

With love for Finland

OP YEAR 2015

# Dear Reader,

The world around us is continuously changing alongside new technologies, globalisation and longer life expectancies. At the same time, expectations towards companies and their operations increase every year. In addition to financial capability, companies are expected to demonstrate transparency and corporate social responsibility wherever they operate.

OP Financial Group is owned by its customers. It means that our operations are steered by the interests of our customers and that we prosper together with our customers. We have two roles: we aim to generate prosperity through our operations, while increasing wellbeing and equal development of society both locally and throughout our operating region.

This report describes our desire to keep up with changes. We are shifting towards integrated annual reporting, with the aim of describing our operations in a more transparent and responsible manner and highlighting how OP creates value for its major stakeholders and operating environment through its unique identity and dual role.

In our annual report package 2015, you can learn more about OP owned by its customers and, first and foremost, what we do for the love of our country.

Our annual report package is comprised of the following sections:

## OP Year 2015 (PDF)

Annual report, presenting our key business and CSR themes and events in 2015.

## OP Financial Group's GRI Corporate Social Responsibility data 2015 (PDF)

OP Financial Group's key Corporate Social Responsibility (CSR) ratios and Disclosures on Management Approach according to the international Global Reporting Initiative (GRI) G4.

## OP Year 2015 (Webpage)

A webpage with a brief and lively presentation of the year's highlights. For instance, you can watch an animation describing OP's dual role.

## OP Financial Group's Report by the Executive Board and Financial Statements 2015 (Webpage)

Online version of the Board report and Financial Statements, downloadable as a pdf. On the same page, you can also download the Report by the Board of Directors and Financial Statements of Pohjola Bank plc and those of OP Mortgage Bank (PDF).



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# OP in 2015

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# OP Financial Group in brief

As Finland's largest financial services group, OP provides its customers with the best loyalty benefits and the most extensive and diversified range of banking, wealth management and insurance services. The Group has three business segments: Banking, Non-life Insurance, and Wealth Management. OP Financial Group is made up of some 180 independent member cooperative banks and OP Cooperative which they own, including its subsidiaries and closely related companies.

The Group's operations are based on the cooperative principle: cooperation and a fair distribution of success among the stakeholders. Based on its mission, OP creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency.

<p>4.3 million customers</p>	<p>1.5 million owner-customers</p>	<p>Average number of monthly visits</p>
<p>some 180 cooperative member banks</p>	<p>Group in figures</p>	<p>10.3 million on op.fi</p>
<p>450 branches</p>	<p>12,000 employees</p>	<p>7.6 million on OP-mobile</p> <p>1.7 million on our Pivo mobile wallet app</p>

# OP Financial Group structure

## Owner-customers

OP Financial Group is owned by its customers. Its 1.5 million owner-customers own the member cooperative banks.

» [Read more about owner-customers on page 10.](#)

## Group member cooperative banks

Group member cooperative banks are independent, local deposit banks engaged in retail banking on a regional basis. In terms of the type of business organisation, they are cooperatives where each owner-customer has one equal vote.

Rather than focusing on short-term profits, member cooperative banks aim at prospering together with their customers. Operating income shown by member cooperative banks is used for the benefit of owner-customers: for the development of products, services and benefits.

» [Read more about the management of member cooperative banks on page 67.](#)

## Businesses

OP Financial Group has three business segments: Banking, Non-life Insurance, and Wealth Management. Banking is the largest of the Group's business segments.

» [Read more about the business segments on page 25.](#)

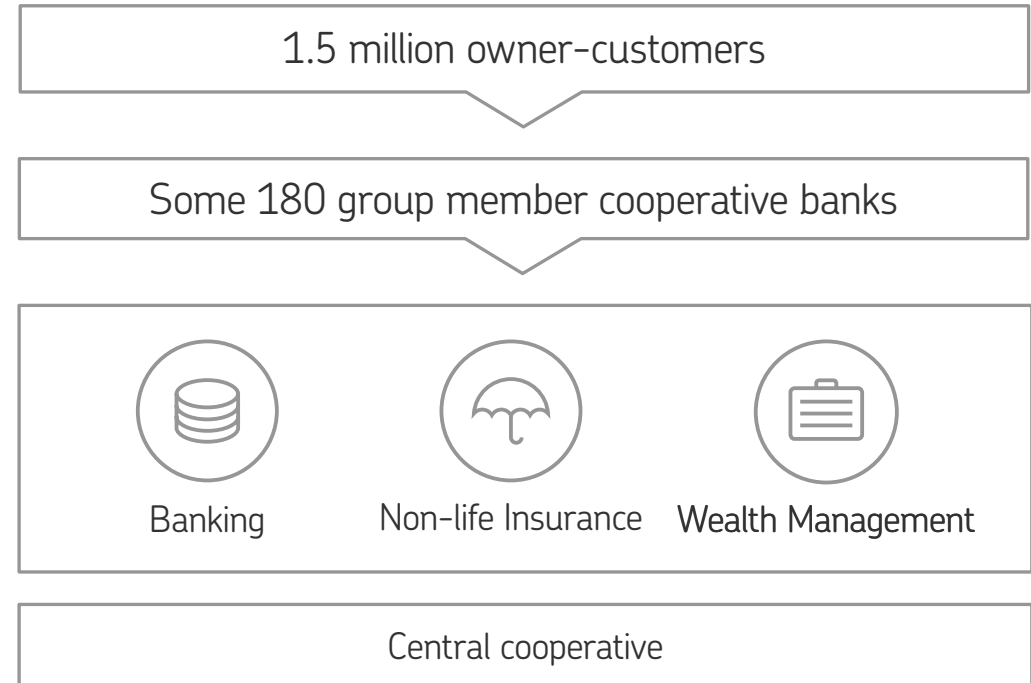
## The central cooperative

OP Cooperative is the central cooperative of the amalgamation of cooperative banks. It is a cooperative society whose members are deposit banks and other credit institutions belonging to the amalgamation.

The mission of OP Cooperative is to provide foundation for OP Financial Group's unity and success. It controls the Group's centralised services, develops the Group's business, manages the Group's strategic control and lobbying, and manages the control and supervisory duties which belong to the central cooperative of the amalgamation and the company heading the financial and insurance conglomerate. Furthermore, OP Cooperative acts as OP Financial Group's strategic owner institution.

OP Cooperative also analyses the operating environment and gathers information on changes in the industry and on markets. It is in charge of the Group's corporate image, reputation, identity and brands.

» [Read more about OP Financial Group's governance and legal structure on page 52.](#)





# Renaissance of customer ownership

The year 2015 went down in OP Financial Group's history as the first full operating year after we rediscovered our basis of being owned by customers. We took major steps to implement a big and important decision that we made in the previous year – the decision to go back to our roots as being a financial services group wholly owned by our customers.

We have sharpened our mission and clearly brought our social role to the level of our business role. We are now an essentially more uniform group in terms of our values and goals. Member cooperative banks and the central cooperative share the same core values based on customer ownership: People-first approach, Responsibility, Prospering together. This will guarantee us better foundations for operating in the best interests of our owner-customers and the operating region as a whole.

The successful return to our roots has been vital because at the same time we were able to prepare for the biggest-ever transformation in our sector, with digitisation and changing customer behaviour shaking up old structures. We are determined to face this change with a view to being better able to create prosperity and security for our customers and in our operating region.



## Our earnings and capital base increased to new record levels

We have delivered on our promise that we made when the financial crisis broke out: our markedly stronger market position proves that we have assumed responsibility for our customers' financing needs during the recession that has lasted for longer than anticipated.

A 6% growth in our loan portfolio and an almost 10% increase in our corporate loan portfolio, in particular, convey a message of our ability to provide our customers with opportunities for success today and tomorrow. Emphasis on growth – our strategic basis – also maintains competition in the Finnish financial market.

Thanks to our good financial performance, we have been able to significantly improve our capital adequacy ratios. We achieved our highly challenging capital adequacy target, set by ourselves, well ahead of time.

Our strong capital base provides major protection for our customers' banking and insurance transactions. Enabled by our good earnings performance, we have a real chance to promote the prosperity of our owner-customers and in our operating region during challenging times too.

## Successes in our dual role

A good financial performance is not an end in itself for a company owned by its customers. The point is how the results from shared success are used in the best way from the perspective of the owner-institution.

We are strongly committed to Finland, which is why we are concerned about the stagnant Finnish economy after the financial crisis that broke out in 2008. By means of growth outpacing our competitors and with several #Suominousuun (Putting Finland on a new growth path) initiatives, we

created positive mood, both among our large clientele and in the Finnish economy as a whole in 2015. For example, our loan repayment offer gave Finnish households a great deal of leeway and, according to experts, it had a positive effect on our GDP. We will continue to commit ourselves to make our contribution to Finnish economic growth.

## Financial sector amid transformation

Radical changes are ahead for the financial sector, with some of them already underway. Change in customer behaviour, ongoing technological progress and new agile players require that we too are able to reinvent ourselves on an ongoing basis. Our future competitors in the Finnish financial market will mostly be quite other than the familiar incumbents. Boundaries between industries are blurring and regulation seeks to increasingly intensify global competition.

We are making determined efforts to sharpen our vision. OP wants to take an active role as a responsible trailblazer while the financial sector is undergoing transformation apace. Our strong finance enables us to continue to increase development expenditure.

Our demanding task is to help our customers through the digital transformation – on their own terms. We have the opportunity to advance the digitisation process in the whole of society. As a company owned by its customers, we have extraordinarily good potential for that.

## Investing in digitisation means investing in better customer experience

The greater power of customers resulting from digitisation is a big asset and a source of inspiration for us. Through digital channels, we are better able to provide the products and services that our customers need and that make their daily lives easier.

” The successful return to our roots has been vital because at the same time we were able to prepare for the biggest-ever transformation in our sector.

A combination of an extensive branch network and rising digital service channels is a combination of human skills and state-of-the-art technology. That will provide us the foundations for individual and personal customer service.

Customers wish for more smoothly-running and more accessible services, which encourages us to continue our development work to guarantee an increasingly better customer experience. We have continued to make bold investments in future service capabilities and in our Oulu mobile development unit established in 2011 and have now taken the following steps: in addition to digital experts, we hired dozens of service designers to enable better and more customer-driven services.

Our ability to respond to major changes in our sector is based on the huge intellectual capital our employees have. During the next few years, we will test the width of our basic skills and the depth of our expertise as well as our employees' ability to update their skills. I firmly believe that we have excellent bases for this in terms of both knowledge and attitude.

A cooperative business shares values, goals and success. Cooperation between owner-customers, governing bodies and personnel led to a historically great year 2015. I should like to express my thanks for that to our customers and the entire OP community. Our work for the community goes on.

Reijo Karhinen  
Executive Chairman, OP Group  
@ReijoKarhinen



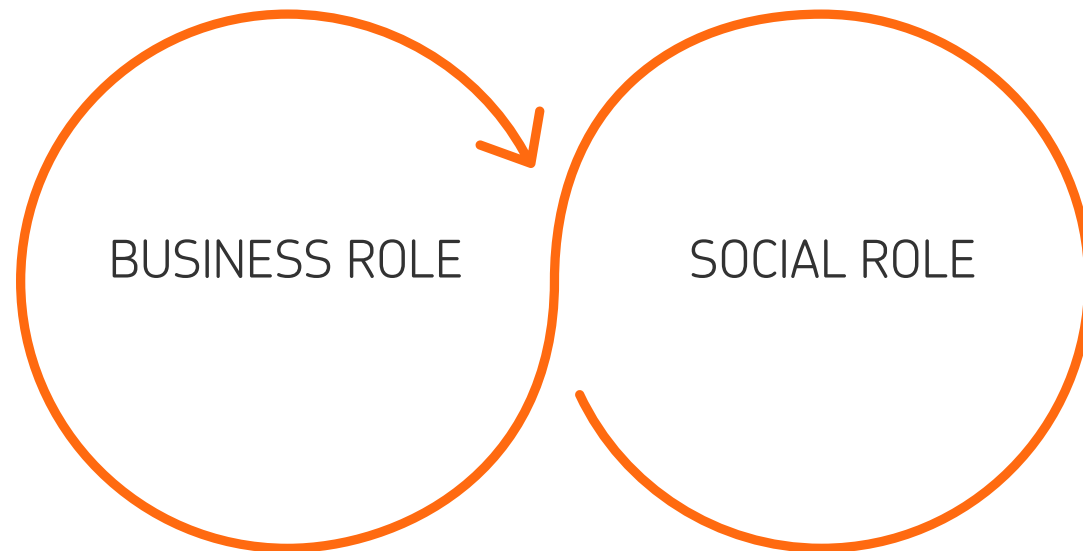
# OP's dual role

As a financial services group owned by customers, OP has two well-defined roles: in our business role we create prosperity that we use in our social role.

In the economy, cooperatives play a special role which differs from that of, say, public limited companies. OP Financial Group aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the co-operative's owner-customers need. In line with OP's mission, the Group's success generates benefits to owner-customers as well as the operating environment. As a Group owned by its customers, OP exists for its customers and, thus, offering loyalty benefits to its owner-customers forms an essential part of its operations.

In its **business role**, OP must provide the services needed by its customers in a competitive manner and ensure its operating efficiency as well as a strong capital base that generates competitive advantage. A substantial part of earnings is used for the benefit of our customers, while the rest is used to strengthen the Group's balance sheet and ensure our ability to provide credit. The Group maintains its capital adequacy markedly above the regulated level to secure its role as a finance and insurance provider for businesses even during a prolonged recession. In our business role, we have managed to maintain good results in a way which will contribute to continued success and especially in carrying out our responsibility for providing financing to our customers. Successful performance in the business role enables us to play our social role.

Our cooperative corporate form gives us a dual role, which is also the foundation for our unique identity



In its **social role**, OP as a finance and insurance provider and partner takes responsibility for the households, enterprises, development and jobs in its operating environment around Finland. Meanwhile, according to the Group strategy, OP will keep risk-taking to a moderate level vis-à-vis the risk-bearing capacity. The weaker economic situation has not affected the number of non-performing loans and credit losses; in fact, their number was lower than in 2014. This shows our customers' financial strength and better preparedness compared to previous recessions.

In 2015, we played our social role by launching several #Suominousuun (Putting Finland on a New Growth Path) initiatives which created positive mood among our clientele and in the Finnish economy as a whole.

## Full customer ownership to influence our development in the long term

OP became again wholly owned by its customers in 2014 when Pohjola shares were delisted and the group abandoned its hybrid model of a cooperative member institution and a public limited company. Going back to its roots and full customer ownership is a historically big change project that will be seen in OP Financial Group's operations and the development practices for many years.

Building a new financial services group owned by its customers also involved renewing our brand and renaming the Group OP from early 2015. In spring 2016 all names beginning with "Pohjola" will be renamed to begin with "OP" and, thereafter, our Banking, Non-life Insurance and Wealth Management will all operate under the single OP brand. For instance, Pohjola Bank plc will become OP Corporate Bank plc. As part of building the new OP wholly owned by its customers, Helsinki OP Bank Ltd will be converted into a cooperative bank (OP Helsinki) during 2016.

## Request for clarification from the Finnish Competition and Consumer Authority

In December 2015, the Group's corporate form and customer benefits were called into question as a request for clarification concerning OP's customer benefits scheme and combining of retail banking services and non-life insurance services was submitted to the Finnish Competition and Consumer Authority. In its operations, OP complies with Finnish and European competitions laws and denies the accusations of the request for clarification. The Group assists the authorities in the investigation by submitting all the necessary information to them.

# Owner-customers and loyalty benefits

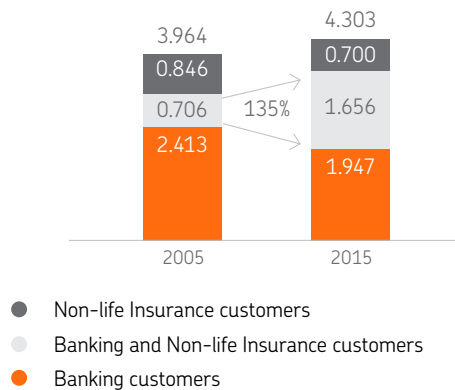
As Finland's leading financial services group, OP Financial Group provides its customers with the country's most comprehensive financial services range. The Group has a unique opportunity to combine banking, non-life insurance and wealth management products into packages that bring customers added value. This is also reflected in our product and service development. We develop our services and products to meet our customers' needs, and our customers can also participate in the development process.

Since the acquisition of Pohjola Group Plc in 2005, the number of non-life customers has risen by 806,000 and that of banking customers by 523,000. The number of joint banking and insurance customers has increased by 951,000 in ten years.

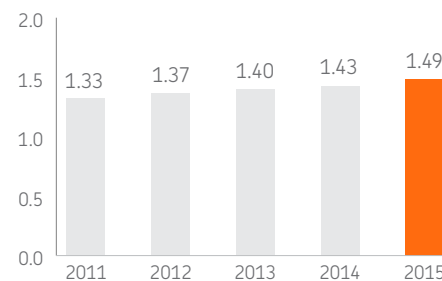
## Sector's best loyalty benefits

We want to provide customers using OP as their main banking, non-life insurance and wealth management services provider with the sector's best loyalty benefits. The more our owner-customers use the various services provided by OP Financial Group, the more they earn in terms of loyalty benefits. OP rewards its customers with discounts on non-life insurance premiums and with OP bonuses that customers earn from almost all our services, based on the amount of transactions. OP bonuses are widely applicable to OP Financial Group's banking charges, non-life insurance premiums and wealth management fees, as well as OP Kiinteistökeskus real estate agent commissions.

OP'S CUSTOMERS, MILLION CUSTOMERS



OWNER-CUSTOMERS, MILLION CUSTOMERS



## OP customers in 2015

4.3 million customers,  
up 19,000

1.5 million owner-customers,  
up 57,000

3.6 million banking customers,  
up 28,000

2.4 million non-life insurance customers,  
up 56,000

750,000 saver and investor customers,  
up 26,000

1.7 million joint banking and non-life  
insurance customers,  
up 66,000

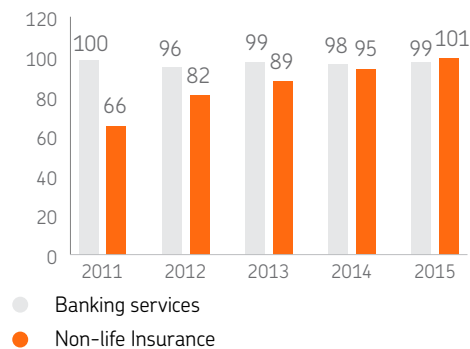


Customers have had the opportunity to earn OP bonuses since 1999, totalling EUR 1.7 billion. In 2015, our customers earned a total of EUR 197 million in bonuses. In addition, Non-life Insurance premier customer households were provided with EUR 79 million in loyalty discounts.

In addition to financial benefits, owner-customers have a genuine opportunity to contribute to their own cooperative bank's decisions and, thus, influence developments in their neighbourhood. Many member cooperative banks also provide their customers with benefits offered by local businesses.

OP Financial Group develops its loyalty scheme on an ongoing basis. In 2015, the principle of earning bonuses was modified as the previously used minimum transaction threshold of EUR 5,000 was removed. Without a minimum limit, all transactions entitling to bonuses now generate OP

USE OF OP-BONUSES, € MILLION



bonuses. The change has enabled more owner-customers to start earning OP bonuses.

### Business development based on customer feedback

OP Financial Group's customer interests guide all our operations. In 2015, the Group launched its new customer promise: "We exist to serve our customers". The number one theme of OP Financial Group's strategy involves enhancing customer experience, with the aim of offering increasingly better customer service.

Customer satisfaction and experience are regularly monitored through conducting of customer surveys, surveys related to customer contact points and through spontaneous customer feedback. Customer feedback is valuable and plays a key role in OP's business development.

The following three success factors comprise the Group's customer experience: customer benefits, customer service with the right attitude, and smoothly running customer service. As challenges in building a great customer experience, we have identified particularly problems that affect the smooth running of daily services offered to a number of customers. These include telephone service reachability and opportunities to have online meetings with our experts.

OP continuously monitors how many customers would be prepared to recommend the Group as a service provider. Net Promoter Score (NPS) measures recommendations among

private and corporate customers. The Group's target is to raise the NPS figures to 60 points down the line during 2016.

OP's NPS results for customer contacts in 2015 are presented in the following table.

#### NPS RESULTS FOR CUSTOMER CONTACTS:

Private customers	Corporate customers
Banking: 50 (40 in 2014)	Banking: 40 (25)
Non-life Insurance: 32 (29)	Non-life Insurance: 27 (19)
Saving and investment: 43 (36)	-

The Omasairaala Hospital, for example, collects NPS feedback during patient visits. In 2015, its NPS index gauging likelihood of recommendation averaged 95 (94).

Similarly, the customer satisfaction EPSI Rating survey revealed that satisfaction of OP's banking customers stood at 78.2 on a scale of 0 to 100 (sector average was 75.8 in Finland) and that of insurance customers at 77.5 (sector average 77.2).

In the Asiakkuusindeksi 2015 (customer experience index) survey – commissioned by Avaus Marketing Innovations and ASML, an association dealing with customer marketing, and carried out by Norstat – OP retained its first rank from last year. According to the survey, OP has the most loyal customers in Finland. The survey analysed a total of 53 companies operating in various sectors in Finland.

# Multichannel services

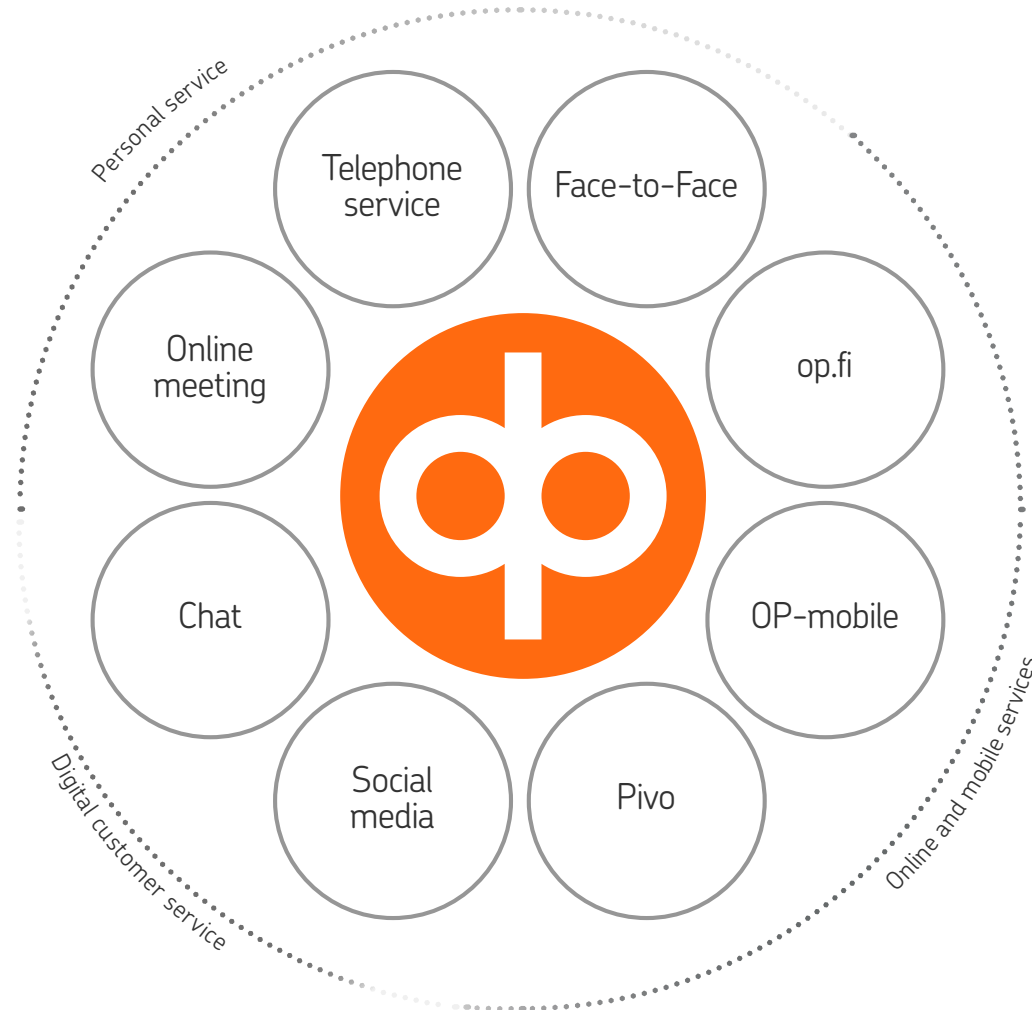
OP's service network consists of online and mobile services, personal service and digital customer service. The Group's target is to offer the sector's best multichannel customer experience.

A change in customer behaviour and the general trend of digitisation of a number of aspects in people's daily lives will considerably change the way in which financial services providers meet their customers. Emergence of new contact practices does not necessarily mean that the existing channels would wither since each channel has its own role to play. Channels preferred by customers vary not only by person but also by situation. OP aims to provide a suitable channel for each need and enable smooth transition from one channel to another.

## Mobile services continue becoming more popular

Digital services are the main channels for customers' daily transactions in banking, insurance and wealth management services. While op.fi has thus far been our customers' most popular channel, OP-mobile is predicted to outpace the number of op.fi visits during 2016. In 2015, the number of monthly op.fi visits averaged 10.3 million and that of OP-mobile 7.6 million. During the year we launched fingerprint authentication into OP-mobile, enabled on iOS devices, which increased mobile use considerably.

In order to respond to changing customer behaviour, OP has invested substantially in the development of its online and



mobile services. Our free-of-charge mobile app Pivo launched in 2013 has become the most frequently used electronic service by our customers, as they use the app on average 20 times per month. Pivo enables its users to easily monitor their balance and account transactions. By the end of 2015, Pivo was downloaded over 700,000 times.

Paying for purchases with a smartphone became possible in March when contactless payment was incorporated into the Pivo app. In the initial stage, making a contactless payment is possible for Android users only. OP introduced payment cards utilising contactless technology in 2012 and such payments can already be made at several retail chains.

## Personal service – in or outside a branch

Despite the expansion of our online and mobile services, OP also has Finland's most extensive branch network with some 450 branches across the country. Our customers carry out especially complex or difficult transactions at our branch offices where face-to-face expert assistance is available. The Group's own branch network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

As customer behaviour and demand for services change, the Group is modernising its branch concepts. An example of a new type of future branch is the OP Helsinki branch opened in the Vallila office block in September 2015. The Vallila branch seeks to offer the best possible customer experience by promoting digitisation. For instance, customers can search for interesting apartments using a smart table and then learn more about them by using 3D glasses. The branch also acts as OP's test laboratory for new operating models and tools.

In addition to services provided at branches, customers have access to personal service by telephone and through online meetings. In online meetings, customers can discuss with a bank's expert through audio/video conferencing and files, such as loan offers, can be shared on the screen. Everything takes place in the online bank, which ensures the best possible data security.

## Social media reaches customers

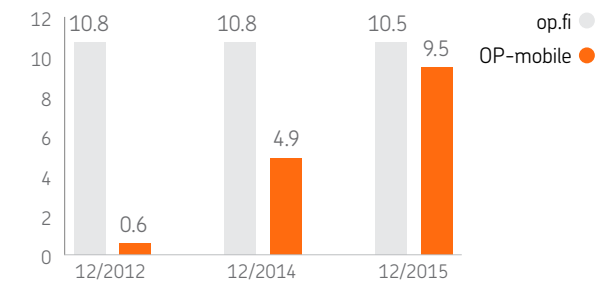
OP has an extensive presence in the most common social media channels where it has more than 200,000 followers.

Customers are reached particularly on Facebook and Twitter, where we publish topical issues of interest to customers and other stakeholders. We also reply to customers' questions, provided that they do not concern personal banking or non-life insurance matters. In addition to OP Financial Group's national social media accounts, many member cooperative banks have their own Facebook pages where they share publications destined for local customers.

OP wants to reach its customers through the most convenient channel for them and therefore continuously maps out new types of service encounters. During 2015, OP Financial Group was the first financial services provider to join Snapchat, a popular messaging application among teenagers, and sent its first video clip on the Periscope streaming service.

” OP-mobile is predicted to outpace the number of op.fi visits during 2016.

VISITS BY PRIVATE CUSTOMERS PER MONTH, MILLION VISITS





# Key figures

- OP Financial Group's earnings before tax increased by 20% to EUR 1,101 million (915). This figure is the Group's all-time high.
- The CET1 ratio improved by over 4 percentage points to 19.5% (15.1), supported by strong earnings.
- New customer bonuses totalled EUR 197 million, up 4.5% year on year.
- Each of the three business segments improved its performance markedly.

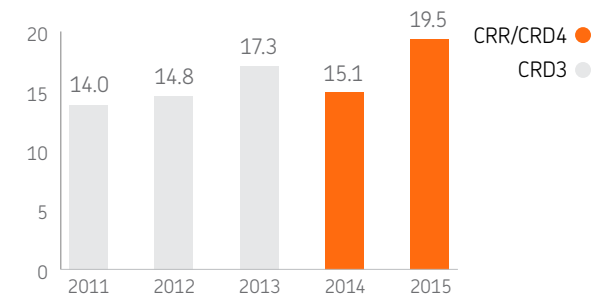
	1-12/2015	1-12/2014	Change, %
Earnings before tax, € million	1,101	915	20.4
Banking	642	571	12.5
Non-life Insurance	259	223	16.0
Wealth Management	213	167	27.6
New accrued customer bonuses	197	189	4.5

	31 Dec. 2015	31 Dec. 2014	Change, %
Common Equity Tier 1 (CET1) ratio, %	19.5	15.1	4.4*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), %	207	189	18*
Ratio of receivables more than 90 days past due to loan and guarantee portfolio, %	0.42	0.37	0.05*
Joint banking and insurance customers (1,000)	1,656	1,590	4.2

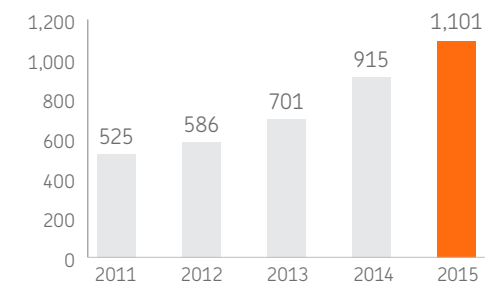
\* Change in ratio

	31 Dec. 2015	31 Dec. 2014
Number of employees	12,130	12,356
In permanent employment	11,324	11,705
Average age of employees	43.8	43.8
Women in managerial duties, %	49	49

COMMON EQUITY TIER1 RATIO (CET1), CORE TIER 1 BEFORE TRANSITIONAL PROVISIONS, %



EARNINGS BEFORE TAX, € MILLION



# Highlights



## Denial-of-service attack disrupted online transactions in early 2015

On New Year's Eve 2014, OP Financial Group became the target of a massive denial-of-service attack that lasted several days. This resulted in disruptions to OP eServices in particular, preventing access to the service. Other banks too became the target of the attack. OP filed a report of an offence to the police, and the National Bureau of Investigation investigated the matter. After the attack, OP has improved its ability to prevent the adverse effects of similar attacks on the usability of services in the future.



## OP continued its organisational changes

The Group continued its efforts started in 2014 to build a new, customer-owned OP by reorganising the central cooperative consolidated. Responding to changes in the financial sector's operating environment and customer behaviour was also part of the reason for the reorganisation. In connection with the reorganisation, OP underwent an Information and Consultation of Employees process, resulting in 249 job losses.



## New financing process model for SMEs

In April, OP announced a new financing option that supplements corporate financing by offering bank loan and risk financing in the same package. At its best, this simple and effective model is expected to trigger projects and enable the commercialisation of new innovations.



## OP ranked as Europe's strongest bank

In July, the Bloomberg Markets magazine ranked OP Financial Group as Europe's strongest bank. OP Financial Group was ranked as the world's eighth strongest bank and was the only European bank among the top ten banks.



## Offering a grace period increased economic activity in Finland

From February until the end of June, OP offered its home loan customers a free-of-charge grace period. Up to 95,000 borrowers snapped up the offer and spent the saved money on home improvements, for example. It is estimated that the grace period has generated an almost EUR 450 million injection to the Finnish economy.



## Contactless payment into the Pivo mobile wallet

Paying for purchases with a smartphone became possible in March when contactless payment was incorporated into OP's Pivo mobile wallet app. In the initial stage, making a contactless payment is possible for Android users. OP introduced payment cards utilising contactless technology in 2012 and such payments can already be made at several retail chains.



## OP began to disclose the carbon footprint of its equity funds

OP was the first actor in Finland to disclose the carbon footprint of its equity funds. By doing this, OP wishes to foster the development of a more responsible investment sector and speed the transition towards a future of smaller carbon emissions.



### Opening of the Vallila office premises

The Vallila campus construction project that began in 2011 was completed and around 3,000 OP employees moved to the new premises during the summer and spring. The doors were also opened to stakeholders and up to 35,000 people had visited the premises by the end of 2015. The Vallila office block has been built with environmental aspects in mind, which is manifested in the choice of building and raw materials. The modifiable and flexible premises enable a new way of working.



### Member cooperative banks had again the most loyal customers

According to the Asiakkuusindeksi (customer experience index) that measures corporate customer loyalty, OP ranked top for the second year in a row. With over 3,000 consumers as respondents, the survey covered 53 Finnish companies representing various industries.



### Invest in Finland – promoting domestic ownership

In December, OP published its third #Suominousuun (Putting Finland on a New Growth Path) initiative, wishing to draw attention to the importance of domestic ownership and encouraging people to begin investing. In its initiative, OP stopped charging transaction costs related to Finnish equities listed on the NASDAQ Helsinki and provided free access to equity research information between 7 December 2015 and 31 March 2016. Moreover, OP permanently quit charging subscription fees for OP mutual funds investing in Finland.

2016

Expanding health and wellbeing services – the Tampere hospital will be opened in summer 2016



### New Executive Board member in charge of digital business and customer experience

In September, OP appointed a new Executive Board member in charge of digital business and customer experience. The appointment is part of OP Financial Group's transformation from a conventional financial services provider to an actor in the digital era.



### Far and away Finland's largest corporate tax payer

Based on the tax records published in November 2015, OP Financial Group was far and away Finland's largest payer of corporate tax in 2014, paying a total of EUR 330 million.



### Donations of EUR 5 million to universities

At the end of the year, the Group decided to donate a total of EUR 5 million to Finnish universities in the 2015–2017 round of financing. With its donations, OP wants to contribute to the development of the Finnish economy by supporting education and expertise.

Customer ownership becomes possible in the Helsinki Metropolitan Area too – OP Helsinki becomes a cooperative bank

OP will pull out of active carbon investments during 2016



# Operating environment and strategy

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# Megatrends in the operating environment in 2015

The financial sector's operating environment is shaped by diverse megatrends and drivers of change coming from outside the industry. They influence the priorities of OP's strategy, businesses and the CSR Programme, and are therefore regularly re-evaluated. Since megatrends are often closely intertwined, the operating environment is considered as a whole.

	Impact	OP's response
<p>Globalisation</p>	<ul style="list-style-type: none"> <li>• Intensifies competition with the possible entry of new competitors and increasing economies of scale</li> <li>• Increases banks' interdependence in capital markets and heightens global systemic risk in the banking sector</li> <li>• Requires higher responsiveness, adaptability and international service capabilities</li> <li>• The political operating environment is characterised by uncertainty and geopolitical tensions</li> </ul>	<ul style="list-style-type: none"> <li>• Development of modern products and services standing international comparison</li> <li>• Extensive ability to serve our customers internationally by enhancing the partnership network</li> <li>• Agility and adaptability, readiness to respond to the sector's changing revenue generation models</li> <li>• Exploitation of newest technologies in our product and service development</li> <li>• Multichannel services: provision of seamlessly connected online and mobile services, personal service and digital customer service which are available wherever and whenever the customer needs them</li> <li>• Active presence and participation in social media channels</li> </ul>
<p>Digitisation</p>	<ul style="list-style-type: none"> <li>• Generates a diversity of information at an accelerating pace, increases the importance and business value of data</li> <li>• Accelerates industries' lifecycles: speeds up the decline of old industry structures and the entry of new competitors crossing the current borders</li> <li>• Enables newcomers operating only digitally and relying on a new revenue generation model to enter the financial market</li> <li>• Drives the change in customer behaviour</li> <li>• Enables the cost-efficient provision of multichannel services 24/7</li> </ul>	

	Impact	OP's response
<p>Demographic changes and urbanisation</p>	<ul style="list-style-type: none"> <li>• The population is ageing as life expectancy lengthens</li> <li>• Urbanisation continues</li> <li>• The financial sector will play a bigger role in safeguarding prosperity and providing healthcare services as well as services for senior citizens</li> </ul>	<ul style="list-style-type: none"> <li>• Considering diverse customer groups and ensuring regional coverage and availability of financial services</li> <li>• Development of health and wellbeing services (the Omasairaala hospital network, innovative insurance products)</li> </ul>
<p>Fiscal consolidation and greater regulation</p>	<ul style="list-style-type: none"> <li>• Efforts to reduce sovereign debt and the need for fiscal adjustment are slowing down economic growth</li> <li>• Fiscal consolidation requirements increase the need for structural reforms</li> <li>• In the financial sector, adjusting to the new international regulatory and operating environment increases the pressures to strengthen capital adequacy, financing structure and liquidity</li> <li>• Increasing attention is being paid to transparency and consumer protection</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining a clearly higher capital base than required in order to ensure business continuity</li> <li>• #Suominousuun (Putting Finland on a New Growth Path) initiatives to spur economic growth and positive mood in society</li> <li>• Investing in transparency and customer-focused practices</li> </ul>
<p>Sustainable development and responsibility</p>	<ul style="list-style-type: none"> <li>• Scant natural resources and climate change underline the efficient use of resources</li> <li>• The emphasis on sustainable development is creating opportunities for responsible financial products and services</li> <li>• Stakeholders require more transparent and responsible conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring resource and energy efficiency in our operations and in the services provided to customers</li> <li>• Disclosing indirect impacts to customers by, for example, reporting the carbon footprint of our mutual funds</li> <li>• Responsibility in e.g. supply chain and financing decisions</li> <li>• Highlighting our social role</li> </ul>

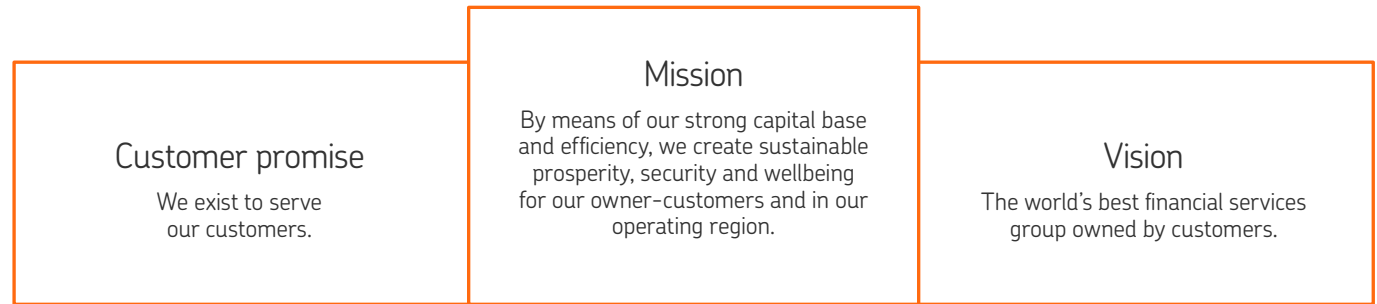
# Strategy

OP's strategy is based on the cooperative principle and a long-term business development in the best interests of our customers. As specified in its updated mission, OP creates by means of its strong capital base and efficiency sustainable prosperity, security and wellbeing for its owner-customers and in its operating region.

Promoting the Group's mission and continuing OP's story as a part of societal development in Finland form the key in strategy implementation. Our strategy emphasises investments in the future and thereby promotes the long-term prosperity of the Group, our owner-customers and the operating environment.

Long-term customer service work is reflected in our continuous renewal. OP has an agile service and product development that can respond to quickly changing customer needs. Customers are also invited to take part in product and service development on an extensive basis.

As a Finnish financial services provider owned by its customers, OP's identity is characterised by its community spirit, people-first approach, corporate responsibility and progressiveness. We want to be a role model for today's cooperatives.



## CORE VALUES

### People-first approach

OP Financial Group is for people. A genuine concern for people – both customers and co-workers – is the basis of our operations.

We are easy and agreeable to approach. Each person is treated as a dignified and equal individual. Human respect is visible in all of our operations.

### Responsibility

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

### Prospering together

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



## New basic principles and strategic development programmes confirmed in June

Following a comprehensive internal strategic discussion, the Supervisory Board of OP Cooperative updated in June 2015 the basic strategic principles that sharpen the Group's cooperative focus.

The mission was updated by emphasising the Group's unique dual role – in parallel with its business role, the Group plays a strong social role. OP's identity is crystallised in the new customer promise: We exist to serve our customers. Our refined vision is to be the world's best financial services group owned by its customers. Customer experience is now placed at the core of all management and operations. We will also use it as an indicator to measure our success in achieving our vision.

In June, in addition to the basic strategic principles, five new development programmes were confirmed for the Group in response to the drastically changing operating environment and the need for reforms stemming from changing customer behaviour. The development programmes address the efforts to strengthen the customer ownership-based foundation of the Group, to tap the opportunities and meet the challenges entailed by digitisation and to develop the three business segments on a broad scope. Moreover, OP has earlier approved and initiated a health and wellbeing development project.

## Key strategic long-term targets

In 2015, we attained all our key **financial targets**. Achieving our demanding and high capital adequacy target ahead of

time – only about one year after the purchase of Pohjola shares that required a significant amount of capital – showcases the Group's strong status and performance. While primarily we strengthened our capital base by making profit, our owner-customers' cooperative shares also contributed to it substantially.



OP's identity is crystallised in the new customer promise: We exist to serve our customers.

## OP Financial Group's key strategic targets

### Financial targets

	Target	31 Dec. 2015
Capital adequacy ratio (Act on Supervision of Financial and Insurance Conglomerates), Group level	160%	207%
CET1 ratio, Banking	18.0%*	19.5%
Return on economic capital, Group level	20%	21.5%
Operating combined ratio, Non-life Insurance	< 92%	87.3%
Growth differential between income and expenses, Group level / Banking / Wealth Management	> Opp	Group level 21.1% Banking 4.1% Wealth Management 18.6%

\* By end 2016

### Growth and market position targets

- Growth rate above the market average
- Market leadership in all business segments
- Market leadership in private customers and small, mid-size and large companies

### Qualitative targets

- Efficiency at a level that secures competitiveness
- Most comprehensive range of financial services and best owner-customer benefits
- Better customer experience
- In the Finnish financial sector
  - forerunner of corporate social responsibility
  - most attractive employer
  - most active and innovative industry player

In terms of our long-term **growth and market position targets**, achievements were made as growth in our home mortgage and corporate loan portfolios clearly outpaced the market. OP's market share at the end of 2015 was 38.6% (38.0) in home mortgages and 37.5% (35.6) in corporate loans. The Group is the market's leader in banking and non-life insurance. In wealth management, OP is one of Finland's largest players. Regarding the customer segments, OP is the market leader among private customers and SMEs. In the large companies segment, we are among the biggest players.

As for our **qualitative targets**, particular advancements were made with respect to being an industry forerunner of corporate social responsibility, for example, through the #Suominousuun (Putting Finland on a New Growth Path) initiatives. In wealth management, responsible investment policies related to curbing climate change were defined. In December, OP decided to donate EUR 5 million to universities, wishing to contribute to the development of the Finnish economy by supporting education and expertise.

We launched innovative comprehensive solutions in, for example, non-life insurance which launched many new products and services during the year, including a health-related challenge offering the policyholder a possibility to lower their premium (OPn Syke). Enhancing customer experience further was emphasised during the year, and our loyalty benefits offered to customers improved as our loyalty scheme was renewed and made even more extensive than before.

In the ranking of the most attractive employers in the business sector in Finland (Universum Awards), OP Financial Group placed sixth (5), down one position from last year. Employer image is built by, for instance, participating in various events and recruitment fairs, organising student events and visits and engaging in various types of cooperation with educational institutions.

## Strategy process underway

During spring 2016, the Group will define its strategy for 2017–2020. The initiated strategy work concentrates on the major changes in the operating environment identified by OP and the financial-sector transformation. The new strategy aims to respond particularly to the impacts that digitisation has on business models, expertise and customer experience. The strategy process underway also emphasises the Group's return to being a financial group fully owned by its customers.

We have improved reaction speed and flexibility in strategic planning. If necessary, the strategy can be revised between the rounds based on any changes occurring in the operating environment. Examples of more flexible strategic planning include our strategic development programmes. Currently we have six programmes running, and more can be established between the rounds to speed up implementation of our strategic priorities.

# Value creation model

**OP'S MISSION**  
By means of our strong capital base and efficiency,  
we create sustainable prosperity, security and wellbeing  
for our owner-customers and in our operating region

**VISION**  
The world's best financial services group owned by customers



## OUR KEY RESOURCES

### Economic capital

- Owner-customers' Profit Shares and cooperative contributions
- Deposits
- Issued debt instruments

### Productive capital

- Multichannel services
- ICT systems

### Intellectual capital

- Brands and reputation
- Participatory development of new businesses
- Customer-focused and efficient processes

### Human capital

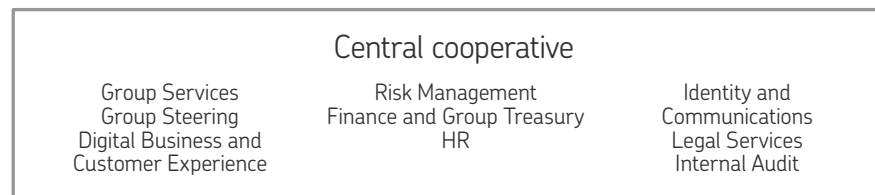
- Skilled personnel
- Community-based practices based on the cooperative principle
- Code of Business Ethics

### Social and networking capital

- Core values: People-first approach, Responsibility and Prospering together
- Stakeholder relations
- Partnerships

1.5 million owner-customers

Some 180 member cooperative banks



## OUTPUTS AND IMPACTS\*

As a financial services provider owned by its customers, OP has not only its business role but also another significant role, a social role.

### Successful performance in the business role...

- Return on economic capital 21.5%
- Common Equity Tier 1 (CET1) ratio 19.5%
- Market share: total loans 34.9%, total deposits 37.1%, non-life insurance premiums written 31.5%, mutual fund assets 22.2%
- High credit ratings
- Job satisfaction 3.9/5
- Product and service development expenditures EUR 162 million

### ...enables the Group to lead its social role

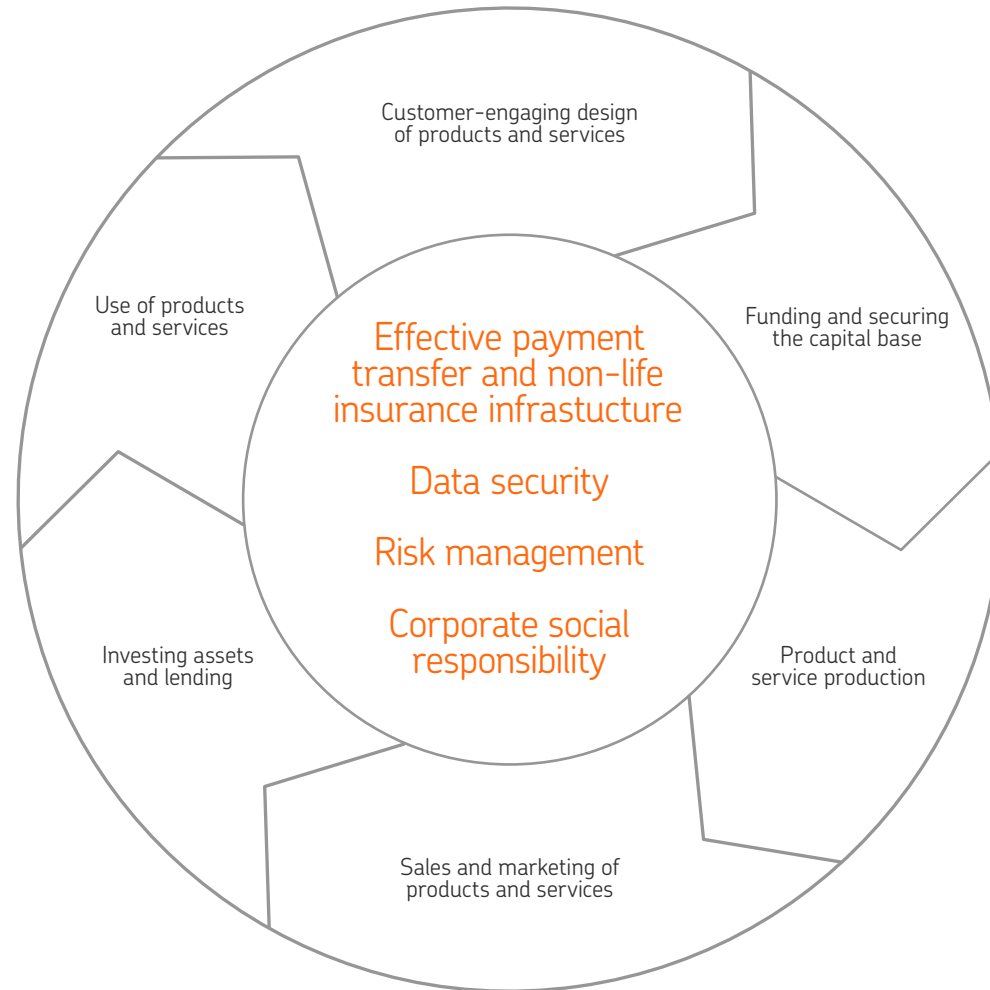
- User-friendly and innovative new products and services
- New accrued customer bonuses EUR 197 million
- Interest on contributions made by owner-customers, paid for 2014, EUR 27 million
- Purchases from suppliers and service providers EUR 574 million
- Taxes EUR 251 million
- Charity and donations EUR 2.8 million
- Local impacts

\* The figures describe the situation at the end of 2015. The market share of Non-life Insurance premiums written is from 2014, since the market shares for 2015 will be published in spring 2016.

# Value chain

The financial sector has both direct and indirect major impacts on the national economy as well as on creating and providing fundamental services and opportunities for citizens, companies and organisations. Indirect impacts arise in the supply chain e.g. from investing, financing and non-life insurance claims services.

We take account of risk management, data security and responsibility aspects at all stages of our value chain.





# OP business segments

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# OP business segments



## Banking

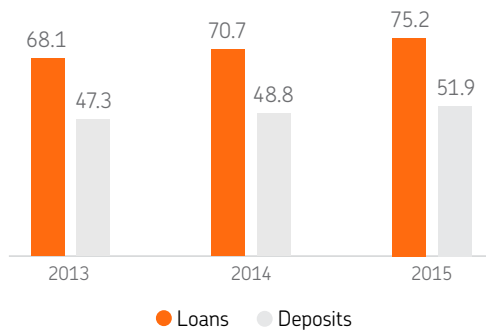
Percentage of EBT

58%

Business divisions:

Private Customers, Corporate Customers,  
Markets and Baltics

Loans and deposits, billion €



## Non-life Insurance

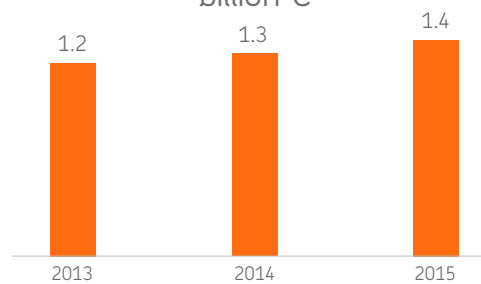
Percentage of EBT

23%

Business divisions:

Private Customers, Corporate Customers,  
Baltics and Health and Wellbeing Services

Non-life Insurance premium revenue,  
billion €



## Wealth Management

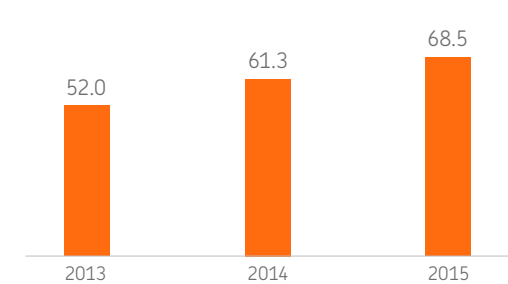
Percentage of EBT

19%

Business divisions:

Private Customers, Corporate Customers,  
Investment and Wealth Management Products

Assets under management, billion €



# Banking

OP is Finland's leading provider of home and corporate loans. During 2015, its market share of home loans and corporate loans increased to 38.6% and 37.5%, respectively. Banking is OP Financial Group's largest business segment providing customers with an extensive and comprehensive range of products and services.

OP's Banking services and products for **private customers** include daily banking, loans, savings and investments, and housing-related services. In addition to banking services, legal services provided by many member cooperative banks are also available to OP customers.

We seek to secure prosperity for our private customers and to promote their personal financial management and success. We want to offer our customers comprehensive banking services that are flexible, accommodating their various life situations. Our daily banking services are available to our customers through a number of channels so that they can carry out their banking transactions easily and securely whenever it is most convenient for them.

We provide **corporate customers** with financing, payment transaction and cash management services, investment services, and expert services related to business development. OP's corporate customers range from SMEs to large corporations and institutions.

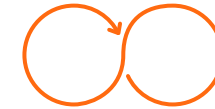
We aim for long-term and total customer relationships across the board. When we know customers well and are in close interaction with them we can customise solutions

” During 2016, customer ownership will be possible in the Helsinki Metropolitan Area too.

for them. As a corporate partner, we wish to promote the success and internationalisation of Finnish business. International service capabilities being high on the agenda, we establish, for example, well-thought-out international partnerships based on the needs of our customers.

OP has acted as the primary intermediary of government payments since 2012 and the agreement is effective until the end of 2019. In this role, OP is tasked with managing all payment and invoice intermediation services, such as those related to tax refunds. In December 2015, we forwarded tax refunds to over 3 million Finns worth almost EUR 2.2 billion.

» [Read more about Banking products and services at op.fi.](http://op.fi)



## OP is Europe's strongest bank – demonstrably

In July 2015, the Bloomberg Markets magazine ranked OP Financial Group as Europe's strongest bank. OP Financial Group was ranked as the world's eighth strongest bank and the only European bank among the top ten banks. This global survey covered 114 banks whose balance sheet total is at least 100 billion dollars. Enabled by its business strength, OP is able to lead its dual role and, for example, to safeguard customers' personal finances and the availability of financing during challenging economic times as well.

## Positive mood to economic debate through loan repayment holiday and new corporate finance model

In 2015, we implemented our mission of promoting sustainable prosperity of our customers and in our operating region by offering our home loan borrowers a loan repayment holiday and by launching a single financing process model designed for SMEs. These openings formed part of the #Suominousuun (Putting Finland on a new growth path) campaign, through which OP seeks to encourage initiatives that stimulate economic activity.

Our loan repayment holiday opening enabled customers to not have to repay their home loans for 6–12 months without extra charges and a change in the margin. Up to 95,000 borrowers snapped up the offer and spent the saved money on home improvements, for example. It is estimated that the repayment holiday has generated an almost EUR 450 million injection to the Finnish economy. The repayment holiday offer was valid from February until June 2015.

To support SMEs' growth opportunities, OP launched a new financing option the idea of which is to combine in a new way banking expertise and wide contacts with the corporate sector and the investment capacity of institutional investors. At its best, this simple and effective model is expected to trigger projects and enable the commercialisation of new innovations.

## Standing out from the competition through innovative solutions and customer ownership

Developments in banking, as with the financial sector on the whole, are characterised by digitisation and the resulting change in customer behaviour. This will necessitate offering innovative solutions and better customer experience on OP's part too.

In particular, payment methods are undergoing a transformation. In response to the change, OP launched a contactless payment option for Android users on a pilot basis, based on the Pivo mobile wallet application. The purpose is to enable contactless payment in the application for a wider use during spring 2016. Mobile contactless payment has the advantage over contactless payment with cards in that the minimum amount of payment is less than 25 euros. Contactless payment with OP's card has already been possible since 2012 and all new OP cards enable contactless payment.

In 2015, OP seized opportunities provided by digitality by joining an international initiative on Blockchain technology. The aim of this initiative with other banks is to develop faster and more efficient financial services by means of the Blockchain technology behind the bitcoin virtual currency. The new technology has the potential of, say, transferring money from one bank to another within a few minutes instead of a few days.



We followed our mission by offering a loan repayment holiday and launching a single financing process model for companies.

OP stands out from the competition through customer ownership that provides owner-customers with the opportunity to contribute to decision-making and to enjoy great loyalty benefits. OP's cooperative bank family received new members in May when six POP Group banks joined the Group. During 2016, OP's retail banking in customer ownership will also arrive in the Helsinki Metropolitan Area when Helsinki OP Bank Ltd becomes a cooperative bank and will be renamed Helsinki Area Cooperative Bank (OP Helsinki). Customers have had an opportunity to have their say in the new bank by, for example, participating in group chats online. Owner-customers of the new OP Helsinki will also have the opportunity to contribute to the bank's decision-making through the Representative Assembly and the Board of Directors.

» [Read more about Banking in 2015 in OP Financial Group's Report by the Executive Board and Financial Statements.](#)



# Non-life Insurance

OP is Finland's leading non-life insurer, providing its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. Supported by our extensive partner network, our claims service is fast and efficient.

Insurance for **private customers** is aimed at ensuring they have a diverse range of comprehensive insurance solutions. The key insurance lines include motor vehicle, home and other property policies as well as personal insurance, such as accident, health and travel policies. When it comes to property insurance, home contents, residential buildings, forests and domestic animals are the most common objects of insurance. The most common insured motor vehicles owned by households include cars, motorcycles and trailers.

For **corporate customers**, we seek to safeguard their business continuity, support employees' work ability and help to create a safe working environment. We provide our customers with extensive and diversified risk management services, which enable them to better ensure trouble-free and secure business operations in the case of problems.

The entrepreneur himself, company staff, the company's fixed and current assets, cargo, vehicles and the business itself are the key insured objects or persons in the field of business insurance. Employees are covered by insurance against accidents at work through statutory workers' compensation insurance. Voluntary medical treatment expenses insurance can be taken out to extend insurance cover. OP has expanded its offering

for companies through cyber-insurance and an occupational healthcare service that can be included in personal insurance.

» [Read more about Non-life Insurance products and services at op.fi.](#)

## New insurance products and services piloted and launched in 2015

In Non-life Insurance, 2015 saw new openings and product and service launches. The new launches are aimed at improving customer experience and responding to the opportunities presented by digitality. OP aims to be the most innovative player in the sector and to modernise the Finnish non-life business.

In May, OP updated its *Sports Cover* for athletes and other physically active people to better meet customer needs. In the new insurance cover, the concepts of accident and exertion were extended and a separate external factor is no longer a prerequisite for compensation. The insurance also has a number of other desired changes, such as an abandoned age limit for senior citizens. OP wanted to update Sports Cover to be as comprehensive and extensive an insurance solution as possible.



OP aims to be the most innovative player in the sector and modernise the Finnish non-life business.

In October, OP was the first Finnish insurer to introduce into the market a *cyber-insurance* designed for large corporations. It was seen that there is a market for this insurance, considering that all business is increasingly dependent on trouble-free IT systems, and previously companies had to bear the consequences of the risk of cyber security themselves. Cyber-insurance covers loss of income that a business interruption or recovery of lost data may cause to companies. Cyber-insurance also includes data security, legal and communication services as well as 24/7 crisis services.

In October, OP began piloting *OP Kolahdus*, a new type of management model for vehicle incidents. In the pilot, a customer who has got into an accident is directed to a partner repair shop where an OP loss assessor is on the spot. The

” OP was the first Finnish insurer to introduce into the market a cyber-insurance designed for large corporations.

purpose of the model is to shorten the vehicle incident management process in such a way that the customer can have his/her car repaired and have his/her claim handled in one go and can get back to normal life more quickly. The pilot project will continue until spring 2016 after which OP will make decisions on whether it will be expanded.

November saw the launch of *OP's Syke* (OP Pulse) pilot. It is a policy under which customers can affect their insurance premiums through their lifestyle. The pilot is built around OP's Omasairaala Insurance and four wellbeing challenges involving four Finnish health and wellness start-ups as partners. In the pilot, the customer chooses one challenge on which the objectives set for him are based. After the customer has achieved his/her objectives, his/her insurance premium decreases. If the customer is suddenly injured during the pilot, the Omasairaala insurance will cover the costs of treatment without the deductible or the maximum amount of compensation.

The autumn saw the launch of the [vahinkoapu.op.fi](http://vahinkoapu.op.fi) site (claims assistance) which is the customer's user interface for OP's claims service. Information on how to act in the case of loss, damage or injury is readily available on the site. A new feature that enables users to file a loss report easily was also incorporated into the OP-mobile service.

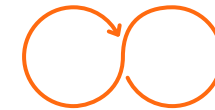
Through these services, OP can provide its customers with a unique and slick way to handle their claims.

### Increasing role of health and wellbeing services

OP aims to develop health and wellbeing services into a new business alongside its traditional business areas. OP specifically focuses on new types of solutions related to employee wellbeing and a variety of OP's combination products. Sports Cover, a matchlessly comprehensive policy updated in 2015, and a completely new insurance, OP's Syke, form part of this development work.

OP Financial Group branched out into health and wellbeing services in early 2013 when it opened its wholly-owned Omasairaala hospital in Helsinki. The hospital seeks to offer the shortest possible clinical pathway and a great customer experience. The hospital network will expand on nationwide basis. The next hospital unit will be opened in Tampere in summer 2016 Omasairaala is renamed Pohjola Health. The cities of Oulu, Kuopio and Turku will follow suit.

» [Read more about Non-life Insurance 2015 in OP Financial Group's Report by the Executive Board and Financial Statements.](#)



### Effective healthcare services are win-win for all

Expanding health and wellbeing services is well-suited to OP's responsible mission of promoting the success and prosperity of its owner-customers and operating region.

Omasairaala has managed to significantly shorten the clinical pathway, which is a win-win for all parties involved: employees, employer, society and non-life and pension insurers through shorter absences and lower costs, claims paid and loss of income.

# Wealth Management

OP ranks among the top wealth management services providers in Finland. Wealth Management aims to respond to the saving and investing needs of private and corporate clients with a client-driven approach and to offer the best digital wealth management services and a unique Private Banking experience.

OP provides **private clients** with an extensive range of savings and investment solutions. Our range of mutual funds covers funds that invest in various asset classes and market areas. Responsibility for the portfolio management of these funds rests partly with OP Financial Group's own investment organisation and partly with our international partners. The product range of our life policies consists of pension policies, savings and single-premium savings policies and pure risk policies.

The range of services for **institutional and corporate clients** consists of various investment solutions for not only cash management but also longer-term investment. We provide our institutional clients with a full range of asset management services from investment decisions to modern risk reporting and portfolio analysis.

OP boasts Finland's largest **Private Banking network** which provides both private individuals and corporate and institutional clients with contractual, personalised and comprehensive investment management services. Private banking service involves the range of products and services offered by the entire OP Financial Group and external partners. The

service models include discretionary investment management and advisory investment management.

Moreover, an extensive range of securities brokerage, custody and analysis services is available to private, corporate and institutional clients. OPs award-winning equity analyst team tracks over 80 listed companies, prepares forecasts and recommendations on a company- and sector-specific basis and produces diverse analysis reports on macroeconomics, stock markets and industries.

» [Read more about Wealth Management products and services at op.fi](#)

## Digitisation and financial regulation are reshaping the field of wealth management

Wealth Management's long-term goal is to become a market leader, aided by above-the-market average growth. Wealth Management is a priority area throughout the Group and OP seeks to increase its size, for example, through effective cross-selling between different business lines. The competitive arena of Wealth Management is larger than that of other



OP is developing digital saving and investment services further by expanding the range of services available online and shortening the path to purchase.

OP lines of business, and digitisation, the internationalisation of customers and new international market entrants in Finland will intensify competition further.

By reshaping its product and service range, operating models and pricing, Wealth Management seeks to improve customer experience in all client segments. In particular, it is further developing its digital product and service offering by expanding the range of services available online and shortening the path to purchase to make transactions easier. For example, digital channels accounted for up to 40% of mutual fund subscriptions in 2015, as against 28% a year ago. Various awards received by Wealth Management over the years are a testimony to its success in offering a great customer experience. In 2015, Wealth Management was again awarded when it won the Best Use of Equities in the Institutional Investor's European Awards. In the view of investors, OP stood out from the competition as an active, topical and dynamic actor. Earlier in 2015, OP received the same recognition in the Institutional Investor's Nordic Awards.

In the next few years, MiFID II (the Markets in Financial Instruments Directive) will reshape the field of investment advice and services. The purpose of the directive is to increase transparency and investor protection and this implies more specific requirements for investment firms' operations and processes. The advent of MiFID II and other regulation shaping financial markets will require changes in OP's operating models too.

## Investment management in line with our social role

OP is determined to be actively involved in fostering a more responsible investment sector. During 2015, Wealth Management made major decisions relating to sustainable investing. In May, we announced that we would begin to report the carbon footprint of our equity funds and in November announced that we would pull out of active carbon investments. In April, we were the first in Finland to launch a fund based on a small carbon footprint, OP Low-carbon World.

With the Invest in Finland opening published in December, OP wanted to attract attention to Finnish ownership and encourage Finns to become involved in investment. Based on this third #Suominousuun initiative in 2015, OP ceased to charge transaction costs related to Finnish equities listed on the NASDAQ Helsinki and provided equity research information free of charge between 7 December 2015 and 31 March 2016. Moreover, OP permanently quit charging subscription fees for OP mutual funds investing in Finland.

» [Read more about Wealth Management in 2015 in OP Financial Group's Report by the Executive Board and Financial Statements.](#)



## “Invest in Finland” opening for Finnish ownerships and businesses

The opening was aimed not only at attracting attention in the importance of Finnish ownership in the creation of economic growth, but also increasing people's awareness of equity investment as a type of saving. Accordingly, OP ceased to charge transaction costs related to listed Finnish equities and provided equity research information free of charge for a limited time. This opening was part of the #Suominousuun (Putting Finland on a new growth path) initiative within the framework of which OP has also offered a home loan repayment period and a package of corporate risk and loan financing package.



# International business

OP is investing in international service capabilities according to its customer needs, which means that OP will partner up with carefully selected, strong local players in markets important to its customers while further developing its operations in the Baltic countries.

The Baltic countries belong to OP's home market with branches in Estonia, Latvia and Lithuania. Baltic Banking has an extensive range of banking services for corporate customers. Seesam, a non-life insurer owned by OP Financial Group, provides personal customer services at a local level and a comprehensive range of insurance solutions in all of the three Baltic countries. Seesam also sells its insurance products through other distribution channels, such as banks, brokers and its intermediaries.

OP runs its own representative office in St. Petersburg with the aim of promoting its customers' business in Russia and following developments in the Russian economy, especially those in the banking sector. OP is currently establishing a representative office in Shanghai, China.

## Our global partners

Alongside our own branches and representative offices, OP is establishing international services in cooperation with its global partner network. OP cooperates with foreign banks which have established a firm foothold in their markets, boast the best expertise in local business and banking and

have the best opportunities to provide corporate customers in these markets with services that meet their needs. This cooperation ranges from payment transfers to strategic partnerships. Our strong position and good reputation in Finland provide OP with great opportunities to choose the best international partners.

OP is a member of the Unico Banking Group, a group of European banks with a cooperative background and origin. The Unico cooperation focuses on the development of payment transfer and cash management services, and international capital market, financing and leasing services for corporates. All Unico member banks are leaders in their respective markets and the branches of these member banks form a large international service network which also serves as a service channel for our corporate and institutional customers. Unico Banking Group members are Crédit Agricole S.A. in France, DZ BANK in Germany, Rabobank in the Netherlands, Raiffeisen Bank International in Austria, Raiffeisen Schweiz in Switzerland, ICCREA Holding in Italy and Banco Cooperativo Espanol in Spain.

When it comes to international non-life insurance for customers, OP's international service network offers insurance

and risk management services all around the world, based on in-depth knowledge of local conditions. Royal & Sun-Alliance, which is a world leading non-life insurer operating through its network in over 140 countries, has already been our partner for over 35 years.

Our global partners play a major role in wealth management. Based on our operating model, we select a well-defined and thoroughly examined group of partners with whom we seek to engage in cooperation deeper than that covering only the selection of funds. OP Wealth Management has one of the most extensive ranges of international investment vehicles, covering private equity, hedge fund and property investments, in addition to conventional asset classes. Access Capital Partners, a European manager and advisor of private equity funds and mandates, provides private equity products. Providers of analyses and research service providers that operate globally also belong to the international partnership network of Wealth Management. OP's equity brokerage is a member of the European Securities Network LLP (ESN), which provides its clients with high-quality, Europe-wide equity research and trading.



# Themes of responsibility

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# Corporate social responsibility in OP Financial Group

Corporate social responsibility (CSR) is an essential part of OP Financial Group's operations and strategy. The basis of CSR is built around our joint values, strong capital base and professional risk management. Our CSR measures encompass economic, social and environmental responsibility. Our aim is to be a forerunner in CSR within our sector in Finland.

CSR policies and guidelines are approved by the Supervisory Board. Strategic CSR management is the responsibility of the Executive Board of OP Cooperative, which also makes strategic decisions on CSR matters. On the Executive Board, CSR comes under the Chief Communications Officer's remit. CSR issues are discussed regularly, not only in the Executive Board but also in business division's executive boards. Day-to-day work concerning CSR is carried out by CSR working groups in the business divisions, chaired by the Head of CSR.

## Key CSR guidelines and principles

- OP Financial Group's Corporate Governance Principles
- OP Financial Group's CSR Policies
- UN Global Compact principles
- Code of Business Ethics
- OP Financial Group's Corporate Social Responsibility Programme

The Corporate Social Responsibility Programme is based on the aspects that are most material to OP and its stakeholders. The materiality is regularly assessed through a materiality analysis. The last time the materiality analysis was carried out was in autumn 2014, with 790 stakeholder representatives participating. The materiality analysis is presented in the CSR GRI Information report.

**The following five key areas have been defined in OP's current Corporate Social Responsibility Programme:**

- Local presence and society
- Stakeholder responsibility
- Responsible products and services
- Ethical business
- Environment

The KPIs of the current programme are presented in the table on the next page. The responsibility programme will be updated in 2016.

## International commitments and cooperation with organisations

In addition to laws and regulations, OP undertakes to comply with international commitments that guide operations. In 2011, OP signed the Global Compact initiative, committing it to the Initiative's ten principles on human rights, labour standards, environment and anti-corruption. The Global Compact

principles have been integrated into OP's new supplier contracts, and online training for personnel in business ethics and CSR, observing the Global Compact, has been launched.

OP was among Finland's first asset management companies to sign the UN Principles for Responsible Investment in 2009. Since then, the Group has developed responsible investment practices with even greater determination, and has participated in wider development efforts in the sector. OP is also one of the founding members of Finland's Sustainable Investment Forum (FINSIF). Furthermore, OP has been involved in the Corporate Social Responsibility Team of the Federation of Finnish Financial Services, in Finnish FIBS CR Network, and the Corporate Social Responsibility and Co-operative Affairs Working Group of the European Association of Co-operative Banks (EACB).

We actively follow the development of guidelines intended for the financial sector as part of the OECD Guidelines for Multi-national Enterprises. The OECD guidelines comprise voluntary CSR principles and standards, as well as instructions for applying legislation to international business operations.

OP signed the Montreal Pledge in 2015 and thereby committed to measure the carbon footprint of its funds.





## KPIs of corporate social responsibility

As in previous years, OP responded to the CDP survey, which gathers information from large corporations on their actions to combat climate change and reduce greenhouse gases. In 2015, OP's score in the survey was 91/100, while the average of all respondents was 84/100.

” The direct greenhouse gas emissions from OP's own operations have decreased by approximately 28% from 2011.

	Initial level 2011	2015	Target for 2016
<b>LOCAL PRESENCE AND SOCIETY</b>			
Capital Adequacy Ratio under the Act on the Supervision of Financial and Insurance Conglomerates	180	207	160
Customer service performance reliability (%)	99.78	99.90	99.89
Funding local projects (EUR million)	3.3	2.8	↓
<b>STAKEHOLDER RESPONSIBILITY</b>			
Bonuses to owner-customers (EUR million)	163	197	↑
Pohjola Bank plc's dividend payout ratio (%)	60	30	≥50
Average retirement age	61.5	61.5	↑
Job satisfaction (scale 1–5)	3.9	3.91	↑
Share of the Representative Assembly members of all member banks (%)	71	84	↑
<b>RESPONSIBLE PRODUCTS AND SERVICES</b>			
No. of private customer e-invoices (1,000)	2,955	37,132**	30,000
No. of corporate customer e-invoices (1,000)	5,519	31,399	32,000
<b>ETHICAL BUSINESS</b>			
Recommended by private customers			
Banking services	*	50	↑
Insurance services	*	32	↑
Recommended by corporate customers	31		↑
Banking services	*	40	↑
Insurance services	*	27	↑
<b>ENVIRONMENT</b>			
Our carbon footprint (tonnes of CO <sub>2</sub> )	34,847	25,221	-5% from 2015
Number of employees in Green Offices	2,550	3,546	5,000

\* Initial level for 2011 is not available \*\* Also includes direct payments



# Responsible business and local presence

As a customer-owned financial services group, OP has two clear roles: in our business role, we create prosperity that we utilise in our social role. OP's mission is to create sustainable prosperity, security and well-being for its owner-customers and operating environment through a strong capital base and efficiency.

» [Read more about OP's dual role on page 8.](#)

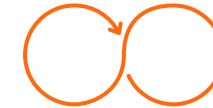
OP has firm roots in Finnish society, and prospering together is a key value for OP. In line with this, the Group takes an active role in developing local and regional vitality. OP's view is that the financial sector plays a central role in the well-being of the economy and in the provision of necessary basic services and opportunities for citizens, companies and institutions. The cooperative ideology and company form creates continuity and community spirit in OP's operating environment. We have a long-term knowledge of our local operating environment, and we can therefore assist households and companies – even during challenging times. OP has a local impact across Finland; with its 450 or so branches, the Group's branch and service network is the most extensive and has the best coverage.

OP Financial Group comprises regional and local independent member cooperative banks. At the member banks, the highest decision-making power is exercised by a Represent-

ative Assembly comprising our owner-customers representing local interests. Our owner-customers thereby have a genuine opportunity to contribute to their own cooperative bank's decisions and therefore influence development in their neighbourhood.

OP is fully owned by its customers. This means that we use our shared success for the benefit of our owner-customers by providing loyalty and other financial benefits, and by maintaining and developing our service capabilities. In 2015, new customer bonuses totalled EUR 197 million, up 4.5% year on year. Since 2014, our owner-customers have been able to invest in their own cooperative banks by means of Income Shares. A cooperative bank will pay annual interest on Income Shares on the basis of its financial performance, thus channelling part of its success for the benefit of its owner-customers. OP Financial Group anticipates paying interest of 3.25% on Profit Shares for 2015.

Economic benefits are also directed towards non-profit organisations through support, donations and sponsorship. Cooperative banks can make independent decisions to support local cultural life and the physical education of children and young people provided by local sports clubs, for instance. In 2015, fifty cooperative banks offered a total of around 1,200 summer jobs to young people aged 15 to 17 in local non-profit organisations. The bank's support to employers



## We ensure the availability of financing

In 2015, our growth rate in both corporate financing and residential lending outperformed the market average. During the challenging last couple of years, we have granted far more loans than our competitors. The growth of corporate financing and the entire loan portfolio are clear indicators of our responsibility to actors in our operating environment.

was EUR 360 per summer employee. OP also participated in the Taloustaito project, launched by the President of the Republic, by donating the working time of its experts to help young people who have trouble with payments and debt. Fourteen regional cooperative banks participated in the Taloustaito project.

A large part of OP's economic impacts also involves indirect impacts on local and regional economic vitality. For example, OP is a major employer in many municipalities. At the end of 2015, the Group employed 12,130 people (12,356). Of these, 93 (95) per cent were in permanent employment, while 7 (5) per cent had temporary contracts. Of Group employees, 11,695 were based in Finland, 191 in Estonia, 112 in Latvia, 130 in Lithuania and two in Russia. The Group employed a total of 483 summer employees and trainees during the year.

In several municipalities, the member cooperative banks are among the largest taxpayers, and at Group level, OP is one of the biggest taxpayers in Finland. OP Financial Group's income taxes for the financial period 2015 amounted to EUR 251 million (337).

## Customer privacy and good business practices

OP's salaried employees and members of governance bodies are bound to confidentiality by law; bank and insurance secrecy guarantees the confidential processing of all customer data. Employees may process customer information only

to the extent required by their duties. All customer-related information is processed with due care.

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

» [Read more on the Code of Business Ethics from the GRI Corporate Responsibility Information report.](#)

” A significant part of earnings is used for the benefit of our customers.

ESTIMATE OF THE ALLOCATION OF 2015 EARNINGS



\* Customers = customer bonuses, discounts on insurance policies and interest on contributions made by owner-customers

The estimate will be confirmed after the end of the financial year.

# Responsible products and services

One of OP's product development objectives is that its products are user-friendly and easy to understand. The products we develop aim to take account of the needs of customers of all ages living in different areas. Offering electronic products and services that make our customer's everyday life easier is a particular focus of our product development, as today most of the daily business carried out by our customers takes place electronically. Digitalisation will also make OP's operations more efficient, reducing certain environmental impacts. In electronic services, particular attention is paid to the operational reliability and information security of information systems. The benefit of electronic services is that they are equally available to our customers throughout Finland.

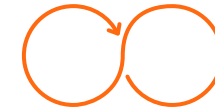
Our customers have the opportunity to participate in the development of OP's products and services by various means. OP Helsinki's Vallila branch acts as OP's test laboratory for new operating models and tools. There, customers can test and explore existing and future banking and insurance products in a variety of ways: touchscreens, videos, animation and demos. It is possible to develop products more quickly on the basis of immediate feedback from customers. On the web, customers may openly participate in product development on the OP Lab website, where the digital services of the future are demonstrated, customer feedback is collected, and services piloted jointly with the customers. Customers can sign up for the Paja customer community that operates alongside the OP Lab. In Paja, quick surveys are implemented, ideas evaluated and feedback collected both online and at various events.

” Offering electronic products and services is one of the focus areas of product development.

## Responsibility as an integral part of products and services

OP continuously improves its responsible financing, investment and non-life insurance practices. Financing is guided by ethical principles and guidelines for lending. In corporate financing in particular, recognising and analysing the environmental impacts of financed projects is also important from the perspective of risk management, and forms part of the normal creditworthiness analysis. Regulations related to good lending practices and the recommendations of the Financial Supervisory Authority are observed in lending and related instructions. Responsible lending is based on a thorough analysis of the customer's debt repayment ability, as well as explaining the risks to the customer in an understandable manner.

The Group has developed responsible investment practices with determination; as a result, OP Wealth Management uses state-of-the-art responsible investment practices in the sector. OP was among Finland's first asset management



## More customer-focused products through service design

Enhancing digital expertise is an important competitive weapon to OP, whose development investments are on the rise. Rather than technology, OP's digital investments now focus especially on improving customer experience. This is done through service design, which already employs some 30 people within the Group.

Service design starts from users' needs and issues detected in user experience. Its aim is to innovate, plan and implement – together with customers – more straightforward and user-friendly products and services, better meeting the customers' needs. OP's customer-focused products and services have been recognised both in Finland and internationally. In 2015, the Omasairaala hospital's service concept was recognised as the service of the year by the Finnish Service Alliance. Previously, awards have been won, for example, by our Pivo mobile wallet and OP-mobile.

companies to sign the UN Principles for Responsible Investment (UNPRI) in 2009. In addition to the UNPRI, international principles that particularly guide our investment operations include the Global Compact and the OECD guidelines. In accordance with the Group-level responsible investment policies, OP does not actively invest in companies that produce controversial weapons or that continuously violate international standards. Furthermore, in accordance with the policies, OP primarily uses other investment solutions than those registered in offshore countries. Any investments in these countries always require a separate risk management procedure. In 2015, OP Wealth Management decided to exclude coal companies with no credible plan for reducing their climate impacts from its active investments.

In the case of non-life insurance, it is the duty of an insurance company to ensure that customers are sufficiently aware of their risks and that no loss will result in insurmountable financial difficulties to the party involved. The non-life insurance company is also responsible for promoting the customer's risk management and safety and the prevention of damages. A non-life insurance company covers the risks that are too large for the customer to bear. OP maps potential risks and security issues together with the customer, optimising insurance solutions individually for each customer.

The OP-Kiinteistökeskus real estate chain is committed to good agency practices and developing these with others in the sector. Good agency practice focuses on taking the overall interests of customers into account, whether they are selling or buying.

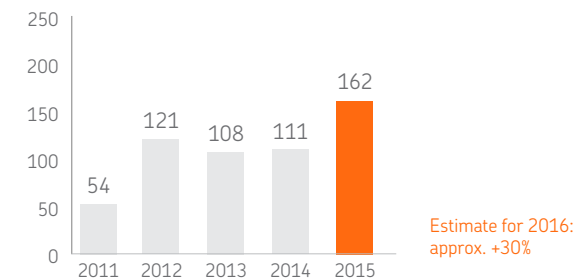
## New business operations emphasise the Group's responsible role

OP is developing new ways of ensuring the well-being of its private customers and the personnel of its corporate customers. The objective is to develop health and well-being services into a new business alongside our traditional business areas. OP owns the Omasairaala hospital, opened in 2013 and specialising in orthopaedics and injuries requiring hand surgery. The hospital's services also include emergency service and sports, dental, ear and eye clinics as well as extensive specialist services. Omasairaala also offers new type of occupational health care services with the focus on preventive occupational health care. In the coming years, the operations of the Omasairaala hospital will be expanded to other locations. The opening of the Tampere hospital in the summer of 2016 is the first in line.

Omasairaala's philosophy emphasises customer satisfaction, promptness and a holistic approach. At Omasairaala, treatment begins without delay and effective rehabilitation ensures a rapid return to daily activities. Omasairaala has managed to significantly shorten the treatment chain. This is good not only for the customer, but also their employers, insurance companies and the entire society, because of better productivity and longer work careers.

“ Our customers have the opportunity to participate in the development of OP's products and services by various means.

PRODUCT AND SERVICE DEVELOPMENT  
EXPENDITURES, MILLION €





# Personnel

OP aims to be the most attractive employer in the financial sector and among the most highly regarded large employers in Finland.

We want to turn staff competence and continuous renewal throughout the career path into a success factor enabling us to meet the challenges of the changing operating environment and digitisation while ensuring the required competencies now and in the years to come.

In 2015, OP Financial Group continued to develop and implement its strategic areas of focus: competence management, developing management skills, supervisory work, the governance of the cooperative banks, and occupational wellbeing. OP also invests in performance management and enhancing its remuneration systems.

## Diverse opportunities for competence development

OP Financial Group offers diverse competence development opportunities for employees, supervisors and management. A key method in competence development is offering varied career opportunities enabling employees to transfer from one position to another within the Group.

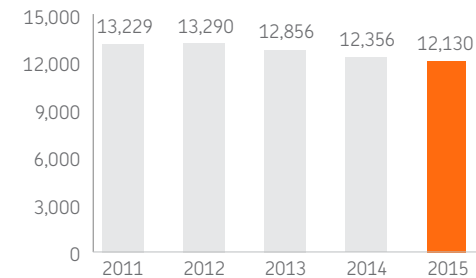
In our competence development activities, we invest in the use of digital tools in training, such as videos and online material. In 2015, we adopted a new online learning environment enabling more interactive and flexible learning. We also use other competence development techniques, such as mentoring,

coaching, 360-degree feedback and target-oriented on-the-job learning. In parallel with training and education, employee performance reviews play an important role. The entire OP personnel both in Finland and abroad have performance and career development reviews at least once a year.

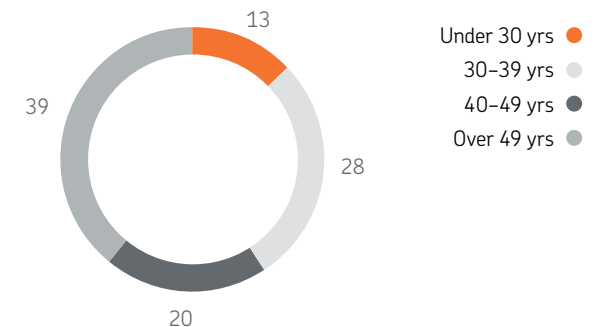
In order to develop the competencies of the members of the cooperative banks' Boards of Directors and Supervisory Boards, we have created comprehensive competence development packages consisting of online courses and training days. Board work and competence development aim to help the members successfully perform their duties in cooperative banks' governance, thereby supporting the renewal of the entire Group.

In 2015, OP's Finnish operations adopted a new HR system to provide digital support for the development of management skills, supervisory work and employees' diverse competencies. The system enables the setting and monitoring of targets and calculating remuneration based on the achievement of the targets. The system steers and supports performance reviews, enables systematic assessment of personnel and the creation of personal development plans. Digital processes generate information about competence and performance to be used in management and planning. The new system also enhances the management of talents and promotes internal personnel mobility.

NUMBER OF PERSONNEL



WORKFORCE BY AGE GROUP, %



## Supporting change by investing in occupational wellbeing

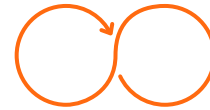
As for occupational wellbeing, we continued to implement operating models supporting work ability in daily management. A particular area of focus was providing change support for supervisors and the entire personnel as well as strengthening their ability to change. While adopting new work premises solutions, we also invested in workplace ergonomics. The personnel's health and wellbeing was assessed by conducting an occupational wellbeing survey designed by the Omasairaala occupational health care service. Based on the survey results, further measures were taken concerning individuals and units.

Job satisfaction was analysed with an extensive personnel survey, with the theme of change management subject to a closer review. The results of OP Financial Group's personnel survey in autumn 2015 were good (3.9/5).

## OP is an attractive employer

OP remains among Finland's top ten most preferred employers among business and commerce students and professionals with a university degree. In 2015, we ranked sixth in both of these target groups in the employer image surveys carried out by Universum.

OP Financial Group builds its employer image among various target groups by, for example, taking part in diverse events and recruitment fairs. OP has also arranged Talent events and student visits, engaged in cooperation with educational institutions and invested in opportunities offered by social media.



### New business premises, new ways of working

When introducing new premises in Vallila (see page 16), we also adopted new working methods. Some 40% of the employees working in Vallila – those whose tasks enable doing this – no longer work according to the traditional working model but, rather, they have begun mobile working. We aim at a modern and flexible way to work which increasingly gives individuals freedom of choice. Alongside technological progress, we believe mobile working will increase further in various types of jobs.

The personnel has welcomed the new premises and work methods, also indicated in the personnel survey results.



We want to turn staff competence and continuous renewal into a success factor.

# Stakeholder engagement

Stakeholder engagement is deeply embedded into OP's cooperative business model. Dialogue with stakeholders is a prerequisite for OP to succeed in its social role.

In its social role, OP aims at an open and continuous dialogue with its stakeholders. By listening to our stakeholders, we want to understand their expectations of OP

and then find ways to promote wellbeing in our operating environment. Indeed, one of our priorities in stakeholder engagement is to identify development targets in OP's corporate social responsibility. During 2015 debated topics included, for instance, OP's organisational change and new premises in Vallila, Helsinki.

We assess stakeholder views and engagement through various surveys and feedback requests. OP has established a new informal stakeholder forum in order to ensure even better dialogue with stakeholders. OP's major stakeholders and examples of their expectations and our cooperation models can be found in the table below.

Stakeholders	Expectations	Examples of our cooperation models and meeting expectations
PERSONNEL	OP employees expect their employer to provide training and development opportunities and equal treatment.	The whole OP personnel in Finland and abroad is covered by performance and career development reviews. The Group wants to provide equal working opportunities for women and men. Employees' experiences of equality are regularly monitored using personnel surveys.
OWNER-CUSTOMERS AND CUSTOMERS	Owner-customers expect to benefit financially from OP's success by receiving OP bonuses and other loyalty benefits. Customers expect us to deliver the best possible customer experience.	As a cooperative company, we maximise the financial benefits for our owner-customers in proportion to their use of our services. We want to offer the sector's best loyalty benefits. Through participation in administrative bodies, our owner-customers have a strong representation in OP Financial Group's decision-making. In addition, our customers are at the core of all our product and service development.
INVESTORS	Investors expect OP to demonstrate strong creditworthiness, a stable financial position and reliable repayment capacity.	OP's investors include holders of Profit Shares issued by cooperative banks and holders of debt instruments issued by Group companies. After the delisting of Pohjola shares, the Group has continued its financial reporting to the same extent as listed companies, while the IR function is responsible for maintaining relations with debt investors.
REPRESENTATIVE ASSEMBLY AND ADMINISTRATION	Members of cooperative banks' administrative bodies expect up-to-date information and training in financial issues and matters affecting the bank's operations.	An extensive skills enhancement project is underway in OP Financial Group, with the aim of creating a comprehensive competence development package for various administrative positions. The objective is to provide members of administrative bodies a real window and opportunity to increase their competencies and build a career path within administration and governance.

Stakeholders	Expectations	Examples of our cooperation models and meeting expectations
LOCAL AND REGIONAL COMMUNITIES	Local and regional communities expect OP to demonstrate a strong local approach and community spirit, manifesting particularly through the cooperative banks.	<p>The banks organise a variety of events for different stakeholder groups, including school visits to promote financial literacy, lectures, customer events and traditional Hippos sports competitions for children. Many cooperative banks also support local sports clubs, cultural events, charity causes and entrepreneurship.</p> <p>In the Baltics, our Seesam non-life insurance company promotes traffic safety by supporting campaigns against drink-driving and by donating safety helmets and reflectors.</p>
MEDIA	The media expects timely transparency and service, and dissemination of material information.	<p>OP executives and experts meet media representatives, answer questions and initiate discussions in various channels. OP has an active social media presence. Facebook and Twitter are our main social media channels, but we also use other channels, such as LinkedIn, Instagram and OP's awarded blog and content platform taloudessa.fi.</p>
SCHOOLS, UNIVERSITIES AND THE SCIENTIFIC COMMUNITY	Educational institutions expect OP Financial Group to share its professional knowhow and provide opportunities for practical training and thesis work, among other things.	<p>We participate in several cooperation and recruitment events of universities and universities of applied sciences throughout Finland.</p> <p>In 2015, we provided numerous practical training and summer job positions and thesis opportunities for students.</p> <p>We decided to support universities with donations totalling approximately EUR 5 million.</p>
NON-GOVERNMENTAL ORGANISATIONS	NGOs expect OP to demonstrate transparency and an active approach in corporate social responsibility matters.	<p>OP is seeking to maintain active CSR communications and to respond to information and discussion requests. If necessary, the Group's Identity and Communications function reports stakeholder concerns to the senior management.</p>
INDUSTRY ASSOCIATIONS AND LABOUR MARKET ORGANISATIONS	Through cooperation, the financial sector expresses its views on pending legislative changes and proposals for authority rules and regulations and aims to increase the sector's influence with common projects.	<p>OP Financial Group exercised its influence in the various working groups of the Federation of Finnish Financial Services (FFI), through which the financial sector expresses its views on pending legislative changes and proposals for authority rules and regulations. In 2015, OP Financial Group's CEO Reijo Karhinen was Chairman of FFI's Board. In December, OP decided to refrain from lobbying (except for labour market issues) in FFI due to the request for clarification submitted to the Finnish Competition and Consumer Authority.</p> <p>In addition, OP actively takes part in other industry associations, such as European Association of Co-operative Banks (EACB).</p>
DECISION-MAKERS AND AUTHORITIES	OP Financial Group annually receives numerous requests for statement and expert invitations to hearings, enabling the Group to express its views on proposed amendments affecting its operations.	<p>OP Financial Group cooperates with Finnish authorities, ministries and government officials regarding topical legislative projects. The Group also meets and informs members of the European and Finnish Parliaments concerning the effect of legislative projects on the Finnish financial sector.</p> <p>OP engages in active dialogue with decision-makers regarding various social initiatives. In its social role, OP aims to identify influencing methods generating positive effects on Finnish society and economy.</p>



# Environment

We are committed to taking environmental responsibility for OP's operations which have direct and indirect environmental impacts. Direct environmental impacts arise, for example, from energy consumption and materials used in our own premises. Indirectly, we influence the environment through investment and financing operations.

We want to raise environmental awareness among our customers and offer them products and services that help mitigate the environmental effects in the entire value chain. By developing digital services, we enable the reducing of environmental impacts from customer actions.

We evaluate our impacts on climate change in our response to the annual CDP survey.

## Steps in combating climate change

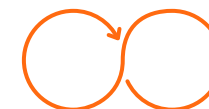
As part of climate change prevention efforts, OP Wealth Management decided to exclude from its active investments high-carbon companies that cannot present a credible plan to reduce their impacts on climate. This approach involves direct investments in mining companies where a significant part of business originates from mining of coal used for energy production or the amount of produced coal is large and the company has no plans to change the situation. In addition, OP decided to stop active investments in electricity or heat producers which are heavy users of coal and which have not reduced their greenhouse gas emissions or presented any plan to reduce emissions. OP will announce the company-specific exclusions and their implementation based on this policy during 2016.

In 2015, OP Wealth Management was the first Finnish fund manager to begin calculating the carbon footprint of its equity funds. The funds' carbon footprint will be published on a half-yearly basis. We signed the Montréal Carbon Pledge whose signatories promise to calculate and publish annually the carbon footprint of their investments or managed funds. This aims to foster the development of a more responsible investment sector and speed the transition of the society towards a future of smaller carbon emissions. At the same time, OP offers investors the opportunity to compare funds by key emissions figures.

## Environmental responsibility in our operations

OP's largest offices implement the Green Office environmental system run by WWF Finland. This aims to reduce the environmental impacts of energy consumption, waste production and paper use in offices, and to promote environmental awareness among personnel. Our aim is to extend the adoption of Green Office within the Group.

The new Vallila premises enhance OP's use of premises by some 30%. The construction project set out to create modifiable and sustainable premises. Aspects of environmental responsibility were taken into account in energy-efficient technical solutions and selection of building materials. The construction project achieved the green building LEED certification at the Gold level.



## We began to disclose the carbon footprint of our equity funds

OP was the first actor in Finland to disclose the carbon footprint of its equity funds. Fostering the development of a more responsible investment sector, this move is a natural step in OP Wealth Management's leading CRS process. We believe that measuring and publishing the carbon footprint of investments will speed up the transition of society towards a future of smaller carbon emissions, in line with the decisions of the Paris Climate Change Conference. The evident need for global emissions reductions urges investors to consider new types of trade-offs which offer both risks and opportunities. Measuring the carbon footprint of investments is a necessary step for investment practices to better take emissions into account in the future.

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# Risk management

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Risk management 47





# Risk management

OP Financial Group's core values and strategic and financial targets form the basis for risk management. The strategy outlines the Group's risk appetite and risk management priorities that help to ensure strategy implementation. Risk management helps to achieve the targets set in the strategy by controlling that risks are proportional to risk-bearing capacity. OP Financial Group adopts a policy of moderate risk-taking.

## Integral part of daily business and corporate culture

Risk management is part and parcel of daily business and its management. Risk awareness and a moderate risk-taking approach are reflected in every business decision and form an integral part of corporate culture. OP manages customer relationships on a long-term basis and responsibly from the perspective of risk management.

An example of the role of risk management in banking is that a borrower's repayment capacity is a key prerequisite for loan approval. Robust risk management is in the interests of both customers and OP Financial Group.

## A large financial services group faces a variety of risks

The financial services conglomerate providing banking, investment and insurance services is faced with a great variety of risks in the ever more rapidly changing operating environment. The most significant business risks affecting OP Financial Group and their most common management tools are detailed in the table below.

» [Read about risk exposure in OP Financial Group's Report by the Executive Board and Financial Statements.](#)

## OP's most significant risks

Risk description	Most common management tools
<p><b>STRATEGIC RISK</b></p> <p>Risk caused by changes in the operating environment, slow reaction to changes, poor choice of strategy or poor strategy implementation.</p>	<p>Strategic risk management tools include analysing the risks when drawing up the strategy and continuously monitoring and analysing changes in the operating environment and the implementation of the strategy. Strategic risk is reduced by regular planning, based on analyses and forecasts of customer future needs, developments in different sectors and market areas, and of competition.</p>
<p><b>CREDIT RISK</b></p> <p>Credit risk is particularly associated with banking referring to risk of the counterparty not being able to fulfil its obligations. Credit risk associated with investment refers to the risk that an issuer of an investment instrument (such as a bond) defaults on payments.</p>	<p>Credit risk management tools in banking include customer selection, use of collateral securities and special lending terms and conditions, and avoidance of risk concentrations.</p> <p>Credit risk management tools in investment include careful selection of instruments, and investment plans.</p>

Risk description	Most common management tools
<p><b>LIQUIDITY RISK</b></p> <p>Liquidity risk comprises funding liquidity risk and structural funding risk.</p> <p>Liquidity risk refers to a situation in which an OP Financial Group entity cannot meet its payment obligations without difficulty. Structural funding risk means refinancing risk that may arise when long-term lending is financed through funding with a shorter maturity.</p>	<p>Liquidity risk management tools include proactive financing structure planning, risk limits and control limits as well as target levels. Close monitoring of the liquidity status, the appropriate size of the liquidity buffer and the planning and management of daily liquidity also play an important role.</p>
<p><b>MARKET RISKS, MOST IMPORTANTLY INTEREST RATE RISK</b></p> <p>Market risk refers to risk of loss when the market price or market price volatility changes unfavourably.</p> <p>The most significant risk associated with banking is interest rate risk which arises when a change in the interest rates affects net interest income.</p> <p>Market risk associated with investment refers, for example, to a loss that arises when the market price changes unfavourably for the investor.</p> <p>In insurance business, interest rate risk associated with insurance liabilities arises when changes in interest rates affect the present value of insurance liabilities.</p>	<p>Interest rate risk management tools in retail banking mainly include the choice of borrowing and lending products and the terms and conditions offered. Moreover, derivatives may be used for hedging purposes.</p> <p>The management tools related to market risks associated with investments made by insurance companies and pension institutions include sufficiently diversifying the investment portfolio over investment assets with varying risk levels.</p> <p>Interest rate risk associated with insurance liabilities can be managed by using derivatives or enabling customers to change with-profits policies to unit-linked ones.</p>
<p><b>UNDERWRITING RISKS</b></p> <p>Underwriting risks associated with non-life insurance comprise risk of loss or damage, and provision risk. Risk of loss or damage occurs when there are an above-average number of losses or they are exceptionally large. Provision risk arises when the claims incurred due to already-occurred losses are higher than anticipated on the balance sheet date.</p> <p>In life insurance, underwriting risks comprise biometric risks, customer behaviour risk and cost risk. Biometric risks occur when claims paid out are higher than expected or for a longer period than expected. Customer behaviour risk means early termination of insurance premium payment or the insurance contract or its change on the basis of the option included in the contract. Expense risk refers to a situation in which incurred insurance contract management expenses differ from those estimated in rating.</p>	<p>The most important tasks within underwriting risk management relate to risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance liabilities.</p>
<p><b>OPERATIONAL AND COMPLIANCE RISKS</b></p> <p>Operational risk refers to risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor.</p> <p>Compliance risk refers to risks resulting from non-compliance with external regulation, internal policies and ethical principles.</p>	<p>Operational risk management tools include identifying and analysing the risks and by ensuring that control and management tools are appropriate and adequate. Operational risk management does not always aim to remove the risk altogether but to bring it down to an acceptable level.</p> <p>Compliance risk management tools include monitoring legislative developments and providing personnel with guidelines, training and consultation.</p>
<p><b>REPUTATIONAL RISK</b></p> <p>Reputational risk refers to risk of deterioration of reputation or trust caused by negative publicity or materialisation of some other risk.</p>	<p>Reputational risk is managed proactively and in the long term by complying with regulation, good practices of the financial sector and the Group's Code of Business Ethics and by emphasising transparency of operations and communications. The Group adheres to international financial, social and environmental responsibility principles and international commitments.</p>



## In-depth customer knowledge as the core of risk management

OP Financial Group's risk management consists of three lines of defence. The first line of defence involves daily risk decisions and the monitoring of risk exposure. Customer knowledge acquired through active customer relationship management ensures that risk-taking is moderate and guarantees the prerequisites for successful risk management.

Centralised in the central cooperative and independent of business organisations, Risk Management in charge of general risk management conditions within OP Financial Group constitutes the second line of defence. It controls and supervises risk management in the Group and its entities and analyses their risk exposure.

The third risk management line of defence involves centralised Internal Audit, which audits and assesses risk management performed by both the central cooperative and member entities.

» [Read more about risk management in OP Financial Group's Report by the Executive Board and Financial Statements.](#)

## Three defence lines of risk management

<p><b>I Operational risk management</b></p> <p>APPLIES THE RISK MANAGEMENT FRAMEWORK</p> <ul style="list-style-type: none"> <li>• Risk management integrated as part of the operational units</li> <li>• Risk decisions and operational monitoring</li> </ul>	<p>Responsibility for risk exposure and its monitoring</p>
<p><b>II Independent risk management</b></p> <p>"OWNS" THE RISK MANAGEMENT FRAMEWORK</p> <ul style="list-style-type: none"> <li>• Group's independent risk management function</li> <li>• Steering the risk decision process and managing consolidated risk exposure</li> </ul>	<p>Responsible for conditions for good risk management and control</p>
<p><b>III Internal Audit</b></p> <p>INSPECTS AND ASSESSES THE RISK MANAGEMENT FRAMEWORK AND ITS APPLICATION</p> <ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Independent audit function</li> </ul>	<p>Responsibility for independent assessment of risk management</p>

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# Corporate governance and management

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# OP Financial Group's Corporate Governance

The Corporate Governance principles describe the structure and tasks of OP Financial Group and its key functions and units, the duties and responsibilities of key administrative bodies, Group and corporate steering principles, as well as internal control and financial reporting. The corporate governance principles help OP Financial Group, to ensure its openness and transparency.

In their decision-making and corporate governance, OP Financial Group and its central cooperative, OP Cooperative comply with the laws of Finland and standards issued by virtue of them.

## The following laws, in particular, regulate OP Financial Group:

- The Act on the Amalgamation of Deposit Banks
- The Act on Cooperative Banks and Other Cooperative Credit Institutions
- The Act on Credit Institutions
- The Insurance Companies Act
- The Co-operatives Act
- The Limited Liability Companies Act

In addition, the following principles apply to the Group's corporate governance:

- The Finnish Corporate Governance Code (in view of the special cooperative features, when applicable)
- The Code of Business Ethics

Read more at op.fi:

- » [Corporate Governance](#)
- » [OP Financial Group's Corporate Governance Statement 2015](#)



# OP Financial Group structure

OP Financial Group consists of the following two parts:

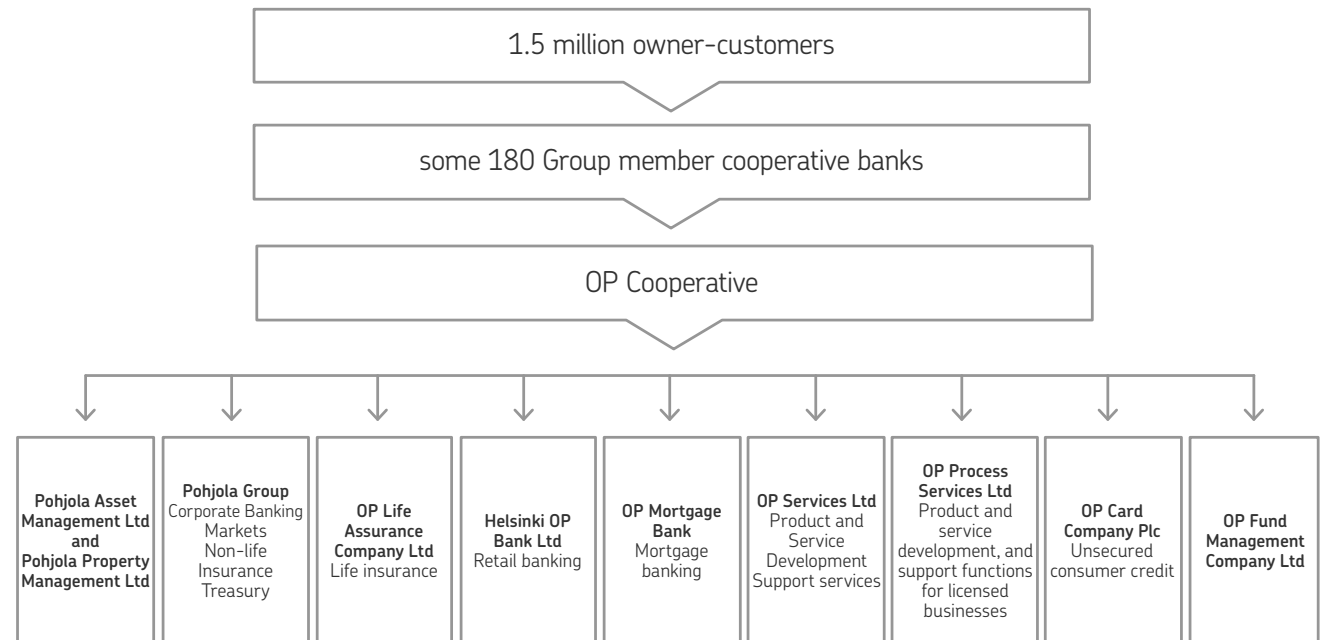
1. Amalgamation of OP Financial Group cooperative banks
2. Other entities and organisations of OP Financial Group

The amalgamation of OP Financial Group member cooperative banks is formed by OP Cooperative (central cooperative), companies belonging to its consolidation group, the central cooperative's member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights form the amalgamation.

OP Financial Group is comprised of the amalgamation of member cooperative banks and those companies outside the amalgamation of which entities belonging to the amalgamation hold more than half of the total votes. The extent of OP Financial Group differs from that of the amalgamation of the member cooperative banks in that OP Financial Group subsumes companies other than credit and financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate.

More detailed information on the legal structure of OP Financial Group and the amalgamation of the member cooperative banks can be found in the [Financial Statements of OP Financial Group](#). The amalgamation of the member cooperative banks does not form a corporate group, as referred to in the Accounting Act, or a consolidation group, as referred to in the Act on Credit Institutions. However, the central cooperative must prepare consolidated financial statements as referred to in Section 9 of the Act on the Amalgamation of Deposit Banks.

## Legal structure of OP Financial Group



Credit institutions within OP Financial Group are liable for each other's debts. OP Financial Group is supervised by the ECB on a consolidated basis.

## Joint and several liability at OP

In accordance with the Act on the Amalgamation of Deposit Banks, OP Cooperative, the central cooperative, and its member credit institutions are liable for each other's debts and commitments. The central cooperative has both the right to control its credit institutions and the obligation to supervise them. The minimum consolidated capital requirement for and liquidity of the companies within the amalgamation is controlled on a consolidated basis.

In addition, OP Financial Group deposit banks are regarded as a single bank with respect to deposit guarantee. Under legislation governing the Investor Compensation Fund, OP Financial Group is also considered a single entity for purposes of compensation protection.



# Management within the central cooperative consolidated of OP Financial Group

Within the central cooperative, the highest decision-making powers rest with the Cooperative Meeting and the Supervisory Board elected by it. Operational decision-making powers are exercised by the Executive Board elected by the Supervisory Board and being made up of management executives. In the central cooperative consolidated, decisions are chiefly made at Group level by the Executive Board and the boards of directors of subsidiaries discuss issues pertaining to them either after the policy outlines issued by the Executive Board or after hearing the Executive Board with respect to issues concerned.

In 2015, OP Financial Group continued to reorganise the management and organisational structures of the central cooperative consolidated that began in the previous year. This reorganisation began in 2014 by appointing new Executive Board members and adopting a management model based on three business segments. Based on this new management model, the three business lines – Banking, Wealth Management and Non-life Insurance – form the management basis throughout the Group. During 2015, the personnel of central cooperative consolidated companies and entities was organised according to the new management system.

## Central cooperative's decision-making system



## Cooperative Meeting

The Cooperative Meeting is OP Cooperative's highest decision-making body. The Annual Cooperative Meeting deals with issues mentioned in Section 7 of the central cooperative's Bylaws, such as the adoption of the parent and consolidated income statement and balance sheet for the previous financial year, and the election of members of the Supervisory Board and an auditor.

Held in OP Cooperative's registered office in Helsinki before the end of May (in practice in March), the Annual Cooperative Meeting is attended by the representatives of the central cooperative's member banks. In general, the banks are represented by their managing directors and the chairmen of their board of directors and the supervisory board.

## Supervisory Board and its committees

Management at the central cooperative consolidated stems from the central cooperative's Supervisory Board comprising a minimum of 32 and a maximum of 36 members elected by the Cooperative Meeting. Supervisory Board members are elected from among the representatives of the federations of cooperative banks.

The Supervisory Board has a Working Committee, Remuneration Committee, Audit Committee and Risk Management Committee whose rules of procedure the Supervisory Board confirms. The Committees have no independent decision-making powers but they prepare matters for the Supervisory Board.

### Responsibilities of the Supervisory Board

The general task of the Supervisory Board is to oversee the corporate governance of OP Cooperative and its consolidation group as managed by the Executive Board and the President, Group Executive Chairman, and to ensure that the central cooperative's and its consolidation group's operations are managed in an expert and prudent manner in accordance with the Co-operatives Act and in the best interests of the central cooperative and OP Financial Group. The Supervisory Board also oversees compliance with OP Financial Group level policy guidelines and principles, which it has confirmed, within the central cooperative consolidated.

The Supervisory Board decides on key Group-level guidelines and adopts, for example, the general operating principles as referred to in the Act on the Amalgamation of Deposit banks, OP Financial Group's principles of the capital plan, OP Financial Group's annual plan as well as risk limits for risk-bearing

capacity and risk types, and the risk categorisation principles for member banks. The Supervisory Board also follows regularly the business, risk-bearing capacity and risk exposure of the Group and the central cooperative consolidated.

In addition, the Supervisory Board appoints members and deputy members of the Executive Board acting as the directorate of the parent entity of the Group, and the Chief Audit Executive and confirms their job descriptions.

### Presiding officers of the Supervisory Board

The presiding officers of the Supervisory Board comprise the Chairman and both Vice Chairmen of the Supervisory Board. The presiding officers of the Supervisory Board prepare proposals to the Supervisory Board of the central cooperative on, for instance, the organisational changes in the central cooperative's senior management or structural changes to the central cooperative as well as on the appointment of the central cooperative's Executive Board members, deputy members and the Chief Audit Executive, the checking of their job descriptions and the cancellation of their tasks. The presiding officers also make decision on annual review of salaries or benefits for the central cooperative's Executive Board members, deputy members and the Chief Audit Executive as well as remuneration. The presiding officers inform the Supervisory Board of its decisions.

» [Read more about the Supervisory Board and its committees in OP Financial Group's Corporate Governance Statement 2015.](#)

See Supervisory Board members on next page.

## OP Financial Group Supervisory Board members by the federation of cooperative banks on 19 March 2015: (members elected on the basis of capital adequacy and whose term is marked with \*)

Name, year of birth and place of residence	Federation and member's term of office	Position on OP Cooperative's Supervisory Board	Full-time position, job title, degree	Position of the person with an administrative staff background at a cooperative bank
Anttila Jari, 1967, Oulainen	Lappi, 2015–(2018)*	Member (has announced resignation from Supervisory Board membership during the term as of 22 January 2016, when taking up new duties and in another federation of cooperative banks)	Managing Director, Kemin Seudun Osuuspankki, BBA, Master's Degree, eMBA	
Aronen Ilmo, 1958, Eura	Satakunta, 2015–(2018)*	Member	R&D Director, Raisioagro Ltd, D.Sc. (Agriculture and Forestry)	Chairman of the Board of Directors, Euran Osuuspankki
Arvio Kalle, 1964, Siikajoki	Pohjois-Pohjanmaa, 2015–(2018)*	Member	Managing Director, Ruukin Osuuspankki, Diploma in Business and Administration, MBA, LKV (authorised real estate agent)	
Eklund Ola, 1952, Raasepori	Sydakusten, 2013–2016	Member	Product Group Director, Kuusakoski Group Ltd, M. Eng.	Chairman of the Board of Directors, Andelsbanken Raseborg
Enberg Leif, 1954, Korsnäs	Österbotten, 2013–2016	Member	Entrepreneur, Oy Mapromec Ab, M.Sc. (Econ. & Bus. Adm.)	Chairman of the Board of Directors, Korsnäs Andelsbank
Eskola Tapani, 1953, Kotka	Kaakkois-Suomi, 2015–(2018)*	Member	Managing Director, Kymen Vesi Oy, M.Sc. (Tech.)	Chairman of the Board of Directors, Kymenlaakson Osuuspankki

Name, year of birth and place of residence	Federation and member's term of office	Position on OP Cooperative's Supervisory Board	Full-time position, job title, degree	Position of the person with an administrative staff background at a cooperative bank
Heinonen Jarna, 1965, Kaarina	Varsinais-Suomi, 2015–(2018)*	Member	Professor in Entrepreneurship, Turku School of Economics, University of Turku, D.Sc. (Econ. & Bus. Adm.)	Chairman of the Board of Directors, Turun Seudun Osuuspankki
Hyrskyluoto Jorma, 1950, Helsinki	Pirkanmaa, 2015–(2018)*	Member	M.Sc. (Econ. & Bus. Adm.)	Chairman of the Board of Directors, Tampereen Seudun Osuuspankki
Järvi Ulla, 1952, Kokkola	Keski-Pohjanmaa, 2015–(2018)*	Member	M.Sc. (Econ. & Bus. Adm.), Senior Lecturer (retired)	Supervisory Board Chairman, Kokkolan Osuuspankki
Kakkori Ari, 1955, Virrat	Pirkanmaa, 2014–2017	Member	Managing Director, Virtain Osuuspankki, Bachelor of Agriculture	
Kataja Jukka-Pekka, 1960, Sysmä	Etelä-Suomi, 2015–(2018)*	Member (has notified of not participating for the time being in OP Cooperative Supervisory Board work as of 29 June 2015 after having been appointed special adviser to the Minister of Agriculture and the Environment, Kimmo Tiilikainen; has announced resignation from Supervisory Board membership during the term in connection with the Annual Cooperative Meeting of 2016)	Executive Director, Central Union of Agricultural Producers and Forest Owners (MTK) Häme, Bachelor of Agriculture, M.Sc. (Forestry), M.Sc. (Agr. & For.)	Chairman of the Board of Directors, Sysmän Osuuspankki



Name, year of birth and place of residence	Federation and member's term of office	Position on OP Cooperative's Supervisory Board	Full-time position, job title, degree	Position of the person with an administrative staff background at a cooperative bank
Kauppi Simo, 1954, Pori	Satakunta, 2015–(2018)*	Member (has announced resignation from Supervisory Board membership during the term in connection with the Annual Cooperative Meeting of 2016)	Managing Director, Länsi-Suomen Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA	
Keuru Sirkka, 1954, Huittinen	Satakunta, 2015–2017	Member (has announced resignation from Supervisory Board membership during the term in connection with the Annual Cooperative Meeting of 2016)	Lecturer, Pellonpuiston koulu, City of Huittinen, M.Sc. (Econ.)	Vice Chair of the Board of Directors, Satakunnan Osuuspankki
Kiander Jaakko, 1963, Helsinki	Other member (elected without following the regional principle) 2015–2018	Member	Director, Ilmarinen Mutual Pension Insurance Company, Dr.Soc.Sc.	
Kietäväinen Seppo, 1959, Juva	Suur-Savo, 2015 –2018	Member	Farmer, M.Sc.(Agric.)	Chairman of the Board of Directors, Suur-Savon Osuuspankki
Kiiskinen Juha, 1956, Sulkava	Suur-Savo, 2015–(2018)*	Member	Headmaster, Sulkava comprehensive school, BA	Chairman of the Board of Directors, Sulkavan Osuuspankki
Korhonen Kalevi, 1958, Salla	Lappi, 2013–2016	Member	National Defence College graduate (retired), secondary school graduate, Higher national defence college degree	Chairman of the Board of Directors, Sallan Osuuspankki
Korkonen Jaakko, 1966, Seinäjoki	Etelä-Pohjanmaa, 2015–2018	Member	Lecturer, Seinäjoki Joint Municipal Authority for Education / Vocational Adult Education Sedu, M. Eng., certificate in educational administration	Chairman of the Board of Directors, Peräseinäjoen Osuuspankki

Name, year of birth and place of residence	Federation and member's term of office	Position on OP Cooperative's Supervisory Board	Full-time position, job title, degree	Position of the person with an administrative staff background at a cooperative bank
Krohns Petri, 1964, Lappeenranta	Kaakkois-Suomi, 2015–2018	Member	Managing Director Etelä-Karjalan Osuuspankki, LL.M, Trained on the bench, MBA	
Kupsala Tuomas, 1967, Korpilahti	Keski-Suomi, 2015–(2018)*	Member	Managing Director, Korpilahden Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA	
Kääriäinen Jukka, 1953, Iisalmi	Pohjois-Savo, 2015–2018	Member	Assistant Director, Social Insurance Institution of Finland, M.Soc.Sc.	Supervisory Board Chairman, Pohjois-Savon Osuuspankki
Laaninen Seppo, 1950, Nurmes	Pohjois-Karjala, 2014–2017	Member	M.A., Principal (retired)	Supervisory Board Chairman, Pielisen Osuuspankki
Lehikoinen Vesa, 1954, Janakkala	Etelä-Suomi, 2014–2017	Second Vice Chairman of the Supervisory Board (has announced resignation from Supervisory Board membership during the term in connection with the Annual Cooperative Meeting of 2016)	Managing Director, Janakkalan Osuuspankki, M.Sc. (Econ.), eMBA	
Mikkola Ari, 1955, Tammela	Varsinais-Suomi, 2015–(2018)*	Member	Unit Director, Häme University of Applied Sciences Oy, Bachelor of Agriculture	Vice Chairman of the Board of Directors, Lounaismaan Osuuspankki
Mononen Esko, 1957, Joensuu	Pohjois-Karjala, 2015–(2018)*	Member	Managing Director, Pohjois-Karjalan Osuuspankki, M.Sc. (Agriculture & Forestry)	

Name, year of birth and place of residence	Federation and member's term of office	Position on OP Cooperative's Supervisory Board	Full-time position, job title, degree	Position of the person with an administrative staff background at a cooperative bank
Nikola Annukka, 1960, Kirkkonummi	Etelä-Suomi, 2015–(2018)*	Member	Director, Administration, Konehuone Oy, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Supervisory Board Chair, Länsi-Uudenmaan Osuuspankki
Parmasuo Timo, 1950, Espoo	Other member (elected without following the regional principle) 2014–2017	Member	Teollisuusneuvos (Finnish honorary title), Board Chairman, Meconet Oy, graduate in engineering	
Pehkonen Jaakko, 1960, Jyväskylä	Keski-Suomi, 2014–2017	Chairman of the Supervisory Board	Professor of Economics, University of Jyväskylä, D.Sc. (Econ. & Bus. Adm.)	Chairman of the Board of Directors, Keski-Suomen Osuuspankki
Pullinen Juha, 1963, Pöytyä	Varsinais-Suomi, 2015–2018	Member	Managing Director, Loimaan Seudun Osuuspankki, M.Sc. (Agriculture & Forestry), M.Sc. (Forestry)	
Simi Hannu, 1960, Alavieska	Keski-Pohjanmaa, 2013–2016	Member	Planner, Federation of Education in Jokilaaksot, M.Soc.Sc.	Supervisory Board Chairman, Alavieskan Osuuspankki
Tarkkanen Olli, 1962, Seinäjoki	Etelä-Pohjanmaa, 2015–(2018)*	Member	Managing Director, Etelä-Pohjanmaan Osuuspankki, LL.M, Trained on the bench, eMBA	
Tölli Kaija, 1956, Tyrnävä	Pohjois-Pohjanmaa, 2013–2016	Member	Export Coordinator, Ouman Ltd, M.Sc. (Tech.)	Supervisory Board Chair, Tyrnävän Osuuspankki
Väisänen Mervi, 1963, Sotkamo	Kainuu, 2013–2016	First Vice Chairman of the Supervisory Board	Senior lecturer in marketing, Kajaani University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.)	Vice Chair of the Board of Directors, Kainuun Osuuspankki
Väänänen Ari, 1973, Maaninka	Pohjois-Savo, 2015–(2018)*	Member	Managing Director, Maaningan Osuuspankki, LL.M, Trained on the bench	

## Executive Board and its committees

OP Cooperative has an Executive Board acting as a directorate. OP has no separate Group management team but the Executive Board attends to this task.

The Executive Board comprises, according to the central cooperative's Bylaws, a Chairman acting as CEO and known as President, Group Executive Chairman; his deputy who acts as Vice Chairman of the Executive Board; and a minimum of two and a maximum of five other members and a maximum of four deputy members, depending on the Supervisory Board's decision. The term of office of a member and deputy member of the Executive Board is for the time being, but for a maximum period of up to the person's retirement age in accordance with the member's executive contract.

The Supervisory Board appoints members and deputy members of the Executive Board and the Chief Audit Executive and decides on the division of responsibilities between the Executive Board members. An Executive Board member and deputy member must have adequate knowledge of the financial sector, financial matters and general knowledge of the business of the central cooperative and consolidation group and OP Financial Group and other qualifications required for the position.

The Executive Board has set up four committees whose rules of procedure it has confirmed. These committees are

HR Committee, Development Committee, Cooperative Bank Steering Committee and ALM and Risk Management Committee. The Committees have no independent decision-making powers but the Executive Board makes decisions based on preparations by the committees.

### Executive Board responsibilities

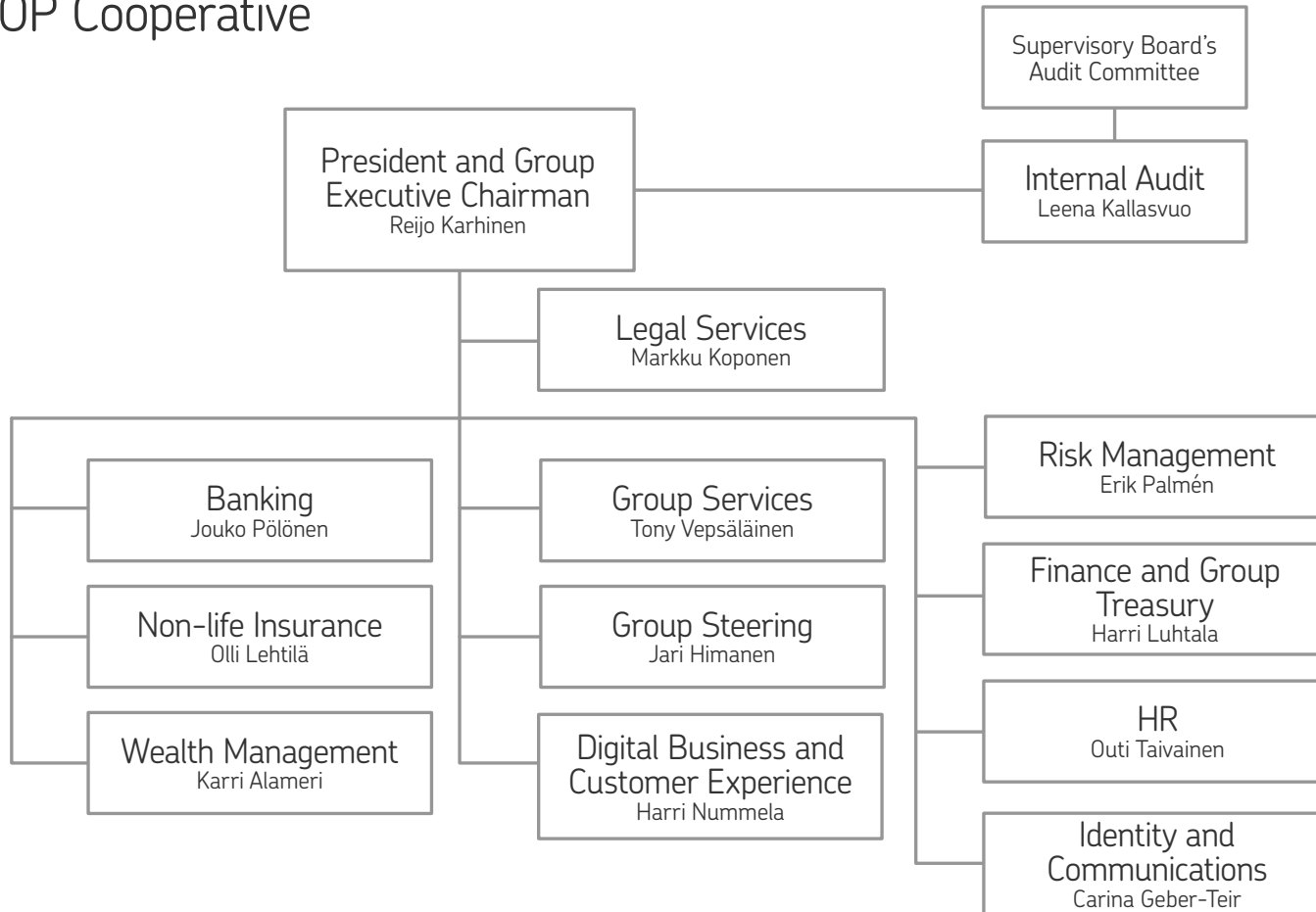
The Executive Board is responsible for managing the central cooperative's and its consolidation group companies' operations in accordance with the Co-operatives Act, other laws, official regulations and the central cooperative Bylaws. The Executive Board must be careful in promoting the interests of OP Financial Group, its central cooperative and the central cooperative consolidated.

The Executive Board duties, according to its role, cover those related to OP Financial Group's steering, the management of the central cooperative consolidated and the management and administration of the parent entity (central cooperative) of the central cooperative consolidated. The Executive Board may delegate its duties to its Committees within the limits it has determined.

» [Read more about the Executive Board in OP Financial Group's Corporate Governance Statement 2015.](#)



# OP Cooperative



**The Executive Board saw the following changes in September 2015:**

- Harri Nummela was appointed Executive Vice President, Digital Business and Customer Experience
- Karri Alameri was appointed Executive Vice President, Wealth Management
- Outi Taivainen was appointed Executive Vice President, Human Resources

## Executive Board members



### REIJO KARHINEN

b. 1955

President and Group Executive Chairman  
Member of the Executive Board since 1994, Chairman  
since 2007  
Vuorineuvos (Finnish honorary title), M.Sc. (Econ. &  
Bus. Adm.), Honorary Doctor of Turku School of  
Economics and University of Eastern Finland

@ReijoKarhinen

#### Relevant previous experience:

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

#### Other relevant positions:

Finland Chamber of Commerce: Vice Chairman of the  
Board of Directors  
International Chamber of Commerce Finland: Vice  
Chairman of the Board of Directors  
Foundation for Economic Education: Chairman of the  
Board of Directors  
HelsinkiMissio: Chairman of the Delegation  
New Children's Hospital Foundation: Vice Chairman of  
the Board of Trustees  
The Mannerheim Foundation: Member of the Board of  
Trustees  
Maanpuolustuksen Tuki ry: Chairman of the Board  
Savonlinna Opera Festival Patrons' Association:  
Chairman of the Board of Trustees  
Unico Banking Group: Member of the Board



### TONY VEPSÄLÄINEN

b. 1959

Executive Vice President, Operations, and Deputy to the  
President and Group Executive Chairman  
Vice Chairman  
Member of the Executive Board since 2006  
LL.M, eMBA

@TonyVepsalainen

#### Relevant previous experience:

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

#### Other relevant positions:

Housing Fair Finland Co-op: Chairman of the  
Supervisory Board



**KARRI ALAMERI**  
b. 1963

Executive Vice  
President, Wealth  
Management  
Member of the  
Executive Board  
since 2015  
B.Sc. (Econ. & Bus.  
Adm.)

@KarriAlameri



**CARINA GEBER-TEIR**  
b. 1972

Executive Vice  
President, Corporate  
Communications  
Member of the  
Executive Board  
since 2009  
M.Soc.Sc.

@Ce\_GeTe



**JARI HIMANEN**  
b. 1962

Executive Vice  
President, Group  
Steering  
Member of the  
Executive Board  
since 2014  
Diploma in Business  
and Administration,  
eMBA

@HimanenJari

**Relevant previous experience:**

OP Cooperative: Executive Vice President, Wealth Management, Investment  
Pohjola Asset Management Ltd: President 2012–2014  
OP-Pohjola Group Central Cooperative: Executive Vice President, Wealth Management 2013–2014  
OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–2012  
Danske Capital, Sampo Bank plc: Deputy CEO 2007–2008  
Mandatum Asset Management Ltd: Deputy CEO 2004–2006  
Carnegie Asset Management Finland Ltd, Chief Investment Officer 1997–2003

**Other relevant positions:**

Access Capital Partners Group SA: Board member  
Cinia Group Ltd: Member of the Board of Directors

**Relevant previous experience:**

Varma Mutual Pension Insurance Company: Communications Director 2002–2009

**Other relevant positions:**

Yle: Member of the Board of Directors  
Unico Banking Group: Member of the Communication Committee

**Relevant previous experience:**

Etelä-Karjalan Osuuspankki: Managing Director 2009–2014  
OP-Pohjola Group Central Cooperative: Bank Manager, Sales channels and sales support 2007–2009  
OP Bank Group Central Cooperative: Bank Manager, Member bank steering 2002–2006  
Kuusamon Osuuspankki: Managing Director 1997–2001  
Pohjolan Osuuspankki: Bank Manager 1994–1997  
Iisalmen Osuuspankki: Bank Manager 1989–1994  
Etelä-Savon Osuuspankki: Bank Manager 1986–1989  
Koillis-Savon Osuuspankki: Credit Manager 1985–1986

**Other relevant positions:**

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**OLLI LEHTILÄ**  
b. 1962

Executive Vice  
President, Non-Life  
Insurance  
Member of the  
Executive Board  
since 2014  
B.Sc (Agr. & For.),  
eMBA

@OlliLehtila

**Relevant previous experience:**

Helsinki OP Bank Plc: Managing Director 2011–2014  
Tampereen Seudun Osuuspankki: Managing Director 2006–2010,  
Deputy Managing Director 1999–2006  
Päijät-Hämeen Osuuspankki: Bank Manager, Corporate Banking  
1997–1998  
Postipankki Oy: various managerial and expert duties 1993–1997  
Suomen Säästöpankki SSP Oy: managerial duties 1992–1993  
Sp-Palvelu Oy: Management Trainee 1990–1992

**Other relevant positions:**

Helsinki Region Chamber of Commerce: Member of the Delegation  
Ilmarinen Mutual Pension Insurance Company: Member of the Board of  
Directors  
Insurance Europe: Member of the Strategic Board  
Pellervo Economic Research PTT: Member of the Board of Directors  
Federation of Accident Insurance Institutions: Member of the Board of  
Directors  
Unico Banking Group: Member of the Bancassurance Committee



**HARRI LUHTALA**  
b. 1965

Chief Financial Officer  
Member of the  
Executive Board  
since 2007  
M.Sc. (Econ. & Bus.  
Adm.)

**Relevant previous experience:**

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

**Other relevant positions:**

VTS Fund: Chairman of the Board of Directors  
Financial Stability Fund: Member of the Board of Directors



**HARRI NUMMELA**  
b. 1968

Executive Vice  
President, Digital  
Business and  
Customer Experience  
Member of the  
Executive Board  
since 2014, and  
previously between  
2007 and 2010  
LL.M, eMBA

@nummeha

**Relevant previous experience:**

OP Cooperative: Executive Vice President, Wealth Management  
2014–2015  
OP-Services Ltd: Chief Executive Officer 2011–2014  
OP-Pohjola Group Central Cooperative: Member of the Executive  
Board; Executive Vice President, Banking and Investment Business  
2007–2010; Department Manager 1998–2006  
OP Fund Management Company Ltd: Managing Director 1997–2006  
Tampereen Seudun Osuuspankki: Department Manager 1992–1997

**Other relevant positions:**

Finnish Ice Hockey Association: Chairman





**ERIK PALMÉN**  
b. 1959

Chief Risk Officer  
Member of the  
Executive Board  
since 2010  
M.Sc. (Econ. & Bus.  
Adm.), M.Sc. (Eng.)



**JOUKO PÖLÖNEN**  
b. 1970

Executive Vice  
President, Banking  
Member of the  
Executive Board  
since 2014  
M.Sc. (Econ. & Bus.  
Adm.), eMBA

@JoukoPolonen



**OUTI TAIVAINEN**  
b. 1968

Executive Vice  
President, Human  
Resources  
Deputy member  
Member of the  
Executive Board  
since 2015  
M.Sc. (Econ. & Bus.  
Adm.)

@OutiTaivainen

**Relevant previous experience:**

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

**Other relevant positions:**

VTS Fund: Chairman of the Delegation  
Unico Banking Group: Member of the Country Risk Managers  
Committee

**Relevant previous experience:**

Pohjola Bank plc: President and CEO since 2013  
Pohjola Insurance Ltd: President 2010–2014  
Pohjola Bank plc: CFO 2009–2010 and CRO 2001–2008  
PricewaterhouseCoopers: Authorised Public Accountant 1999–2001  
and auditor 1993–1999

**Other relevant positions:**

Unico Banking Group: Member of the Board of Directors

**Relevant previous experience:**

Kone Corporation: Head of HR, Central and North Europe 2012–2015  
HR House Oy: Managing Director 2009–2011  
Nokia Corporation: HR Director in different units 1993–2008

**Other relevant positions:**

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**MARKKU KOPONEN**  
b. 1957

Chief Legal Officer  
Deputy member  
Secretary of the  
Executive Board  
and the Supervisory  
Board since 1996  
Member of the  
Executive Board  
since 2009  
Master of Laws  
trained on the bench,  
eMBA



**LEENA KALLASVUO**  
b. 1956

Chief Audit Executive  
Attending Executive  
Board meetings since  
2010  
M.Sc. (Econ. & Bus.  
Adm.)

@leenakallasvuo

**Relevant previous experience:**

OP Bank Group Central Cooperative: Senior Vice President in charge of Corporate Communications 1998–2009; OP-Pohjola Group Central Cooperative (and its predecessor), Secretary of the Executive Board and Supervisory Board since 1996  
OKO Bank plc: Secretary of the Executive Committee 1996–2006  
Pohjola Bank plc (OKO Bank plc): Secretary of the Board of Directors 2006–2014  
OKO Bank and Opstock Ltd: Issue Financing Chief and Issue Chief 1989–1996  
OP-Pohjola Group: various expert and managerial duties 1985–1989

**Other relevant positions:**

European Association of Co-operative Banks (EACB): Executive Committee  
Finland Chamber of Commerce: Member of the Legislation Committee  
HSO-säätiö: Chairman of the Board  
Helia Foundation: Vice Chairman of the Board

**Relevant previous experience:**

Financial Supervisory Authority (formerly Finnish Financial Supervision Authority): various expert and managerial duties 2005–2010  
Trema Finland Oy: Project Manager 2000–2005  
Aktia Savings Bank: Head of Department 1997–2000  
Säästöpankkien Keskus-Osake-Pankki 1983–1996: various expert and managerial duties

**Other relevant positions:**

The Institute of Internal Auditors Finland: Member of the Board of Directors

## Subsidiaries of central cooperative

In the entire central cooperative consolidated, decisions are largely made at Group level by the central cooperative's Executive Board. The boards of directors of subsidiaries discuss issues pertaining to them either after the policy outlines issued by the Executive Board or after hearing the Executive Board with respect to issues concerned.

The central cooperative's Executive Board decides on candidates for the subsidiaries' boards of directors, after which the board of directors is elected in a manner specified in the Articles of Association and laws in force from time to time. Basically, the subsidiaries' boards of directors comprise members of the central cooperative's Executive Board. Board members must demonstrate adequate knowledge of financial issues and the company's business or other qualifications required in the position as well as to have the opportunity to allow sufficient time to perform his duties.

The rules of procedures of the subsidiaries' boards of directors describe the tasks that each board carries out. They also describe the key decision-making levels. The boards of directors also annually draw up an action plan showing a meeting schedule and the most important items on each meeting's agenda. The boards of directors assess their performance and working methods on a regular basis.

The operations manager of the subsidiary's Managing Director chairs the subsidiary's board of directors.

» [Read more in OP Financial Group's Corporate Governance Statement 2015.](#)

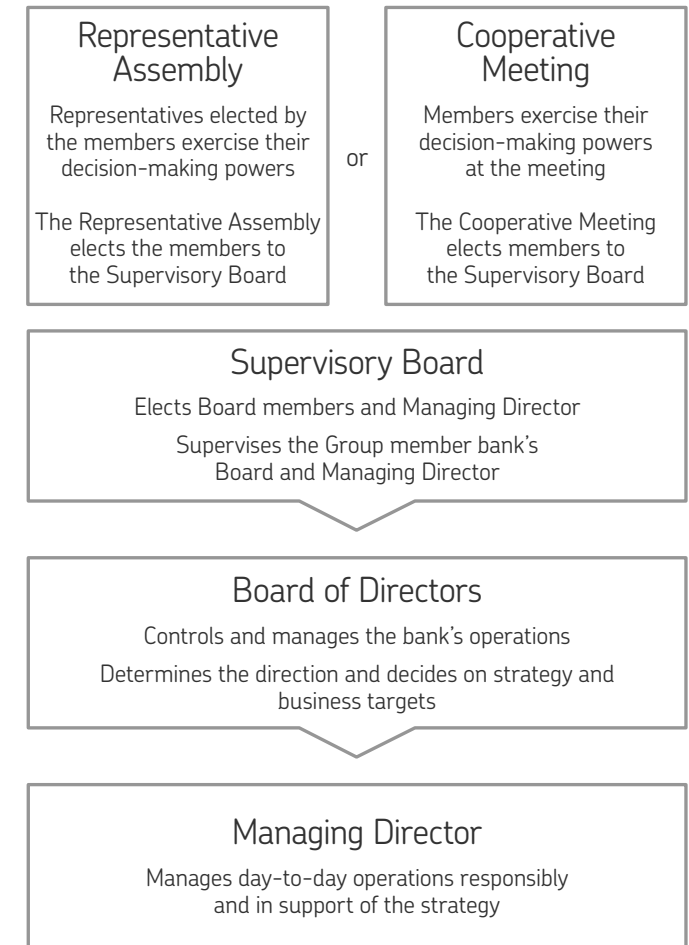
## Management at member cooperative banks

The member cooperative banks are cooperatives whose basic values underlying decision-making include the one member, one vote principle. Within the member cooperative banks, the highest decision-making body is the cooperative meeting or assembly comprising owner-customers, which elects a Supervisory Board for the bank. The Supervisory Board, for its part, appoints the bank's board of directors which appoints the managing director in charge of daily business.

The central cooperative's Supervisory Board has approved recommendations for good corporate governance for the member cooperative banks that pertain, for example, to a cooperative bank's governing bodies and executive management, internal control and remuneration.

OP Financial Group member cooperative banks publish their own corporate governance statements.

## Decision-making at a Group member cooperative bank



# Contact information

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P.O.Box 308, FI-00101 Helsinki  
www.op.fi

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» [Facebook: OP](#)

» [Twitter: @OP\\_Ryhma](#)

» [LinkedIn: OP Financial Group](#)

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Snapchat: opryhma