

A large stack of gold bars, arranged in a 3x3x3 cube, sits on a reflective surface. Two smaller gold bars are placed to the left of the stack. The scene is lit with warm, golden light, creating strong reflections on the surface.

# Pohjola Bank plc's Corporate Governance Statement 2012

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# 1. Applicable Regulations

## Corporate Governance Statement

This Pohjola Bank plc's (Pohjola) Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code (2010) and Chapter 7, Section 7 of the Finnish Securities Markets Act, and issued separately from the Company's Report by the Board of Directors.

This Statement also covers some other key governance issues and the related, up-to-date and detailed information required by the Corporate Governance Code is available on the Company's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance.

At its meeting on 1 February 2013, the Audit Committee of the Company's Board of Directors discussed this Corporate Governance Statement. KPMG Oy Ab, the Company's auditor, has verified that the Statement has been issued and that the description it contains covering the main features of internal control and risk management systems related to the financial reporting process is consistent with the financial statements.

This Corporate Governance Statement is available on Pohjola's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Corporate Governance Statement (2012). This Statement together with the Financial Statements, Report by the Board of Directors and Auditor's Report are available at [www.pohjola.com](http://www.pohjola.com) > Media > Releases.

The Articles of Association is available on Pohjola's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Articles of Association.

## Compliance with the Corporate Governance Code

In its operations, Pohjola complies with Finnish legislation. In addition to the Finnish Limited Liability Companies Act, Pohjola complies with regulations governing public limited companies, financial services companies and insurance companies, its Articles of Association and the guidelines issued by OP-Pohjola Group Central Cooperative. In its international operations, Pohjola also complies with local legislation when applicable.

With certain exceptions, Pohjola also complies with the Finnish Corporate Governance Code approved by the Securities Market Association in June 2010. Pohjola belongs to the amalgamation of cooperative banks, under applicable legislation, and is a subsidiary of OP-Pohjola Group Central Cooperative, the central institution of said amalgamation. Legislation and the shareholder agreement concluded by the Company's major shareholders set some restrictions on the composition of the Board of Directors. Acting as the central financial institution for OP-Pohjola Group member cooperative banks, the Company is in intense coopera-

tion with OP-Pohjola Group's other entities. For these reasons related to the ownership and Group structure, Pohjola's corporate governance deviated in 2012 from the following recommendations in the Corporate Governance Code, as permitted by the Comply or Explain principle under the Code:

- Recommendations 8 and 10: election and term of Board members
  - The General Meeting of Shareholders does not elect persons acting as the Board of Directors' Chairman and Vice Chairman; the Board of Directors is chaired by the Chairman of OP-Pohjola Group Central Cooperative's Executive Board and OP-Pohjola Group Central Cooperative's Executive Board Vice Chairman acts as the Board's Vice Chairman, by virtue of applicable legislation and Pohjola's Articles of Association; the term of the Chairman and Vice Chairman is valid until further notice;
- Recommendation 14: independence of Board members
  - The majority of Board members are not independent of the Company; five Board members are executive members dependent on the Company and three are non-executive members independent of the Company.
- Recommendation 26: independence of members of the Audit Committee
  - Not all of the Audit Committee members are independent of the Company; two Committee members are non-executive members independent of the Company and one is an executive member dependent on the Company.

and

- Recommendation 32: independence of members of the Remuneration Committee
  - The majority of Remuneration Committee members are not independent of the Company; two Committee members are executive members dependent on the Company and one is a non-executive member independent of the Company.

The Finnish Corporate Governance Code is available on the Securities Market Association's website at [www.cgfinland.fi](http://www.cgfinland.fi) > Recommendations > The Finnish Corporate Governance Code.

## 2. Structure of OP-Pohjola Group and Pohjola Group, and Governing Bodies

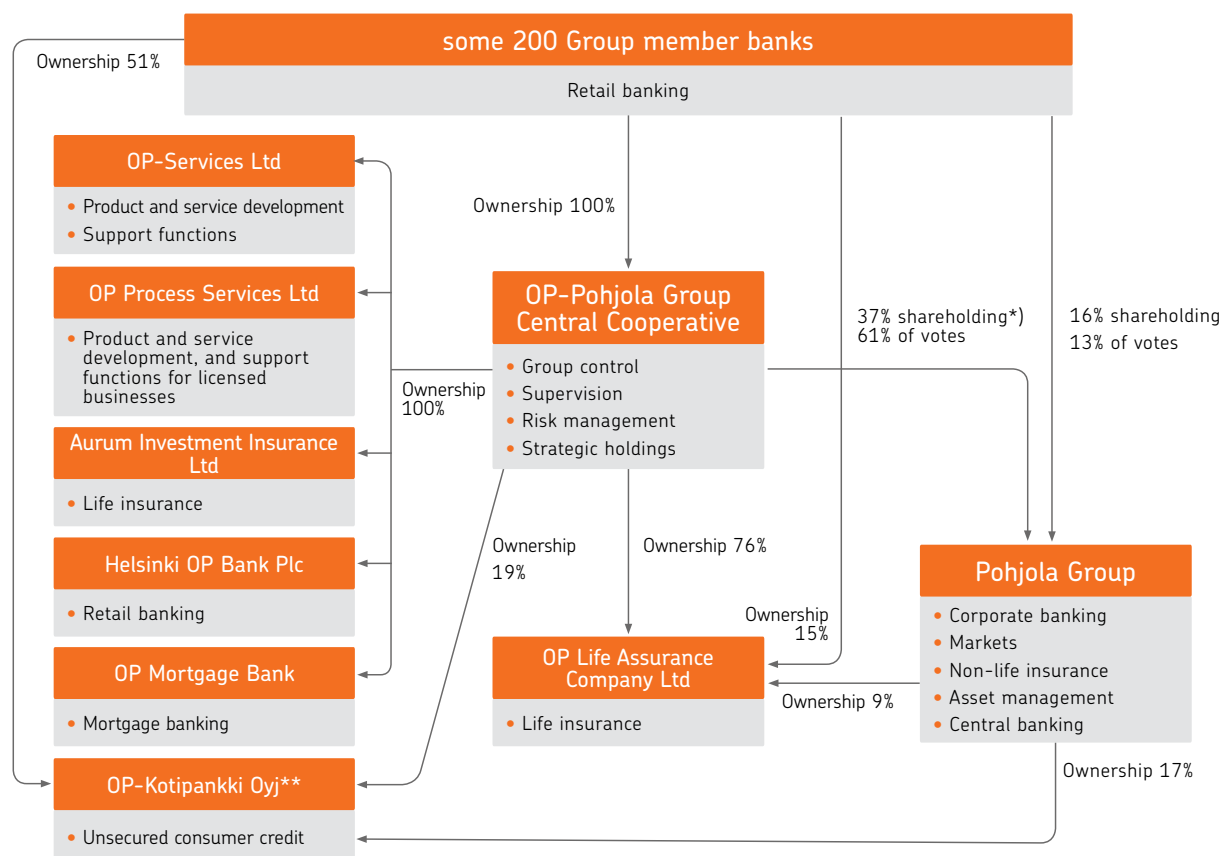
### Structure of OP-Pohjola Group

Pohjola Bank plc is a subsidiary and member credit institution of OP-Pohjola Group Central Cooperative. In terms of operations and ownership, it belongs to OP-Pohjola Group which provides banking, insurance and other financial services. OP-Pohjola Group consists of some 200 member cooperative banks and of their central institution, OP-Pohjola Group Central Cooperative, with its subsidiaries. OP-Pohjola Group is supervised as a single entity. The central institution is obliged to support its member credit institutions and is liable for their debts. The member credit institutions are obliged to participate in any necessary support

measures aimed at preventing another member credit institution from going into liquidation. In addition, they are jointly and severally liable for debts of a member credit institution failing to meet its obligations.

Owned by their members, the OP-Pohjola Group member cooperative banks are engaged in retail banking at local level within a specified region. Although their operations are based on OP-Pohjola Group's shared strategy and policies, they are independent with respect to decision-making. OP-Pohjola Group Central Cooperative acts as the central institution and strategic owner institution of OP-Pohjola Group.

### Structure, Ownership Base and Division of Responsibilities OP-Pohjola Group



Credit institutions within OP-Pohjola Group are liable for each other's debts and commitments. OP-Pohjola Group is supervised by FSA on a consolidated basis.

\*) Includes shareholding of 0.26% by OP-Pohjola Group Central Cooperative's subsidiary, OP Life Assurance Company Ltd.

\*\*) OP-Pohjola Group's shareholding 100%, of which OP-Pohjola Group Central Cooperative Consolidated's shareholding 39%.

**Changes in OP-Pohjola Group structure in 2012:**

December 2011 saw the decision to segregate OP-Services Ltd's licensed operations, such as securities processes and card services, to form a separate company owned by the central institution. This company, OP Process Services Ltd, began to operate on June 2012.

On 31 August 2012, OP-Pohjola Group Central Cooperative bought the share capital of Aurum Investment Insurance Ltd, a new Finnish life insurance company, from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc.

In 2012, the number of OP-Pohjola Group member cooperative banks decreased from 205 to 196 as a result of mergers with one another.

**Changes in Pohjola Group structure in 2012:**

Pohjola Health Ltd and Excenta Ltd merged at the beginning of 2012 and the merged company now operates under the name of Pohjola Health Ltd. Pohjola Insurance Ltd founded a hospital in Helsinki for outpatient surgery, specialising in the examination and treatment of orthopaedic diseases and injuries. The hospital began to operate in early 2013.

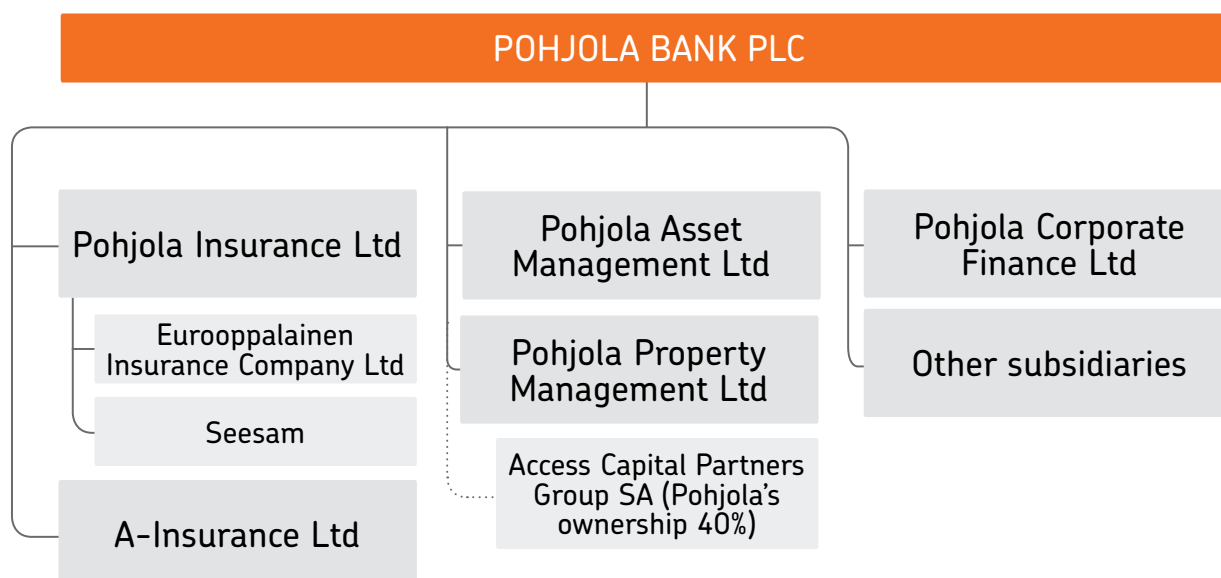
Pohjola Bank plc expanded its services in the Baltic region by opening a branch office in Latvia. For the moment, these new services for corporate customers in Latvia cover payment and liquidity management as well as working capital finance and investment financing.

**Structure of Pohjola Group**

Pohjola Group comprises Pohjola Bank plc, the parent company, and its subsidiaries. Its major operating subsidiaries include Pohjola Insurance Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company Ltd, Pohjola Asset Management Ltd, Pohjola Property Management Ltd, Pohjola Corporate Finance Ltd and the Seesam non-life insurance company operating in Estonia, Latvia and Lithuania.

**Administrative bodies**

A General Meeting of Shareholders exercises the highest decision-making powers and elects the Board of Directors (except for the Chairman and Vice Chairman) and auditors. The Board of Directors is in charge of the Company's strategic management. The Board of Directors is assisted by its committees (Audit Committee, Risk Management Committee and Remuneration Committee). Responsibility for operational management rests with the President and CEO, appointed by the Board of Directors, supported by the Group's Executive Committee.

**Group Structure**

## 3. General Meeting of Shareholders

A General Meeting of Shareholders is Pohjola's highest decision-making body. The Annual General Meeting (AGM) must be held within six months of the date of the termination of the financial year. The AGM shall discuss matters assigned to it in accordance with the Articles of Association and any other proposals submitted to it.

An Extraordinary General Meeting (EGM) is convened, if necessary, to deal with a specific proposal made to the Meeting. An EGM must be held if shareholders with a minimum total holding of 10% in Company shares require in writing that the Meeting be held for the purpose of discussing a certain issue.

The most significant items on the AGM's agenda include:

- deciding on the number of members of the Board of Directors, electing Board members and deciding on their emoluments;
- electing the auditor or auditors and deciding on their remuneration;
- adopting the Financial Statements;
- profit distribution;
- altering the Articles of Association; and
- deciding on a share issue or authorising the Board of Directors to launch a share issue.

### Notice of General Meeting of Shareholders

Notice of a General Meeting of Shareholders will be published on the Company's website no earlier than two (2) months and no later than three (3) weeks prior to the Meeting. In addition, an announcement of the Meeting will appear in one or more newspapers determined by the Board of Directors. The notice of the General Meeting and the Board of Directors' and shareholders' proposals to the Meeting will be published as a stock exchange release.

In addition, the notice, proposals by the Board of Directors or a shareholder and documents (such as the Financial Statements, the Report by the Board of Directors and the Auditor's Report) presented at the Meeting will be available to shareholders on the Company's website at [www.pohjola.com](http://www.pohjola.com) for at least three weeks before the Meeting.

### Registration and attendance

General Meetings are open to all shareholders registered in the Company's Shareholder Register, maintained by Euroclear Finland Ltd, eight weekdays prior to the Meeting (record date for the Meeting). In addition, holders of nominee-registered shares may be reported for temporary entry into the Shareholder Register for the purpose of attending the Meeting if, on the basis of the shares

held, they have the right to be entered into the Shareholder Register on the record date for the Meeting.

A shareholder has the right to have a matter within the remit of a General Meeting, under the Finnish Limited Liability Companies Act, to be discussed by the General Meeting if he requests this in writing from the Board of Directors well in advance so that said matter can be incorporated into the notice of the Meeting. The Company will annually inform on its website and in a stock exchange release of the date by which such a request must be presented.

A shareholder shall register for the Meeting in the manner stated in the notice of the Meeting. The deadline for this registration may be ten days prior to the Meeting at the earliest. Holders of nominee-registered shares are regarded as having registered for the Meeting if they have been duly reported for entry into the Company's Shareholder Register.

Each shareholder present at the Meeting has the right to present questions about items on the Meeting's agenda. A shareholder also has the right to make proposals at the Meeting in matters assigned to the Meeting and appearing on the agenda.

The Company has two series of shares. At a General Meeting, one Series K share entitles its holder to five votes and one Series A share to one vote. Shareholders may vote at the Meeting as permitted by the votes conferred by the shares they hold on the record date for the Meeting.

Decisions made by the General Meeting are usually based on a majority vote, and the Chairman has the casting vote in case of a tie. However, decisions on several matters under the Limited Liability Companies Act, such as an alteration of the Articles of Association or a decision on a private placement of shares, require a qualified majority represented by shares and the votes conferred by the shares at the Meeting.

Minutes of the General Meeting shall be drawn up, which will be available for shareholders' inspection on the Company's website no later than two weeks of closing of the Meeting.

### Shareholder agreements

As per the shareholder agreement of 5 May 2011 between OP-Pohjola Group Central Cooperative and Ilmarinen Mutual Pension Insurance Company (Ilmarinen), OP-Pohjola Group Central Cooperative as Pohjola's shareholder agrees to contribute to electing members to Pohjola's Board of Directors in such a way that one nominee appointed by Ilmarinen will be elected to Pohjola's Board of Directors as long as Ilmarinen's shareholding in Pohjola substantially corresponds to that effective on 5 May 2011 (10% of all shares).

The Company is not aware of other agreements related to ownership of its shares and exercise of voting rights.

### **Restriction on the right of disposal, and redemption clause**

In accordance with the Articles of Association, holding of Series K shares is restricted only to Finnish cooperative banks, cooperative bank companies and OP-Pohjola Group Central Cooperative, and Series K shares may not be transferred to institutions other than those entitled to holding Series K shares. Series A shares are freely transferable.

### **Annual General Meeting 2012**

Pohjola Bank plc held its Annual General Meeting at the Helsinki Exhibition & Convention Centre on 27 March 2012. The number of shareholders present at the Meeting totalled 1,037. The shares represented at the Meeting accounted for 69.5% of all Company shares and the votes for 82.1% of all votes.

The AGM adopted the Financial Statements for 2011, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.41 per Series A share and EUR 0.38 per Series K share. The AGM confirmed the number of members of the Board of Directors at eight. The AGM elected Mirja-Leena (Mirkku) Kullberg, Managing Director, and Jukka Hulkkonen, Managing Director, as new Board members.

Minutes of the AGM 2012 and other documents related to the Meeting are available at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Annual General Meetings.

Pohjola did not hold any Extraordinary General Meetings in 2012.



## 4. Board of Directors and Board Committees

### Election of the Board of Directors

According to the Articles of Association, Pohjola's Board of Directors comprises a minimum of five and a maximum of eight members, elected, except for the Chairman and Vice Chairman, by the Annual General Meeting for a term of office expiring upon the closing of the Annual General Meeting following their election. The Chairman of OP-Pohjola Group Central Cooperative's Executive Board chairs the Board of Directors by virtue of law. According to the Articles of Association, the Vice Chairman of OP-Pohjola Group Central Cooperative's Executive Board acts as the Vice Chairman of the Board of Directors.

In accordance with the Articles of Association, Pohjola has not set any upper age limit for members of the Board of Directors, limited the number of their terms of office or in any other manner restricted decision-making powers of a General Meeting of Shareholders in electing Board members (with the exception of election of the Chairman and Vice Chairman).

Pohjola does not have a nomination committee within its Board of Directors as referred to in the Corporate Governance Code, or any nomination committee set up by a General Meeting and comprising shareholders or their representatives. The parent institution, OP-Pohjola Group Central Cooperative, prepares proposals for candidates for the election of Board members submitted to the General Meeting. These proposals are included in the notice of the Meeting and published in a stock exchange release.

### Members of the Board of Directors

Information on the members of the Board of Directors and its committees in 2012 can be found in "Board and committee meetings: frequency and attendance in 2012" on page 9 below and Board members' personal data and other relevant information on pages 32–40 below.

### Independence of Board members

On 27 March 2012, the Board of Directors assessed the status of independence of its members in relation to the Company and its shareholders, in accordance with the Corporate Governance Code.

Based on this assessment, the following members were executive members dependent on the Company and its major shareholders: Reijo Karhinen, Tony Vepsäläinen and Harri Sailas. Karhinen and Vepsäläinen sat on the Executive Board of OP-Pohjola Group Central Cooperative, Pohjola's parent institution, the former acting as OP-Pohjola Group Central Cooperative's Executive Chairman and CEO and as the Executive Board's Chairman and the latter as OP-Pohjola Group Central Cooperative's Chief Business Development Officer and as the Executive Board's Vice Chairman. Sailas is the President and CEO of Ilmarinen Mutual Pension Insurance Company which is a major shareholder of Pohjola and also have a significant partnership with Pohjola.

Furthermore, the following members were executive members dependent on the Company: Merja Auvinen and Jukka Hulkkonen. While the former is the Deputy Managing Director of Suur-Savon Osuuspankki, the latter is the Managing Director of Salon Osuuspankki. Both Suur-Savon Osuuspankki and Salon Osuuspankki have a significant customer relationship and partnership with Pohjola. As concluded by the Board of Directors, Jukka Hienonen, Mirkku Kullberg and Tom von Weymarn are non-executive members independent of the Company and its major shareholders.

The criteria for the assessment of the status of Board member independence did not change in 2012.

### Board duties

The Board of Directors is responsible for the Company's administration and appropriate organisation of operations and for the duly organisation of the supervision of accounting and financial management. It deals with far-reaching and important matters in principle from the perspective of the Company's and its consolidated group's operations.

The Board of Directors has confirmed written rules of procedure defining the duties and meeting procedures applying to the Board of Directors.

The Board of Directors and the President and CEO shall manage the Company and its consolidated group professionally following sound and prudent business practices. The Board of Directors is tasked with promoting the interests of the Company and all of its shareholders.

In this respect, the Board of Directors shall, among other things,

- decide on the Group strategy and confirm business strategies;
- approve an annual business plan and supervise its implementation;
- decide on the core organisational structure and management system for the Group and its functions;
- discuss and approve the consolidated financial statements and interim reports;
- determine the Company's dividend policy and present a proposal to the General Meeting for the amount of dividends payable;
- appoint the Company's President and CEO and his deputy and decide on their remuneration, benefits and other terms and conditions of their executive contract;
- decide on the appointment of members to the Group Executive Committee and their remuneration, benefits and other terms and conditions of their employment or executive contract;



- decide on the basic principles governing the Company's and its consolidated group's management incentive schemes and employee incentive schemes;
- decide on strategically or financially significant individual investments and any corporate acquisitions, divestments and transactions;
- annually confirm the Group's capital adequacy management principles, risk policies, funding plan, capital plan, investment plans and significant operating principles governing risk management, and assess and supervise the appropriateness, extent and reliability of the Group's capital adequacy management;
- decide on principles for ensuring that the Company and its consolidated group operate in compliance with external regulations and internal instructions (compliance);
- confirm the description of internal control and supervise the performance and adequacy of internal control within the Company and its consolidated group;
- confirm the principles of internal audit and an annual action plan; and
- be responsible for any other duties of the Board of Directors as prescribed by the Limited Liability Companies Act or otherwise.

The Board of Directors may set up committees or other permanent or temporary bodies to perform tasks it has assigned. The Board of Directors shall confirm decision-making powers for bodies it has set up and elect their members. Such permanent decision-making bodies comprise the Senior Credit Committee, the Risk Management Executives and the Asset/Liability Management Executives which report to the Risk Management

Committee. In addition, the Board of Directors shall confirm the role description of the Underwriting Management and appointments.

The Board of Directors prepares an annual action plan which contains a meeting schedule for the Board and its committees, the most significant items on each meeting's agenda and required training for Board members. The action plan also includes exceptional events expected within the year in question.

## Responsibilities of the Chairman of the Board and its committees

The Board Chairman is responsible for ensuring that the Board of Directors works efficiently and performs all duties within its remit. As part of this responsibility, the Board Chairman shall ensure that an individual Board member has the experience and skills required to perform his duties in an appropriate manner. The Chairman cooperates with the President and CEO in preparing items on the agenda for Board meetings. He shall also ensure that sufficient time has been allowed for discussion and that each member present at meetings has the opportunity to express his opinion. The Chairman is also responsible for the further development of Board work and ensures the Company's good corporate governance.

The Chairman of each committee shall control and further develop committee work and ensure that committee work is appropriate and efficient.

The Board of Directors and its committees shall annually assess their performance and working methods for the purpose of further developing Board work.

## Board and committee meetings: frequency and attendance in 2012

| 1 Jan.–31 Dec. 2012 | 18 Board meetings* | 6 Audit Committee meetings | 5 Risk Management Committee meetings | 9 Remuneration Committee meetings** |
|---------------------|--------------------|----------------------------|--------------------------------------|-------------------------------------|
| Reijo Karhinen      | 18/18              |                            |                                      | 9/9                                 |
| Tony Vepsäläinen    | 18/18              |                            | 5/5                                  | 9/9                                 |
| Merja Auvinen       | 18/18              | 6/6                        |                                      |                                     |
| Jukka Hienonen      | 18/18              | 1/1                        |                                      | 6/6                                 |
| Jukka Hulkkonen     | 13/13              |                            | 4/4                                  |                                     |
| Simo Kauppi         | 5/5                |                            | 1/1                                  |                                     |
| Mirkku Kullberg     | 11/13              | 4/5                        |                                      |                                     |
| Satu Lähteenmäki    | 5/5                |                            |                                      | 3/3                                 |
| Harri Sailas        | 18/18              |                            | 4/5                                  |                                     |
| Tom von Weymarn     | 18/18              | 6/6                        |                                      |                                     |

\* Six of the Board meetings were held by telephone or email.

\*\* Four of the Remuneration Committee meetings were held by email.

## Board work in 2012

The Board of Directors had 18 meetings, with Reijo Karhinen acting as Chairman, Tony Vepsäläinen as Vice Chairman and Merja Auvinen, Jukka Hienonen, Jukka Hulkkonen (since 27 March 2012), Simo Kauppi (until 27 March 2013), Mirkku Kullberg (since 27 March 2013), Satu Lähteenmäki (until 27 March 2012), Harri Sailas and Tom von Weymarn as other members. The average attendance rate of its members stood at 99%.

### The calendar below shows the Board's major actions in 2012

- |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q1 | <ul style="list-style-type: none"> <li>• Discusses and approves the Financial Statements and the Report by the Board of Directors as well as the proposal for profit distribution submitted to the Annual General Meeting</li> <li>• Discusses and approves business plans for 2012</li> <li>• Dismisses Mikko Koskimies, President of Pohjola Asset Management Ltd, and appoints Karri Alameri a new President and member of the Group Executive Committee</li> <li>• Discusses and decides to discontinue the share-based ownership schemes that were in place in Pohjola Group</li> <li>• Specifies the Group's management system further in such a way that OP-Pohjola Group's Chief Business Development Officer chairs the Boards of Directors of Pohjola Insurance Ltd and Pohjola Asset Management Ltd</li> <li>• Discusses the preparation of strategy updates</li> <li>• Receives a report on the implementation of the incentive schemes for 2011</li> <li>• Following discussion, it makes a decision on branching out into the healthcare market through the establishment of a subsidiary, Omasairaala Oy</li> <li>• Discusses proposals for separate topics to be submitted to the AGM</li> <li>• Discusses and adopts the general principles of the incentive schemes and the criteria for the Group Executive Committee members' remuneration for 2012, and appoints those to be included in the long-term management incentive scheme</li> <li>• Discusses the progress report on strategic initiatives</li> <li>• Discusses the decisions made by the AGM, appoints members to its committees and assesses the independence of its members</li> </ul> |
| Q2 | <ul style="list-style-type: none"> <li>• Discusses and approves the Interim Report for Q1/2012</li> <li>• Discusses and approves the audit plan for 2012</li> <li>• Discusses the preparation of strategy updates</li> <li>• Assesses the implementation of the annual plan and risk policies for 2012</li> <li>• Discusses and approves remuneration and the pay terms applicable to the President and CEO and other Group Executive Committee members, and the amount of performance-based bonuses transferred to the personnel fund, as well as the succession plan related to the President and CEO and the Executive Committee</li> <li>• Receives the report dealing with the Group's remuneration for 2011 and the implementation of the management share-based incentive scheme in 2011</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Q3 | <ul style="list-style-type: none"> <li>• Discusses and decides to initiate a reorganisation programme and the related Information and Consultation of Employees process within Pohjola Group</li> <li>• Discusses and approves the Interim Report for Q2/2012</li> <li>• Discusses the preparation of strategy updates</li> <li>• Has preliminary discussion on the framework of 2013 annual planning and on the 2013 incentive schemes</li> <li>• Assesses the performance and adequacy of the Group's risk management, good corporate governance and internal control</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Q4 | <ul style="list-style-type: none"> <li>• Discusses and approves the Interim Report for Q3/2012</li> <li>• Discusses and adopts Pohjola Group's updated strategy</li> <li>• Discusses the summary of the personnel survey</li> <li>• Discusses and decides to further specify its rules of procedure as part of a change in the management system of OP-Pohjola Group Central Cooperative Consolidated</li> <li>• Assesses its own performance and the performance of the President and CEO</li> <li>• Discusses and approves annual plans, the capital adequacy management principles, risk policies and the capital plan for 2013</li> <li>• Discusses and approves impairment testing for goodwill and intangible assets, and the accounting policies</li> <li>• Discusses and adopts the Internal Audit action plan for 2013</li> <li>• Discusses and decides to terminate the Information and Consultation of Employees process</li> <li>• Discusses profit distribution planning for 2012</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

At its meetings, the Board of Directors regularly discussed the President and CEO's reviews of financial markets, competition and the performance of business lines, as well as issues discussed at Board committee meetings.

## Board committees

The Board of Directors has set up an Audit Committee, a Remuneration Committee and a Risk Management Committee for the purpose of preparing tasks within its remit. The Board elects chairmen, vice chairmen and other members to the committees from among its members and confirms the committees' rules of procedure specifying the committees' key responsibilities and principles.

The committees have no independent decision-making powers but the Board of Directors makes decisions based on preparations made by the committees. The committees shall provide regular reports on their work to the Board of Directors.

### Audit Committee

#### Appointment and composition

The Board of Directors appoints from among its members a Chairman and Vice Chairman and a minimum of one and a maximum of two other members for a term of one year to the Audit Committee. The Committee's members must be financially literate with adequate knowledge of accounting and accounting standards, and one of the members must be a non-executive director independent of the Company and any of its major shareholders.

#### Duties

The Audit Committee is tasked with assisting the Board of Directors in ensuring that the Company and its consolidated group have a sufficient and effective internal control system covering all operations and that the supervision of accounting and financial management is duly organised. The Committee is also responsible for ensuring that the Company's operations and internal control are organised in a manner as required by laws, regulations and the principles of good corporate governance, and for supervising the performance of internal audit.

To carry out its duties, the Committee shall, among other things,

- supervise financial reporting by
    - discussing the Company's draft financial statements and interim reports, and the Corporate Governance Statement issued annually, as well as the Company's and its consolidated group's accounting policies
    - assessing major or exceptional transactions and the related management judgement and estimates
    - monitoring the financial statements reporting process, supervising the financial reporting process and assessing the accuracy of financial reporting and its compliance with regulations
  - supervise compliance with laws, rules and other regulations by
    - regularly hearing the Chief Compliance Officer
    - evaluating how the Company complies with laws, regulations and regulatory guidelines
    - evaluating compliance with internal guidelines
    - monitoring developments in the regulatory environment governing the Company's and its consolidated group's operations
  - evaluate the adequacy and effectiveness of internal control by
    - monitoring and supervising compliance with the principles of internal control
  - supervise internal auditing by
    - regularly hearing the Chief Audit Executive
    - assessing internal audit performance and dealing with the internal audit action plan
    - familiarising itself with the Internal Audit's audit reports to a sufficient extent
  - deal with issues related to regulatory supervision by
    - familiarising itself with supervisory reports issued by relevant regulators and with other reports, and by assessing any measures required by supervision
  - deal with and assess matters related to auditing and auditors by
    - regularly hearing auditors
    - dealing with and assessing the audit plan and auditor's reports
    - monitoring and assessing statutory audit and especially ancillary services provided to the Company by the auditors
    - participating in the selection process of auditors
  - maintain contacts with the Audit Committee of the parent institution's Supervisory Board.
-

## Audit Committee work in 2012

The Audit Committee had six meetings, with Tom von Weymarn acting as Chairman and Merja Auvinen, Jukka Hienonen (until 27 March 2012) and Mirkku Kullberg (since 27 March 2012) as other members. In addition to the Audit Committee members, the President and CEO, the Chief Financial Officer, the Chief Risk Officer, the Chief Compliance Officer and representatives of Internal Audit and auditors participated in Committee meetings. The average attendance rate of its members stood at 94%.

The Audit Committee also discussed reports issued by the auditors, Internal Audit and regulators as well as regulatory reviews and the minutes of the meetings of the Group Executive Committee and the boards of directors of major subsidiaries. The Audit Committee also heard the auditors when it discussed the Financial Statements and interim reports as well as the accounting policies.

The key tasks in 2012 involved ensuring the content of the Financial Statements and interim reports in such a way that they give a true and fair view of the Group's financial performance and financial position. Other key tasks covered issues related to internal control and regulatory compliance, which each Committee meeting discussed making use of reports issued by Internal Audit, auditors, regulators and the compliance organisation.

The Committee carried out its annual assessment of the performance and adequacy of good corporate governance and internal control, internal audit and external audit and the quality of advisory services provided by auditors. It also assessed its own performance and areas in need of improvement. With respect to its role, the Audit Committee will focus on issues related to good corporate governance, internal control, regulatory changes and their effects on the Group and its operations, and risks and their effect on financial indicators.

### The calendar below shows the Audit Committee actions in 2012

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q1 | <ul style="list-style-type: none"> <li>• Discusses the Financial Statements, the Report by the Board of Directors and the Corporate Governance Statement</li> <li>• Discusses the supervisory review and evaluation issued by the Financial Supervisory Authority</li> <li>• Discusses the Compliance annual report for 2011 and the list of OP-Pohjola's service charges and internal debiting for 2011</li> </ul>                           |
| Q2 | <ul style="list-style-type: none"> <li>• Discusses the Interim Report for Q1/2012</li> <li>• Discusses the audit plan for 2012</li> <li>• Discusses the report on outsourced services</li> <li>• Discusses the report on insider trading supervision</li> <li>• Discusses the report on derivatives business</li> </ul>                                                                                                                       |
| Q3 | <ul style="list-style-type: none"> <li>• Discusses the Interim Report for Q2/2012</li> <li>• Assesses the performance and adequacy of good corporate governance and internal control</li> <li>• Discusses the list of OP-Pohjola's service charges, internal debiting and its development</li> </ul>                                                                                                                                          |
| Q4 | <ul style="list-style-type: none"> <li>• Discusses the Interim Report for Q3/2012</li> <li>• Discusses the report on future IFRS amendments</li> <li>• Discusses the accounting policies and impairment testing for goodwill and intangible assets</li> <li>• Assesses the performance of Internal Audit and the quality of audit and the auditor's advisory services</li> <li>• Discusses the Internal Audit action plan for 2013</li> </ul> |

## Remuneration Committee

### Appointment and composition

At its meeting following the Annual General Meeting, the Board of Directors annually appoints three members to the Remuneration Committee in such a way that the Committee is chaired by the Chairman of the Board of Directors and vice-chaired by the Vice Chairman of the Board of Directors, and one Committee member is a non-executive member of the Board of Directors.

### Duties

The Remuneration Committee is tasked with

- preparing proposals submitted to the Board of Directors for the appointment of the President and CEO and his deputy and

other members of the Group Executive Committee, as well as their pay, any bonuses and other terms and conditions of their executive contract

- assessing the fitness, propriety and competence/expertise of the aforementioned people
- preparing management succession plans
- preparing the Group's general incentive principles and steer the development of the Group's employee incentive schemes on the basis of these principles
- preparing proposals submitted to the Board of Directors for management incentive schemes

- assessing regularly the effectiveness of the Group's incentive schemes with the aim of ensuring that remuneration with respect to all personnel groups is in line with the Group's core values, strategy, goals, risk policies and control systems
- supervising HR management regulatory compliance within Pohjola Group.

The Remuneration Committee of OP-Pohjola Group Central Cooperative's Supervisory Board controls remuneration within OP-Pohjola Group and OP-Pohjola Group Central Cooperative Consolidated. Pohjola's Remuneration Committee shall comply with the policies and practices based on the aforementioned control.

#### Remuneration Committee work in 2012

The Remuneration Committee had nine meetings, with Reijo Karhinen acting as Chairman and Jukka Hienonen (since 27 March 2013), Satu Lähteenmäki (until 27 March 2012) and Tony Vepsäläinen as other members. In addition to the Remuneration Committee members, the President and CEO and the Senior Executive Vice President of Human Resources participated in Committee meetings. The average attendance rate of its members stood at 100%.

Harmonising the 2013 remuneration policies of Pohjola Group with those of other OP-Pohjola Group Central Cooperative Consolidated companies and institutions and monitoring the progress of the new EU regulation on remuneration policies in the financial services sector and its implementation and reporting were highlighted in the Remuneration Committee's work in 2012. This new regulation has the key aim of ensuring that remuneration policies and practices are in line with a company's long-term interests and that they are consistent with good and effective risk management and promote it.

#### The calendar below shows the Remuneration Committee actions in 2012

- |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q1 | <ul style="list-style-type: none"> <li>• Discusses the criteria for the Group's Executive Committee remuneration for 2012</li> <li>• Discusses Pohjola Group employees included in the long-term share-based management incentive scheme in 2012</li> <li>• Discusses a review of key employees and the succession plans for the executive committees of the business lines</li> <li>• Discusses a status review of remuneration regulations and reporting to relevant regulators and authorities</li> <li>• Discusses the general incentive principles for 2012 and incentive schemes for 2012</li> </ul>                                                                                                                                                                          |
| Q2 | <ul style="list-style-type: none"> <li>• Discusses the Group's remuneration for 2011 and the Group's Executive Committee incentive scheme in 2011</li> <li>• Discusses the incentive principles applicable to the President and CEO and the members of the Executive Committee in 2012</li> <li>• Discusses succession planning related to the President and CEO and Group Executive Committee members</li> <li>• Discusses the assessment of fitness, propriety and expertise/competence of the President and CEO and Executive Committee members</li> <li>• Discusses the transfer of profit-based bonuses for 2011 to the personnel fund</li> <li>• Discusses the corporate equality plan for 2012 and the monitoring report on indicators based on the plan for 2011</li> </ul> |
| Q3 | <ul style="list-style-type: none"> <li>• Discusses the effectiveness of the incentive schemes and needs for improvements</li> <li>• Discusses the development of the people identified as potential successors to the President and CEO and Group Executive Committee members</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Q4 | <ul style="list-style-type: none"> <li>• Discusses the implementation of the incentive schemes for 2012</li> <li>• Discusses an audit report issued by Internal Audit and related to the audit of OP-Pohjola Group's management incentive scheme</li> <li>• Discusses the Risk Management statement of remuneration and regulatory compliance</li> <li>• Discusses the outlined principles of the incentive schemes for 2013</li> <li>• Discusses the 2012 personnel survey report</li> <li>• Discusses the assessments of key employees and the succession plans related to the executive committee members of the business lines</li> </ul>                                                                                                                                       |

## Risk Management Committee

### Appointment and composition

The Board of Directors appoints from among its members a Chairman and Vice Chairman and a minimum of one and a maximum of two other members for a term of one year to the Risk Management Committee. The Committee members must demonstrate adequate knowledge of the business, risk management and capital adequacy management of the Company and its consolidated group.

### Duties

The Committee is tasked with assisting the Board of Directors in ensuring that the Company and its consolidated group have adequate capital adequacy management and risk management systems in place covering all operations. The Committee shall also supervise the Company and its consolidated group so that they do not take excessive risks which would materially jeopardise the Company's and its consolidated group's capital adequacy, liquidity or profitability, and that the Company's and its consolidated group's risk-bearing capacity is sufficient to secure the continuity of operations.

To carry out its duties, the Committee shall

- deal with the Company's and its consolidated group's capital adequacy management principles, risk policies and other general guidelines governing risk management
- supervise the scope and performance of the Company's and its consolidated group's risk management systems by
  - monitoring the performance of committees set up by the Board of Directors
  - assessing annually the quality, scope, effectiveness and efficiency of the Company's and its consolidated group's risk management
- supervise the quantity and quality of the Company's and its consolidated group's capital base, financial performance, risk exposure and compliance with risk policies, credit limits and other instructions
- supervise the Company to ensure that risk management is in conformity with laws and regulations and instructions issued by relevant authorities by
  - dealing with and assessing risk analyses by external controlling parties
  - dealing with and assessing any observations that may pertain to the performance of risk management, and measures required by such observations
- monitoring regulatory changes governing the Company's operations with respect to risk management.

### Risk Management Committee work in 2012

The Risk Management Committee had five meetings, with Tony Vepsäläinen acting as the Chairman and Simo Kauppi (until 27 March 2012), Jari Hulkkonen (since 27 March 2012) and Harri Kailas as other members. In addition to the Committee members, the President and CEO, the CFO and the Chief Risk Officer participated in Committee meetings. The average attendance rate of its members stood at 93%.

At its meetings, the Risk Management Committee also discussed the reports on major regulatory initiatives (Basel II, Basel III and Solvency II), reviews of the Group's funding and liquidity, and the minutes of the meetings of the Senior Credit Committee, Risk Management Executives and Asset/Liability Management Executives.

In accordance with its responsibilities, the Committee dealt with the Company's and its consolidated group's capital adequacy management principles, risk policies and other general guidelines governing risk management as well as analyses by external controlling parties.

In order to carry out its supervisory duties, the Committee's meetings discuss a quarterly risk analysis covering all of the Company's risks. In addition, the special subjects discussed at meetings in 2012 included monitoring the status of corporate customers, monitoring the performance of the Group's investment portfolios and financial regulatory changes and preparing for them. The Risk Management Committee also assessed its own performance and related areas in need of improvement.

### The calendar below shows the Risk Management Committee actions in 2012

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q1 | <ul style="list-style-type: none"> <li>• Discusses the Group's risk analysis and a progress report on corporate customers of 31 December 2011</li> <li>• Discusses and assesses the description of the Group's internal capital adequacy assessment process for 2011</li> </ul>                                                                                                                                                                                                                                                                                       |
| Q2 | <ul style="list-style-type: none"> <li>• Discusses the Group's risk analysis and a progress report on corporate customers of 31 March 2012</li> <li>• Discusses the Group's progress report on risk policies and assesses a review of the Group's strategic risks and business risks</li> <li>• Discusses and assesses the Group's insurance cover and policy governing insurance in 2012</li> </ul>                                                                                                                                                                  |
| Q3 | <ul style="list-style-type: none"> <li>• Discusses the Group's risk analysis and a progress report on corporate customers of 30 June 2012</li> <li>• Has preliminary discussion on 2012 risk policies</li> <li>• Assesses the performance and adequacy of risk management</li> <li>• Discusses a review of the Group's investment portfolio performance</li> <li>• Discusses the report on derivatives business</li> <li>• Discusses a review of the Group's capital adequacy outlook</li> </ul>                                                                      |
| Q4 | <ul style="list-style-type: none"> <li>• Discusses the Group's risk analysis and a progress report on corporate customers of 30 September 2012</li> <li>• Discusses the Group's contingency plans and reviews of strategic risks and business risks</li> <li>• Discusses the Group's capital adequacy management principles, risk policies, capital plan, investment plans, funding plan, the reinsurance and underwriting principles of Non-life Insurance</li> <li>• Assesses the appropriateness, extent and reliability of capital adequacy management</li> </ul> |



## 5. President and CEO, and Group Executive Committee

### President and CEO

The President and CEO is in charge of the Company's daily management in accordance with the instructions and orders issued by the Board of Directors, while ensuring that accounting practices comply with the laws and that financial management is organised in a reliable manner.

The President and CEO's duties include the management and supervision of the Group's business, and responsibility for the development and coordination of the Company's and its consolidated group's operations. In accordance with the job description confirmed by the Board of Directors, the President and CEO's main responsibilities are as follows:

- Group financial performance
- Managing Group operations and developing the organisation
- Group strategic development
- Group coordination
- Supervising subsidiary and associated company investments
- Cooperation with OP-Pohjola Group Central Cooperative and other OP-Pohjola Group's units
- Lobbying in the financial sector's cooperation bodies
- Communication with customers, shareholders, various authorities, the corporate sector, other Finnish and international banking and insurance organisations, and other stakeholder groups.

The President and CEO acts as Chairman of Pohjola Group's Executive Committee and Vice Chairman of the boards of directors of major subsidiaries.

The Board of Directors appoints the President and CEO and decides on the terms and conditions of his executive contract. Approved by the Board of Directors, a written CEO employment contract stipulates these terms and conditions. The Board of Directors annually assesses the performance of the President and CEO.

Mikael Silvennoinen, M.Sc. (Econ. & Bus. Adm.), acted as President and CEO in 2012. He has acted as President and CEO since 1997.

Personal and other data on the President and CEO can be found on page 37 below. Information on the President and CEO's remuneration can be found on pages 28–29 below.

### Group Executive Committee

With respect to the Company's operational management, the President and CEO is assisted by the Group Executive Committee, which is an advisory body set up by the Board of Directors. The Executive Committee has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the Executive Committee shall be taken by the President and CEO or an Executive Committee member responsible for the matter in question, unless the decision on the matter belongs within the remit of the Company's or a Group company's Board of Directors.

The Group Executive Committee shall support the President and CEO in preparing any strategic issues related to the Company and its consolidated group, coordinating Group operations, preparing and implementing any operational issues of great significance or principal in nature, as well as ensuring the effectiveness of internal control and risk and capital adequacy management and internal cooperation and information flows. As a coordination body, the Executive Committee shall take charge of the overall control of the Company and its consolidated group in such a way that the Group as a whole will achieve its profit and other targets and goals by following shared strategies and policies.

To carry out its duties, the Executive Committee shall particularly deal with the strategy and action plan of the Company and its consolidated group, significant issues to be presented to the Board of Directors, major purchases and projects, the main policy guidelines applying to the Company, its consolidated group and administration, as well as HR management policy guidelines. It is also tasked with acting as an information provider and coordinator between the management of various functions and business divisions.

The Group Executive Committee comprises the President and CEO, Executive Vice Presidents of the business lines of the Company and its consolidated group, and the CFO, SEVP of Human Resources and CRO. The Board of Directors shall confirm the composition of the Executive Committee.

The members of the Group Executive Committee and their personal data and information on their responsibilities etc. can be found on pages 37–40 below. Information on remuneration applied to the members of the Group Executive Committee can be found on pages 28–29 below.



### Group Executive Committee work in 2012

Chaired by President and CEO Mikael Silvennoinen, the Group Executive Committee had 30 meetings in 2012. In addition to its regular meetings, the Executive Committee had six planning days themed largely around the Group's strategy.

In early 2012, the Group Executive Committee embarked on updating the strategy with a view to further specifying the existing strategy to be in line with the updated strategy of OP-Pohjola Group, and to updating strategic priorities. Strategy updates were completed during the second half of 2012 when the Board of Directors adopted the strategy. In addition, the Group Executive Committee met to monitor the Group's 2012 strategy implementation and the implementation of strategic initiatives and to take measures required to ensure the completion of the strategic initiatives. At its meetings, the Executive Committee discussed the Group's annual plan and risk policies and regularly

analysed the financial performance and risk exposure of the Group and its business segments. It also monitored the financial performance of customer segments and the progress of key measures. In addition, it discussed key issues related to markets, the competitive and regulatory environment and evaluated the effect of related changes on the Group's operations.

The Executive Committee discussed all audit reports prepared in 2012 and other key issues pertaining to internal and external control. In 2012, it analysed regularly major purchases and projects. At its meetings in 2012, the Executive Committee regularly discussed and reviewed issues related to competence development and remuneration. The Executive Committee prepared and analysed Pohjola Group's efficiency enhancement project and the Information and Consultation of Employees process and submitted the related proposals to the Board of Directors.

### Boards of directors of Pohjola subsidiaries

The board of directors of each Pohjola's subsidiary shall ensure that all Pohjola Group companies are managed in compliance with applicable laws, rules and regulations, and Pohjola's prin-

ciples. The boards of directors of major subsidiaries are made up of members of the Group Executive Committee and management representatives of Pohjola Bank plc's parent institution, OP-Pohjola Group Central Cooperative.

### The boards of directors and Presidents/Managing Directors of major subsidiaries as of 31 December 2012

|                                                                                  | Board of directors                                                              | President/Managing Director |
|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------|
| Pohjola Insurance Ltd<br>Eurooppalainen Insurance Company Ltd<br>A-Insurance Ltd | Tony Vepsäläinen (Chairman), Mikael Silvennoinen, Vesa Aho and Juha Viljakainen | Jouko Pölönen               |
| Pohjola Asset Management Ltd                                                     | Tony Vepsäläinen (Chairman), Mikael Silvennoinen, Vesa Aho and Timo Liukkonen   | Karri Alameri               |
| Pohjola Corporate Finance Oy                                                     | Petteri Änkilä (Chairman), Hannu Jaatinen and Reima Rytsölä                     | Timo Mäkeläinen             |
| Pohjola Property Management Ltd                                                  | Karri Alameri (Chairman), Rami Kinnala and Pasi Vuorinen                        | Markku Mäkiäho              |

## 6. Management System

### Core values and the role of the code of ethics

Pohjola has defined core values guiding its operations, which, for their part, also serve as the Group's code of ethics. The Group's core values are as follows: People-first Approach, Responsibility, and Prospering together. In addition, ethics is guided by the general principles and guidelines governing the management of conflict-of-interest cases updated every year.

Pohjola's core values are presented in greater detail at [www.pohjola.com](http://www.pohjola.com) > Group > Strategy and Values > Values.

### Pohjola Group's organisational chart

The Group's organisation is based on three business segments consisting of business divisions and two customer segments, and the Group Functions which constitute shared services and support functions required by the Group and its business segments – Banking, Non-life Insurance and Asset Management.

The business segments apply their vision, strategy, performance indicators and operating models based on those established at Group level. Accordingly, the business segments' and divisions' goals and strategies must support the Group's vision and strategy.

The Group's customer segments are Major Corporate and Institutional Customers, and Private Customers and Corporate

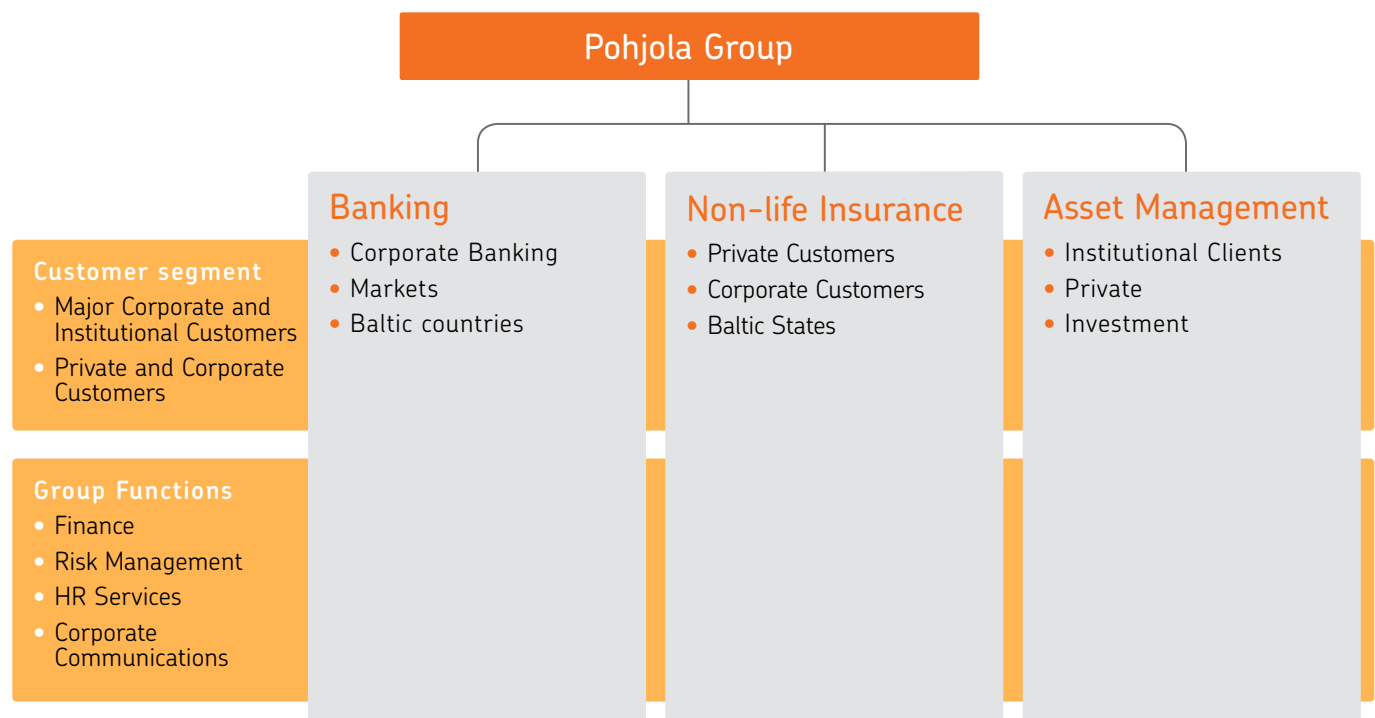
Customers. The customer segments are responsible for the management and development of customer relationships.

Control, development, support and services that have been coordinated due to reasons lying in competencies, efficiency or risk management and are needed by the Group and its business segments and divisions and customer segments have been organised within the Group Functions and, for Non-life Insurance, within Field Operations and Claims Services. Marketing is a coordinated Group-level function. Some support functions, such as internal audit, ICT management, corporate communications, financial accounting and part of HR services, are managed on a coordinated basis at the level of OP-Pohjola Group Central Cooperative Consolidated.

Owned by the Group Executive Committee, the process map describes the Group's key processes, defining business processes, sales and customer processes, product processes and support processes including their owners.

The Group Executive Committee is responsible for the Group's corporate architecture consisting of business, information, technology and system architectures. A specific ICT management team has been set up to manage, develop and coordinate ICT within the Group.

### Pohjola Group



## Pohjola Group's decision-making system

The Group's operational decision-making and control are based on the business organisation confirmed by the Board of Directors while legal decision-making is grounded on the Group's corporate structure. Operational decision-making combines with legal decision-making through the Board of Directors, whose control and supervisory responsibility covers the entire Group. The Board's rules of procedure stipulate Board responsibilities and decision-making procedure.

The following bodies/executives are responsible for operational decision-making and control:

- Board of Directors
- President and CEO
- Executive Vice President (head of the business segment)
- Executive Vice President (business division) / Executive Vice President (customer segment)
- Senior Vice President (department)
- Vice President (unit)

The following bodies/executives are responsible for legal decision-making:

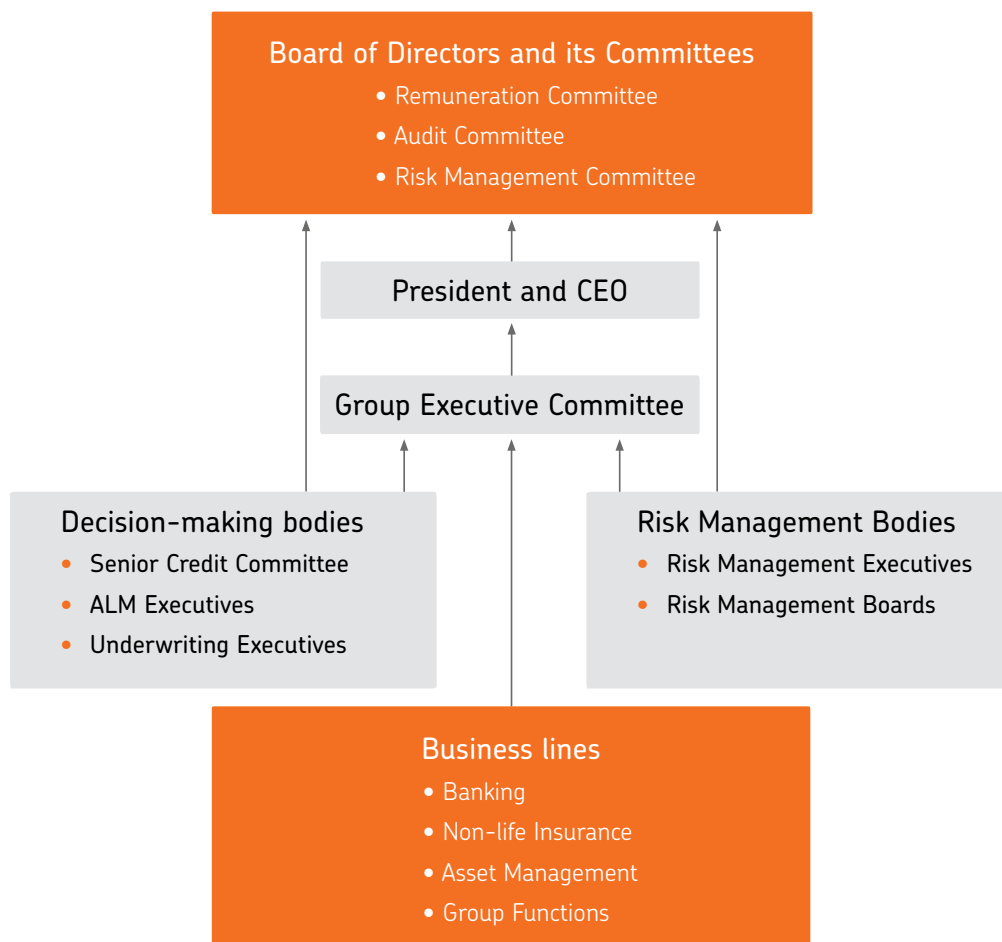
- Board of Directors
- President and CEO
- Board of directors of each subsidiary
- President/Managing Director of each subsidiary

Duties, powers and their limits, and reporting relationships applying to the business segments and their decision-making bodies are specified in the appropriate rules of procedure or task descriptions.

## Pohjola Group's strategic and operational planning and development

Pohjola Group's strategy updated at an around three-year interval specifies the Group's long-term strategic intent. This update is based on an analysis of the operating environment, competitive environment and company operations, and on OP-Pohjola Group's strategy. The Group's strategy provides foundations for the long-term strategies and operations of the business lines, business divisions and subsidiaries. The key role of strategic planning is to

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



describe the Group's mission and vision as well as key objectives, success factors and competitive advantages which the Group aims to use to achieve its vision. As part of the strategy update, the Group specifies its key strategic initiatives for the strategy period, which the Group aims to implement in order to upgrade its business and focus operations in order to achieve its strategic targets and goals.

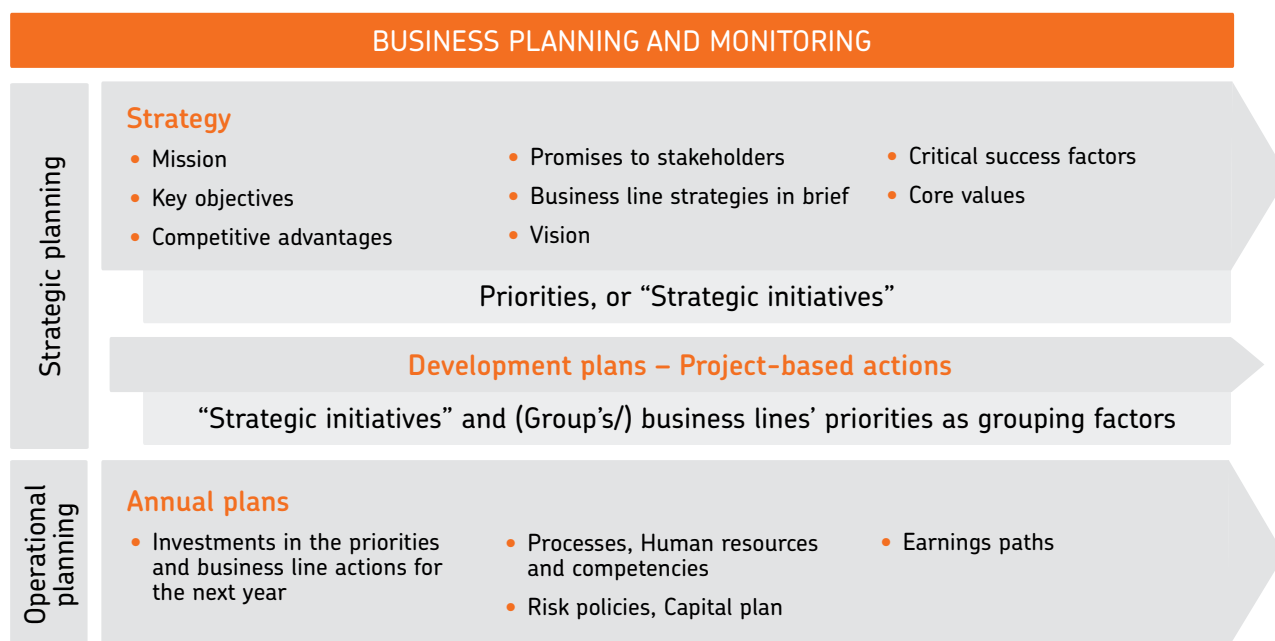
The key role of operational planning, which is short-term planning, is to describe annual priorities, key tasks and resources, as well as risk limits and future earnings paths which enable the Group to achieve the goals and targets specified in the strategy. The goals and targets and initiatives specified in the strategy, and their implementation are linked with operational planning in annual business plans, action programmes and target performance indicators as well as three-year development plans. In annual planning and target-setting, the Group takes account of the following four perspectives based on the Balanced Scorecard, in a balanced way: financial, customer, business process, and learning and growth. The Group uses performance indicators, defined in strategies and action and development plans, to monitor the achievement of tangible goals and targets and assesses their achievement for separately defined periods. Employee incentivisation forms part of the management system aimed at motivating employees to meet Group goals and targets.

## Pohjola Group's performance monitoring and reporting

The Group monitors the implementation of plans and the achievement of the set goals and targets on an ongoing basis in order to quickly identify any changes in the operating and competitive environment and deviations from the plans and to be able to initiate any corrective measures. Performance reviews between superiors and their subordinates are also aimed at discussing the achievement of goals and targets based on past performance, according to the organisational structure. Such reporting must provide a true and clear picture of the status of line operations vis-à-vis the objectives set, actual and expected performance and any risks threatening to prevent the achievement of the objectives. Providing updated and reliable information and highlighting relevant issues and conclusions as the basis of decision-making play a key role in performance monitoring. In addition to actual performance reporting, preparing forecasts and creating optional scenarios form an integral part of monitoring. Performance monitoring is part of internal control aimed at ensuring that the Group

- implements its strategy and action plans and achieves its financial targets
- runs comprehensive and adequate risk management
- operates efficiently and reliably
- has reliable financial and other reporting in place
- abides by laws and comply with external and internal regulation.

## Framework for Group operational planning and monitoring



## 7. Internal and External Control

### Internal control

Internal control is aimed at ensuring systematic and successful strategy implementation, appropriate management of risks, efficient and reliable operations, and regulatory compliance throughout the Group's operations. Internal control covers all organisational levels. Internal control in its most extensive form primarily takes place at the operational level, characterised by continuous processes and forming part of daily routines.

The Compliance, Risk Control, Business Control and HR functions operating within the Group Functions and independent of the business lines assist the President and CEO, senior and line management and other functions in ensuring the effectiveness of internal control within each business. Internal Audit also assists Pohjola's Board of Directors, President and CEO and the Group Executive Committee in ensuring internal control effectiveness. Auditors in particular ensure that financial information is correct in this respect. The Board of Directors has assigned much of the duties ensuring internal control to its committees which have assumed the role of preparation while the Board of Directors makes actual decisions.

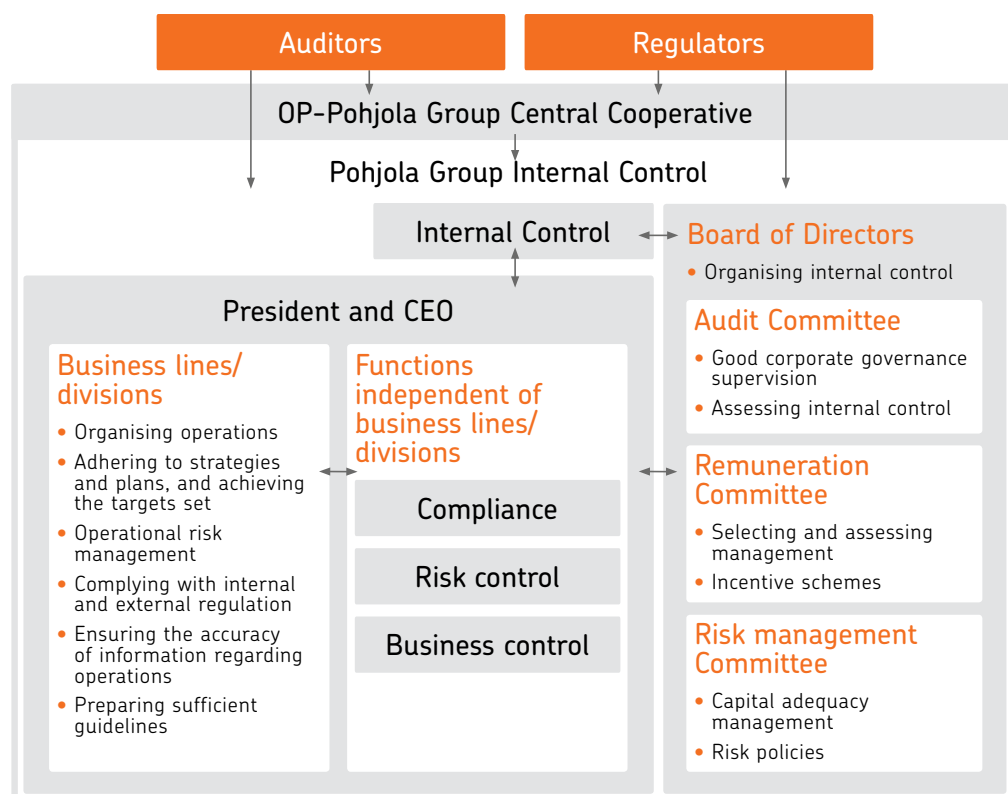
The board of directors of each Group company is in charge of duties ensuring internal control within the company. Internal Audit also covers Group companies and supports their boards of directors in ensuring effective internal control.

### The Board of Directors' role

The Board of Directors is responsible for organising and maintaining adequate and effective internal control. It shall, for example,

- confirm the description of internal control and supervise the performance and adequacy of internal control within the Company and its consolidated group
- assess and supervise the appropriateness, extent and reliability of the Group's capital adequacy management
- decide on principles for ensuring that the Company and its consolidated group operate in compliance with external regulations and internal instructions (compliance)
- confirm the principles of internal audit and an action plan
- confirm the principles and procedures for ensuring the fitness, propriety and expertise/competence of the Company's and its consolidated group's management.

### Framework for Pohjola Group's internal control



In the development of its internal control, Pohjola also takes account of changes in external regulation and observations made by external regulators regarding internal control.

The Board of Directors shall regularly monitor the Company's and its consolidated group's financial performance and risks associated with operations and decide on reporting, procedures and qualitative and quantitative indicators aimed at gauging efficiency and performance. The Board annually confirms the desired risk appetite and major risk management principles, as well as risk policies and key risk indicators by risk type. The Board of Directors decides on the Group's management system and the corporate and organisational structure required by operations, with a view to providing solid foundations for effective internal control.

For the purpose of ensuring good corporate governance with respect to Group companies and monitoring the effectiveness of internal control, one or several members of the Group Executive Committee shall sit on each Group company's board of directors. Group-level risk management and financial reporting are performed in a coordinated way by a function independent of the business lines.

Each Group company's board of directors is responsible for the top management tasks of the company in question related to internal control. Each Group company's executive management is responsible for the implementation of internal control and risk management according to the agreed principles and guidelines, and shall regularly report on the company's business, risk-bearing capacity and risk status, in accordance with the Group's management system.

## Compliance function

Pohjola Group's compliance adheres to the principles of OP-Pohjola Group's compliance. The compliance function has been organised within Risk Management headed by Chief Risk Officer.

Group companies have persons in charge of regulatory compliance management, tasked with ensuring that branch offices and subsidiaries also adhere to Group-level principles and policies. These Compliance Officers perform their duties within their companies or functions, except for Pohjola Bank plc's Compliance Officers in Finland. The Compliance Officers of the branch offices in the Baltic countries work in their respective offices.

## Internal control: key tasks and development measures in 2012

Group administrative matters are primarily prepared by Board committees before submitting them to the Board of Directors. In particular, the Audit Committee plays a major role in ensuring the effectiveness and regulatory compliance of internal control.

In 2012, internal control tasks included assessing the fitness, propriety and competence/expertise of all members of the Board of Directors and the Group Executive Committee. In addition, the Board of Directors assessed its own performance.

The executive management, the Audit Committee and the Board of Directors assessed the performance of good corporate governance and internal control. According to their assessment, Pohjola has a duly organised good corporate governance and internal control system in place. Pohjola must continue to further develop internal control, especially with respect to the performance of internal control tasks.

Key internal control development measures in 2012 involved developing reporting and regulation impact assessment related to the monitoring of regulations.

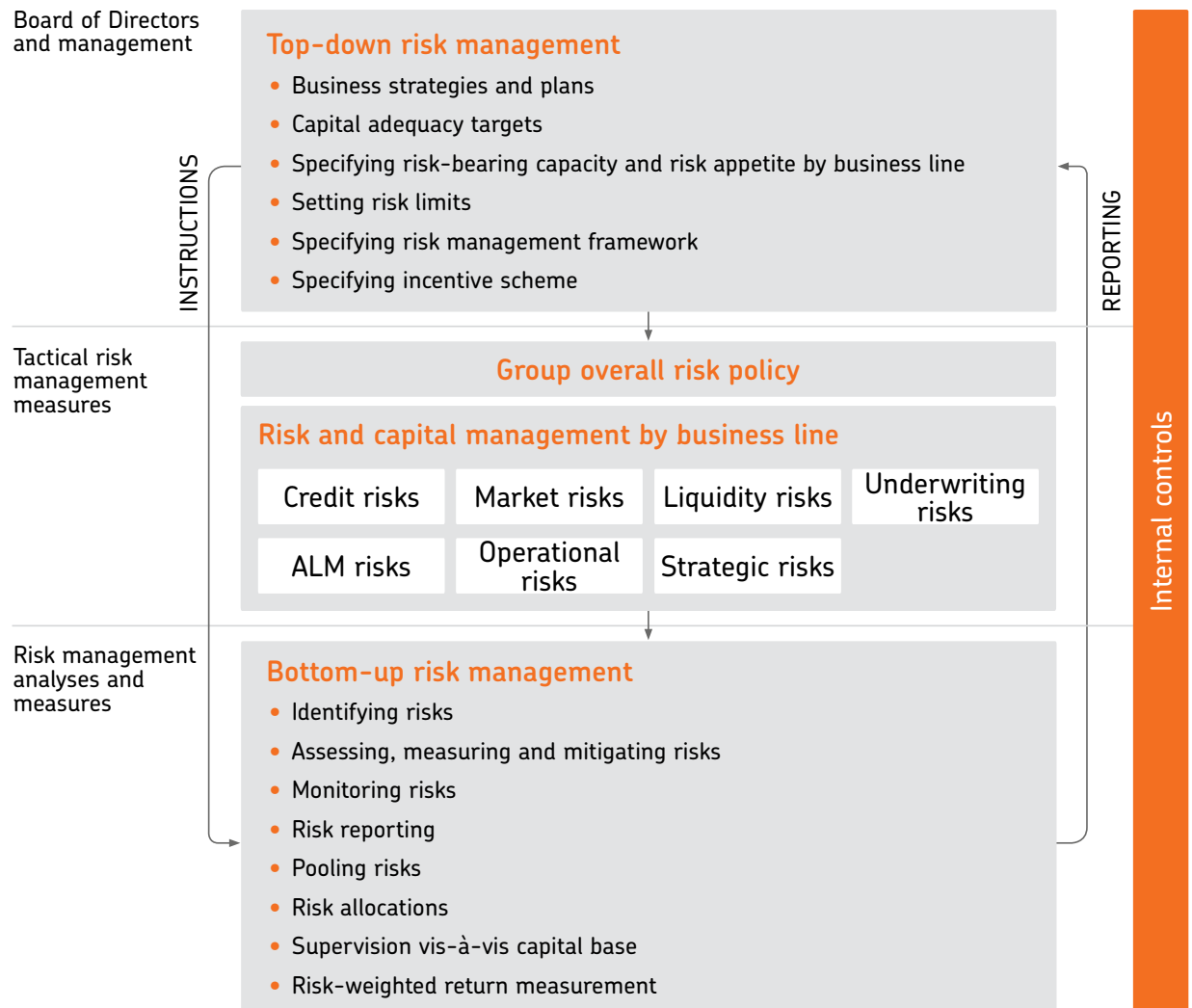
## Risk management

Pohjola Group's business is based on reasoned risk-taking and management of risks. Core values, strategic goals and financial targets form the basis for risk and capital adequacy management. The purpose of risk management is to identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by ensuring that risks are proportional to risk-bearing capacity.

Pohjola Group applies integrated risk management aimed at identifying, assessing and mitigating all business-related risks to an acceptable level. The Group has integrated its risk management process as part of its decision-making, control and monitoring system. The graph on the next page depicts the framework for Pohjola Group's integrated risk management.



## The framework for Pohjola Group's integrated risk management



### Major risks

Pohjola Group's major risks include credit risks, market and liquidity risks, underwriting risks and market risks associated with investments, as well as strategic and operational risks associated with all operations.

More detailed information on Pohjola Group's major risks associated with operations can be found at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Risks and Capital Adequacy > Risk management principles.

### Internal capital adequacy assessment process (ICAAP)

The framework for integrated risk management covers the internal capital adequacy assessment process (ICAAP) aimed at ensuring effective capital management and the sufficient amount and quality of capital in order to secure uninterrupted operations in the event of unexpected losses. Internal capital adequacy assessment also involves good corporate governance and the organisation of internal control and risk management, in view of the nature, extent and diversity of operations. The internal capital adequacy assessment process is grounded on a proactive approach based on the Group's business strategy and plans. In preparing the strategy and

the plans, the Group sets its capital adequacy target, considering business-related risks, risk appetite, target returns on capital and the structure and availability of capital. In addition to the capital adequacy target, the Group defines capitalisation targets by business line, capital adequacy forecasts and sensitivity analyses, as well as a contingency plan for maintaining the capital adequacy target considering all material risks caused by business and changes in the operating environment.

Capital adequacy management places a strong emphasis on profitability and effective capital management. The parent company is responsible for capital management on a coordinated basis. Every year, subsidiaries distribute their surplus capital to the parent company as dividends and, if necessary, the parent company injects capital into the subsidiaries through subordinated loans or equity investments.

In its capital adequacy management, Pohjola Group uses stress tests in order to forecast the effect of key risk factors on profitability and capital maintenance. Pohjola also prepares scenarios (such as the so-called worst case scenario) to test the adequacy of capital buffers. Internal Audit is responsible for an independent, critical evaluation and quality assurance of capital adequacy management.

## Risk policies

Pohjola Group controls its risk-taking through its overall risk policy (including Group-level strategic business risk policy, operational risk policy, liquidity risk policy and country risk policy). The overall risk policy is supplemented with Banking risk policies by risk type (such as credit risk and market risk policies) and with an investment plan and credit risk policy governing the Group Functions, and reinsurance and underwriting principles governing Non-life Insurance, as well as investment plans governing investment within Non-life Insurance and Asset/Liability Management (ALM) policy. These policies, principles and plans are aimed at ensuring that in its operations the Group does not take risks above its risk-bearing capacity. The Group updates at least once a year its risk policies and other instructions, principles and investment plans that guide risk management. Pohjola monitors compliance with the set risk limits and regularly monitors risks, materialised operational risks included.

## Organisation of risk management and capital adequacy management

As the highest decision-making body in matters associated with risk management and capital adequacy management, the Board of Directors decides on the goals and organisation of risk management and capital adequacy management, confirms the capital adequacy management principles, risk policies, investment plan and the main principles governing risk management. As part of the capital adequacy management principles, the Board of Directors annually confirms a capital plan which contains earnings and capital adequacy forecasts based on several operating environment scenarios. In addition, the Board supervises and monitors the implementation of risk management and capital adequacy management. The Board also approves the decision-making system and appoints Pohjola's Risk Management Executives, Asset/Liability Management Executives and members of the Senior Credit Committee, and confirms the description of the Underwriting Executives' duties and appointments.

The Board of Directors has set up a Risk Management Committee for the purpose of preparing tasks within the Board's remit. The Risk Management Committee is responsible for dealing with the Company's and its consolidated group's capital adequacy management principles, risk policies and other general guidelines governing risk management. The Committee supervises the scope and performance of the Company's and its consolidated group's risk management systems and the quantity and quality of the Company's and its consolidated group's capital base, developments in their financial performance, risk exposure and compliance with risk policies, credit limits and other instructions. It also supervises the Company and its consolidated group to ensure that risk management is in conformity with laws and regulations and instructions issued by relevant authorities.

The Risk Management Executives coordinate and supervise the risk management and capital adequacy management principles and operational policies on a holistic basis and submit a proposal of members of the Group's credit decision-making bodies for appointment by the President and CEO. The Risk Management Executives deal with the Pohjola Group capital adequacy manage-

ment principles submitted for the Board's confirmation, risk policies, an investment plan and major operating principles governing risk management and capital adequacy management. In addition, the Risk Management Executives approve the methods and indicators used in risk monitoring, and, upon a business line's proposal, new Group operating models and products and any changes to existing operating models and products.

The Asset/Liability Management Executives are tasked with analysing, coordinating and controlling asset/liability management in accordance with laws, official regulations, risk policies approved by the Board of Directors and operating principles set by the Risk Management Executives. The Asset/Liability Management Executives deal with the development of the equity structure, the allocation of shareholders' equity to business units and risk types, and make decisions on policies governing the management of Group capital to optimise the return/risk ratio. Within the framework of the policy guidelines confirmed by the Board of Directors, the Asset/Liability Management Executives make decisions on Group funding and investments within the liquidity buffer.

Tasked with developing and implementing integrated risk management and capital adequacy management in cooperation with the Finance function within Pohjola Group, the Risk Management function, independent of business lines/divisions, is responsible for assisting the Board of Directors, the Risk Management Committee, the Audit Committee and the Risk Management Executives in preparing and updating the Group's capital adequacy management principles, and in preparing the Group's overall risk policy, risk policies by risk type and investment plans. It is also in charge of monitoring and reporting the implementation of the Group's risk-bearing capacity and risk policies, and preparing and maintaining decision-making powers and instructions pertaining to risk-taking. The Risk Management function also assists in decision-making and serves as a quality controller in the loan approval process, coordinates the Compliance function and supports the Group's business lines in the management of their compliance risks. The Finance function is responsible for planning capitalisation, coordinating capitalisation implementation for the Group and Group companies, and for planning capital allocated to the business lines.

The Group capital adequacy management principles apply to the Group's business lines, which bear primary responsibility for risk-taking, financial performance and compliance with the principles of internal control and risk management and capital adequacy management. The business lines have the right to take decisions on risk-taking within the approved decision-making powers and limits in compliance with the Group's risk policies and guidelines.

A more detailed description of Pohjola Group's risk management and capital adequacy management principles and risk exposure can be found at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Risks and Capital Adequacy, and in the most recent Report by the Board of Directors and Financial Statements (see [www.pohjola.com](http://www.pohjola.com) > Media > Material Service).

### Risk management: key tasks and development measures in 2012

In risk management, key tasks in 2012 included monitoring regulatory changes and supervising compliance with capital adequacy management and risk management principles and credit limits, confirmed by the Board of Directors, and other internal guidelines supporting risk management. Guidelines related to contingency and emergency preparedness planning, new products and operating models and the management of outsourced services form an integral part of other internal guidelines supporting risk management. Regular monitoring covered, for example, developments in the bank's credit risk exposure, the risk exposure of the Group's investment portfolios, developments in indebted euro-zone economies, market and operational risk management methods, processes related to customer due diligence and internal control, new operating models and products, and regulatory changes and preparing for them.

Key risk management initiatives in 2012 involved developing risk management technology by means of various information systems, preparing for regulatory changes and enhancing the efficiency and predictability of operations. Pohjola reinforced the Baltic Banking risk management organisation.

The executive management, the Risk Management Committee and the Board of Directors assessed the performance and adequacy of risk management. Accordingly, risk management in the present situation is duly organised within Pohjola Group. However, the function will require changes in the wake of changes in the business and regulatory environment.

## Internal audit

The Internal Audit function is tasked with assisting the Board of Directors and other management in controlling, supervising and assuring operations by carrying out operational audits. Internal audit is based on independent and objective assessment, assurance and consulting activities. It supports the management in their efforts to achieve objectives by providing a systematic, disciplined approach to assessing and upgrading the efficiency of the organisation's risk management, control and management and governance processes, with the focus on the identification of risk factors and the assessment of the performance of internal control.

Responsibility for internal audit rests with Internal Audit within Audit of Pohjola's parent institution, OP-Pohjola Group Central Cooperative, whose head reports to the Chief Audit Executive of OP-Pohjola Group, and reports observations applying to the Pohjola Group to the Board's Audit Committee and the Group Executive Committee.

The Board of Directors has confirmed the instructions governing the organisation and operating principles of internal audit. The Internal Audit function prepares an annual action plan submitted for the Board's approval. It also produces special reports at the management's request and assists the Board's Audit Committee.

### Internal audit: key tasks and development measures in 2012

The internal audit action plan for 2012, approved by the Board of Directors, involved audits related to OP-Pohjola Group Central Cooperative Consolidated and those related only to Pohjola Group. Internal Audit released 19 audit reports regarding Pohjola Group and six regarding OP-Pohjola Group Central Cooperative Consolidated, the latter also involving some audits related to Pohjola Group. These audits involved assessing the effectiveness of Pohjola Bank plc's and its subsidiaries' controls and internal control in various operating processes and information systems, as well as the effectiveness of risk management and its procedures.

Internal Audit regularly monitored the progress of the implementation of the recommendations issued on a half-yearly basis and regularly reported its monitoring observations to the Audit Committee and the Group Executive Committee.

Internal Audit is a function independent of Pohjola's business lines and divisions. Internal Audit shall prepare a report on each audit and deliver it to the President and CEO, the Audit Committee, auditors, the CRO, the Chief Compliance Officer and those in charge of the business line concerned. These reports may contain recommendations aimed at improvements. Internal Audit shall monitor the implementation of the recommended improvements.

Internal audit is performed in compliance with good internal auditing practice. The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and professional standards, issued by the Information Systems Audit and Control Association, and the code of ethics provide the conceptual framework for good internal auditing practice.

## External control

### Audit

The Articles of Association stipulate that the General Meeting of Shareholders shall elect a minimum of one and a maximum of three auditors and one deputy auditor, if none of the auditors is a firm of authorised public accountants as referred to in the Auditing Act, for the purpose of examining the Company's accounting, financial statements and corporate governance. The auditor and deputy auditor must be an authorised public accountant (APA) or a firm of authorised public accountants as referred to in the Auditing Act. The auditors' term of office begins on the date of their election and terminates upon the closing of the Annual General Meeting following their election.

Pohjola's parent institution, OP-Pohjola Group Central Cooperative, puts audit services out to tender at some five years' interval (last time at the end of 2011), on the basis of which it proposes eligible auditors to the Annual General Meeting.

The auditors are tasked with auditing the accounting, financial statements and governance of the Company and its consolidated group in order to obtain assurance that the Company and its administrative bodies act in compliance with applicable laws and

that the financial statements have been prepared in compliance with the rules and regulations in force and give shareholders and other stakeholders a true and fair view of the financial performance and the financial position of the Company and its consolidated group. In addition, the firm of authorised public accountants shall perform an extended audit according to plans specific to each audit. The Audit Committee annually assesses the performance of the auditor and the quality of advisory services.

The auditors presents the Auditor's Report to the Annual General Meeting, expressing their opinion of the content of the financial statements and proposed profit distribution, and the discharge those in charge from liability. Based on their observations, they also draw up audit memoranda delivered to the Board of Directors, the President and CEO, the Audit Committee, the CRO, Internal Audit and the Finnish Financial Supervisory Authority. Whenever necessary, auditors also issue oral reports to the aforementioned persons and bodies. The Audit Committee consults the auditor when dealing with the consolidated annual accounts and interim accounts, as well as the accounting policies. The auditors have a statutory obligation to notify the Financial Supervisory Authority of any matters or decisions that put operations and the existence of licence requirements at risk, or that result in an opinion in the Auditor's Report other than the unqualified opinion, as referred to in the Auditing Act, or result in an auditors' remark as referred to in Section 15, Paragraph 4 of the Auditing Act.

Audit fees for statutory audit are based on an annual plan and those for extended audit on an audit-specific plan.

### Supervision by OP-Pohjola Group Central Cooperative

Pohjola belongs to the amalgamation of cooperative banks, under applicable legislation, which comprises OP-Pohjola Group Central Cooperative as the central institution together with its member credit institutions and financial institutions and service companies over which they exercise control. OP-Pohjola Group Central Cooperative controls the amalgamation's operations and provides the companies within the amalgamation with guidelines for risk management, good corporate governance and internal control with the aim of safeguarding their liquidity and capital adequacy. The central institution may also confirm general principles to be followed by the member credit institutions in operations relevant to the amalgamation.

### Audit in 2012:

KPMG Oy Ab, a firm of authorised public accountants, acted as the Company's auditor in 2012, Sixten Nyman, APA, acting as the chief auditor, appointed by KPMG Oy Ab. KPMG Oy Ab has acted as the Company's auditor since 2002 and Sixten Nyman as chief auditor since 2007. Auditors appointed by KPMG Oy Ab acted as auditors of Pohjola Group's subsidiaries.

Pohjola Group's audit plan was prepared as part of OP-Pohjola Group Central Cooperative Consolidated's audit plan. In addition to auditing the Company's and the consolidated financial statements and interim accounts, the focus areas in audits included the audit of derivatives business process and the audit of investment of insurance companies.

Pohjola used KPMG Oy Ab's advisory services mainly in bond programme consultation and related comfort letters. In addition, minor non-audit assignments related, for instance, to international services and the Baltic business, as well as lease and factoring issues.

OP-Pohjola Group Central Cooperative supervises its member credit institutions in the manner as referred to in the Laki talletuspankkien yhteenliittymästä Act (Act on the Amalgamation of Deposit Banks). In its operations, Pohjola takes account of OP-Pohjola Group's strategy, confirmed by OP-Pohjola Group Central Cooperative's Supervisory Board, and regulations and guidelines on risk management and other operations issued by OP-Pohjola Group Central Cooperative to the member banks. Pohjola reports to OP-Pohjola Group Central Cooperative in a manner agreed separately.

### Regulatory supervision

The Finnish Financial Supervisory Authority oversees Pohjola and Pohjola Group investment firms and insurance companies in Finland as prescribed in legislation governing financial and insurance markets. The Group's credit institutions and non-life insurance companies in the Baltic States are subject to supervision by national regulators in each country.

### Auditors' remuneration (Group-level), €

|                                                                            | 2012    | 2011    | 2010    | 2009      |
|----------------------------------------------------------------------------|---------|---------|---------|-----------|
| Audit                                                                      | 333,779 | 338,741 | 369,326 | 417,811   |
| Assignments under section 1, subsection 1, paragraph 2 of the Auditing Act | 230,281 | 33,381  | 55,226  | 88,812    |
| Tax advisory services                                                      | 80,664  | 74,059  | 100,255 | 97,306    |
| Other services                                                             | 93,158  | 283,087 | 381,277 | 660,009   |
| Total                                                                      | 737,882 | 729,268 | 906,084 | 1,263,938 |

## 8. Financial Reporting Process

The guidelines governing the Group's business planning and monitoring, approved by the Board of Directors, depict the key principles governing Pohjola Group's business control and financial reporting. The chapter above describes the main aspects of internal control and risk management. This chapter, Financial Reporting Process, describes the main features of how the Company's internal control and risk management work with a view to ensuring that Pohjola's financial reports give essentially true information on the Company's and its consolidated group's financial performance and position.

The Company and the majority of Group companies are subject to regulatory supervision. According to regulations issued by the supervisory authorities, the Group's senior management must decide on reporting and other internal control methods that it uses to monitor operations, financial performance and risks associated with operations. Group-level financial information correctly consolidated using sub-ledger accounting and Group companies' information forms the basis of reliable financial reporting.

The Group reports its business segments – Banking, Non-life Insurance and Asset Management – and the Group Functions as its operating segments in internal and external reporting.

The Group uses Group-wide financial reporting and risk reporting to monitor the achievement of its business goals and financial targets, and these reports are regularly reviewed at executive management and Board meetings. Financial information in the report is compared with related plans and the report also describes earnings outlook for the current year and the next 12 months. The very same principles apply to the monthly financial performance and risk report prepared by the management. When preparing and examining the report, the management ascertains the accuracy and correctness of the financial results and reporting by analysing the performance and risk exposure and any deviations from targets.

The Group's external reporting is based, for example, on the International Financial Reporting Standards, the Finnish Limited Liability Companies Act, the Act on Credit Institutions, the Insurance Companies Act, the Accounting Act, and the standards and regulations issued by the Financial Supervisory Authority. OP-Pohjola Group's shared principles are applied in the accounting and financial statements of the Company and Group companies and in the consolidated financial statements. The Group prepares its financial statements in compliance with IFRS. Group subsidiaries, excluding Pohjola Asset Management Ltd, prepare their financial statements for the time being in accordance with the Finnish Accounting Standards (FAS). Responsibility for the interpretation of the official accounting standards and the provision of the related instructions and guidance as well as supervision of compliance with the common accounting policies rests with

OP-Pohjola Group Central Cooperative, OP-Pohjola Group's central institution. Whenever necessary, OP-Pohjola Group Central Cooperative turns to auditors who give a statement of the selected principles and interpretations.

The financial reporting guidelines and application instructions have been compiled to form an accounting manual which includes interpretations of the IFRS at the OP-Pohjola Group level. The updatedness of the most significant standards is annually checked as part of the update of the accounting policies.

### Organisation of financial reporting

The Board of Directors is the highest decision-making body in matters associated with business control. The Board of Directors must ensure that supervision of accounting and financial management is duly organised. It decides on reporting, procedures and qualitative and quantitative indicators used to assess operational efficiency and performance. The Board of Directors discusses and adopts the consolidated financial statements and interim reports. The Board also annually reviews the performance and adequacy of the Company's and its consolidated group's internal control, compliance, risk management and business control. The Board receives the Group's and its business lines' financial performance and risk reports on a monthly basis and risk analyses on a quarterly basis.

The Board of Directors has set up an Audit Committee in charge of preparing tasks within the Board's remit regarding financial reporting. The Audit Committee is tasked with assisting the Board of Directors in ensuring that the Company has a sufficient internal control system covering all of its operations and that the supervision of accounting and financial management is duly organised. It must also evaluate how the Company complies with laws, regulations, official instructions and internal instructions. Before the Board of Directors meets, the Audit Committee shall analyse the financial statements and interim reports and the accounting policies. The Audit Committee also discusses the most significant changes made to the accounting policies during the financial period, principles governing impairment testing for goodwill and intangible assets and the outcome of this testing, and critical accounting estimates and judgements, as well as control reports and reports prepared by regulators, auditors and Internal Audit.

Under the Limited Liability Companies Act, the President and CEO shall ensure that the Company's and its consolidated group's accounting practices comply with the law and that financial management is organised in a reliable manner. Finance and Risk Management within the Group Functions are in charge of managing Group reporting at the operational level independent of the business lines. The Group Functions is tasked with producing reliable, relevant and up-to-date information on the Group's performance and finances, and keeping the Board of Directors,



the Audit Committee, the President and CEO, Group Executive Committee members and other decision-makers informed of the Group's financial performance and near-term outlook. The Group Functions shall also control the quality of outsourced accounting services and services for reports to regulators and other relevant authorities, and develop business control and risk management methods, indicators and the supporting systems.

It shall coordinate and schedule the compilation of information for the financial statements and interim reports, and be in charge of segment reporting. The needs of the management and business lines as well as applicable legislation guide reporting produced by the Group Functions. Reporting systems and communication have been established in such a way that monitoring and controlling goals and targets, financial performance, operations and risks at specified organisational levels in the appropriate way by business unit and on the whole are possible and that the required reporting and communication are open both vertically and horizontally throughout the organisation. When reporting the Group's and business lines' results and other inside information, it is necessary to ensure that those receiving the report belong to the Insider Register.

Business control primarily uses OP-Pohjola Group's shared systems. Financial accounting tasks (such as Finnish Group companies' accounting, financial statements and reporting to the relevant authorities) are managed by OP-Services Ltd's Financial Management Services on a centralised basis, based on a service agreement. OP-Pohjola Group Central Cooperative's Business Control prepares consolidated financial statements and is in charge of consolidating the accounts of foreign Group companies into the consolidated financial statements.

## Independent assessment of financial reporting

As provided by law, auditors shall assess the accuracy of financial reporting. The auditors are tasked with auditing the accounting, financial statements and governance of the Company and its consolidated group in order to obtain assurance that the Company and its administrative bodies act in compliance with applicable laws and that the financial statements have been prepared in compliance with the rules and regulations in force and give shareholders and other stakeholders a true and fair view of the financial performance and the financial position of the Company and its consolidated group.

In its audits, Internal Audit assesses the effectiveness and adequacy of the Company's and its consolidated group's financial reporting, and reports these audits to the executive management and the Audit Committee. During its inspections, the Financial Supervisory Authority also oversees the financial reporting process and its effectiveness.

## Financial reporting: key tasks and development measures in 2012

Pohjola further developed impairment assessment of receivables. In the entire OP-Pohjola Group, impairment loss on receivables recognised collectively are now based on expected loss based on economic capital measurement. Other impairment criteria were also subject to revisions.

In 2012, the division of duties and the responsibilities were defined within the accounting and reporting operating models for its Banking subsidiaries and branches in the Baltic countries. There is still need to further develop operating models as the business expands.

Pohjola continuously upgrades its financial reporting process and business control tools. In 2012, it further developed customer profitability accounting methods while assuring and improving the quality of sub-ledger accounting and data warehouses. Furthermore, Pohjola secured the accuracy of reportable information when further developing Non-life Insurance provision accounting. It also continued to develop the economic capital model and sales reporting.

Controlling financial reporting accuracy and reliability includes monitoring regulatory changes. Pohjola monitors regulatory changes together with OP-Pohjola Group Central Cooperative and the Audit Committee receives reports on the preparation for regulatory changes. Future amendments to standards governing financial instruments, insurance contracts and leases will have the most significant effects on financial reporting. The effective date of such amendments is still open.

## 9. Remuneration

### Board emoluments and other benefits

The Annual General Meeting decides on Board emoluments and other benefits. The parent institution, OP-Pohjola Group Central Cooperative, prepares proposals for Board emoluments submitted to the Annual General Meeting. These proposals are included in the Notice of the Annual General Meeting (AGM) and published in a stock exchange release.

The monthly Board emoluments approved by the AGM of 27 March 2012 are as follows: Chairman EUR 8,000, Vice Chairman EUR 5,500 and other members EUR 4,500. An additional monthly emolument of EUR 1,000 is paid to such Board committee chairs who are not the Chairman or Vice Chairman of the Board. Monthly Board emoluments are treated as pensionable salary. In addition, all Board members receive an attendance allowance of EUR 550 per meeting. Daily allowances and compensation for travel expenses are payable to the Board members in accordance with the Group's Travel Expenses Regulations. Monthly Board emoluments are paid in cash.

### President and CEO's salary and other benefits

The Board of Directors appoints the President and CEO and decides on his salary, benefits and the terms and conditions of his executive contract. Approved by the Board of Directors, a written CEO employment contract stipulates these terms and conditions.

The CEO employment contract does not stipulate any specific retirement age for the President and CEO. The President and CEO is covered by TyEL (the Finnish Employees Pensions Act) which provides pension benefits based on the years of employment and earnings as prescribed in the Act. The retirement age is

63–68 years, depending on his choice. In addition to the statutory pension scheme, Mr Silvennoinen is covered by OP Bank Group Pension Foundation's supplementary pension scheme. In the latter scheme, his retirement age is 64 years. Pension accrued under the supplementary pension scheme may begin to be paid out as a paid-up pension before the old-age pension, if employment with OP-Pohjola Group terminates. In such a case, the minimum retirement age for men is 57 years.

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the Company must pay the President and CEO severance pay equalling his 12-month total salary, in addition to compensation for loss of office, if the Company dismisses him or he has to resign or terminate the contract due to a reason attributable to the Company. In case the executive contract terminates due to reasons attributable to the Company, the President and CEO will be entitled to bonuses under the short- and long-term incentive schemes for the year of contract termination, provided that the schemes' performance criteria and the criteria for payment under the schemes' terms and conditions are fulfilled and his executive contract has been effective throughout the performance year.

### Principles governing remuneration paid to the President and CEO and other management

Pohjola's incentive schemes are aimed at encouraging and engaging key human resources in the development of Pohjola's business and ensuring that Pohjola attracts new key employees. The Board of Directors and its Remuneration Committee assess and monitor regularly the effectiveness of the Group's incentive schemes with the aim of ensuring that remuneration policies and

### Board emoluments in 2012 (€)

| Name and position                                           | Monthly emoluments | Attendance allowance | Total   |
|-------------------------------------------------------------|--------------------|----------------------|---------|
| Reijo Karhinen, Chairman                                    | 93,000             | 11,400               | 104,400 |
| Tony Vepsäläinen, Vice Chairman                             | 64,500             | 14,550               | 79,050  |
| Merja Auvinen, member                                       | 52,500             | 12,050               | 64,550  |
| Jukka Hienonen, member                                      | 52,500             | 10,900               | 63,400  |
| Jukka Hulkkonen, member since 27 March 2012                 | 40,500             | 6,050                | 46,550  |
| Simo Kauppi, member until 27 March 2012                     | 12,000             | 6,000                | 18,000  |
| Mirkku Kullberg, member since 27 March 2012                 | 40,500             | 3,850                | 44,350  |
| Satu Lähteenmäki, member until 27 March 2012                | 12,000             | 7,500                | 19,500  |
| Harri Sailas, member                                        | 52,500             | 10,350               | 62,850  |
| Tom von Weymarn, member and Chairman of the Audit Committee | 64,500             | 10,900               | 75,400  |
| Total                                                       | 484,500            | 93,550               | 578,050 |

*In the financial year 2012, the members of the Board of Directors did not receive any share-based bonuses from the Company.*



## Salaries paid to the President and CEO, and members of the Group Executive Committee in 2012 (€)

|                   | Regular pay | Fringe benefits | Performance-based bonus earned for 2011 | Performance-based bonus paid in 2012 | Deferred performance-based bonus *) | Cash-settled *) |
|-------------------|-------------|-----------------|-----------------------------------------|--------------------------------------|-------------------------------------|-----------------|
| President and CEO | 570,247     | 20,434          | 122,474                                 | 74,370                               | 48,104                              | 36,078          |
| Other members     | 1,426,259   | 81,517          | 232,321                                 | 200,601                              | 31,720                              | 175,351         |
| Total             | 1,996,506   | 101,950         | 354,795                                 | 274,971                              | 79,824                              | 211,429         |

|                   | Equity-settled*) | Share-based bonus for 2009 under long-term scheme | Total salaries, bonuses and fringe benefits paid in 2012 | Total salaries, bonuses and fringe benefits paid in 2012 + deferred performance-based bonus | 2011 total |
|-------------------|------------------|---------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------|------------|
| President and CEO | 38,292           | 185,912                                           | 850,963                                                  | 899,067                                                                                     | 833,746    |
| Other members     | 25,250           | 198,408                                           | 1,906,784                                                | 1,938,504                                                                                   | 1,724,256  |
| Total             | 63,541           | 384,320                                           | 2,757,747                                                | 2,837,571                                                                                   | 2,558,002  |

\*) Procedure in accordance with Decree no. 1372 of 2010 Decree of the Ministry of Finance on remuneration schemes in credit institutions and investment firms (Valtiovarainministeriön asetus luottolaitosten ja sijoituspalveluyritysten palkitsemisjärjestelmistä).

practices with respect to all personnel groups are in line with the Group's core values, strategy, targets and goals, risk policies and control systems.

Remuneration payable to the President and CEO and the other Group Executive Committee members consists of the following three components: 1) Basic pay (salary and fringe benefits, based on the job grade and skills); 2) short-term incentives (performance-based and specific bonuses, based on the achievement of targets under the annual plan); and 3) long-term incentives (OP-Pohjola Group's common share-based management incentive scheme, based on the achievement of the Group's shared strategic goals and targets).

Upon the Remuneration Committee's proposal, the Board of Directors decides on remuneration paid to the President and CEO and other members of the Group Executive Committee.

The President and CEO and the other Group Executive Committee members are not beneficiaries under any supplementary pension plan.

### Short-term management incentive scheme

The Board of Directors decides annually on the Group Executive Committee members' short-term incentive scheme, based on targets shared by the Executive Committee and deriving from the annual plan and the results achieved, on the one hand, and on personal targets set during the performance reviews held at the beginning of each year, on the other hand. In addition, the entire financial services group's financial performance is taken into account with respect to the President and CEO. The achievement of these targets is discussed in the next performance review a year later. If Pohjola Group reports a profit that is less than half of the targeted figure, the Group will reduce the maximum personal short-term bonuses at the Board's discretion. If the Group posts a pre-tax loss, no short-term performance-based bonuses will be paid to the Group Executive Committee members.

In 2012, the President and CEO the other Group Executive Committee members were entitled to a maximum bonus corresponding to their regular four-month salary subject to PAYE tax. Bonuses under the short-term incentive scheme are paid in cash, in view of OP-Pohjola Group's payment guidelines with respect to persons affecting the Company's risk profile.

### Long-term management incentive scheme

Based on the Board of Directors' decision in February 2011, Pohjola is involved in OP-Pohjola Group's long-term share-based management incentive scheme. This scheme has Group-level targets and the primary target performance indicators refer to growth in the number of private customers using OP-Pohjola as their main bank and insurer, based on cross-selling, and growth in the market share of corporate customer business. In addition, profitability (return on economic capital) and capital adequacy are indicators incorporated into the scheme. No bonuses will be paid if OP-Pohjola Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates is less than the minimum of 1.3 on the payout date.

OP-Pohjola Group's shared management incentive scheme consists of consecutive three-year performance periods, the first of which is 2011–13. The presiding officers of the Supervisory Board shall decide on the commencement of a new performance period. The Supervisory Board shall determine the performance indicators for the scheme and a target set for them separately for each performance period. A maximum of 75 Pohjola Group staff members may be included in the scheme. The Group's Executive Committee members are included in the scheme.

Those covered by the scheme will be entitled to a certain number of Pohjola Bank plc Series A shares, if OP-Pohjola Group attains its strategy-based targets set for the performance period in question. The bonus based on the scheme will be paid out to the beneficiary in terms of shares and cash and in three equal instalments in 2015, 2016 and 2017 after the performance period,

provided that OP-Pohjola Group's capital adequacy is higher than the minimum requirement on the payout date. Taxes and tax-like charges incurred by the key employee due to equity-settled payment will form the portion paid in cash. Conditions related to the duration of employment or executive contracts have been attached to the bonus payout. In December 2012, the Supervisory Board included in the scheme stipulations related to a hedging prohibition and the waiting period. The hedging prohibition refers to a prohibition against use of financial instruments or insurance under the incentive scheme for hedging personal risks. The President and CEO and the Group Executive Committee members must hold the shares received under the scheme for at least 12 months from the date of the bonus payout (waiting period). Restrictions governing the waiting period also apply to other people covered by the scheme on certain terms specified in greater detail.

The bonus is determined by the management position. If the set targets are annually achieved at 100%, the management and key employees will be entitled to a bonus equalling their regular 2–12-month salary subject to PAYE tax. If the targets are met at 100%, the President and CEO is entitled to a maximum bonus corresponding to his regular 12-month salary subject to PAYE tax and the rest of the Group Executive Committee members to a maximum bonus corresponding to their regular eight-month salary subject to PAYE tax. According to the rules governing the scheme, during their employment with the Company the President and CEO and the Group Executive Committee members must retain at least half of the shares received on the basis of the scheme until such shareholding equals one person's 12-month fixed gross earnings.

Pohjola shares available from the stock market will be used as share-based bonuses distributed under the scheme, i.e. the scheme will have no dilution effect.

The share-based incentive schemes of Pohjola Asset Management Ltd and Pohjola Corporate Finance Ltd have been terminated.

## **Long-term incentive scheme for other employees**

The majority of Group personnel (except management) are members of OP-Pohjola Group's personnel fund (OP Personnel Fund). This long-term scheme is grounded on the achievement of OP-Pohjola Group's shared strategic goals and targets. The scheme uses the same target performance indicators as the long-term management incentive scheme. The Board of Directors annually decides the amount of profit-based bonuses transferred to the Fund.

# 10. Insider Management and Disclosure Policy

## Insider Management

The Board of Directors has confirmed the Insider Guidelines and Guidelines on Insider Trading, containing instructions regarding public and company-specific Insider Registers, as well as regulations on the organisation and procedures of insider management. The content of these instructions conforms to the recommendation for listed companies' insider guidelines issued by NASDAQ OMX Helsinki.

In accordance with the Securities Markets Act, Pohjola's statutory public insiders include the members of the Board of Directors, the President and CEO and the other Group Executive Committee members, as well as the chief auditor representing the auditing firm.

Company-specific, non-public permanent insiders include OP-Pohjola Group Central Cooperative's Supervisory Board and Executive Board members, as well as separately designated persons belonging to the middle management of OP-Pohjola Group Central Cooperative Consolidated and Pohjola Group. In addition, permanent insiders comprise OP-Pohjola Group Central Cooperative Consolidated's and Pohjola Group's experts and other salaried employees performing separately designated tasks who continuously have detailed information on Pohjola Group's financial position (mainly employees in financial management, corporate communications and special management tasks).

According to the Insider Guidelines and Guidelines on Insider Trading, Pohjola's employees, especially the insiders, must time their trading in Pohjola shares for the point of time when the market has as detailed information as possible on factors affecting the Company share's value. Pohjola applies a special

trading restriction which prohibits statutory and permanent insiders from trading in Company shares, or any securities entitling their holders to them, during the period of closure of Pohjola's trading window. The trading window will be closed immediately after the end of each quarter and opened after the date of release of a financial statements bulletin or interim report. Furthermore, insiders may not perform opposite trades in Company shares, or any securities entitling their holders to them, within one month.

Pohjola assesses the need for insider registers related to individual projects on a case-by-case basis in accordance with its Insider Guidelines and Guidelines on Insider Trading. Project-specific insiders may not trade in Pohjola shares during the project concerned.

Maintained by OP-Services Ltd's Legal Services by order of Pohjola, Pohjola's Insider Register is available to the public on the Legal Services' premises, Sörnäistenkatu 1, Helsinki. Legal Services supervises compliance with the Insider Guidelines and Guidelines on Insider Trading by performing inspections regarding trading by permanent insiders and regularly sending insiders an extract of the Insider Register for inspection.

The number of company-specific permanent insiders at OP-Pohjola Group Central Cooperative Consolidated and Pohjola Group totalled 880 on 31 December 2012.

A list of those belonging to Pohjola's public insider register and shareholdings and other holdings of their related parties can be found at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Insider management > Insider Register.

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## Disclosure Policy

The Series A shares of Pohjola Bank plc (Pohjola), the parent company of Pohjola Group, are listed on NASDAQ OMX Helsinki Ltd. Pohjola also regularly issues bonds, some of which are traded on the London Stock Exchange, SIX Swiss Exchange or other stock exchanges, in addition to or in place of the NASDAQ OMX Helsinki. In its disclosure policy, Pohjola mainly complies with Finnish legislation, the rules of NASDAQ OMX Helsinki Ltd or another stock exchange and the regulations and instructions issued by the Finnish Financial Supervisory Authority.

Pohjola's Board of Directors has approved the Company's disclosure policy which describes the key principles and policies followed by Pohjola as a public limited company in its communication with capital market participants and other stakeholders.

The disclosure policy is available at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Disclosure Policy.

Pohjola's website address is [www.pohjola.com](http://www.pohjola.com).

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# 11. Board of Directors and Group Executive Committee

1 Jan. 2012–31 Dec. 2012

## Pohjola Bank plc's Board of Directors



Reijo Karhinen

Chairman (by virtue of law, the Articles of Association and his position)

- b. 1955
- 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; Chairman of the Remuneration Committee
- Executive member dependent on the company and its major shareholder (OP-Pohjola Group Central Cooperative)

Other relevant positions:

- Central Chamber of Commerce: Vice Chairman of the Board of Directors
- Savonlinna Opera Festival Ltd: Vice Chairman of the Board of Directors
- Luottokunta: Member of the Supervisory Board
- HelsinkiMissio: Chairman of the Delegation
- Unico Banking Group: Member of the Board

Relevant previous experience:

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

Holdings in Pohjola shares and share-based entitlements:

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



**Tony Vepsäläinen**

Vice Chairman (by virtue of the Articles of Association and his position)

- b. 1959
- Chief Business Development Officer and Deputy to Executive Chairman and CEO, OP-Pohjola Group Central Cooperative
- LL.M., eMBA
- Board member since 2007; Chairman of the Risk Management Committee, Member of the Remuneration committee until 27 March 2012 and Vice Chairman of the Remuneration Committee since 27 March 2012
- Executive member dependent on the company and its major shareholder (OP-Pohjola Group Central Cooperative)

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 January 2012 and 11,655 on 31 December 2012



**Merja Auvinen**

- b. 1960
- Deputy Managing Director, Suur-Savon Osuuspankki
- M.Sc. (Econ. & Bus. Adm.), eMBA
- Board member since 2006; Member of the Audit Committee until 27 March 2012 and Vice Chairman of the Audit Committee since 27 March 2012
- Executive member dependent on the company

Other relevant positions:

- Etelä-Savo Chamber of Commerce: Chairman of the Board of Directors since 2013

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 Director 1989–92
- Nilsiän Osuuspankki: Bank Manager 1989, Marketing Manager 1987–89

Holdings in Pohjola shares and share-based entitlements:

- No. of Series A shares: 3,049 on 1 January 2012 and 3,937 on 31 December 2012



#### Jukka Hienonen

- b. 1961
- President and CEO, SRV Group Plc
- M.Sc. (Econ. & Bus. Adm.)
- Board member since 2009; Member of the Audit Committee until 27 March 2012 and Member of the Remuneration Committee since 27 March 2012
- Non-executive member

#### Other relevant positions:

- Helsinki Region Chamber of Commerce: Chairman of the Board of Directors since 2012
- Central Chamber of Commerce: Member of the Board of Directors since 2013

#### 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 January 2012 and 15,712 on 31 December 2012



#### Jukka Hulkkonen

- b. 1955
- Managing Director, Salon Osuuspankki, Kauppaneuvos (Finnish honorary title)
- M.Sc. (Forestry), eMBA
- Board member since 2012; Vice Chairman of the Risk Management Committee since 27 March 2012
- Executive member dependent on the company

#### Other relevant positions:

- SSP Yhtiöt Oy: Chairman of the Board of Directors
- Turku Chamber of Commerce, Salo unit: Vice Chairman of the Board of Directors

#### Relevant previous experience:

- Salon Seudun Osuuspankki: Managing Director 1997–2009
- Joensuun Osuuspankki: Bank Manager 1989–96
- Kainuun Osuuspankki: Area Manager 1984–89
- Oulun Osuuspankki: Business Liaison Officer 1984
- Suur-Helsingin Osuuspankki: Branch Manager 1983

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

- No. of Series A shares: 6,098 on 1 January 2012 and 6,834 on 31 December 2012





#### Mirkku Kullberg

- b. 1962
- Managing Director, Artek oy ab
- Diploma in Business and Administration
- IDBM (International Design Business Management)
- Board member since 2012; Member of the Audit Committee since 27 March 2012
- Non-executive member

#### Other relevant positions:

- KSF Media Ab: Member of the Board of Directors since 2010
- Loviisan Puhelinosuuskunta: Member of the Board of Directors since 2010
- Helsinki OP Bank Plc: Member of the Board of Directors since 2011
- Saga Furs Oyj: Member of the Board of Directors since 2012

#### Relevant previous experience:

- Nanso Oy: Brand Director 2002–05
- Grünstein Product Ab: Managing Director 1995–2002
- Turkistukku Oy: Export Manager, Product Manager 1992–95

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

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



#### Harri Sailas

- b. 1951
- President and CEO, Ilmarinen Mutual Pension Insurance Company
- M.Sc. (Econ.)
- Board member since 2010; Member of the Risk Management Committee
- Executive member dependent on the company and its major shareholder (Ilmarinen Mutual Pension Insurance Company)

#### Other relevant positions:

- Finnair Corporation: Chairman of the Board of Directors (expires on 27 March 2013)
- Finnish Pension Alliance TELA: 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: - on 1 January 2012 and - on 31 December 2012

**Tom von Weymarn**

- b. 1944
- Member of the Directors' Institute of Finland
- M.Sc. (Eng.)
- Board member since 2006; Chairman of the Audit Committee
- Non-executive member

**Other relevant positions:**

- Hartwall Capital Oy Ab: Chairman of the Board of Directors
- Sibelius Academy Foundation: Member of the Board of Directors
- IK Investment Partners Ltd: Senior Advisor
- Boardman Ltd: Partner
- Hydrios Biotechnology Oy: Member of the Board of Directors
- Oy Transmeri Ab: Chairman of the Board of Directors
- Helsinki Music Centre: Member of the Board of Directors
- Finnsweet 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 January 2012 and 1,650 on 31 December 2012
-

## Pohjola Bank plc's Executive Committee



Mikael Silvennoinen

**Chairman**

- b. 1956
- 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
- Konecranes Plc: Member of the Board of Directors
- The Finnish Foundation for Share Promotion: Member of the Board of Directors

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

- No. of Series A shares: 37,494 on 1 January 2012 and 50,514 on 31 December 2012



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

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

- No. of Series A shares: 256 on 1 January 2012 and 660 on 31 December 2012



**Karri Alameri**

- b. 1963
- President, Pohjola Asset Management Ltd, OP-Pohjola Group-level responsibility for the development of wealth management business
- Employed by OP-Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2012 (10 Feb. 2012)
- M.Sc. (Econ. & Bus. Adm.), CEFA

**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

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

- No. of Series A shares: 0 on 1 January 2012 and 2,000 on 31 December 2012



**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 2012 (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: Assistant Vice President, Section Chief, stock exchange dealer, Trainee for financial sector 1986–91

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

- No. of Series A shares: 922 on 1 January 2012 and 2,288 on 31 December 2012



#### Jouko Pölönen

- b. 1970
- President, Pohjola Insurance Ltd; Group-level responsibility for private and corporate customers, Pohjola Bank plc; OP-Pohjola Group-level responsibility for the development of non-life insurance business
- 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
- Pohjola Bank plc: Chief Risk Officer 2001–08
- PricewaterhouseCoopers: Authorised Public Accountant 1999–2001 and auditor 1993–99

#### Other relevant positions:

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

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

- No. of Series A shares: 4,963 on 1 January 2012 and 7,862 on 31 December 2012



#### Reima Rytsölä

- b. 1969
- Senior Executive Vice President, Banking, Pohjola Bank plc
- Employed by Pohjola Group since 1996
- Member of Pohjola Group's Executive Committee since 2008
- M.Soc.Sc., CEFA, AMP (Harvard)

#### 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:

- Unico Banking Group: Member of the Executive Committee

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

- No. of Series A shares: 4,873 on 1 January 2012 and 5,000 on 31 December 2012

**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

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

- No. of Series A shares: 1,572 on 1 January 2012 and 3,950 on 31 December 2012
-