



# Debt Investor Presentation Q1–3/2020

## Roadshow Material

OP Financial Group and issuing entities  
OP Corporate Bank plc and OP Mortgage Bank  
[www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

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# Contents

• Finland's Macro Profile	4
• OP's measures amid the coronavirus pandemic (COVID-19)	11
• OP Financial Group – Overview	14
• Q1-3/2020 Financial Results	21
• Loan Book Overview and Asset Quality	25
• Capital Position	32
• Liquidity and Funding	37
• Corporate Responsibility and Green Bonds	43
• Debt IR Contacts	51

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# Finland's Macro Profile



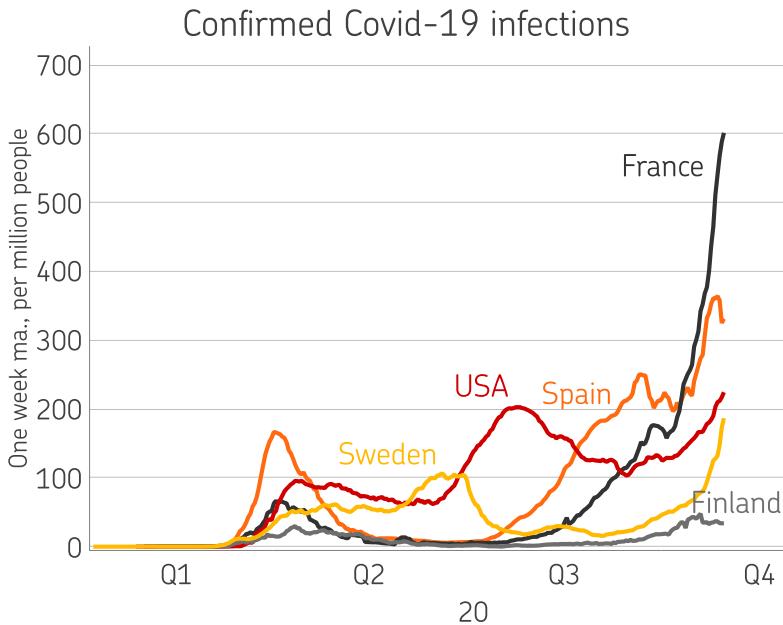
# Economic response to the coronavirus crisis in Finland

Finland (GDP €240 bn)	Sum (€ bn)	Share of GDP
<b>Guarantees and loans</b>	10.90	4.5 %
<b>Expenditure, taxes and disbursements for companies</b>	5.46	2.3 %
<b>Expenditure, taxes and disbursements for households</b>	0.37	0.2 %
<b>Other expenditure</b>	2.07	0.9 %
Postponement of taxes and payments*	3.00	1.3 %
Pension insurance contribution cuts	0.91	0.4 %
Business Finland's subsidies	0.80	0.3 %
ELY** Centres' and municipalities' funding for small enterprises and entrepreneurs	0.65	0.3 %
Rural areas and fishing industry	0.04	0.0 %
Culture and sports	0.06	0.0 %
Temporary changes in unemployment benefits	0.27	0.1 %
Parental benefits	0.09	0.0 %
Supplementary budget for healthcare	0.27	0.1 %
Protective equipment	0.60	0.3 %
For municipalities	1.00	0.4 %
Other support measures	0.20	0.1 %

\* Finnish Government's estimate between €3.0-4.5 bn

\*\* Centre for Economic Development, Transport and the Environment

# In Finland coronavirus crisis has been subdued



- Globally, Finland has been among the best performers during the coronavirus crisis with some of the lowest reported rates as of end of October 2020 (16,113 cases and 358 deaths).
  - As of end-October 2020, Finland had the lowest number of cases per 1 mn population (2,920) compared to 30 other European countries.
- Compared to 30 other European countries, Finland's GDP growth in Q2/2020 compared to Q1/2020 was affected the least (decline of 4.4%).

Updated: 24 November 2020

Sources: Macrobond, WHO, ECDC, OP

Source: OECD

# Forecasts for the Finnish economy

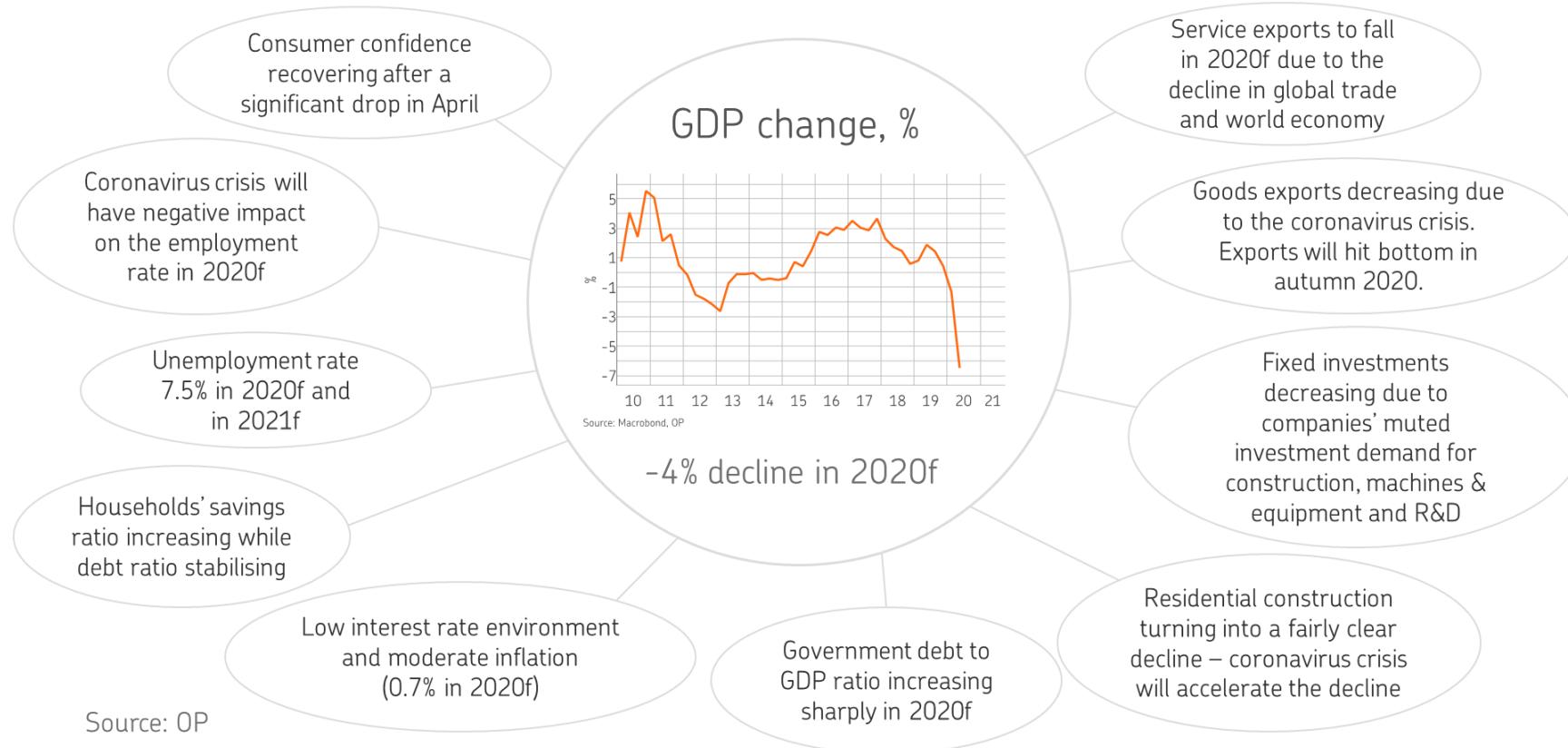
Published 20 August 2020

Forecasts for the Finnish economy, August 2020

	EUR bn	2019	2018	2019	2020f	2021f
Volume, % change on previous year						
GDP	240.6	1.5	1.1	-4.0	3.0	
Imports	95.1	5.5	2.4	-10.0	8.0	
Exports	96.5	1.7	7.5	-11.5	8.0	
Consumption	181.1	1.7	1.0	-1.6	2.7	
- Private	126.1	1.8	0.9	-3.0	3.0	
- Public	55.4	1.6	1.2	1.5	2.0	
Fixed investment	57.5	3.9	-1.0	-5.5	1.8	
Other key indicators		2018	2019	2020e	2021e	
Consumer price index, % change y/y		1.1	1.0	0.7	1.1	
Change in wage and salary earnings, %		1.7	2.2	2.0	2.5	
Unemployment rate, %		7.4	6.7	7.5	7.5	
Current account balance, % of GDP		-1.7	-0.5	-0.3	-0.1	
General government net lending, % of GDP		-0.9	-1.0	-6.5	-4.5	
General government debt, % of GDP		59.6	59.1	68.0	70.0	

Sources: Statistics Finland and OP Financial Group

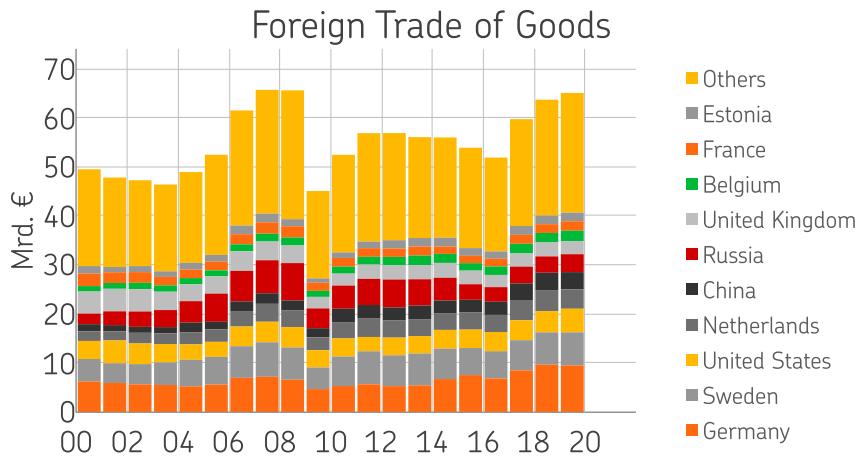
# Recession inevitable in Finland in 2020f – Exceptional uncertainty in the economic outlook due to coronavirus crisis



# Diversified goods exports structure by country

Goods exports to EU member countries 60.1% and to Euro Area 37.8% in 2019

Finland's largest goods exports countries  
2000-19



Source: Macrobond, OP

Finland's biggest trading partners  
(Jul 2019–Jul 2020, 12 mth moving avg)

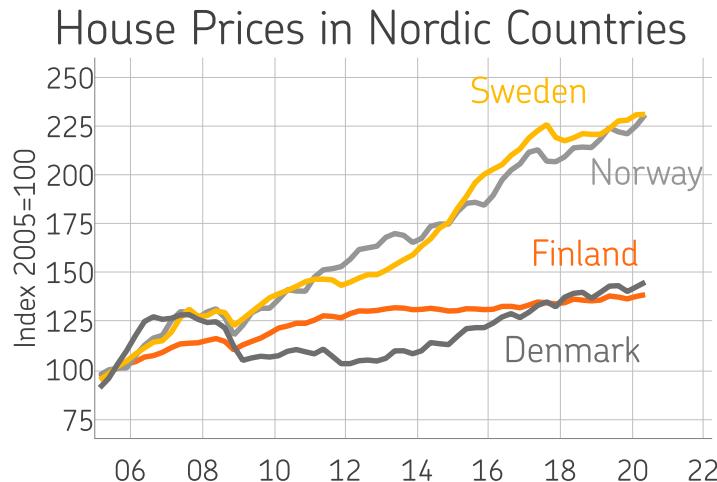


Source: Macrobond, OP

\* Poland (2.8%), Japan (2.1%), Spain (1.8%), Denmark (1.6%), Switzerland (1.5%), South Korea (1.4%), Turkey (1.3%), Australia (1.1%), Latvia (0.9%), Lithuania (0.9%), Canada (0.8%), India (0.8%), Austria (0.7%), Chile (0.7%), Mexico (0.6%), Czech Republic (0.6%), Brazil (0.6%), South Africa (0.5%) and the remaining countries (11.5%) of which less than 0.5% each.

# Average house prices and households' debt

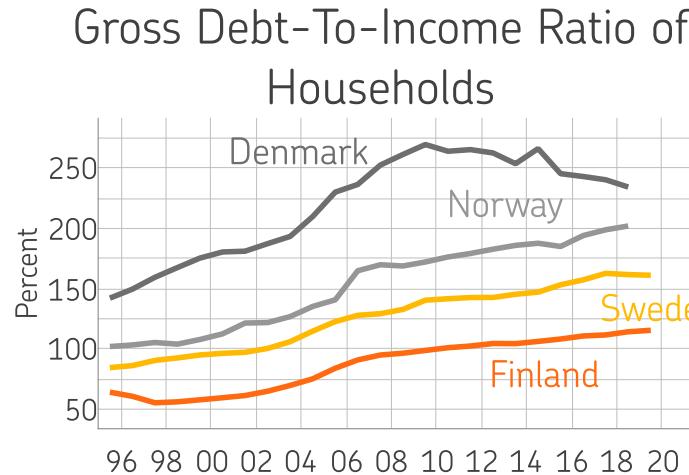
In Finland, the coronavirus crisis will hit the housing market and average house prices are estimated to decrease in 2020



Source: Macrobond, OP, Eurostat

The House Price Index (HPI) measures price changes of all residential properties purchased by households (flats, detached houses, terraced houses, etc.), both new and existing.

Latest values: H1/2020



Source: Macrobond, OP

Gross debt-to-income ratio of households is defined as liabilities divided by gross disposable income with the latter being adjusted for the net change in pension entitlements.

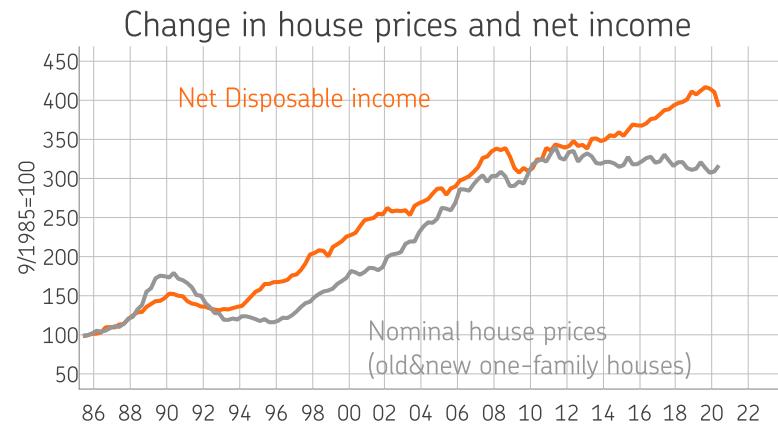
Latest values: Finland & Sweden 2019, Norway & Denmark 2018

# Finnish housing market is stable

## Characteristics of Finnish housing market

- Fully-amortizing housing market
- Average maturity of a new home loan 21 yrs 4 mths in May 2020
- 98% of home loans tied to variable interest rates in May 2020
  - Stress-tested with 6% interest rate in 25 years' maturity at OP
- Home loan cap (LTC) was restored to 90% (95% for first-home-buyers) from 85% due to COVID-19 related support actions for housing market in late June 2020
- Ownership ratio 63% at YE2018
  - Rental market: around 50% municipalities/subsidized and around 50% privately financed/non-subsidized (of which 30% private investors, 20% professional investors)
- Average price of an old dwelling 2,203 €/sq m in August 2020 (0.1% y-o-y, preliminary information)
  - 3,900 €/sq m in Helsinki Metropolitan Area (+2.1%)
  - 1,702 €/sq m in rest of Finland (-1.8%)

## Change in nominal house prices in relation to average net income



Source: Macrobond, OP

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OP's measures amid  
the coronavirus  
pandemic  
(COVID-19)



# OP takes responsibility amid the coronavirus pandemic

## Supportive actions for private and corporate customers

### Customers advised to utilise digital service channels

Some branches temporarily closed due to the pandemic, in the rest of branches particular attention paid to hygiene and safe use of services, protective plexiglasses were installed.

### Support for senior citizens and other high-risk groups in running banking & insurance errands

Separate service hours in branches and dedicated telephone line

### Repayment holidays for private customers of up to 12 months, free of charge

162,000 applications by end-Sep 2020.

### Repayment holidays for corporate loans of up to 6 months, free of charge

22,000 applications for repayment holidays and repayment schedule modifications by end-Sep 2020.

In addition, guarantees provided by state-owned financing company Finnvera are available for corporate customers (corporate loans of max. €1 mn are 80%-guaranteed by Finnvera)

In the summer the number of applications has returned to its pre-pandemic level.

### Adjustments to rent payments and rent reliefs for commercial real estate

Offered by OP Real Estate Asset Management Ltd to its rental locations. At summer the lessees' need for flexible lease payment decreased.

### Payment time flexibility for corporate customers' insurance bills

Pohjola Insurance Ltd is companies' risk management partner also during difficult times.

# OP takes responsibility amid the coronavirus pandemic

## Supportive actions for employees, healthcare sector and society

OP has enabled safe working conditions for its personnel in its offices and branches

Extensive remote working is also encouraged in those jobs where it is possible. In the spring, up to 75% of OP's employees worked remotely.

After the summer holiday season, the return to offices involved a flexible combination of remote and in-office work based on employees' duties and the needs of the teams while taking into account the safety and wellbeing of employees and customers, and business performance.

Pohjola Hospital donated its personnel's (up to 100 employees) work contribution for public healthcare

Persons tracked COVID-19 infection chains and helped in other critical tasks. Pohjola Hospital paid the salaries of these persons.

OP postponed payment of €97 mn interest on Profit Shares (for 2019) until 1 Jan 2021

In line with the ECB's and FIN-FSA's most recent recommendations aiming to support banks' lending capacity

9,600 lunch vouchers to families in need

Pohjola Insurance Ltd together with Hope ry donated vouchers to families in need while also supporting local restaurants.

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# OP Financial Group Overview



# Co-operative OP Financial Group

## TOTAL ASSETS

**€159 bn**

at end-Sep 2020

## SOLID CAPITAL POSITION

**18.3%**

CET1 ratio  
at end-Sep 2020

**21.1%**

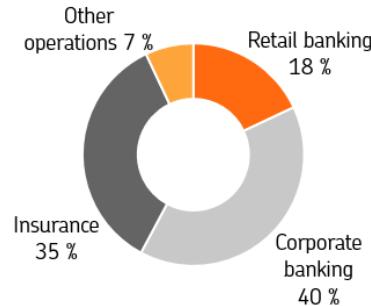
Total capital ratio  
at end-Sep 2020

**7.7%**

Leverage ratio  
at end-Sep 2020

## EARNINGS BEFORE TAX

(excl. group  
eliminations,  
Q1-3/20)



## JOINT LIABILITY

Central institution, OP Cooperative, and the member credit institutions (incl. both issuing entities) of the amalgamation are jointly liable for each others' debts and commitments, by virtue of the Finnish law.

## FINNISH RISK EXPOSURE



5.5 mn

Population in Finland

3.9 mn

0.3 mn  
corporate customers  
3.6 mn  
private customers

Baltics 2% of OP's  
total exposure at  
YE2019

2.0 mn

OP OP owner-  
customers customers

## MARKET LEADER IN FINLAND

**34.9%**

Market share  
in Loans  
in June 2020

**38.6%**

Market share  
in Deposits  
in June 2020

**33.5%**

Market share  
in Non-life  
Insurance YE2019

**17.6%**

Market share  
in Life Insurance  
YE2019

## HIGH CREDIT RATINGS

**Moody's Aa3  
S&P AA-**

OP Corporate Bank  
plc

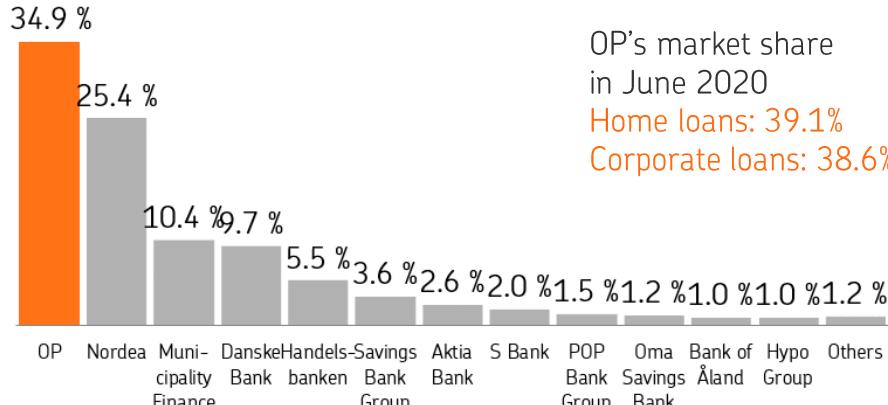
**Moody's Aaa  
S&P AAA**

OP Mortgage Bank's  
covered bonds

# OP is the leading financial group in Finland

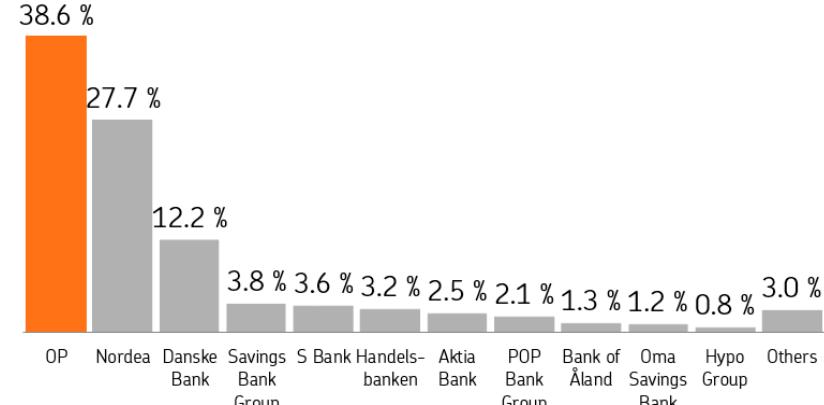
During its history of more than 100 years, OP has steadily increased its market share in loans and deposits

Loans, June 2020 (Finland: €256.7 bn)

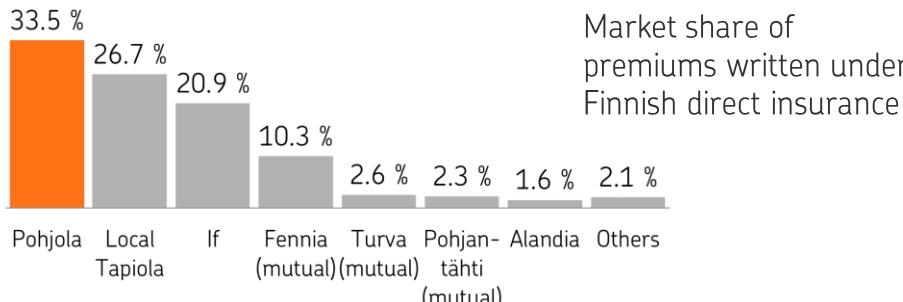


OP's market share  
in June 2020  
Home loans: 39.1%  
Corporate loans: 38.6%

Deposits, June 2020 (Finland: €182.1 bn)

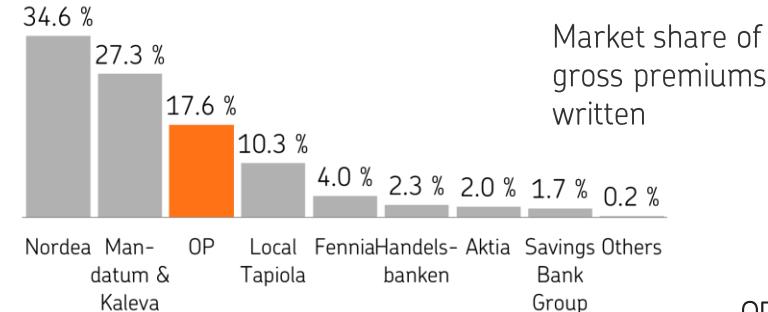


Non-life Insurance, YE2019 (Finland: €4.3 bn)



Market share of  
premiums written under  
Finnish direct insurance

Life Insurance, YE2019 (Finland: €6.0 bn)



Market share of  
gross premiums  
written

Source: Bank of Finland (Loans and Deposits) and Finance Finland (Non-life and Life Insurance)

# OP Financial Group's structure

2.0 million owner-customers

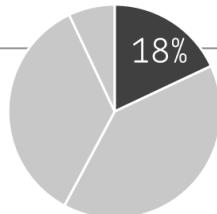
138 OP member cooperative banks

Number of member cooperative banks estimated to decrease to 130 by YE2020, given that all planned mergers will realise

## OP COOPERATIVE

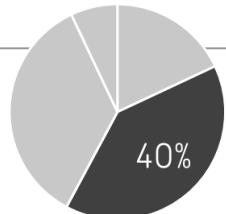
### RETAIL BANKING (incl. OP Mortgage Bank)

- Retail & SME banking
- Mortgage banking
- part of Private wealth management



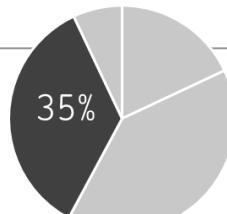
### CORPORATE BANKING (incl. OP Corporate Bank)

- Corporate banking (incl. Baltics)
- Wealth management



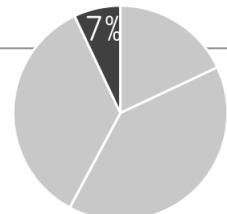
### INSURANCE

- Private & Corporate customers
- Non-life insurance
- Life insurance
- Health & wellbeing



### OTHER OPERATIONS

- Support functions
- Product and service development
- Treasury



Three-tier governance structure since 1 Jan 2020

- President and Group CEO
- Board of Directors (central cooperative decision-making & supervision)
- Supervisory Council (significant decisions of principle)

% of EBT generated in Q1-3/20 (excl. group eliminations)

# OP's strategic targets

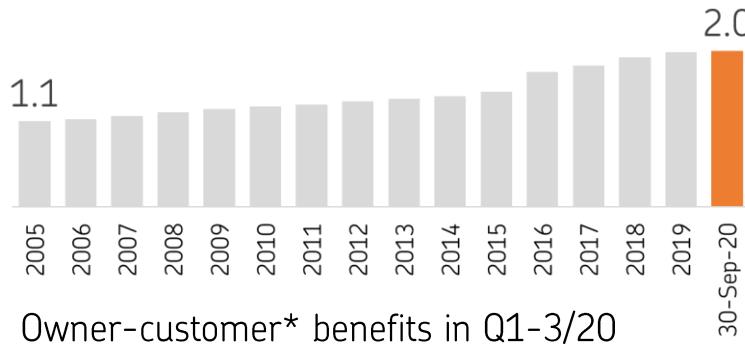
Indicator	Target	30 Sep 2020	2019	2018	2017
ROE (excl. OP bonuses)	8% in 2025	6.0%	7.1%	8.1%	9.3%
CET1 ratio	Min. CET1 ratio capital requirement + 400 bps management buffer	18.3%	19.5%	20.5%	20.1%
Brand NPS* (private & corporate customers)	30 in 2025	22	26	23	22
Credit rating	At least at the level of AA-/Aa3	AA-/Aa3	AA-/Aa3	AA-/Aa3	AA-/Aa3

\* OP's customer experience (CX) metric is based on the Net Promoter Score (NPS) that measures likelihood of recommendation. NPS for the brand gauges the overall customer experience of OP. NPS can range between -100 and +100.

# Growth in number of owner-customers and successful cross-selling supported by attractive loyalty benefits

Between 1999-2019, OP bonuses paid to customers totalled more than €2.5 bn

Solid growth in number of owner-customers, mn



Owner-customer\* benefits in Q1-3/20

€194 mn  
accrued OP Bonuses\*\*

€90 mn  
to banking and wealth  
management service fees

€98 mn  
to insurance policy fees

€2.9 bn  
investments in Profit  
Shares

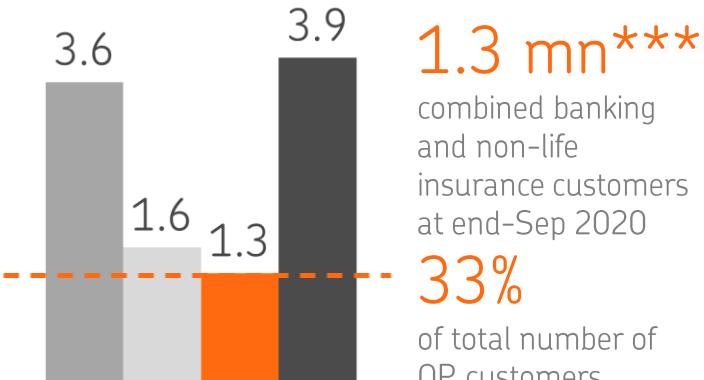
€71 mn  
accrued returns on  
Profit Shares (target  
3.25% in 2020)

€20 mn  
discounts on daily banking

€51 mn  
loyalty discounts on non-life insurance policies

€5 mn  
benefit of selling, buying and trading of most  
mutual funds free of charge

Successful integration of banking and  
non-life insurance customerships, mn



- Banking customers
- Non-life Insurance customers
- Banking and Non-life Insurance customers
- OP customers, total

\* Membership fee varies depending on the OP cooperative bank (eg. 100€ at Helsinki Area Cooperative Bank)

\*\* An owner-customer's loans, savings, investments and insurance premiums generate OP bonuses 0.25% of monthly transactions

\*\*\* Calculation method applied to the number of customers has been changed as of September 2019, due to a change in definition of a party linked to a customer

# 1.8 mn active users in OP's digital channels

Digital service channels actively utilized amid the coronavirus pandemic

Logins and users in OP's digital channels

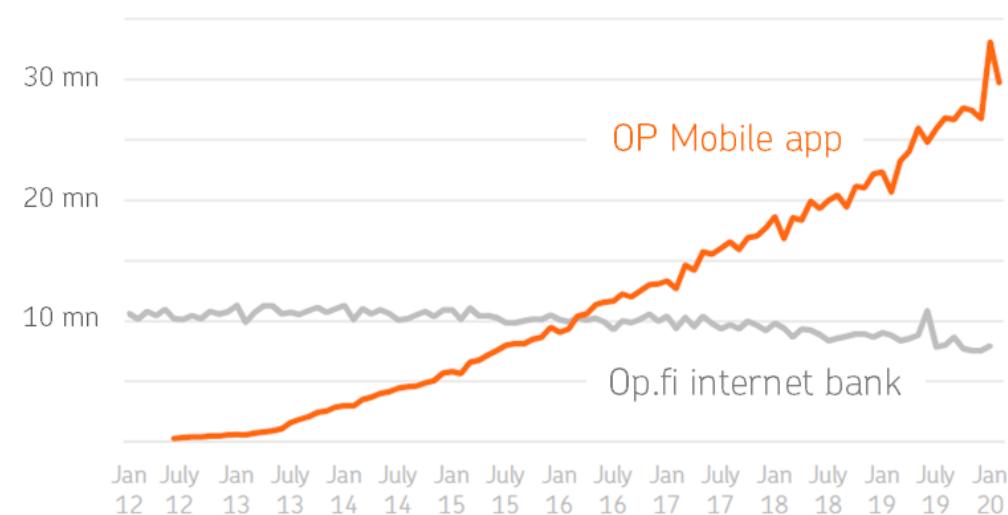
**OP Mobile app**  
296 mn logins in Q3/20  
+34% y-on-y  
1.5 mn reg. users

**Op.fi internet bank**  
54 mn logins in Q3/20  
-32% y-on-y  
1.9 mn reg. users

**OP Business Mobile app**  
11 mn logins in Q3/20  
+52% y-on-y  
95,000 reg. users

**Pivo Mobile Wallet app**  
33 mn logins in Q3/20  
-15% y-on-y  
1 mn reg. users

OP Mobile app is OP's main service channel:  
Monthly logins to OP Mobile app vs. Op.fi internet bank



- OP's Mobile Key enables authentication in multiple digital channels
  - 1.1 mn active users
  - 80% of all authentications made by using Mobile Key



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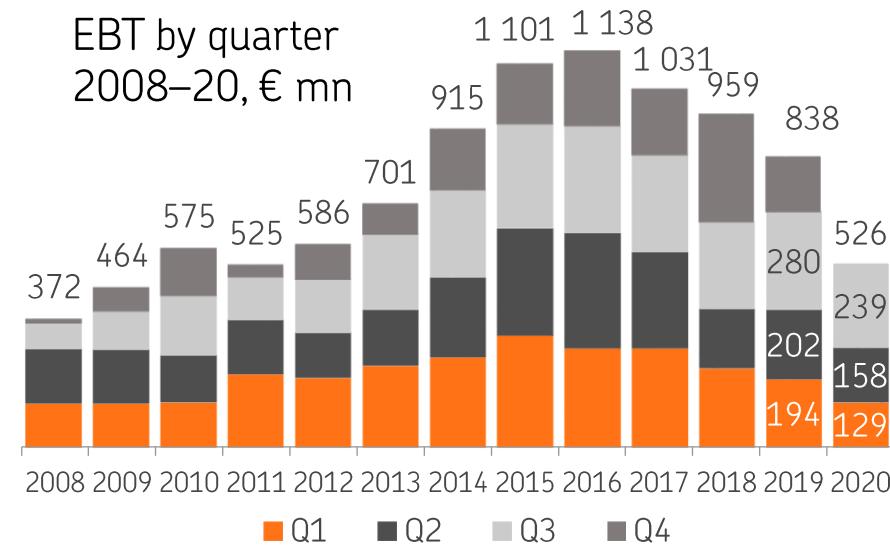
# Q1-3/2020 Financial Results



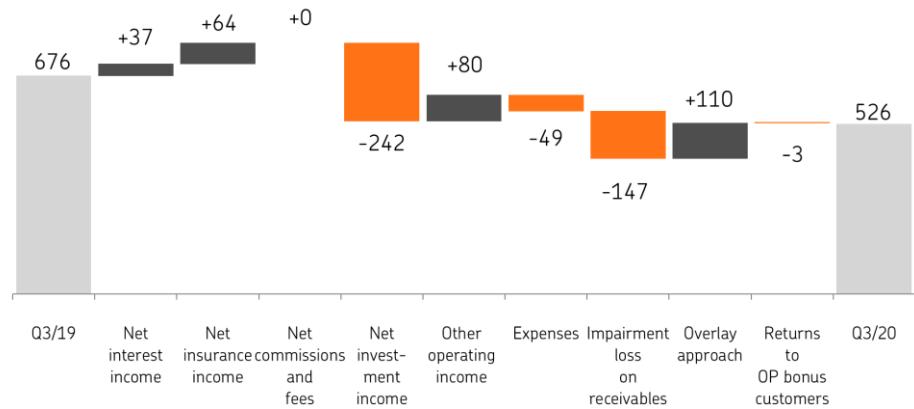
# EBT for 2020 expected to be lower than in 2019

In Q3/20, income deriving from customer business increased while lower net investment income and higher impairment loss on receivables eroded the EBT – largely caused by the coronavirus crisis

EBT by quarter  
2008–20, € mn



EBT, y-o-y change by P&L line item\*, \*\*,\*\*\*  
Q3/20 vs. Q3/19, € mn



\* A temporary exemption from IFRS9 (overlay approach) is applied to some equity instruments of insurance companies (reported according to IAS39)

\*\* Net insurance income includes net income from Non-life and Life insurance. Net investment income includes net trading income as well as net investment income from Non-life and Life insurance

© \*\*\*A net capital gain of €96 mn recognised on the sale of Vallila HQ property in other operating income

# Key financials Q1-3/20

## Main P&L line items

Group EBT  
**€526 mn**  
 (-22.2%)

Total income  
**€2,268 mn**  
 (-2.6%)

Total expenses  
**€1,414 mn**  
 (+3.6%)

Retail banking EBT **€100 mn (-47.9%)**  
 Corporate banking EBT **€221 mn (-4.4%)**  
 Insurance EBT **€195 mn (-30.1%)**  
 Other operations EBT **€39 mn**

NII **€960 mn (+4.1%)**  
 Net insurance income **€476 mn (+15.7%)**  
 Net commissions and fees **€679 mn (0.0%)**  
 Net investment income **€31 mn (-88.7%)**

Personnel costs **€594 mn (+3.7%)**  
 Development cost impact **€135 mn (125)**

Majority of OP's personnel's statutory earnings-related pension insurance was transferred to Mutual Pension Insurance Company Ilmarinen at YE2018. The rest of these pension insurance liabilities are planned to be transferred at YE2020 which is estimated to decrease personnel costs by €57 mn in 2020.

## Volumes (Q1-3/20 growth) Outlook 2020

Home loans  
**€39.8 bn (+0.5%)**  
 Corporate loans  
**€22.9 bn (+1.7%)**  
 Housing company loans  
**€9.8 bn (+6%)**

Loans, total  
**€94.2 bn (+3%)**  
 Deposits, total  
**€70.7 bn (+10.5%)**

Insurance premium revenue  
 (y-on-y growth)  
**€1,127 mn (+1.9%)**

Assets under management  
**€85 bn (+2.3%)**

OP Financial Group's earnings before tax for 2020 are expected to be lower than in 2019.

Exceptional uncertainty caused by the coronavirus pandemic increases impairment loss on receivables and weakens net investment income in 2020.

# In Q1-3/20, the coronavirus pandemic affected OP's core business operations in different ways

## Banking

- Applications for loan **repayment holiday** and loan repayment schedule modification in Q1-3/20
  - Private customers: **162,000** applications
  - Corporate loans: **22,000** applications
- The number of repayment holiday applications **returned to its pre-pandemic level in the summer.**
- After the restrictions set due to the pandemic were eased, loan demand started to bounce back at end-May 2020

## Insurance

- The coronavirus pandemic increased the number of travel and business interruption insurance claims filed during the spring
- In many other insurance lines, the number of claims decreased as a result of lower activity in general
- The number of claims approached the pre-pandemic level in the autumn
- Claims incurred as a result of the pandemic totalled **EUR 26 million.**

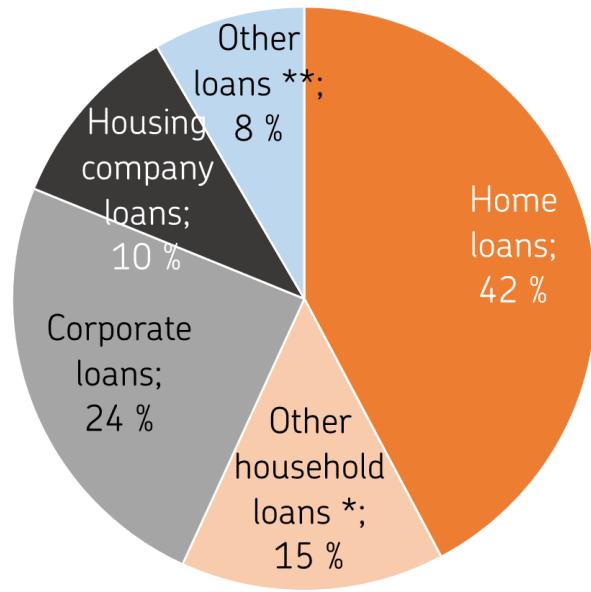
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# Loan Book Overview and Asset Quality

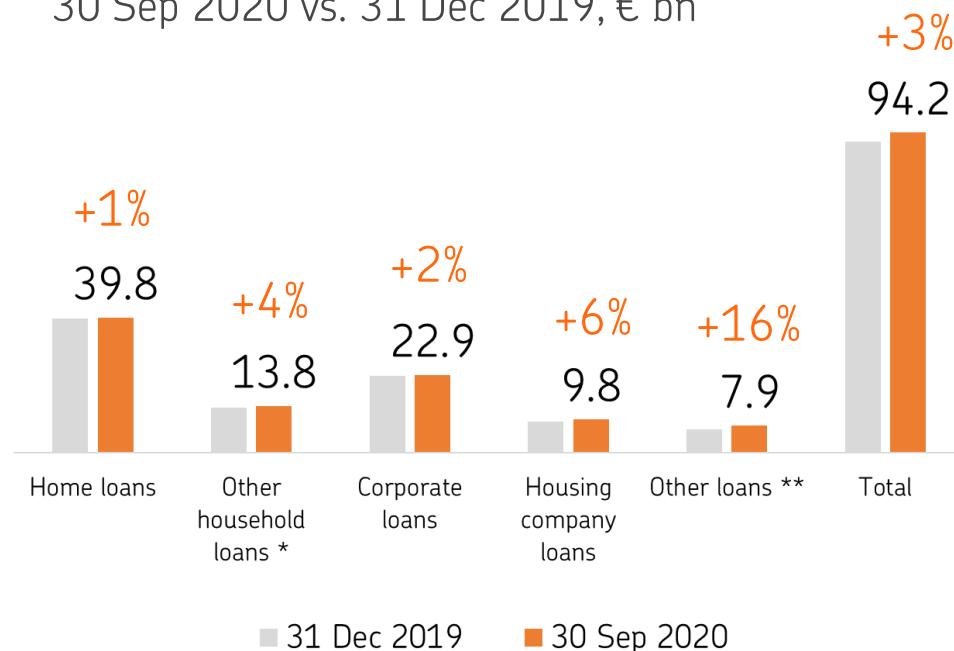


# Loan portfolio up by 3% in Q1-3/20

€94.2 bn Loan portfolio breakdown,  
30 Sep 2020, %



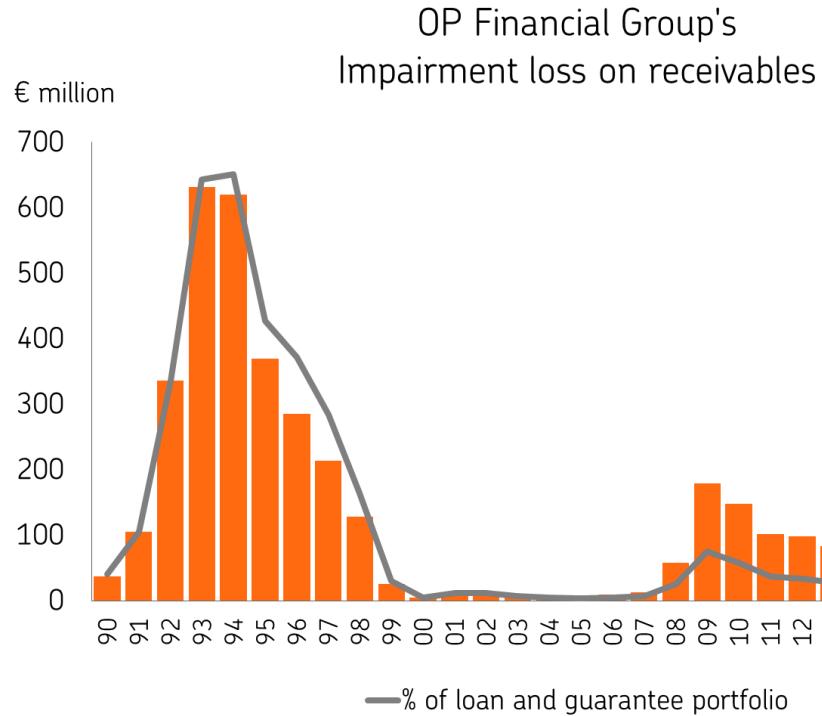
Loan portfolio growth by product group,  
30 Sep 2020 vs. 31 Dec 2019, € bn



\* Other household loans include loans for holiday homes, consumer loans, student loans etc.

\*\* Other loans include loans to financial institutions, public sector, non-profit organisations and customers abroad

# Impairment loss on receivables up due to coronavirus crisis and the new DoD



**Q1-3/20:**  
€183 mn (36) i.e.  
0.25% (0.05) of loan  
and guarantee portfolio

Increase in impairment loss on  
receivables mainly caused by the  
coronavirus crisis (€72 mn) and  
the new DoD (€44 mn)

# Q1-3/20 impairment loss on receivables €183 mn

Doubtful receivables 4.6% (3.2) of loan and guarantee portfolio

Performing forborne receivables 64% (66) of gross doubtful receivables

Effect of the coronavirus crisis on growth in ECL totalled around €72 mn in Q1-3/20

Impairment loss on receivables

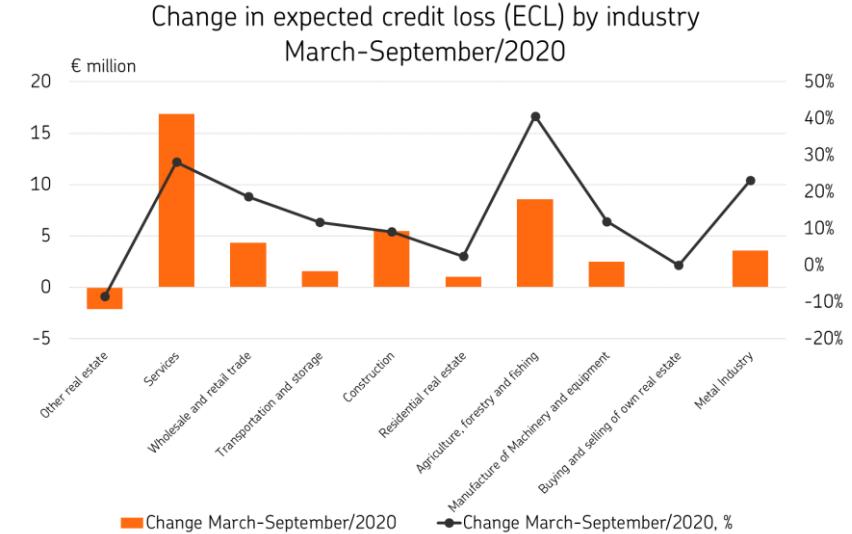
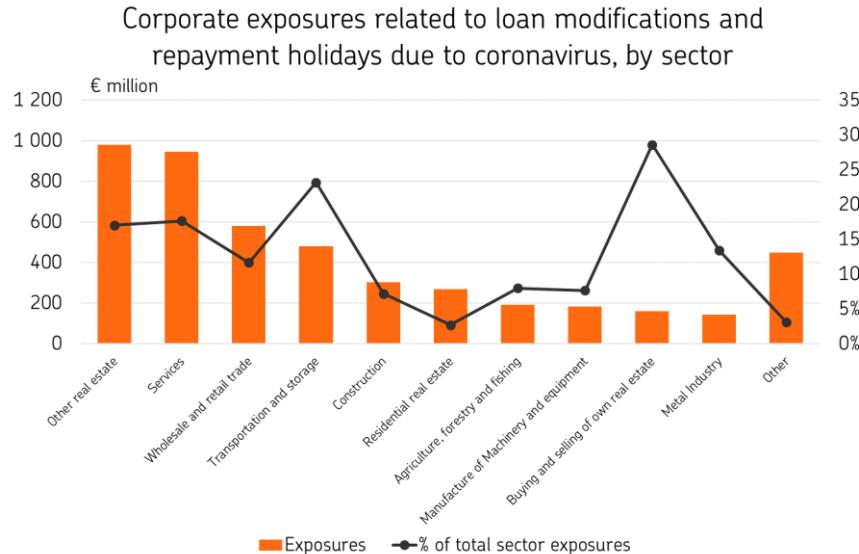


Doubtful receivables (gross)



# Some negative effects of the coronavirus crisis seen in certain industries of corporate exposures

In March–September 2020, repayment holidays and repayment schedule modifications were granted to customer exposures worth €12.3 bn, of which 62% concerned private customers and 38% corporate customers

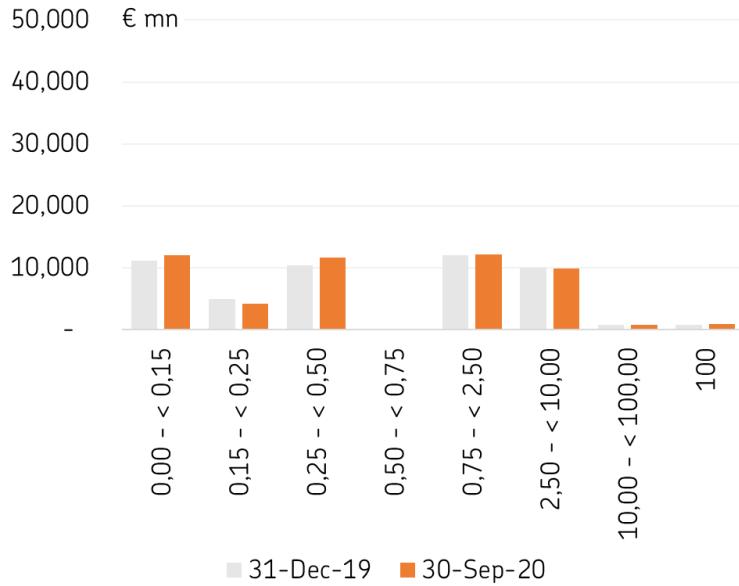


21% of repayment holidays and repayment schedule modifications granted Services (eg. hotels, restaurants, tourism), 20% other real estate (commercial real estate) and 12% Trade

In March–September, the most significant changes in ECL were recognised in corporate exposures related to Services; Agriculture, forestry and fishing and Trade

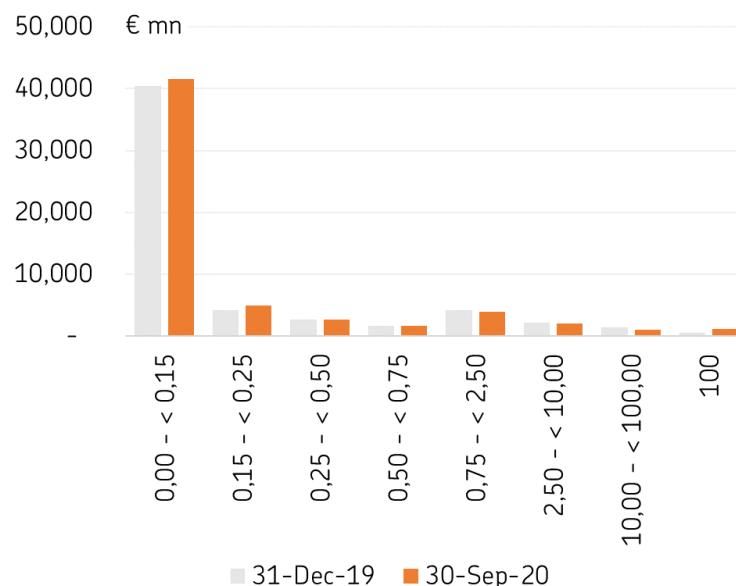
# Credit risk exposures (IRB) by PD class

Corporate exposures (gross value) by PD range  
(\$51.7 bn at 30 Sep 2020)



In OP Financial Group's 20-tier internal rating system for corporate customers, 26% of the corporate exposures to which a repayment plan change or repayment holiday was granted concerned the highest seven rating grades, while 6% concerned the lowest three rating grades.

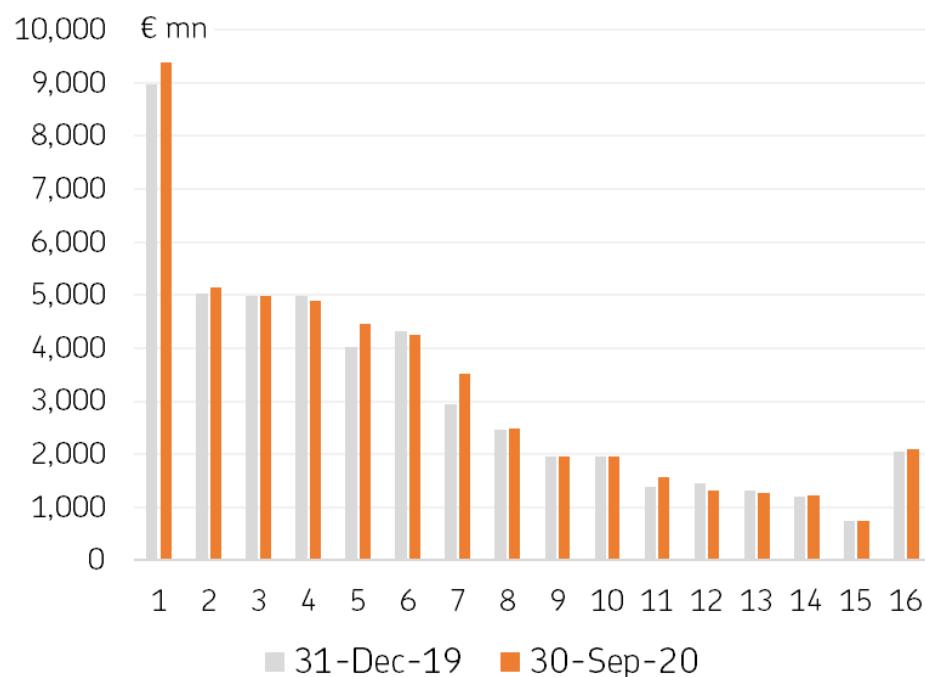
Retail exposures (gross value) by PD range  
(\$59.2 bn at 30 Sep 2020)



69% of repayment holidays granted to private customers concerned the top six rating grades in OP Financial Group's 16-tier internal rating system, while 5% concerned the lowest three rating grades.

# Corporate exposures well diversified by industry

Corporate exposures (IRB, net value) €51.3 bn as at 30 Sep 2020



No.	Industry	31-Dec-19	30-Sep-20
1	Renting and operation of residential real estate	18.0%	18.3%
2	Trade	10.1%	10.0%
3	Services	10.0%	9.7%
4	Operating of other real estate	10.0%	9.5%
5	Energy	8.1%	8.7%
6	Construction	8.7%	8.3%
7	Financial and insurance activities	5.9%	6.9%
8	Manufacture of machinery and equipment (incl. maintenance)	4.9%	4.9%
9	Agriculture, forestry and fishing	3.9%	3.8%
10	Other manufacturing	3.9%	3.8%
11	Forest industry	2.8%	3.1%
12	Transportation and storage	2.9%	2.6%
13	Information and communication	2.6%	2.5%
14	Metal industry	2.4%	2.4%
15	Food industry	1.5%	1.4%
16	Others	4.1%	4.1%

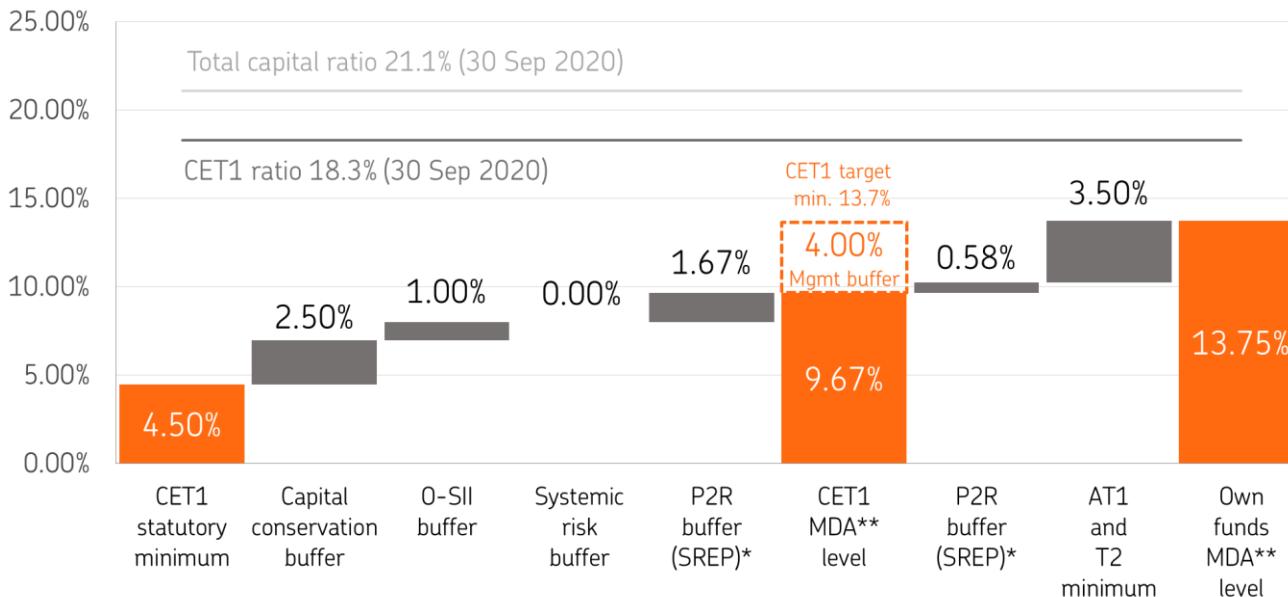
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# Capital Position



# CET1 ratio target: Management buffer min. 400 bps above CET1 MDA level – totalling to min. 13.7% (Sep 2020)

OP's capital adequacy above the minimum requirements and the CET1 management buffer



In April 2020, following the coronavirus crisis, the FIN-FSA lowered OP's capital requirements by cutting O-SII buffer to 1% (formerly: 2%) and systemic risk buffer to 0% (formerly: 2%). These capital buffer requirements are parallel and the larger one is applied.

According to ECB's guidance, since Q1/20, P2R buffer is also covered with AT1 and T2 capital.

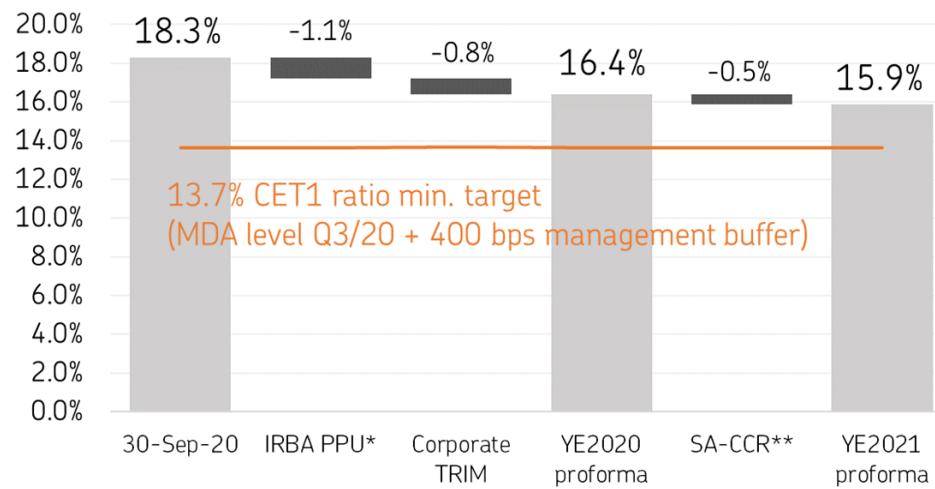
In December 2019, as part of SREP, the ECB set OP Financial Group's P2R buffer requirement at 2.25% (previously 2.00%) that entered into force on 1 January 2020.

\* P2R supervisory Pillar II requirement \*\* Maximum distributable amount

# CET1 ratio 18.3%

Decline caused mainly by loan portfolio growth and the adoption of the new DoD.

## Future changes\*\*\* impacting the CET1 ratio



\* Internal Ratings-Based Approach Permanent Partial Use

\*\* Standardized Approach for Counterparty Credit Risk (CRR2 update)

\*\*\* Impacts and entry into force of these changes were estimated according to the management's best knowledge based on the information currently available

**Profit shares in CET1 capital €2.9 bn  
REA €60.5 bn (55.5)**

- €0.4 bn caused by ECB RW floors
- €0.8 bn addition to REA made in Q1-3/20 in order to prepare for COVID19 impacts

**Average risk weights, 30 Sep 2020**

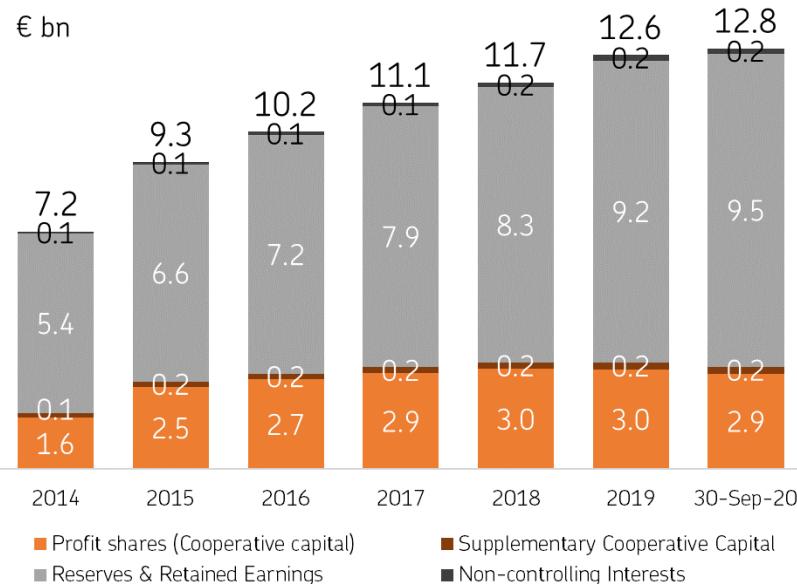
**21.0% for retail exposures (17.6)**

**67.9% for corporate exposures (66.8)**

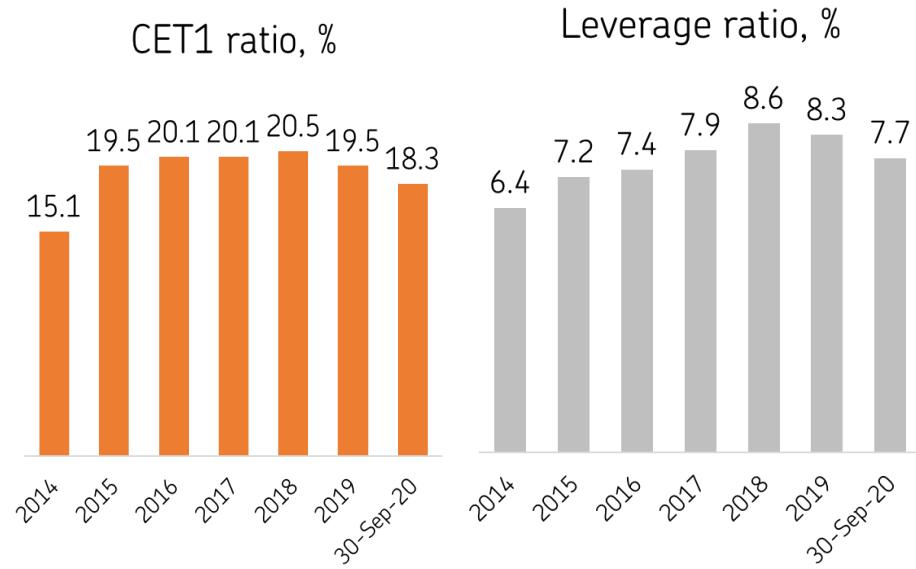
- In Feb 2017, ECB decision on RW floors for retail exposures – valid until qualitative requirements met
  - 15.4% for mortgage-backed exposures
  - 32.7% for other private customer exposures
- FIN-FSA's 15% RW floor on residential mortgage loans came into force on 1 Jan 2018 and is valid until YE2020
- In Apr 2019, ECB set RW floor of approx. 12% for home loans (TRIM) – valid until qualitative requirements met
  - No further effect on OP's CET1 ratio due to previously set higher RW floors
- In Feb 2020, ECB decision on new DoD incl. risk weighting factors for corporate and retail exposures – valid until qualitative requirements met

# Strong track record of capital generation

Robust earnings generation and strength of the cooperative model shows in equity capital



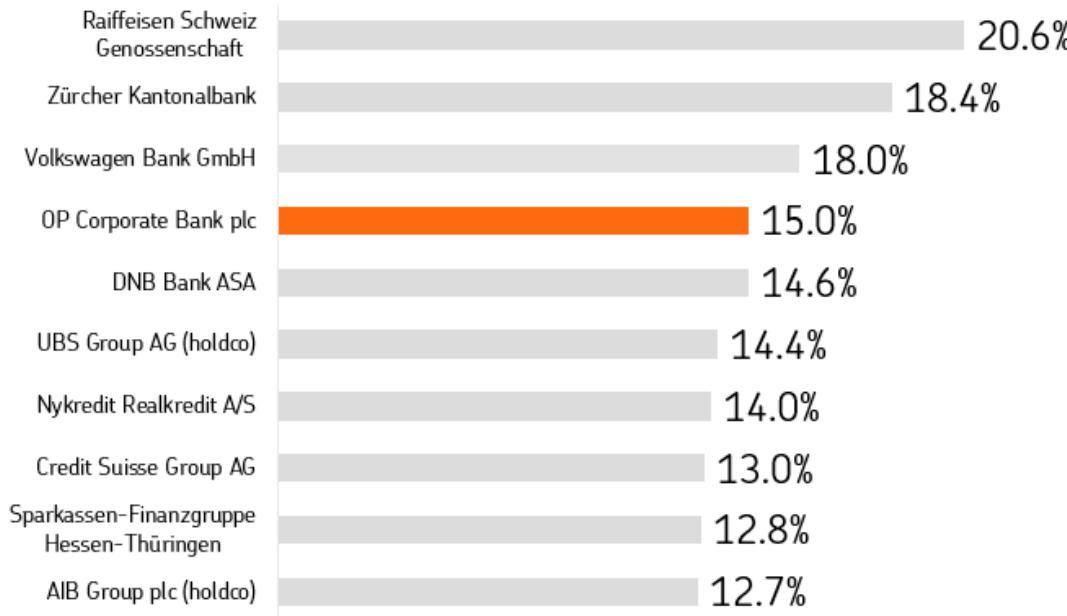
Earnings and profit shares contribute to CET1 and leverage ratio



Minimum level in the draft regulations 3.0%

# OP is a clear outperformer in S&P RAC ratio comparison leaving all Nordic peers behind

TOP10 European banks' S&P RAC ratios,  
before diversification (YE2019)



Source: Standard & Poor's, COVID-19 Puts The Brakes On Capital Strengthening For The 50 Largest European Banks, October 14, 2020

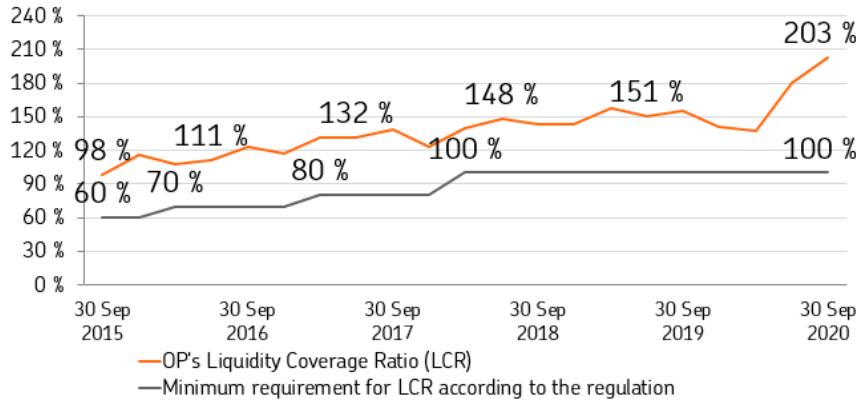
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# Liquidity and Funding

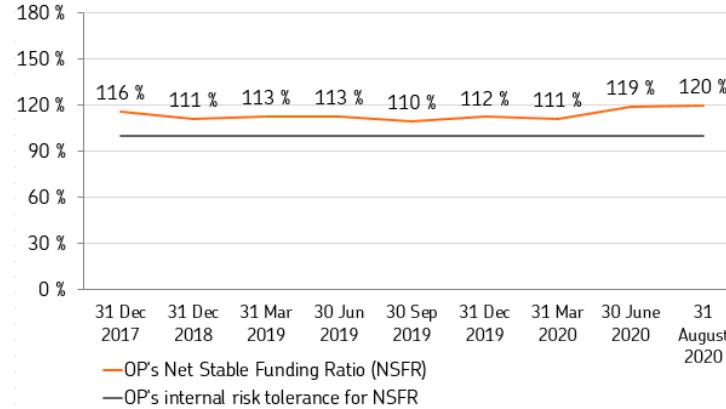


# Despite the effects of coronavirus pandemic OP's liquidity and funding position remained good

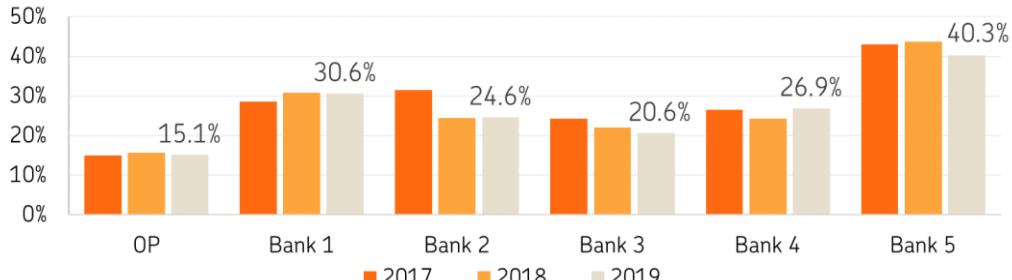
## LCR vs. minimum requirement



## NSFR vs. internal risk tolerance



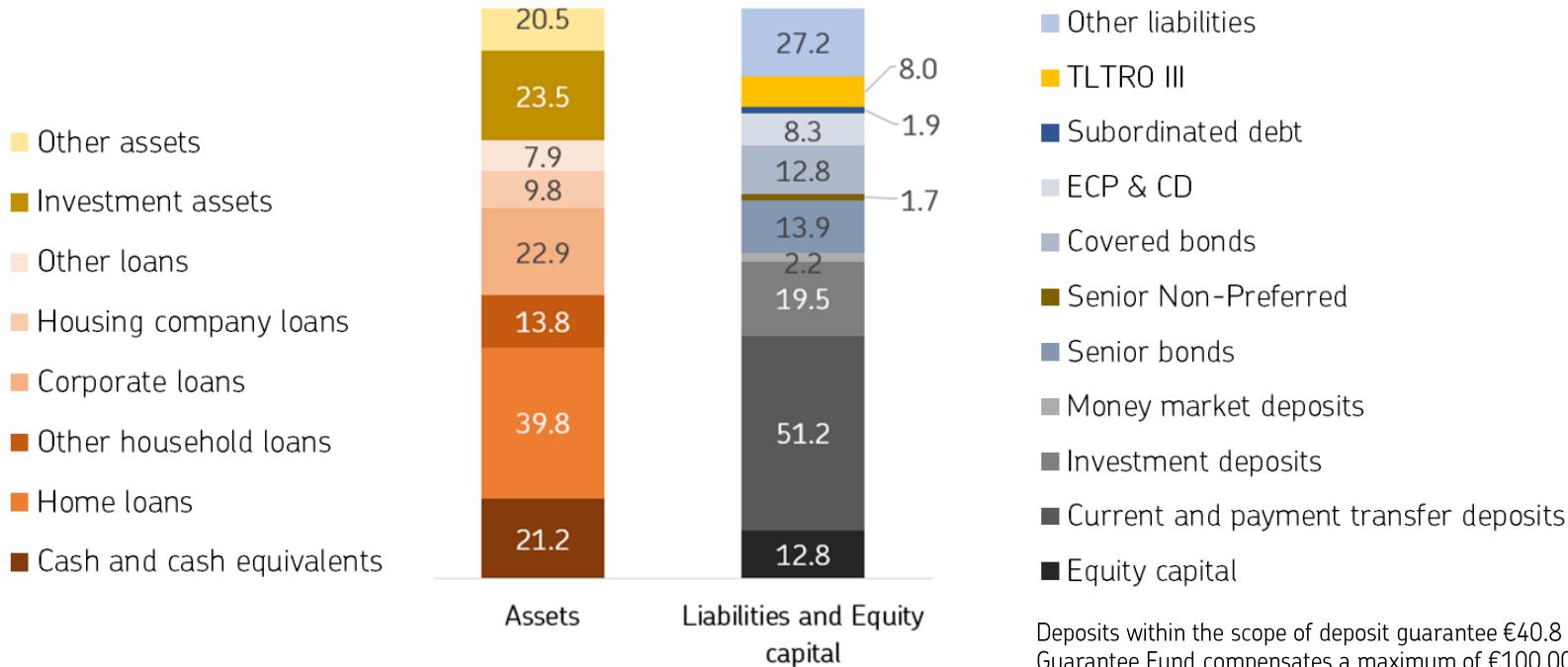
## OP has the lowest Asset Encumbrance ratio in Nordic comparison



Source: Banks' Annual reports/Risk Management Reports & calculations by OP Financial Group, calculated from data reported by banks according to EBA Asset Encumbrance Disclosure Guidelines (Bank 5 ratio as reported by the bank itself)

# Balance sheet totaled €159 bn at end-Sep 2020

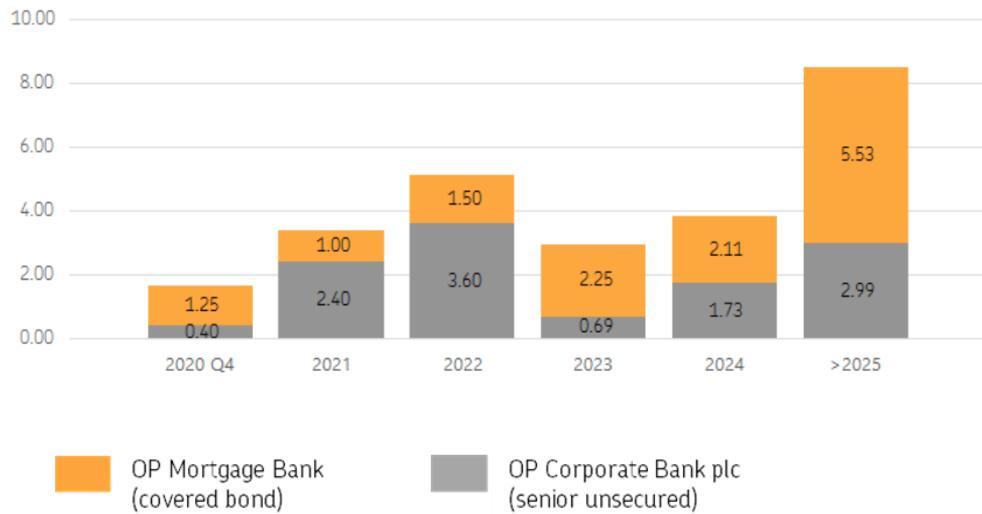
Loans 59%, deposits 44% and market-based funding 26% of the balance sheet



Deposits within the scope of deposit guarantee €40.8 bn. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

# Maturity breakdown of wholesale funding well diversified

Issued senior unsecured and covered bonds by maturity, 30 Sep 2020 (€ bn)



## MREL regulation

- The SRB has set MREL for OP Financial Group at 12% of liabilities and own funds ie. 27% of the total risk exposure amount (REA) at YE2018.
- As at 30 Sep 2020 OP Financial Group
  - clearly fulfils the requirement set by the authority: MREL ratio was around 36%
  - had SNP instruments worth €1.7 bn in its balance sheet
- The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry

# Issued long-term bonds €6.6 bn in Q1-3/20

OP Corporate Bank plc's benchmark bonds  
2019–20

Year	Month	Amount	Maturity	Cost
2020	June–July	€1 bn	4 yrs	m/s +50 bps
2020	June	€1 bn (T2)	10 yrs (10 non-call 5)	m/s +200 bps
2020	June	SEK3.25 bn (T2)	10 yrs (10 non-call 5)	m/s +230 bps
2020	May	€1 bn	5.25 yrs	m/s +85 bps
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps
2019	November	€500 mn (SNP)	10 yrs	m/s +68 bps
2019	June	€500 mn (SNP)	5 yrs	m/s +60 bps
2019	February	€500 mn (Green)	5 yrs	m/s +35 bps

OP Mortgage Bank's benchmark covered bonds 2019–20

Year	Month	Amount	Maturity	Cost
2020	April	€300 mn (retained)	8 yrs	Eb3 +45 bps
2020	April	€500mn (retained)	2 yrs	Eb3 +30 bps
2020	January	€1 bn	8.25 yrs	m/s +3 bps
2019	November	€1 bn	7 yrs	m/s +3 bps
2019	February	€1.25 bn	10 yrs	m/s +10 bps

In March 2020, OP took ECB's USD-denominated financing worth \$500 mn with a maturity of less than a year. Additionally, OP participated in ECB's TLTRO III financing operation by €6 bn (maturity 3 yrs) in June 2020.

# Funding based on strong credit ratings

Target: Credit rating at least at the level of AA-/Aa3

	Moody's (Long-term debt rating)	S&P (Long-term issuer credit rating)
<b>OP Corporate Bank plc</b>	Aa3	AA-*
Svenska Handelsbanken AB	Aa2	AA-
DNB Bank ASA	Aa2	AA-
Nordea Bank Abp	Aa3	AA-*
SEB AB	Aa2	A+
Swedbank AB	Aa3	A+
Danske Bank A/S	A3	A
<b>OP Mortgage Bank**</b>	Aaa	AAA
<b>Pohjola Insurance Ltd***</b>	A2	A+*
If P&C Insurance Ltd***	A1	A+
Finland	Aa1	AA+

\* Negative outlook

\*\* Covered bond rating

\*\*\* Insurance financial strength rating

Updated: 16 October 2020

## OP CORPORATE BANK PLC

- Moody's affirmed Aa3 rating with stable outlook in December 2018
  - Uplifts from Loss-Given-Failure (+2 notches) and Government Support (+1 notch)
- S&P affirmed AA- rating and changed outlook from stable to negative in May 2020
  - Uplifts from Business Position (+1 notch), Capital and Earnings (+2 notches) and ALAC Support (+1 notch)

## OP MORTGAGE BANK

- Moody's affirmed Aaa rating with stable outlook in November 2018
  - TPI (Timely Payment Indicator) Leeway 5 notches
- S&P affirmed AAA rating with stable outlook in September 2019
  - 3 unused notches of jurisdictional support, 2 unused notches of collateral based uplift

## POHJOLA INSURANCE LTD

- Moody's upgraded rating to A2 with stable outlook in January 2019
- S&P affirmed A+ rating and changed outlook from stable to negative in May 2020

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# Corporate Responsibility and Green Bonds



# OP Financial Group's Corporate Responsibility Programme



We improve financial literacy in Finland



We foster a sustainable economy



We support local vitality and communities



We use our information capital responsibly

We promote the management of personal finances and prosperity in all age groups.

We support sustainable development and mitigating climate change and help adapt to it.

We create jobs, promote physical activity, provide security and help build wellbeing in Finland. We promote local economic vitality.

We use customer data and AI transparently, in the best interest of our customers. Accessibility and having the best customer experience across all channels are at the core of developing our services.

# OP's CR measures during recent years

## Banking

- Green corporate loans
- Corporate loans with terms and conditions (margin) tied to ESG performance targets
- ESG analyses to identify ESG risks within corporate exposures
- SME financing programmes (€300 mn) guaranteed by EIF and guarantee programme (€300mn) with EIB for large and mid-sized companies to support economic growth and employment
- Financing of energy-saving improvements for housing companies in cooperation with LeaseGreen to cut housing companies' heating costs and carbon footprint

## Insurance

- Promoting traffic safety
- Preventing losses and injuries
- Predicting impacts caused by climate change
- Pohjola Hospitals' rapid care chain to minimise losses caused by medical leaves to all parties

## Treasury & ALM

- Green Bond Framework (2018) aiming to increase sustainable financing through issuing green bonds and allocating proceeds to green assets
- OP Corporate Bank's first green bond (€500 mn) issued in Feb 2019
- OP Corporate Bank's first Green Bond Report published in Feb 2020

## Wealth Management

- Exclusion of high-carbon companies and measuring carbon footprint of mutual funds
- Quarterly sustainability analyses on OP funds
- Active proxy voting at AGMs
- OP Finnfund Global Impact Fund I raised funds worth €76 mn in the first funding round, aiming to achieve positive impacts concerning climate change, food security, gender equality and access to finance
- Membership in Climate Action 100+ (5yr investor engagement initiative) to impact on listed companies with the highest GHG emissions globally – thematic engagement projects on carbon, water and tax risks
- TCFD-aligned review on climate change risks and opportunities in OP's investments published in June 2020; carbon intensity of OP funds decreased by 6% in 2 years

## OP premises & practices

- LEED Gold certificates for OP HQ and Pohjola Hospitals
- Solar power stations at OP HQ, Pohjola Hospitals and in properties of OP Real Estate Asset Management
- Energy used at OP HQ 100% renewable (34% at OP Financial Group level)
- OP HQ are heated with zero-emission circulation heating (100% recycled waste heat)
- WWF Finland Green Office system applied to OP HQ and some member cooperative banks
- Carbon footprint of OP's employees mitigated by remote work opportunity and incentives to use public transportation
- Emissions from own operations down by 32% (2019 vs. 2011)



# OP committed to take 20 climate actions in 2020

OP aims to have carbon-positive handprint by 2025



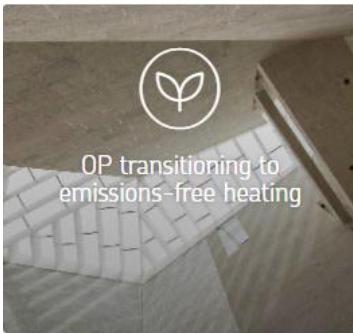
OP supports Carbon Action project, which trains farmers to utilise the soil even more wisely



How will climate change effect familiar landscapes in Finland? WWF Finland conducted a survey with support from OP Financial Group



OP Vuokratuotto converts first residential property to ground source heat



OP transitioning to emissions-free heating



OP Corporate Bank to finance new Lakiakangas 3 wind farm by Helen and CPC Finland



Demand for responsible investing on the rise during the corona crisis

OP's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and operating region. OP has set a goal of 20 climate actions for 2020.

**OP HQ premises in Helsinki are heated with zero-emission recovered heat (100% recycled waste heat)**

This transition made in 2020 enables emission reduction of around 4.6% in emissions from OP's own operations

**23,762 tn CO<sub>2</sub>e**

Direct GHG emissions from OP's own operations (Scopes 1 & 2) in 2019 – down by 32% since 2011

**34%**

Renewable energy of OP's total energy consumption

# OP's ESG Ratings

ESG Rating Agency	30 Sep 2020	31 Dec 2019	Range
<b>ISS ESG</b> ▶	C- (not prime)	C- (not prime)	D- to A+
<b>MSCI</b> 	A	A	CCC to AAA
 <b>SUSTAINALYTICS</b>	16.0 (low risk)	16.3 (low risk)	0 to 100 (negligible to severe risk)
<b>imug</b> (OP Corporate Bank)	CCC (neutral)	CCC (neutral)	D to AAA
<b>imug</b> (OP Mortgage Bank)	B (positive)	B (positive)	D to AAA
 DISCLOSURE INSIGHT ACTION	A- (leadership)	A- (leadership)	D- to A
<b>vigeo eiris</b>	54	52	0 to 100

# OP's Green Bond Framework published in 2018



**Second-Party Opinion  
OP Financial Group Green Bond Framework**

**Evaluation Summary**

Sustainalytics is of the opinion that the OP Financial Group Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

**USE OF PROCEEDS** The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Although the bond is not exclusively project-based, Sustainalytics considers the range of eligible categories to have positive environmental or social impact, consistent with the UN Sustainable Development Goals. While a lookback period for refinancing is not disclosed, OP Financial committed to disclose the origination timeframe and maturity profile of loans in its annual reporting.

**PROJECT EVALUATION / SELECTION** OP Financial's internal process in place to evaluate and select projects for the market includes a dedicated green bond committee, chaired by a member of the company's executive board and comprised of senior members from the treasury, risk management, OP Corporate Bank treasury, and the banking corporate and institutional customers business segment. The committee approves each loan against the framework's environmental and social criteria. OP Financial has established internal guidelines for the loan selection that address environmental and social risk management. Sustainalytics considers this process to be aligned with market best practice.

**MANAGEMENT OF PROCEEDS** OP Financial has committed to establishing a green bond register for each separate green bond issuance, to monitor the proceeds and track their allocation, which is aligned with market practice.

**REPORTING** OP Financial intends to publish a green bond report on an annual basis, including allocation of proceeds in accordance with market standards. In addition, OP Financial intends to include information on the impact of the use of proceeds per eligible sectors, including kWh of renewable energy generated, tonnes of CO<sub>2</sub> avoided, energy savings, buildings with certification, amount of water saved, number of households, and amount of transport metros financed and location, among other indicators. Sustainalytics views the impact indicators as aligned with market practice.

**Evaluation date** November 2018  
**Issuer Location** Helsinki, Finland

**Report Sections**

Introduction	2
Sustainalytics' Opinion	3
Appendices	8

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Documents available at <https://www.op.fi/op-financial-group/debt-investors/green-bonds>

- OP Financial Group published its Green Bond Framework and associated Second Opinion issued by Sustainalytics in 2018
- Eligible sectors for use of proceeds:
  1. Renewable Energy
  2. Energy Efficiency
  3. Green Buildings
  4. Pollution Prevention and control
  5. Sustainable Land Use
  6. Clean Transportation
- Currently OP Corporate Bank's Green Bond register includes corporate loans from sectors 1, 3 and 5
- OP Corporate Bank carries out ESG analyses of its corporate exposures to support credit risk assessments and seek more assets eligible for green bonds

# OP Green Bonds Eligible Use of Proceeds



Use of  
proceeds

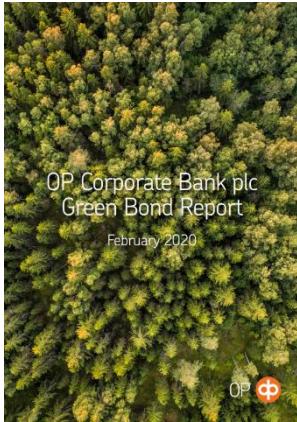
Process for  
project  
evaluation  
and selection

Management  
of proceeds

Reporting &  
External  
review

Category	Eligible assets	SUSTAINABLE GOALS
Renewable energy	<ul style="list-style-type: none"> <li>Onshore and offshore wind energy</li> <li>Solar energy</li> <li>Hydropower</li> <li>Waste-to-energy</li> </ul>	A row of four Sustainable Development Goal icons: 3 (Good Health and Well-being), 8 (Decent Work and Economic Growth), 11 (Sustainable Cities and Communities), and 13 (Climate Action).
Energy Efficiency	<ul style="list-style-type: none"> <li>Lowering energy consumption &amp; fostering energy efficiency</li> </ul>	A row of four Sustainable Development Goal icons: 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), and 11 (Sustainable Cities and Communities).
Green Buildings	<ul style="list-style-type: none"> <li>Commercial or residential buildings</li> <li>Upgrade retrofits (renovations and refurbishments of buildings) leading to better energy performance or reducing energy use</li> </ul>	An icon representing sustainable cities and communities, showing a stylized building.
Pollution Prevention & Control (including Sustainable Water Management)	<ul style="list-style-type: none"> <li>Waste prevention, reduction and recycling</li> </ul>	A row of three Sustainable Development Goal icons: 3 (Good Health and Well-being), 6 (Clean Water and Sanitation), and 11 (Sustainable Cities and Communities).
Sustainable Land Use	<ul style="list-style-type: none"> <li>Sustainable forestry projects</li> <li>Conversion of energy-intensive industry and/or fossil fuel intensive lands</li> <li>Sustainable agriculture</li> </ul>	An icon representing life on land, showing a tree and a landscape.
Clean Transportation	<ul style="list-style-type: none"> <li>Electric and hybrid vehicles</li> <li>Clean transportation infrastructure</li> </ul>	A row of two Sustainable Development Goal icons: 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities).

# OP Corporate Bank's Green Bond Report highlights



- OP Corporate Bank issued its inaugural €500 million green bond in Feb 2019 and published the first Green Bond Report in Feb 2020
- Proceeds allocated to Renewable Energy, Green Buildings and Sustainable Land Use<sup>1</sup>
- As of December 2019, the Green Bond register included eligible assets worth €960.8 million (reserve of *unallocated* green assets €460.8 million)<sup>1</sup>

## Most relevant UN SDGs:



## Impacts from OP's first Green Bond<sup>2</sup>

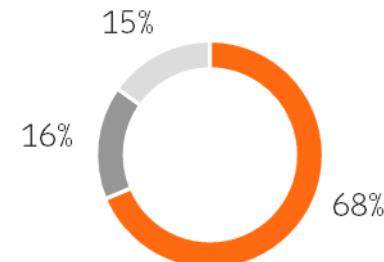


- 328.6 ktCO<sub>2</sub>e avoided
- 864.7 GWh renewable energy generated
- 271.5 MW renewable energy capacity installed
- 32 000 m<sup>2</sup> of green certified building area
- 1.2 ktCO<sub>2</sub>e avoided due to reduced energy consumption
- 69 160 hectares of forest under FSC or PEFC forestry certification



Assets included in the Green Bond register by eligible sector

- Renewable Energy
- Green Buildings
- Sustainable Land Use



<sup>1</sup> KPMG has verified the allocation of proceeds to eligible loans, and Sustainalytics has reviewed OP's reporting criteria (incl. impact reporting)

<sup>2</sup> for further discussion on the impact methodology, please see OP Corporate Bank's Green Bond Report published in Feb 2020 at <https://www.op.fi/op-financial-group/debt-investors/green-bonds>

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# Debt IR contacts



# Debt IR contacts



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ALM

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OP's Debt IR website available at [www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

See eg. OP Financial Group's and issuing entities' financial reports and other publications and watch the CFO's Q1-3/2020 Results Interview