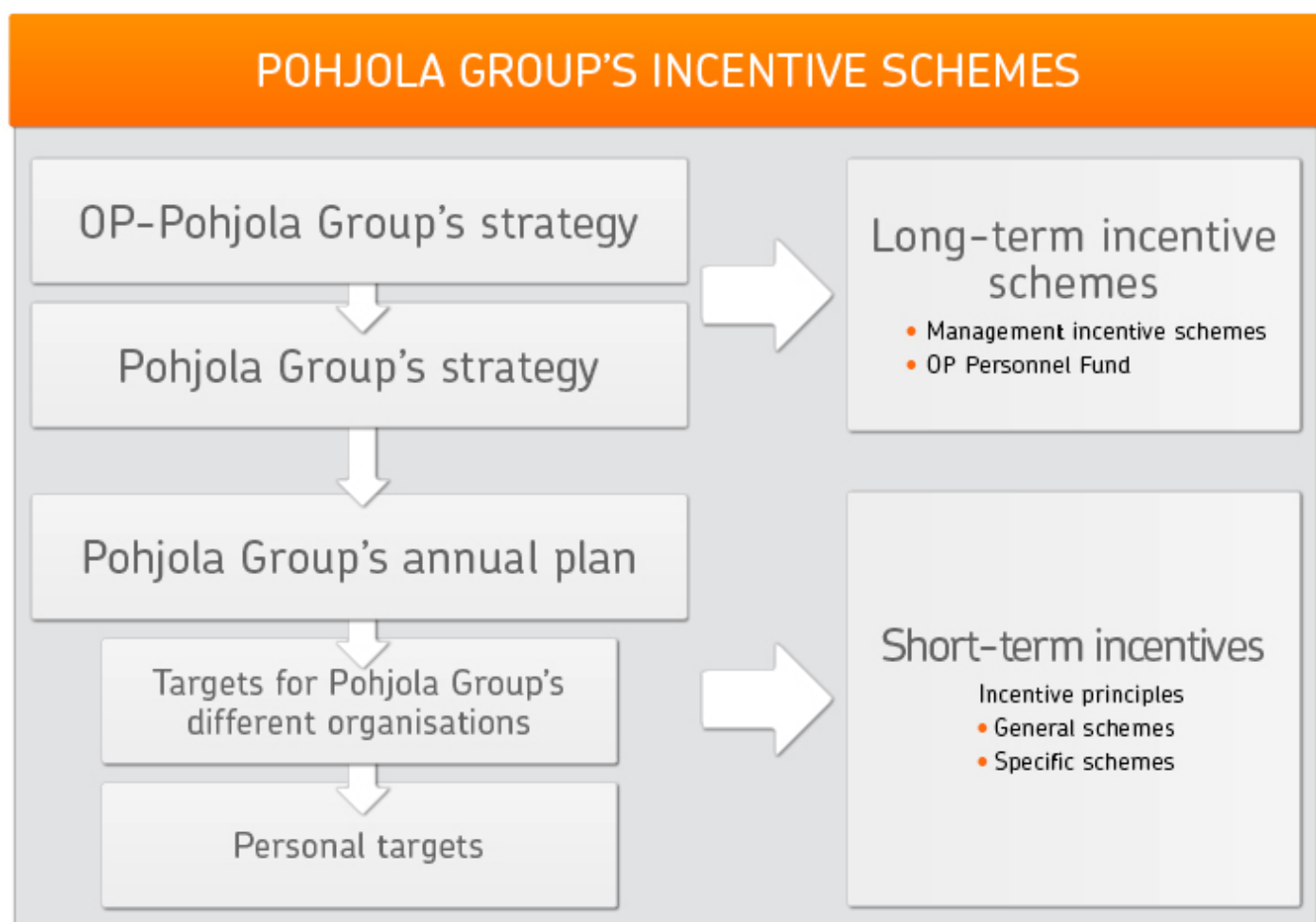
The purpose of incentives is to motivate, guide and engage employees in such a way that their work supports the strategy and the achievement of the goals and targets based on the strategy. Challenging financial targets set for the Group and its business lines and achieved results form the basis of employee incentivisation. Rules on remuneration issued by the authorities and their application notes set the framework for the creation of incentive schemes.

## Incentive structure

1. Bonuses based on annual results (short-term scheme) and
2. Long-term scheme based on the achievement of OP-Pohjola Group's shared strategic goals and targets (Personnel Fund and management incentive scheme)

Members of the Personnel Fund comprise Pohjola Bank plc's and Pohjola Insurance Ltd's employees (excl. the management). A maximum of 75 executives may be included in the long-term management incentive scheme.

Read more in Corporate Governance Statement.



# 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.

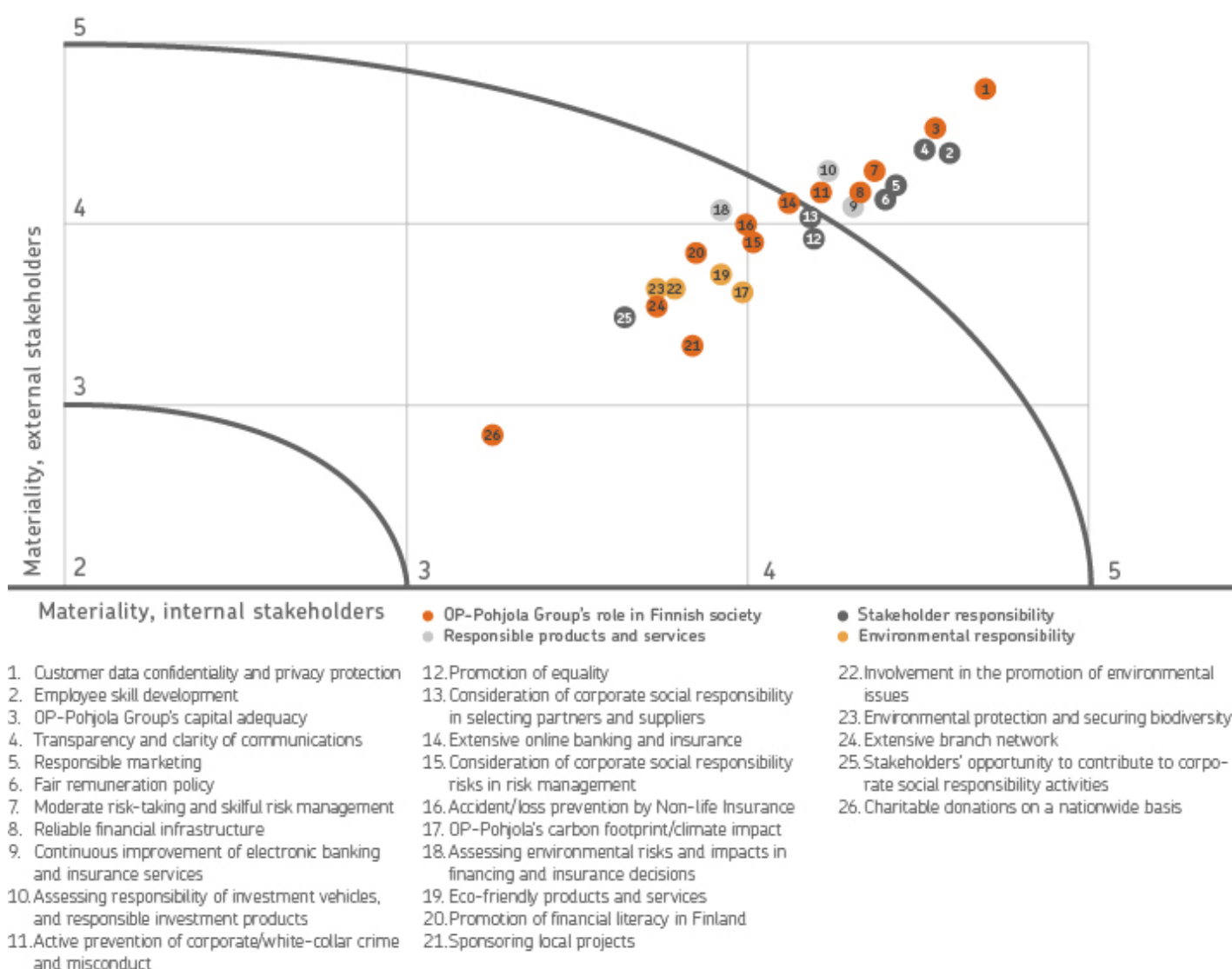
In the survey, CSR aspects were divided into four areas: OP-Pohjola's role in Finnish society, responsible products and services, stakeholder responsibility and environmental responsibility.

# 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 <sub>2</sub> ) 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](#)



CARBON DISCLOSURE PROJECT

# 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.

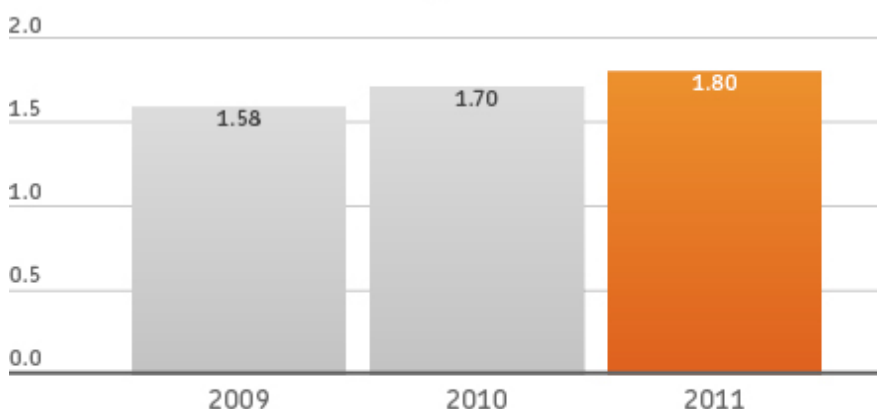
The purpose of capital adequacy management is to secure OP-Pohjola Group's risk-bearing capacity and ensure that the Group's operations are not jeopardised over the long term. The Group's capital adequacy is on a very solid basis in terms of both the ratio [under the Act on the Supervision of Financial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





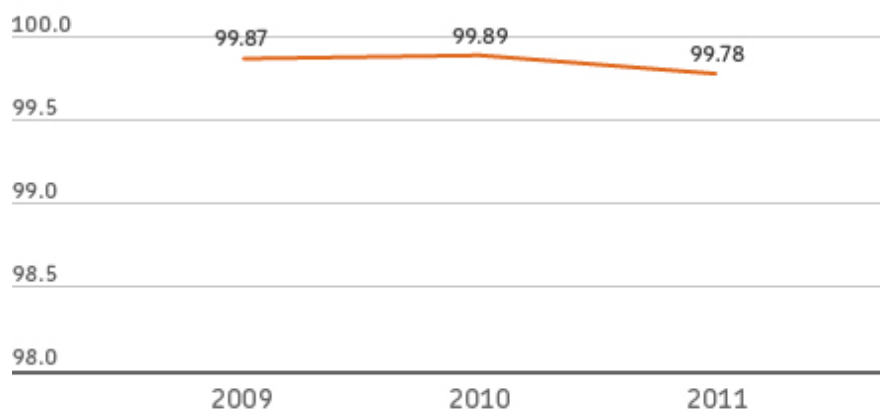
## Development of Transaction Channels

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, %<sup>1</sup>



<sup>1</sup> 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

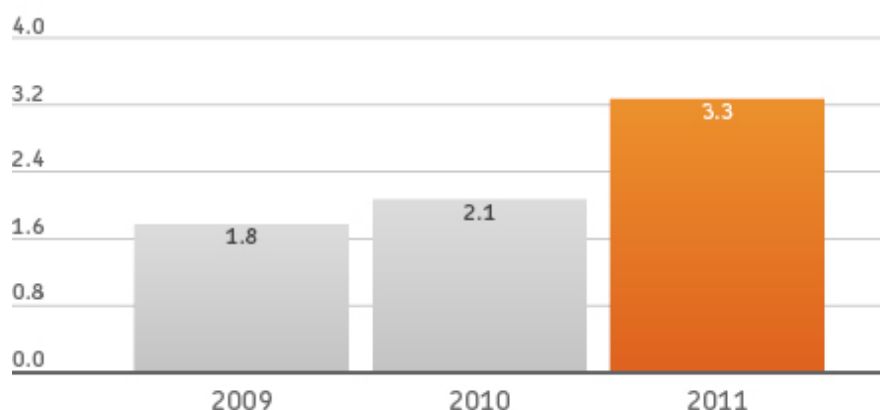
A key element of OP-Pohjola's Corporate Social Responsibility Programme is local and regional projects. Their aim is to support wellbeing and vitality all over Finland.

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, € million<sup>1</sup>



<sup>1</sup> 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
<b>Future of Entrepreneurship</b> 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.
<b>OP-Pohjola Week main celebration</b> 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.
<b>OP-Pohjola Group Forest Day</b> 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”.
<b>OP-Pohjola Group’s Harvest Session</b> 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”.
<b>OP-Pohjola Group Research Foundation theme day</b> 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

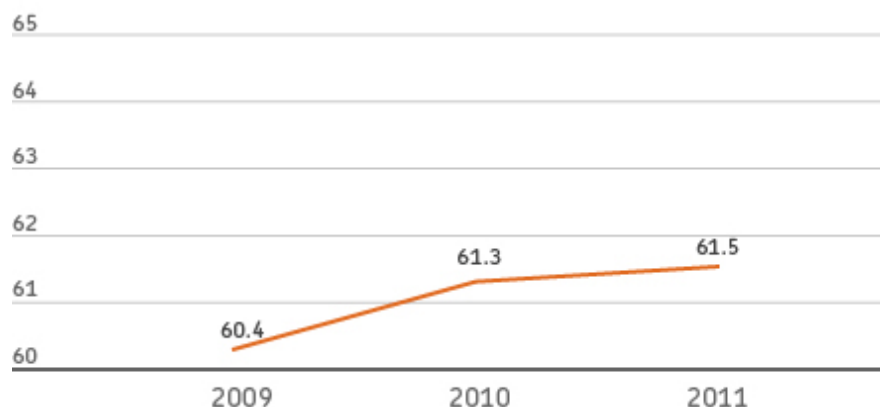
OP-Pohjola aims to be the financial sector's most attractive employer and one of the most desired amongst major Finnish companies. Our strategic goal is to turn our management and employee wellbeing into a competitive edge. Business and service network development, employee competence enhancement, and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

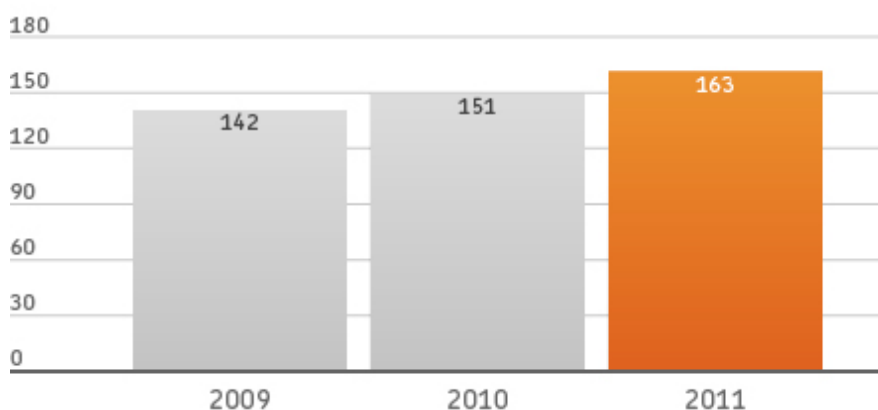
At OP-Pohjola, leadership by coaching has been implemented by offering training to all experts, in addition to supervisors. Working together produces the best results when the parties involved have the same level of knowledge and awareness of the fundamental ideas behind operations.

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, € million<sup>1</sup>



<sup>1</sup> Accrued bonuses

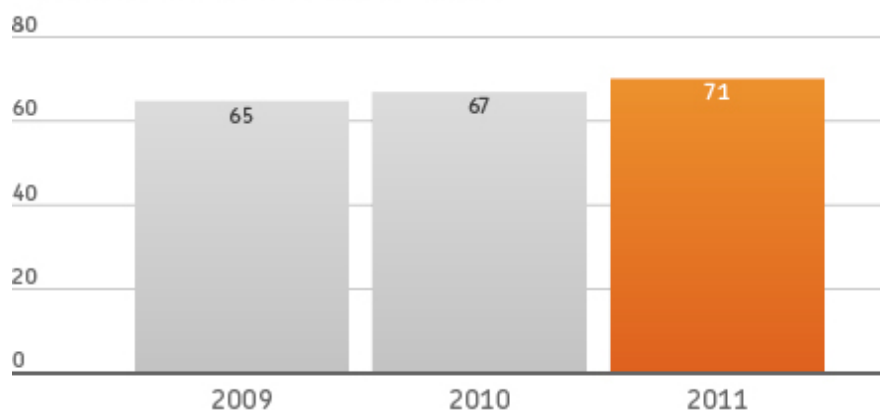
Pohjola Bank plc has approximately 34,000 holders of series A shares. OP-Pohjola Group Central Cooperative owns 37 per cent and the member banks 16 per cent of the shares.

## 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.

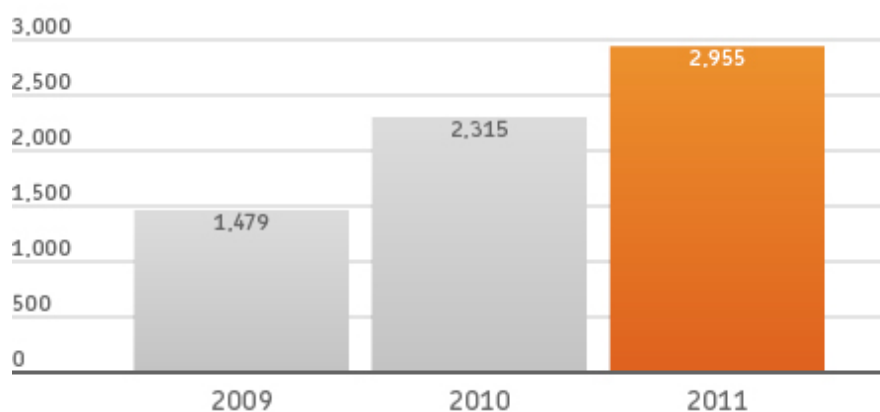
In 2012, an online balance statement will be introduced in the corporate online service, to reduce the number of paper-based bank statements mailed to companies.

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.

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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.

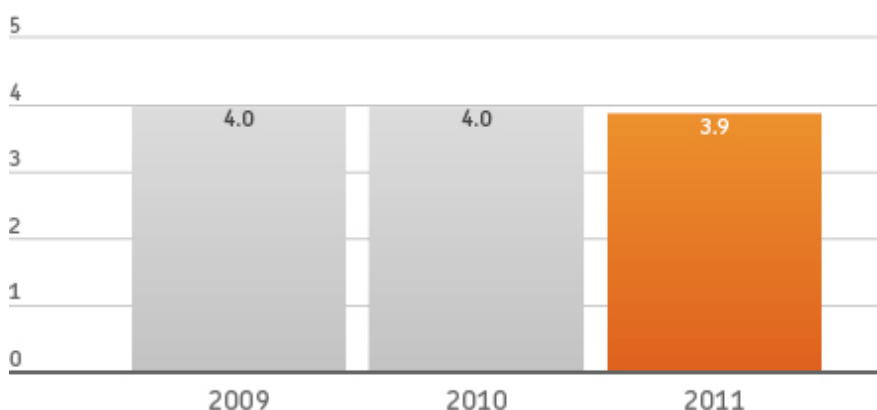
## Ethical Business

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.

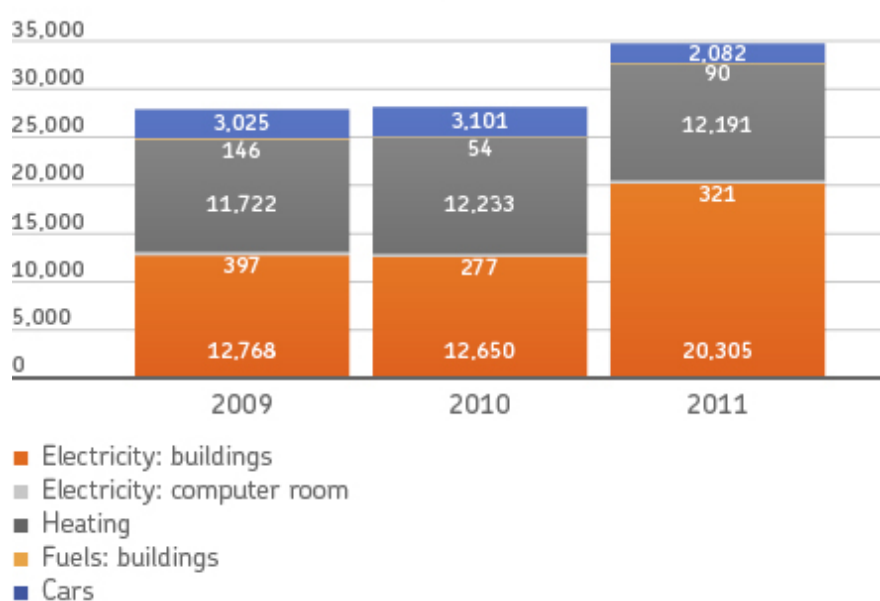
## OP-Pohjola Group's Carbon Footprint

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 (tnCO<sub>2</sub>/kWh, tnCO<sub>2</sub>/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 (tnCO<sub>2</sub>eq). 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 CO<sub>2</sub><sup>1</sup>



<sup>1</sup> 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 tnCO<sub>2</sub> per employee<sup>1</sup> (3.2 tnCO<sub>2</sub>). 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 homes<sup>2</sup> (8,723). The planting of 150,453 trees (124,208) would be required to compensate for these emissions<sup>3</sup>.

<sup>1</sup> The annual carbon footprint of the average Finn is approximately 12 tonnes of CO<sub>2</sub>. 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 CO<sub>2</sub> (source: World Bank Online Database / CO<sub>2</sub> emissions (metric tons per capita). These figures have been arrived at by dividing a country's total emissions by the number of residents.

<sup>2</sup> A 120 m<sup>2</sup> 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 CO<sub>2</sub>/kWh, and the average specific emissions of separate production of district heat, 226 g CO<sub>2</sub>/kWh, in Finland. (Source: WWF Finland)

<sup>3</sup> 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)

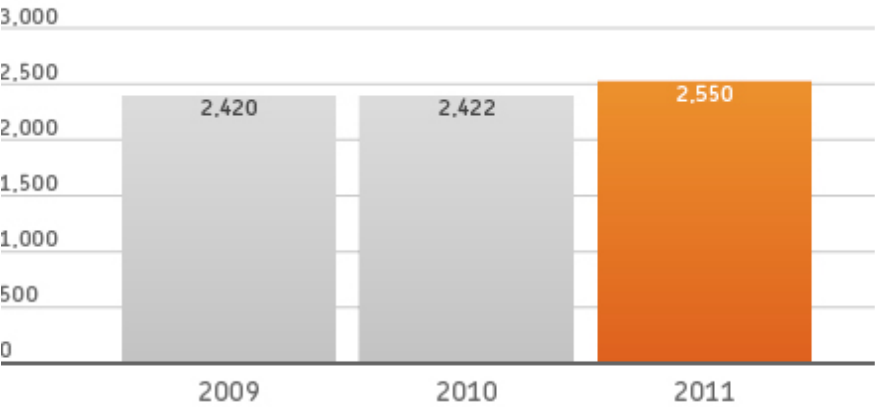
# WWF's Green Office

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
<b>1</b>	<b>Strategy and analysis</b>				
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
<b>2</b>	<b>Organisational profile</b>				
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"/>		
<b>3</b>	<b>Report parameters</b>				
	<b>Report profile</b>				
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	●	
<b>Commitments to external initiatives</b>				
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	●	
<b>Stakeholder engagement</b>				
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		
<b>Diversity and equal opportunity</b>				
LA13	Composition of governance bodies and employee breakdown	Workforce Structure		1, 6
<b>Human rights (HR)</b>				
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
<b>Society (S0)</b>				
<b>Corruption</b>				
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
<b>Product responsibility (PR)</b>				
<b>Management approach to product responsibility</b>		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		
<b>Product and service labelling</b>				
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) <sup>1</sup>	-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) <sup>2</sup>	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) <sup>3</sup>	387,365	448,601	574,154
EN22 Total weight of waste (tonne) <sup>4</sup>	1,058	990	1,166

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

<sup>2</sup> 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

<sup>3</sup> 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

<sup>4</sup> 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

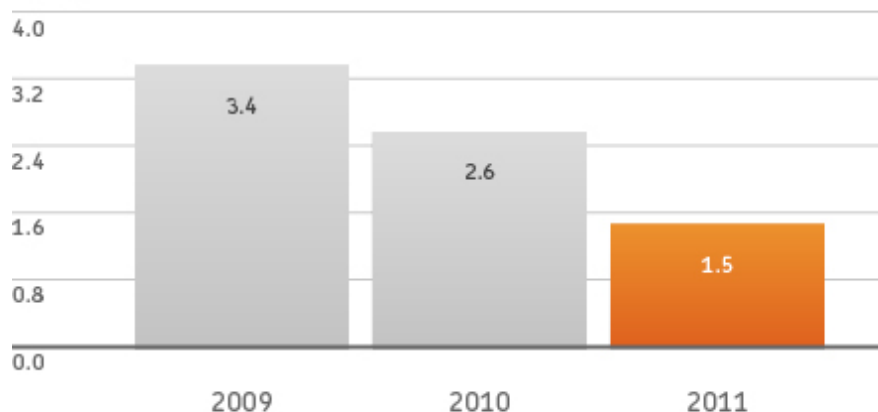
#### Percentage of the portfolio for business lines by sector (FS6)

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.

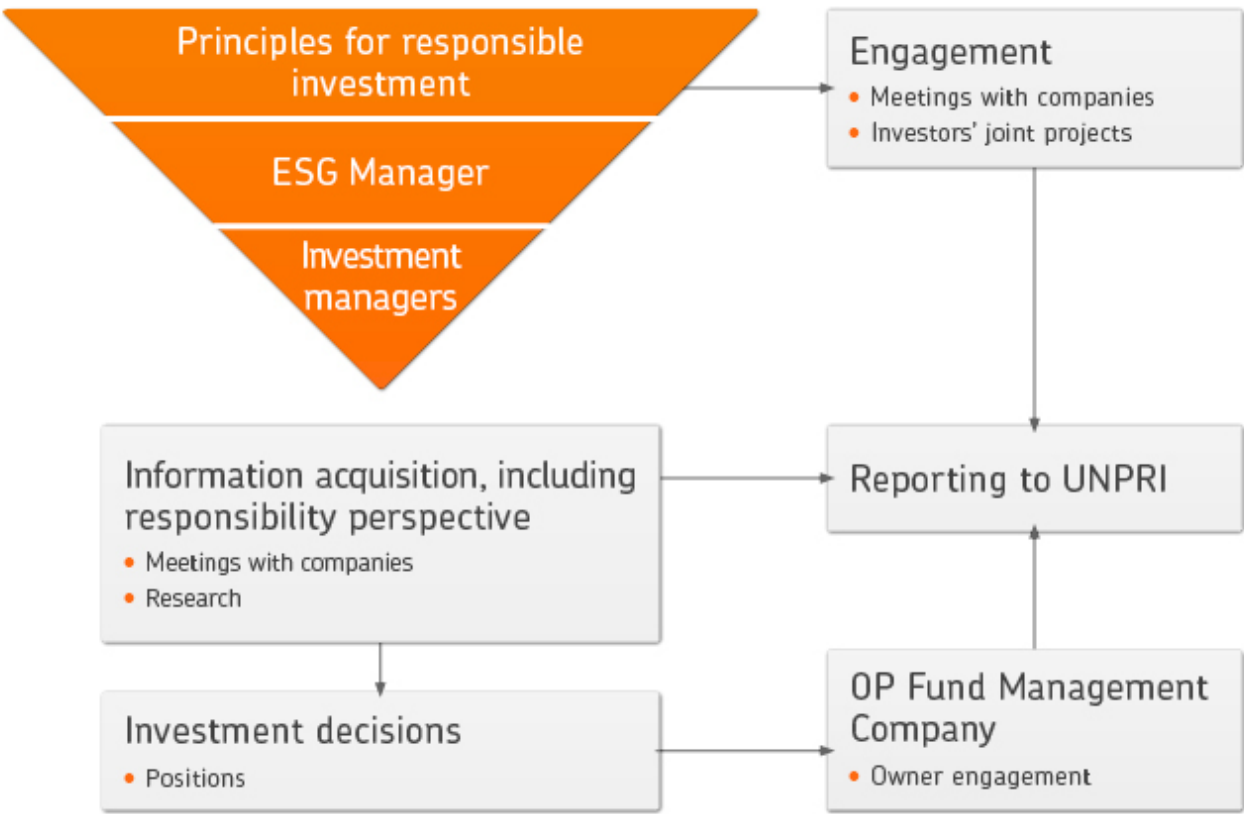
# Responsible Investment

## 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

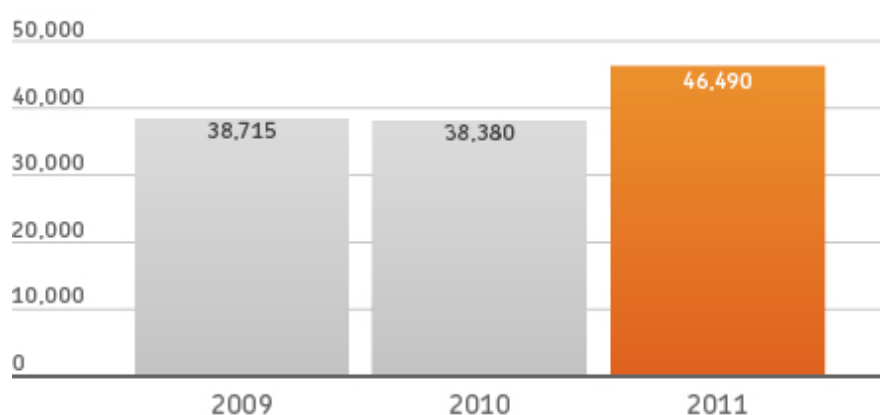
## Carbon footprint, reduction of greenhouse gas emissions (EN4 and EN16)

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 CO<sub>2</sub>e (38,380 in 2010). The greenhouse gas emissions of the Group's operations (Scope 1 & 2) amounted to 34,990 tonnes of CO<sub>2</sub>e (28,316).

### EN16 Total greenhouse gas emissions, tonne

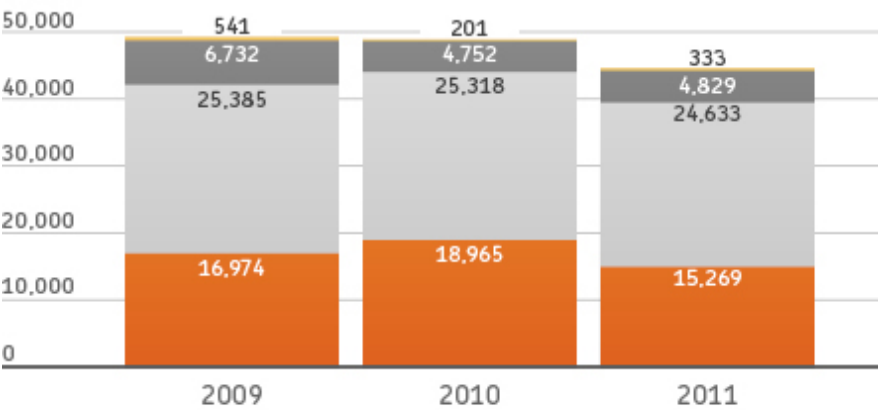


## OP-Pohjola Group's energy consumption

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).

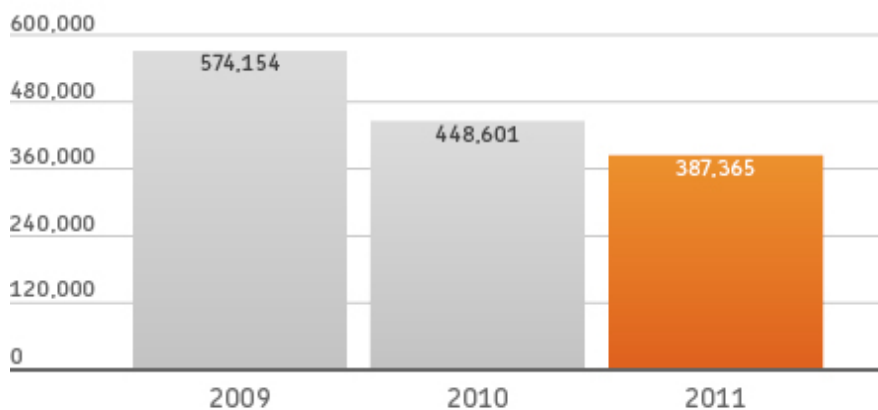
EN4 Energy consumption, MWh



- 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, kg<sup>1</sup>



<sup>1</sup> 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

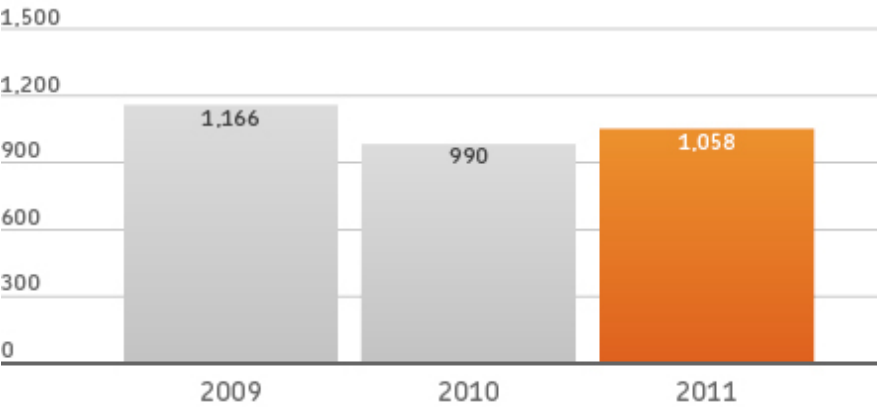
OP Pohjola Group's operations consume large amounts of office paper. OP-Pohjola has initiated measures to reduce the use of paper through wider implementation of the Green Office system within the Group and the development of electronic services. In 2011, OP-Pohjola consumed 387.4 tonnes of office paper (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, tonne<sup>1</sup>**



<sup>1</sup> 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

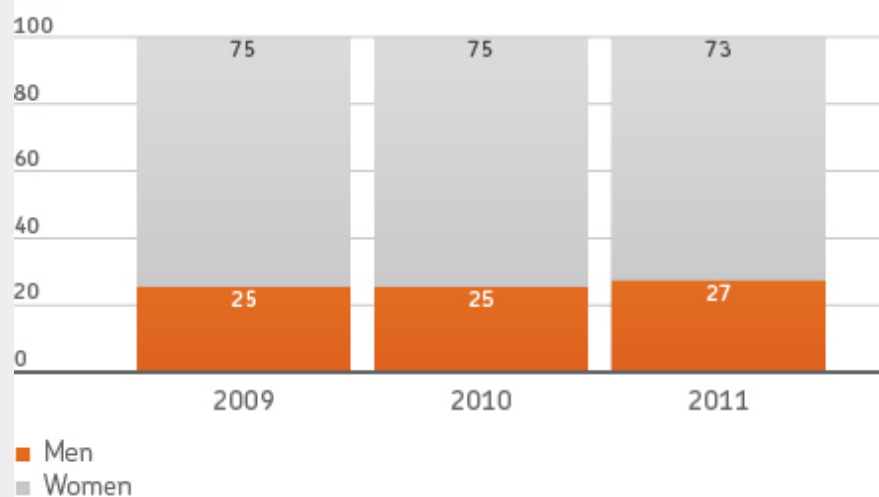
OP-Pohjola Group's cooperative structure and operating principles make it well-placed to implement social responsibility. HR management at OP-Pohjola is based on the Group's values and responsible practices. The principles of HR management guide responsible operations and their development. The Group 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.

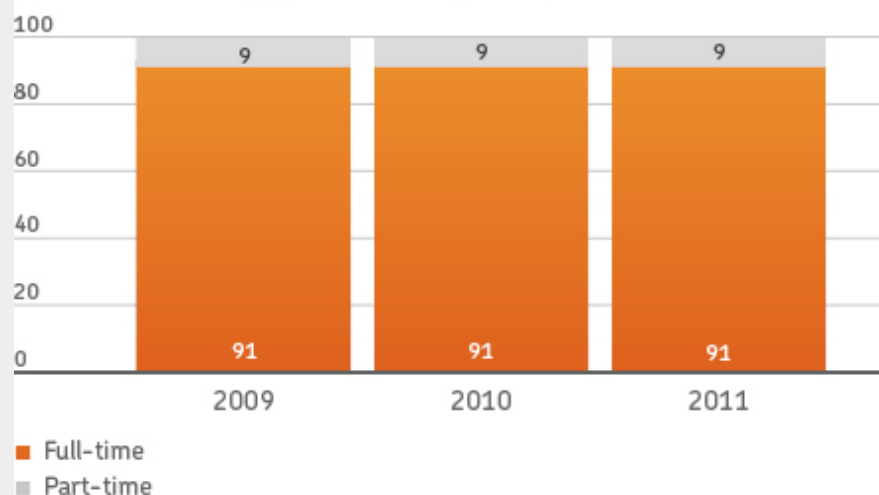
Graph: LA1 Workforce by gender, %

LA1 Workforce by gender, %



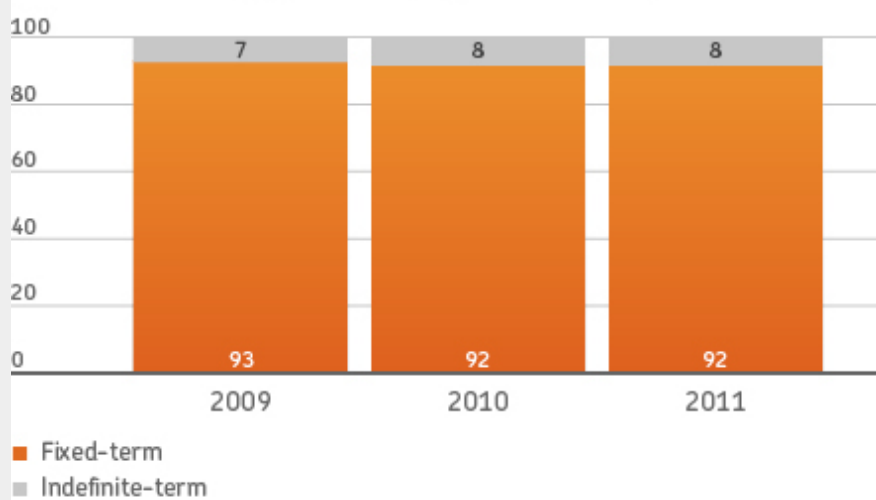
Graph: LA1 Workforce by type of employment, %

LA1 Workforce by type of employment, %



## Graph: LA1 Workforce by type of employment contract, %

LA1 Workforce by type of employment contract, %

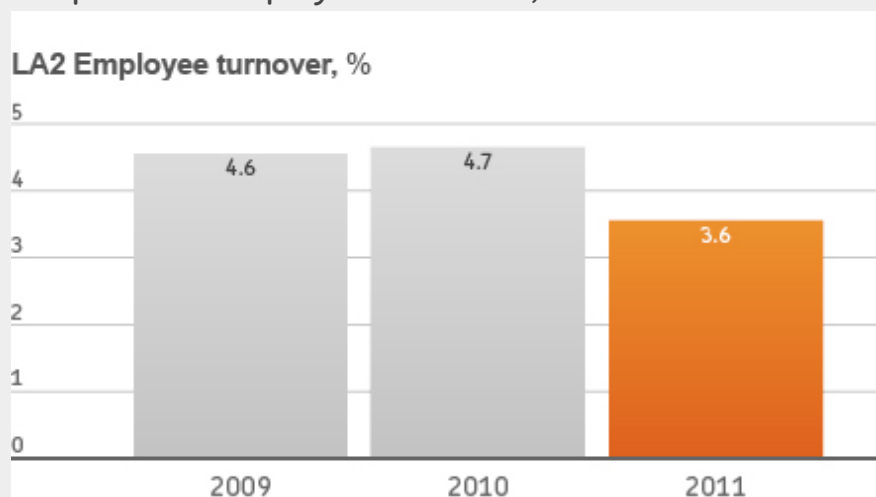


## LA1 Workforce in the Baltic countries by country, gender, type of employment and type of employment contract (%)

	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

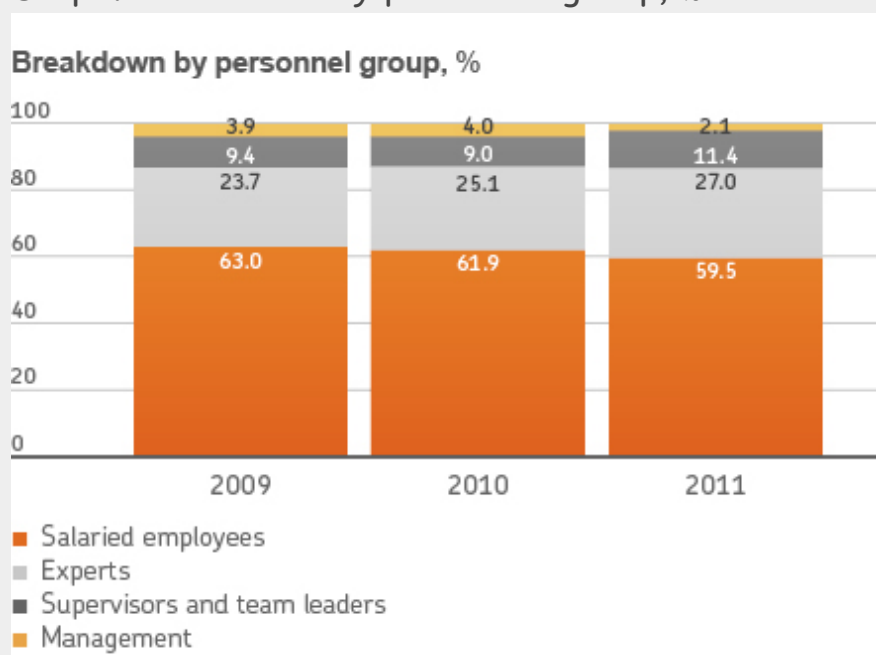
Employee turnover was 3.6 per cent (4.7), which can be regarded as low in the financial sector.

Graph: LA2 Employee turnover, %

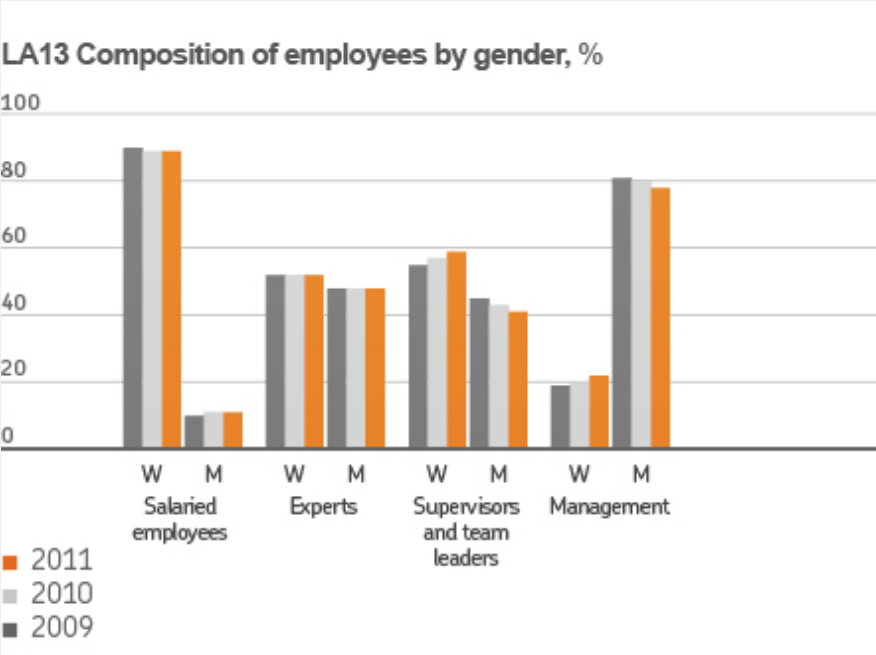


OP-Pohjola wants to provide equal working opportunities for all employees. Of the total workforce, women accounted for 73 per cent (75) and men for 27 per cent (25) in 2011. OP Pohjola Group's age distribution has remained stable. At the end of 2011, the average age of was 43 years (44).

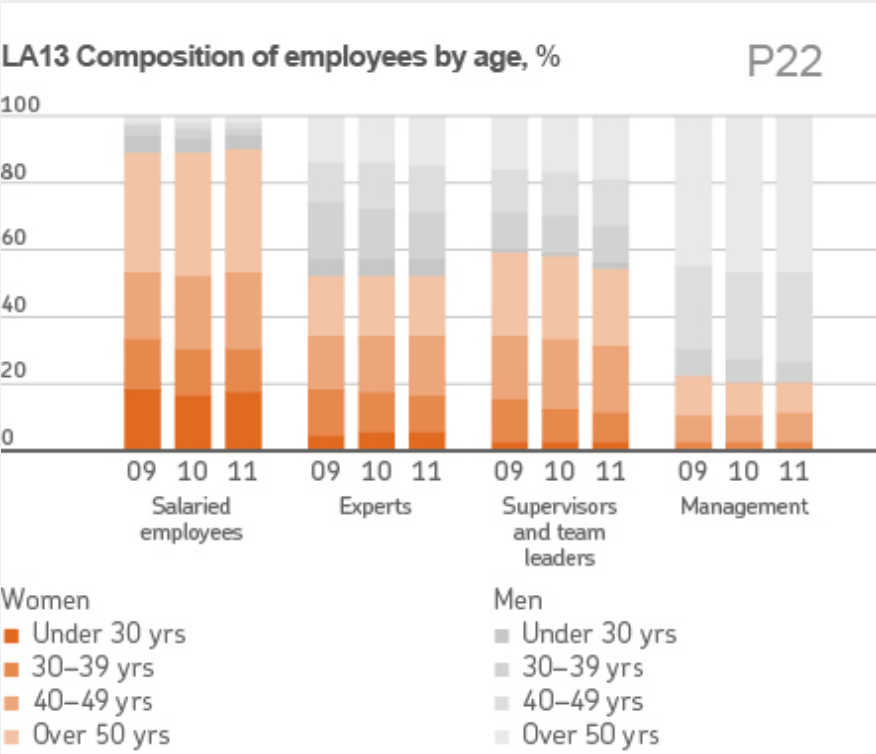
Graph: Breakdown by personnel group, %



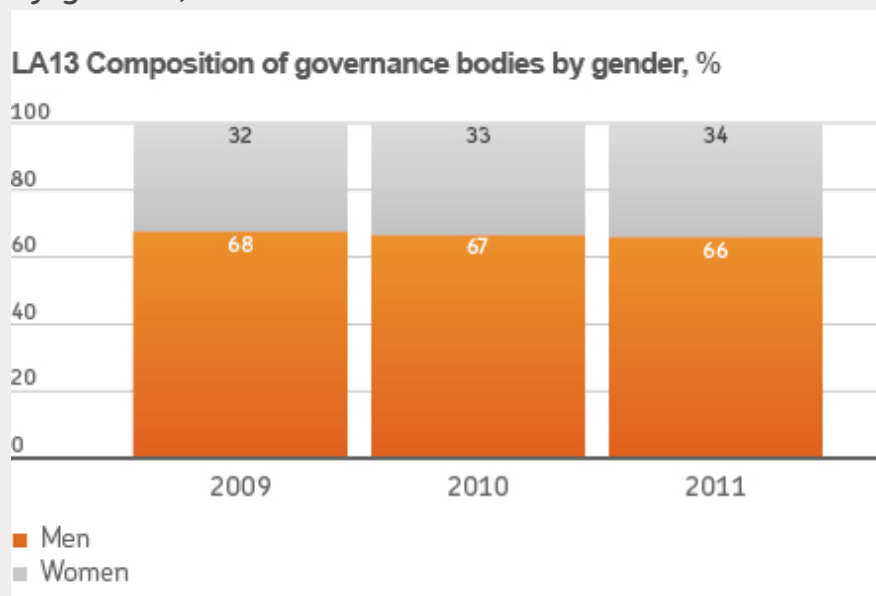
Graph: LA13 Composition of employees by gender, %



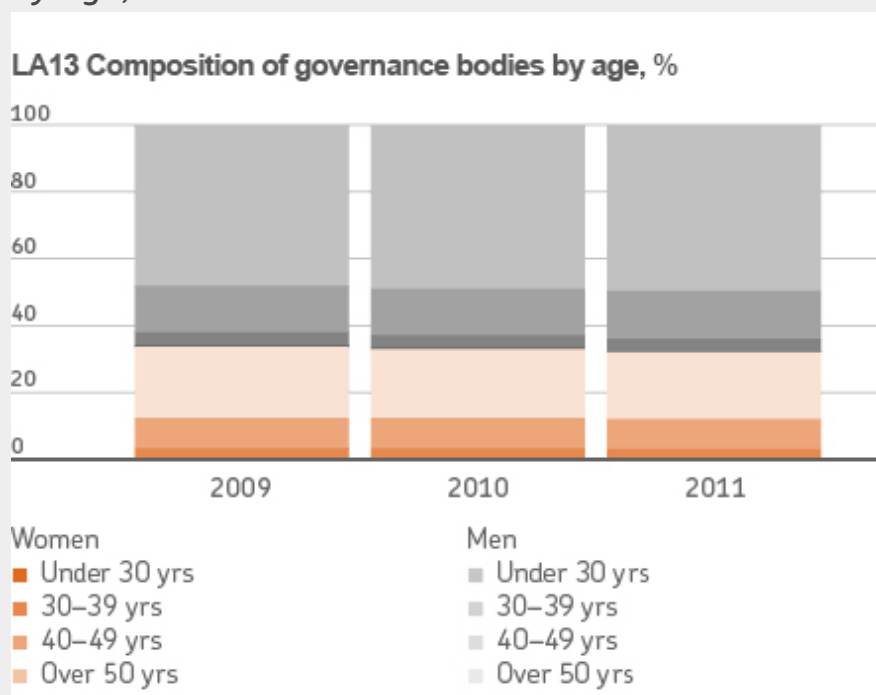
Graph: LA13 Composition of employees by age, %



Graph: LA13 Composition of governance bodies by gender, %



Graph: LA13 Composition of governance bodies by age, %

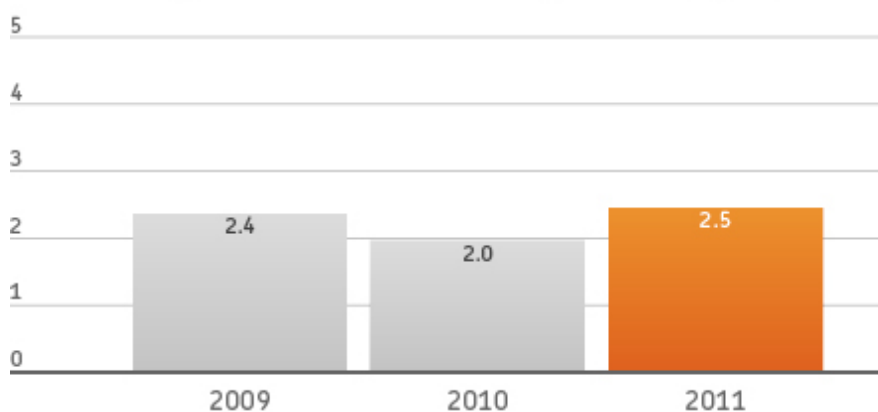


In 2011, the average age of retired employees was 61.5 years (61.3), and they had been employed by the Group for 24.5 years (23.3), on average.

## Skills Development (LA10 and LA12)

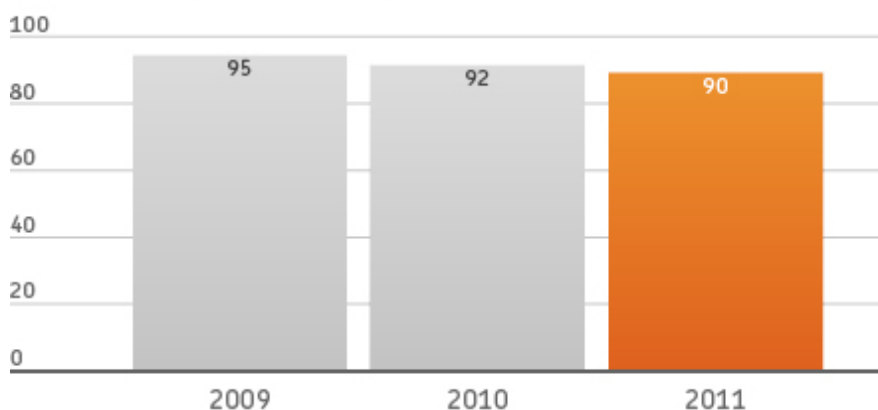
At OP-Pohjola Group, employees have good opportunities for skills development. Employee training has emphasised sales and interaction skills, while management development has focused on the ability to change and develop, among other themes. OP-Pohjola Group also offers its employees a wide array of opportunities 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, %**





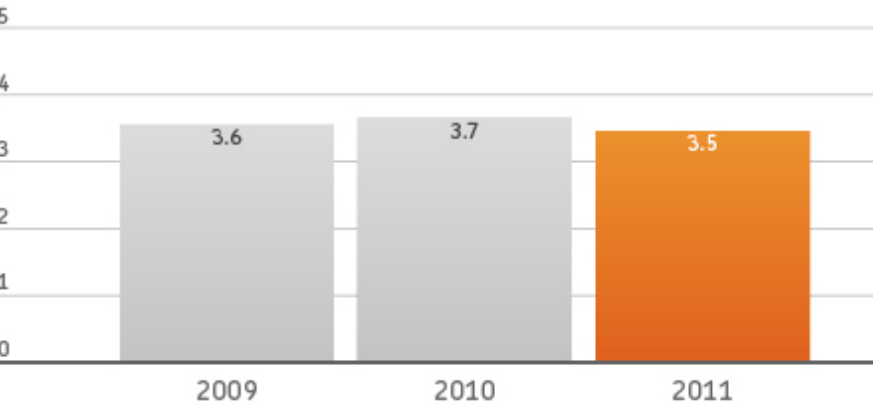
# Employee Wellbeing (LA7)

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

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Chief Communications Officer, Member of the Executive Board

**Stina Suominen**

Senior Vice President, Brands and CSR

**Juha Kortessalmi**

Vice President, CSR

**Sanna Auvinen**

CSR Manager

**Niina Pullinen**

Senior Vice President, Investor Relations, Pohjola Bank plc

**Rami Tulonen**

Controller

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## Pohjola – part of OP-Pohjola Group

Pohjola is part of OP-Pohjola Group, the leading financial services group in Finland, which provides its customers with the most extensive and diversified range of banking, investment and insurance services. The Group has three business segments: Banking and Investment Services, Life Insurance and Non-life Insurance.

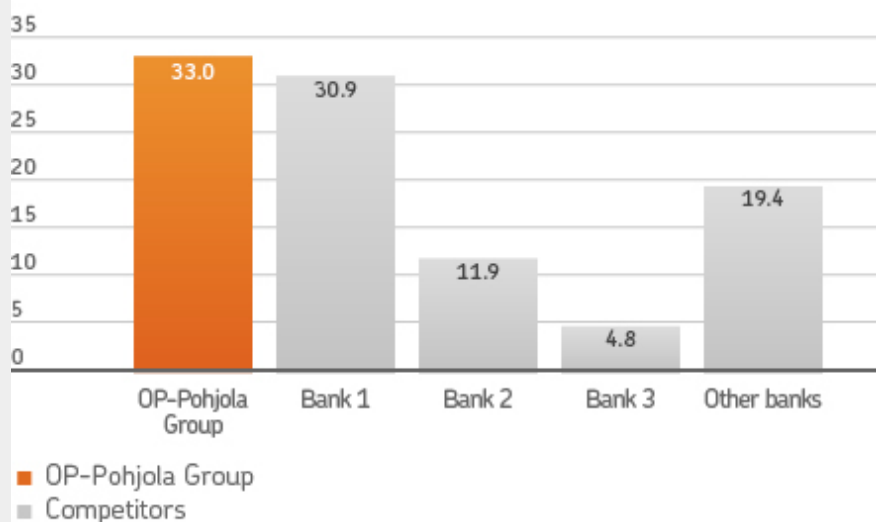
<b>Owner-members</b>	1.3 million
<b>Private customers</b>	Over 3.7 million
<b>Corporate and institutional customers</b>	430,000
<b>Personnel</b>	13,229
<b>Banking and non-life insurance locations</b>	535

## Market leader

OP-Pohjola Group, the leading financial services group in Finland, leads the market in lending, deposits and non-life insurance. The Group is also the largest player in life insurance in terms of premiums written.

Graph: Market share in loans 2010, %

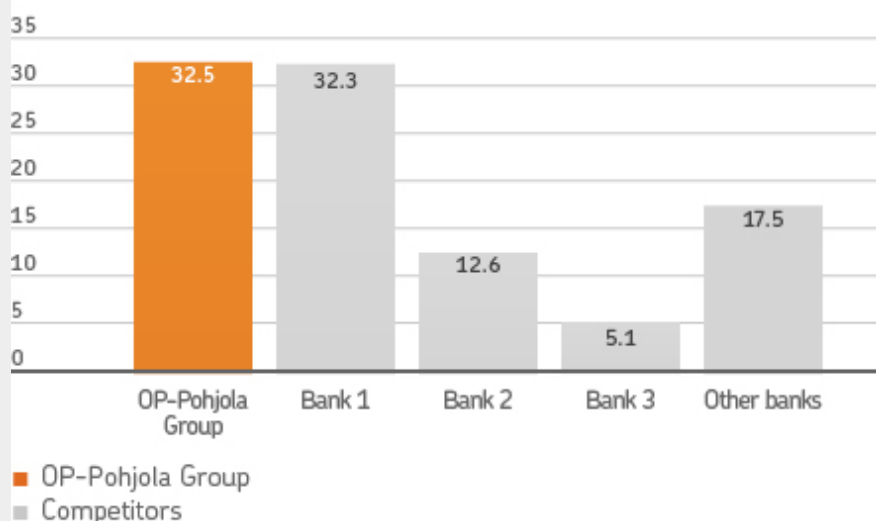
Market share of loans 2010, %



Source: Federation of Finnish Financial Services

Graph: Market share in deposits 2010, %

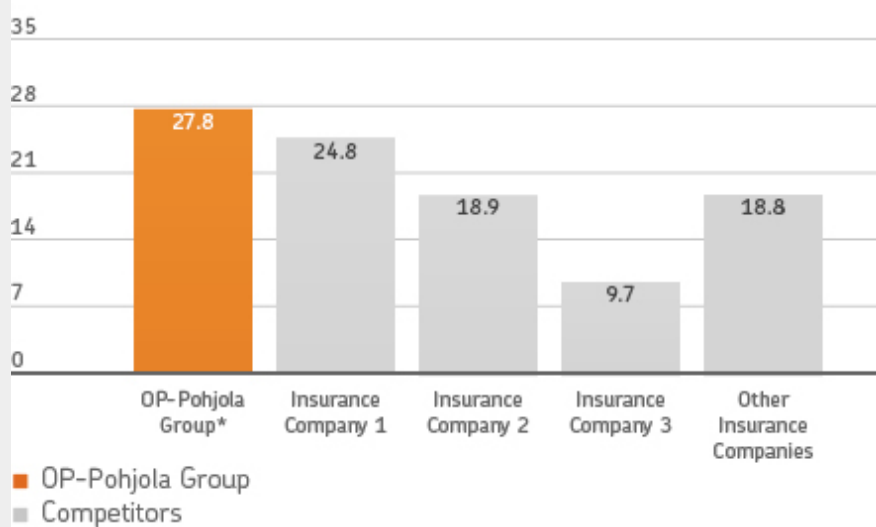
Market share in deposits 2010, %



Source: Federation of Finnish Financial Services

## Graph: Market share in non-life insurance premiums 2010, %

Market share in non-life insurance premiums 2010, %

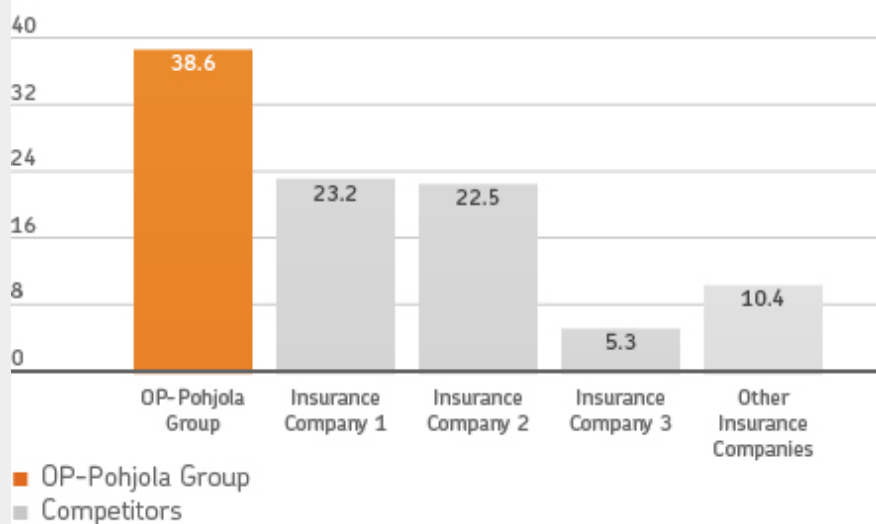


\* Pohjola Non-life, A-Insurance, Eurooppalainen

Source: Federation of Finnish Financial Services

## Graph: Market share in life insurance gross premiums 2010, %

Market share in life insurance gross premiums 2010, %



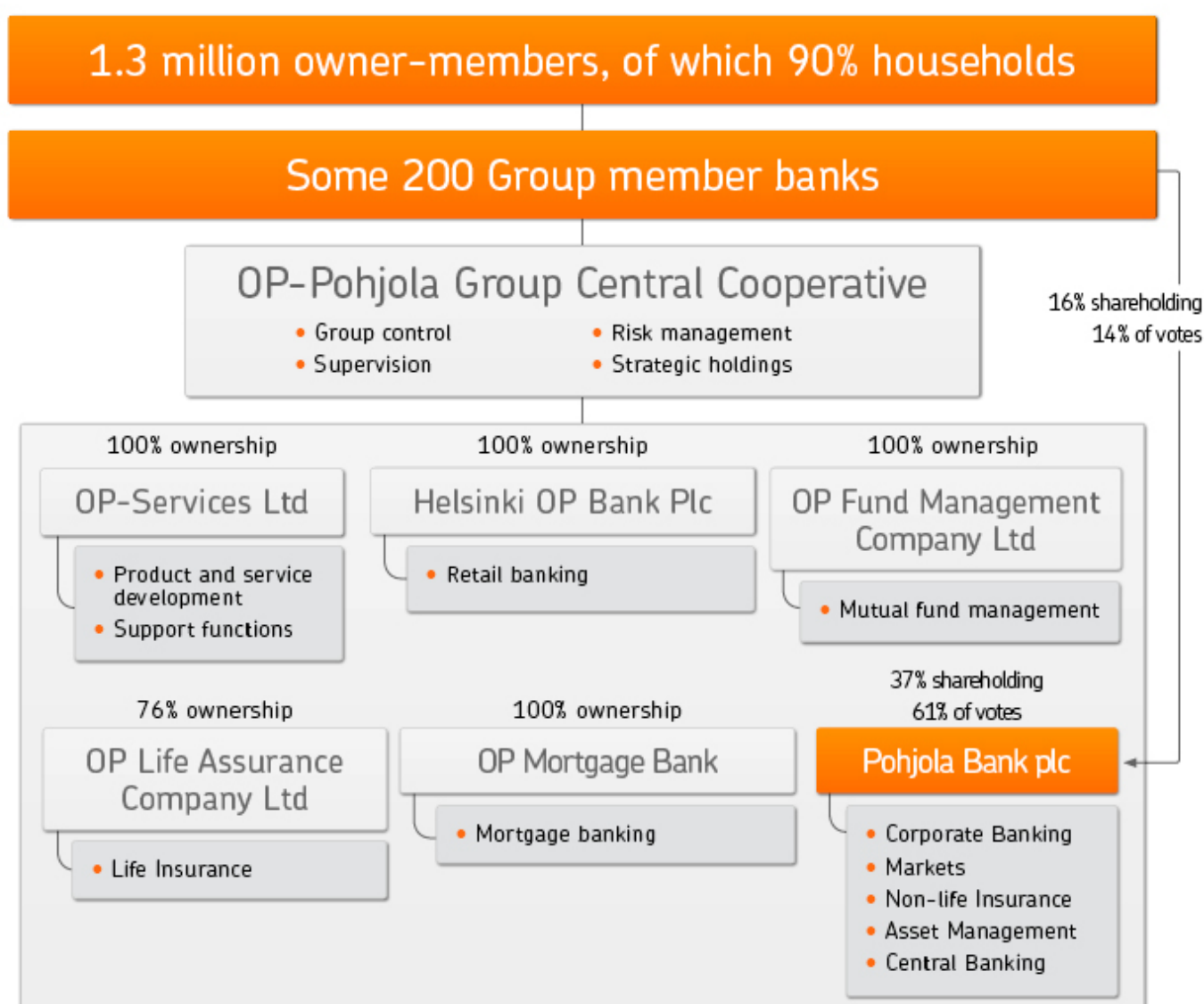
Source: Federation of Finnish Financial Services

# OP-Pohjola Group Structure and Division of Responsibilities

OP-Pohjola 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. Pohjola Bank plc is OP-Pohjola Group Central Cooperative's most significant subsidiary acting as OP-Pohjola Group's central bank responsible, for example, for the Group's liquidity and international business.

OP-Pohjola Group Central Cooperative's other major subsidiaries include OP Mortgage Bank and OP Life Assurance Company Ltd.

## OP-Pohjola Group's structure



See OP-Pohjola Group ownership and division of responsibilities



## Joint Liability

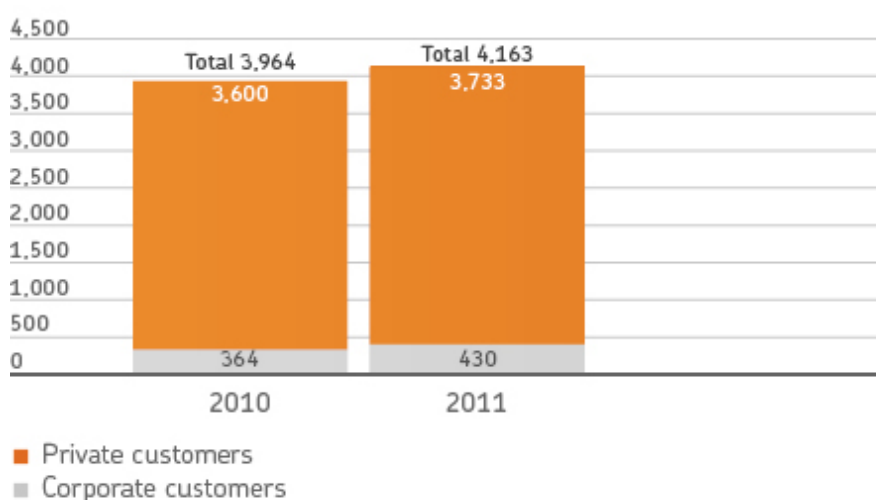
Pohjola answers for OP-Pohjola Group's liquidity and funding. OP-Pohjola Group Central Cooperative, the Group's central institution, and its member credit institutions are liable for each other's debts and commitments, based on the Act titled Laki talletuspankkien yhteenliittymästä (Act on the Amalgamation of Deposit Banks). OP-Pohjola Group's insurance companies do not fall within the scope of joint liability. The joint liability and solid financial position of the Group improve Pohjola's creditworthiness.

## Broadest Customer Base

Being part of OP-Pohjola Group provides Pohjola with competitive advantage. OP-Pohjola Group has more than four million customers, of whom joint banking and non-life insurance customers total around 1.3 million. With over 530 branches providing banking and non-life insurance services, the Group boasts the broadest customer base and the most extensive branch network in Finland. About half of its branches provide both banking and non-life insurance services. This extensive branch network enables remarkable growth and cross-selling potential. As a result of integration, Pohjola can provide its customers with the best loyalty benefits.

Conducted by TNS Gallup, the annual survey on bank and insurance company switch revealed that 40% of the respondents use OP-Pohjola Group member banks as their main bank and 22% use Pohjola Insurance as their main insurer.

### OP-Pohjola Group's customers, 1,000 customers



## Key Figures and Ratios

	OP-Pohjola Group 2011	Pohjola 2011	OP-Pohjola Group 2010	Pohjola 2010
Balance sheet total, € million	92,287	41,142	83,969	36,184
Receivables from customers, € million	60,331	12,701	56,834	12,433
Deposits, € million	41,304	8,025	36,443	4,231
Equity capital, € million	6,531	2,331	6,726	2,377
Tier 1 ratio, %	14	10.6	12.8	12.5
Doubtful receivables, € million	296	62	204	43
Doubtful receivables as percentage of loan and guarantee portfolio, %	0.47	0.41	0.34	0.3
Loan and guarantee portfolio, € billion	62.8	15	59.4	14.3
Impairments of receivables, € million	101	60	149	104
Impairments of receivables as percentage of loan and guarantee portfolio, %	0.16	0.4	0.25	0.73
Personnel	13,229	3,380	12,504	3,016

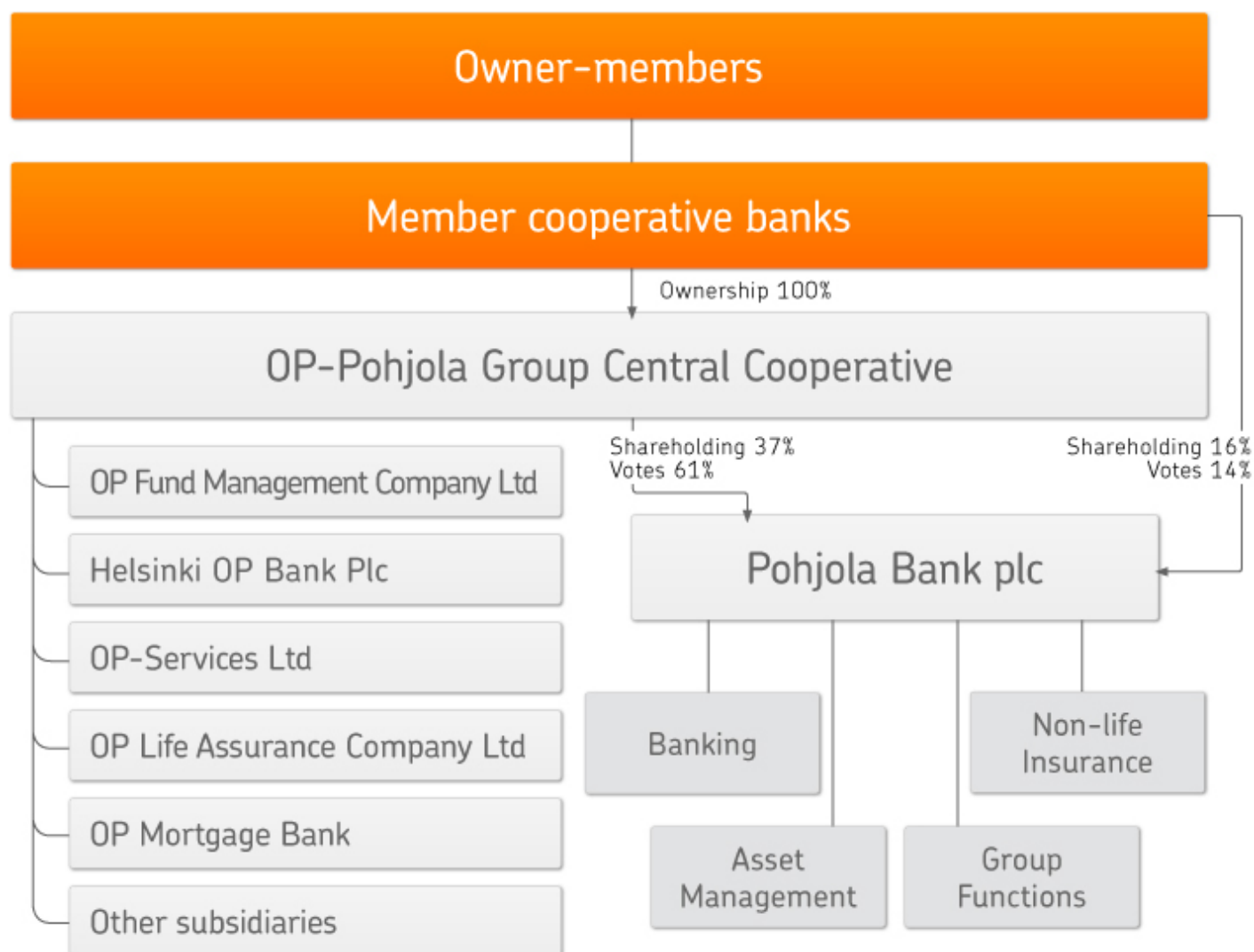
# Income Statement

	OP-Pohjola Group 2011	Pohjola 2011	OP-Pohjola Group 2010	Pohjola 2010
Net interest income	1,030	276	917	258
Net income from Non-life Insurance	312	318	382	388
Net income from Life Insurance	72		100	
Net commissions and fees	574	161	563	164
Other income	173	90	210	116
<b>Total income</b>	<b>2,160</b>	<b>843</b>	<b>2,172</b>	<b>926</b>
<b>Total expenses</b>	<b>1,365</b>	<b>528</b>	<b>1,286</b>	<b>514</b>
<b>Earnings before impairments of receivables</b>	<b>796</b>	<b>316</b>	<b>887</b>	<b>412</b>
Impairments of receivables	101	60	149	104
Returns to owner-members and OP bonus customers	176		163	
<b>Earnings before tax</b>	<b>518</b>	<b>258</b>	<b>575</b>	<b>308</b>
Gross change in fair value reserve	-400	-180	225	-17
Earnings before tax at fair value	117	78	800	291

# Corporate Governance

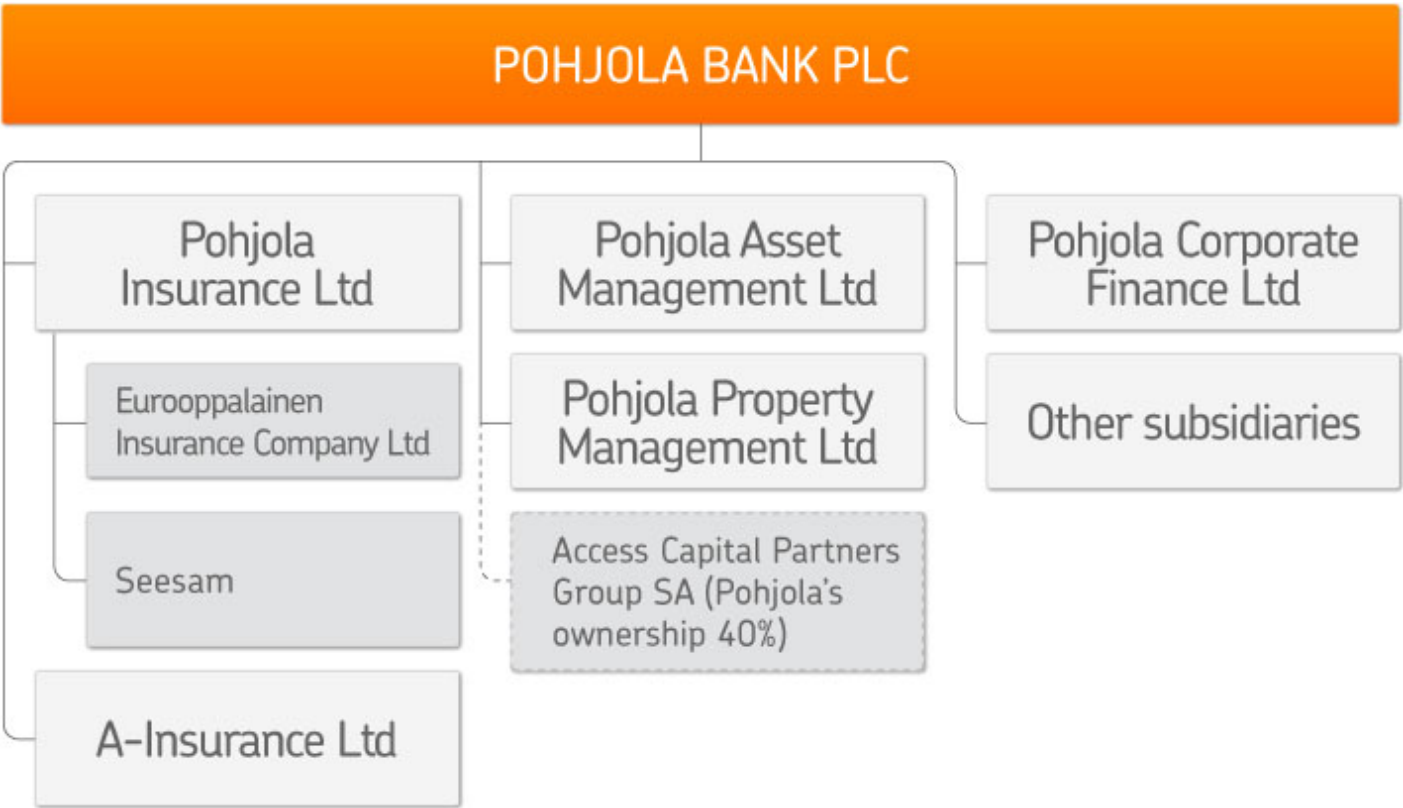
As OP-Pohjola Group Central Cooperative's subsidiary, Pohjola Bank plc (Pohjola or the Company) belongs to OP-Pohjola Group providing banking, insurance and other financial services, in terms of operations and ownership. OP-Pohjola Group is made up of some 200 local member cooperative banks and OP-Pohjola Group Central Cooperative which they own, including its subsidiaries.

## OP-Pohjola Group's structure



## Group structure

Pohjola Group comprises Pohjola Bank plc, the parent company, and its subsidiaries.



# Corporate Governance Structure

Pohjola is a Finnish public limited company in which the duties and responsibilities of the executive bodies are laid down by the laws of Finland.

Pohjola's corporate governance is based on a so-called one-tier system. A General Meeting of Shareholders exercises the highest decision-making powers and elects the Company's Board of Directors and auditor. Pohjola is managed by the Board of Directors, whose control and supervisory responsibility covers the entire Group, and the President and CEO appointed by the Board of Directors. The President and CEO is assisted by the Group Executive Committee in managing the Group.

In its decision-making, Pohjola complies with the Finnish Limited Liability Companies Act, regulations governing public limited companies, its Articles of Association and the rules and guidelines issued by NASDAQ OMX Helsinki Ltd. The Company complies with the Finnish Corporate Governance Code (2010) with certain, specifically stated exceptions.

The graph below depicts Pohjola Group's major decision-making bodies and reporting relationships in brief.



# Corporate Governance Statement

Pohjola prepares annually a Corporate Governance Statement required by the Finnish Corporate Governance Code and the Securities Markets Act. Pohjola will issue the Statement separate from the Report by the Board of Directors, which will be available on its website.



## Corporate Governance Update

Pohjola keeps its Corporate Governance information up-to-date available under [Investor Relations](#) on its website. The most important updates appear when the Company publishes its Financial Statements and the Report by the Board of Directors, and decisions made by General Meetings of Shareholders.

# Board of Directors



## Reijo Karhinen, b. 1955

### Chairman

- Executive Chairman and CEO, OP-Pohjola Group, Vuorineuvos (Finnish honorary title)
- M.Sc. (Econ. & Bus. Adm.), Doctor Honoris Causa, Turku School of Economics
- Board member since 1994

### 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

### Relevant previous experience:

- OKOBANK Group Central Cooperative: President 1997–2006, Executive Vice President 1994–96
- Kuopion Osuuspankki: Managing Director 1990–94
- Savonlinnan Osuuspankki: Managing Director 1988–90
- Varkauden Osuuspankki: Managing Director 1985–88
- Juvan Osuuspankki: Assistant Director 1979–84

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 52,802 on 1 Jan. 2011 and 52,802 on 31 Dec. 2011



## Tony Vepsäläinen, b. 1959

Vice Chairman

- Chief Business Development Officer (CBDO) and Deputy to Executive Chairman, OP-Pohjola Group Central Cooperative
- LL.M., eMBA
- Board member since 2007

Other relevant positions:

- Luottokunta: Vice Chairman of the Board of Directors
- OP-Pohjola Group Central Cooperative: Vice Chairman of the Executive Board
- Finnish Cultural Foundation: Member of the Board of Trustees

Relevant previous experience:

- OP-Pohjola Group Central Cooperative: President 2007–10
- Tampereen Seudun Osuuspankki: Managing Director 1998–2006
- Turun Seudun Osuuspankki: Deputy Managing Director 1996–98
- Kuopion Osuuspankki: Bank Manager 1993–96
- Suomen Säästöpankki SSP Oy: Deputy to Area Manager 1992–93
- Pohjois-Savon Säästöpankki: managerial duties 1985–92

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 8,665 on 1 Jan. 2011 and 8,665 on 31 Dec. 2011



## Merja Auvinen, b. 1960

- Deputy Managing Director, Suur-Savon Osuuspankki
- M.Sc. (Econ. & Bus. Adm.), eMBA
- Board member since 2006

### Other relevant positions:

- Etelä-Savo Chamber of Commerce: Vice Chairman of the Board of Directors

### Relevant previous experience:

- Savonlinnan Osuuspankki: Managing Director 2001–11
- Kuopion Osuuspankki: Bank Manager 1992–2001
- Pohjois-Savon OP-Kiinteistökeskus Oy: Managing Director, in addition to her regular duties, 1992–93
- Savonlinnan Osuuspankki: Marketing Manager 1989–92
- Nilsian Osuuspankki: Bank Manager 1989, Marketing Manager 1987–89

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 1,390 on 1 Jan. 2011 and 3,049 on 31 Dec. 2011

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## Jukka Hienonen, b. 1961

- President and CEO of SRV Group Plc
- M.Sc. (Econ. & Bus. Adm.)
- Board member since 2009

### Other relevant positions:

- Helsinki Region Chamber of Commerce:  
Chairman of the Board of Directors

### Relevant previous experience:

- Finnair Corporation: President and CEO 2005–10
- Stockmann Plc: Executive Vice President 2003–05, Director of Department Store Division 2001–05, and Director of Foreign Operations 1995–2000

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 15,712 on 1 Jan. 2011  
and 15,712 on 31 Dec. 2011



## Simo Kauppi, b. 1954

- Managing Director, Länsi-Suomen Osuuspankki
- M.Sc. (Econ. & Bus. Adm.), eMBA
- Board member since 2006

### Other relevant positions:

- Satakunnan OP-liitto: Vice Chairman of the Board of Directors
- Satakunta Chamber of Commerce: Vice Chairman of the Board of Directors
- Länsi-Suomen Diakonialaitoksen säätiö: Chairman of the Board of Directors
- PDL-palvelut Oy: Chairman of the Board of Directors
- Finda Oy: Member of the Board of Directors
- Satakunnan korkeakoulusäätiö: Member of the Board of Directors

### Relevant previous experience:

- Länsi-Suomen Osuuspankki: Deputy Managing Director from 2006 until 30 April 2009
- Rauman Seudun Osuuspankki: Managing Director 1996–2006

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 4,671 on 1 Jan. 2011 and 9,483 on 31 Dec. 2011

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## Satu Lähteenmäki, b. 1956

- Director from 1 Jan. 2010 until 31 Jul. 2012, Turku School of Economics / University of Turku (Professor of Management and Organisation)
- D.Sc. (Econ. & Bus. Adm.)
- Board member since 2006

### Other relevant positions:

- University of Turku: Chairman of the Board of the Turku School of Economics
- Turku School of Economics Support Foundation: Member of the Board
- Member of the Board of OP-Pohjola Group Research Foundation
- Member of the Board of the Kyösti Haataja Foundation
- Association of Business Schools Finland (ABS): Chairman of the Board
- Finnish Work Environment Funds: Member of Scientific Expert Team

### Relevant previous experience:

- Turku School of Economics: Professor of Management and Organisation since 1999, Assistant Professor 1997–98, and various teaching and research positions 1985–96
- MPS/DBM Scandinavia: Career and Outplacement Consultant 1996
- Johannes Kepler University, Linz, Austria: Visiting professor since 2004

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 0 on 1 Jan. 2011 and 0 on 31 Dec. 2011

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## Harri Sailas, b. 1951

- President and CEO, Ilmarinen Mutual Pension Insurance Company
- M.Sc. (Econ.)
- Board member since 2010

### Other relevant positions:

- Finnair Corporation: Chairman of the Board of Directors
- Central Chamber of Commerce: Member of the Board
- Finnish Pension Alliance TELA: Chairman of the Board of Directors
- Aalto University Properties Ltd: Chairman of the Board of Directors

### Relevant previous experience:

- Nordea Bank Finland Plc: Head of Regional Bank 2004–06 and Deputy Managing Director,
- Head of Retail Banking Finland 2002–04
- MeritaNordbanken/Merita Bank Finland Plc: Deputy Managing Director, Head of Regional Bank 1998–2002
- Merita Bank Plc: District Director of Uusimaa 1995–98
- Kansallis-Osake-Pankki: Various duties 1975–95

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 0 on 1 Jan. 2011 and 0 on 31 Dec. 2011





## Tom von Weymarn, b. 1944

- Retired since 2004
- M.Sc. (Eng.)
- Board member since 2006

### Other relevant positions:

- Hartwall Capital Oy Ab: Chairman of the Board of Directors
- Turku Science Park Ltd: Chairman of the Board of Directors
- Sibelius Academy: Chairman of the Board of Directors
- IK Investment Partners Ltd: Senior Advisor
- Boardman Ltd: Partner
- Hydrios Biotechnology Oy: Member of the Board of Directors

### Relevant previous experience:

- Oy Rettig Ab: President and CEO 1997–2004
- Cultor Plc: Executive Vice President 1991–97
- Oy Karl Fazer Ab: Director 1983–91, the last two years of this period as President and CEO
- Telko Oy: Managing Director 1981–83
- Oy Huber Ab: Executive Vice President 1975–81

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 1,650 on 1 Jan. 2011 and 1,650 on 31 Dec. 2011

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## Executive Committee



### Mikael Silvennoinen, b. 1956

#### Chairman

- President and CEO, Pohjola Bank plc
- Employed by Pohjola Group since 1989. President and CEO of Pohjola Bank plc since 1997 and member of the Executive Board 1997–2006, Chairman of Pohjola Group's Executive Committee since 2006
- M.Sc. (Econ. & Bus. Adm.)

#### Relevant previous experience:

- Pohjola Group: Managing Director of various Group companies 1989–97
- Wärtsilä Group: various managerial positions 1983–89

#### Other relevant positions:

- Unico Banking Group: Member of the Board of Directors
- Konecranes Plc: Member of the Board of Directors

#### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 40,797 on 1 Jan. 2011 and 37,494 on 31 Dec. 2011

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## Vesa Aho, b. 1974

- CFO, Pohjola Bank plc
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2011
- M.Sc. (Econ. & Bus. Adm.)

### Relevant previous experience:

- Pohjola Bank plc: Various supervisory and managerial duties 2006–10

### Other relevant positions: -

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 0 on 1 Jan. 2011 and 256 on 31 Dec. 2011

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## Karri Alameri, b. 1963

President, Pohjola Asset Management Ltd

- Employed by OP-Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2012 (10 Feb. 2012)
- B.Sc. (Econ.)

Relevant previous experience:

- OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–12
- Danske Capital, Sampo Bank plc: Deputy Managing Director 2007–08
- Manadatum Asset Management Ltd: Deputy Managing Director 2004–06
- Carnegie Asset Management Finland Ltd : Chief Investment Officer 1997–2003

Other relevant positions:

- Avara Oy: Member of the Board of Directors

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 0 on 1 Jan. 2011 and 0 on 31 Dec. 2011

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## Tarja Ollilainen, b. 1960

- Senior Executive Vice President, Human Resources, Pohjola Bank plc
- Employed by Pohjola Group since 2003
- Member of Pohjola Group's Executive Committee since 1 Jan. 2012
- M.Sc. (Econ. & Bus. Adm.)

### Relevant previous experience:

- Pohjola Bank plc: Senior Vice President, Investor Relations 2008–11
- Pohjola Bank plc: Securities Ltd, Senior Vice President 2003–08
- Danske Securities AB, Helsinki Branch: General Manager 2001–02
- Student Union of the Helsinki School of Economics: Finance Director 1995–2000
- Skandinaviska Enskilda Banken, Enskilda Securities 1994–95
- Sp-Brokers Ltd: Managing Director 1991–94
- SKOP/Skopbank: in managerial and expert duties 1986–91

### Other relevant positions: -

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 93 on 1 Jan. 2011 and 922 on 31 Dec. 2011

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## Jouko Pölönen, b. 1970

- President, Pohjola Insurance Ltd, Group-level responsibility for private and corporate customers, Pohjola Bank plc
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2008
- M.Sc. (Econ. & Bus. Adm.), eMBA

### Relevant previous experience:

- Pohjola Bank plc: CFO 2009–10 and CRO 2001–08
- PricewaterhouseCoopers: Authorised Public Accountant 1999–2001 and auditor 1993–99

### Other relevant positions:

- Chairman of the Non-life Insurance Executive Committee of the Federation of Finnish Financial Services
- Helsinki OP Bank Plc: Member of the Board of Directors
- Federation of Accident Insurance Institutions: Member of the Board of Directors

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 3,517 on 1 Jan. 2011 and 4,963 on 31 Dec. 2011

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## Reima Rytsölä, b. 1969

- Senior Executive Vice President, Banking, Group-level responsibility for major corporate and institutional customers, Pohjola Bank plc
- Employed by Pohjola Group since 1996
- Member of Pohjola Group's Executive Committee since 2008
- M.Soc.Sc., CEFA

### Relevant previous experience:

- Pohjola Bank plc and its subsidiaries: Various managerial duties 1998–2007 and chief dealer, domestic money market, 1996–97
- Merita Plc: foreign exchange dealer 1994–96

### Other relevant positions: –

Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 2,719 on 1 Jan. 2011  
and 4,873 on 31 Dec. 2011

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## Petri Viertiö, b. 1962

- CRO, Pohjola Bank plc
- Employed by Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2009
- M.Sc. (Tech.)

### Relevant previous experience:

- Ernst & Young: Director 2007–09, Advisory Services
- Sampo plc: Chief Risk Officer 2002–07
- Sampo Bank plc: Chief Risk Officer 2000–01
- Varma-Sampo: Risk Manager 1999–2000
- Leonia Group: various managerial positions 1997–99

### Other relevant positions:

- OP Life Assurance Company Ltd: Member of the Board of Directors

### Holdings in Pohjola shares and share-based entitlements:

No. of Series A shares: 1,572 on 1 Jan. 2011 and 1,572 on 31 Dec. 2011

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# Financial Calendar for 2012

18 Jan - 8 Feb	18 January–8 February 2012 Silent period	8 Feb	8 February 2012 approximately 8.00 am Financial Statements Bulletin 2011	Week 10	Week 10 2012 Annual Review, Report by the Board of Directors and Financial Statements
27 March	27 March 2012 Annual General Meeting 2012, Helsinki	10 April	10 April 2012 Dividend payment date	12 April - 3 May	12 April–3 May 2012 Silent period
3 May	3 May 2012 approximately 8.00 am Interim Report 1 Jan–31 March (Q1)	11 July - 1 Aug	11 July–1 August 2012 Silent period	1 Aug	1 August 2012 approximately 8.00 am Interim Report 1 Jan–30 June (Q2)
10 Oct - 31 Oct	10–31 October 2012 Silent period	31 Oct	31 October 2012 approximately 8.00 am Interim Report 1 Jan–30 Sept (Q3)		

# Investor Relations

Pohjola Investor Relations is in charge of contacts with investors, analysts and credit rating agencies, and coordinates investor meetings, with the aim of ensuring, according to the Disclosure Policy, that markets will have simultaneous access to sufficient and true information on the Company as the basis for Pohjola share price formation and that such information will be published promptly and equitably. For potential investors investing in bonds issued by Pohjola, the information forms the basis of how to assess the issuer's repayment capacity. The full version of the Disclosure Policy guiding investor relations can be found at [pohjola.fi > English > Investor Relations > Corporate Governance > Disclosure Policy](#)

Pohjola's website at [pohjola.fi > English > Investor Relations > Equity Investors](#) contains more information for equity investors, such as on the Pohjola share and share performance, consensus estimates and Pohjola's share performance calculator.

Pohjola's website at [pohjola.fi > English > Investor Relations > Debt Investors](#) contains more information for debt investors, such as that on Pohjola's and OP Mortgage Bank's debt issuance programmes, quarterly debt investor presentation material as well as prospectuses and terms governing each issuance.

Pohjola Interim Reports:

[www.pohjola.fi > English > Media > Material service](#)

OP-Pohjola Group Interim Reports:

[www.op.fi > English > OP-Pohjola Group > Media > Material service](#)

OP Mortgage Bank Interim Reports:

[www.op.fi > English > OP-Pohjola Group > Media > Subsidiaries' Annual and Interim Reports](#)

## Pohjola IR contact information

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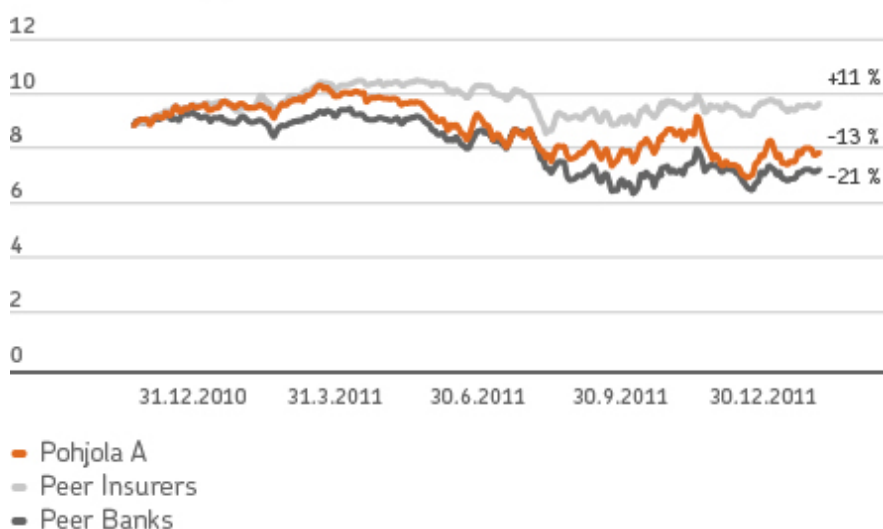
# Shares and Shareholders

Pohjola's promise to its shareholders, based on its strategy adopted in 2009, is to generate a competitive total shareholder return (TSR). Pohjola aims at a TSR that is above the average TSR of its Nordic peer groups. In 2001, Pohjola's TSR was better than that of its peer banks but lagged slightly behind its peer insurers.

## Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2006–2011, €



## Pohjola Total Shareholder Return vis-à-vis peer banks and insurance companies 2011, €



Peer banks: Nordea, SEB, SHB, Danske, Swedbank and DnBNOR  
 Peer insurers: Sampo, Tryg, Topdanmark and Alm.Brand

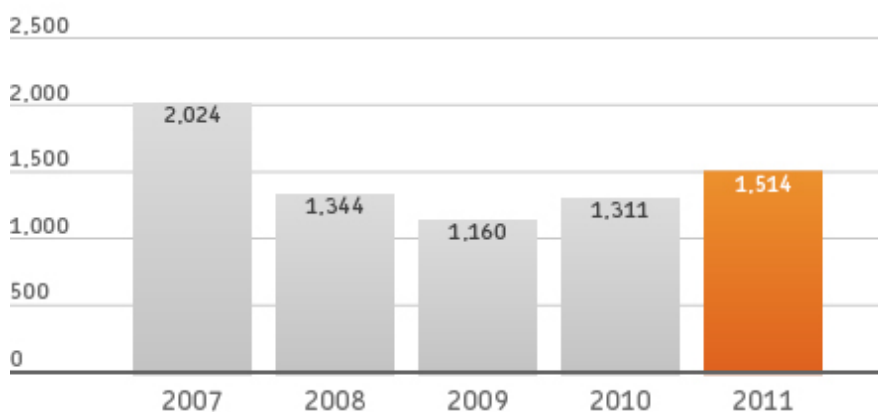
[Read more about Pohjola shares](#)

# Share Performance, Share Trading and Trading Venues

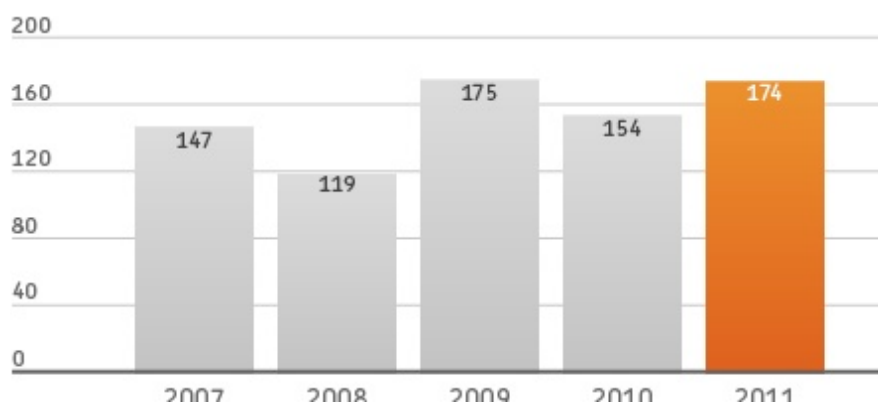
## Series A share

	2011	2010	2009	2008	2007
Year-end closing price, €	7.51	8.97	7.55	7.88	10.56
Year high, €	10.28	9.79	9.31	11.43	12.34
Year low, €	6.47	6.97	3.80	6.28	9.64
Share trading volume, million	174	154	175	119	147
Share trading value, € million	1,514	1,311	1,160	1,344	2,024

## Trading volume of Series A share, € million



## Trading volume of Series A share, number of shares, million



## Trading venues for Pohjola shares

In 2011, 79.5% of euro-denominated trading in Series A shares took place on NASDAQ OMX. During the reporting year, around a fifth of trading transferred to multilateral trading facilities (MTF).

Trading venue	% of euro-denominated trading in 2011
Nasdaq OMX	79.52
Chi-X	11.73
BATS	4.69
Turquoise	3.66
Burgundy	0.34
EuroNext Arca	0.07

Source: NASDAQ OMX Helsinki

# Basic Information on Shares 31 Dec. 2011

Pohjola Bank plc shares are divided into Series A and K shares.

## Series A shares

Series A shares available for subscription by the general public are quoted on NASDAQ OMX Helsinki. They have been quoted on the Main List of NASDAQ OMX Helsinki (Helsinki Stock Exchange) since 1989. In case of dividend payout, Series A shares entitle their holders to an annual per-share dividend which is at least three cents higher than the per-share dividend declared on Series K shares. Each Series A share entitles its holder to one vote at a General Meeting of Shareholders.

Series A share

- Trading code: POH1S
- ISIN code: FI0009003222
- Round lot: 1 share
- Vote/share: 1 vote
- No. of shares: 251,169,770
- Total votes conferred: 251,169,770

## Series K shares

Series K shares represent unlisted shares, held by OP-Pohjola Group member cooperative banks and institutions, which may be transferred only between these banks and institutions but which may be converted into Series A shares if so required by a holder of Series K shares. Each Series K share entitles its holder to five votes at a General Meeting of Shareholders.

Series K share (unlisted)

- Code: POHKS
- ISIN code: FI0009003925
- Vote/share: 5 votes
- No. of shares: 68,381,645
- Total votes conferred: 341,908,225

## Share capital and total number of shares

	31 Dec. 2011	31 Dec. 2010
Total share capital, €	427,617,463	427,617,463
Total number of shares	319,551,415	319,551,415
Total votes conferred by shares	593,077,995	593,077,995

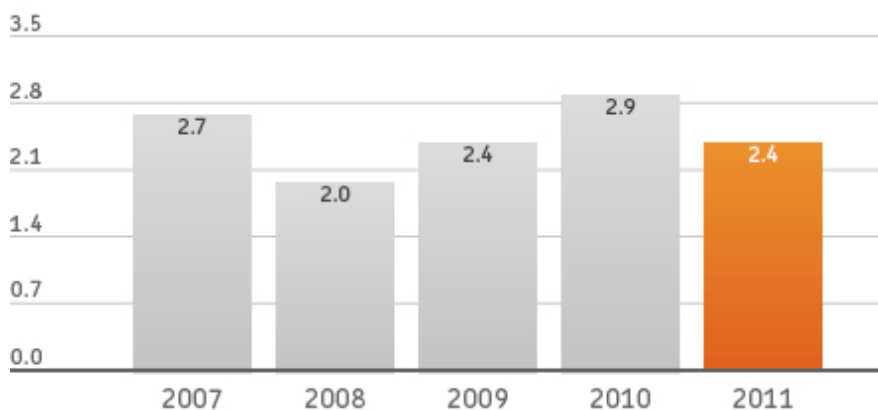
The total number of Pohjola Series A shares, quoted on the NASDAQ OMX Helsinki, and unquoted Series K shares did not change in 2011.

Share series 31 Dec. 2011	No. of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,169,770	78.60%	42.35%
Pohjola K (POHKS)	68,381,645	21.40%	57.65%
<b>Total</b>	<b>319,551,415</b>	<b>100.00%</b>	<b>100.00%</b>

## Market capitalisation

On 31 December 2011, Pohjola's market capitalisation totalled EUR 2,400 million (31 Dec. 2010: 2,866 million). In calculating the market capitalisation, Series K shares are valued at the price of Series A shares.

### Market capitalisation (A- and K-shares total), € billion



### Key figures per share

	2011	2010	2009	2008	2007
Earnings per share (Series A share), € *	0.68	0.72	0.66	0.36	0.85
Equity per share, € *	7.29	7.44	7.09	6.58	7.51
Dividend per share (Series A share), € *	0.41**	0.40	0.34	0.19	0.53
Dividend payout ratio, %	60**	55	51	51	62
Effective dividend yield (Series A share), %	5.5**	4.5	4.5	2.4	5.0
Price/earnings ratio (P/E), (Series A share)	11.2	12.5	11.5	22.4	12.5
Share price performance (Series A share)					
- Average price, € *	8.52	8.61	6.32	9.15	11.08
- Lowest price, € *	6.47	6.97	3.80	6.28	9.64
- Highest price, € *	10.28	9.79	9.31	11.43	12.34
- Year-end, € *	7.51	8.97	7.55	7.88	10.56
Market capitalisation (Series A and K shares), € billion	2.40	2.87	2.41	1.98	2.66
Market capitalisation (Series A share), € billion	1.89	2.25	1.90	1.56	2.09
Share turnover (Series A share), million	174	154	175	119	147
- % of total shares outstanding (Series A share)	69	61	75	74	92
Number of shares (Series A and K shares)					
- Year-end	319,551,415	319,551,415	319,551,415	203,350,900	203,350,900
- Year-end *	319,551,415	319,551,415	319,551,415	249,057,242	249,057,242
- Year average	319,551,415	319,551,415	295,795,845	203,350,900	203,350,900
Number of shareholders (Series A)	33,962	34,910	37,000	30,592	30,272

\* Due to Pohjola Bank plc's rights issue and new shares entered in the Trade Register on 4 May 2009, the ratios has been adjusted retroactively using the share issue ratio.

\*\* As proposed by the Board

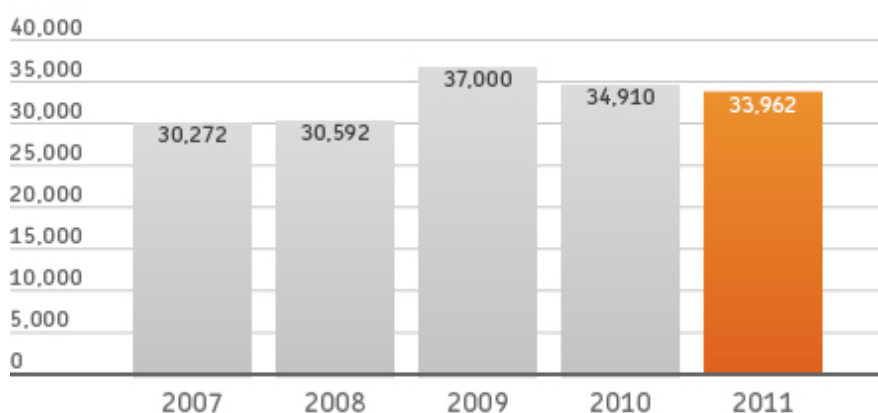
# Shareholders

On 31 December 2011, Pohjola had 33,962 registered shareholders, down by 948 (–3%) year on year, while their 2010 year-end number totalled 34,910.

Number of shareholders	31 Dec. 2011	31 Dec. 2010	Change
Series A shares	33,956	34,903	–947
Series K shares	114	119	–5
<b>Total*</b>	<b>33,962</b>	<b>34,910</b>	<b>–948</b>

\*The combined number of holders of Series A and K shares differs from the total number of shareholders since some of the holders of Series K shares also hold Series A shares.

## Number of shareholders



Private individuals accounted for 95.2% of all shareholders on 31 December 2011.

In accordance with provisions under the Act on Cooperative Banks and Other Cooperative Credit Institutions, Pohjola Bank plc must be a subsidiary of OP-Pohjola Group Central Cooperative, the central institution. The largest shareholder was OP-Pohjola Group Central Cooperative representing 37.2% of all shares and 61.0% of votes.

On 31 December 2011, nominee-registered shares represented 20.2% of Series A shares and other foreign shareholding in Pohjola stood at 1.3%, totalling 21.6%.

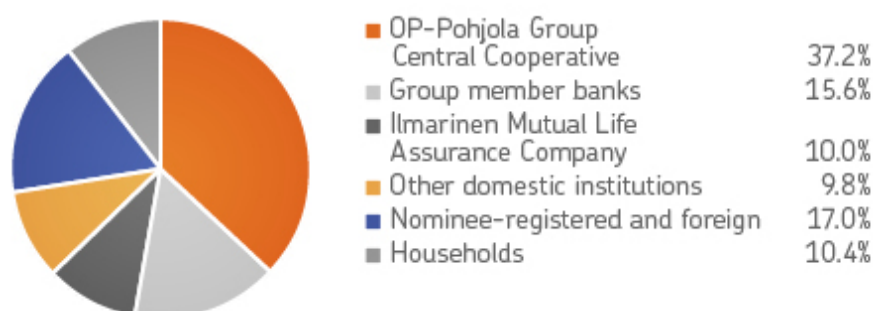
On the same date, nominee-registered shares and foreign shareholding accounted for 17.0% of all shares.



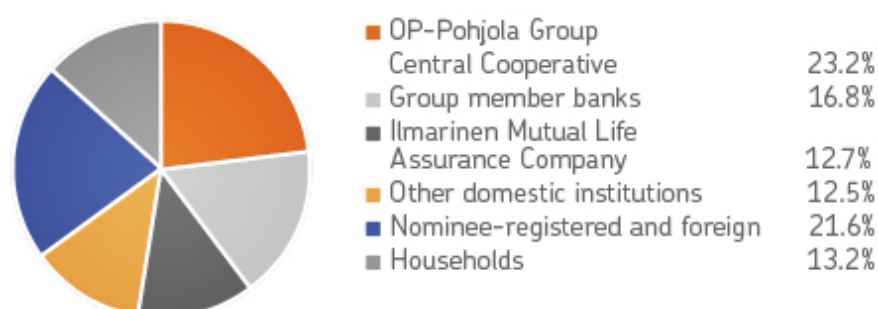
## 10 largest shareholders on 31 December 2011

	% of shares	% of votes	% of Series A shares
1. OP-Pohjola Group Central Cooperative	37.24	60.96	23.23
2. Ilmarinen Mutual Pension Insurance Company	10.00	5.39	12.72
3. Oulun Osuuspankki	1.37	1.81	1.11
4. OP Bank Group Pension Fund	1.08	0.58	1.38
5. State Pension Fund	0.78	0.42	1.00
6. OP Bank Group Pension Foundation	0.73	0.39	0.93
7. Turun Seudun Osuuspankki	0.57	0.33	0.72
8. Varma Mutual Pension Insurance Company	0.55	0.30	0.71
9. Tampereen Seudun Osuuspankki	0.51	0.34	0.61
10. Suur-Savon Osuuspankki	0.47	0.36	0.53
Nominee-registered shares, total	15.89	8.56	20.22
Others	30.80	20.54	36.85
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## Holdings by type of shareholders 31 Dec 2011 (Series A and K total), %



## Holdings by type of shareholders 31 Dec 2011 (Series A) %



## Shareholdings by sector

## Disclosure of Shareholdings

The following disclosure of shareholdings took place in 2011:

On 5 May 2011, Suomi Mutual Life Assurance Company (Suomi Mutual) and OP-Pohjola Group Central Cooperative (OP-Pohjola) notified Pohjola Bank plc (Pohjola) of a share transaction, whereby Suomi Mutual had sold OP-Pohjola all of its Pohjola Series A shares on 5 May 2011, accounting for 7.26% of all shares and 3.91% of all votes conferred by the shares. As a result of this transaction, Suomi Mutual's shareholding decreased below one-twentieth (1/20) and OP-Pohjola's shareholding increased to over three-tenths (3/10).

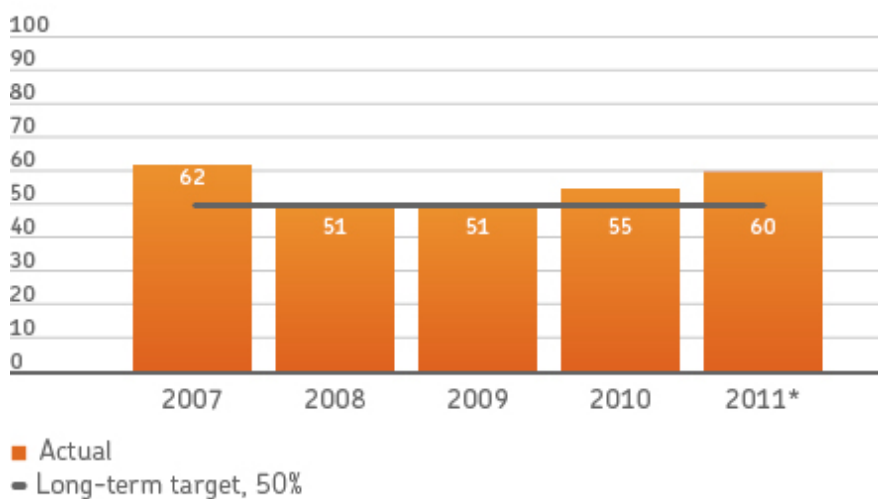
As a result, on 31 December 2011 OP-Pohjola Group Central Cooperative's shareholding in Pohjola Bank plc represented 37.24% of all shares and 60.96% of all votes conferred by the shares.

# Dividend Policy

The long-term target for the dividend payout ratio is a minimum of 50%, provided that the Tier 1 ratio stands at a minimum of 9.5%.

The dividend payout ratio during 2007–11 averaged 56%.

## Dividend payout ratio, %



\* Dividend based on Board proposal

	2011*	2010	2009	2008	2007
Dividend payout ratio, %**	60	55	51	51	62
Dividends paid out, € mn	129.0	125.8	106.6	45.5	130.9

\* As proposed by the Board

\*\* Proportion of EPS

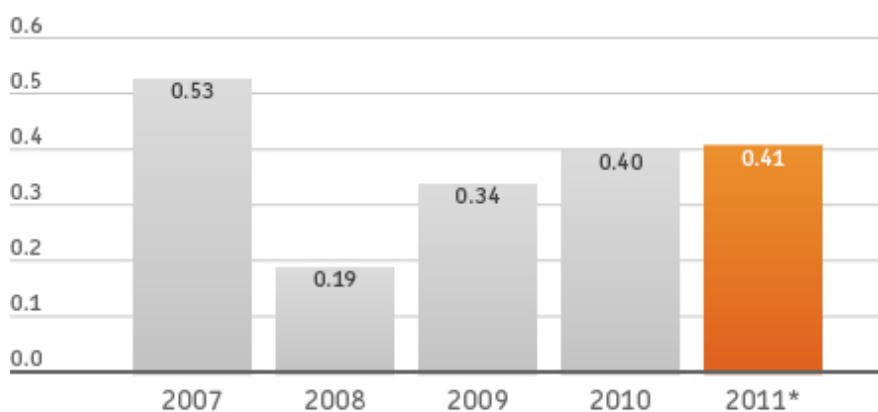
# Dividend

The Board of Directors of Pohjola Bank plc proposes that a per-share dividend of EUR 0.41 (0.40) be paid on Series A shares and EUR 0.38 (0.37) on Series K shares for the financial year 2011.

	2011*	2010	2009	2008	2007
Series A share, €	0.41	0.40	0.34	0.19	0.53
Series K share, €	0.38	0.37	0.31	0.16	0.50

\* As proposed by the Board

## Dividend/Series A, €



\* Dividend based on Board proposal

# Annual General Meeting and Dividend Payout

Pohjola Bank plc will hold its Annual General Meeting (AGM) in the Congress Wing of the Helsinki Exhibition & Convention Centre (Messuaukio 1, Helsinki) on Tuesday 27 March 2012, starting at 2.00 pm.

Notice of the Meeting was published on the Company's website at [pohjola.fi](http://pohjola.fi) and in Helsingin Sanomat and Hufvudstadsbladet on 21 February 2012. It was also published in the form of a stock exchange release. Registration for the AGM will terminate at 4.00 pm on Wednesday, 21 March 2012.

15 March Record date for the AGM

27 March AGM

30 March Dividend record date

10 April Dividend payout

## Share Issue Authorisations and Other Special Rights Entitling to Shares

The AGM of 29 March 2011 authorised the Board of Directors to decide on one or several rights issues. The total number of Series A and Series K shares offered for subscription in such a rights issue may not exceed 24,000,000 and 6,000,000, respectively.

The Board of Directors is also authorised to waive the shareholders' pre-emptive right (private placement), should there be, from the Company's perspective, a financially cogent reason to do so, in accordance with the Limited Liability Companies Act. In such a case, this authorisation may be exercised for the purpose of financing and executing company acquisitions or other transactions relating to the Company's business.

The authorisation contains the Board of Directors' right of stipulating the terms and conditions of a share issue and on other matters relating to these measures. The Board of Directors also has the right to determine whether the subscription price is to be entered in full or in part in the Company's reserve for invested non-restricted equity or in share capital.

The authorisation is effective until 29 March 2012. On the basis of the authorisation, the Board of Directors has not made any decision on a share issue.

## Stock-Option Schemes

Pohjola has no valid stock-option schemes in place.

## Share Buyback Authorisations

The AGM has not made any decision on buying back the Company's own shares nor authorised the Board of Directors to decide on such a buyback.



# Management Shareholding

	31 Dec. 2011	31 Dec. 2010
Series A shares held by members of the Board of Directors and the Executive Committee	148,028	157,249
- Proportion of all share capital, %	0.05	0.05
- Proportion of all votes, %	0.02	0.03

"Board of Directors" and "Executive Committee" under the section "Corporate Governance and Management" provide more detailed information on shareholdings by Board members and Executive Committee.

# Equity Analysts

The following banks and brokerage firms assess Pohjola as an investment. Pohjola is not responsible for any of their opinions, estimates or forecasts.

Bank/brokerage	Analyst
ABG Sundal Collier	Claus Højmark Jensen
Carnegie	Gianandrea Roberti
Credit Suisse	Alex Orloff
Danske Equities	Per Grønborg
Evli Bank	Kimmo Rämä
Handelsbanken	Matti Ahokas
JPMorgan Cazenove	Andreas van Embden
Nordea	Paavo Ahonen
SEB Enskilda	Mika Koskinen
Swedbank	(analyst changeover)

# Debt Investors

OP-Pohjola Group raises funds in international markets with Pohjola Bank plc (Pohjola) and OP Mortgage Bank acting as the issuers of debt instruments. Both companies are subsidiaries of OP-Pohjola Group Central Cooperative, the central institution.

More information on OP-Pohjola Group and information for debt investors can be found via the links below.

Read more	
<a href="#">Pohjola as a part of OP-Pohjola Group</a>	<a href="#">OP-Pohjola Group Annual Report 2011</a>
<a href="#">Pohjola.fi &gt; Debt Investors</a>	<a href="#">OP-Pohjola Group publications 2010 and 2011</a>

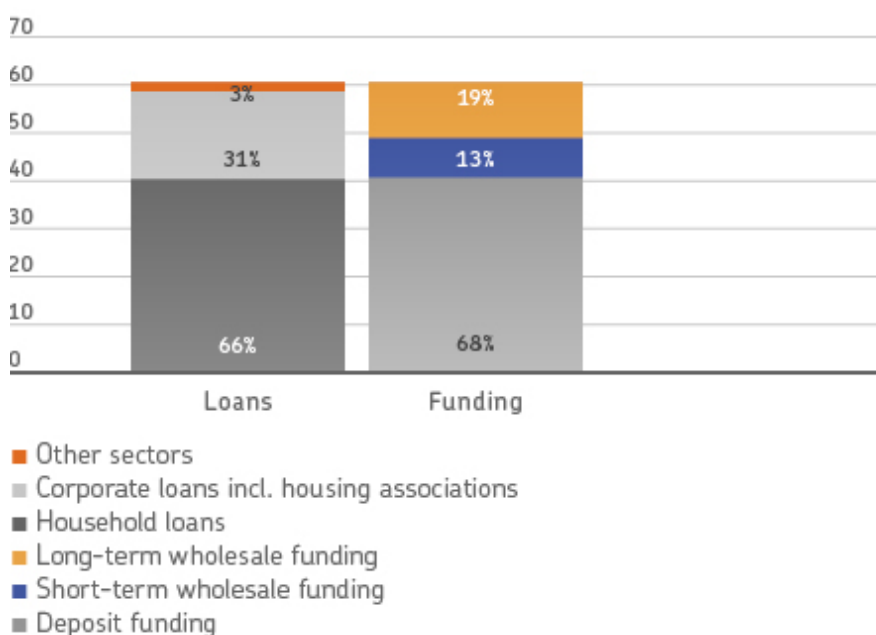
# Funding

Acting as OP-Pohjola Group's central bank, Pohjola is responsible for planning all of the Group's wholesale funding in money and capital markets. Pohjola is in charge of the Group's unsecured wholesale funding while OP Mortgage Bank is in charge of mortgage-backed wholesale funding.

In its wholesale funding operations, Pohjola aims at broad diversification, according to which it diversifies risks by maturity category, counterparty, product and market area.

OP-Pohjola Group boasts a strong funding structure, given that around two-thirds of funding is based on deposits and the rest comes from money and capital markets.

## Loans and funding by OP-Pohjola Group, 31 Dec 2011, € billion



## Debt Issuance Programmes

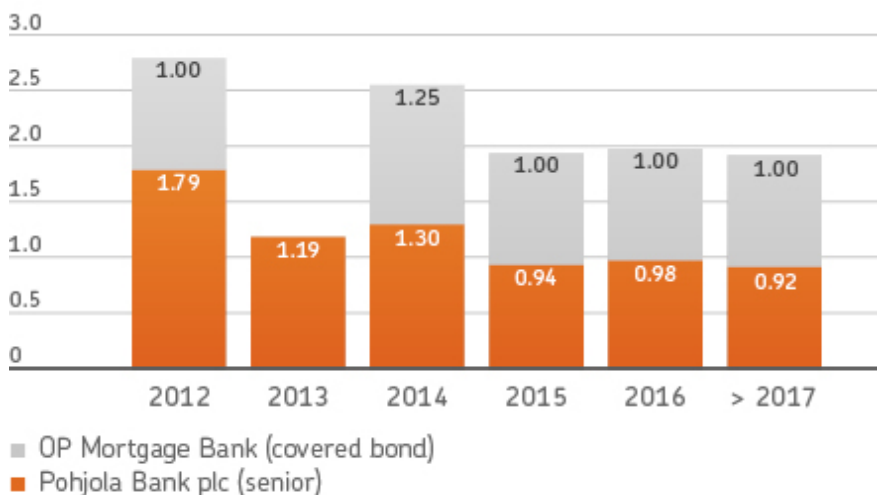
Pohjola has a EUR 15-billion Euro Medium Term Note (EMTN) programme and a EUR 12-billion Euro Commercial Paper (ECP) programme, with debt instruments with a maturity of over one year issued under the former programme and debt instruments with a maturity of less than one year issued under the latter. In addition, Pohjola issues certificates of deposit (CD) in the Finnish market.

OP Mortgage Bank issues covered bonds under its 10-billion Euro Medium Term Covered Note (EMTCN) programme.

### Pohjola senior bond and OP-Mortgage Bank covered bond issues 2011

Issuer	Month of issue	Amount	Maturity	Interest rate
Pohjola Bank plc	January	€ 500 mn	5 years	m/s +0.80%
OP Mortgage Bank	July	€ 1 bn	7 years	m/s +0.48%
OP Mortgage Bank	April	€ 1 bn	5 years	m/s +0.35%

### Long-term funding by maturity 31 Dec 2011, € billion



## Joint Liability within OP-Pohjola Group

Joint liability within OP-Pohjola Group is based on the Laki talletuspankkien yhteenliittymästä Act (Act on the amalgamation of deposit banks).

According to this Act, OP-Pohjola Group Central Cooperative, the Group's central institution, and its member credit institutions are liable for each other's debts and commitments.

- OP-Pohjola Group Central Cooperative is liable for the debts of its member credit institution which cannot be paid using the member credit institution's capital.
- Each member credit institution is liable to pay a proportionate share of the amount which OP-Pohjola Group Central Cooperative has paid to either another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue which the creditor has not received from its debtor.
- Each member credit institution's liability for the amount OP-Pohjola Group Central Cooperative has paid to the creditor on behalf of one of the member credit institutions is divided between the member credit institutions in proportion to their last adopted balance sheets.

This joint liability applies to OP-Pohjola Group Central Cooperative, OP-Pohjola Group member cooperative banks, Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj. Other OP-Pohjola Group companies, such as insurance companies, do not fall within the scope of joint liability.

The joint liability and solid financial position of the Group improve Pohjola's creditworthiness.

## Credit Ratings

Based on its strategy, Pohjola aims at an AA credit rating affirmed by at least two credit rating agencies.

Only two other Nordic banks have an AA credit rating for long-term debt affirmed by two credit rating agencies. When assessing Pohjola's credit rating, credit rating agencies take account of the entire OP-Pohjola Group's financial standing, because they monitor the Group as a single entity and OP-Pohjola Group Central Cooperative and Group member banks (including Pohjola) are liable for each other's debts and commitments.

Pohjola's, OP-Pohjola Group's and Pohjola Insurance Ltd's credit ratings underwent the following changes in 2011:

- On 15 December, as part of its extensive review of the global and European banking sector, Fitch Ratings Limited (Fitch) downgraded 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.
- On 8 December, Standard & Poor's Credit Market Services Europe Limited (Standard & Poor's) affirmed Pohjola Bank plc's long-term counterparty rating at AA- and short-term counterparty rating at A-1+, considering the outlook as stable. Standard & Poor's also upgraded Pohjola Insurance Ltd's credit rating from A+ to AA-.
- On 10 August, Moody's Investors Service Ltd (Moody's) put OP-Pohjola Group, Pohjola Bank plc and Pohjola Insurance Ltd on review of a possible credit rating downgrade, relating to the bank financial strength rating, or BFSR, of OP-Pohjola Group (B-), the long-term debt ratings of Pohjola Bank plc (Aa2) and the insurance financial strength of Pohjola Insurance Ltd (A2). In August 2011 Moody's expected OP-Pohjola Group's BFSR and Pohjola Bank plc's ratings for long-term debt to be limited to one notch.

Covered bonds issued by OP Mortgage Bank are rated AAA by Standard & Poor's and Aaa by Moody's.

## Credit ratings for long-term debt, 31 Dec 2011

	Moody's	S&P	Fitch
Pohjola Bank plc	Aa2*	AA-	A+
Handelsbanken	Aa2	AA-	AA-
Nordea	Aa2	AA-	AA-
DnB NOR	Aa3	A+	A+
Danske Bank	A2**	A**	A**
SEB	A1	A+	A+
Swedbank	A2	A+	A
OP Mortgage Bank***	Aaa	AAA	-
Pohjola Insurance Ltd	A2*	AA-	-
If	A2	A	-
Finnish government	Aaa	AAA*	AAA

\* Credit rating under review

\*\* Credit rating outlook is negative

\*\*\* Covered bond rating

[More credit rating information](#)



