

# MOODY'S

## INVESTORS SERVICE

### COMPANY PROFILE

## OP Financial Group

Helsinki, Finland

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#### Company Overview

OP Financial Group is a Helsinki-based financial and insurance conglomerate that provides banking, non-life insurance and wealth management services to private individuals and corporate and institutional customers. The products and services offered by the group include retail banking, corporate and investment banking, asset management, and insurance products.

As of 31 December 2014, OP Financial Group held Finnish market shares of 34.2% in terms of loans and 36.4% in terms of deposits. As of 31 December 2014, it operated mainly in Finland through a nationwide service network of 455 branches. As of 30 June 2015, the group reported a consolidated asset base of €116.1 billion.

The group originated in 1902 as the Central Lending Fund of the Cooperative Credit Societies Limited Company. In 1970, cooperative societies became cooperative banks. As of 31 December 2014, the OP Financial Group comprised 181 independent cooperative banks, their central management body (OP Cooperative, or "the Central Cooperative") and its subsidiaries. As of that date, the cooperative member banks reported 1.4 million owner-members. Each member is entitled to one vote.

On 6 February 2014, OP Cooperative announced a public tender offer for all those shares in its subsidiary Pohjola Bank Plc (Pohjola Bank) that it did not directly own already. The tender offer took place from 24 February until 1 April 2014. By the end of the public tender, OP Cooperative held a 94.1% ownership stake in Pohjola Bank. The offer for the remaining 6% was extended from 7 April 2014 until 22 April 2014. The shares tendered during the extra offer period increased OP Cooperative's ownership to 98.4% of Pohjola Bank. Since OP Cooperative held more than nine tenths (9/10) of all shares and votes in Pohjola, it had a right, under the Limited Liability Companies Act, to redeem (right of squeeze-out) all Series A shares held by Pohjola Bank's remaining shareholders at the then current market price. OP Cooperative initiated a compulsory squeeze-out procedure for the remaining shares under the Finnish Limited Liability Companies Act.

As of 7 October 2014, OP Cooperative owned all the shares of Pohjola Bank plc.

*Source: Company Reports (interim report June 2015, OP Financial annual report Dec 2014 and Dec 2010, report by the executive board and financial statements Dec 2014, financial statements bulletin presentation Dec 2014), Moody's research, Company data, Federation of Finnish Financial services*

## Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on OP Financial Group, please see <[OP Financial Group page on moodys.com](#)>.

### EXHIBIT 1

#### Latest Full-Year Results

OP Financial Group

(in € Million)	31-Dec-14	31-Dec-13	31-Dec-12	% Change 14/13	% Change 13/12
Total Assets	110,427	100,991	99,769	9.34	1.22
Total Shareholders' Equity	7,213	7,724	7,134	(6.62)	8.27
Shareholders' Equity excluding Minority Interest	7,144	7,624	7,110	(6.30)	7.23
Total Capital	7,316	8,012	5,352	(8.69)	N/M
Tier 1 Ratio (%)	15.5	17.5	14.1	(200) bps	N/M
Net Income	607	665	471	(8.72)	41.19
Net Income Attributable to Equity Holders	599	661	470	(9.38)	40.64

Notes: 1) Consolidated financials are considered  
 2) "Shareholders' Equity excluding Minority Interest" is calculated by subtracting "Non-controlling Interests" from "Total Shareholders' Equity"  
 3) "Total Capital" and "Tier 1 Ratio" for Dec 2013 are stated as of 1 Jan 2014.  
 4) "Total Capital" and "Tier 1 Ratio" for Dec 2014 and Dec 2013 are in accordance with the EU capital requirements regulation (EU 575/2013) entered into force on 1 Jan 2014.

Source: Company Reports (interim report Mar 2015, report by the executive board and financial statements Dec 2014 and Dec 2013)

### EXHIBIT 2

#### Latest First-Half Results

OP Financial Group

(in € Million)	30-Jun-15	30-Jun-14	% Change 15/14
Total Assets	116,149	106,124	9.45
Total Shareholders' Equity	8,394	6,216	35.04
Shareholders' Equity excluding Minority Interest	8,319	6,135	35.60
Total Capital	8,453	6,338	33.37
Tier 1 Ratio (%)	18.4	13.2	520 bps
Net Income	471	272	73.16
Net Income Attributable to Equity Holders	470	269	74.72

Notes: 1) Consolidated financials are considered  
 2) "Shareholders' Equity excluding Minority Interest" is calculated by subtracting "Non-controlling Interests" from "Total Shareholders' Equity"

Source: Company Report (interim report June 2015)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](#) for the most updated credit rating action information and rating history.

## Business Activities

OP Financial Group is a Finnish financial services group that provides private individuals and corporate and institutional customers with banking, investment and insurance services. OP Financial Group and its corporate banking and non-life insurance entity Pohjola Bank have a shared logo. During 2016, Pohjola Bank plc will go under OP brand as it will be renamed OP Corporate Bank plc.

The group operates through the following three main business segments: Banking, Non-life Insurance and Wealth Management. For the financial year ended 31 December 2014 (2014), the largest contributor to the group's total income was the Banking segment (69.4%).<sup>1</sup>

**Banking:** This segment provides a range of financing and financial management solutions for corporate and institutional customers, both in Finland and internationally. The member cooperative banks of the OP Financial Group are independent local deposit banks that are mainly engaged in retail banking. Retail banking operations in the Greater Helsinki area are executed by OP Financial Group's wholly owned subsidiary Helsinki OP Bank Plc. The banks offer banking and insurance services to households, small and medium-size corporates, agricultural and forestry companies, and public sector customers.

OP Cooperative's wholly owned subsidiary, Pohjola Bank, provides banking services to corporate customers, insurance services to both private and corporate customers, and asset management services to both private and institutional clients. Pohjola's Banking segment comprises the following three divisions:

**Corporate Banking:** This division provides financing, loans and guarantees, payment transfers and cash management facilities, and foreign trade financing, leasing and factoring services.

**Markets:** This division offers debt issuance facilities, investment research, and custody, equity, foreign exchange, money market and derivative products.

**Baltic Banking:** This division comprises international services offered mainly to customers in Baltic countries, including foreign trade, corporate leasing, factoring, investments, cash management, and payment transfer solutions.

The Banking segment also conducts operations through the following entities: Helsinki OP Bank Plc, which will be turned into a cooperative bank and renamed OP Helsinki (Helsinki Area Cooperative Bank) during 2016, OP Card Company Plc and OP Mortgage Bank, as well as several smaller companies that support banking services. In 2014, this segment accounted for 69.4% of the group's total income.

**Non-life Insurance:** This segment provides private and corporate customers with non-life insurance solutions. It consists of the following three major divisions:

- » **Private Customers:** This division primarily offers household liability, motor liability, and accident, medical expense and travel policies to private customers.
- » **Corporate Customers:** This division offers statutory and voluntary policies and extensive risk-management services to corporate customers. It also offers them loss-prevention and safety consultancy services.
- » **Baltic States:** This division offers various insurance services in Estonia, Latvia and Lithuania through the group's subsidiary Seesam Insurance AS.

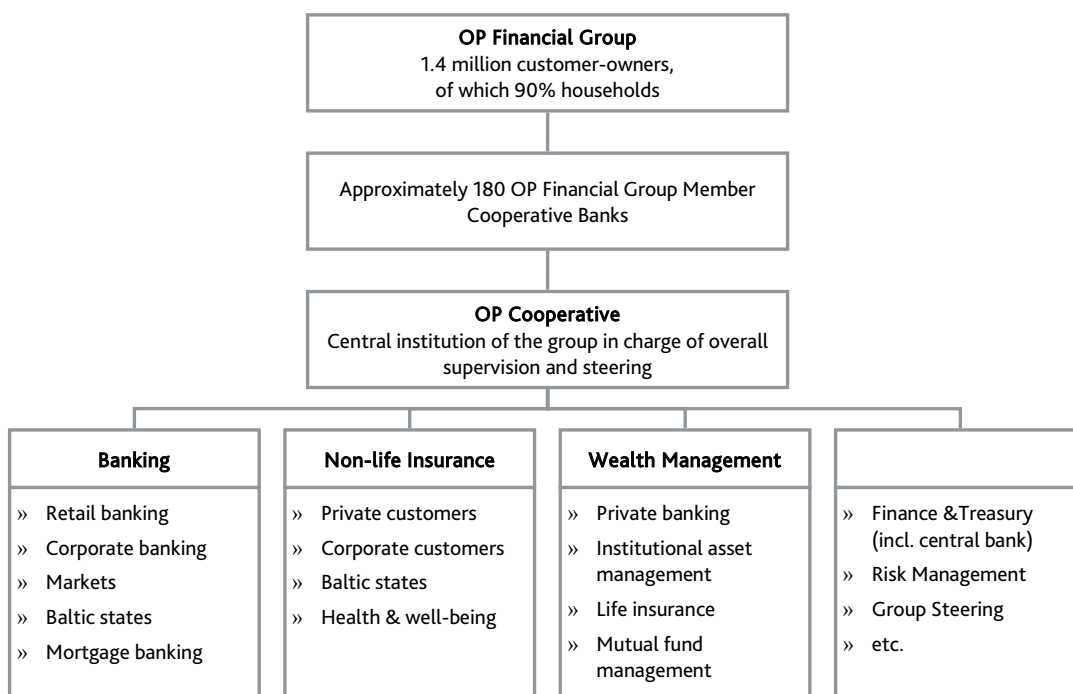
<sup>1</sup> Throughout this section, such percentages have been calculated excluding "Eliminations" and the noncore Other Operations segment.

OP Financial Group's member entities operating in this business area comprise Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, Seesam Insurance AS, Omasairaala Oy and Pohjola Health Ltd. In 2014, the segment accounted for 21.4% of the group's total income.

**Wealth Management:** This segment comprises the group's life insurance, asset management and mutual fund business operations. Member entities of OP Financial Group operating in this segment include Aurum Investment Insurance Ltd and OP Life Assurance Company Ltd, which conducts the group's life and pension insurance business, OP Fund Management Company Ltd, and the Asset Management division of Pohjola Bank. In 2014, the segment accounted for 9.2% of the group's total income.

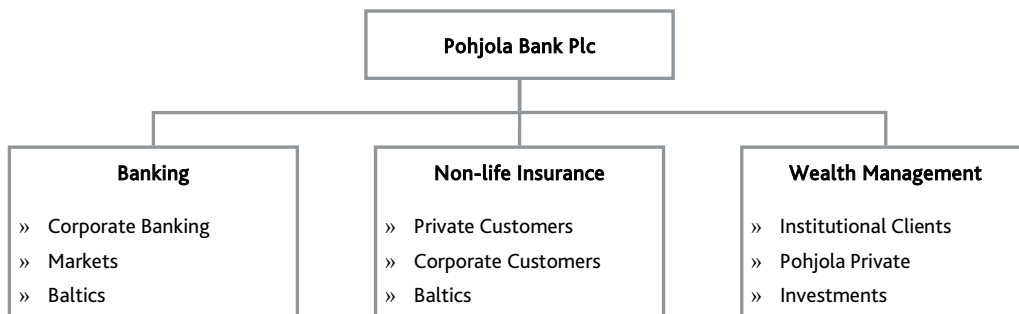
Source: Company Reports (OP Financial annual report Dec 2014, Pohjola bank report by the executive board and financial statements Dec 2014, report by the executive board and financial statements Dec 2014, financial statements bulletin Dec 2014), Company data, Moody's research

## EXHIBIT 3

**Business Lines for OP Financial Group as of 31 December 2014**

Source: Company Report (debt investor presentation June 2015)

EXHIBIT 4

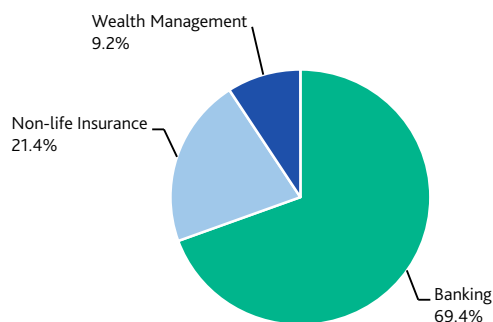
**Business Lines of Pohjola Bank Plc**

Source: Company data

EXHIBIT 5

**Business Segment**

(% Total Income, consolidated, for 2014)



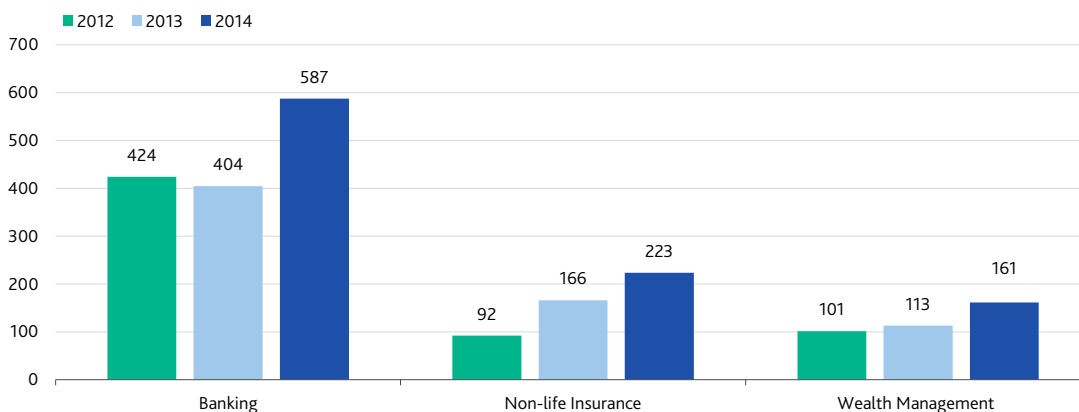
Note: Excluding "Eliminations" and noncore Other Operations segment

Source: Company Report (financial statements bulletin Dec 2014, Pg:11)

EXHIBIT 6

**Earnings Before Tax per Business Segment**

(consolidated, in € Million)



Note: Excluding "Eliminations" and noncore Other Operations segment

Source: Company Reports (report by the executive board and financial statements Dec 2014, Pg: 248 and 250 &amp; Dec 2013, Pg: 205)

## Distribution Capacity and Market Share

As of 31 December 2014, OP Financial Group operated primarily in Finland through a network of 181 member cooperative banks. As of 31 December 2014, the group conducted business through a network of 455 branches, of which 348 offered both banking and non-life insurance services. The bank also maintained 40 private banking branches.

Internationally, the bank has a representative office in St. Petersburg (Russia), branches in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania), and subsidiaries in Estonia, Latvia and Lithuania. In addition, through its Seesam Insurance brand subsidiaries, Pohjola Bank provides a range of insurance products and services in Estonia, Latvia and Lithuania. The group also delivers its products and services through alternative distribution channels, including ATMs, internet banking, mobile banking and telephone banking services.

As of 31 December 2014, the group held Finnish market shares of 34.2% in terms of loans, 35.6% in terms of corporate euro loans, 38.1% in terms of home loans<sup>2</sup> and 36.4% in terms of deposits.

*Source: Company Reports (OP Financial group annual report Dec 2014, report by the executive board and financial statements Dec 2014, financial statements bulletin presentation Dec 2014), Company data, Moody's research, Federation of Finnish Financial Services*

## Ownership and Structure

As of 31 December 2014, the cooperative OP Financial Group comprised 181 independent cooperative banks, their central management body (OP Cooperative) and its subsidiaries. As of that date, cooperative member banks included 1.4 million owner-members. Each member holds one vote. While cooperative member banks are responsible for the group's retail business within their own geographical areas and for local small and medium-size enterprise customers, the OP Cooperative acts as strategic owner for the entire OP Financial Group, and as the central operating unit responsible for group control and supervision.

On 6 February 2014, OP Cooperative announced a public tender offer for all the shares in its subsidiary Pohjola Bank that it did not already directly own. The tender offer took place from 24 February until 1 April 2014. By the end of the public tender, OP Cooperative held a 94.1% ownership stake of Pohjola Bank. The offer for the remaining 6% was extended from 7 April 2014 until 22 April 2014. The shares tendered in the extra offer period increased OP Cooperative's ownership to 98.4% of Pohjola Bank. Since OP Cooperative has more than nine tenths (9/10) of all shares and votes in Pohjola, it had a right, under the Limited Liability Companies Act, to redeem (right of squeeze-out) all Series A shares held by Pohjola bank's remaining shareholders at the current market price. OP Cooperative initiated a compulsory squeeze-out procedure for the remaining shares under the Finnish Limited Liability Companies Act. As of 7 October 2014, OP Cooperative owned all the shares of Pohjola Bank plc.

Under the Cooperative Banks and Other Cooperative Credit Institutions Act (2007) and the Act on the Amalgamation of Deposit Banks (2010), the Central Cooperative and its member credit institutions, including Pohjola Bank and OP Mortgage Bank are required to share joint responsibility for their liabilities. While not representing a direct payment guarantee, this requirement imposes an obligation to help prevent members' liquidation. For legal reasons, insurance companies are not subject to this joint responsibility.

<sup>2</sup> Home loans also comprise non-profit institutions servicing households.

In 2011, OP Financial Group reorganised its central structure. The Central Cooperative was split into two entities: the first entity, which retained the name OP-Pohjola Group Central Cooperative (currently OP Cooperative), is the central institution in charge of controlling and supervising group business; the second entity, OP-Services Ltd (established in January 2011), which is a service company separate from the central institution, operates the centralised services of OP Financial Group and its member cooperative banks.

*Source: Company Reports (interim report June 2015, report by the executive board and financial statements Dec 2014, annual report Dec 2014, annual review Dec 2011 and Dec 2010, Pohjola Bank corporate governance report Dec 2014), Moody's research, Company data*

## Subsidiaries

As of 31 December 2014, the group's subsidiaries were as follows:

### EXHIBIT 7

#### OP Financial Group

Subsidiary	Domicile	Shareholding %	Voting %
OP Cooperative	Helsinki	100.0	100.0
Aurum Investment Insurance Ltd	Helsinki	100.0	100.0
Helsinki OP Bank Plc	Helsinki	100.0	100.0
OP Mortgage Bank	Helsinki	100.0	100.0
OP Life Assurance Company Ltd	Helsinki	100.0	100.0
OP Card Company Plc	Helsinki	100.0	100.0
OP-Services Ltd*	Helsinki	100.0	100.0
OP Process Services Ltd	Helsinki	100.0	100.0
OP Fund Management Company Ltd	Helsinki	100.0	100.0
OP Bank Group Mutual Insurance Company	Helsinki	100.0	100.0
Pivo Wallet Oy	Helsinki	100.0	100.0
Pohjola Bank plc	Helsinki	100.0	100.0
Checkout Finland Oy	Tampere	100.0	100.0
<b>Pohjola Group companies</b>			
A-Insurance Ltd.	Helsinki	100.0	100.0
Omasairaala Oy	Helsinki	100.0	100.0
Pohjola Finance Estonia AS	Estonia	100.0	100.0
Pohjola Finance SIA	Latvia	100.0	100.0
Pohjola Property Management Ltd	Helsinki	100.0	100.0
Pohjola Insurance Ltd.	Helsinki	100.0	100.0
Pohjola Asset Management Limited	Helsinki	100.0	100.0
Seesam Insurance AS	Estonia	100.0	100.0
UAB Pohjola Finance	Lithuania	100.0	100.0
Eurooppalainen Insurance Company Ltd	Helsinki	100.0	100.0

*Source: Company Report (report by the executive board and financial statements Dec 2014)*

## Company Management

Executive Board	Affiliation	Age
Reijo Karhinen	OP Financial Group: Member of the Executive Board, Executive Chairman and President; Federation of Finnish Financial Services: Chairman of the Board of Directors; Finland Chamber of Commerce and International Chamber of Commerce Finland: Vice Chairman of the Board of Directors; Confederation of Finnish Industries (EK): Member of the Board of Directors and Member of the Working Committee; Savonlinna Opera Festival Patrons' Association: Chairman of the Board of Trustees; HelsinkiMissio: Chairman of the Delegation; New Children's Hospital Foundation: Vice Chairman of the Board of Trustees; The Mannerheim Foundation: Member of the Board of Trustees; Maanpuolustuksen tuki ry: Chairman of the Board; Unico Banking Group: Member of the Board of Directors	59
Tony Vepsäläinen	OP Financial Group: Member of the Executive Board, Chief of Group Services, and Deputy to the Executive Chairman and Chief Executive Officer, Vice Chairman, Housing Fair Finland Co-op: Chairman of the Supervisory Board	55
Karri Alameri	OP Financial Group: Member of the Executive Board, Executive Vice President, Wealth Management, Federation of Finnish Financial Services: Chairman of the Securities Committee, Access Capital Partners Group SA: Board member, Cinia Group Ltd: Board member	51
Carina Geber-Teir	OP Financial Group: Member of the Executive Board and Chief Communications Officer; Federation of Finnish Financial Services and Unico Banking Group: Member of the Communications Committee; Yle: Member of the Board of Directors	42
Olli Lehtilä	OP Financial Group: Member of the Executive Board and Executive Vice President, Non-Life insurance; Federation of Finnish Financial Services: Member of Non-life Insurance Executive Committee; Helsinki Region Chamber of Commerce: Member of the Delegation; Ilmarinen Mutual Pension Insurance Company and Federation of Accident Insurance Institutions: Member of the Board of Directors; Insurance Europe Strategic Board Member; Unico Banking Group, Bancassurance Committee: Member	52
Harri Luhtala	OP Financial Group: Member of the Executive Board and Chief Financial Officer; Deposit Guarantee Fund: Chairman of the Board of Directors; Confederation of Finnish Industries EK: Member of Finance and Tax Commission	49
Jari Himanen	OP Financial Group: Member of the Executive Board and Executive Vice President, Group Steering	52
Harri Nummela	OP Financial Group: Member of the Executive Board Executive Vice President, Digital Business and Customer Experience Federation of Finnish Financial Services: Chairman of the Executive Board for Investment Funds; Automatia Pankkiautomaatit Oy: Member of the Board of Directors	46
Erik Palmén	OP Financial Group: Member of the Executive Board and Chief Risk Officer; Deposit Guarantee Fund: Chairman of the Delegation; Unico Banking Group: Member of the Country Risk Managers Committee	55
Jouko Pölönen	OP Financial Group: Member of the Executive Board and Executive Vice President, Banking; Federation of Finnish Financial Services: Chairman of Banking Executive Committee; Unico Banking Group: Member of the Board of Directors; OP-Pohjola Group Research Foundation and Kyösti Haataja Foundation: Member of the Board	44



Executive Board	Affiliation	Age
Outi Taivainen	OP Financial Group: Member of the Executive Board, Executive Vice President, Human Resources, Deputy member. As of mid-November 2015 Outi Taivainen will start in her new position as a Deputy Member of the Executive Board.	46
Markku Koponen	OP Financial Group: Member of the Executive Board, Deputy Member, Secretary of the Executive Board and the Supervisory Board and Chief Legal Officer; European Association of Cooperative Banks (EACB): Member of the Executive Committee; Confederation of Finnish Industries: Member of the Assembly of Delegates; Finland Chamber of Commerce: Member of the Legislation Committee; HSO-säätiö: Chairman of the Board; Helia Foundation: Vice Chairman of the Board	57
Leena Kallasvuo	OP Financial Group: Member of the Board of Directors <sup>2</sup> and Chief Audit Officer; The Institute of Internal Auditors Finland: Member of the Board of Directors	58

As of 10 Aug 2015

Notes: 1) Age as of 31 Dec 2014

2) Attending Executive Board meetings since 2010

Source: Company data

## Company History

OP-Pohjola Group was established in 1902 as the Central Lending Fund of the Cooperative Credit Societies Limited Company (Osuuskassojen Keskuslainarahasto-Osakeyhtiö – OKO Bank Plc). It was the predecessor of Pohjola Bank.

In 1928, The Central Association of Cooperative Funds (Osuuskassojen Keskusliitto) was created to represent members' interests and promote the cooperative fund movement. In 1970, cooperative credit societies assumed the role of cooperative banks.

In 1975, Palovakuutus-Osakeyhtiö Pohjola began to operate as a group offering customers all forms of insurance services, providing group services, but through companies operating as independent legal entities.

In 1989, OKO Bank Plc became a public limited company by listing on the Helsinki Stock Exchange.

In 1997, the Central Association of Cooperative Banks was converted into a cooperative, operating as the central institution of the amalgamated cooperative banks. Since 1997, OKO Bank Plc has been a subsidiary of the group's Central Cooperative.

In 2005, OKO Bank Plc acquired a majority stake in the insurance company Pohjola Group plc and sold the bank's retail banking operations to OP Bank Group Central Cooperative. Following the acquisition, Pohjola Group plc became OKO Bank's subsidiary. OKO Bank expanded its operations to include non-life insurance.

In 2006, Pohjola Group plc was delisted from the Helsinki Stock Exchange and Pohjola Group Ltd merged with its parent, OKO Bank plc. In 2007, the OP Bank Group was renamed OP-Pohjola Group. In March 2008, OKO Bank Plc became Pohjola Bank plc.

In 2011, OP-Pohjola Group reorganised its central structure, with OP-Pohjola Group Central Cooperative split into two entities: the first entity retained the name OP-Pohjola Group Central Cooperative, and is in charge of the control and supervision of group business; the second entity, OP-Services Ltd (established in January 2011), is a service company separate from the central institution, tasked with development and

production of centralised services of OP-Pohjola Group and its member cooperative banks. In December of the same year, OP-Pohjola Group Central Cooperative announced its intention to acquire Skandia Life Finland (Aurum Investment Insurance Ltd) from Skandia Life Assurance Company Ltd. The acquisition was completed in August 2012, making OP-Pohjola Group the then market leader in terms of unit-linked insurance assets.

On 6 February 2014, OP-Pohjola Group Central Cooperative announced a public tender offer for all the shares in its subsidiary Pohjola Bank that it did not already directly own. The tender offer took place from 24 February until 1 April 2014. By the end of the public tender, OP Pohjola Central Cooperative held a 94.1% ownership stake of Pohjola Bank. The offer for the remaining 6% was extended from 7 April 2014 until 22 April 2014. The shares tendered in the extra offer period increased OP-Pohjola Group Central Cooperative's ownership to 98.4% of Pohjola Bank. Since OP-Pohjola Group Central Cooperative has more than nine tenths (9/10) of all shares and votes in Pohjola, it has the right, under the Limited Liability Companies Act, to redeem (right of squeeze-out) all Series A shares held by Pohjola bank's remaining shareholders at the then current market price. OP-Pohjola Group Central Cooperative initiated a compulsory squeeze-out procedure for the remaining shares under the Finnish Limited Liability Companies Act. As of 7 October 2014, OP Cooperative owned all the shares of Pohjola Bank plc. In September 2014 Pohjola Bank was delisted from the Helsinki Stock Exchange.

In January 2015, OP-Pohjola Group was renamed OP Financial Group, while OP-Pohjola Group Central Cooperative became OP Cooperative. The bank also announced plans to change the name Pohjola Bank to OP Corporate Bank during 2016.

*Source: Company Reports (interim report June 2015, report by the executive board and financial statements Dec 2014, quarterly report Sep 2013, OP-Pohjola Group annual review Dec 2011 and Dec 2010, annual report Dec 2010, OP-Pohjola Group Report by the executive board and financial statements Dec 2011), Company data, Moody's research*

## Peer Group

- » Nordea Bank Finland Plc
- » Danske Bank Plc (formerly Sampo Bank)
- » Aktia Bank plc
- » Svenska Handelsbanken AB

## Subsidiaries Rated by Moody's

- » Pohjola Bank plc
- » Pohjola Insurance Ltd

## Related Websites and Information Sources

For additional information, please see:

- » the company's website: [www.pohjola.fi](http://www.pohjola.fi), [www.op.fi/op](http://www.op.fi/op)
- » the regulator's website: [www.finanssivalvonta.fi](http://www.finanssivalvonta.fi)
- » the central bank's website: [www.suomenpankki.fi](http://www.suomenpankki.fi)

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## Moody's Related Research

### Credit Opinion:

- » [OP Financial Group](#)

### Banking System Outlook:

- » [Finland, September 2014 \(173896\)](#)

### Credit Focus:

- » [OP-Pohjola Group: Answers to Frequently Asked Questions, February 2014 \(165035\)](#)

### Banking Statistical Supplement:

- » [Finland, January 2014 \(163053\)](#)

### Country Statistics:

- » [Finland, Government of](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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