



# OP Debt Investor Presentation H1/2021

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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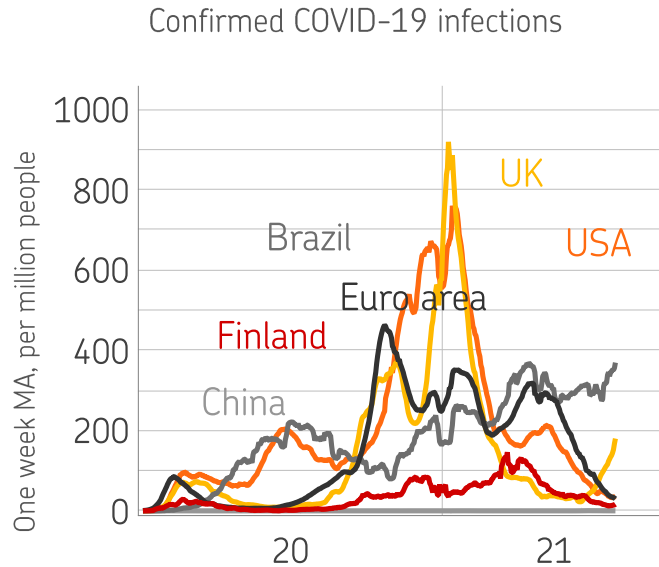
This presentation is targeted for debt investors interested in OP Financial Group. The aim of this presentation is to provide insights into the Finnish economy as well as OP Financial Group's financial performance and corporate responsibility actions.

For more information:  
[OP Financial Group's reports 2021](#)



# Outlook for the Finnish Economy

# In Finland coronavirus crisis has been subdued



Sources: Macrobond, WHO, OP

- Globally, Finland has fared well during the coronavirus crisis with some of the lowest reported rates by the end of June 2021 (95,000 cases and 972 deaths).
- By the end of June 2021, Finland had 17,100 cases per 1 mn population.
- In European comparison, Finnish economy did well in 2020 as the GDP contraction was milder than in most European countries.
- The vaccination pace will be a significant factor affecting the recovery of the whole economy. By the end of June, 58 % of Finnish population has received at least one dose of vaccine. 18 % are fully vaccinated.

Source: OECD, EC, THL

Updated: 28 June 2021

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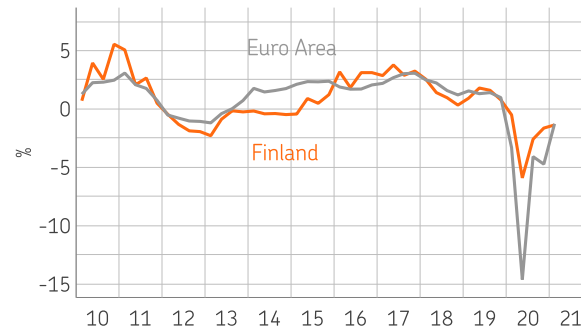
# Forecasts for the Finnish economy

Published on 12 May, 2021

	2019	2020	2021f	2022f
GDP volume, annual growth %				
Finland	1,3	-2,8	3,3	3,0
Euro area	1,3	-6,6	4,2	4,1
Unemployment rate, %				
Finland	6,7	7,7	7,6	7,0
Euro area	7,6	7,9	8,0	7,5
Current account balance, % of GDP				
Finland	-0,2	0,3	0,1	0,2
Euro area	2,3	2,3	2,6	2,8
General government net lending, % of GDP				
Finland	-0,9	-5,4	-4,1	-2,7
Euro area	-0,6	-7,6	-6,4	-4,7
General government debt, % of GDP				
Finland	59,5	69,2	70,8	70,5
Euro area	84,0	96,9	102,9	104,1
Inflation, %				
Finland	1,0	0,3	1,5	1,2
Euro area	1,2	0,3	1,6	1,1

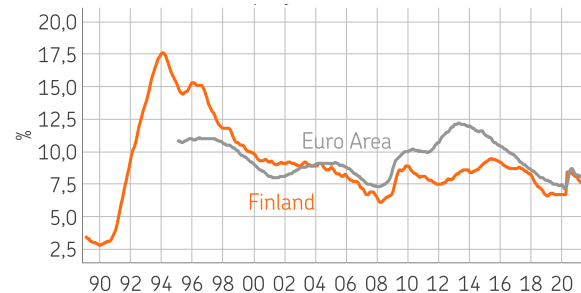
Sources: Statistics Finland, Eurostat, OP

GDP Annual Volume Change, %



Source: Macrobond, OP

Unemployment rate, %

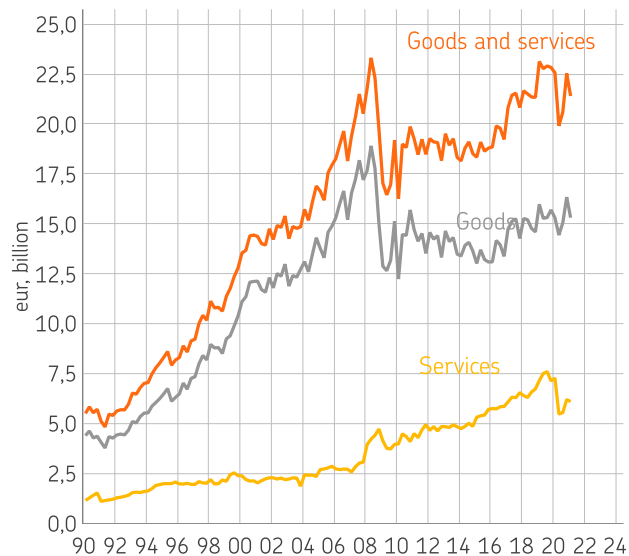


Source: Macrobond, Eurostat, StatFin, OP

# Foreign trade structure rather stable

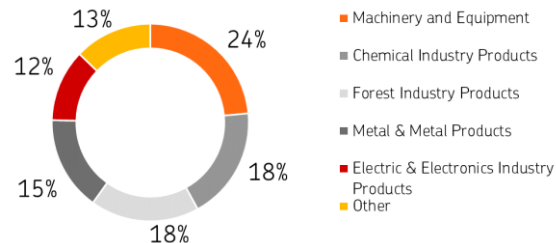
Finland is an exports-driven economy with around 40 % of GDP deriving from exports

Exports of goods and services, SA

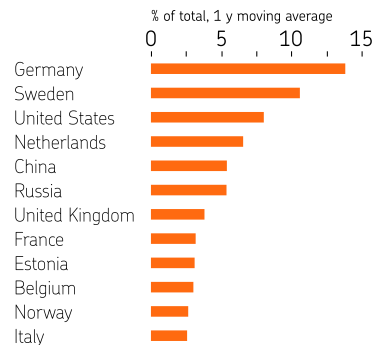


Source: Macrobond, OP

Exports by commodity group



Goods exports by country



Source: Macrobond, OP

# Finnish housing market is stable

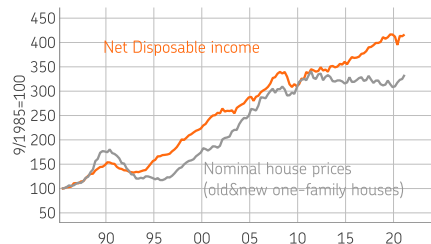
Coronavirus did not affect housing prices as much as expected

## Characteristics of the Finnish housing market

- Fully-amortizing housing market
- Average maturity of a new home loan 21.5 y
- 98% of home loans tied to variable interest rates
  - Stress-tested with 6% interest rate in 25 years' maturity at OP
- Home loan cap (LTC) was raised to 90% (95% for first-home-buyers) from 85% due to corona pandemic related support actions for housing market in June 2020
  - In October 2021 LTC will be restored to pre-pandemic level 85%

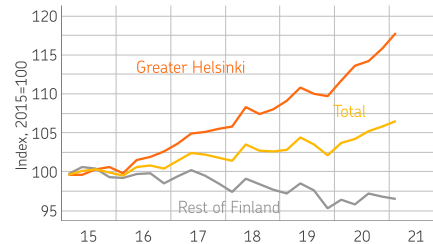
## Finland

Change in house prices and net income



Source: Macrobond, StatFin, OP

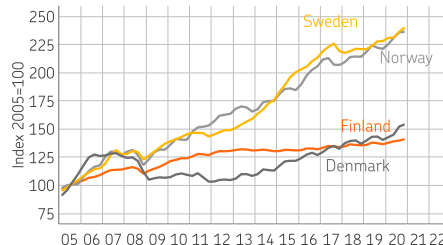
Real estate prices, old dwellings



Source: Macrobond, StatFin, OP

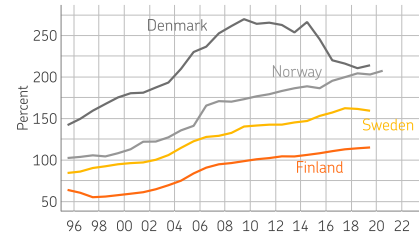
## Nordic countries

House prices



Source: Macrobond, Eurostat, OP

Gross Debt-to-Income Ratio

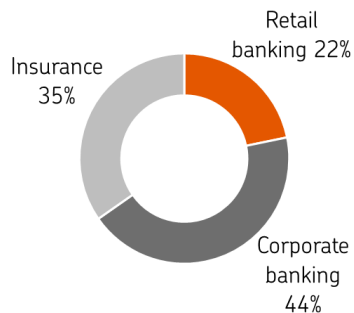


Source: Macrobond, Eurostat, OP



# OP Financial Group

# Co-operative OP Financial Group



€561 mn

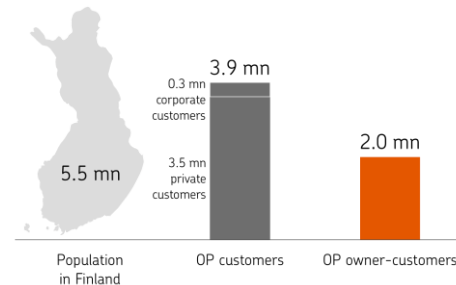
Group EBT in  
H1/2021

18.3%

CET1 ratio

€170 bn

Total assets



## Leading market shares

Loans	Deposits	Non-life Insurance	Life Insurance
35%	38%	33%	22%

## 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.

## High credit ratings

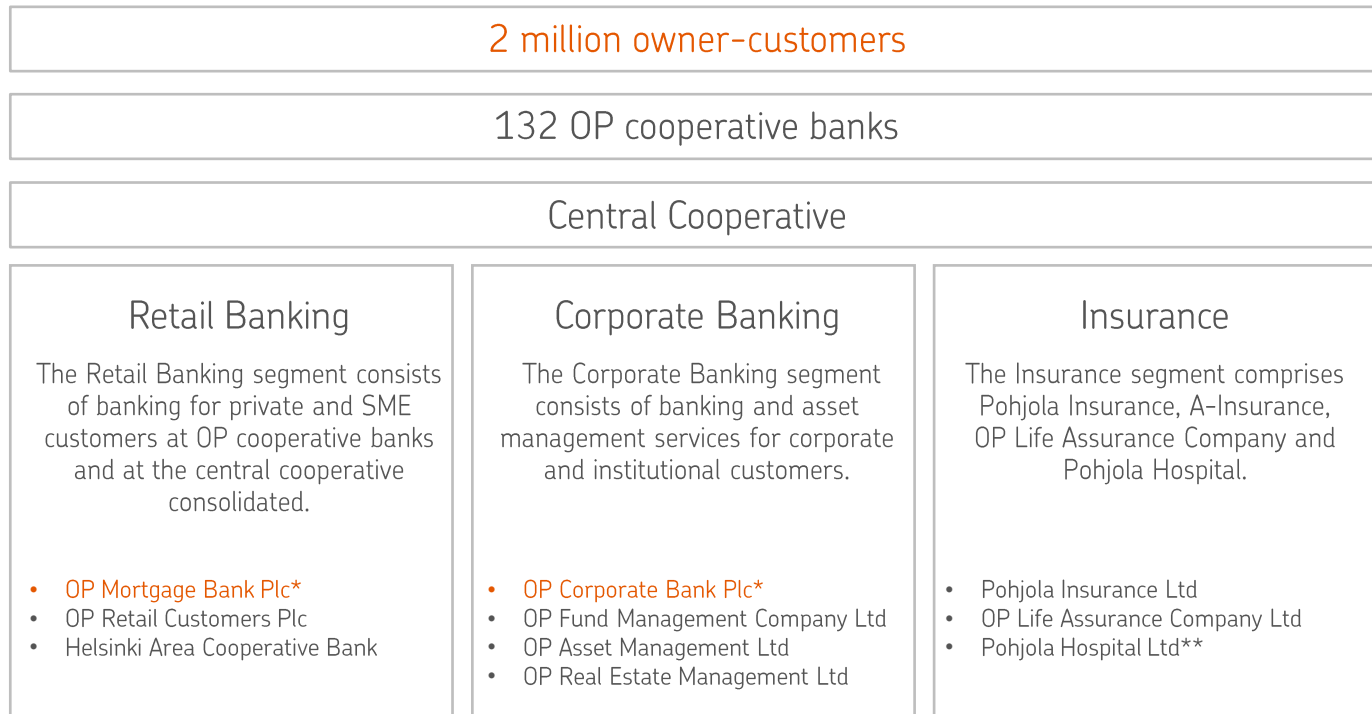
Moody's Aa3  
S&P AA-

OP Corporate  
Bank plc

Moody's Aaa  
S&P AAA

OP Mortgage  
Bank's covered  
bonds

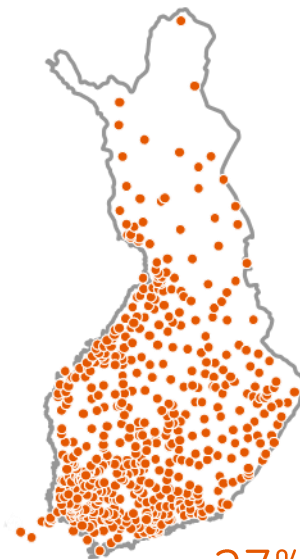
# OP Financial Group Structure



\*Issuing entity

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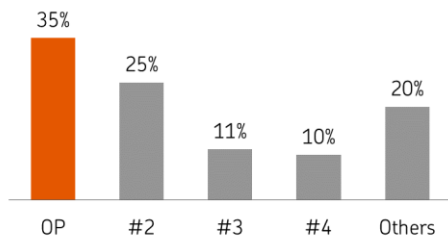
\*\*will be sold after the approval by the Finnish Competition and Consumer Authority



-27%  
number of  
cooperative banks  
since 2014

# OP is the leading financial group in Finland

## Loans



OP's market share in

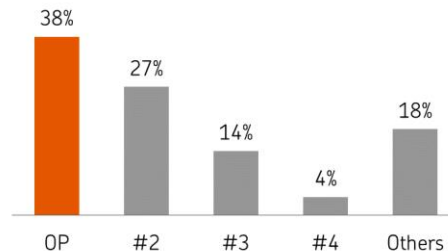
39%

Mortgages

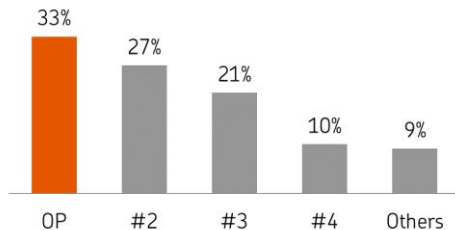
38%

Corporate loans

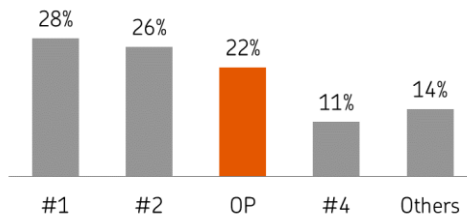
## Deposits



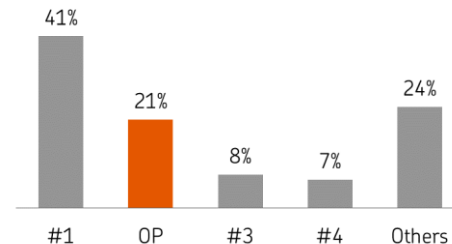
## Non-life insurance



## Life insurance



## Mutual funds



# OP's strategic priorities and long-term targets



More benefit for  
owner-customers



Best customer  
experience



Excellent employee  
experience



Faster growth in profits  
than in expenses



More efficient, higher  
quality operations

”

We aspire to be the leading  
and most appealing financial  
services group in Finland.

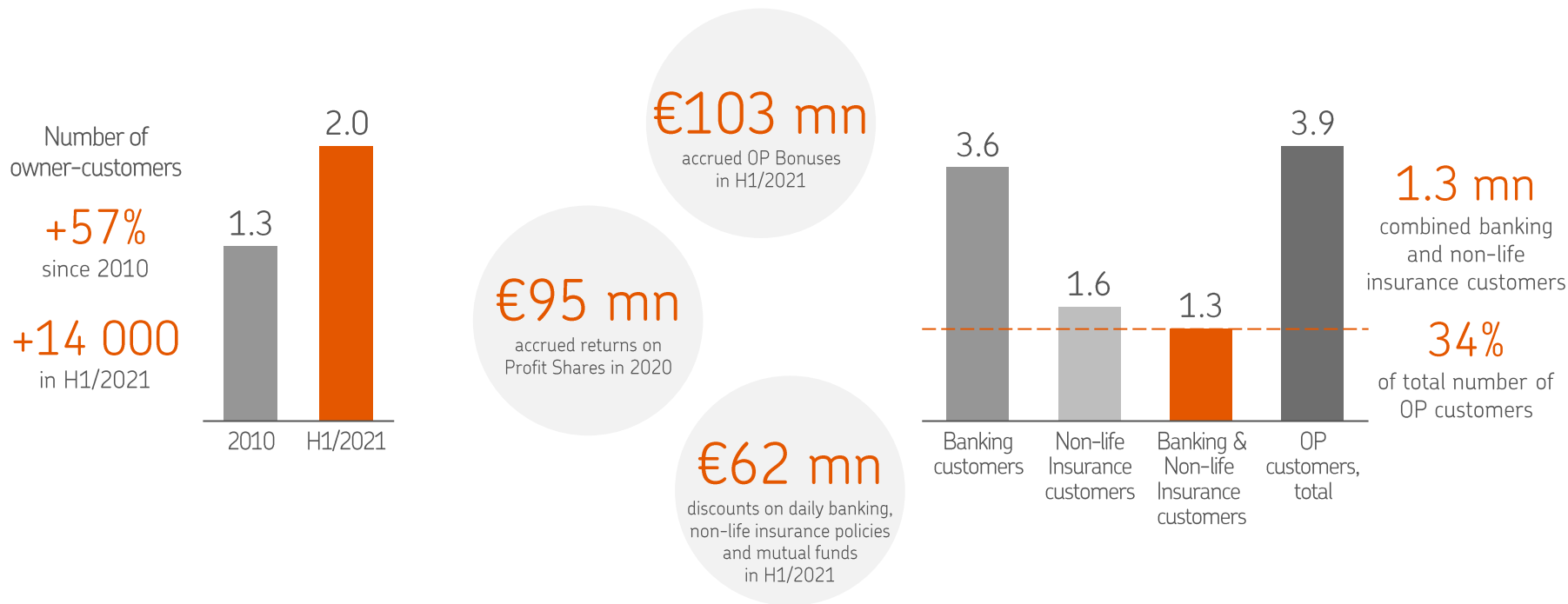
## OP Financial Group's strategic long-term targets

	30.6.2021	Target 2025
Return on equity (ROE) excluding OP bonuses, %	8.1	8.0
CET1 ratio, %	18.3	At least CET1 ratio requirement + 4 pps
Brand recommendations, NPS (Net Promoter Score, private and corporate customers)	21	30
Credit rating	AA-/Aa3	At least at the level of AA-/Aa3



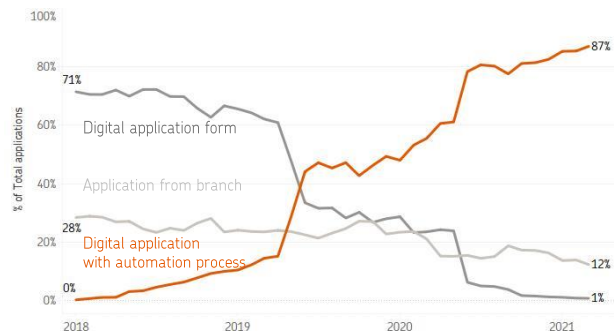
# More benefit for owner-customers

Successful cross-selling supported by attractive loyalty benefits



# Digital customer experience

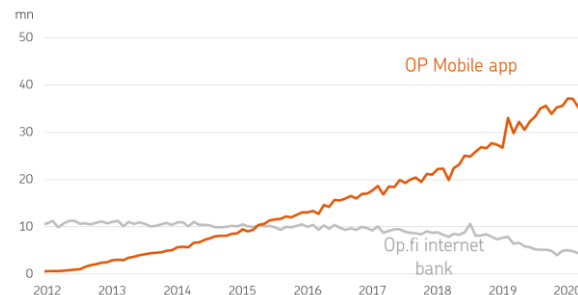
Banking and insurance services available on OP mobile app



**10 years**  
since OP Mobile was first released

**>99%**  
of OP's private customer service encounters occur in digital channels

**>70%**  
of customers classified as active users who login daily



## Key functionality areas:



### Daily banking

Transactions and money transfers

Account management, financial balance tools and salary data

Multi-Bank service

Card management and Apple Pay



### Loans and homes

Loan and mortgage applications

Information on existing loans and upcoming instalments

Security for loans with interest rate cap and payment protection insurance



### Savings and investments

Tools for trading shares and mutual funds

Watchlist, notifications for exchange rate alarms

OP Investment Partner as a new service



### Insurance

Buy and manage

View existing claims

Report a loss and get help in case of an emergency

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# Financial Performance

# Key financial figures

Group EBT	Total income	Total expenses	Total loans	Total deposits	Assets under management
€561 mn +96%	€1,777 mn +20%	€991 mn 0%	€95 bn +1%	€74 bn +4%	€97 bn +9%
Retail banking EBT €138 mn (+390%)	NII €641 mn (-1%)	Personnel costs €460 mn (+11%)	Home loans €41 bn (+2%)		
Corporate banking EBT €276 mn (+167%)	Net insurance income €326 mn (+11%)	Development cost impact €90 mn (-10%)	Corporate loans €23 bn (+1%)		
Insurance EBT €220 mn (+70%)	Net commissions and fees €512 mn (+12%)		Housing company loans €10 bn (-1%)		
Other operations EBT €-51 mn (-220%)	Net investment income €255 mn				

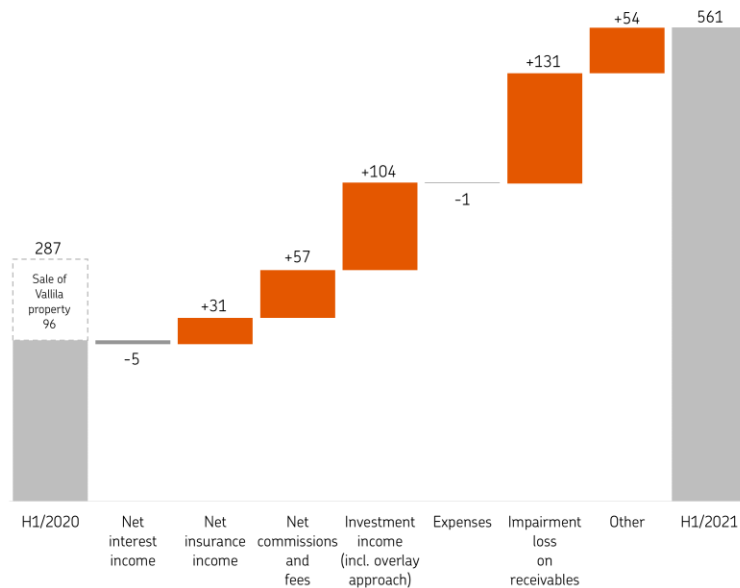
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OP Financial Group's EBT for 2021 is expected to be at the same level or higher than in 2020.

# Financial performance

	H1/21	H1/20	Change %
<b>Income</b>			
Net interest income	641	646	-1%
Net insurance income	326	295	11%
Net commissions and fees	512	455	12%
Net investment income	255	-28	
Other operating income	43	112	-62%
<b>Total income</b>	<b>1,777</b>	<b>1,481</b>	<b>20%</b>
<b>Expenses</b>			
Personnel costs	460	415	11%
Depreciation and impairment loss	128	129	0%
Other operating expenses	403	449	-10%
<b>Total expenses</b>	<b>991</b>	<b>993</b>	<b>0%</b>
Impairment loss on receivables	-35	-166	
Overlay approach	-91	89	-202%
OP bonuses to owner-customers	-98	-124	
<b>Earnings before tax</b>	<b>561</b>	<b>287</b>	<b>96%</b>

EBT year on year change by P&L line item, € mn

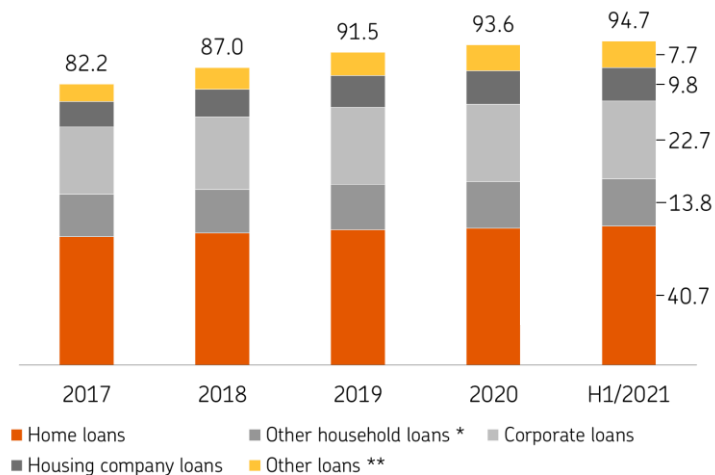




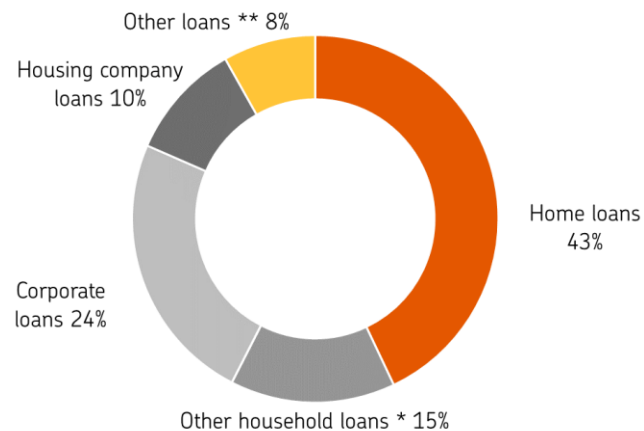
# Loan Book Overview and Asset Quality

# Loan portfolio

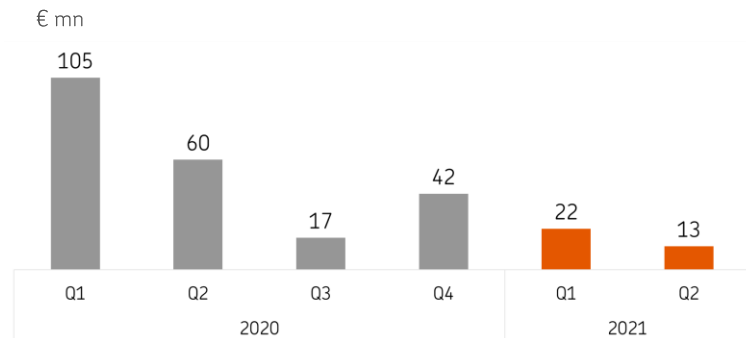
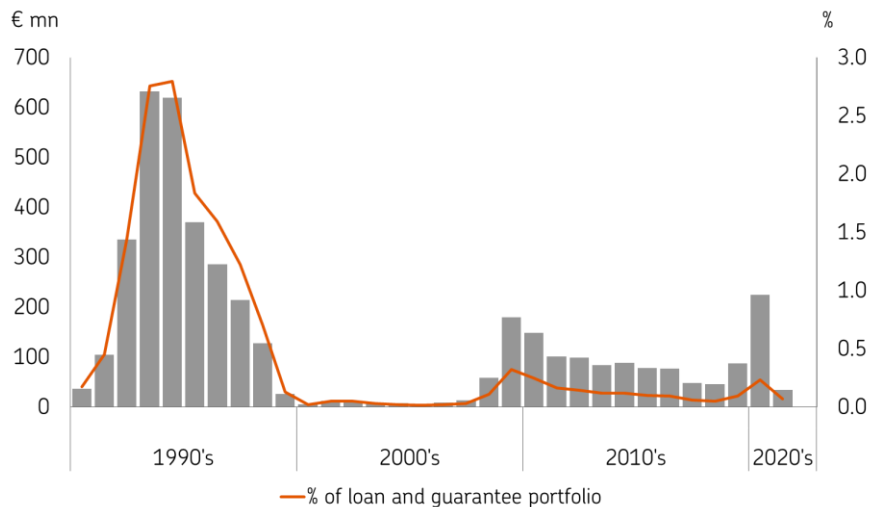
By product group, € bn



Breakdown, %



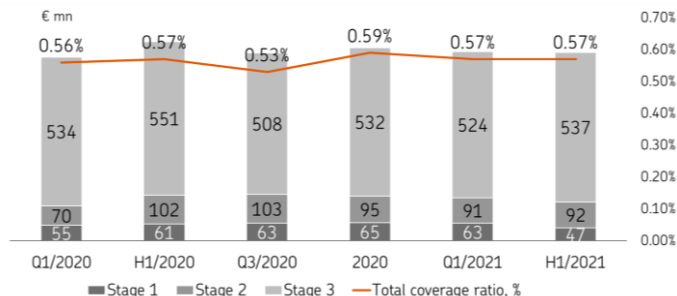
# Impairment loss on receivables



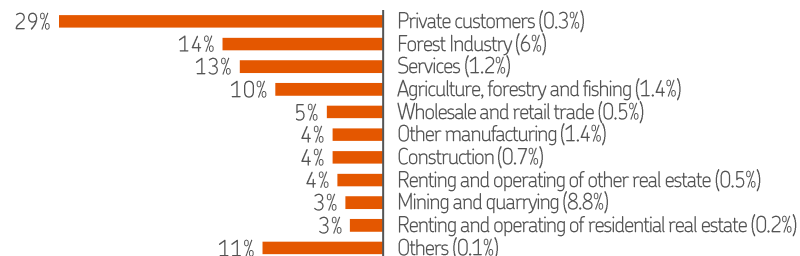
€ mn	H1/2021	H1/2020
Receivables written down	56	30
Recoveries of receivables written down	-5	-4
ECL on receivables from customers	-16	140
ECL on notes and bonds	0	-1
Total impairment losses on receivables	35	166
% of loan and guarantee portfolio	0.07%	0.34%

# Credit quality and ECL

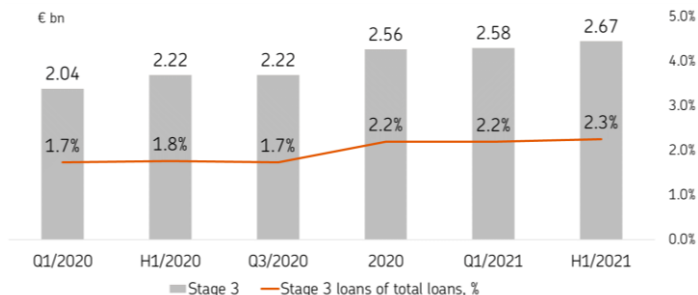
ECL allowance on receivables from customers by stage



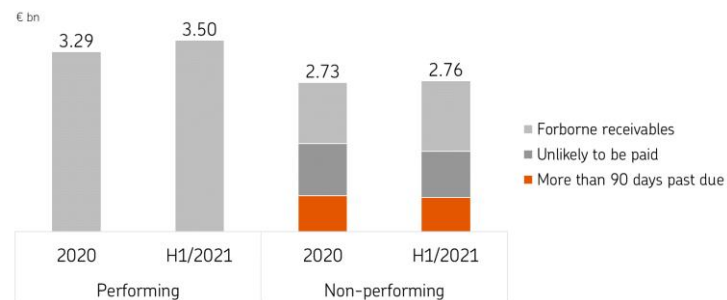
Breakdown of total ECL allowance by sector (share of gross exposure)



Stage 3 loans

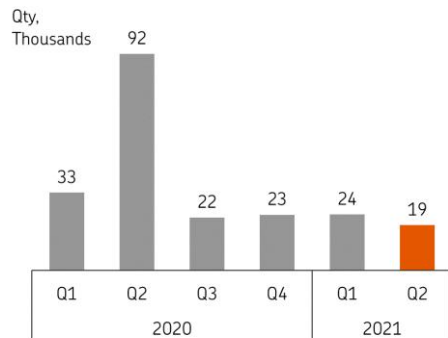


Doubtful receivables 5.5% of loan and guarantee portfolio



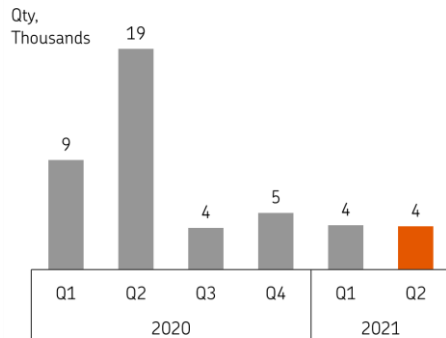
# Loan modifications at pre-pandemic level

Private customers' repayment holidays



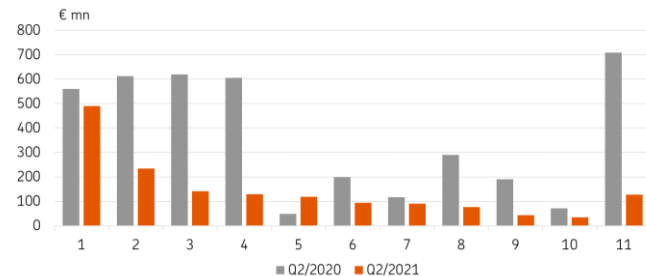
- Repayment holidays granted in Q2/2021 correspond to loan amount of **€1.3 bn** (€6.3 bn in Q2/2020).
- Repayment holidays in effect correspond to loan amount of **€2.8 bn** (€5.0 bn at YE2020).

Corporate customers' loan modifications and repayment holidays



- Repayment holidays and loan modifications granted in Q2/2021 correspond to loan amount of **€1.6 bn** (€4.1 bn in Q2/2020).
- Repayment holidays in effect correspond to loan amount of **€1.1 bn** (€1.3 bn at YE2020).

Corporate customers' loan modifications and repayment holidays by main sector



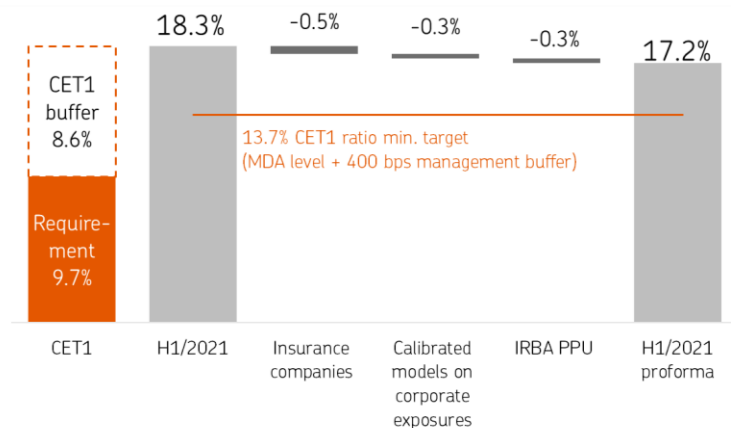
No.	Industry	Total sector exposure, %
1	Renting and operating of residential real estate	5
2	Renting and operating of other real estate	4
3	Services	2
4	Agriculture, forestry and fishing	7
5	Energy	3
6	Construction	2
7	Financial and insurance activities	2
8	Wholesale and retail trade	1
9	Transportation and storage	2
10	Other manufacturing	10
11	Others	1



# Capital Position

# Strong capital position

Future changes\* impacting the CET1 ratio



During Q3-Q4: simplified approach in the measurement of insurance companies' risk weights  
In Q3: adopting calibrated models on corporate exposures

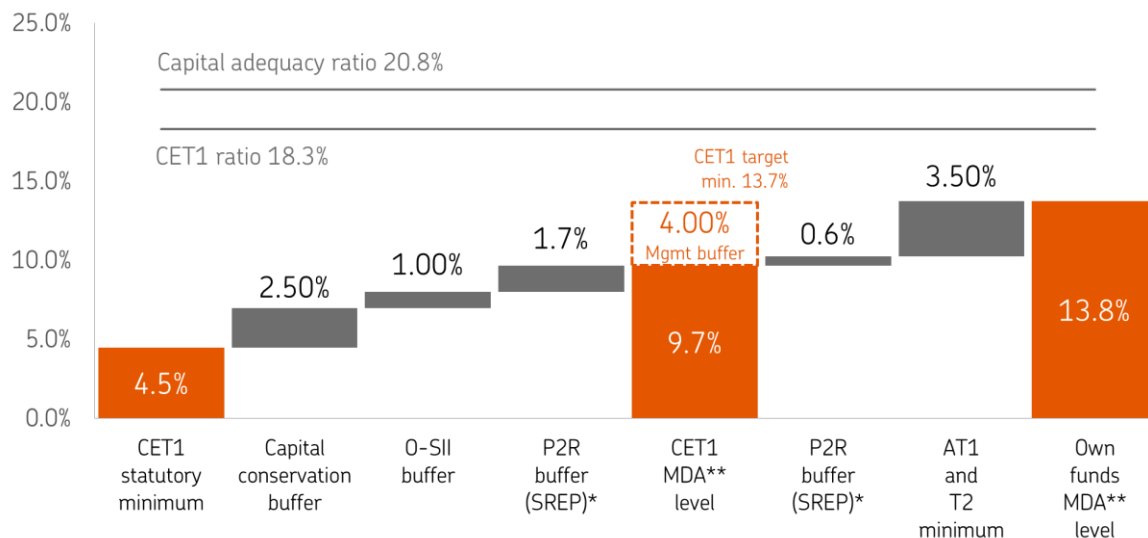
The final implementation schedule for Internal Ratings-Based Approach will be specified later

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

REA €62.8 bn (59.7)

- In Apr 2019, ECB's decision on increases in the risk weight of mortgage-backed retail exposures (TRIM) – valid until qualitative requirements met.
- In Feb 2020, ECB's decision on new DoD incl. risk weighting factors for corporate and retail exposures – valid until qualitative requirements met.
- In Dec 2020, ECB's decision on increases in the risk weights of retail exposures. This decision overruled the former decision from Feb 2017.
- In Mar 2021, ECB's decision on increase in the risk parameter of corporate exposures (Corporate TRIM) – valid until qualitative requirements met.

# Capital requirements



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

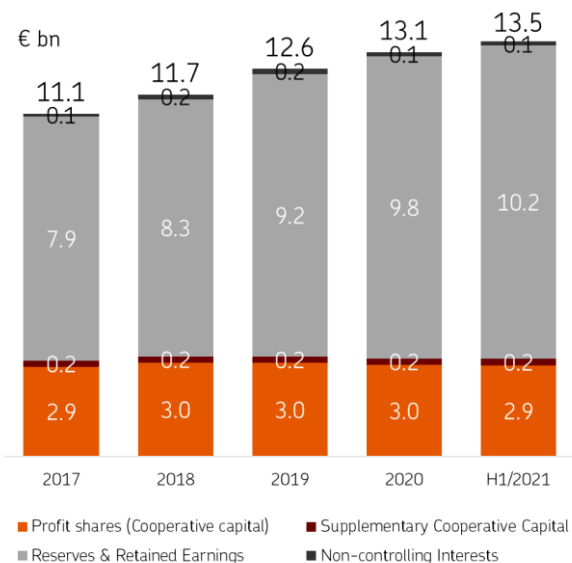
The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%.

The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1% and the ECB's P2R requirement increase in practice the minimum capital adequacy ratio to 13.8% and the CET1 ratio to 9.7%.

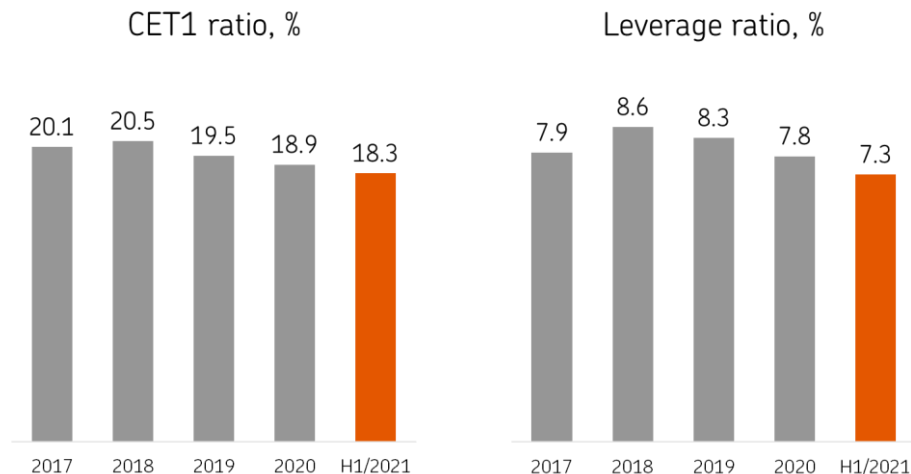
The capital buffer requirement (P2R) set by the ECB is 2.25% as of January 2020.

# Good track record of capital generation

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

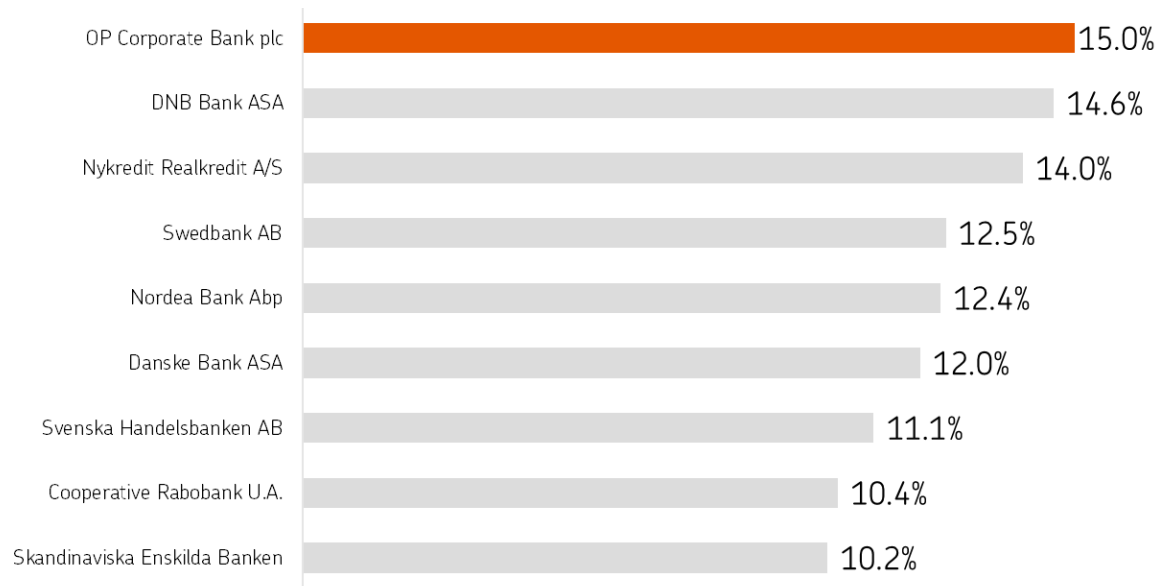


Earnings and profit shares contribute to CET1 and leverage ratio



# S&P RAC ratio comparison

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



In comparison to  
50 largest  
European banks,  
OP ranks as 4th

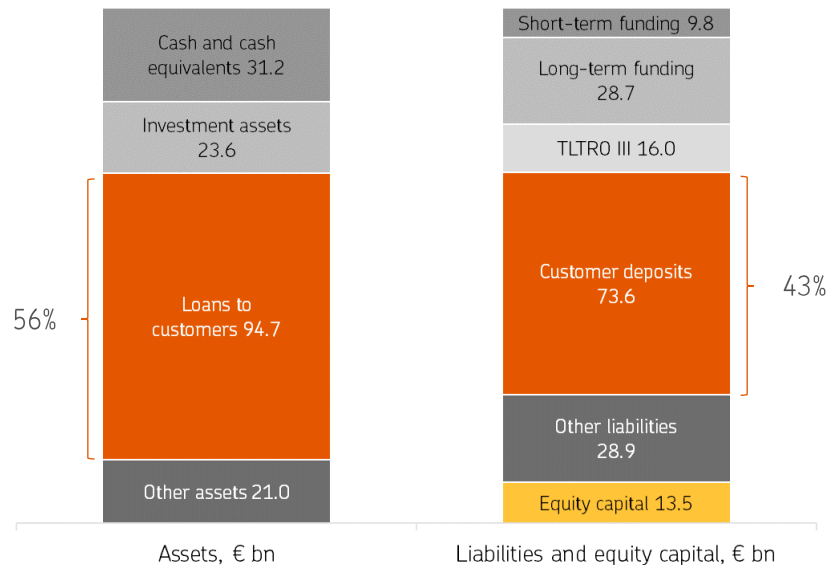
Source: Standard & Poor's, COVID-19 Puts The Brakes On Capital Strengthening For The 50 Largest European Banks, October 14, 2020



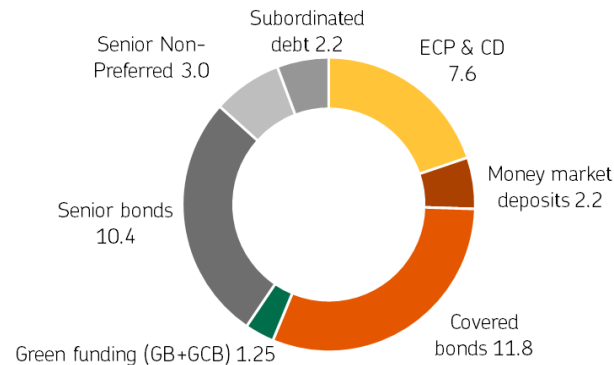
# Liquidity and Funding

# Balance sheet totaled €170 bn in H1/2021

Market-based funding 23%



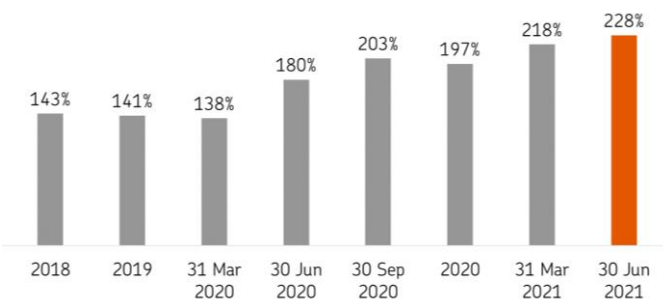
Long-term and short-term funding, € bn



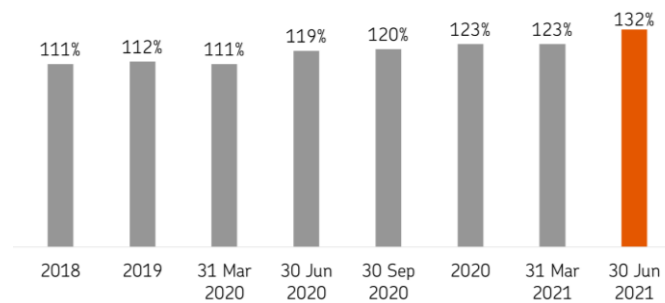
Deposits within the scope of deposit guarantee €42.6 bn. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

# Stable funding and liquidity position

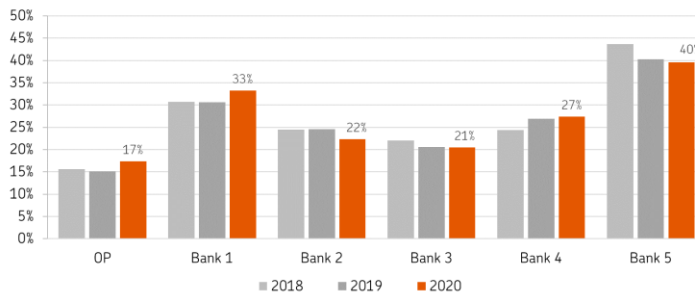
Liquidity coverage ratio (LCR)



Net stable funding ratio (NSFR)



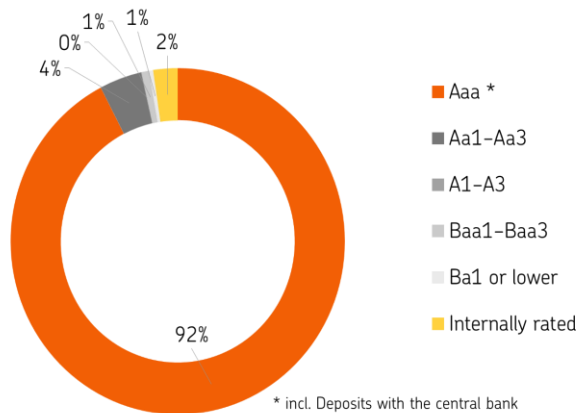
Asset encumbrance



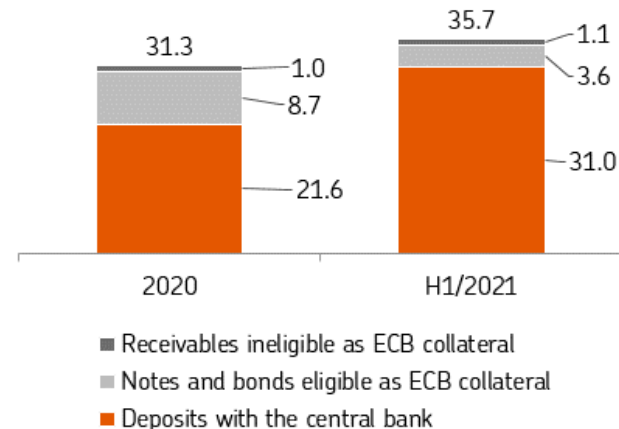
OP has the lowest asset encumbrance ratio in Nordic comparison

# Liquidity buffer €35.7 bn

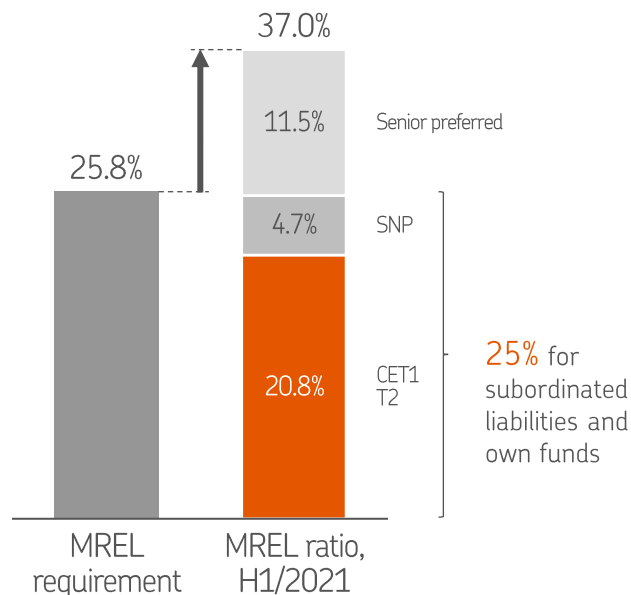
By credit rating, € bn



Breakdown, € bn



# MREL requirement



## Regulation timeline



- The updated MREL requirement is **25.8%** of the total risk exposure amount and **10.12%** of the leverage ratio exposure amount.
- The subordination requirement supplementing the MREL will account for **22%** of the total risk exposure amount and for **10.11%** of the leverage ratio exposure amount.
- The subordination requirement will account for **24%** of the total risk exposure amount and for **10.12%** of the leverage ratio exposure amount.

The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

# Recent benchmark issues

Issued long-term bonds €2.7 bn in H1/2021

Issuer	Year	Month	Type	Amount	Maturity
OP Corporate Bank	2021	June	Senior Non-Preferred	€500 mn	7 yrs
OP Mortgage Bank	2021	March	Green Covered Bond	€750 mn	10 yrs
OP Corporate Bank	2021	March	Senior Non-Preferred	€500 mn €300 mn	5 yrs 10 yrs
OP Mortgage Bank	2020	November	Covered Bond	€1.25 bn	10 yrs
OP Corporate Bank	2020	November	Senior Preferred	€1 bn	7 yrs
OP Corporate Bank	2020	June-July	Senior Preferred	€1 bn	4 yrs
OP Corporate Bank	2020	June	Tier 2	€1 bn	10 yrs (10 non-call 5)
OP Corporate Bank	2020	June	Tier 2	SEK3.25 bn	10 yrs (10 non-call 5)
OP Corporate Bank	2020	May	Senior Preferred	€1 bn	5.25 yrs
OP Mortgage Bank	2020	January	Covered Bond	€1 bn	8.25 yrs
OP Corporate Bank	2020	January	Senior Non-Preferred	€500 mn	7 yrs



# Funding based on strong credit ratings

## OP Corporate Bank Plc

Aa3

Moody's

AA-

S&P

- Moody's affirmed Aa3 rating with stable outlook in July 2021
- Uplifts from Loss-Given-Failure (+2 notches) and Government Support (+1 notch)
- S&P affirmed AA- rating and changed outlook from negative to stable in January 2021
- Uplifts from Business Position (+1 notch), Capital and Earnings (+2 notches) and ALAC Support (+1 notch)

## OP Mortgage Bank's covered bonds

Aaa

Moody's

AAA

S&P

- Moody's affirmed Aaa rating with stable outlook in July 2021
- TPI (Timely Payment Indicator) Leeway 5 notches
- S&P affirmed AAA rating with stable outlook in October 2020
- 3 unused notches of jurisdictional support, 2 unused notches of collateral-based uplift

## Pohjola Insurance Ltd\*

A2

Moody's

A+

S&P

- Moody's upgraded rating to A2 with stable outlook in January 2019
- S&P affirmed A+ rating and changed outlook from negative to stable in January 2021

\* Insurance financial strength rating

# OP as a Responsible Actor in the Finnish Society

# OP has ambitious climate targets

EU aims for climate neutrality\* by 2050

Finland aims for carbon neutrality\*\* by 2035



## 2025 OP aims for carbon neutrality

Zero emissions from the energy and fuels that OP uses (Scope 1 and 2) and also helping customers reduce their emissions. Emissions from OP's own operations have fallen by approximately 49% from 2011.



\*Includes all GHGs; water vapour (H<sub>2</sub>O), carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>) and ozone (O<sub>3</sub>) being the primary ones in the Earth's atmosphere

\*\*Includes CO<sub>2</sub> emissions

Sources: the Ministry of the Environment [http://www.ym.fi/en-US/The\\_environment/Climate\\_and\\_air/Mitigation\\_of\\_climate\\_change/National\\_climate\\_policy](http://www.ym.fi/en-US/The_environment/Climate_and_air/Mitigation_of_climate_change/National_climate_policy) Finland's Integrated Energy And Climate Plan

<http://julkaisut.valtioneuvosto.fi/handle/10024/161977>

European Commission: [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en)

# OP's Corporate Responsibility Programme



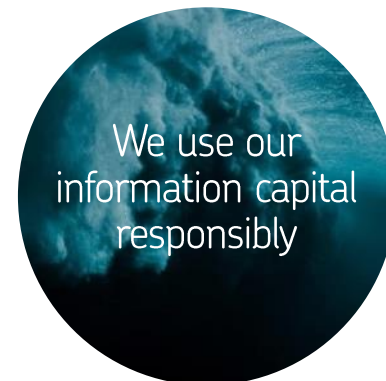
We promote the management of personal finances and prosperity in all age groups.



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

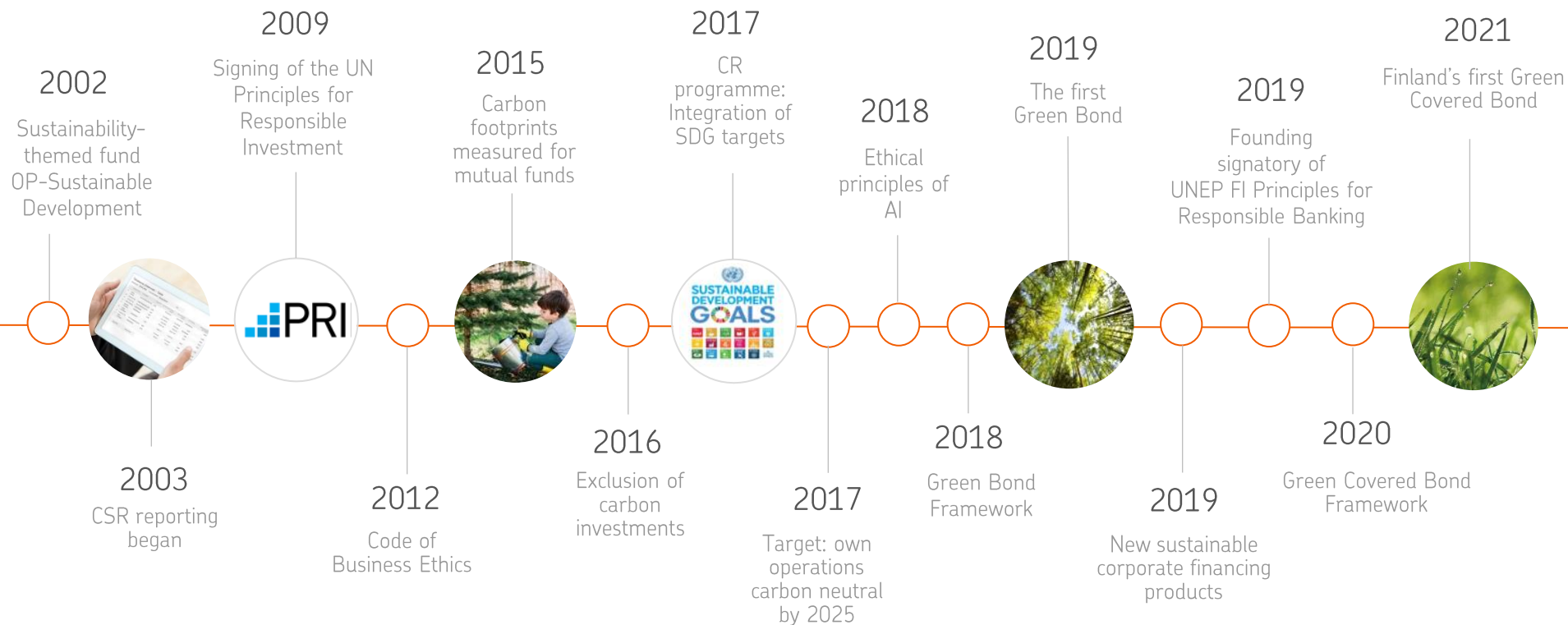


We create jobs, promote physical activity, provide security and help build wellbeing in Finland. We promote local economic vitality.



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 journey





# OP is highly committed to Corporate Responsibility

## International ESG commitments



PRINCIPLES FOR  
RESPONSIBLE  
BANKING

UN Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Banking – signed in 2019

Commitment to align portfolios to reflect and finance low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius, in accordance with the Paris Agreement

Collective Commitment to Climate Action – signed in 2019

Commitment to monitor lending in accordance with the principles on sustainable and low-carbon economy, stated in Paris Agreement



Equator Principles – signed in 2016

Project financing that manages risks related to environmental issues and social responsibility



Montréal Carbon Pledge – signed in 2015

Measuring the carbon footprint of funds and complying with CDP's climate change, water and deforestation initiatives

WE SUPPORT



UN Global Compact initiative – signed in 2011

10 principles on human rights, labour standards, environment and anti-corruption



Principles for Responsible Investment (PRI) – signed in 2009 Commitment by OP Asset Management Ltd, OP Fund Management Company Ltd and OP Real Estate Asset Management Ltd



OECD Guidelines for Multinational Enterprises

Incl. voluntary CR principles and standards

## ESG participation & cooperation


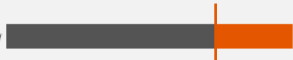








- Finland's Sustainable Investment Forum (FINSIF)
- Global Compact Nordic Network
- International Capital Markets Association's (ICMA) Green and Social Bond Principles
- Partnership agreement with Climate Bonds Initiative (CBI)
- CR network of the Finnish Business & Society association (FIBS)
- OP Asset Management Ltd: official supporter of The Task Force on Climate-related Financial Disclosures (TCFD)
- WWF's Green Office





# ESG Ratings

OP is among the top performers in the banking sector

Rating agency	Rating	Rating scale	OP's performance relative to the industry
<b>MSCI</b> 	AA	CCC to AAA	low  high
 <b>SUSTAINALYTICS</b>	17.2 (low risk)	100 to 0 (severe to negligible risk)	low  high
<b>ISS ESG</b> 	C-	D- to A+	low  high
 <b>CDP</b> <small>DISCLOSURE INSIGHT ACTION</small>	A-	D- to A	low  high
 <b>vigeo eiris</b>	58	0 to 100	low  high

# Green Bonds

# Green bonds support OP's mission

## Responsibility

- Strengthening OP's responsible role in the Finnish society
- Promoting one of the 4 key themes and commitments of OP's CR programme – Fostering sustainable economy

## Funding

- Diversifying the funding sources
- Expanding the investor base
- Responding to markets' green bond demand

## Retail banking

- Conducting business in a responsible manner: understanding customers' ESG risks better, while integrating sustainable policies into lending
- Enabling the continuity and growth of Finnish companies' sustainable business
- Providing customers with services that enable sustainable choices

”

Our mission is to promote the sustainable prosperity, security and wellbeing of our owner-customers and operating region, and this is embedded into everything we do.

## OP's values



People First



Responsibility



Succeeding  
Together

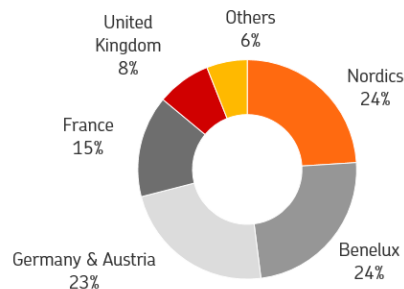
# OP Corporate Bank entered the green bond market

in February 2019

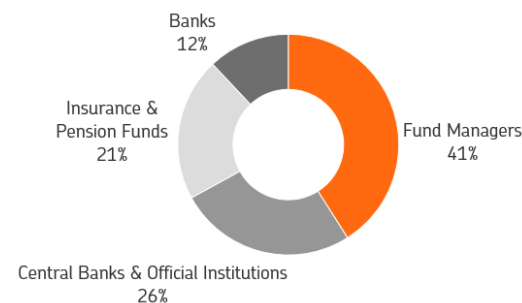
Issuer	OP Corporate Bank plc
Issuer ratings	Aa3 (Stable) by Moody's / AA- (Stable) by S&P
ISIN	XS1956022716
EMTN series number	230
Nominal amount	EUR 500 million
Issue type	Senior unsecured fixed rate notes (Senior Preferred, Green Bond)
Use of Proceeds	Green eligible projects and businesses under the OP Financial Group Green Bond Framework  Renewable energy, green buildings, sustainable land use
Pricing date	19 Feb 2019
Issue date	26 Feb 2019 (T+5)
Maturity date	26 Feb 2024
Coupon (annual)	0.375%
Listing	Euronext Dublin
Second Party Opinion	Sustainalytics

- Compliant with the ICMA Green Bond Principles
- The first green transaction was successful: €500 mn bond was over-subscribed by 4 times, final orderbook €2.1 bn and around 100 investor accounts involved

Investors by geography



Investors by type



# Green Bond Framework published in 2018



- 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 Corporate Bank's Green Bond Report highlights



## Green Bond overview

- OP Corporate Bank issued its inaugural €500 million green bond in Feb 2019
- The most recent Green Bond report was published in April 2021
- Proceeds allocated to Renewable Energy, Green Buildings and Sustainable Land Use<sup>1</sup>
- As of end-December 2020, the Green Bond register included eligible assets worth €1,335.5 million (reserve of *unallocated* green assets €835.5 million)<sup>1</sup>

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



### Renewable Energy

- 199 600 tCO2e avoided
- 710.3 GWh of energy generated
- 390.5 MW of energy capacity installed and 14.1 MW currently under construction



### Green Buildings

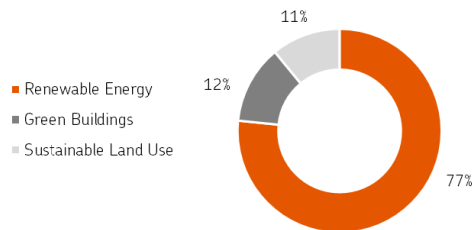
- 20 000 m<sup>2</sup> of green certified building area and 3 770 m<sup>2</sup> currently under construction
- 2 300 tCO2e avoided due to reduced energy consumption



### Sustainable Land Use

- 48 298 of certified forests
- 142 500 tCO2e in carbon sinks

## Assets included in the Green Bond register by eligible sector



## Most relevant UN SDGs:



<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 information on the impact methodology, please see OP Corporate Bank's Green Bond Report published in April 2021 at <https://www.op.fi/op-financial-group/debt-investors/green-bonds>



# OPMB entered the Green Covered Bond market

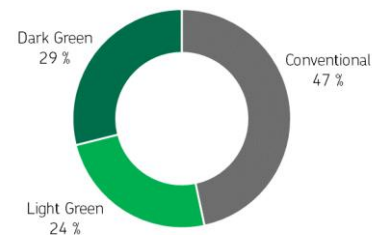
in March 2021

Issuer	OP Mortgage Bank
Issuer ratings	Aaa (stable) by Moody's, AAA (stable) by S&P
ISIN	XS2324321368
EMTCN series number	26
Nominal amount	EUR 750 million
Issue type	Covered Bond (under the OPMB Green Covered Bond Framework)
Use of Proceeds	Green buildings
Pricing date	18.3.2021
Issue date	25.3.2021
Maturity date	25.3.2031
Coupon (annual)	0.05%
Listing	Euronext Dublin
Second Party Opinion	Sustainalytics

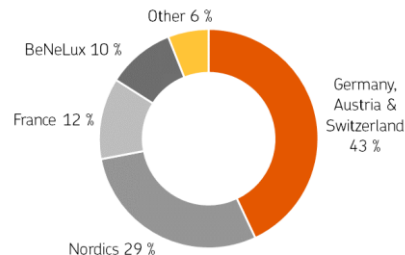
## Successful transaction

The €750 mn bond was over-subscribed by more than **twice**.  
 > 50 investor accounts were involved.

## Green distribution (allocation)



## Investors by geography

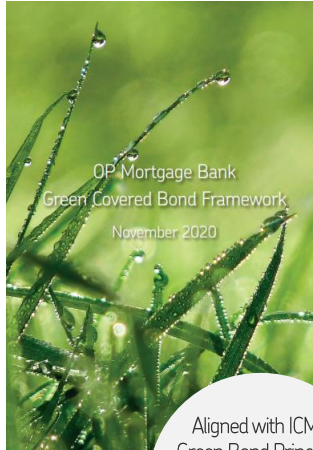


## Investors by type



# Green Covered Bond Framework

published in 2020



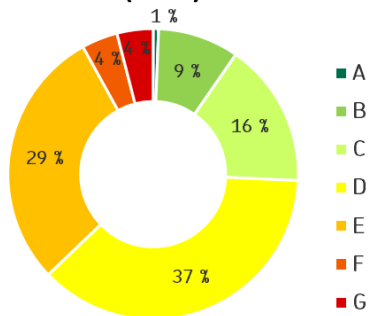
Aligned with ICMA Green Bond Principles and complies with the EU Green Bond Standard on a best effort basis

Use of Proceeds	Project evaluation and selection	Management of proceeds	Reporting: Annual Green Covered Bond Report	External review & verification
<ul style="list-style-type: none"> <li>Eligible sector: Green buildings</li> <li>Criteria: EU Taxonomy's construction and real estate activities criteria and CBI residential buildings criteria</li> </ul>	<ul style="list-style-type: none"> <li>To identify eligible mortgages, data from various sources is utilized (e.g. ARA)</li> <li>The energy performance certificates (EPCs) are used to assess eligibility</li> <li>If EPCs are not available, the secondary approach is energy efficiency statistical modelling</li> </ul>	<ul style="list-style-type: none"> <li>Cover pool is reviewed as a part of the pooling process on a regular basis</li> <li>Quarterly internal reporting to Green Bond Committee</li> </ul>	<ul style="list-style-type: none"> <li>Amount of proceeds allocated to green covered bonds</li> <li>Origination timeframe and maturity profile of mortgages</li> <li>Number of eligible mortgages</li> <li>Estimated environmental impacts of the mortgages</li> </ul>	<ul style="list-style-type: none"> <li>Second Party Opinion by Sustainalytics</li> <li>Limited assurance report by an external auditor</li> </ul>

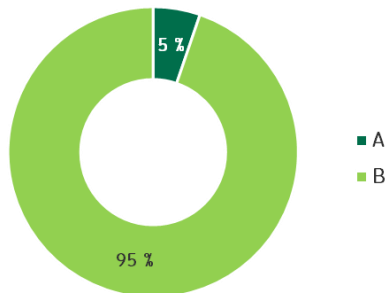
# Eligible green mortgages amount to €2.1 bn

March 2021

Energy label breakdown\*, Finland (2020)



Estimated energy label breakdown\*, eligible green mortgages

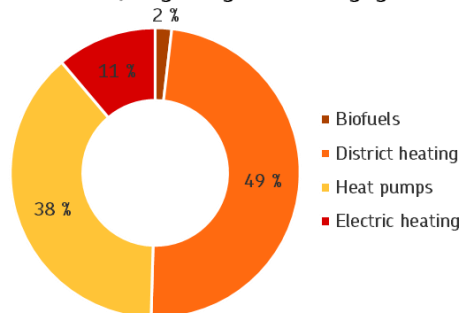


- EPCs A and B amount to approximately 10% in Finland

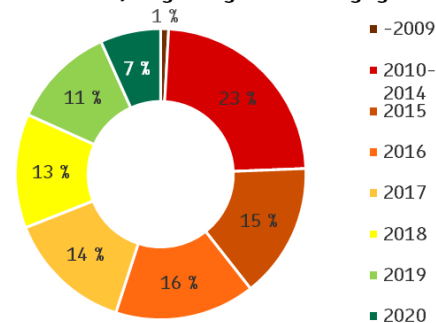
- Estimation is based on OP mortgages that have EPCs available

\*presented as equivalent to 2018 Finnish EPC legislation

Estimated main heating source breakdown, eligible green mortgages



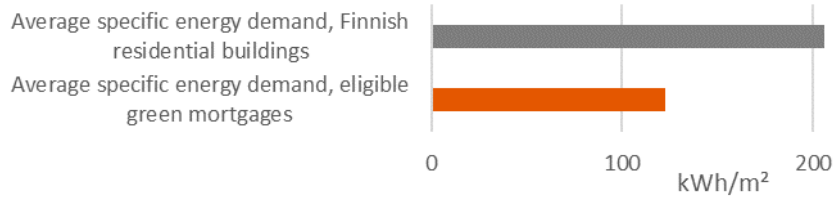
Estimated construction year breakdown, eligible green mortgages



In Finland, 85% of electricity production was CO<sub>2</sub>-neutral and 54% of district heating was produced from renewable energy sources and waste heat in 2020.

Source: Finnish Energy (ET)

# Impact metrics estimates



- Preliminary estimate for energy savings of eligible green mortgages: **65 000 MWh/a**
- Preliminary estimate for emission savings of eligible green mortgages: **14 500 tCO<sub>2</sub>/a**

## METHODOLOGY AND ASSUMPTIONS

- Preliminary estimates for collateral(s)' specific energy demand are calculated from EPCs (if available for a collateral) and modeled for the rest of the collateral(s) (given data availability)
- Specific energy demand for an average residential building in Finland is calculated based on data from Statistics Finland
- In emission calculations all savings in energy demand are assumed to derive from heating
- Specific emissions used in estimates:
  - Electricity (marginal): 315 gCO<sub>2</sub>/kWh, Source: [NPSI Position Paper on Green Bonds Impact Reporting, 2020](#)
  - District heating: 154 gCO<sub>2</sub>/kWh as of March 2021. Source: [Motiva](#) (in Finnish)
- Specific (marginal) emissions from heating for an average residential building in Finland (based on the main heating source distribution published by Statistics Finland): 189 gCO<sub>2</sub>/kWh
- The share of impacts of green collateral(s) allocated to eligible green mortgages is calculated as follows: loan balance divided by the value of green collateral(s) as of the reporting day
- The methodology will be further developed for the Green Covered Bond Report which will be published within a year from the date of issuance

# OP Mortgage Bank Cover Asset Pool Characteristics

# OP Mortgage Bank (OPMB)

- 100% owned subsidiary of OP Cooperative
- Covered bond issuing entity of OP Financial Group
- Special-purpose bank and a funding vehicle for the OP member cooperative banks
- EMTCN programme of €20 bn qualifies for the ECBC Covered Bond Label

## Joint liability

OPMB fully benefits from the joint liability among OP Cooperative and the member credit institutions, based on the Act on the Amalgamation of Deposit Banks. However, since assets in OPMB's Cover Asset Pool are ring-fenced, the noteholders have the right to receive what is due to them before all other creditors

## Covered bond ratings

Moody's  
**Aaa**

S&P  
**AAA**

## Harmonised transparency template

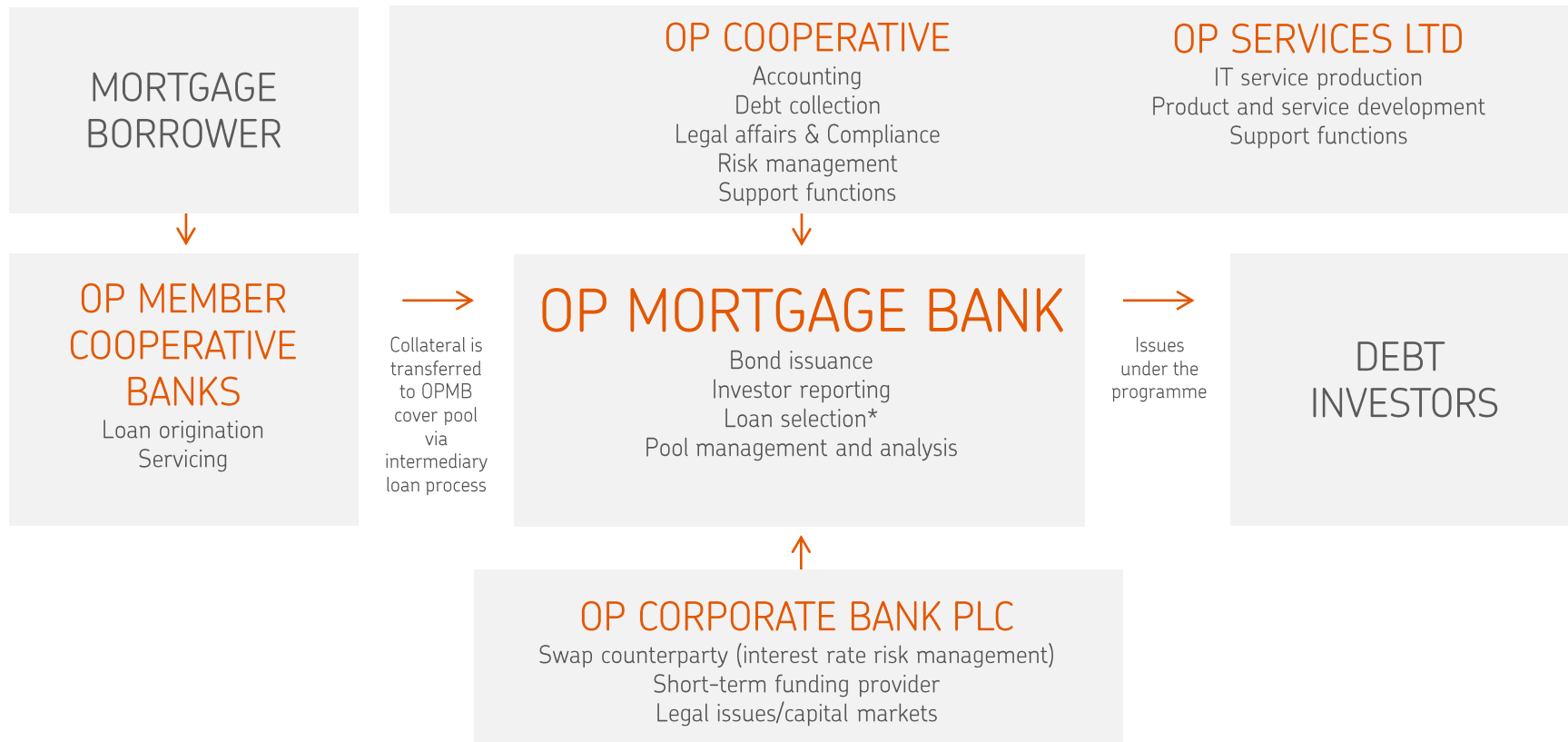


<https://www.op.fi/op-financial-group/debt-investors/issuers/op-mortgage-bank/cover-asset-pool>

<https://www.coveredbondlabel.com/issuer/6/>



# Operating model and roles



# OPMB Cover Asset Pool

Collateralized by Finnish mortgages

€16 bn	€13 bn	17%
Current balance	Total amount of covered bonds, out of which 0.75 billion is green	Over-collateralisation
€56,000	>98%	49%
Average loan size	Tied to variable interest	Weighted Average indexed LTV

## Geographical distribution

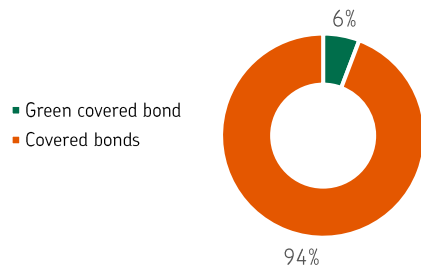
- |   |  |                       |
|---|--|-----------------------|
| 1 | Southern Finland<br>Helsinki                     | 47%<br>19%*           |
| 2 | Western Finland<br>Tampere<br>Turku<br>Jyväskylä | 34%<br>7%<br>5%<br>4% |
| 3 | Eastern Finland                                  | 8%                    |
| 4 | Oulu region<br>Oulu                              | 9%<br>6%              |
| 5 | Lapland  | 2%                    |



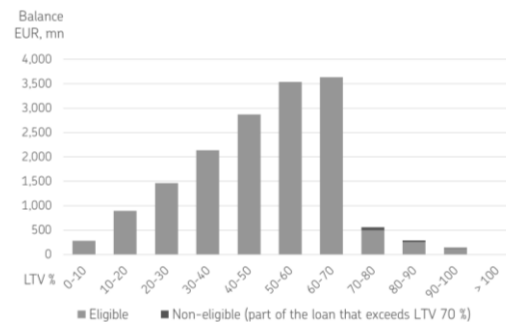
\*City-specific figures are percentages of the whole of Finland

# OPMB Cover Asset Pool

## Share of green covered bonds



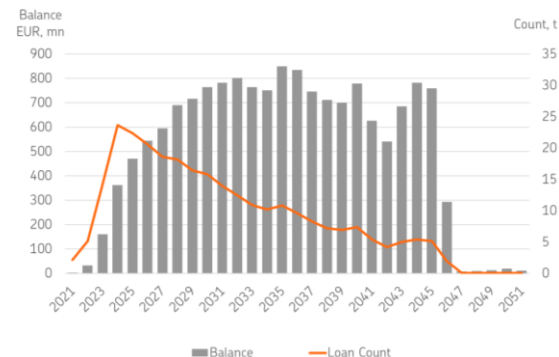
## Loans by LTV



## Loans by origination year



## Loans by maturity



# Intermediary loan process

- The Finnish Covered Bond Act (2010) enables granting intermediary loans
  - The member cooperative banks are granted the opportunity to indirectly participate in the covered bond issuance process
- The intermediary loan contract is made between the member cooperative bank and OPMB
  - Intermediary loans are the way for the member cooperative banks to utilize OPMB
  - The amount of loan, interest margin/fixed interest rate and maturity of the loan are indicative during the contracting phase of the intermediary loan
  - The member cooperative bank commits to preserving adequate intermediary loan eligible loan portfolio for the maturity of the intermediary loans, and accepts that OPMB marks the mortgage loans as collateral in the cover pool
  - OPMB monitors the adequacy of the loans daily
- Once the mortgage loans are registered in the OPMB Covered Bond Register via intermediary loan process and they serve as collateral for the covered bonds for the benefit of the noteholders until the intermediary loan expires

# Act on Mortgage Credit Bank Operations

- Segregation of assets in Covered Register
- Tight LTV restrictions on eligible assets (70% LTV on residential mortgages)
- Over-collateralisation requirement of 2%
- Continuity of Cover Pool and Covered Bonds in the event of liquidation and bankruptcy of the issuer
- Regulated by the Finnish FSA and ECB
- Assets that must be booked as non-performing (over 90 days in arrears), according to the FIN-FSA regulations, shall not be included in the Cover Pool
  - At OPMB, non-performing loans were €59.0 mn as at H1/2021 (€56.4 mn at YE2020).

# Appendix



# OP's financial performance by business line

Q1–2 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	474	203	-1	-46	11	641
of which internal net income before tax		-2		2		
Net insurance income			335		-9	326
Net commissions and fees	376	98	40	1	-3	512
Net investment income	2	95	184	8	-34	255
Other operating income	19	50	2	343	-372	43
<b>Total income</b>	<b>871</b>	<b>446</b>	<b>561</b>	<b>306</b>	<b>-407</b>	<b>1,777</b>
Personnel costs	225	48	81	108	-1	460
Depreciation/amortisation	26	7	29	67	-1	128
Other operating expenses	356	118	130	182	-383	403
<b>Total expenses</b>	<b>607</b>	<b>173</b>	<b>240</b>	<b>357</b>	<b>-385</b>	<b>991</b>
Impairments loss on receivables	-47	12	0	0	0	-35
OP bonuses to owner-customers	-79	-9	-10			-98
Temporary exemption (overlay approach)			-91	0		-91
<b>Earnings before tax</b>	<b>138</b>	<b>276</b>	<b>220</b>	<b>-51</b>	<b>-23</b>	<b>561</b>

## Cost efficiency

Group C/I ratio  
**55.8%** (67.0%)

Retail Banking  
 C/I ratio  
**69.6%** (71.8%)

Corporate Banking  
 C/I ratio  
**38.7%** (46.7%)

Non-life Insurance  
 Operating cost ratio  
**27.6%** (27.3%)

Group eliminations recognized through profit or loss are mainly due to the change in accounting policies

# Joint liability

Under the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä 599/2010), OP Cooperative and the member credit institutions are jointly liable for each others' debts.

The member credit institutions include OP Corporate Bank plc, Helsinki Area Cooperative Bank, OP Mortgage Bank, OP Retail Customers Plc and the member cooperative banks. Insurance companies or other group entities do not fall within the scope of joint liability.

If a creditor has not received payment from a member credit institution on a due debt, the creditor may demand payment from OP Cooperative.

The member credit institutions must pay proportionate shares of the amount OP Cooperative has paid, and upon insolvency of OP Cooperative they have an unlimited liability to pay the debts of OP Cooperative.

OP Cooperative and the member credit institutions are under an obligation to take capital support actions to prevent a member credit institution's liquidation.

Further information on the joint liability available in the Base Prospectuses of OP Corporate Bank plc and OP Mortgage Bank.

# Contacts

# Contacts



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[www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

[CFO's Results Interview](#)