

# Debt Investor Presentation Q1–3/2017

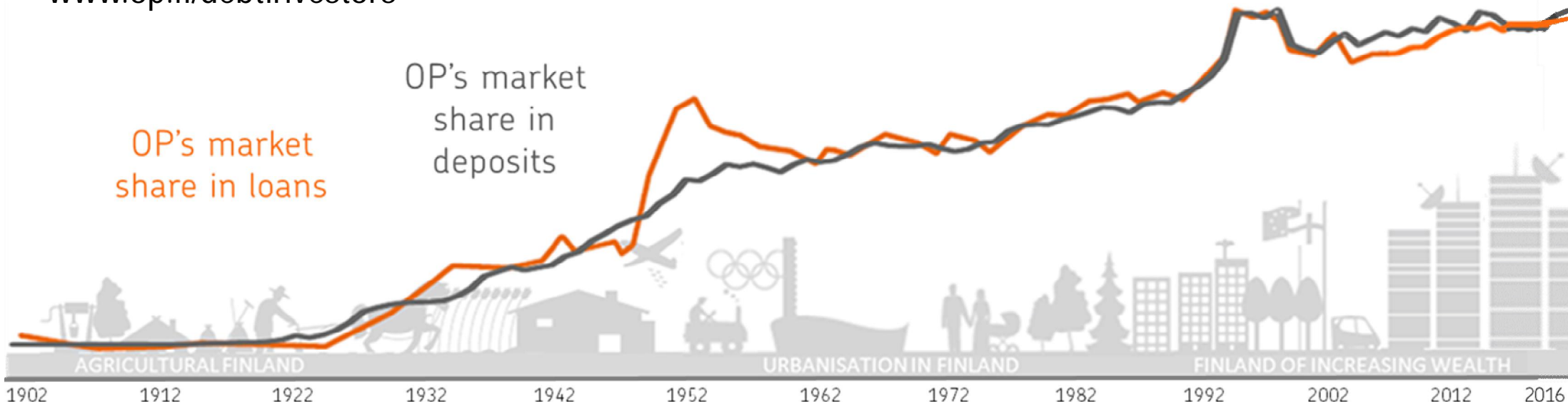
OP Financial Group and issuing entities  
OP Corporate Bank plc and OP Mortgage Bank

For further information for debt investors, visit the new OP website at  
[www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

37.5%  
35.3%  
(YE2016)

OP's market  
share in loans

OP's market  
share in deposits



# Disclaimer

Certain statements in this presentation are based on the beliefs of our management as well as assumptions made by and information currently available to the management. All forward-looking statements in this presentation expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the operating environment and the future financial performance of OP Financial Group and its various functions. No assurance can be given that such expectations will prove to have been correct. Accordingly, results may differ materially from those set out in the forward-looking statements as a result of various factors. OP Financial Group has used sources of information which it considers to be reliable, and the accuracy and reliability of which it has sought to establish to the best of its ability, but it can nevertheless not guarantee their accuracy or reliability.

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Past performance is no guide to future performance. Persons needing advice should consult an independent financial, legal or tax adviser.

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- OP Financial Group
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  - Competitive advantages and strategy
  - Capitalisation, financial performance and asset quality
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- OP Mortgage Bank
- OPMB Cover Asset Pool Characteristics and ECBC Harmonised Transparency Template
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# Leading financial group in Finland

Issuing entities: OP Corporate Bank plc and OP Mortgage Bank

€134 bn

Balance sheet total at end-September 2017

## SOLID CAPITAL POSITION

19.2%

CET1 ratio at end-September 2017

## FINNISH RISK EXPOSURE

94%

of retail and corporate exposures  
in Finland at YE2016

## MARKET LEADER IN FINLAND

>38%

Market share  
in deposits  
2016

>35%

Market share  
in loans  
2016

>32%

Market share in  
non-life insurance  
2016

## HIGH CREDIT RATINGS

Moody's Aa3  
S&P AA-

OP Corporate Bank plc

Moody's Aaa  
S&P AAA

OP Mortgage Bank

# Key facts and figures Q1–3/2017

## STABLE FINANCIAL PERFORMANCE

EBT -5% to €873 mn  
 Total income +4%  
 NII +2%  
 Net insurance income -19%  
 Net commissions and fees +6%  
 Total expenses +12% due to  
 higher development costs

Volume growth y/y  
 Housing loans +2%  
 Corporate loans +4%  
 Deposits +9%  
 Insurance premium  
 revenue +1%  
 AUM +6%

CET1 ratio 19.2%  
 incl. negative  
 effect of 1.8 ppt  
 in Q1-3/2017  
 due to the RW  
 floors set by the  
 ECB (Feb. 2017)

## OUTLOOK FOR OP AND FINNISH ECONOMY

In 2017,  
 OP's EBT is expected to be  
 about the same as or lower than  
 those for 2016

In 2017,  
 Finland's GDP is expected to grow by 3.2%  
 supported by strong exports growth of 8.5%  
 Source: OP's economists' forecast, 20 November 2017

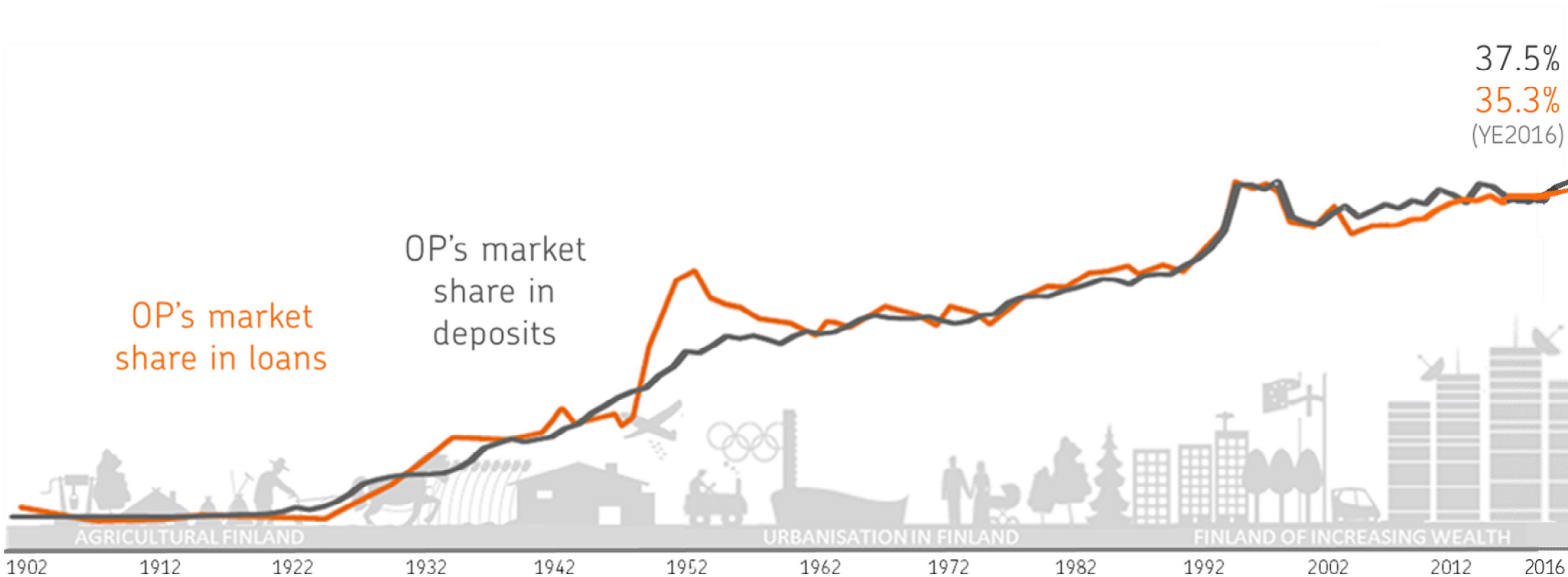
## PROGRESS IN STRATEGY IMPLEMENTATION

### Digitisation

- OP Mobile App the main channel for customers' daily banking
- New op.fi internet bank and website
- Majority of the €2 bn investments spent on developing existing business

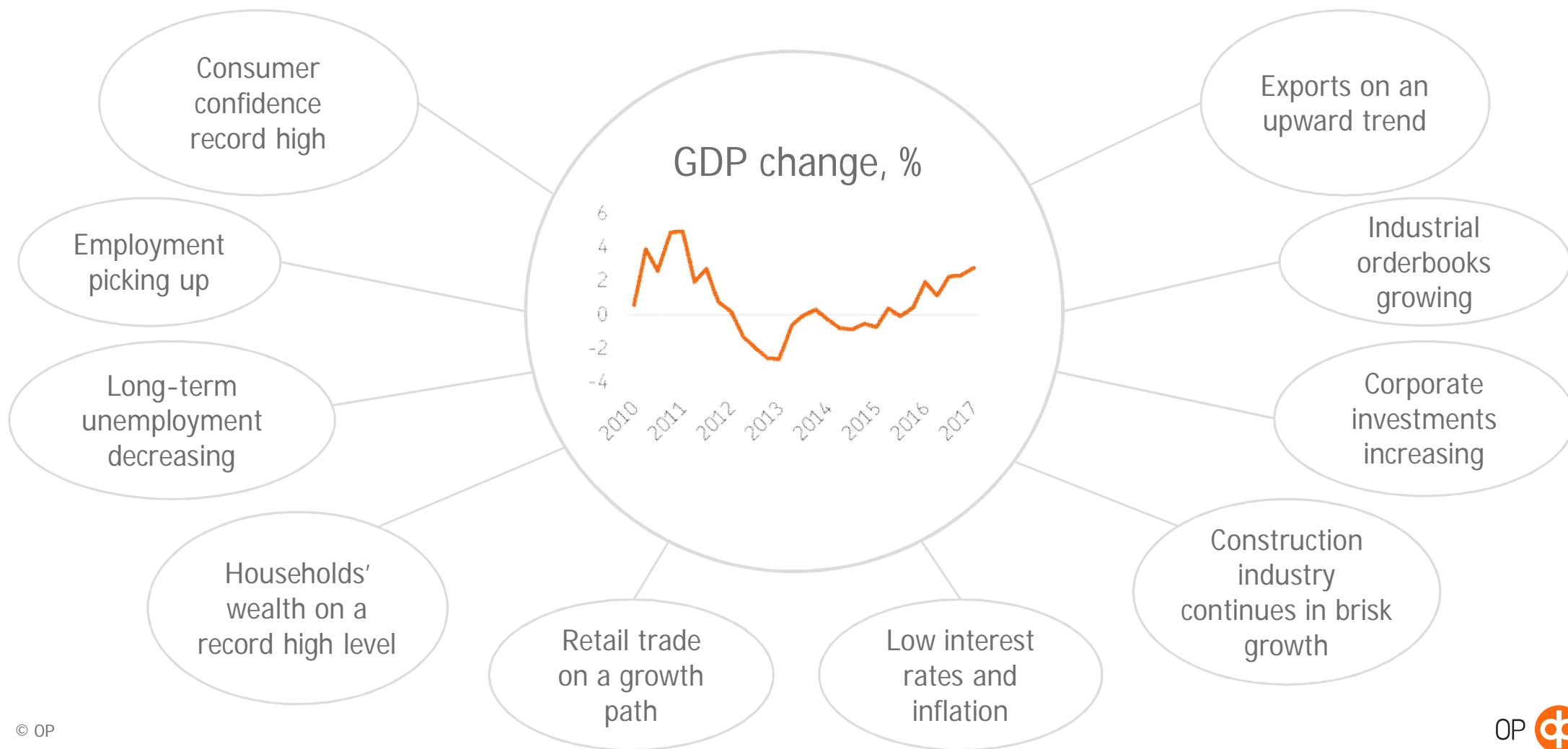
### New businesses

- Health and wellbeing: 4th Pohjola Sairaala now open, medical centre network underway
- Mobility: OP Kulku MaaS (electric cars), OP DriveNow franchising (car sharing service), electric vehicle charging stations near to OP branches under construction
- Home: OP Home online marketplace and related housing service search



## Finnish economy

# Broad-based economic recovery in Finland



# Strong economic growth continues in 2018

Forecasts for the Finnish economy  
November 2017

Volume, % change on previous year	EUR bn				
	2016	2015	2016	2017f	2018f
GDP	215,6	0,0	1,9	3,2	3,0
Imports	78,6	3,2	4,4	6,0	6,5
Exports	76,0	0,8	1,3	8,5	7,5
Consumption	170,8	1,1	1,6	1,6	1,7
- Private	119,1	1,7	1,8	2,0	2,3
- Public	51,7	0,0	1,2	0,5	0,3
Fixed investment	46,4	0,7	7,2	8,0	6,0
Other key indicators		2015	2016	2017f	2018f
Consumer price index, % change y/y		-0,2	0,4	0,8	1,3
Change in wage and salary earnings, %		1,4	1,1	0,3	2,0
Unemployment rate, %		9,4	8,8	8,6	8,0
Current account balance, % of GDP		-1,0	-1,4	-0,2	0,1
General government net lending, % of GDP		-2,7	-1,7	-1,0	-0,5
General government debt, % of GDP		63,6	63,1	62,0	60,7

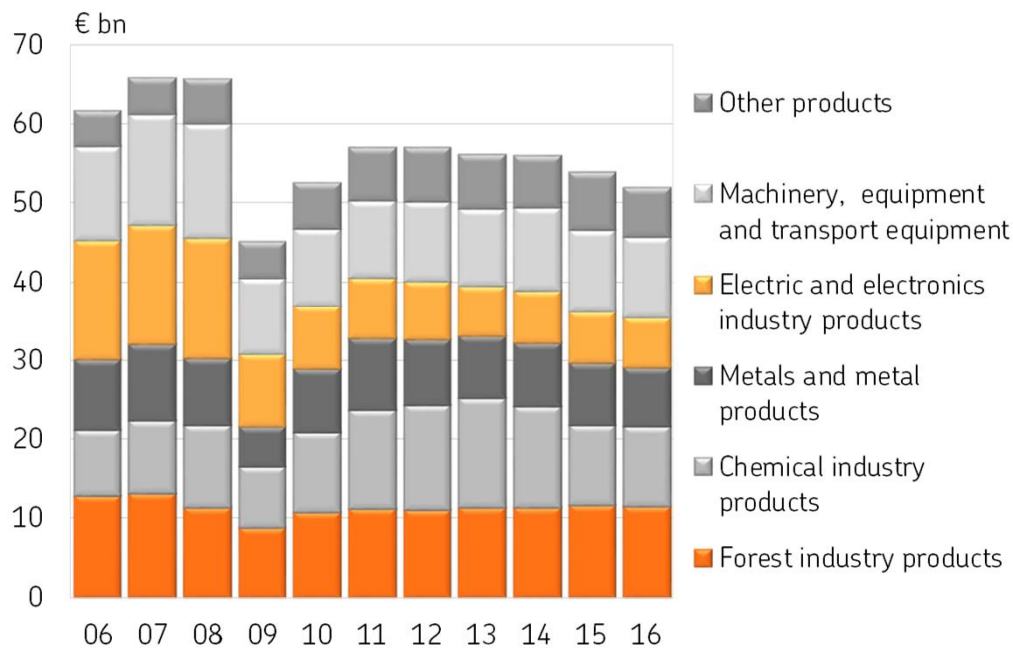
Finland is an  
exports-driven  
economy –  
around 40% of  
GDP derives  
from exports



# Balanced goods exports structure by commodity group

Goods exports by commodity group  
commodity group 2006-16

Exports by commodity group



Source: National Board of Customs

Goods exports around 2/3 of  
Finnish exports



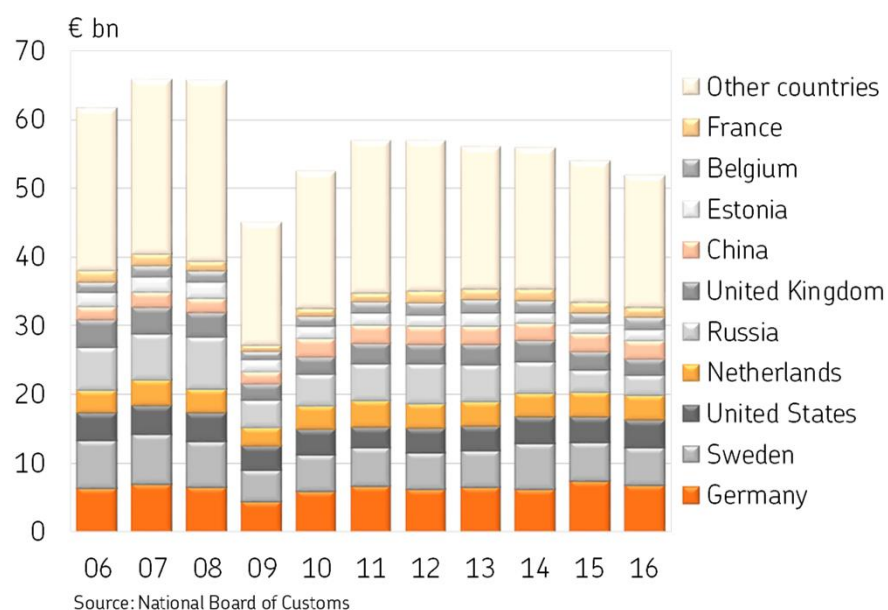
Source: Macrobond, OP

Latest values: Q2/2017

# Diversified goods exports structure by country

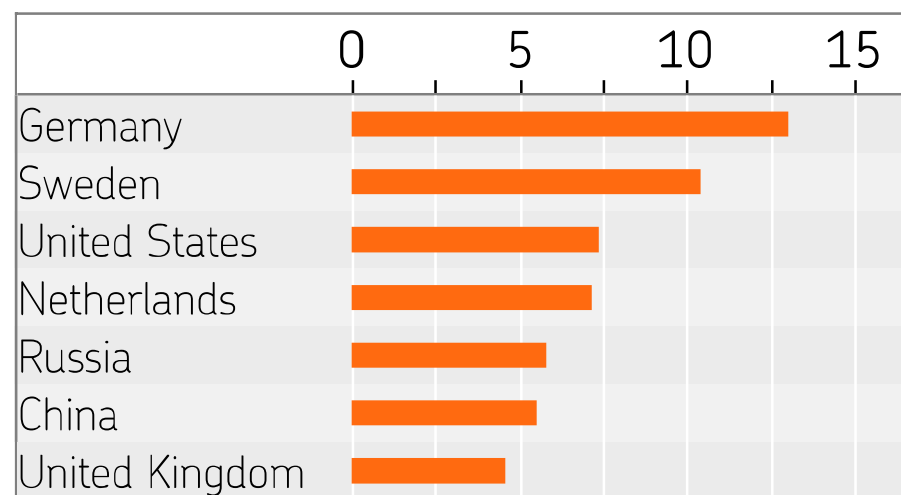
## Finland's largest goods exports countries 2006-16

Finlands' largest export countries



## Finland's biggest trading partners (July 2016-July 2017, 12 mth moving avg)

Goods exports by country, % of total

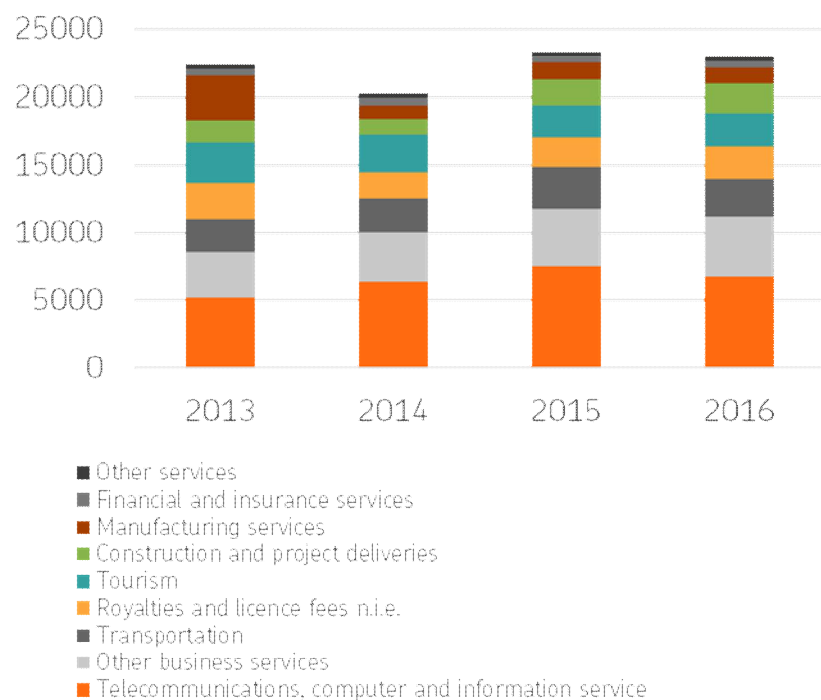


Source: OP, Macrobond

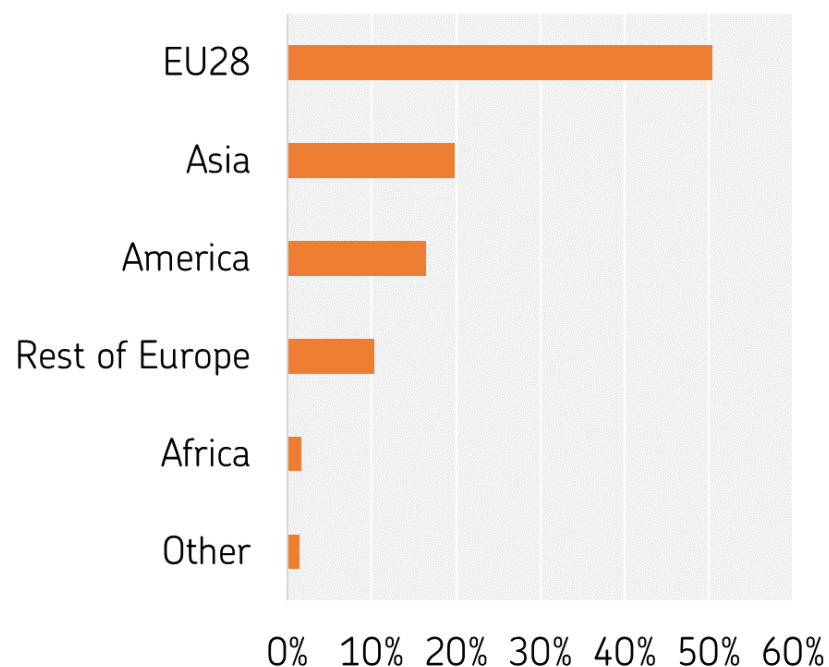
Goods exports to EU member countries' 59.2% and to Euro Area 37.5% in 2016

## Service exports structure rather stable

Finland's service exports by item  
2013-16

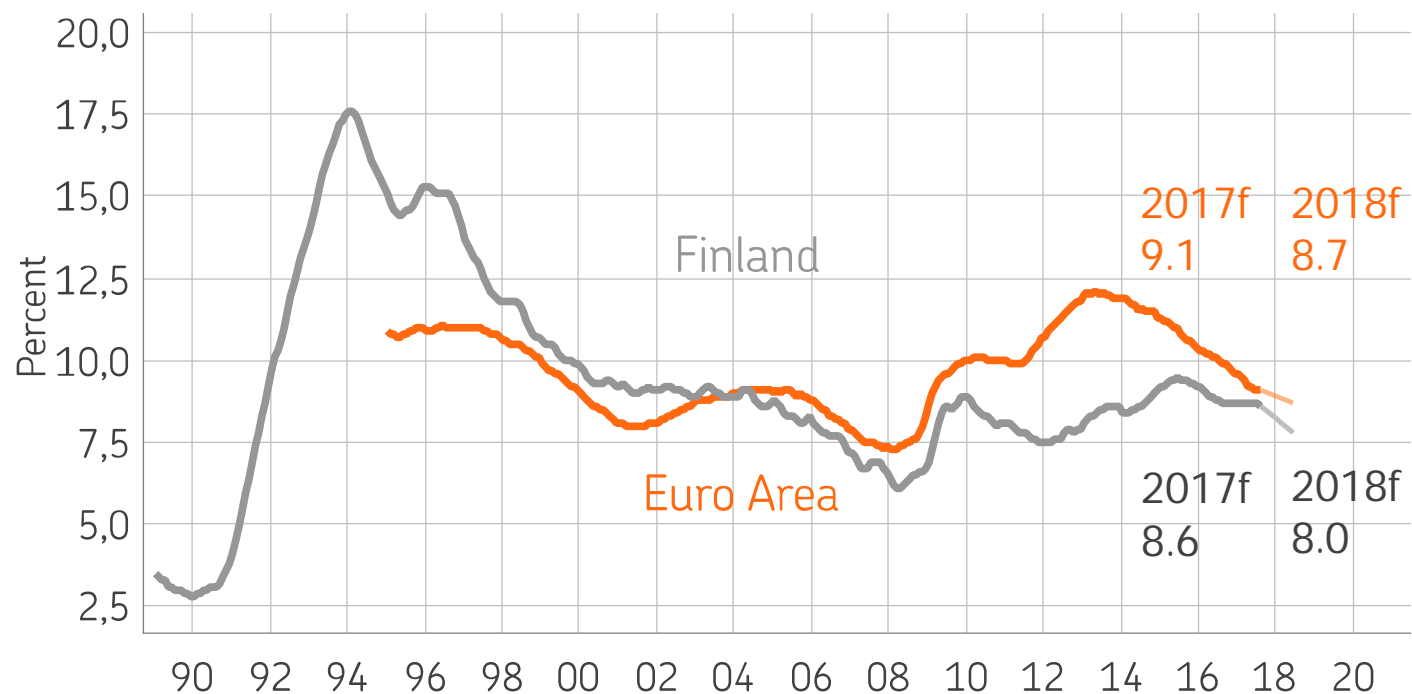


Finland's service exports by area  
(2016)



# Unemployment rate on downward trend

## Unemployment rate



Source: Macrobond, OP

## Employment rate

68.7% in 2016

69.4% 2017f

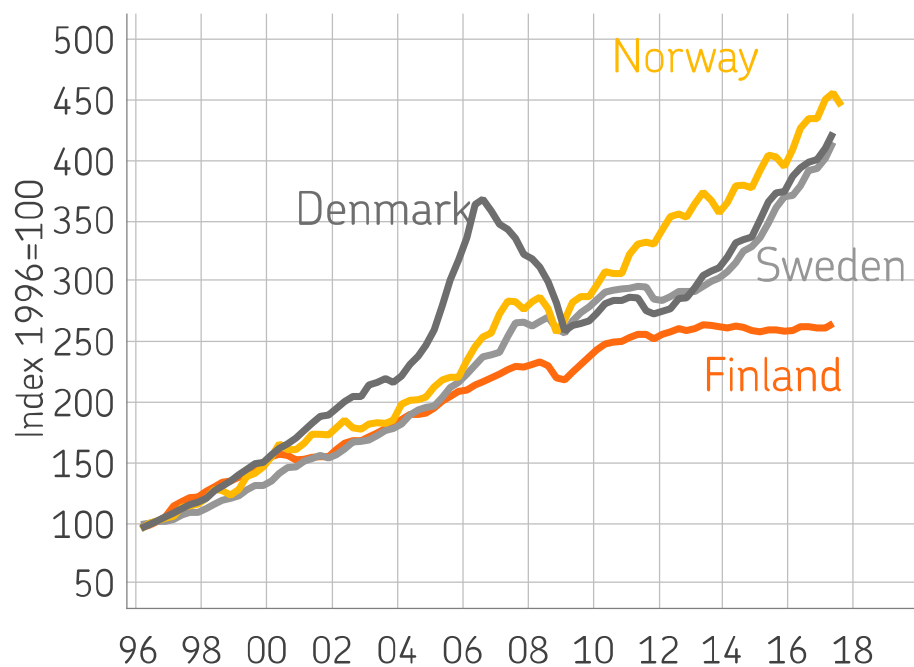
70.4% 2018f

Source: OP's economists' forecast, 22 August 2017

Target of the Finnish Government 72%

# Average house prices and households' debt

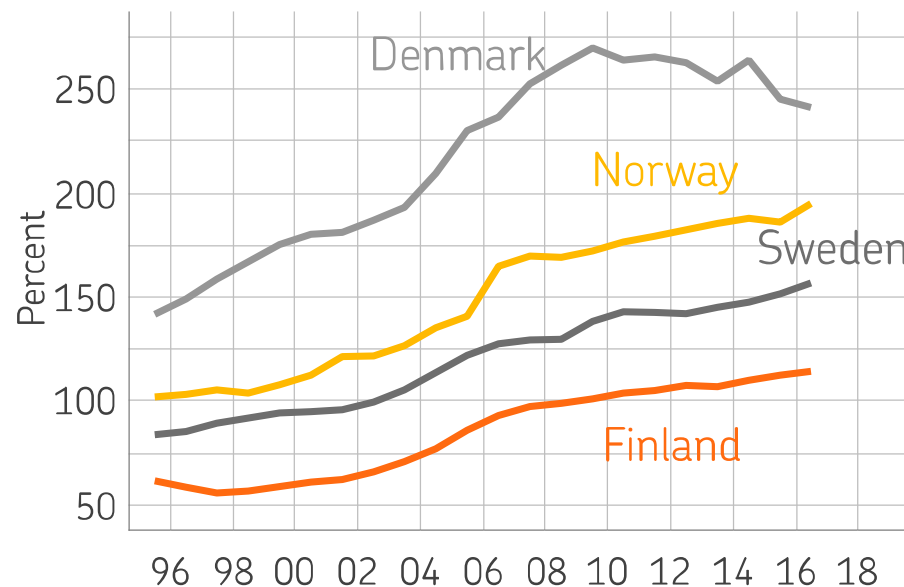
## Real Estate Prices in Nordic Countries



Source: Macrobond, OP

Latest values: Q2/2017, Norway Q3/2017

## Gross Debt-To-Income Ratio of Households



Source: Macrobond, OP

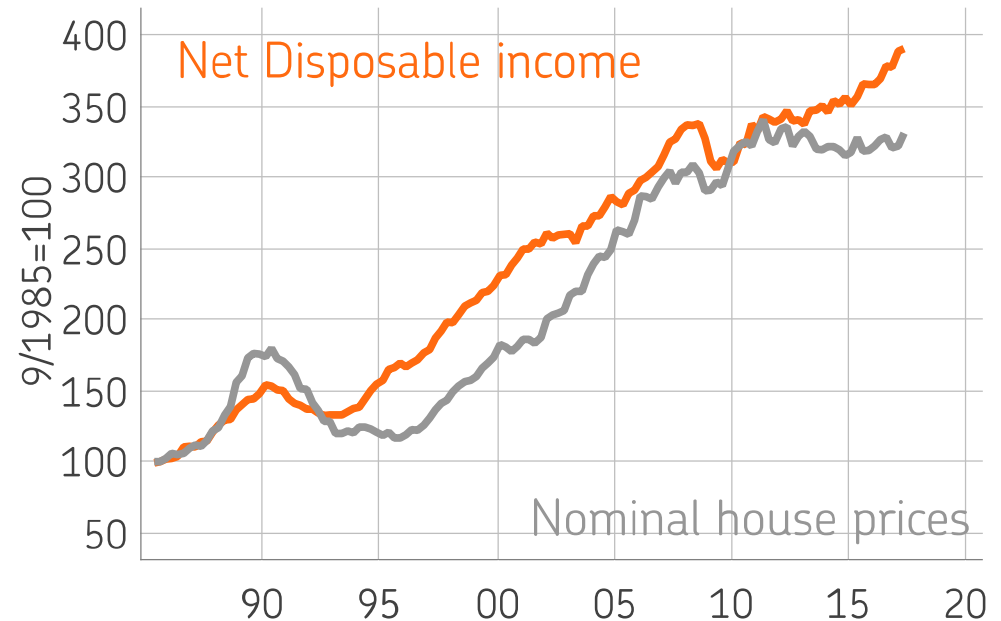
Latest values: 2016

# Finnish housing market is stable

## Characteristics of Finnish housing market

- Fully-amortizing market
- Average maturity of a new housing loan 19.5 years in Q1-3/2017
- 97% of housing loans tied to variable interest rates in August 2017
  - Stress-tested with 6% interest rate in the maturity of 20 years at OP
- Ownership ratio 68% at YE2016
- Average price of an old dwelling 2,300 €/sq m in Q2/2017

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



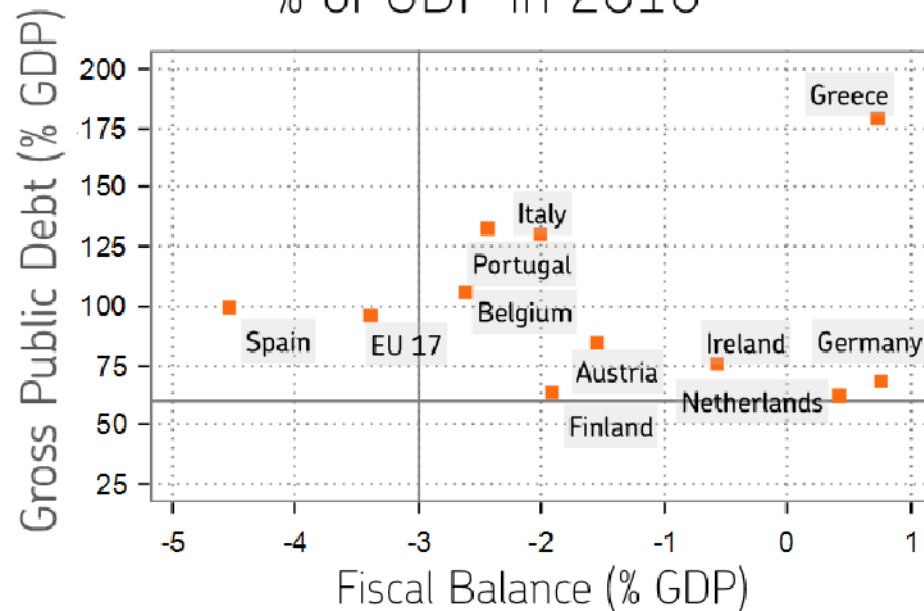
Source: Macrobond, OP

As of October 2017

Sources: Statistics Finland and Bank of Finland

# Finland is wealthy and balanced economy in European comparison

Fiscal Balance and Public Debt  
% of GDP in 2016



Source: OP, Macrobond

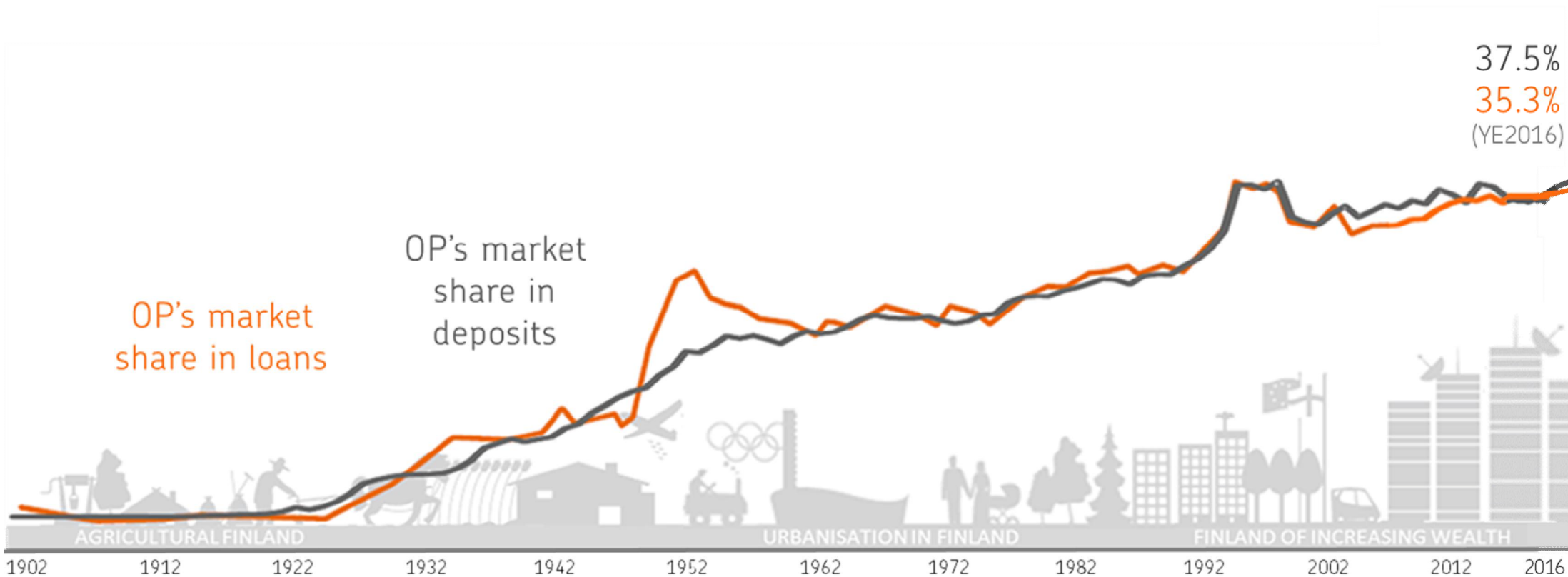
Long-term sovereign credit ratings for Euro area  
24 October 2017

	Moody's	S&P	Fitch
Germany	Aaa	AAA	AAA
Luxembourg	Aaa	AAA	AAA
Netherlands	Aaa	AAA	AAA
Austria	Aa1	AA+	AA+
<b>Finland</b>	<b>Aa1</b>	<b>AA+</b>	<b>AA+</b>
France	Aa2	AA	AA
Belgium	Aa3	AA	AA-
Estonia	A1	AA-	A+
Slovakia	A2**	A+	A+
Ireland	A2	A+	A
Malta	A3	A-**	A+
Latvia	A3	A-**	A-
Lithuania	A3	A-**	A-
Slovenia	Baa1	A+	A-
Spain	Baa2	BBB+**	BBB+**
Italy	Baa2*	BBB-	BBB
Portugal	Ba1**	BBB-	BB+**
Cyprus	Ba3**	BB+**	BB**
Greece	Caa2**	B-**	B-**

\* Negative outlook

\*\* Positive outlook

Sources: Rating agencies' websites



# OP Financial Group



# New President and Group Executive Chairman from March 2018\*



## TIMO RITAKALLIO

- President and Group Executive Chairman, OP Financial Group
- Chair of the Board of Directors, OP Corporate Bank plc

### Education

- LL.M, MBA and D.Sc. (Tech.)

### Career

- Ilmarinen Mutual Pension Insurance Company
  - President and CEO since 2015
  - Deputy CEO 2008–2014
- OP Financial Group
  - Various executive positions, of which the most recent being Deputy CEO and Vice Chairman of the Executive Committee of the former Pohjola Group (currently OP Corporate Bank Group) 2006–2008



1.8 million owner-customers, of which 90% households

167 OP Financial Group member cooperative banks

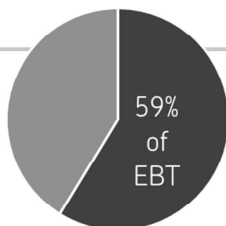
## OP COOPERATIVE

Group supervision, steering, finance, risk management, control

### BANKING

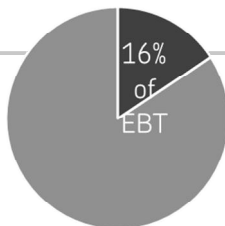
(incl. OP Corporate Bank plc and OP Mortgage Bank)

- Retail banking
- Corporate banking
- Markets
- Baltic States
- Mortgage banking



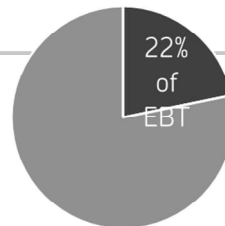
### NON-LIFE INSURANCE

- Private customers
- Corporate customers
- Baltic States
- Health & wellbeing



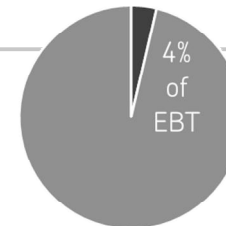
### WEALTH MANAGEMENT

- Private banking
- Institutional asset management
- Life insurance
- Mutual fund management



### OTHER OPERATIONS

- Group Treasury (incl. central banking)
- Product and service development
- Support functions

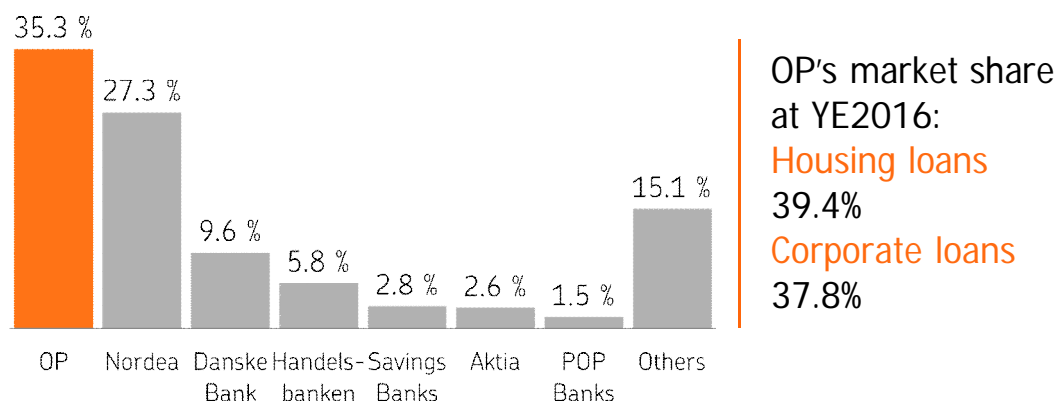


## Joint liability within OP Financial Group

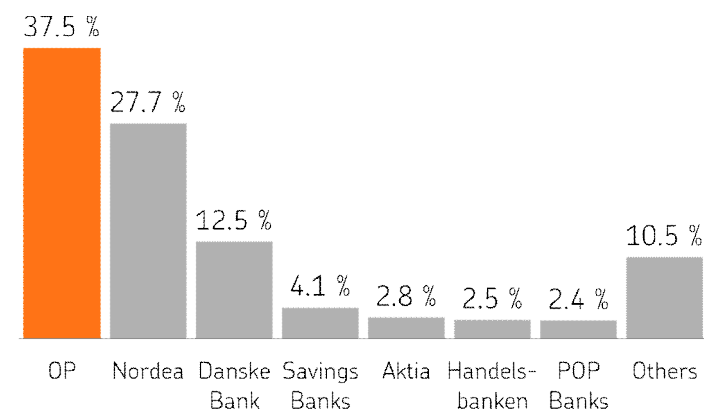
- Under the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä 599/2010), OP Cooperative and the member credit institutions are jointly liable for each others' debts.
- The member credit institutions include OP Corporate Bank plc, Helsinki Area Cooperative Bank, OP Mortgage Bank, OP Card Company Plc, OP Process Services Ltd 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 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.

# OP – Leading financial group in Finland

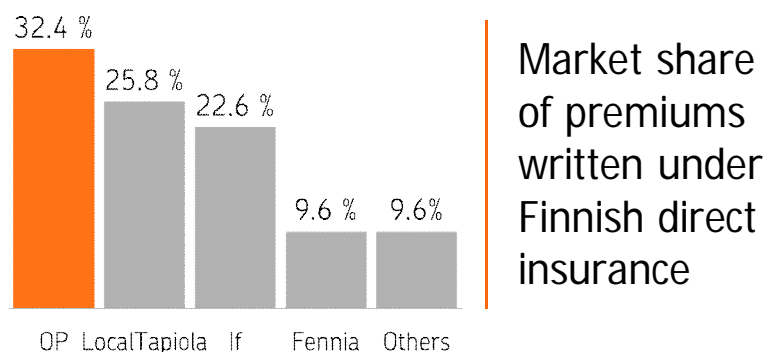
## Loans 2016 (Finland: €219 bn)



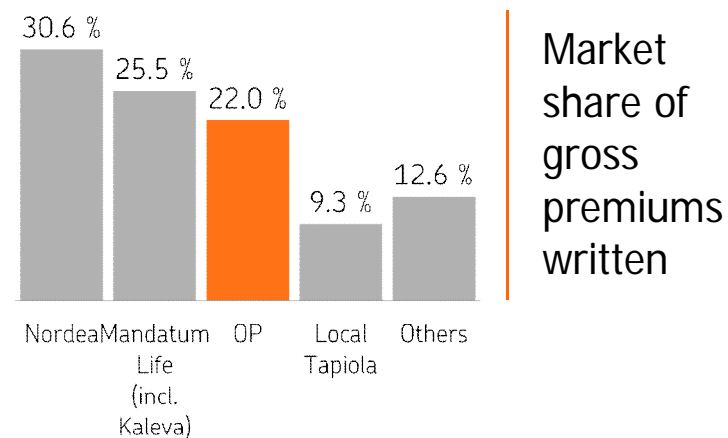
## Deposits 2016 (Finland: €147 bn)



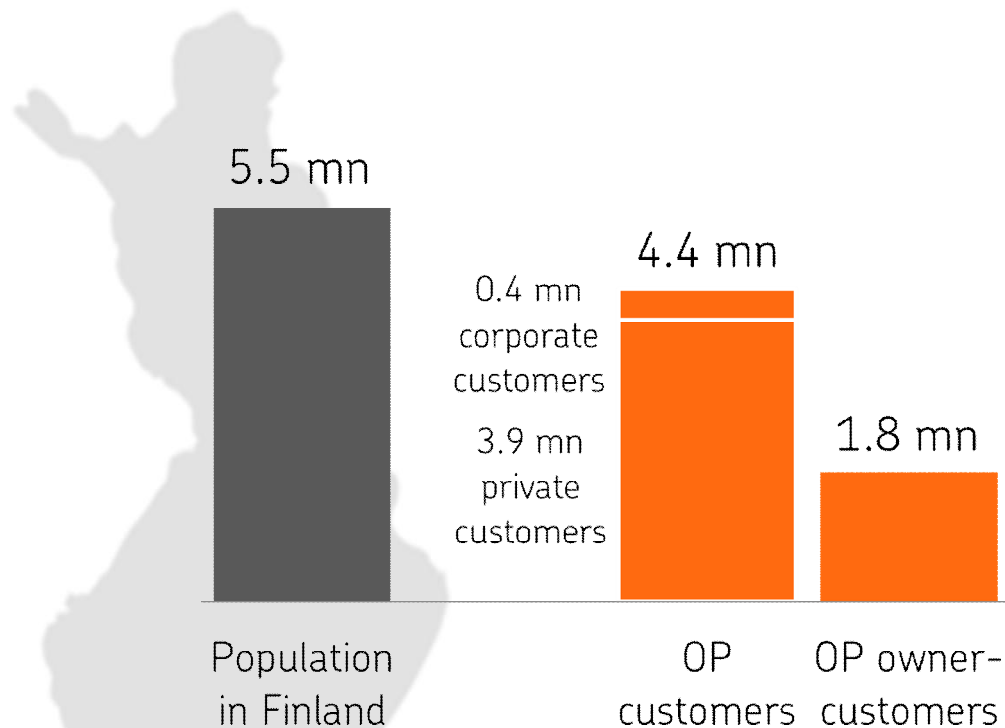
## Non-life Insurance 2016 (Finland: €4.3 bn)



## Life Insurance 2016 (Finland: €4.5 bn)



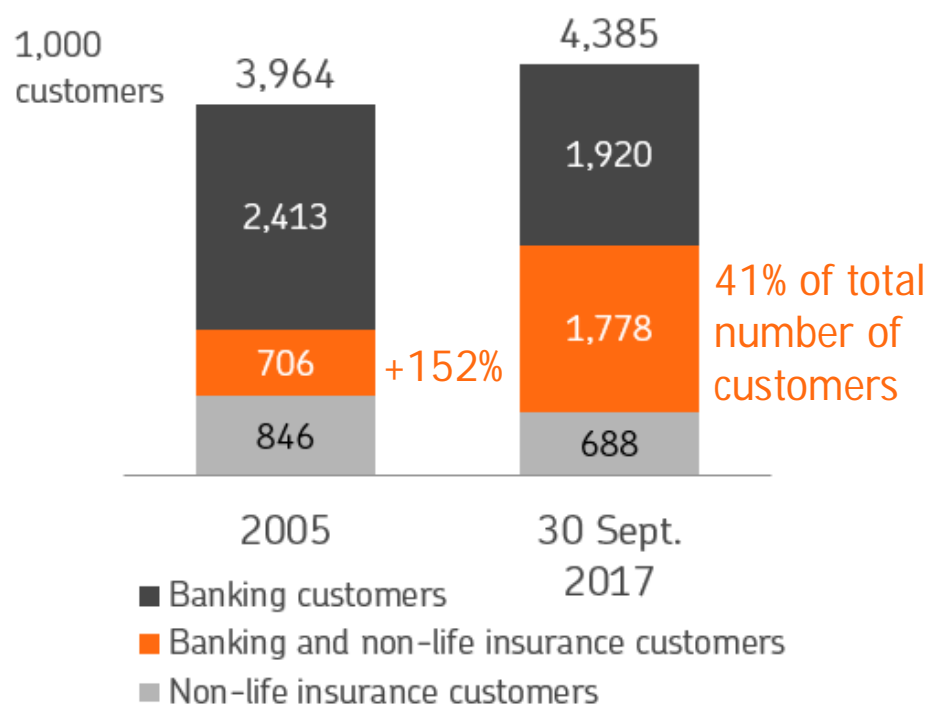
## Customer-owned OP widely present among Finnish households and corporates



- ✓ Comprehensive financial services offering
- ✓ Strong and well-known OP brand
- ✓ Best loyalty benefits, OP bonuses
- ✓ Close to customers through the most extensive service network
- ✓ Significant customer potential in cross-selling

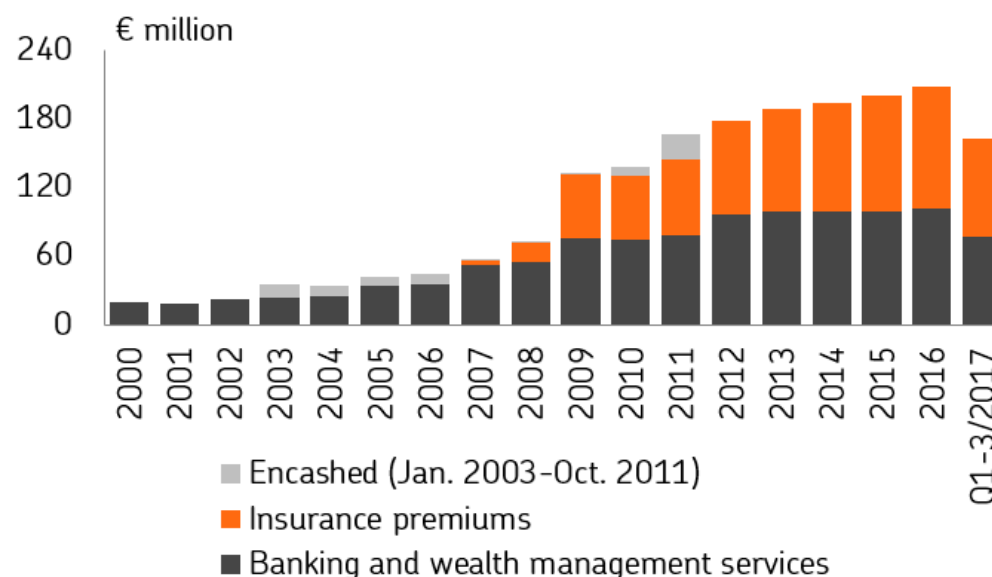
# Significant customer potential through successful bancassurance business model

30,000 new combined banking and non-life customerships in Q1-3/2017



Use of OP bonuses\* €162 mn in Q1-3/2017

1,759,000 insurance bills paid using OP bonuses, with 242,000 of them paid in full using OP bonuses only



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

## OP – Diversified services company of the digital era



### Strategic focus on digital customer experience

- Developing existing business – service channels, basic systems, ICT architecture...
- Creating new business – fully digital, customer-driven business models, new SME service offerings...
- Developing new capabilities – analytics, AI, robotics, innovation...

### Development expenditure to €400 mn annually

- Investments of up to €2 bn in developing of digital services during 2016-2020, of which more than 90% to existing business in 2017
- Development expenditure €302 mn in Q1-3/2017 (214)

### New efficiency target

- Expenses of present-day business in 2020 at the same level as in 2015 (€1,500 mn)

# Digitisation requires investments in technology, customer experience and service design

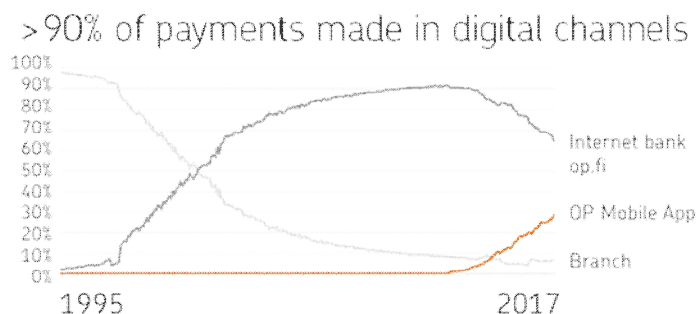
**79%**

of mutual fund transactions made in digital channels



**70%**

of private customers' loss reports made in digital channels



**95%**

of private customer encounters occur in digital channels

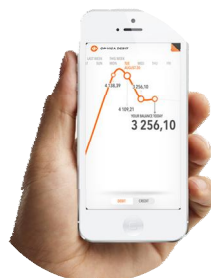


OP Mobile App

**16 mn** visits in Sept. 2017

**>1 mn** users

NPS **60**



op.fi internet bank

**9 mn** visits in Sept. 2017

Pivo Mobile Wallet App

**2 mn** visits in Sept. 2017



# Providing financial and other services efficiently through local presence and digital channels



167

OP member cooperative banks with

>400

branches all over Finland

## OP Mobile App

Fingerprint authentication  
Real-time money transfers using phone number  
Loan details and extra repayments  
Non-life insurance loss reports  
Wealth management investment reporting and trading in equities

## OP Business Mobile App

for corporate customers' daily banking, invoicing and monitoring receivables



DriveNow

## OP Kulkku and OP Flexible Car

Electric car as a service

DriveNow franchising by OP

Car sharing

## Pivo Mobile Wallet App

Mobile contactless payment

Real-time money transfers using phone number  
Pivo payment button at webshops

## Pivo Cashier App

for corporate customers' payment transactions and sales

## Payment Highway

Mobile payment service for corporate customers

New website and internet bank at [www.op.fi](http://www.op.fi)



Social media channels

# Progress within mobility and health & wellbeing services



~10%

of all electric cars registered  
in Finland are  
OP Kulku cars  
(MaaS with a monthly fee)



>12,000

registered users of  
DriveNow service at end-  
September 2017, offering  
150 cars for car sharing



100

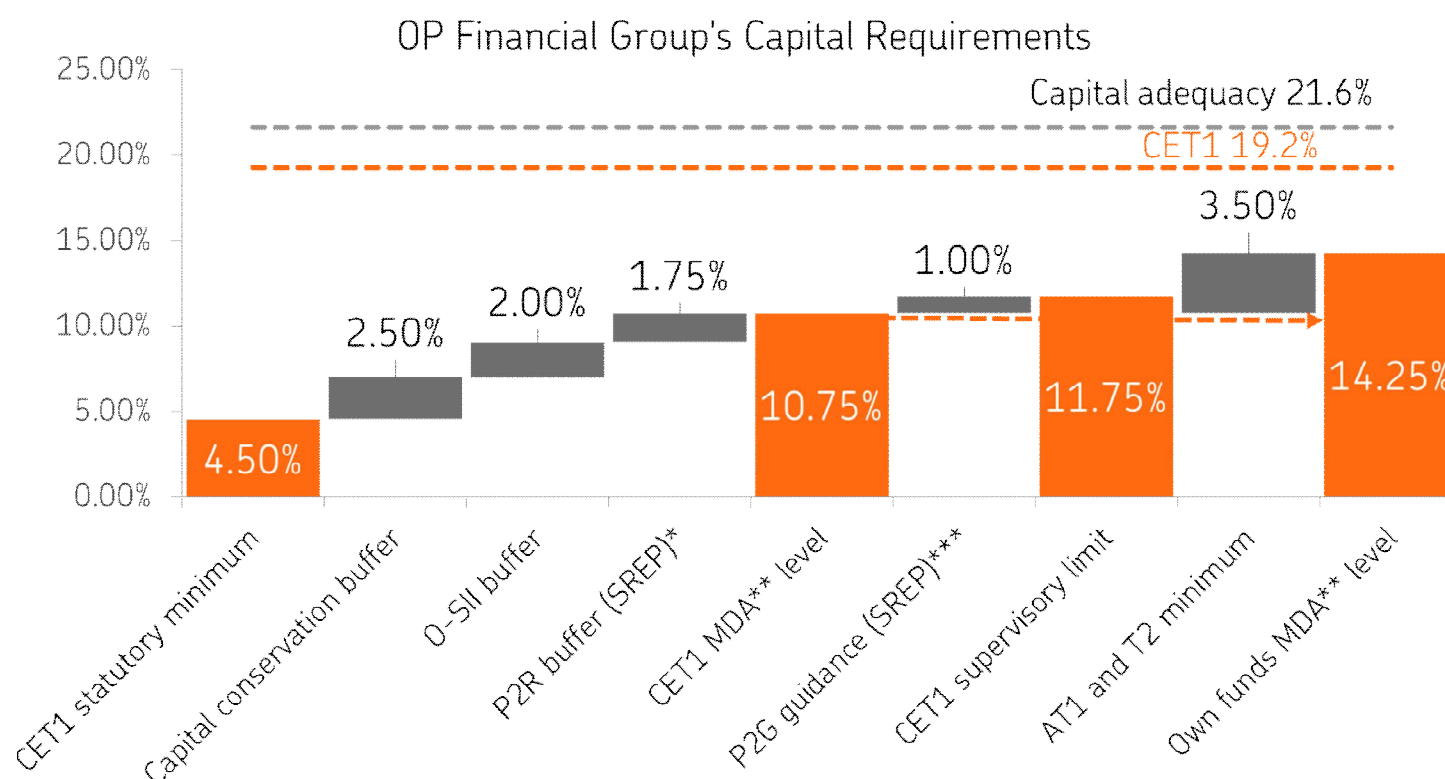
electric vehicle charging stations  
under construction in 80 cities  
near to OP branches during  
2017



4th

Pohjola Hospital  
was opened in Kuopio  
in August 2017

# OP has solid capital adequacy compared to requirements

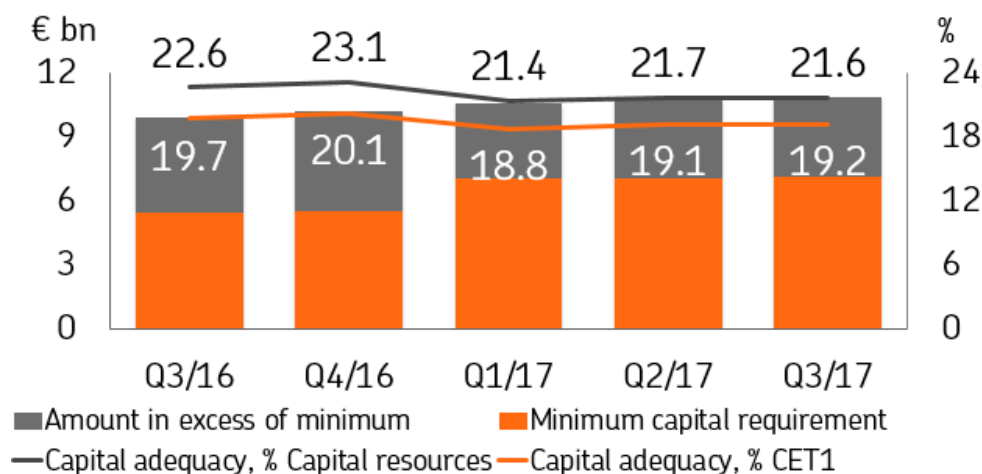


The Ministry of Finance is drafting the inclusion of the systemic risk buffer in the Act on Credit Institutions. Accordingly, the FIN-FSA could set the systemic risk buffer ranging from 0 to 5%. The buffer would affect OP Financial Group only if it exceeded the O-SII buffer which currently is 2%.

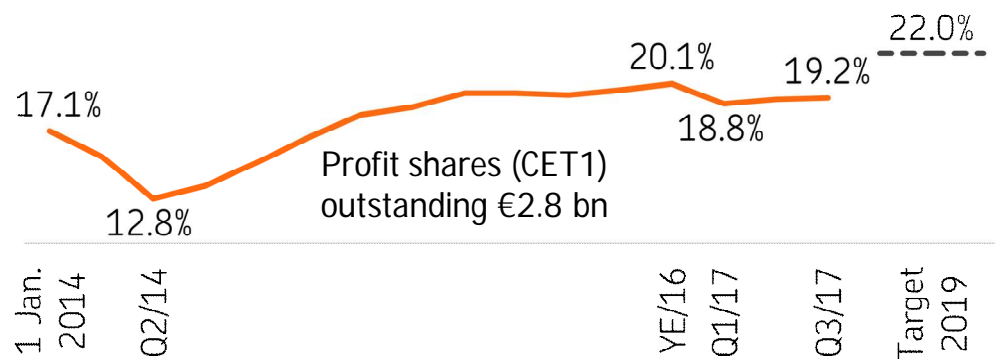
\* P2R supervisory Pillar II requirement \*\* Maximum distributable amount  
 \*\*\* P2G supervisory guidance, breach results enhanced supervisory measures

# CET1 ratio improved to 19.2%

## Capital resources and capital adequacy



## CET1 ratio



## REA €50.1 bn (44.1)

- €4.4 bn caused by ECB RW floors

## Avg RWs excl. RW floors:

7.6% for retail exposures (AIRB) (7.3)

66.5% for corporate exposures (FIRB) (66.9)

- In Feb. 2017, ECB set RW floors for OP's retail exposures until Q3/2018
  - 15.4% for mortgage-backed exposures
  - 32.7% for other private customer exposures
  - RW floors decreased OP's CET1 ratio by 1.8 pps (30 Sept. 2017)
- FIN-FSA to set 15% RW floor on residential mortgage loans, valid as of 1 January 2018 for 2 years unless renewed
  - If OP had no ECB RW floors, FIN-FSA RW floor would decrease OP's CET1 ratio by 1.1 pps

## Leverage ratio 7.8% (7.4)

- Minimum level in the draft regulations 3.0%

# OP Financial Group and segments in brief Q1-3/2017

OP  
FINANCIAL  
GROUP

EBT, € mn  
**873 (921)**

Balance sheet total, € bn  
**134 (134)**

CET1 ratio, %  
**19.2 (20.1)**

FICO capital adequacy, %  
**146 (170)**

## BANKING

EBT, € mn	<b>513 (+14%)</b> Q1-3/16: 448
Loan portfolio, € bn	<b>81.1 (+4%)</b> Q1-3/16: 77.8
Deposits, € bn	<b>59.2 (+9%)</b> Q1-3/16: 54.3
Operating cost/income ratio, %	<b>51.5</b> Q1-3/16: 52.2

## NON-LIFE INSURANCE

EBT, € mn	<b>137 (-33%)</b> Q1-3/16: 206
Insurance premium revenue, € mn	<b>1,074 (+1%)</b> Q1-3/16: 1,062
Operating combined ratio, %	<b>97.0</b> Q1-3/16: 86.5
Operating expense ratio, %	<b>19.7</b> Q1-3/16: 17.6
Solvency II ratio*, %	<b>161</b> 31 Dec. 2016: 127

## WEALTH MANAGEMENT

EBT, € mn	<b>190 (+4%)</b> Q1-3/16: 183
Assets under management, € bn	<b>76.5 (+6%)</b> Q1-3/16: 72.0
Solvency II ratio* within Life Insurance, %	<b>160</b> 31 Dec. 2016: 149

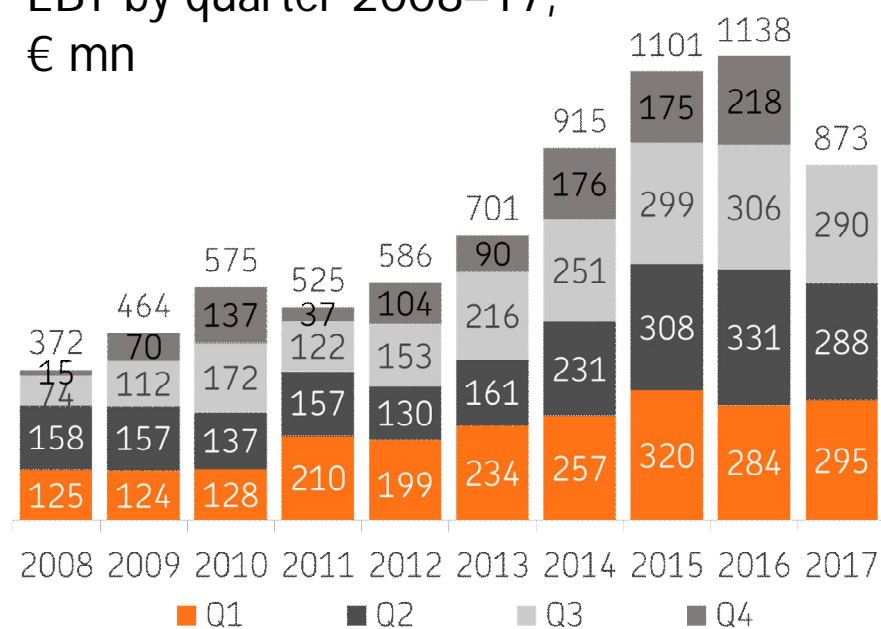
## OTHER OPERATIONS

EBT, € mn	<b>32 (-61%)</b> Q1-3/16: 83
Long-term bonds issued to the public and TLTRO II funding, € bn	<b>3.9</b> 2016: 5.2
Average margin of senior wholesale funding, TLTRO II funding and covered bonds, bps	<b>20</b> 31 Dec. 2016: 31

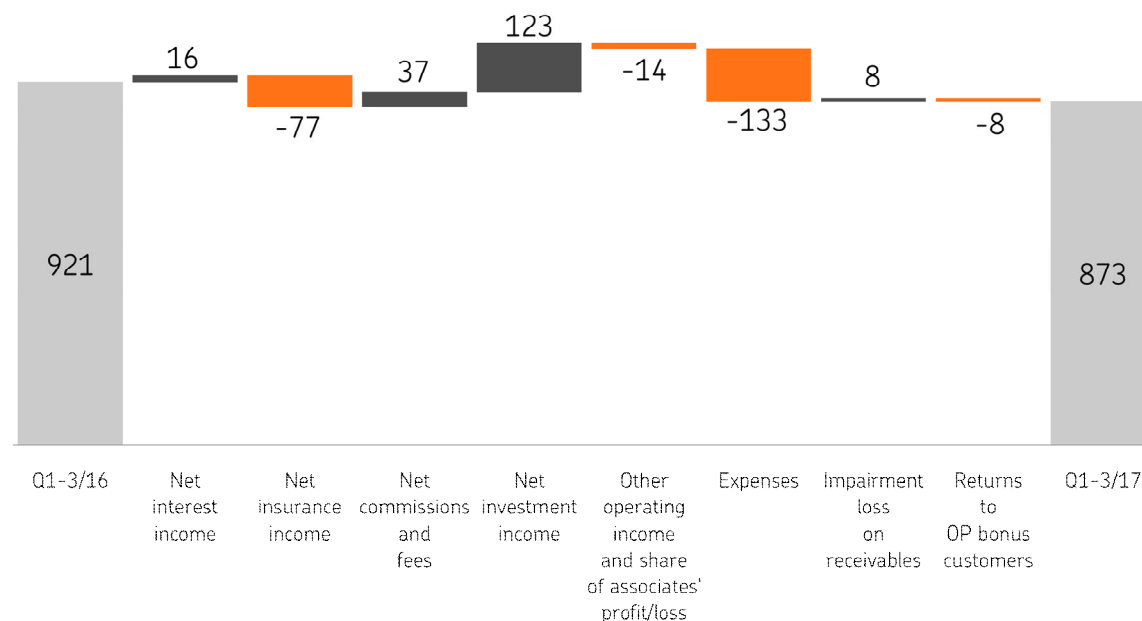
# 2017 EBT expected to be about the same as or lower than those for 2016

EBT in Q1-3/2017 lower than year ago due to a non-recurring gain recognised in other operating income in Q1-3/2016, lower net insurance income and higher expenses

EBT by quarter 2008–17,  
€ mn



EBT, y-o-y change by P&L line item\*  
Q1-3/17 vs. Q1-3/16, € mn



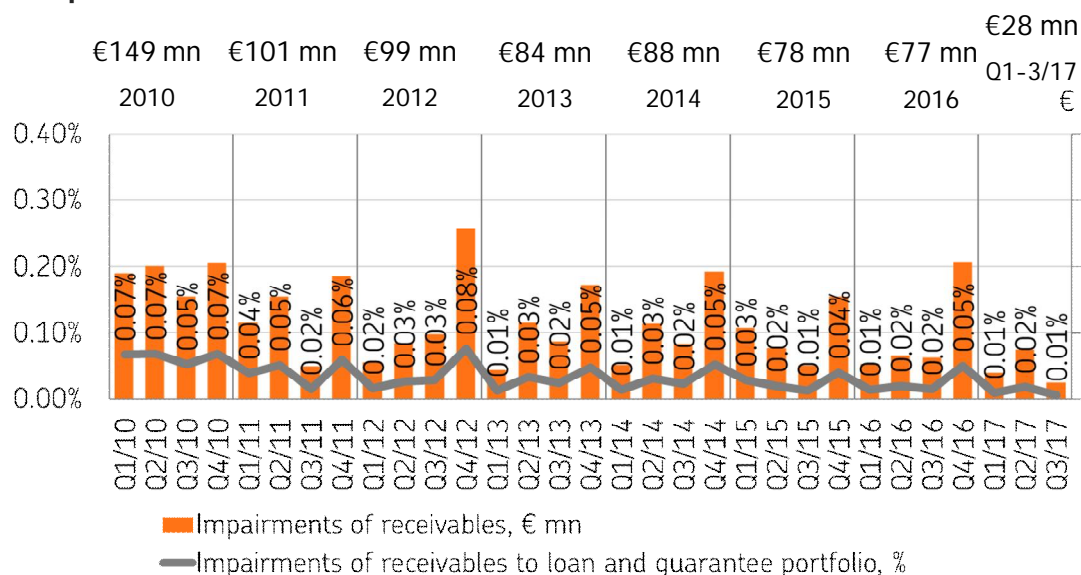
\* Net insurance income includes net income from Non-life and Life insurance. Net investment income includes net trading income as well as net investment income from Non-life and Life insurance.



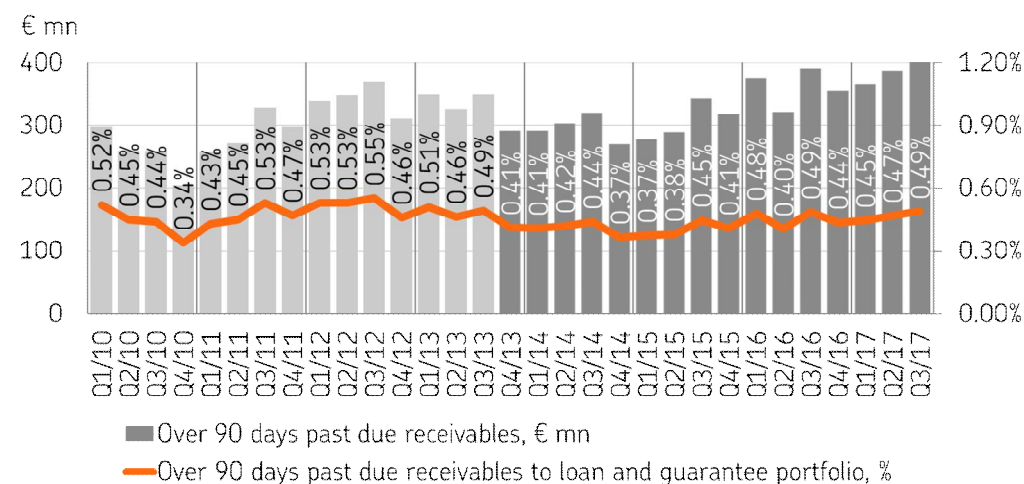
## Q1-3/2017 impairment loss on receivables 0.04% to loan and guarantee portfolio (0.06)

Over 90 days past due receivables (€408 mn at end-Sept. 2017) 0.49% to loan and guarantee portfolio (0.44)

### Impairment loss on receivables



### Over 90 days past due receivables\*



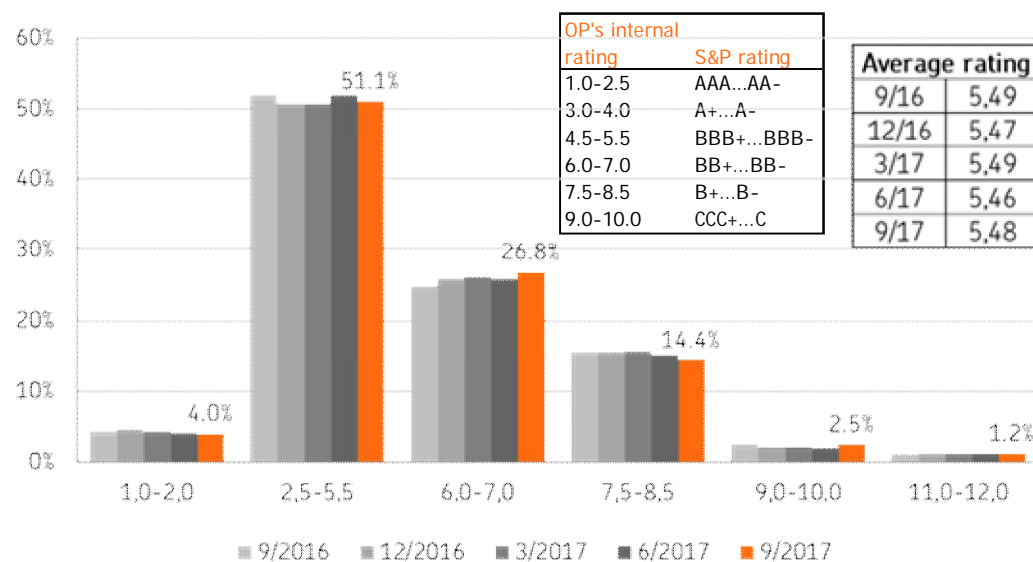
At end-September 2017, ratio of exposures individually assessed for impairment to gross doubtful receivables\*\*

13.1% (14.5 at YE2016)

# Exposures by credit rating category

IG (1.0-5.5) 55% of the exposure from Non-financial corporations and housing associations sector

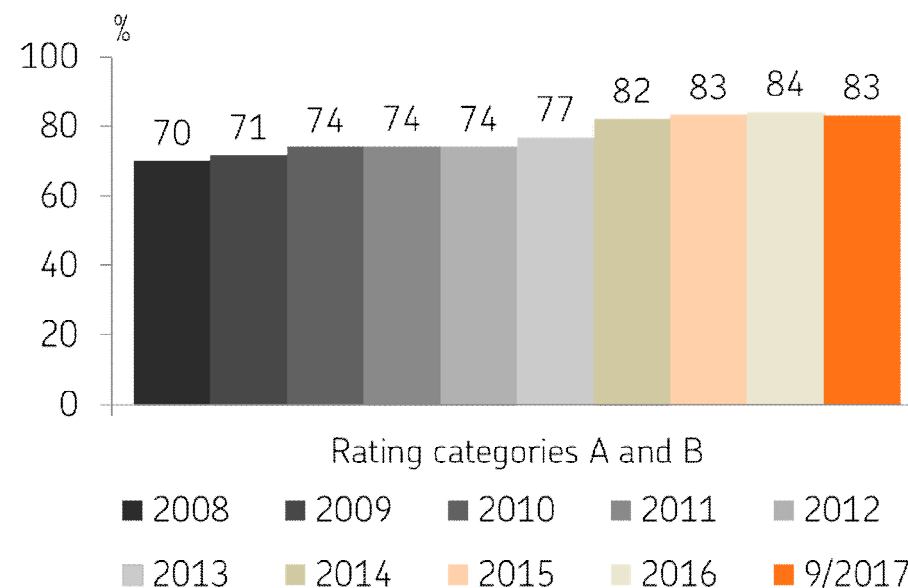
Exposures from the Non-financial Corporations and Housing Associations Sector by credit rating category  
(total €44.9 bn at end-Sept. 2017)



Largest single customer risk to capital under FiCo capital adequacy at YE2016

4.0% (5.7)

Private Customer exposures of credit rating categories A and B  
(total €49.6 bn at end-Sept. 2017)



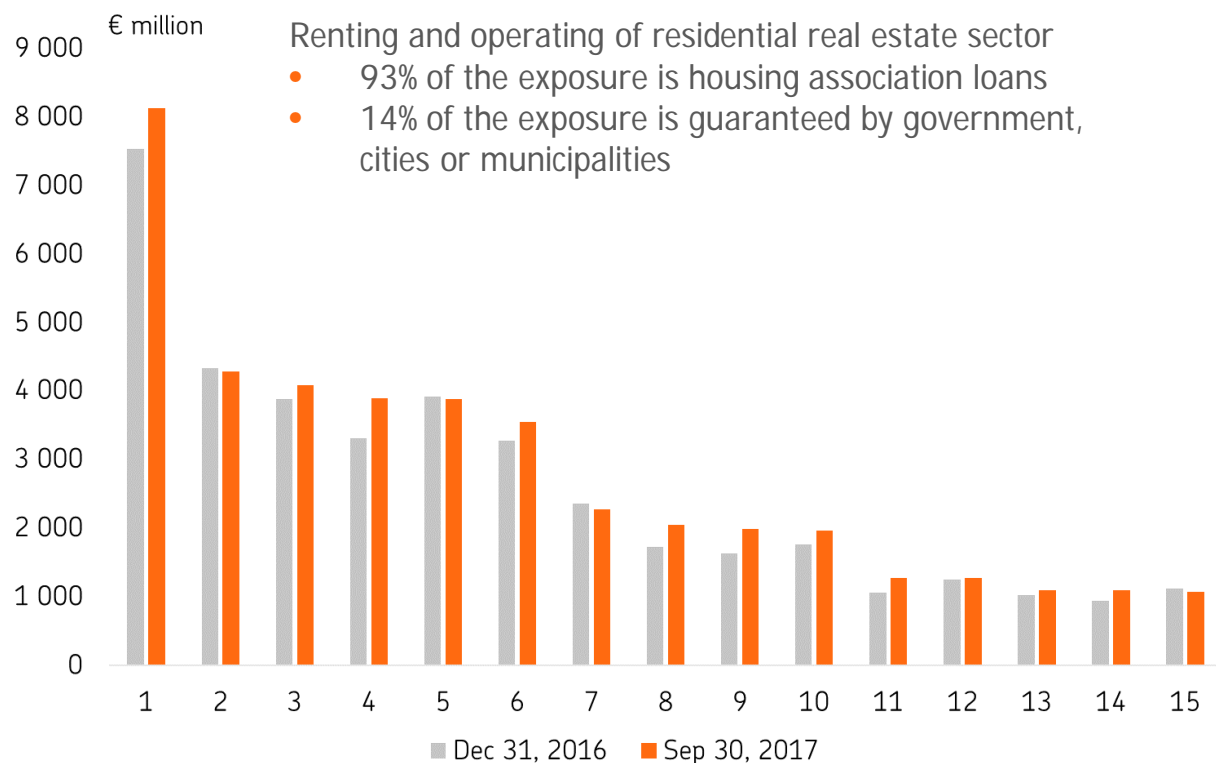
At YE2016, average PD of private customer exposures (Pillar III) with a credit rating of A and B a maximum of

0.1% (0.1)



# Corporate loan portfolio well diversified by industry

Exposures from the Non-financial corporations and housing associations sector €44.9 bn at end-September 2017



- Renting and operating of residential real estate sector
- 93% of the exposure is housing association loans
- 14% of the exposure is guaranteed by government, cities or municipalities

	Dec 31, 2016	Sep 30, 2017
1 Renting and operating of residential real estate	17,7 %	18,1 %
2 Renting and operating of other real estate	10,2 %	9,6 %
3 Energy	9,1 %	9,1 %
4 Services	7,8 %	8,7 %
5 Wholesale and retail trade	9,1 %	8,6 %
6 Construction	7,7 %	7,9 %
7 Manufacture of machinery and equipment (incl. services)	5,6 %	5,1 %
8 Transportation and storage	4,1 %	4,6 %
9 Agriculture, forestry and fishing	3,8 %	4,4 %
10 Financial and insurance services	4,2 %	4,4 %
11 Real estate investments	2,5 %	2,8 %
12 Forest industry	2,9 %	2,8 %
13 Food industry	2,4 %	2,4 %
14 Chemical industry	2,2 %	2,4 %
15 Metal industry	2,7 %	2,4 %

# Funding based on strong credit ratings

OP aims to maintain senior unsecured rating at AA level affirmed by at least 2 rating agencies or senior unsecured ratings at least at the main competitors' level

	Moody's (Senior unsecured/LT issuer rating)	S&P (LT issuer credit rating)
<b>OP Corporate Bank plc</b>	<b>Aa3</b>	<b>AA-</b>
Svenska Handelsbanken	Aa2	AA-
Nordea Bank	Aa3	AA-
Swedbank	Aa3	AA-*
SEB	Aa3	A+
DNB	Aa2*	A+
Danske Bank	A1**	A
<b>OP Mortgage Bank***</b>	<b>Aaa</b>	<b>AAA</b>
<b>OP Insurance Ltd****</b>	<b>A3</b>	<b>A+</b>
If****	A1	A+
Finnish government	Aa1	AA+

\* Negative outlook

\*\* Positive outlook

\*\*\* Covered bond rating

\*\*\*\* Insurance financial strength rating

Updated: 26 October 2017

## OP CORPORATE BANK PLC

- Moody's affirmed Aa3 rating with stable outlook on 29 June 2015
  - Uplifts from Loss-Given-Failure (+2 notches) and Government Support (+1 notch)
- S&P affirmed AA- rating and stable outlook in July 2017
  - Uplifts from Business Position (+1 notch), Capital and Earnings (+1 notch) and ALAC Support (+1 notch)

## OP MORTGAGE BANK

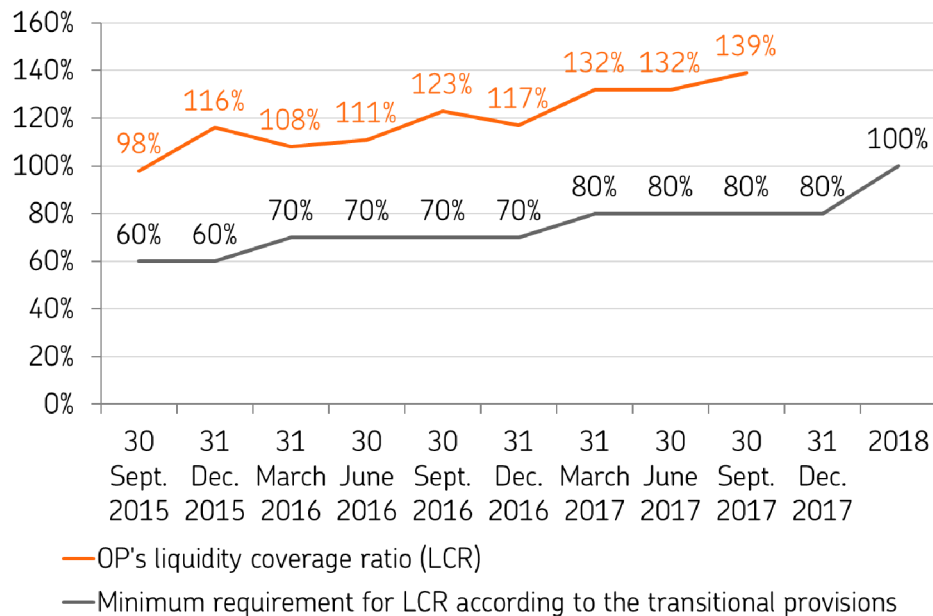
- Moody's affirmed Aaa rating with stable outlook in July 2017
  - TPI (Timely Payment Indicator) Leeway 5 notches
- S&P affirmed AAA rating with stable outlook in August 2017
  - 3 unused notches of jurisdictional support
  - 2 unused notches of collateral based uplift

## OP INSURANCE LTD

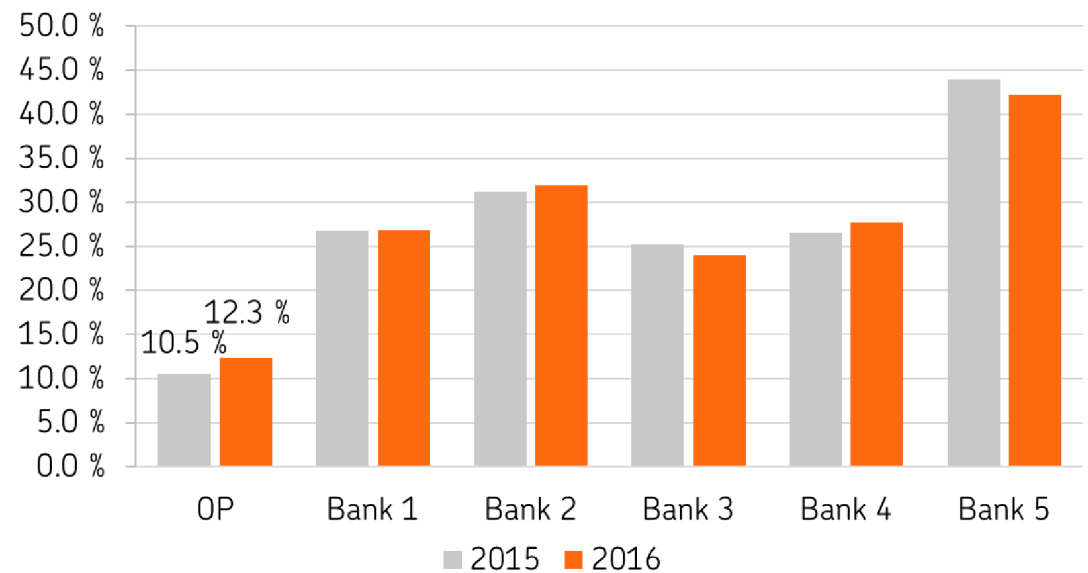
- Moody's affirmed A3 rating with stable outlook on 15 May 2015
- S&P affirmed A+ rating and stable outlook in July 2017

# Liquidity coverage ratio 139% at end-Sept. 2017 and encumbrance ratio 12.3% at YE2016

## LCR vs. minimum requirement

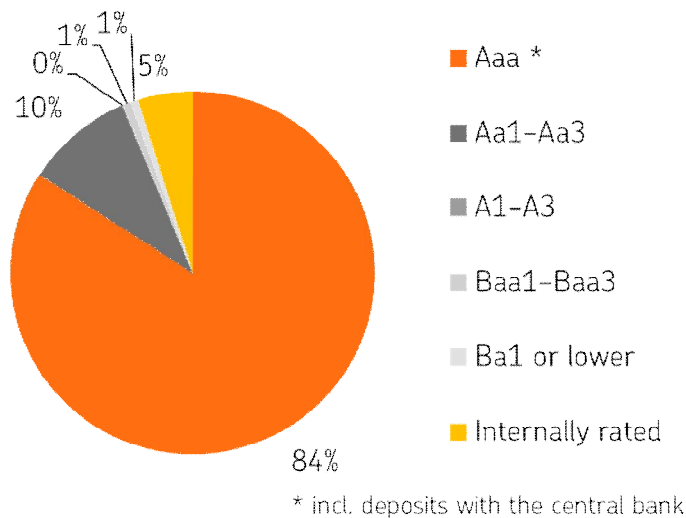


## Encumbrance ratio in Nordic comparison

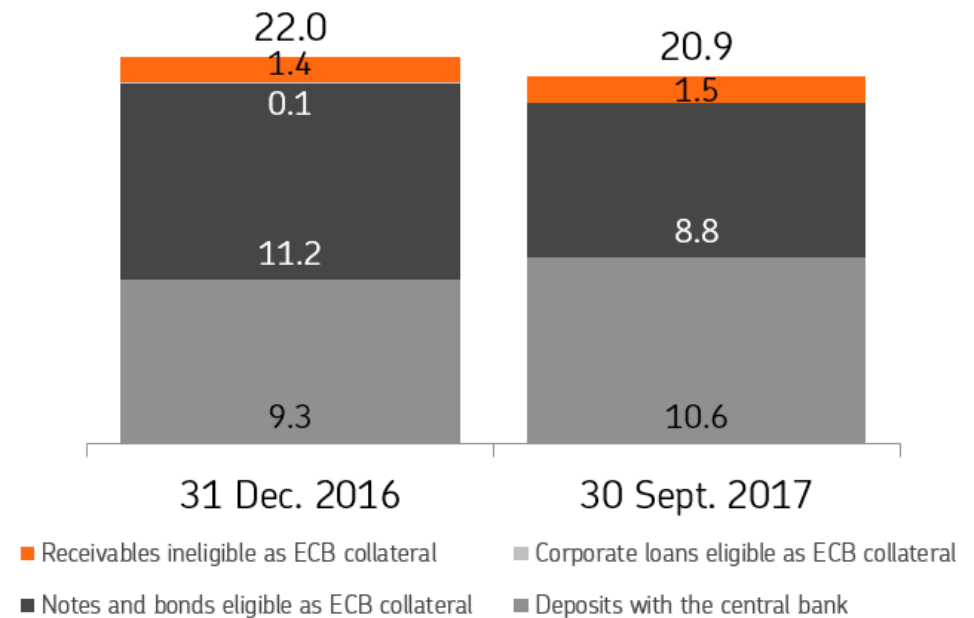


# Liquidity buffer €20.9 bn at end-Sept. 2017

Liquidity buffer by credit rating\*\*, as of 30 Sept. 2017



Liquidity buffer breakdown, € bn

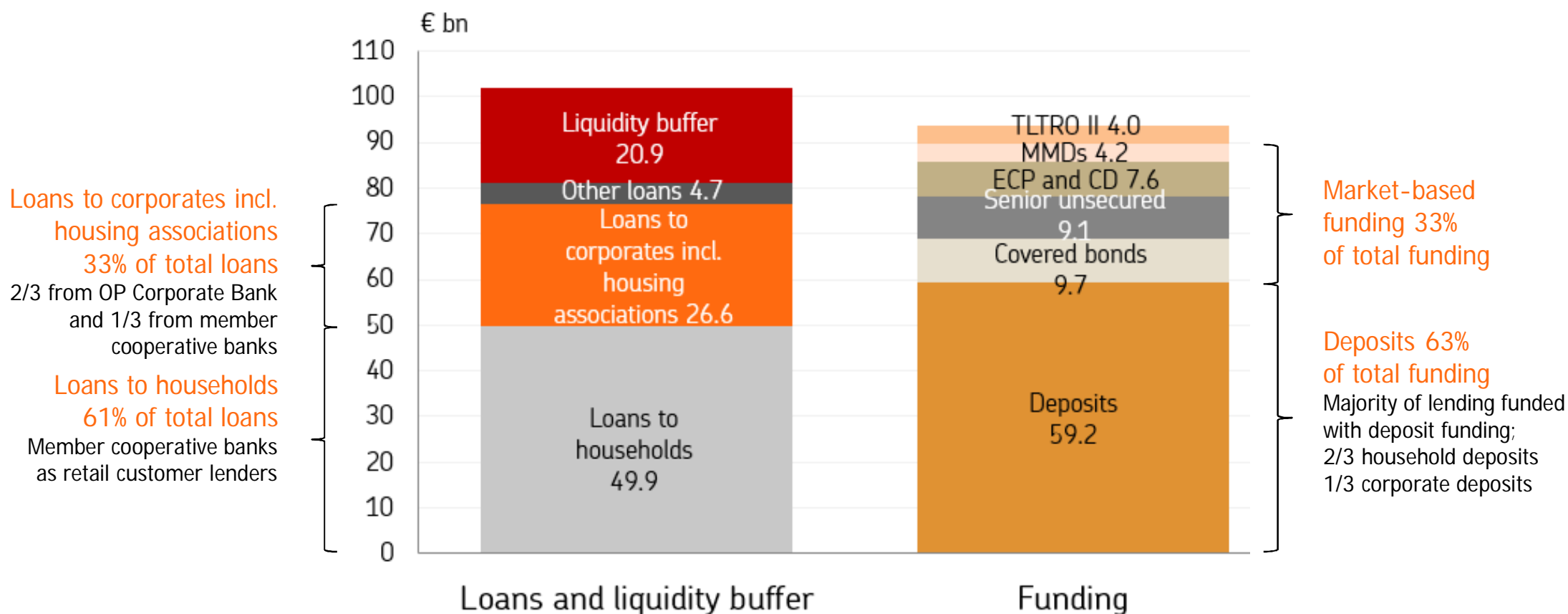


\*\* ) "Internally rated" includes externally non-rated notes and bonds issued by public-sector entities and companies

Decrease in the amount of notes and bonds eligible as collateral was due, for example, by their use as collateral in TLTRO-II. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

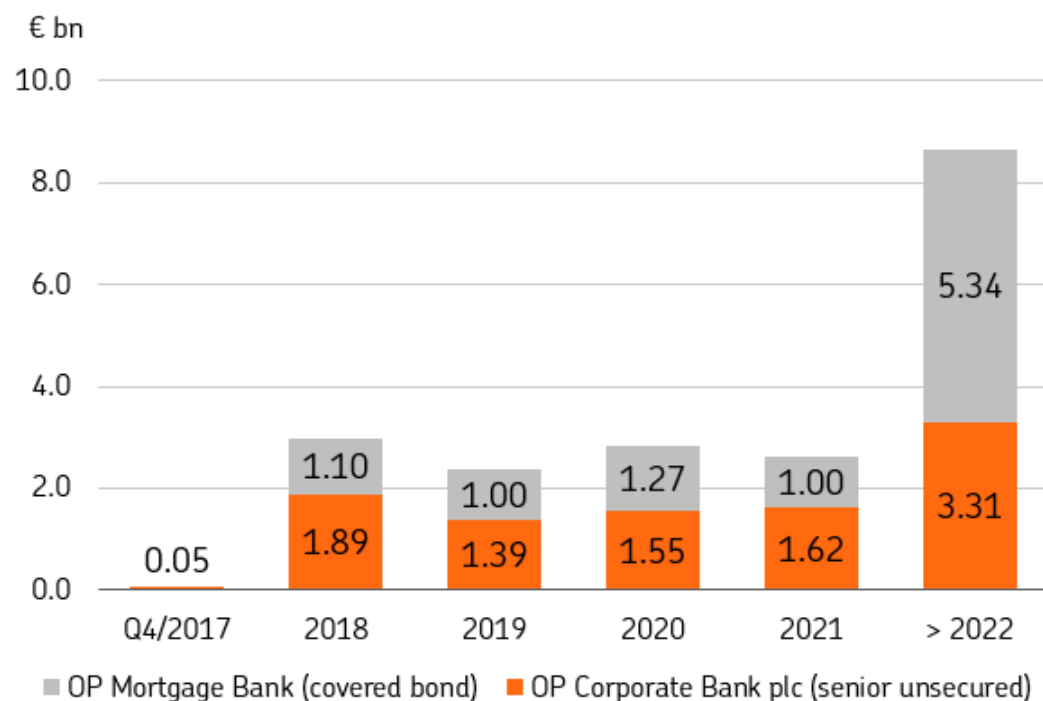
# Loans, liquidity buffer and funding

30 September 2017



# Maturity breakdown of wholesale funding well diversified

Issued senior unsecured and covered bonds by maturity, 30 September 2017



- OP issued long-term bonds worth €2.9 billion during Q1-3/2017
- Additionally, OP participated in ECB's TLTRO II refinancing operation with €1 billion in March 2017

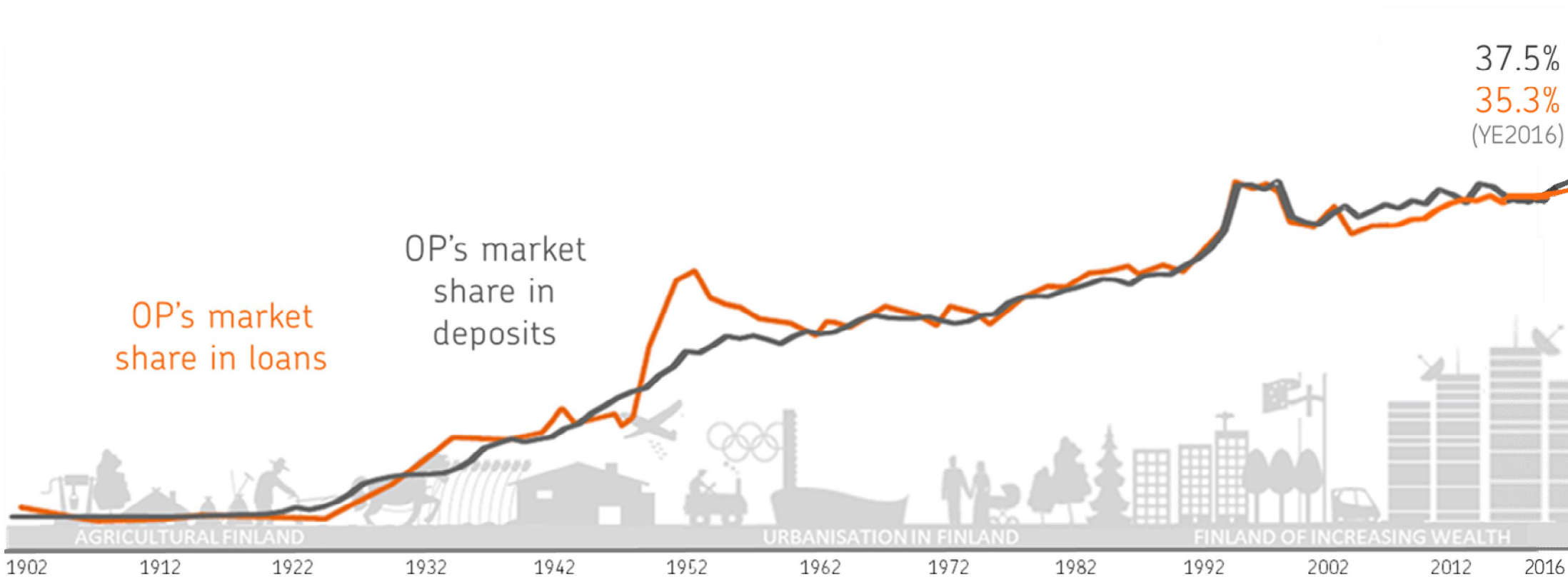
# Issued senior unsecured and covered bonds

## OP Corporate Bank plc's benchmark senior unsecured bonds 2015–17

Year	Month	Amount	Maturity	Interest rate
2017	April	€500 mn	5.5 yrs	m/s +27 bps
2016	January	€500 mn	5 yrs	m/s +65 bps
2015	November	Total ¥30 bn (€228 mn), 2 issues	5 yrs (floating) & 5 yrs (fixed)	m/s +59.9 bps & m/s +66.1 bps
2015	May	GBP300 mn	3 yrs	Eb3 +16 bps
2015	May	GBP400 mn	7 yrs	Eb3 +58 bps
2015	March	€1 bn	7 yrs	m/s +33 bps

## OP Mortgage Bank's benchmark covered bonds 2015–17

Year	Month	Amount	Maturity	Interest rate
2017	June	€1 bn	10 yrs	m/s +1 bp
2017	March	€1 bn	7 yrs	m/s -4 bps
2016	May	€1.25 bn	7 yrs	m/s +4 bps
2015	November	€1.25 bn	5 yrs	m/s +5 bps
2015	September	€1 bn	7 yrs	m/s -1 bp



# OP Mortgage Bank



# Highlights of the Act on Mortgage Credit Bank Operations

- Segregation of assets in Covered Register
- Tight LTV restrictions on eligible assets (70% LTV on housing loans)
- Over-collateralisation requirement of 2%
- Continuity of Cover Pool and Covered Bonds in the event of liquidation and bankruptcy of the issuer
- Regulated by Finnish FSA and ECB

## OP Mortgage Bank (OPMB) in brief

- OP Mortgage Bank is a special-purpose bank operating under the Act on Mortgage Credit Bank Operations.
- OP Mortgage Bank's sole purpose is to raise funds for OP Financial Group member banks by issuing covered bonds with mortgage collateral.
- The outstanding covered bonds of OP Mortgage Bank are rated AAA by S&P and Aaa by Moody's.
- OP Mortgage Bank is a wholly-owned subsidiary of OP Cooperative.
- OP Mortgage Bank fully benefits from the joint liability based on the Act on the Amalgamation of Deposit Banks. However, since assets in its Cover Asset Pool are ring-fenced, the noteholders have the right to receive what is due to them before all other creditors.

OP Mortgage Bank's covered bond programme qualifies for the European Covered Bond Council's (ECBC) Covered Bond Label.



Read more about ECBC's covered bond label at [www.coveredbondlabel.com](http://www.coveredbondlabel.com)

# OP Mortgage Bank's rating buffers

## Standard & Poor's: AAA (stable)

- 3 unused notches of jurisdictional support
- 2 unused notches of collateral based uplift
- Key scores (as of 31 March 2017)
  - Available Credit Enhancement: 21.45% (CE\* commensurate with AAA rating: 3.52%)
  - WAFF\*\*: 16.21%
  - WALS\*\*\*: 17.28%

\* Credit enhancement

\*\* Weighted-average foreclosure frequency

\*\*\* Weighted-average loss severity

Source: S&P Transaction Update OP Mortgage Bank,  
6 September 2017

## Moody's: Aaa (stable)

- TPI\*\*\* Leeway 5 notches
- Key scores (as of 30 June 2017)
  - CR-A\*\*\*\*: Aa2(cr)
  - CB Anchor: CR-A + 1 notch = Aa1
  - TPI: Probable-High
  - Collateral score (post-haircut): 3.4% (cap 5.0%)

\*\*\* Timely payment indicator

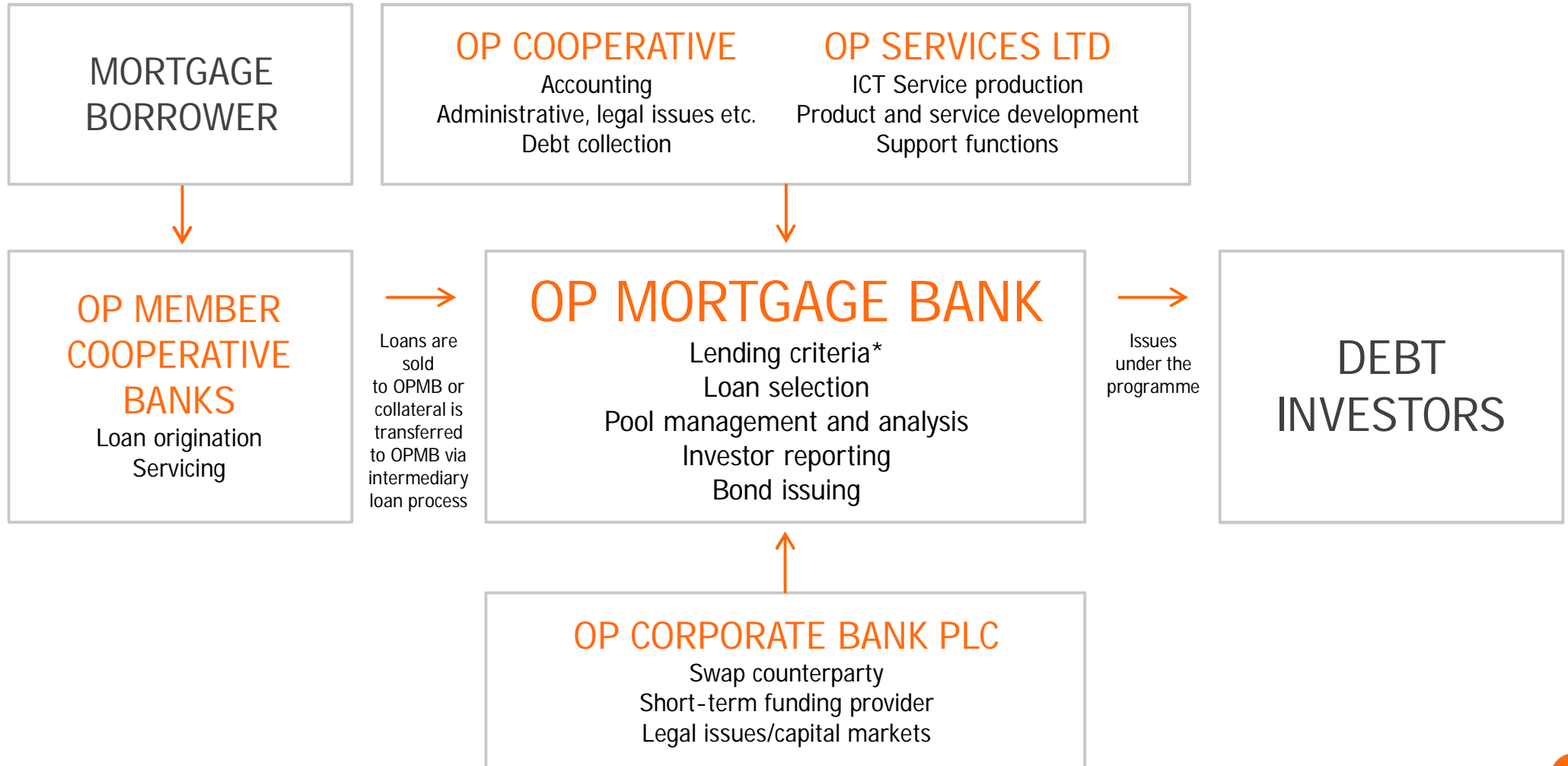
\*\*\*\* Counterparty risk assessment

Source: Moody's Performance Overview OP Mortgage Bank Covered Bonds 2,  
22 September 2017

## OPMB operating model

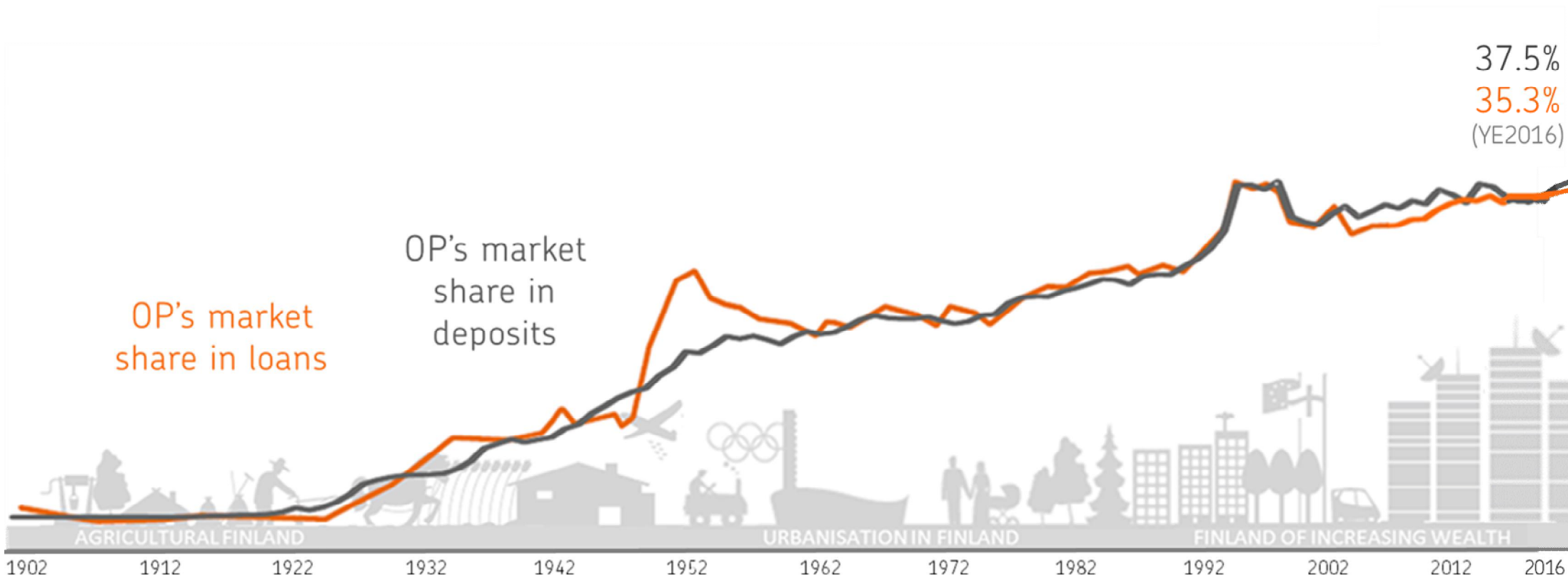
- OPMB is a funding vehicle for the member banks:
  - Subject to strict eligibility criteria:
    - Existing loans may be sold from member banks to OPMB.
    - Collateral may be transferred to OPMB via intermediary loan process.
    - Member cooperative banks may originate directly into OPMB's balance sheet acting as a broker agent.
- OPMB utilises the structure of OP Cooperative and outsources for example:
  - origination and servicing of assets to member cooperative banks
  - risk management, IT services, accounting etc. to OP Cooperative
  - has organised interest rate risk management in cooperation with OP Corporate Bank plc

# Operating model and roles



# Intermediary loans

- The Finnish Covered Bond Act (2010) enables granting intermediary loans
  - The member cooperative banks are granted the opportunity to indirectly participate in the issuing of a covered bond
  - Intermediary loans are the third way for the member banks to utilize OPMB along with selling loans and granting loans from OPMB
- The intermediary loan contract is made between the member cooperative bank and 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 bank commits to preserving adequate intermediary loan worthy loan portfolio for the maturity of the intermediary loan, and accepts that OPMB subscribes the loans as collateral in the cover pool
  - OPMB monitor's the adequacy of the loans daily
  - The OC is provided by OPMB
- Once the mortgage loans are registered in the covered register, whether they are entered via intermediary loan process or true sales, they serve as collateral for the covered bonds for the benefit of the noteholders.



## OPMB Cover Asset Pool Characteristics

Covered bonds issued after 1 Aug. 2010,  
under the Finnish Act on Mortgage Credit Banks 680/2010

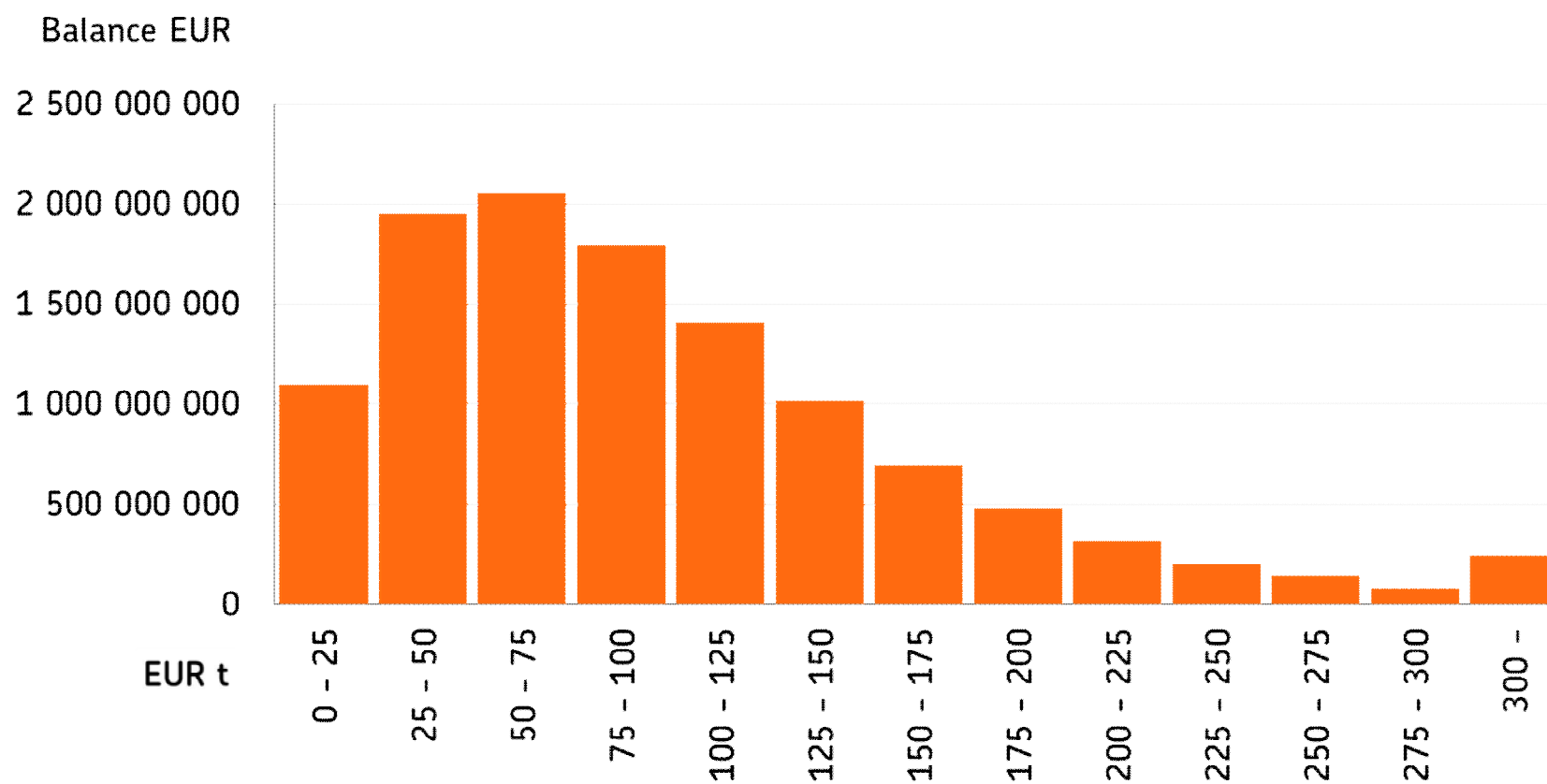
## Main Features of OP Mortgage Bank's Cover Asset Pool as of 30 September 2017

- Collateralized by Finnish mortgages
- Current balance EUR 11.49 billion
- Weighted Average indexed LTV of 43%
- Average loan size of approximately EUR 50,693
- No loans over 90 days in arrears ongoing
- Variable interest rates: over 96% of all loans
- Hedging agreements in place in order to mitigate interest rate risk
- Total amount of covered bonds issued EUR 9.735 billion



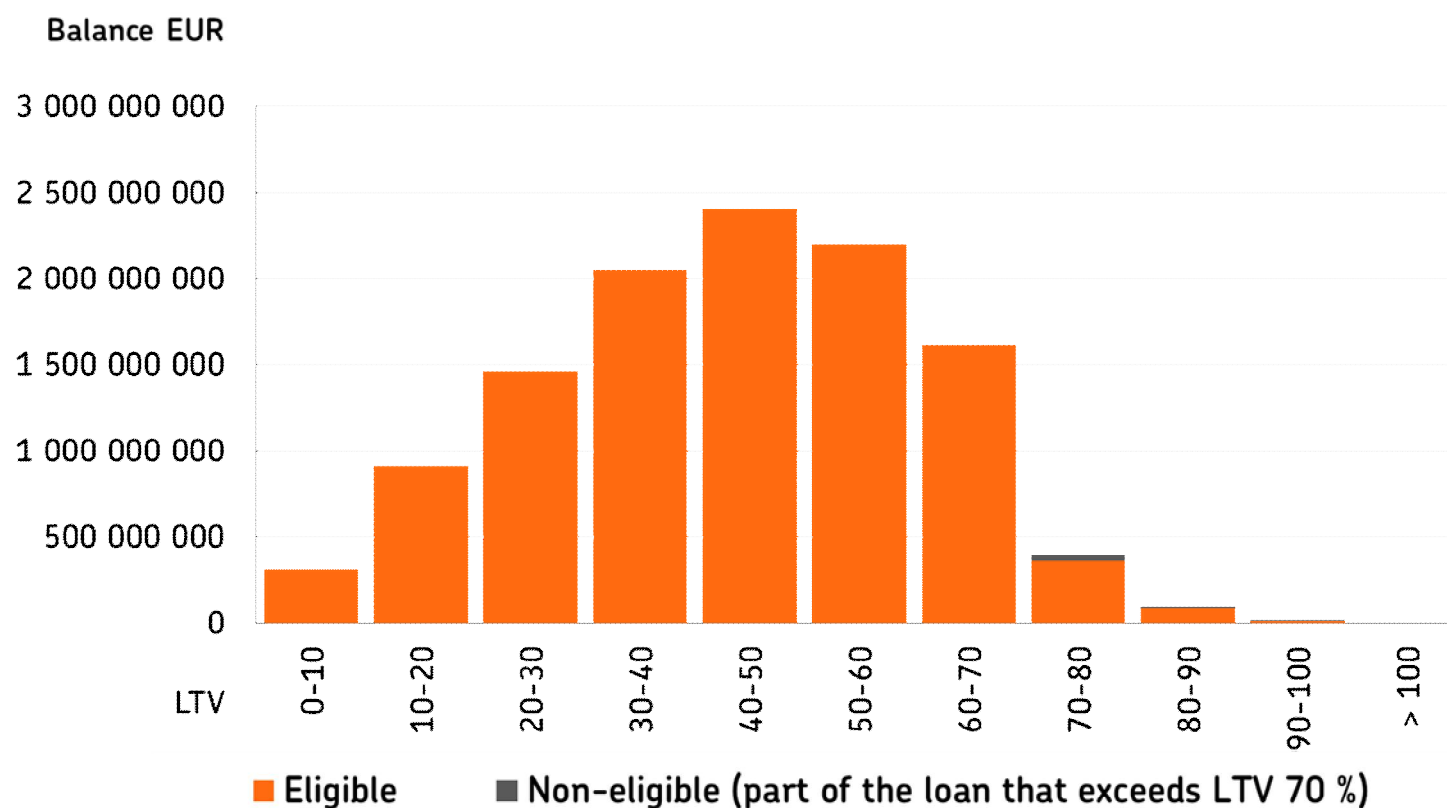
# OPMB Cover Asset Pool Characteristics

## Loans by size



# OPMB Cover Asset Pool Characteristics

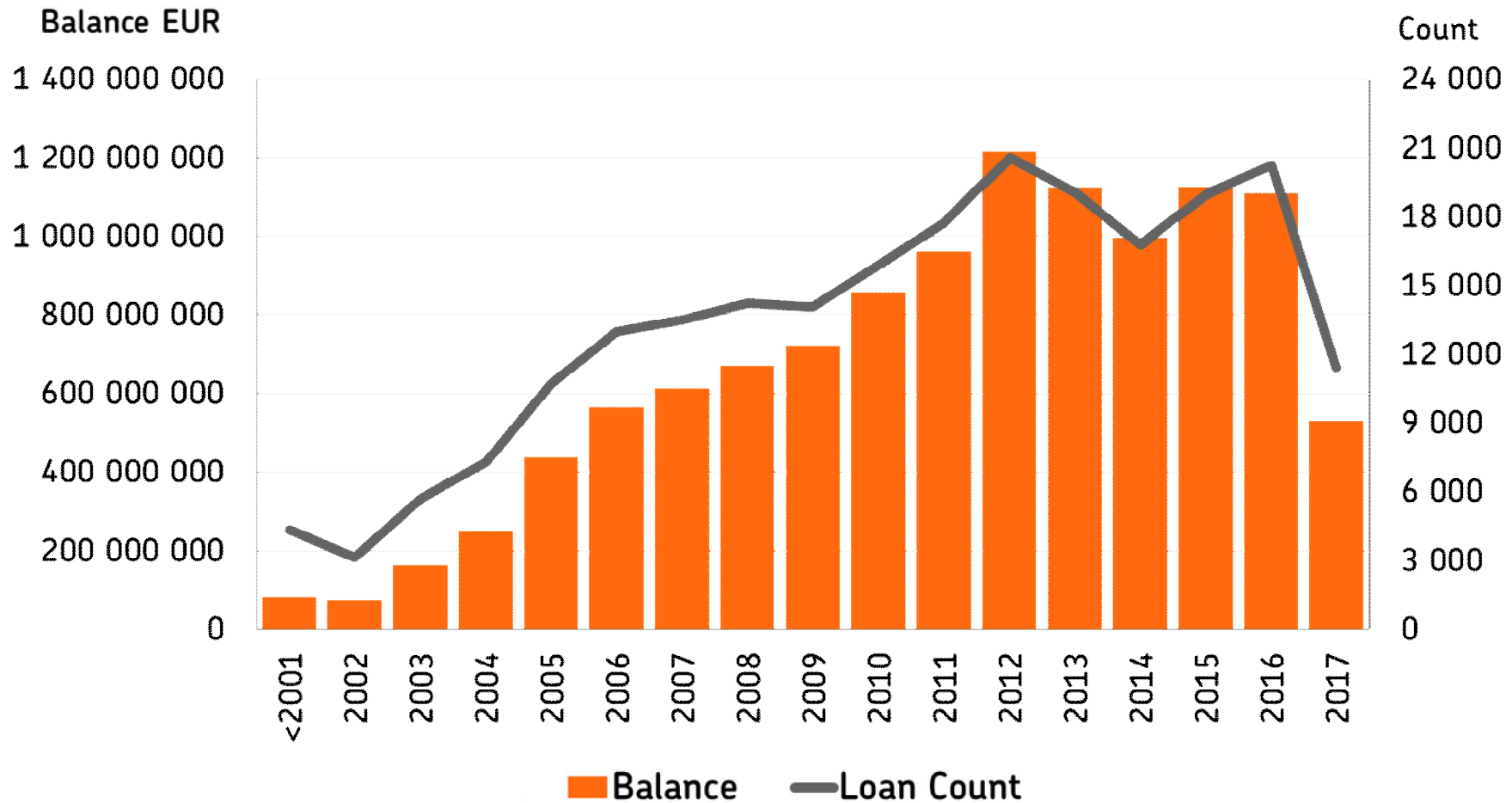
## Loans by LTV



- Total assets  
EUR 11.49 billion
- Eligible Cover Pool  
assets EUR 11.45  
billion
- Weighted average  
indexed LTV of 43%
- Over-collateralisation  
18.0% (Eligible cover  
pool assets)

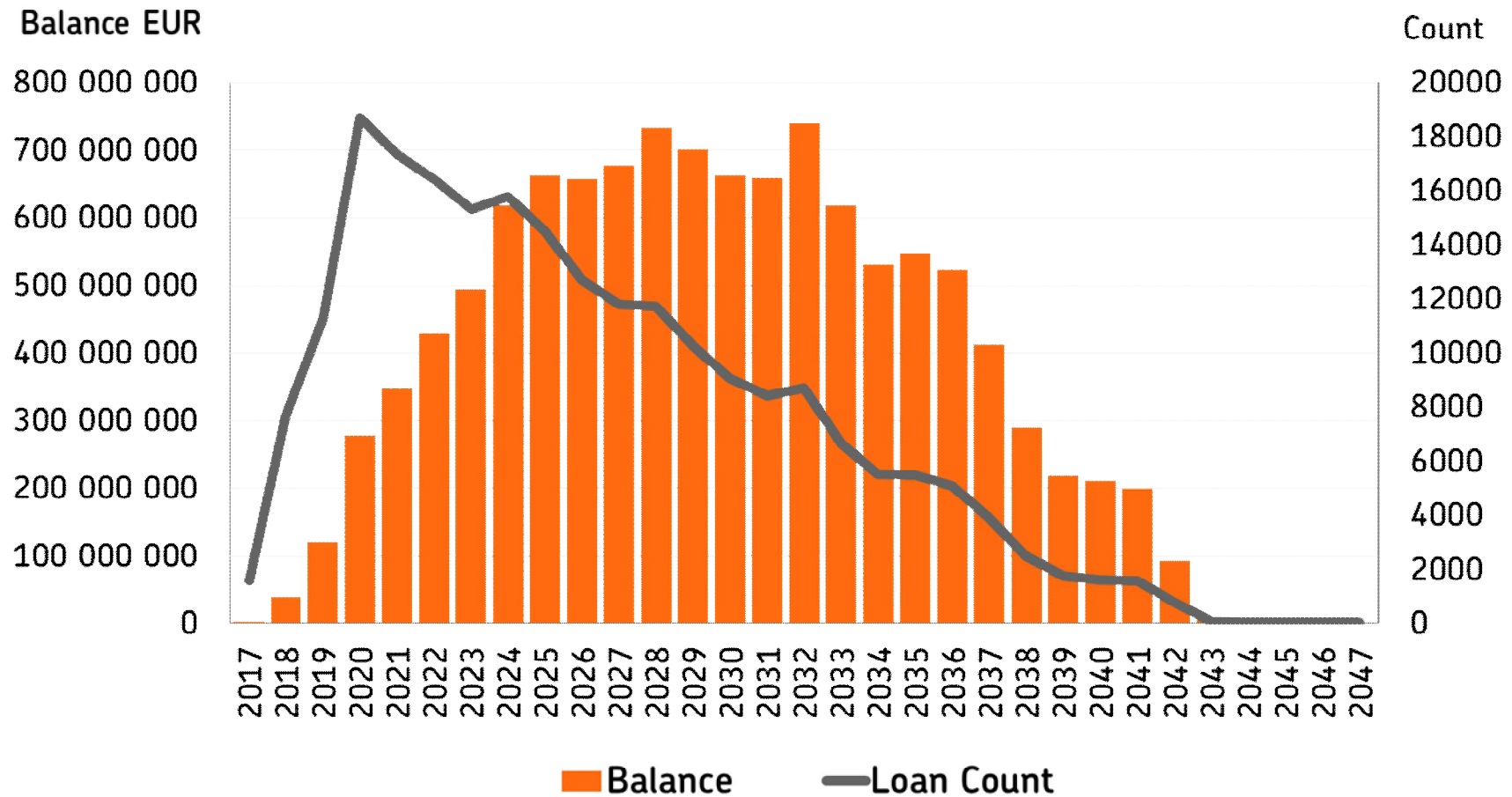
# OPMB Cover Asset Pool Characteristics

Loans by origination year



# OPMB Cover Asset Pool Characteristics

## Loans by maturity

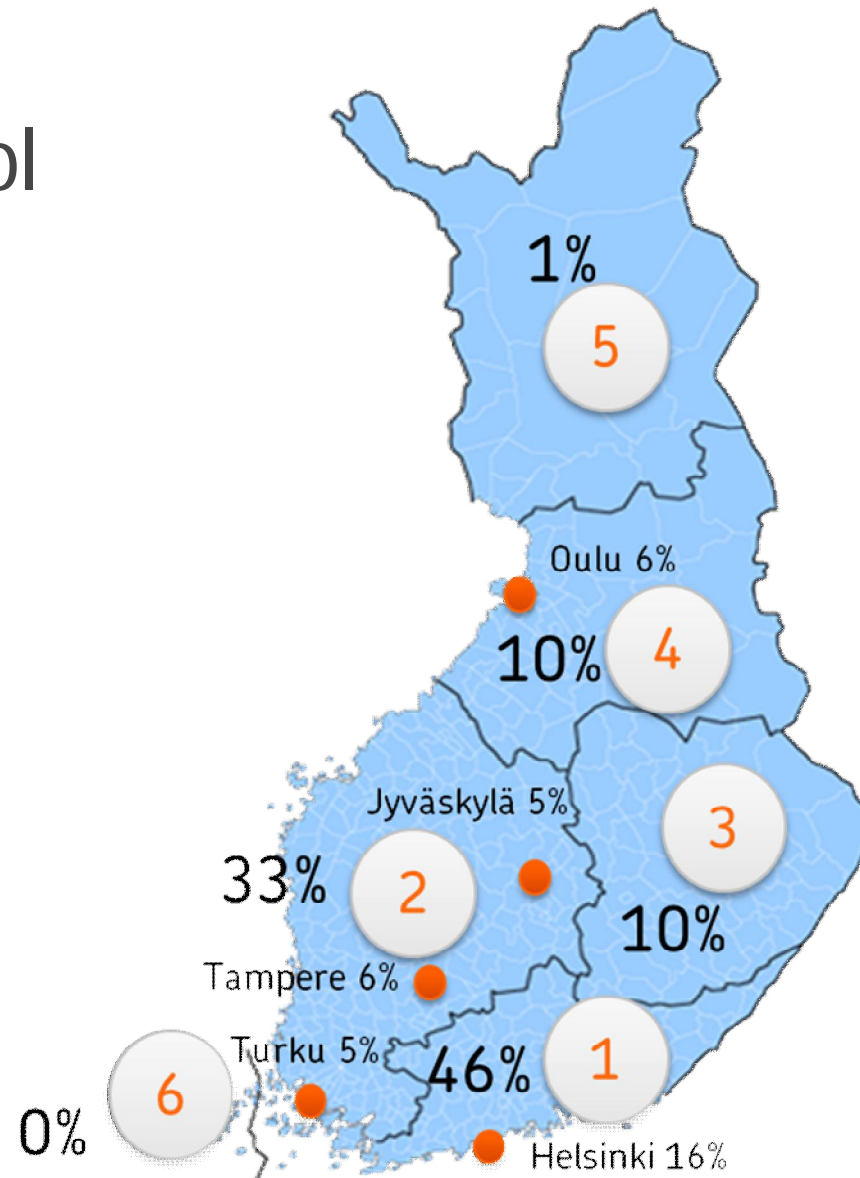


# OPMB Cover Asset Pool

## Characteristics

### Geographical distribution

- 1 Southern Finland
- 2 Western Finland
- 3 Eastern Finland
- 4 Oulu region
- 5 Lapland
- 6 Åland



A. Harmonised Transparency Template - General Information					
	Reporting in Domestic Currency	EUR			
	CONTENT OF TAB A				
	1. Basic Facts				
	2. Regulatory Summary				
	3. General Cover Pool / Covered Bond				
Field Number	1. Basic Facts				
G.1.1.1	Country	Finland			
G.1.1.2	Issuer Name	OP Mortgage Bank			
G.1.1.3	Link to Issuer's Website	<a href="http://www.op.fi/en-financial-coverage/debt-investor/fac-ar-an-investment">http://www.op.fi/en-financial-coverage/debt-investor/fac-ar-an-investment</a>			
G.1.1.4	Cut-off Date	30/09/2017			
	2. Regulatory Summary				
G.2.1.1	UCITS Compliance (Y/N)	Y			
G.2.1.2	CRR Compliance (Y/N)	Y			
G.2.1.3	LCR Status	<a href="http://www.coveredbondlabel.com/issuer/f/">http://www.coveredbondlabel.com/issuer/f/</a>			
	3. General Cover Pool / Covered Bond				
	1. General Information	Nominal (mn)			
G.3.1.1	Total Cover Assets	11488.41			
G.3.1.2	Outstanding Covered Bonds	9735.00			
	2. Over-collateralisation (OC)	Legal / Regulatory	Actual	Minimum Committed	Purpose
G.3.2.1	OC (%)	2%	17.5%	ND1	ND1
	3. Cover Pool Composition	Nominal (mn)		% Cover Pool	
G.3.3.1	Mortgages	11488.41		99.97%	
G.3.3.2	Public Sector	0.00		0.00%	
G.3.3.3	Shipping	0.00		0.00%	
G.3.3.4	Substitute Assets	0.00		0.00%	
G.3.3.5	Other	3.75		0.03%	
G.3.3.6	Total	11,488.41		100%	
	4. Cover Pool Amortisation Profile	Contractual	Expected Upon Prepayments	% Total Contractual	% Total Expected Upon
G.3.4.1	Weighted Average life (in years)	6.07	ND3		
	Residual Life (mn)				
	By buckets:				
G.3.4.2	0-1Y	1600.01	ND3	13.93%	
G.3.4.3	1-2Y	1190.65	ND3	10.36%	
G.3.4.4	2-3Y	1088.06	ND3	9.47%	
G.3.4.5	3-4Y	978.23	ND3	8.51%	
G.3.4.6	4-5Y	866.45	ND3	7.54%	
G.3.4.7	5-10Y	3137.31	ND3	27.31%	
G.3.4.8	10+Y	2627.69	ND3	22.87%	
G.3.4.9	Total	11,488.41	0	100%	0%

Source: OP Mortgage Bank Cover Asset Pool, ECBC Harmonised Transparency Template (HTT) as of 30 September 2017

5. Maturity of Covered Bonds		Initial Maturity	Extended Maturity	% Total Initial Maturity	% Total Extended Maturity
G.3.5.1	Weighted Average life (in years)	4.72	5.71		
	Maturity (mn)				
G.3.5.2	By buckets:				
G.3.5.3	0-1Y	1,100.00	0.00	11.30%	0.00%
G.3.5.4	1-2Y	1,000.00	1,100.00	10.27%	11.30%
G.3.5.5	2-3Y	1,270.00	1,000.00	13.05%	10.27%
G.3.5.6	3-4Y	1,000.00	1,270.00	10.27%	13.05%
G.3.5.7	4-5Y	1,000.00	1,000.00	10.27%	10.27%
G.3.5.8	5-10Y	4,365.00	4,365.00	44.84%	44.84%
G.3.5.9	10+Y	0.00	1,000.00	0.00%	10.27%
G.3.5.10	Total	9,735.00	9,735.00	100%	100%
6. Covered Assets - Currency		Nominal [before hedging] (mn)	Nominal [after hedging] (mn)	% Total [before]	% Total [after]
G.3.6.1	EUR	11488.41	0.00	100.00%	
G.3.6.2	USD	0.00	0.00	0.00%	
G.3.6.3	GBP	0.00	0.00	0.00%	
G.3.6.4	NOK	0.00	0.00	0.00%	
G.3.6.5	CHF	0.00	0.00	0.00%	
G.3.6.6	AUD	0.00	0.00	0.00%	
G.3.6.7	CAD	0.00	0.00	0.00%	
G.3.6.8	BRL	0.00	0.00	0.00%	
G.3.6.9	CZK	0.00	0.00	0.00%	
G.3.6.10	DKK	0.00	0.00	0.00%	
G.3.6.11	HKD	0.00	0.00	0.00%	
G.3.6.12	KRW	0.00	0.00	0.00%	
G.3.6.13	SEK	0.00	0.00	0.00%	
G.3.6.14	SGD	0.00	0.00	0.00%	
G.3.6.15	Other	0.00	0.00	0.00%	
G.3.6.16	Total	11488.41	0.00	100%	0%
7. Covered Bonds - Currency		Nominal [before hedging] (mn)	Nominal [after hedging] (mn)	% Total [before]	% Total [after]
G.3.7.1	EUR	9735.00	9735.00	100.00%	100.00%
G.3.7.2	USD	0.00	0.00	0.00%	0.00%
G.3.7.3	GBP	0.00	0.00	0.00%	0.00%
G.3.7.4	NOK	0.00	0.00	0.00%	0.00%
G.3.7.5	CHF	0.00	0.00	0.00%	0.00%
G.3.7.6	AUD	0.00	0.00	0.00%	0.00%
G.3.7.7	CAD	0.00	0.00	0.00%	0.00%
G.3.7.8	BRL	0.00	0.00	0.00%	0.00%
G.3.7.9	CZK	0.00	0.00	0.00%	0.00%
G.3.7.10	DKK	0.00	0.00	0.00%	0.00%
G.3.7.11	HKD	0.00	0.00	0.00%	0.00%
G.3.7.12	KRW	0.00	0.00	0.00%	0.00%
G.3.7.13	SEK	0.00	0.00	0.00%	0.00%
G.3.7.14	SGD	0.00	0.00	0.00%	0.00%
G.3.7.15	Other	0.00	0.00	0.00%	0.00%
G.3.7.16	Total	9735.00	9735.00	100%	100%
8. Covered Bonds - Breakdown by interest rate		Nominal [before hedging] (mn)	Nominal [after hedging] (mn)	% Total [before]	% Total [after]
G.3.8.1	Fixed coupon	9635.00	9635.00	99%	99%
G.3.8.2	Floating coupon	100.00	100.00	1%	1%
G.3.8.3	Other	0.00	0.00	0%	0%
G.3.8.4	Total	9735.00	9735.00	100%	100%

Source: OP Mortgage Bank Cover Asset Pool, ECBC Harmonised Transparency Template (HTT) as of 30 September 2017

9. Substitute Assets - Type		Nominal (mn)	%		Substitute Assets	
G.3.9.1	Cash	0.00				
G.3.9.2	Exposures to/ guaranteed by Supranational, Sovereign, Agency (SSA)	0.00				
G.3.9.3	Exposures to central bank	0.00				
G.3.9.4	Exposures to credit institutions	0.00				
G.3.9.5	Other	0.00				
G.3.9.6	Total	0.00			0%	
10. Substitute Assets - Country		Nominal (mn)	%		Substitute Assets	
G.3.10.1	Domestic (Country of issuer)	0.00				
G.3.10.2	Eurozone	0.00				
G.3.10.3	Rest of European Union (EU)	0.00				
G.3.10.4	European Economic Area (not member of EU)	0.00				
G.3.10.5	Switzerland	0.00				
G.3.10.6	Australia	0.00				
G.3.10.7	Brazil	0.00				
G.3.10.8	Canada	0.00				
G.3.10.9	Japan	0.00				
G.3.10.10	Korea	0.00				
G.3.10.11	New Zealand	0.00				
G.3.10.12	Singapore	0.00				
G.3.10.13	US	0.00				
G.3.10.14	Other	0.00				
G.3.10.15	Total EU	0.00				
G.3.10.16	Total	0.00			0%	
11. Liquid Assets		Nominal (mn)	%		Cover Pool	Covered Bonds
G.3.11.1	Substitute and other marketable assets	11488.41			100.00%	100.00%
G.3.11.2	Central bank eligible assets	0.00			0.00%	0.00%
G.3.11.3	Other	0.00			0.00%	0.00%
G.3.11.4	Total	11488.41			100%	100%
12. Bond List						
G.3.12.1	Bond list	<a href="https://www.coveredbonds.com/firmer6/">https://www.coveredbonds.com/firmer6/</a>				
13. Derivatives & Swaps		intra-group				
G.3.13.1	Derivatives in the required cover pool (national) (mn)	7738.22				
G.3.13.2	Type of interest rate swaps (intra-group, external or both)	intra-group				
G.3.13.3	Type of currency rate swaps (intra-group, external or both)	ND2				



4. References to Capital Requirements Regulation (CRR)			Row	Row			
129(7)							
The issuer believes that, at the time of its issuance and as an transparency data made publicly available by the issuer, these covered bonds would satisfy the eligibility criteria for Article 129(7) of the Capital Requirements Regulation (EU) 648/2012. It should be noted, however, that whether or not exposures in the form of covered bonds are eligible for preferential treatment under Regulation (EU) 648/2012 is ultimately a matter to be determined by a relevant investor institution and its relevant supervisory authority and the issuer does not accept any responsibility in this regard.							
G.4.1.1	(i)	Value of the cover pool outstanding covered bonds:	38				
G.4.1.2	(i)	Value of covered bonds:	39				
G.4.1.3	(ii)	Geographical distribution:	43 for Mortgage Assets				
G.4.1.4	(ii)	Type of cover assets:	52				
G.4.1.5	(ii)	Loan size:	155 for Residential Mortgage Assets	240 for Commercial Mortgage Assets			
G.4.1.6	(ii)	Interest rate risk - cover pool:	119 for Mortgage Assets	228			
G.4.1.7	(ii)	Currency risk - cover pool:	111				
G.4.1.8	(ii)	Interest rate risk - covered bond:	163				
G.4.1.9	(ii)	Currency risk - covered bond:	137				
G.4.1.10	(Please refer to "Tab D. HTT Harmonised Glossary" for hedging		17 for Harmonised Glossary				
G.4.1.11	(iii)	Maturity structure of cover assets:	65				
G.4.1.12	(iii)	Maturity structure of covered bonds:	88				
G.4.1.13	(iv)	Percentage of loans more than ninety days past due:	149 for Mortgage Assets				
5. References to Capital Requirements Regulation (CRR)							
129(1)							
G.5.1.1	Exposure to credit institute credit quality step 1 & 2		ND3				
6. Other relevant information							

## B1. Harmonised Transparency Template - Mortgage Assets

	Reporting in Domestic Currency	EUR				
	CONTENT OF TAB B1					
	7. Mortgage Assets					
	7.A Residential Cover Pool					
	7.B Commercial Cover Pool					

Field Number	7. Mortgage Assets					
1. Property Type Information		Nominal (mn)	% Total Mortgages			
M.7.1.1	Residential	11484.66			100.00%	
M.7.1.2	Commercial	0.00			0.00%	
M.7.1.3	Other	0.00			0.00%	
M.7.1.4	Total	11484.66			100.00%	
2. General Information		Residential Loans	Commercial Loans	Total Mortgages		
M.7.2.1	Number of mortgage loans	226551	0		226551	
3. Concentration Risks		% Residential Loans	% Commercial Loans	% Total Mortgages		
M.7.3.1	10 largest exposures	0.08	0.00		0.08	

Source: OP Mortgage Bank Cover Asset Pool, ECBC Harmonised Transparency Template (HTT) as of 30 September 2017

<b>4. Breakdown by Geography</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.4.1	European Union	100.00	0.00	100.00
M.7.4.2	Austria			
M.7.4.3	Belgium			
M.7.4.4	Bulgaria			
M.7.4.5	Croatia			
M.7.4.6	Cyprus			
M.7.4.7	Czech Republic			
M.7.4.8	Denmark			
M.7.4.9	Estonia			
M.7.4.10	Finland	100.00		100.00
M.7.4.11	France			
M.7.4.12	Germany			
M.7.4.13	Greece			
M.7.4.14	Netherlands			
M.7.4.15	Hungary			
M.7.4.16	Ireland			
M.7.4.17	Italy			
M.7.4.18	Latvia			
M.7.4.19	Lithuania			
M.7.4.20	Luxembourg			
M.7.4.21	Malta			
M.7.4.22	Poland			
M.7.4.23	Portugal			
M.7.4.24	Romania			
M.7.4.25	Slovakia			
M.7.4.26	Slovenia			
M.7.4.27	Spain			
M.7.4.28	Sweden			
M.7.4.29	United Kingdom			
M.7.4.30	European Economic Area (not member of EU)	0.00	0.00	0.00
M.7.4.31	Iceland			
M.7.4.32	Liechtenstein			
M.7.4.33	Norway			
M.7.4.34	Other	0.00	0.00	0.00
M.7.4.35	Switzerland			
M.7.4.36	Australia			
M.7.4.37	Brazil			
M.7.4.38	Canada			
M.7.4.39	Japan			
M.7.4.40	Korea			
M.7.4.41	New Zealand			
M.7.4.42	Singapore			
M.7.4.43	US			
M.7.4.44	Other			

<b>5. Breakdown by domestic regions</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.5.1	Aland Islands	0.28		0.28
M.7.5.2	Central Finland	5.41		5.41
M.7.5.3	Central Ostrobothnia	1.24		1.24
M.7.5.4	Etela-Savo	2.17		2.17
M.7.5.5	Ita-Uusimaa	2.48		2.48
M.7.5.6	Kainuu	0.75		0.75
M.7.5.7	Kanta-Hame	4.60		4.60
M.7.5.8	Kymenlaakso	2.65		2.65
M.7.5.9	Lapland	1.45		1.45
M.7.5.10	North Karelia	2.82		2.82
M.7.5.11	North Ostrobothnia	8.90		8.90
M.7.5.12	Ostrobothnia	2.26		2.26
M.7.5.13	Paijat-Hame	3.50		3.50
M.7.5.14	Pirkanmaa	8.82		8.82
M.7.5.15	Pohjois-Savo	4.70		4.70
M.7.5.16	Satakunta	4.06		4.06
M.7.5.17	South Karelia	2.49		2.49
M.7.5.18	South Ostrobothnia	2.01		2.01
M.7.5.19	Uusimaa	28.38		28.38
M.7.5.20	Varsinais-Suomi	11.04		11.04
<b>6. Breakdown by Interest Rate</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.6.1	Fixed rate	1.68		1.68
M.7.6.2	Floating rate	98.32		98.32
M.7.6.3	Other			
<b>7. Breakdown by Repayment Type</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.7.1	Bullet / interest only	0.00		0.00
M.7.7.2	Amortising	100.00		100.00
M.7.7.3	Other			
<b>8. Loan Seasoning</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.8.1	Up to 12months	7.55		7.55
M.7.8.2	≥ 12 - ≤ 24 months	10.25		10.25
M.7.8.3	≥ 24 - ≤ 36 months	9.48		9.48
M.7.8.4	≥ 36 - ≤ 60 months	19.01		19.01
M.7.8.5	≥ 60 months	53.71		53.71
<b>9. Non-Performing Loans (NPLs)</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.9.1	% NPLs	0.00		0.00

7.A Residential Cover Pool						
10. Loan Size Information		Nominal	Number of Loans		% Residential Loans	% No. of Loans
M.7A.10.1	Average loan size (000s)	50.69				
	By bucket (mn):					
M.7A.10.2	0 - 0,025000	1097.90	88056.00		9.56%	38.87%
M.7A.10.3	0,025001 - 0,050000	1957.51	53663.00		17.04%	23.69%
M.7A.10.4	0,050001 - 0,100000	3852.05	54117.00		33.54%	23.89%
M.7A.10.5	0,100001 - 0,150000	2421.22	20053.00		21.08%	8.85%
M.7A.10.6	0,150001 - 0,200000	1168.47	6835.00		10.17%	3.02%
M.7A.10.7	0,200001 - 0,250000	515.28	2338.00		4.49%	1.03%
M.7A.10.8	0,250001 - 0,300000	228.07	845.00		1.99%	0.37%
M.7A.10.9	0,300001 -	244.17	644.00		2.13%	0.28%
M.7A.10.10	Total	11484.66	226551.00		100.00%	100.00%
11. Loan to Value (LTV) Information - UNINDEXED		Nominal	Number of Loans		% Residential Loans	% No. of Loans
M.7A.11.1	Weighted Average LTV (%)	49.21				
	By LTV bucket (mn):					
M.7A.11.2	>0 - <40 %	9100.38	226551.00		79.24%	45.82%
M.7A.11.3	>40 - <50 %	1133.94	106384.00		9.87%	21.52%
M.7A.11.4	>50 - <60 %	737.09	78020.00		6.42%	15.78%
M.7A.11.5	>60 - <70 %	418.29	55955.00		3.64%	11.32%
M.7A.11.6	>70 - <80 %	84.44	23936.00		0.74%	4.84%
M.7A.11.7	>80 - <90 %	9.07	3091.00		0.08%	0.63%
M.7A.11.8	>90 - <100 %	1.35	465.00		0.01%	0.09%
M.7A.11.9	>100%	0.11	52.00		0.00%	0.01%
M.7A.11.10	Total	11484.66	494454.00	✓	100.00%	✓ 100.00%
12. Loan to Value (LTV) Information - INDEXED		Nominal	Number of Loans		% Residential Loans	% No. of Loans
M.7A.12.1	Weighted Average LTV (%)	43.38				
	By LTV bucket (mn):					
M.7A.12.2	>0 - <40 %	9781.36	226551.00		85.17%	59.84%
M.7A.12.3	>40 - <50 %	977.40	79001.00		8.51%	20.87%
M.7A.12.4	>50 - <60 %	508.41	45700.00		4.43%	12.07%
M.7A.12.5	>60 - <70 %	176.51	20759.00		1.54%	5.48%
M.7A.12.6	>70 - <80 %	34.86	5150.00		0.30%	1.36%
M.7A.12.7	>80 - <90 %	5.40	1193.00		0.05%	0.32%
M.7A.12.8	>90 - <100 %	0.73	210.00		0.01%	0.06%
M.7A.12.9	>100%	0.00	0.00		0.00%	0.00%
M.7A.12.10	Total	11484.66	378564.00		100.00%	100.00%
13. Breakdown by type		% Residential Loans				
M.7A.13.1	Owner occupied	96.53				
M.7A.13.2	Second home/Holiday home	1.17				
M.7A.13.3	Buy-to-let/Non-owner occupied	0.52				
M.7A.13.4	Agricultural	1.77				
M.7A.13.5	Other					
14. Loan by Ranking		% Residential Loans				
M.7A.14.1	1st lien / 1st priority	100.00				
M.7A.14.2	Guaranteed	0.00				
M.7A.14.3	Other	0.00				

7B Commercial Cover Pool						
15. Loan Size Information		Nominal	Number of Loans		% Commercial Loans	% No. of Loans
M.7B.15.1	Average loan size (000s)					
	By bucket (mn):					
M.7B.15.2	0 - 0,100000	0.00	0.00			
M.7B.15.3	0,100001 - 0,200000	0.00	0.00			
M.7B.15.4	0,200001 - 0,300000	0.00	0.00			
M.7B.15.5	0,300001 - 0,400000	0.00	0.00			
M.7B.15.6	0,400001 - 0,500000	0.00	0.00			
M.7B.15.7	0,500001 - 0,600000	0.00	0.00			
M.7B.15.8	0,600001 - 0,700000	0.00	0.00			
M.7B.15.9	0,700001 - 0,800000	0.00	0.00			
M.7B.15.10	0,800001 - 0,900000	0.00	0.00			
M.7B.15.11	0,900001 - 1000000	0.00	0.00			
M.7B.15.12	1000001 -	0.00	0.00			
M.7B.15.26	Total	0.00	0.00		0.00%	0.00%
16. Loan to Value (LTV) Information - UNINDEXED		Nominal	Number of Loans		% Commercial Loans	% No. of Loans
M.7B.16.1	Weighted Average LTV (%)					
	By LTV bucket (mn):					
M.7B.16.2	>0 - <=40 %	0.00	0.00			
M.7B.16.3	>40 - <=50 %	0.00	0.00			
M.7B.16.4	>50 - <=60 %	0.00	0.00			
M.7B.16.5	>60 - <=70 %	0.00	0.00			
M.7B.16.6	>70 - <=80 %	0.00	0.00			
M.7B.16.7	>80 - <=90 %	0.00	0.00			
M.7B.16.8	>90 - <=100 %	0.00	0.00			
M.7B.16.9	>100%	0.00	0.00			
M.7B.16.10	Total	0.00	0.00		0.00%	0.00%
17. Loan to Value (LTV) Information - INDEXED		Nominal	Number of Loans		% Commercial Loans	% No. of Loans
M.7B.17.1	Weighted Average LTV (%)					
	By LTV bucket (mn):					
M.7B.17.2	>0 - <=40 %	0.00	0.00			
M.7B.17.3	>40 - <=50 %	0.00	0.00			
M.7B.17.4	>50 - <=60 %	0.00	0.00			
M.7B.17.5	>60 - <=70 %	0.00	0.00			
M.7B.17.6	>70 - <=80 %	0.00	0.00			
M.7B.17.7	>80 - <=90 %	0.00	0.00			
M.7B.17.8	>90 - <=100 %	0.00	0.00			
M.7B.17.9	>100%	0.00	0.00			
M.7B.17.10	Total	0.00	0.00		0.00%	0.00%
18. Breakdown by Type		% Commercial Loans				
M.7B.18.1	Retail					
M.7B.18.2	Office					
M.7B.18.3	Hotel/Tourism					
M.7B.18.4	Shopping malls					
M.7B.18.5	Industry					
M.7B.18.6	Agriculture					
M.7B.18.7	Other commercially used					
M.7B.18.8	Land					
M.7B.18.9	Property developers / Building under construction					
M.7B.18.10	Other					

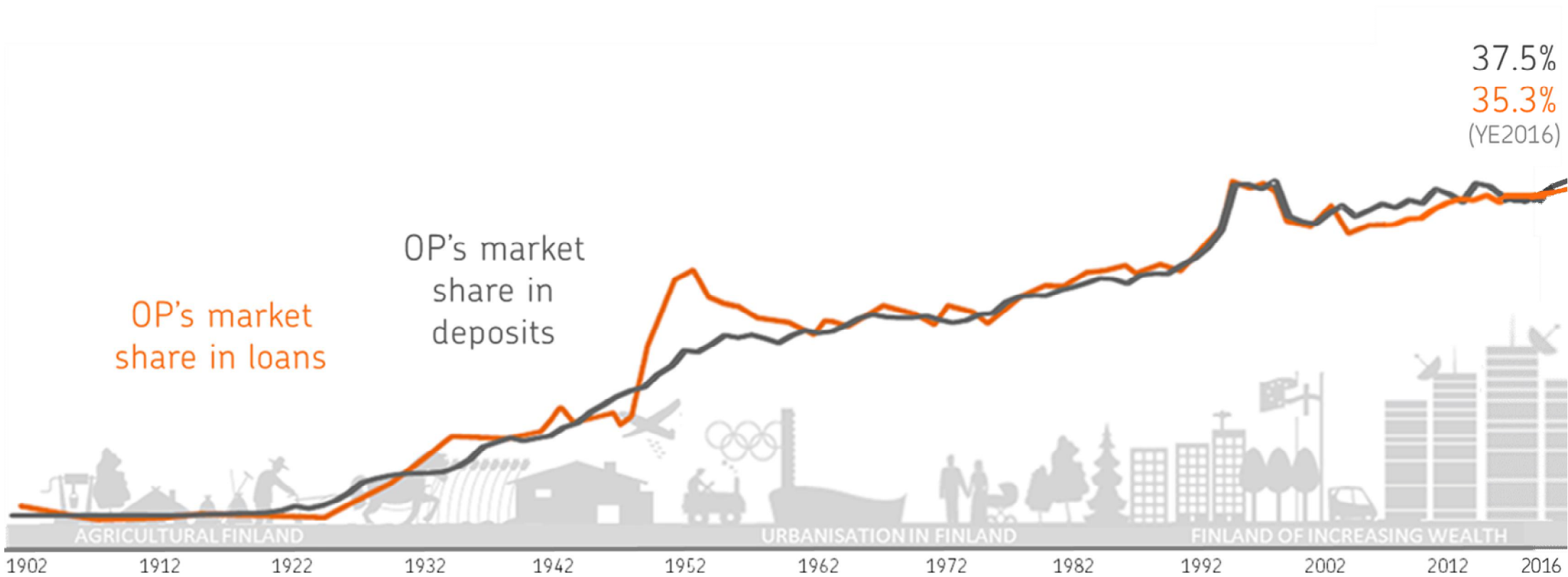
This addendum is optional

## E. Harmonised Transparency Template - Optional ECB - ECAIs Data Disclosure

Reporting in Domestic Currency		EUR				
CONTENT OF TAB E						
<a href="#">1. Additional information on the programme</a> <a href="#">2. Additional information on the swaps</a> <a href="#">3. Additional information on the asset distribution</a>						
Field Number	1. Additional information on the programme					
	<b>Transaction Counterparties</b>	<b>Name</b>	<b>Legal Entity Identifier (LEI)*</b>			
E.1.1.1	Sponsor (if applicable)	OP Corporate Bank plc	549300NQ588N7RWKBP98			
E.1.1.2	Servicer	Member cooperative banks of OP Financial Group	N/A			
E.1.1.3	Back-up servicer	ND2				
E.1.1.4	BUS facilitator	ND2				
E.1.1.5	Cash manager	ND2				
E.1.1.6	Back-up cash manager	ND2				
E.1.1.7	Account bank	OP Corporate Bank plc	549300NQ588N7RWKBP98			
E.1.1.8	Standby account bank	ND2				
E.1.1.9	Account bank guarantor	ND2				
E.1.1.10	Trustee	ND1				
E.1.1.11	Cover Pool Monitor	ND1				
	2. Additional information on the swaps					
	<b>Swap Counterparties</b>	<b>Guarantor (if applicable)</b>	<b>Legal Entity Identifier (LEI)*</b>	<b>Type of Swap</b>		
E.2.1.1	OP Corporate Bank plc		549300NQ588N7RWKBP98	INTEREST		
	3. Additional information on the asset distribution					
	<b>1. General Information</b>	<b>Total Assets</b>				
E.3.1.1	Weighted Average Seasoning (months)	71				
E.3.1.2	Weighted Average Maturity (months)**	150				
	<b>2. Arrears</b>	<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Public Sector Assets</b>	<b>% Shipping Loans</b>	<b>% Total Loans</b>
E.3.2.1	<30 days	0.05	ND2	ND2	ND2	0.05
E.3.2.2	30-<60 days	0.00	ND2	ND2	ND2	0.00
E.3.2.3	60-<90 days		ND2	ND2	ND2	
E.3.2.4	90-<180 days		ND2	ND2	ND2	
E.3.2.5	>= 180 days		ND2	ND2	ND2	

Reason for No Data in Worksheet E.	Value
Not applicable for the jurisdiction	ND1
Not relevant for the issuer and/or CB programme at the present time	ND2
Not available at the present time	ND3
Confidential	ND4
* Legal Entity Identifier (LEI) finder: <a href="http://www.lei-lookup.com/#!search">http://www.lei-lookup.com/#!search</a>	
** Weighted Average Maturity = Remaining Term to Maturity	

Source: OP Mortgage Bank Cover Asset Pool, ECB Harmonised Transparency Template (HTT) as of 30 September 2017



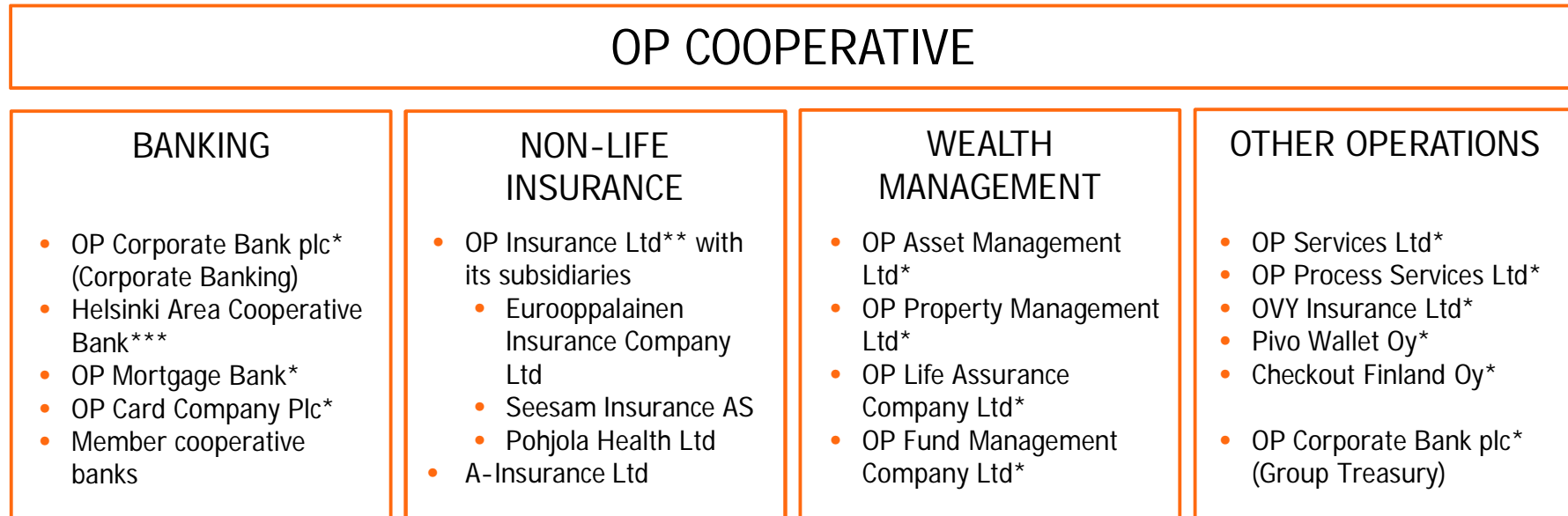
## Appendices

# Group structure incl. major subsidiaries

1.8 million owner-customers, of which 90% households



167 OP Financial Group member cooperative banks



\* OP Cooperative's ownership 100%

\*\* Planned to be transferred with its subsidiaries from OP Corporate Bank plc to OP Cooperative's direct ownership in the future

\*\*\* OP Cooperative's control 2/3



# OP's group-level strategic targets

Main target: Above-market-average growth rate

INDICATOR	TARGET 2019	Q1-3/2017	2016	2015
Customer experience (CX)*,	25	20	23	-
NPS for brand	70 (over time 90)	57	53	-
NPS for service				
CET1 ratio	22%	19.2%	20.1%	19.5%
Return on economic capital (12-month rolling)	22%	21.4%	22.7%	21.5%
Expenses of present-day business (12-month rolling)	Expenses in 2020 at the same level as in 2015 (€1,500 mn)	€1,645 mn	€1,532 mn	€1,500 mn
Owner-customers, number	2.1 mn	1.8 mn	1.7 mn	1.5 mn

On 26 October 2017, the Supervisory Board further specified OP Financial Group's efficiency target. The previous target was that OP Financial Group's present-day business expenses for 2019 are at the same level as in 2015, at the most. The new target is that OP Financial Group's present-day business expenses for 2020 are at the 2015 level.

\* 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. The NPS for service measures what kind of customer experience OP manages to create in individual service encounters in all channels. NPS can range between -100 and +100.

# Large-scale development programme puts strategy into practice

## DEVELOPMENT OF PRESENT-DAY BUSINESS

- Modernising service channels
- Digitising and automating services
- Simplifying product portfolio
- Reforming basic systems and ICT architecture
- Developing owner-customer loyalty programme

### IMPLEMENTATION

- New op.fi website and internet bank
- New features for OP-Mobile and Pivo Wallet Apps
- New organization for Development and Technologies
- OP Helsinki branch at HQ as test laboratory for current and new products and services offering touch screens, videos, animations, demos etc.

## CREATING NEW BUSINESS

- Building fully digital businesses
- Developing new, customer-driven business models eg. within housing, mobility and electronic commerce
- Extending health and wellbeing business
- Developing SME service offerings

### IMPLEMENTATION

- DriveNow franchising partnership: 150 cars provided for car sharing with more than 12,000 users
- OP Kulku electric car as a service with a monthly fee in Finland's largest cities and 100 new EV charging stations in 80 cities near to OP branches under construction. Approximately 10% of electric cars registered in Finland are OP Kulku service cars. OP Flexible Car supplements OP Kulku service.
- OP Home online marketplace and related housing service search
- Fully digital OP Nano home and travel insurances and OP Crowdfunding platform
- International startup programme in the field of financial sector, health technology, mobility and housing
- OP Lab website available for customers to participate in development of future digital services through piloting and feedback

## DEVELOPING NEW CAPABILITIES

- Enhancing competencies, management and corporate culture
- Building capabilities related to analytics and artificial intelligence
- Enhancing innovation

### IMPLEMENTATION

- 100 new employees for product and service development in 2016
- New unit of 30 in-house service designers engaging customers in development through interviews and workshops
- Agile development model having enabled eg. new website launch as beta version

## HIGHLIGHTING OUR SOCIAL ROLE

- Well-defined goals and metrics for social role
- Socially responsible openings

### IMPLEMENTATION

- New CSR Programme in 2017 incl. 4 key themes: Fostering sustainable economy, Supporting local vitality, People-first approach and acting through engagement, and Fostering health, security and wellbeing
- Initiatives under "Putting Finland on a new growth path" (#suominousuun) giving more leeway and economic activity among OP's customer base and in the entire Finland

# Health and wellbeing services to become OP's fourth business line\*

## 2013–15: LAUNCHING AND REFINING HOSPITAL CONCEPT

First Pohjola Hospital was opened in Helsinki (early 2013)

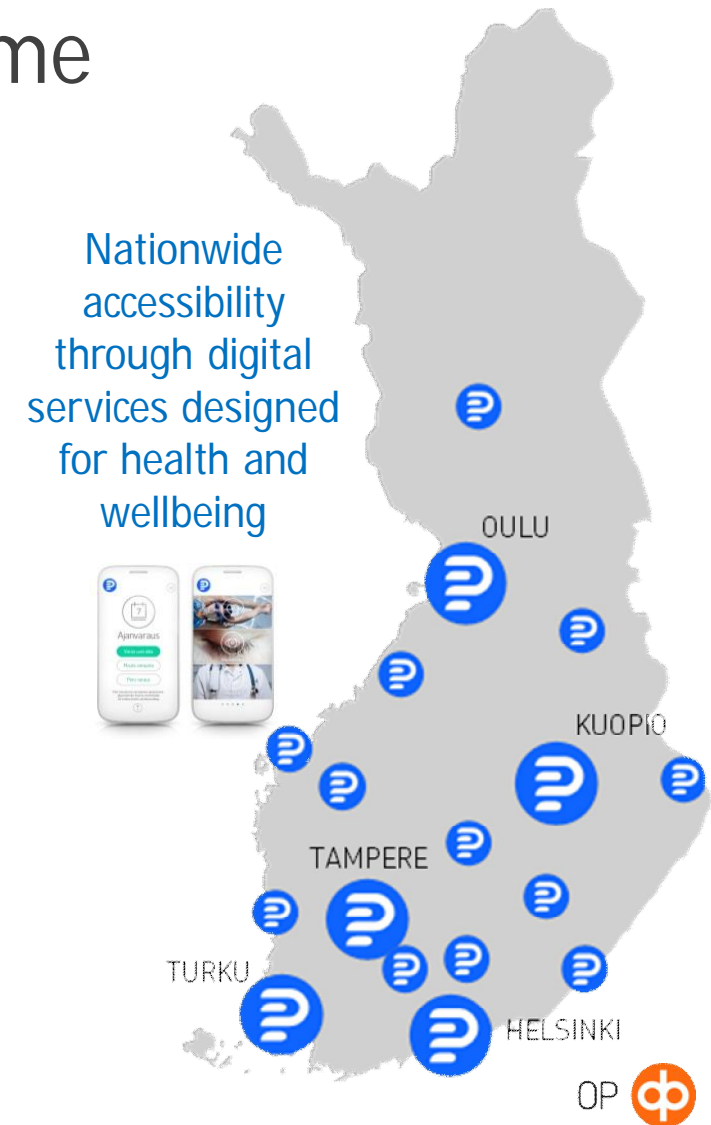
- New innovative services in the field of specialised medicine and occupational health in addition to orthopaedics, rehabilitation units, comprehensive diagnostic and laboratory services
- Faster care chain and more efficient claims handling process resulting to incomparable customer satisfaction (NPS among surgery customers 97 at end-September 2017)

## 2016–18: EXPANSION TO UNIVERSITY HOSPITAL CITIES

3 more Pohjola Hospitals were opened in Tampere (August 2016), in Oulu (May 2017) and in Kuopio (August 2017). 1 more Pohjola Hospital is under construction in Turku (opening in May–June 2018).

## FURTHER EXPANSION PLAN UNDERWAY

- Pohjola Health is expanding into a national player through, for instance, the construction of a nationwide medical centre network specialising in occupational health
- Branching out into care services for the elderly is under investigation



\* Reported as part of Non-life Insurance segment until further announcement

# CSR is an integral part of OP's business and strategy

CSR activities take economic, social and environmental responsibility into consideration

## CSR MATERIALITY MATRIX

Materiality matrix



## CSR HIGHLIGHTS 2016–17

- OP Financial Group level
  - New CSR Programme and CSR goals eg. carbon-positivity by 2025
  - Update of the materiality analysis and Stakeholder survey
  - Alignment of the Sustainable Development Goals (SDG) with OP's CSR goals
  - External assurance for GRI reports
  - Signature of the Equator Principles
  - CSR audits of procurement partners
  - Purchase of 100% renewable electricity for the HQ premises
  - Record-high donations of EUR 6.3 million to Finnish universities
  - "Putting Finland on a new growth path" (#suominousuun) initiatives
  - "100 person-years of volunteering" project
- New ESG unit for Wealth Management
  - Exclusion of high-carbon companies
  - Quarterly sustainability analyses on OP funds
  - Active increasing of proxy voting at AGMs

## CODE OF BUSINESS ETHICS

By the end of 2016, all of OP's employees had committed to following the Code of Business Ethics by having completed a designated, compulsory online course

# OP aims to be a forerunner in CSR within the Finnish financial sector

## INTERNATIONAL CSR COMMITMENTS



OP Financial Group signed the UN Global Compact initiative in 2011, becoming committed to the initiative's ten principles on human rights, labour standards, environment and anti-corruption.



OP Wealth Management signed the UN Principles for Responsible Investment (UNPRI) in 2009, including OP Asset Management Ltd, OP Fund Management Company Ltd and OP Property Management Ltd.



OP signed the Montréal Carbon Pledge in 2015 and thereby committed to measure the carbon footprint of its funds. In its role as an investor, OP Wealth Management has signed CDP's climate change and water initiatives and, most recently, the deforestation initiative.



OP signed the Equator Principles in 2016 and thereby committed to project financing that manages risks related to environmental issues and social responsibility.

## PARTICIPATION IN CSR ORGANISATIONS

- OP is one of the founding members of Finland's Sustainable Investment Forum (FINSIF)
- OP is involved in Finnish FIBS CR Network, the Corporate Social Responsibility and Co-operative Affairs Working Group of the European Association of Co-operative Banks (EACB), the Communication and CSR Committee of Unico Banking Group as well as FIBS Diversity Charter Finland

## CSR REPORTING

As reporting principles, OP follows the Global Reporting Initiative (GRI) G4 framework (core) and the UN Global Compact and is developing its reporting in the direction of the IIRC framework. OP also takes into account the Financial Services Sector Supplement of the GRI Guidelines.

Since 2016, OP's CSR Report has been externally assured. Assurance was performed for CSR Report 2015 by KPMG and for CSR Report 2016 by Deloitte.

CSR Report is integrated with the Group's Annual Report.

# OP's and its issuing entities' performance in CSR reviews

## OP Financial Group



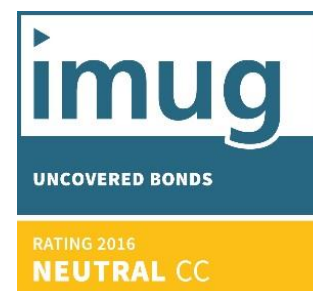
Source: Oekom, May 2016



Environment  
Human Resources  
Human Rights  
Community Involvement  
Business Behaviour (C&S)  
Corporate Governance

Source: Vigeo, the most recent rating profile on above themes available as of April 2017

## OP Corporate Bank



Source: Imug, November 2016



Source: MSCI, April 2017

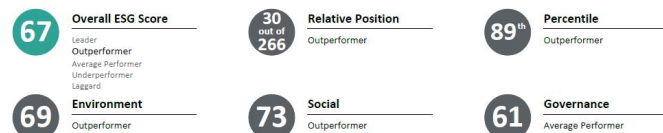
## OP Financial Group



Industry: **Diversified Financials** Marketcap.: Employees: **12,130**  
Domicile: **Finland** Ticker:

### ESG Summary

#### Overall Performance



Source: Sustainalytics, June 2016



OP's CDP Survey  
Score in 2017:

**B**

Company has taken  
actions to address environmental  
issues beyond initial  
screenings or assessments.

Source: CDP ([www.cdp.net/en](http://www.cdp.net/en))

## OP Mortgage Bank



Source: Imug, June 2016

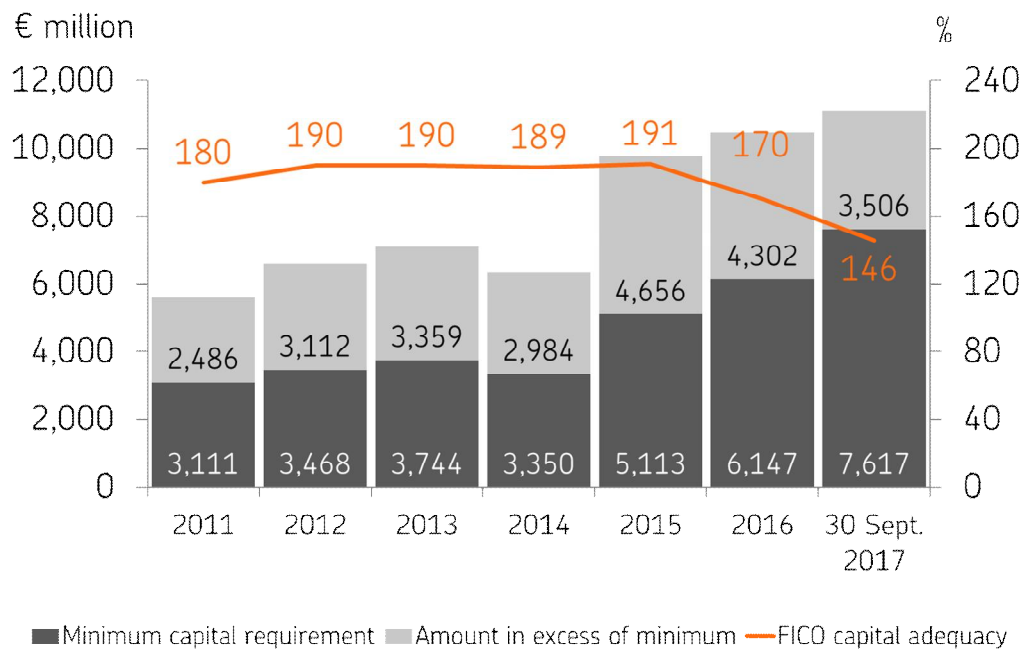


# EBT €873 mn in Q1-3/2017 (921)

BANKING		NON-LIFE INSURANCE		WEALTH MANAGEMENT		OTHER OPERATIONS	
EBT, € mn	513 (+14%) Q1-3/16: 448	EBT, € mn	137 (-33%) Q1-3/16: 206	EBT, € mn	190 (+4%) Q1-3/16: 183	EBT, € mn	32 (-61%) Q1-3/16: 83
Net interest income, € mn	887 (+5%) Q1-3/16: 846	Insurance premium revenue, € mn	1,074 (+1%) Q1-3/16: 1,062	Net commissions and fees, € mn	258 (+10%) Q1-3/16: 235	Net interest income, € mn	-60 Q1-3/16: -34
Net commissions and fees, € mn	474 (+3%) Q1-3/16: 461	Net insurance income, € mn	322 (-19%) Q1-3/16: 398	Net investment income, Life Insurance, € mn	93 (-9%) Q1-3/16: 102	Net commissions and fees, € mn	-44 Q1-3/16: -48
Impairments of receivables, € mn	27 Q1-3/16: 35	Net investment income, € mn	125 (+44%) Q1-3/16: 87	Net return on Life Insurance investments at fair value, € mn	99 Q1-3/16: 18	Net investment income, € mn	172 (+32%) Q1-3/16: 131
Loan portfolio, € bn	81.1 (+4%) Q1-3/16: 77.8	Net return on investments at fair value, € mn	119 Q1-3/16: 18	Assets under management, € bn	76.5 (+6%) Q1-3/16: 72.0	Long-term bonds issued to the public and TLTRO II funding, € bn	3.9 2016: 5.2
Deposits, € bn	59.2 (+9%) Q1-3/16: 54.3	Operating combined ratio, %	97.0 Q1-3/16: 86.5	Solvency II ratio* within Life Insurance, %	160 YE2016: 149	Average margin of senior wholesale funding, TLTRO II funding and covered bonds, bps	20 YE2016: 31
Operating cost/income ratio, %	51.5 Q1-3/16: 52.2	Operating expense ratio, %	19.7 Q1-3/16: 17.6				
		Solvency II ratio*, %	161 YE2016: 127				

\* Excluding transitional provision. Non-life Insurance includes OVY Insurance Ltd.

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

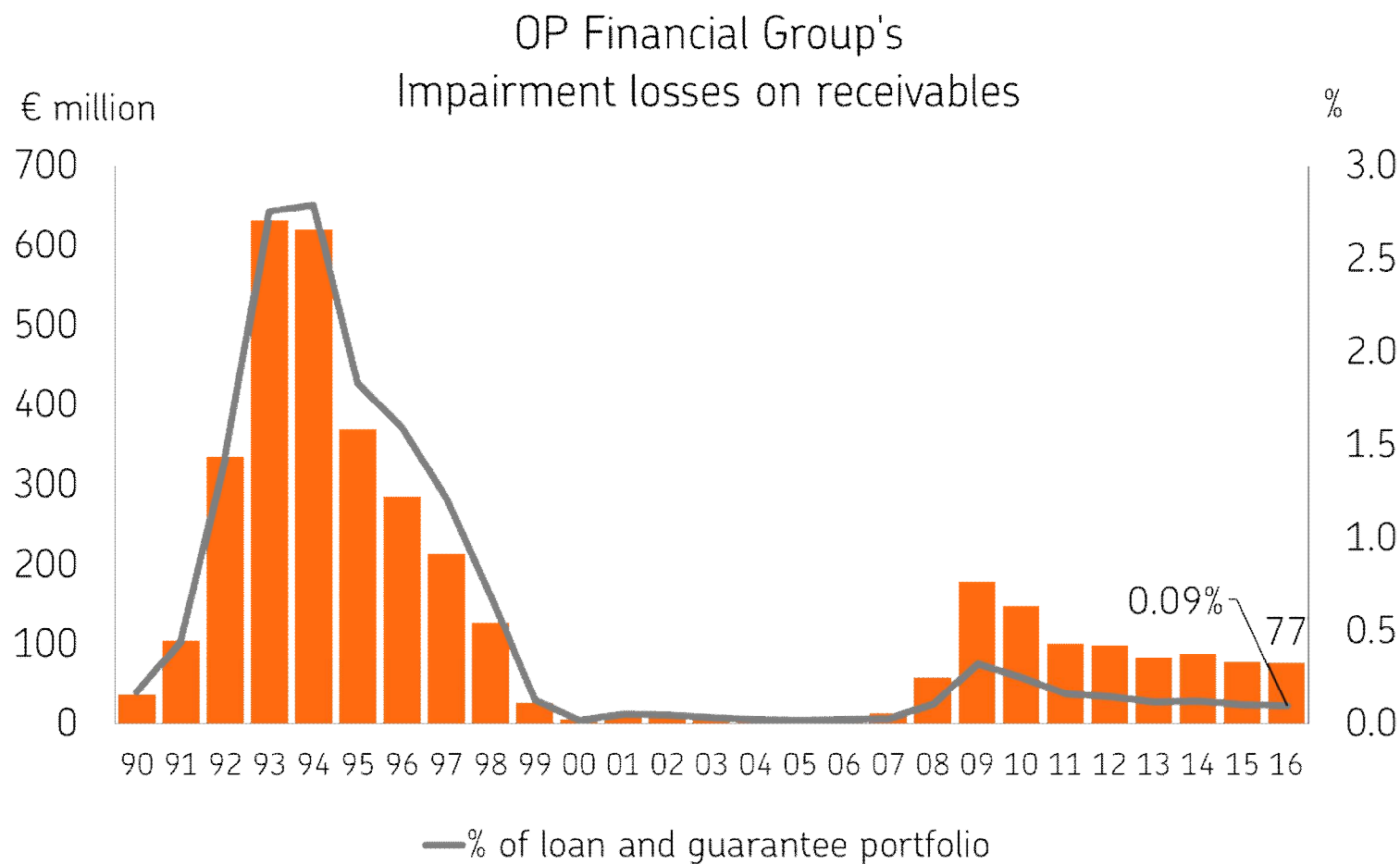


## Statutory minimum requirement 100%

- In Q1-3/2017, capital adequacy buffer was decreased by
  - capital buffer requirement (P2R) of 1.75% set by the ECB as part of SREP (-16 pps)
  - higher capital requirement caused by growth in banking operations
  - risk weight floors set by the ECB (-13 pps)
- As a result of the buffer requirements for banking and solvency requirement for insurance companies under Solvency II, the FiCo solvency does not reflect the minimum level of the capital base of the FiCo group but the level within which the group can operate without regulatory obligations resulting from buffers below the required level



# Impairment losses at a very moderate level



## OP Financial Group's earnings analysis

€ million	Q1-3/2017	Q1-3/2016	2016	2015
Net interest income	815	799	1 058	1 026
Net insurance income	341	418	558	528
Net commissions and fees	674	637	859	855
Net investment income	405	282	390	432
Other operating income	82	104	122	46
Share of associates' profit/loss	13	5	1	9
<b>Total income</b>	<b>2 331</b>	<b>2 245</b>	<b>2 989</b>	<b>2 895</b>
Personnel costs	564	563	762	781
Depreciation/amortisation and impairment loss	159	116	160	162
Other operating expenses	546	458	646	577
<b>Total expenses</b>	<b>1 269</b>	<b>1 136</b>	<b>1 567</b>	<b>1 520</b>
Impairment loss on receivables	28	36	77	78
OP bonuses to owner-customers	161	153	206	196
<b>Earnings before tax</b>	<b>873</b>	<b>921</b>	<b>1 138</b>	<b>1 101</b>

# OP Financial Group's key figures

	30 Sept. 2017	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
Total assets, € million	134 462	133 747	124 455	110 427	100 991	99 769	91 905	83 969
Receivables from customers, € million	81 146	78 604	75 192	70 683	68 142	65 161	60 331	56 834
Liabilities to customers, € million	63 396	60 077	58 220	51 163	50 157	49 650	41 304	36 443
Equity capital, € million	10 945	10 237	9 324	7 213	7 724	7 134	6 242	6 726
CET1 ratio, %	19.2	20.1	19.5	15.1	17.1 <sup>a</sup>	14.1 <sup>b</sup>	14.0 <sup>b</sup>	12.6 <sup>b</sup>
Capital adequacy ratio, %	21.6	23.1	22.9	17.3	19.8 <sup>a</sup>	14.1	14.0	12.8
Over 90 days past due receivables*, € million	408	356	319	270	292	311	296	204
Ratio of over 90 days past due receivables* to loan and guarantee portfolio, %	0.49	0.44	0.41	0.37	0.41	0.46	0.47	0.34
Loan and guarantee portfolio, € billion	83.8	81.3	77.8	73.6	71.0	67.7	62.8	59.4
Impairment loss on receivables, € million	28 <sup>d</sup>	77 <sup>c</sup>	78 <sup>c</sup>	88 <sup>c</sup>	84 <sup>c</sup>	99 <sup>c</sup>	101 <sup>c</sup>	149 <sup>c</sup>
Impairment loss on receivables / loan and guarantee portfolio, %	0.04 <sup>d</sup>	0.09 <sup>c</sup>	0.10 <sup>c</sup>	0.12 <sup>c</sup>	0.12 <sup>c</sup>	0.15 <sup>c</sup>	0.16 <sup>c</sup>	0.25 <sup>c</sup>
Personnel	12 216	12 227	12 130	12 356	12 856	13 290	13 229	12 504

a) As of 1 January 2014

b) Core Tier 1 ratio

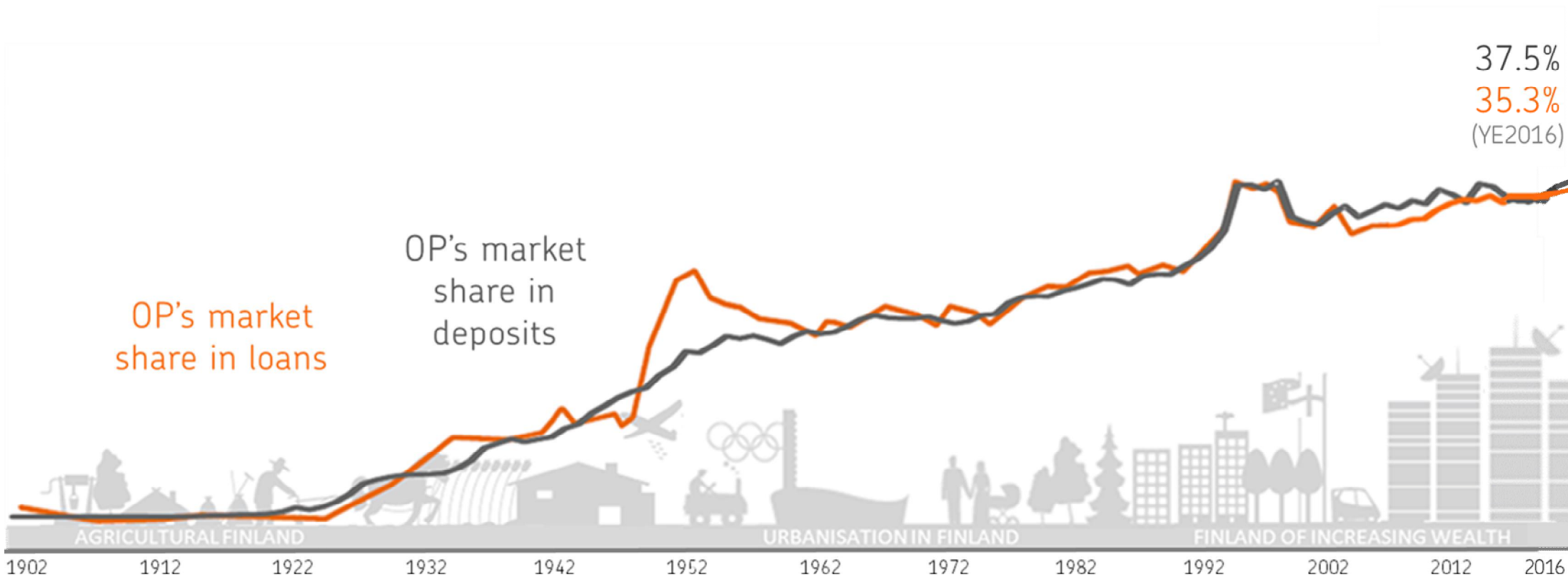
c) January–December

d) January–September

## OP Financial Group's key ratios

	Q1-3/2017	2016	2015	2014	2013	2012	2011	2010
Average corporate loan margin, % <sup>a</sup>	1.37	1.41	1.38	1.44	1.57	1.52	1.34	1.36
Cost/income ratio, %	54	52	53	56	62	63	63	59
Return on equity (ROE), %	8.9	9.4	10.3	8.1	8.9	7.0	6.8	6.9
Return on assets (ROA), %	0.7	0.7	0.7	0.6	0.7	0.5	0.5	0.5

a) OP Corporate Bank's corporate loan portfolio



Debt IR contacts

# Debt IR contacts



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For OP Financial Group's and issuing entities' financial reports and other publications, visit the new Debt IR website at

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