

# Debt Investor Presentation Q1/2020 Roadshow Material

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

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

Some information related to capital adequacy has been moved from the Interim Report to the Capital Adequacy Report Q1/2020 onwards.

OP published the quarterly Capital Adequacy Report for 31 March 2020 on 5 May 2020.

# Disclaimer

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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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A person is sitting on a light-colored couch, holding a smartphone in their right hand. The phone screen displays a login or registration page with a circular icon at the top, the text "Matti-Matti", a text input field, and a numeric keypad. The person is wearing a white, textured knit sweater and dark blue pants. In the background, there is a yellow bag and a book with a black and white image on its cover.

# Finland's Macro Profile

# Three scenarios for the Finnish economy

## 1. Baseline scenario: a deep dive but quite rapid recovery – 50% probability

- The epidemic and the Government's restrictive measures are more or less over in 3-6 months and the economy starts to recover after that.
- A deep decline in the GDP which causes an increase in unemployment, the profits of the firms will decline as well as investments, bankruptcies increase. The debt levels of firms will increase but in a reasonable manner.

## 2. A long-lasting recession – 40% probability

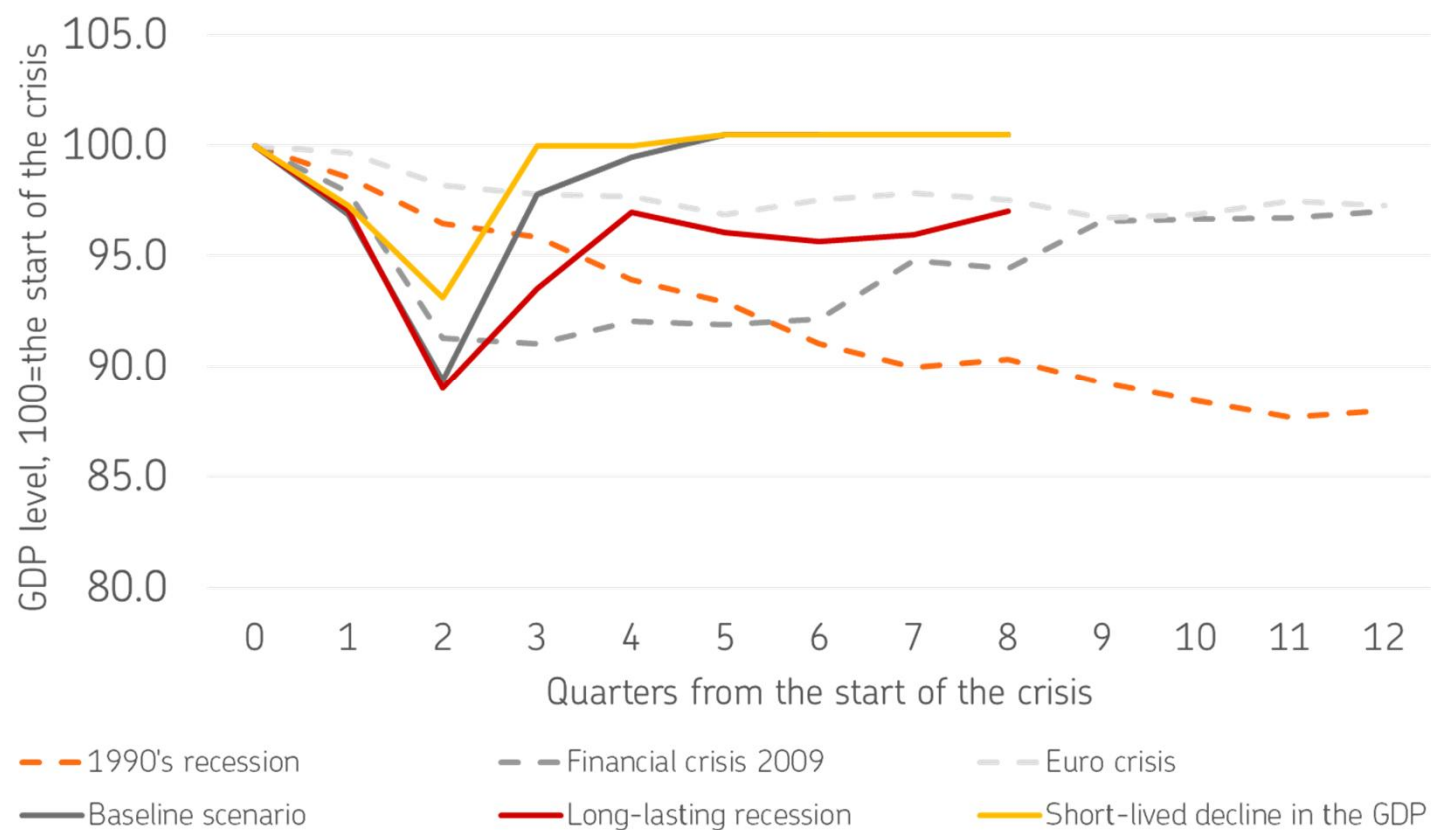
- Similar dynamics that occurred in the Euro Crisis in 2010. Structural changes will happen in the economy which cause a slow and long-lasting recovery.
- The epidemic is hard to control and it will occur again during the next winter.
- The loss of income will be covered by taking loans but debt levels are increasing significantly. This causes a balance sheet recession, i.e. investments are postponed when the debt levels are reduced.
- Unemployment and bankruptcies increase significantly.

## 3. Short-lived and temporary decline in the GDP – 10% probability

- A short-lived but a deep contraction in the GDP. However, the economy will recover rapidly by utilizing stimulus provided by fiscal and monetary policies.
- The epidemic is taken under control rapidly and the debt levels increase only moderately.
- The fluctuations in the GDP are similar to those caused by seasonal matters.

# Scenarios and previous crises in Finland

GDP in Finland in the crisis and scenarios



Source: OP

- The epidemic causes a deep decline in the GDP: Finnish GDP will decline from 6 to 10 percent in H1/2020
- The recovery will depend on when the epidemic is under control:
  - If the epidemic is under control during the summer, the economy will reach the beforehand forecasted path by the end of this year or in the beginning of next year
  - However, if the epidemic will be long-lasting, the economic dynamics will resemble the dynamics of Financial and Euro Crises
- The dynamics of the 1990's recession seem unlikely

# Outcome of the three different scenarios

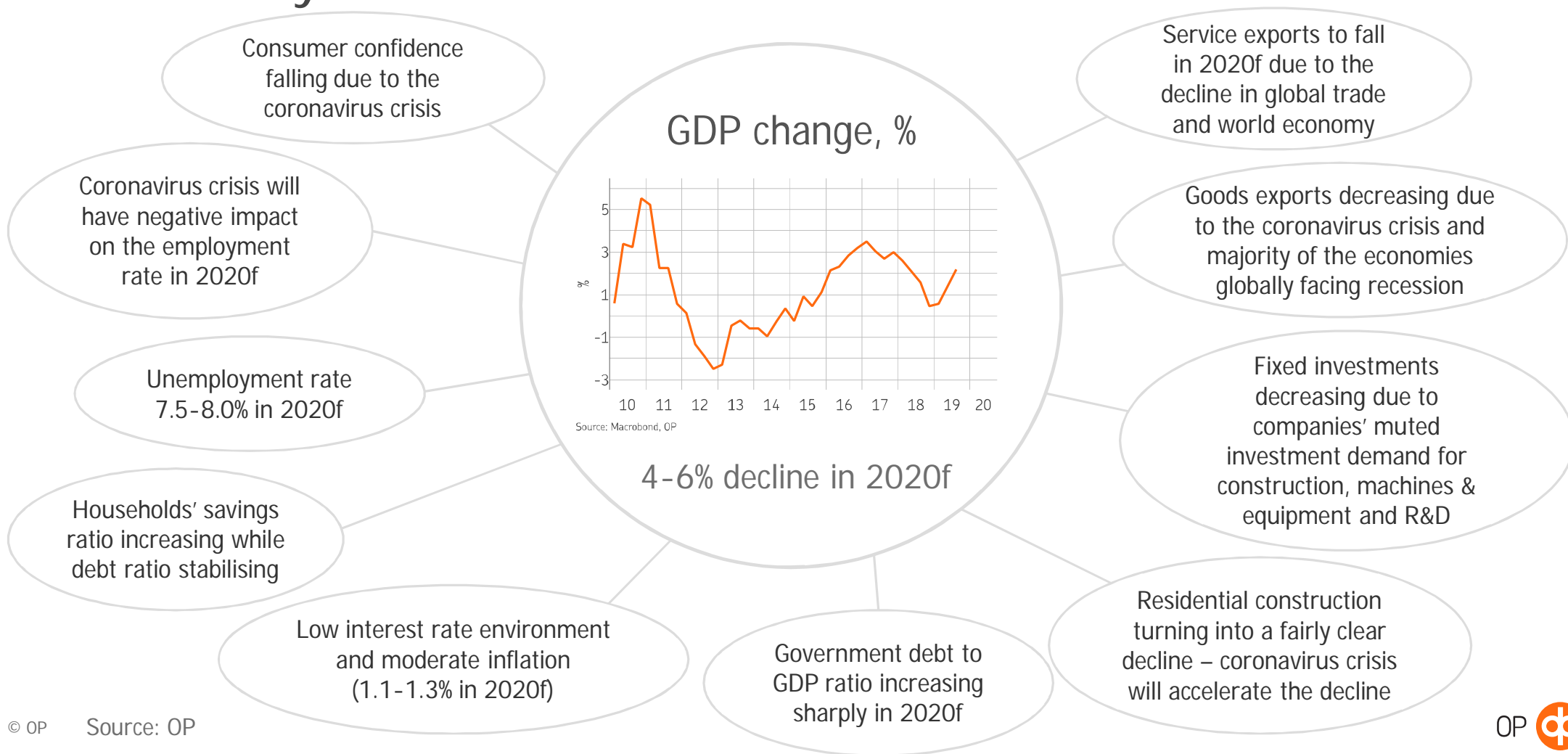
## GDP growth in Finland, %

	OP's forecast 4 Mar 2020	Baseline scenario	Long- lasting recession	Short-lived decline in the GDP
2019	1,0	1,0	1,0	1,0
2020	0,0	-4,2	-5,9	-2,5
2021	0,5	4,8	2,1	3,0

Source: OP

- As of now, it seems probable that the Finnish economy is set to contract sharply this year, GDP falling by 10% on the previous year in Q2/20. On average, GDP is likely to shrink by 4-6% in 2020.
- The next year growth rate is depending on the depth of the recession and assumptions on the recovery:
  - In the baseline and the short-lived decline scenarios the level of GDP will reach the level anticipated in the forecast.
  - In the long-lasting recession scenario the level of GDP will not reach the level forecasted beforehand.

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





# Economic response to the coronavirus crisis in Finland

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

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

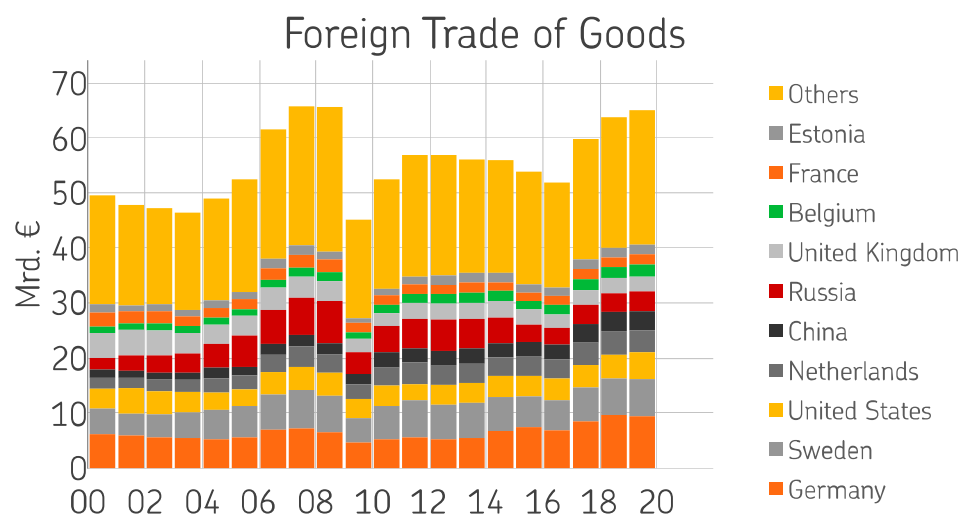
\*\* Centre for Economic Development, Transport and the Environment

Source: Pellervo Economic Research PTT

# Diversified goods exports structure by country

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

Finland's largest goods exports countries  
2000-19



Source: Macrobond, OP

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

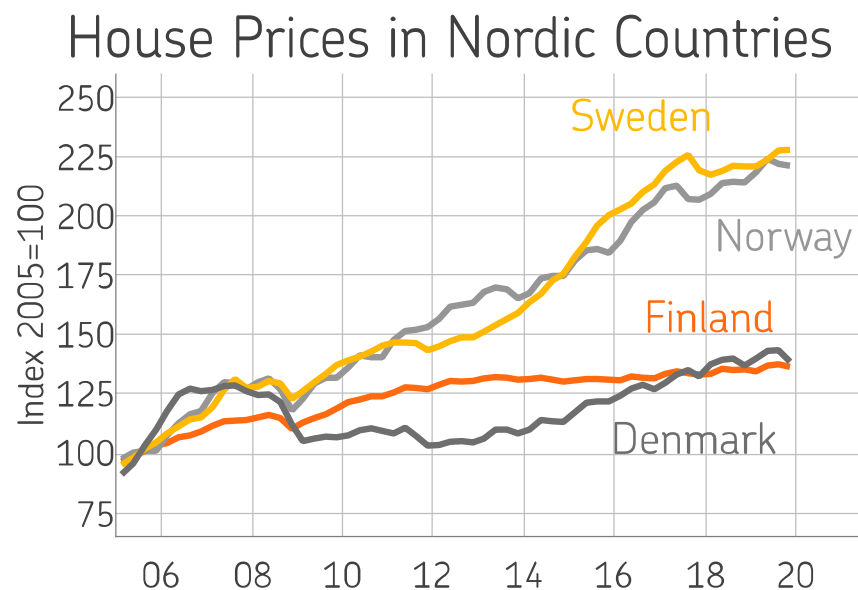


Source: Macrobond, OP

\* Poland (2.7%), Japan (2.2%), Italy (2.2%), Spain (1.7%), Denmark (1.6%), South Korea (1.4%), Switzerland (1.1%), Turkey (1.1%), Australia (1.1%), Latvia (1.0%), Lithuania (0.9%), Canada (0.8%), India (0.8%), Austria (0.7%), Mexico (0.6%), Czech Republic (0.6%), Brazil (0.6%), and the remaining countries (13.2%) of which less than 0.5% each.

# Average house prices and households' debt

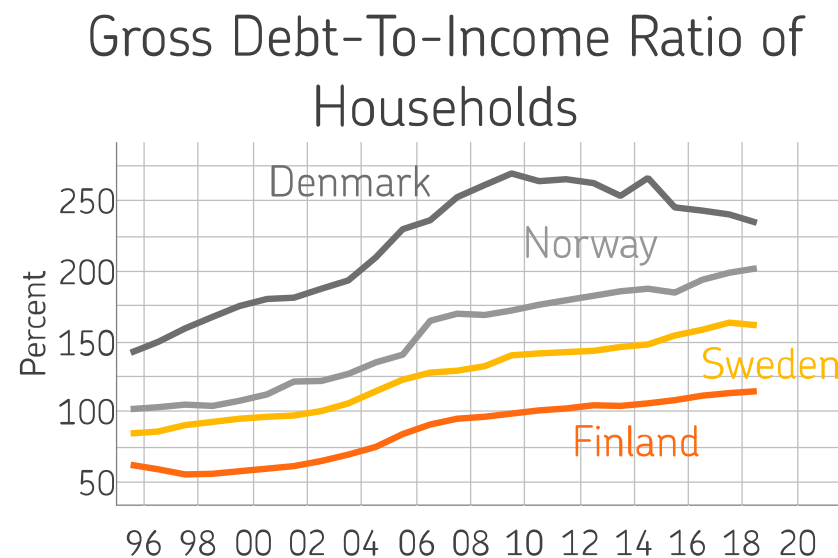
In Finland, the coronavirus crisis will hit the housing market and average house prices estimated to decrease in 2020



Source: Macrobond, OP, Eurostat

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

Latest values: Q4/2019



Source: Macrobond, OP

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

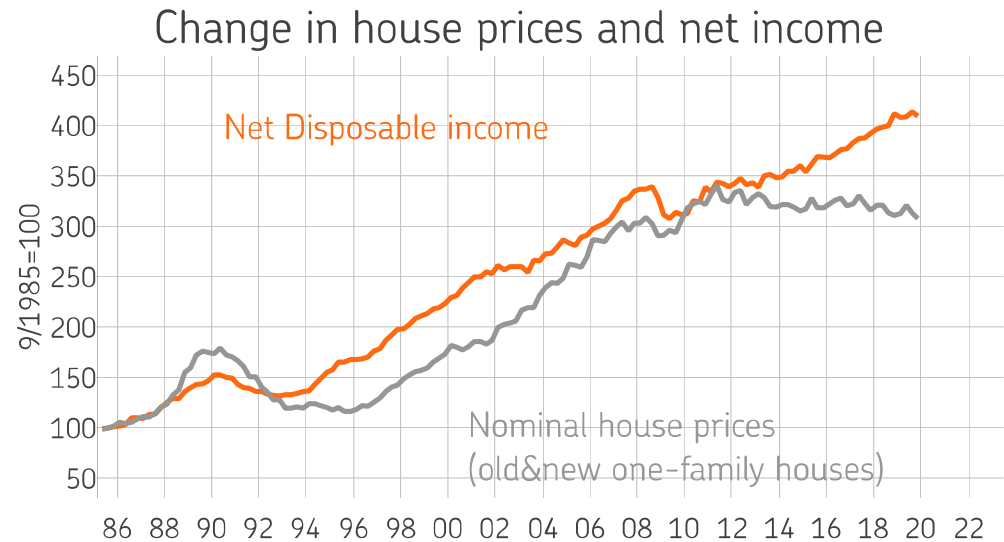
Latest values: 2019

# Finnish housing market is stable

## Characteristics of Finnish housing market

- Y Fully-amortizing housing market
- Y Average maturity of a new home loan 20 years 8 months in February 2020
- Y 98% of home loans tied to variable interest rates in February 2020
  - Y Stress-tested with 6% interest rate in 25 years' maturity at OP
- Y Ownership ratio 63% at YE2018
  - Y Rental market: around 50% municipalities/subsidized and around 50% privately financed/non-subsidized (of which 30% private investors, 20% professional investors)
- Y Average price of an old dwelling 2,091 €/sq m in 2019 (+0.9% y-o-y, preliminary information)
  - Y 3,736 €/sq m in Helsinki Metropolitan Area (+2.4%)
  - Y 1,608 €/sq m in rest of Finland (-0.6%)

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




Source: Macrobond, OP

Updated: 15 April 2020

Sources: Statistics Finland, Bank of Finland, RAKLI ry



A person is sitting on a light-colored wooden floor, holding a smartphone in their right hand. The phone screen shows a contact tracing app interface with a circular icon at the top, a text input field labeled 'Monitor-Id', and a numeric keypad below it. The person is wearing a white, textured knit sweater and dark blue pants. In the background, other people are partially visible, including one in a yellow shirt and another in a white shirt with a red patterned pocket. A book or document is lying on the floor to the left.

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

# OP takes responsibility in the middle of coronavirus crisis

## Supportive actions for private and corporate customers

Home loan repayment  
holidays up to 12  
months, free of charge

78,000 applications by  
mid-April 2020

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

Separate service hours  
and dedicated  
telephone line

SME loan  
repayment holidays  
up to 6 months,  
free of charge

14,000  
applications for  
repayment holidays  
and repayment  
schedule  
modifications  
by mid-April 2020

Corporate loans of  
max. €1 mn  
80%-guaranteed by  
state-owned  
financing company  
Finnvera

40% of Finnvera's  
guarantee portfolio  
for loans granted  
by OP member  
cooperative banks  
by 9 April 2020

Payment time  
flexibility for  
corporate  
customers'  
insurance bills

Pohjola Insurance  
Ltd is companies'  
risk management  
partner during  
difficult times, too

Adjustments to  
rent payments and  
rent reliefs for  
commercial real  
estate

Offered by OP Real  
Estate Asset  
Management Ltd  
to its rental  
locations

# OP takes responsibility in the middle of coronavirus crisis

## Supportive actions for employees, healthcare sector and society

OP supports and recommends remote working for its employees when possible

Employees' health and security are key priorities for business continuity

OP is part of private sector company coalition aiming to increase COVID-19 testing capacity in Finland

18,000 tests in cooperation with private healthcare player Mehiläinen and its South Korean cooperation laboratory

Pohjola Hospital donates its personnel's work contribution for public healthcare

50-100 employees eg. to track COVID-19 infection chains and help in other critical tasks

OP postpones payment of €97 mn interest on profit shares (for 2019) until 1 Oct 2020

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

OP digitally teaches financial literacy to young people

Way to support teachers in their remote teaching environment and help young people manage their personal finances (3,300 children reached)



A background photograph showing a group of people sitting on a light-colored wooden floor. In the foreground, a person's hand is holding a smartphone, displaying a login screen with a circular icon and a numeric keypad. To the left, another person is holding a white document or book. The scene is brightly lit, suggesting an indoor setting.

# OP Financial Group Overview



# Co-operative OP Financial Group

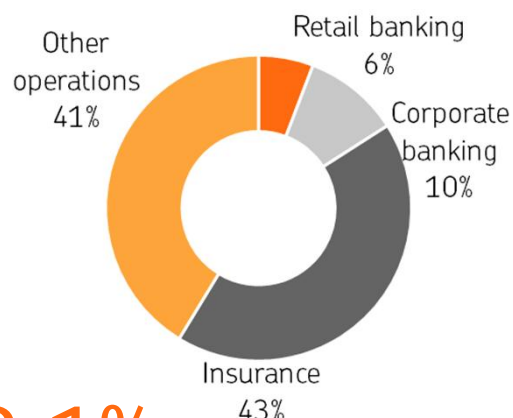
## TOTAL ASSETS

€147 bn

at end-Mar 2020

## EARNINGS BEFORE TAX

(excl. group  
eliminations,  
Q1/20)



## JOINT LIABILITY

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

## SOLID CAPITAL POSITION

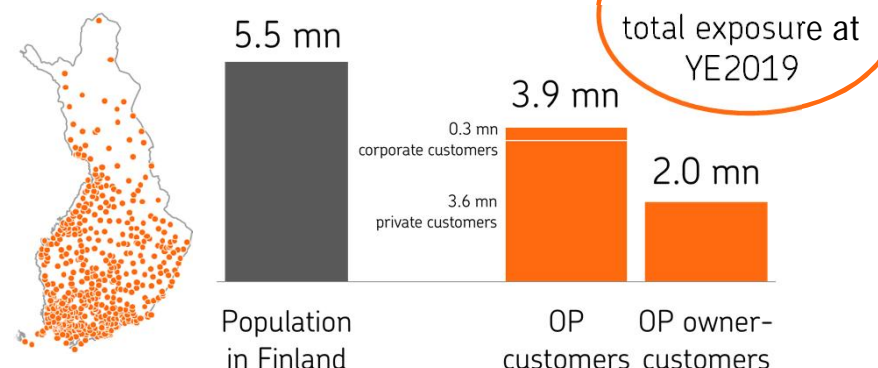
17.7%    19.0%    8.1%

CET1 ratio  
at end-Mar 2020

Total capital ratio  
at end-Mar 2020

Leverage ratio  
at end-Mar 2020

## FINNISH RISK EXPOSURE



## MARKET LEADER IN FINLAND

35.5%    39.2%    33.6%    26.4%

Market share  
in Loans  
YE2019

Market share  
in Deposits  
YE2019

Market share  
in Non-life  
Insurance YE2018

Market share  
in Life Insurance  
YE2018

## HIGH CREDIT RATINGS

Moody's Aa3  
S&P AA-

OP Corporate Bank  
plc

Moody's Aaa  
S&P AAA

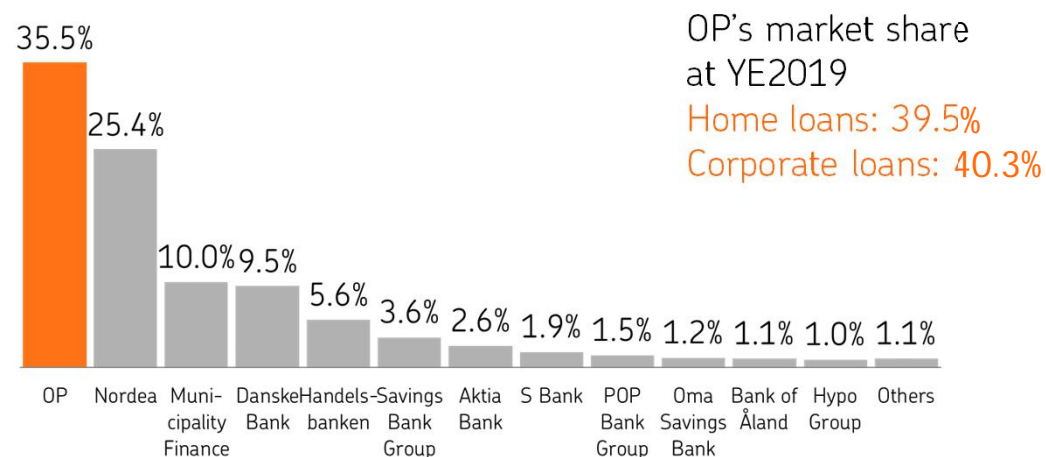
OP Mortgage Bank's  
covered bonds



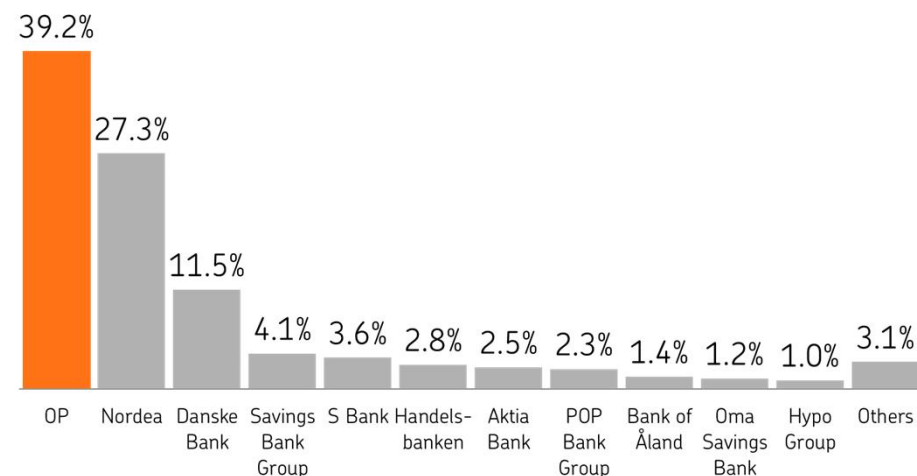
# OP is the leading financial group in Finland

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

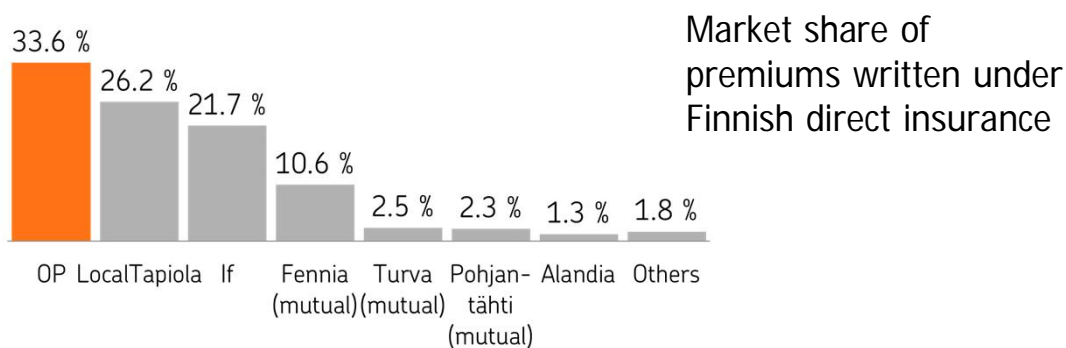
Loans, YE2019 (Finland: €247.7 bn)



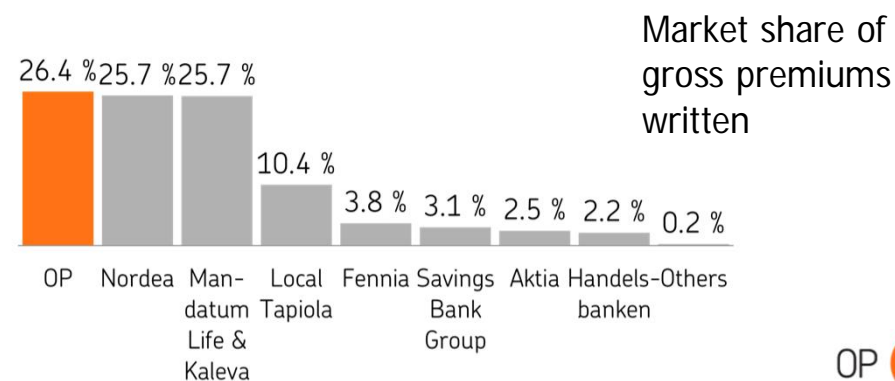
Deposits, YE2019 (Finland: €164.8 bn)



Non-life Insurance, YE2018 (Finland: €4.3 bn)

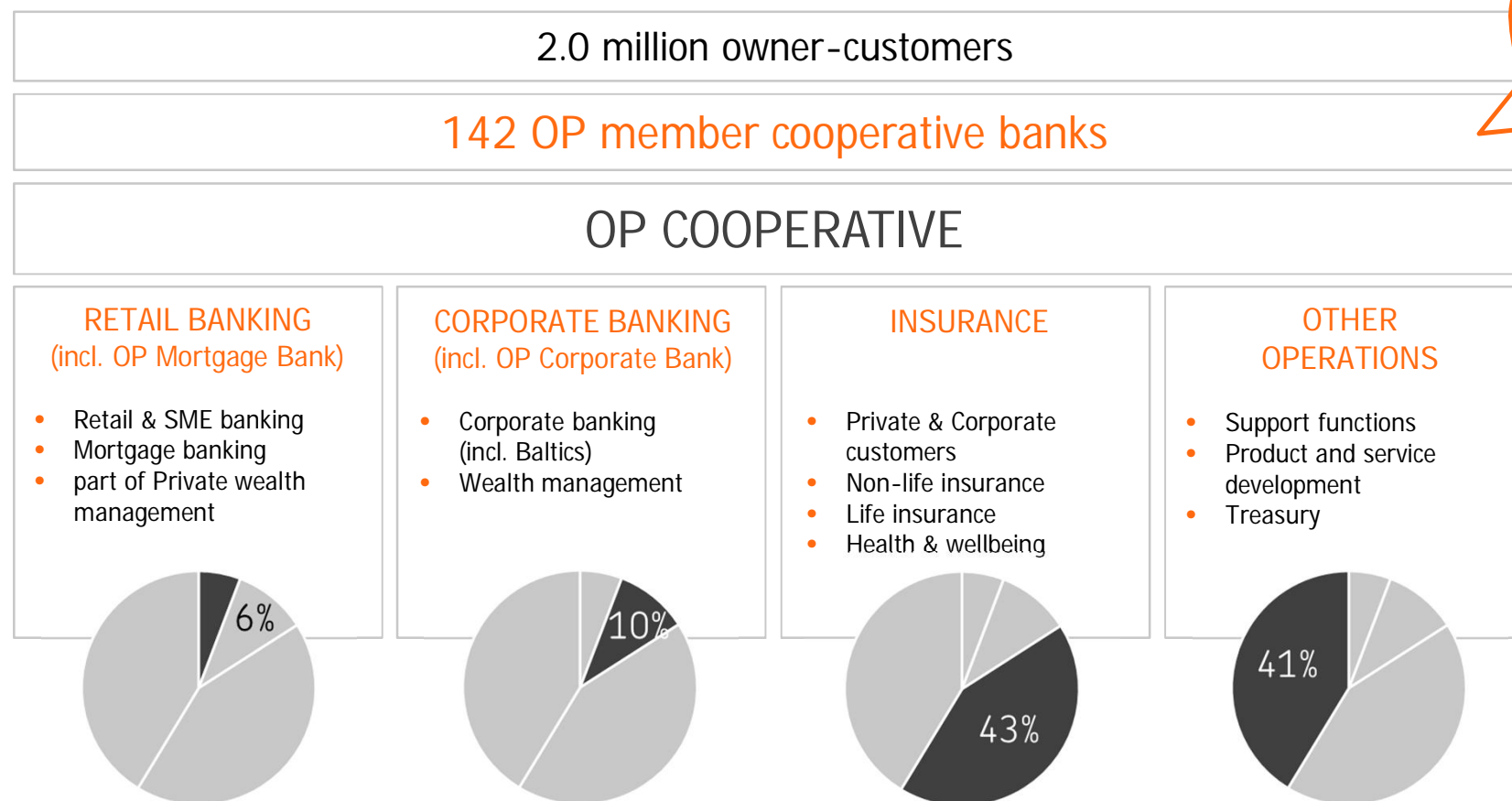


Life Insurance, YE2018 (Finland: €4.3 bn)



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

# OP Financial Group's structure



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

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

New three-tier governance structure since 1 Jan 2020

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

# OP's new strategic targets entered into force on 1 Jan 2020

Indicator	Target	31 Mar 2020	2019	2018	2017
ROE (excl. OP bonuses)	8% in 2025	4.7%	7.1%	8.1%	9.3%
CET1 ratio	Min. CET1 ratio capital requirement + 400 bps management buffer	17.7%	19.5%	20.5%	20.1%
Brand NPS* (private & corporate customers)	30 in 2025	23	26	23	22
Credit rating	At least at the level of AA-/Aa3	AA-/Aa3	AA-/Aa3	AA-/Aa3	AA-/Aa3

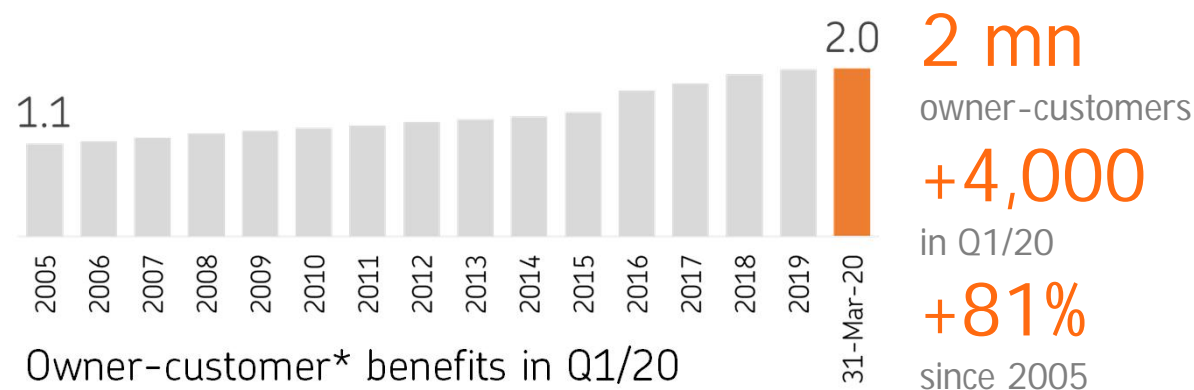
\* OP's customer experience (CX) metric is based on the Net Promoter Score (NPS) that measures likelihood of recommendation. NPS for the brand gauges the overall customer experience of OP. NPS can range between -100 and +100.



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

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

Solid growth in number of owner-customers, mn



Owner-customer\* benefits in Q1/20

**€65 mn**

accrued OP Bonuses\*\*

**€33 mn**

to banking and wealth management service fees

**€32 mn**

to insurance policy fees

**€2.9 bn**

investments in Profit Shares

**€24 mn**

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

**€8 mn**

discounts on daily banking

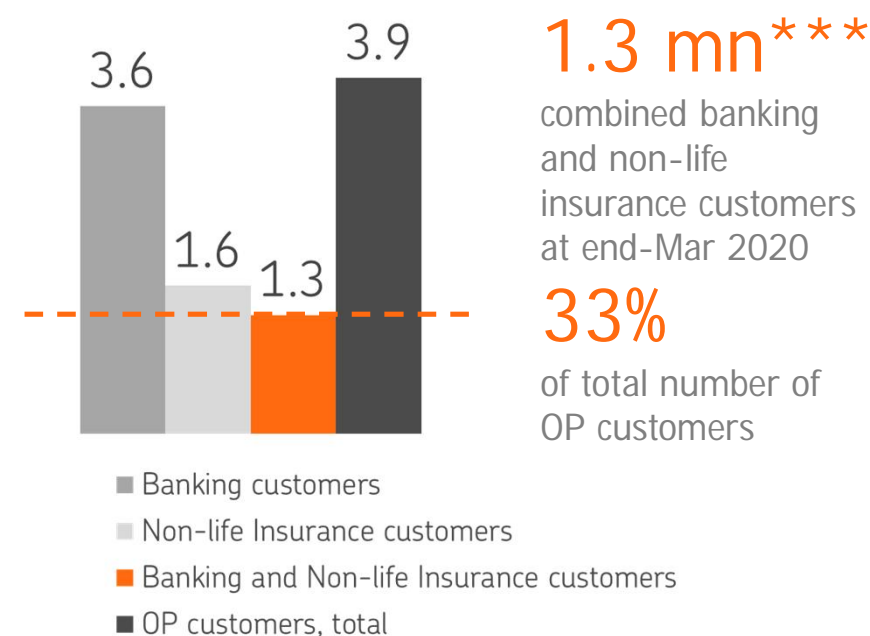
**€17 mn**

loyalty discounts on non-life insurance policies

**€2 mn**

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

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



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

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

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

# Around 1.8 mn active users in OP's digital channels

Digital service channels actively utilized amid the coronavirus crisis

Logins and users in OP's digital channels

OP Mobile  
app

95 mn

logins in Q1/20

+43% y-on-y

1.4 mn reg. users

Op.fi  
internet bank

22 mn

logins in Q1/20

-17% y-on-y

1.9 mn reg. users

OP Business  
Mobile app

4 mn

logins in Q1/20

+65% y-on-y

0.1 mn reg. users

Pivo Mobile  
Wallet app

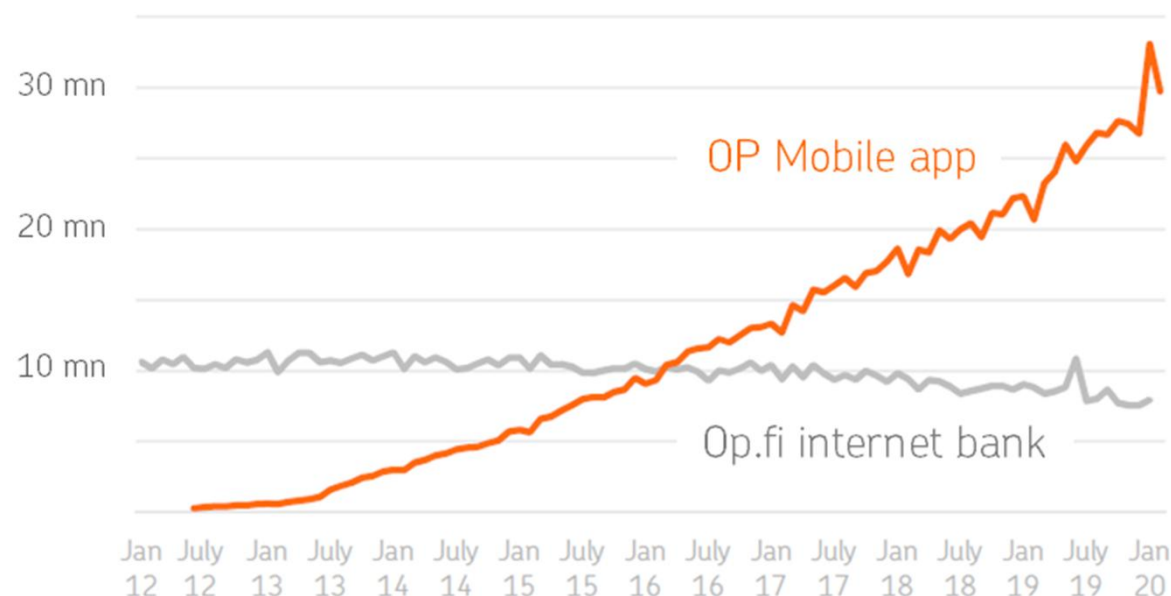
11 mn

logins in Q1/20

+5% y-on-y

1 mn reg. users

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



OP's Mobile Key enables authentication in multiple digital channels

- 1.1 mn active users
- 70% of authentications made by using Mobile Key

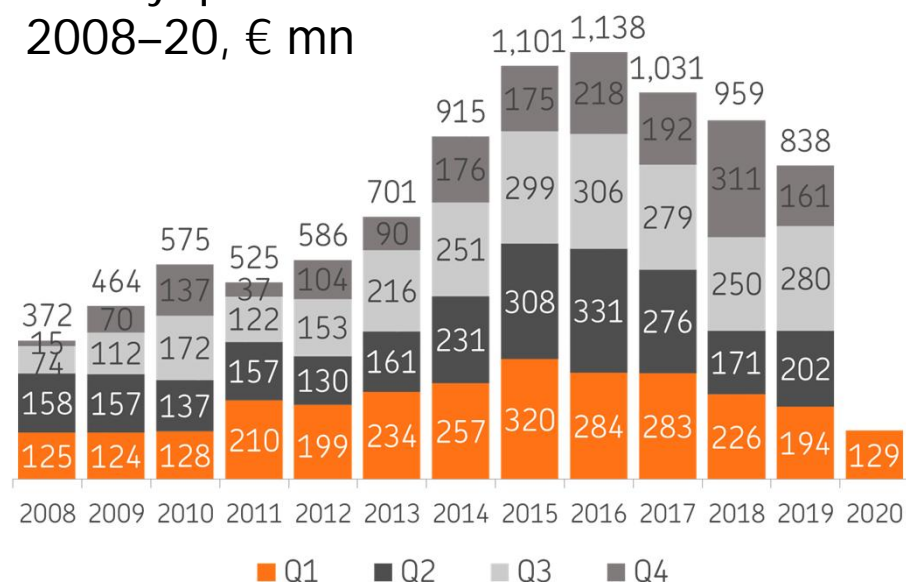
A person is sitting on a light-colored, textured sofa. They are wearing a white, patterned sweater and dark blue pants. They are holding a black smartphone in their right hand. The phone screen shows a login interface with a circular icon at the top, a text input field labeled 'Matricola-Id', and a numeric keypad below it. In the background, another person is partially visible, wearing a white shirt with a red patterned pocket and red pants. A yellow object is also visible in the background. The overall scene is indoors with warm lighting.

# Q1/2020 Financial Results

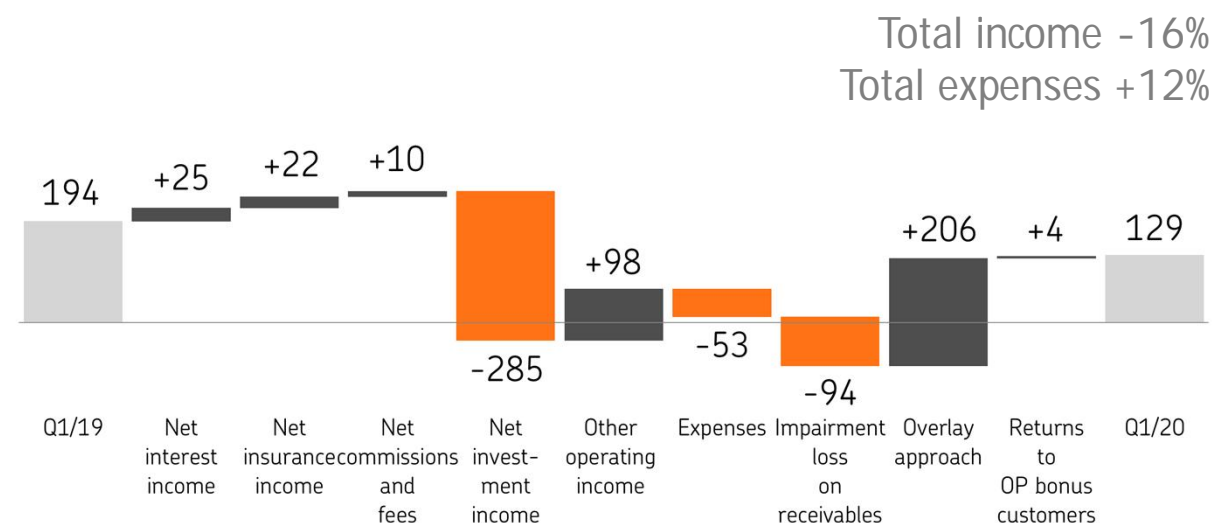
# EBT for 2020 expected to be lower than in 2019

In Q1/20, income deriving from customer business increased while lower net investment income and higher impairment loss on receivables eroded the EBT – largely caused by the coronavirus crisis  
A capital gain of €98 mn recognised on the sale of Vallila HQ property in other operating income

EBT by quarter  
2008–20, € mn



EBT, y-o-y change by P&L line item\*, \*\*, \*\*\*  
Q1/20 vs. Q1/19, € mn



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

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

\*\*\* Sale of Vallila HQ property increased other operating income by €98 mn



# Key financials Q1/2020

## Main P&L line items

Group EBT  
**€129 mn**  
 (-34%)

Retail banking EBT €8 mn (-85%)  
 Corporate banking EBT €14 mn (-76%)  
 Insurance EBT €59 mn (-33%)  
 Other operations EBT €57 mn (+963%)

Total income  
**€662 mn**  
 (-16%)

NII €319 mn (+9%)  
 Net insurance income €131 mn (+21%)  
 Net commissions and fees €244 mn (+5%)  
 Net investment income €-140 mn (-196%)

Total expenses  
**€518 mn**  
 (+12%)

Personnel costs €208 mn (+6%)  
 Development cost impact €50 mn (40)

## Volumes (Q1/20 growth)

Home loans  
**€39.6 bn (+0%)**  
 Corporate loans  
**€22.8 bn (+1%)**  
 Housing company loans  
**€9.5 bn (+3%)**

Loans, total  
**€93.0 bn (+2%)**  
 Deposits, total  
**€64.8 bn (+1%)**

Insurance premium revenue  
 (y-on-y growth)  
**€367 mn (+4%)**

Assets under management  
**€73.3 bn (-12%)**

## Outlook 2020

The exceptional uncertainty caused by the coronavirus pandemic weakens the income from investments and the credit risk outlook. OP Financial Group's earnings before tax for 2020 are expected to be lower than in 2019.

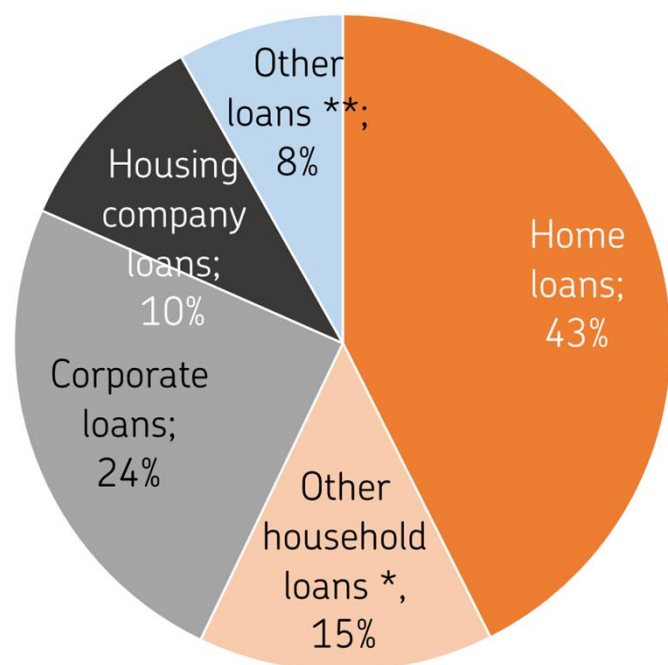
Previously, the EBT for 2020 were expected to be at about the same level as in 2019.

A person is sitting on a light-colored wooden floor, holding a smartphone in their right hand. The phone screen shows a login interface with a circular icon at the top, a text input field, and a numeric keypad. The person is wearing a white, textured knit sweater and dark blue pants. In the background, other people are partially visible, including one in a yellow shirt and another in a white shirt with a red pattern. A book is open on the floor to the left.

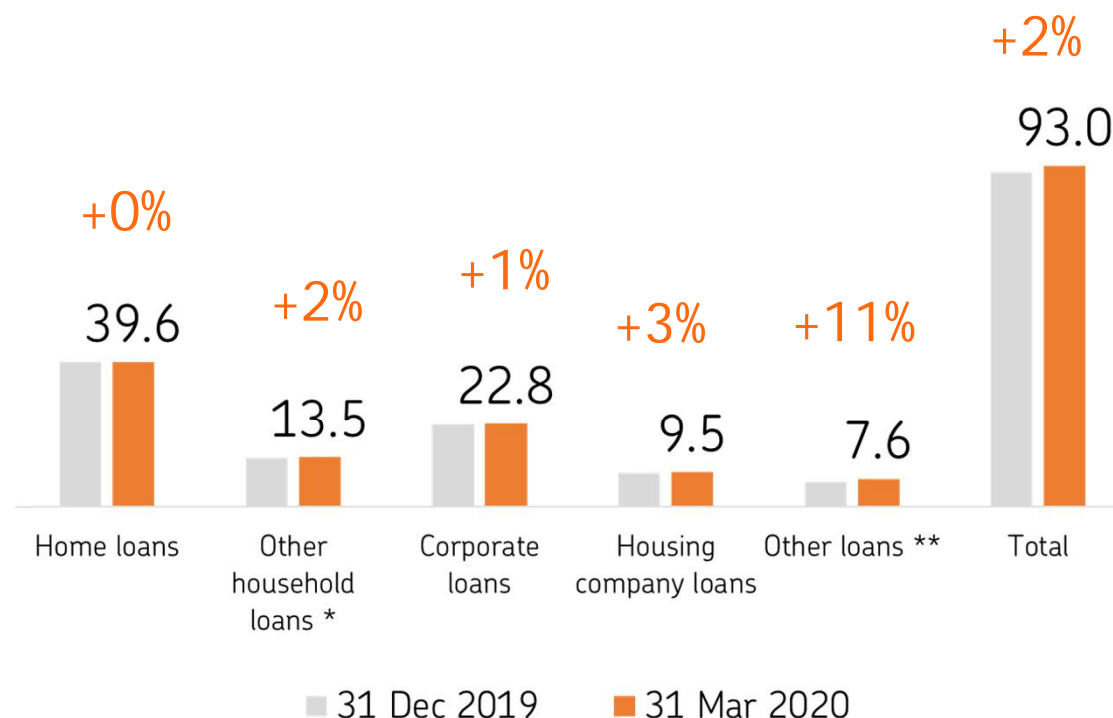
# Loan Book Overview and Asset Quality

# Loan portfolio up by 2% in Q1/20

€93.0 bn Loan portfolio breakdown,  
31 Mar 2020, %



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

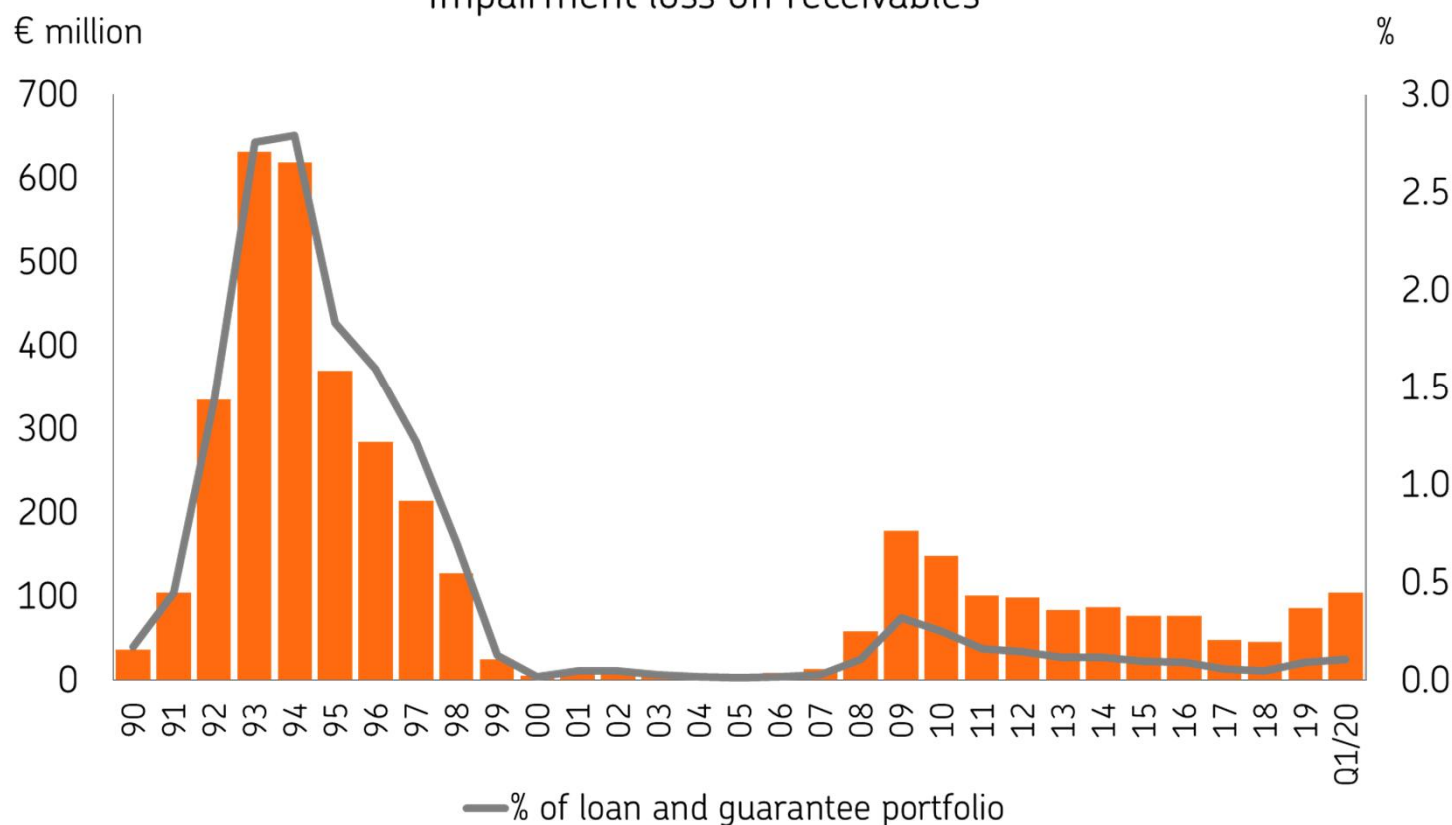


\* Other household loans include loans for holiday houses, consumer loans, student loans etc.

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

# Impairment loss on receivables up due to the new DoD and the coronavirus crisis affecting credit risk outlook

OP Financial Group's  
Impairment loss on receivables



**Q1/20:**

€105 mn (11) ie.  
0.11% (0.01) of loan  
and guarantee  
portfolio

Increase in impairment loss  
on receivables mainly caused  
by the new DoD (€44 mn)  
and the coronavirus crisis  
(€29 mn)



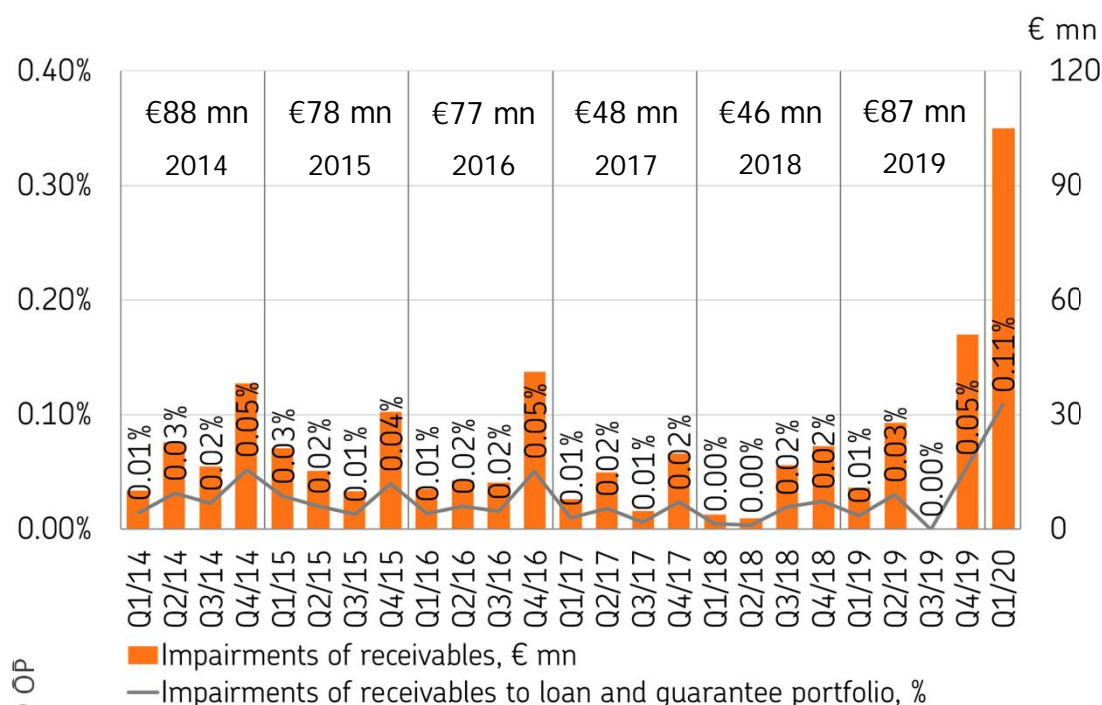
# Q1/20 impairment loss on receivables €105 mn

Doubtful receivables 3.6% of loan and guarantee portfolio (3.2)

Performing forborne receivables 59% (66) of gross doubtful receivables

Effect of the coronavirus crisis on growth in ECL totalled €29 mn

## Impairment loss on receivables



## Doubtful receivables (gross)

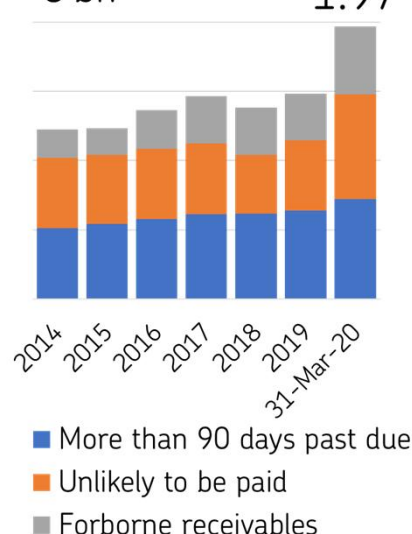
Non-performing

1.5% (1.1) to loan & guarantee portfolio

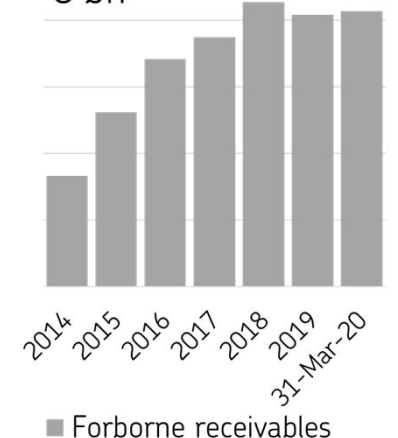
Performing

2.1% (2.1) to loan & guarantee portfolio

€ bn

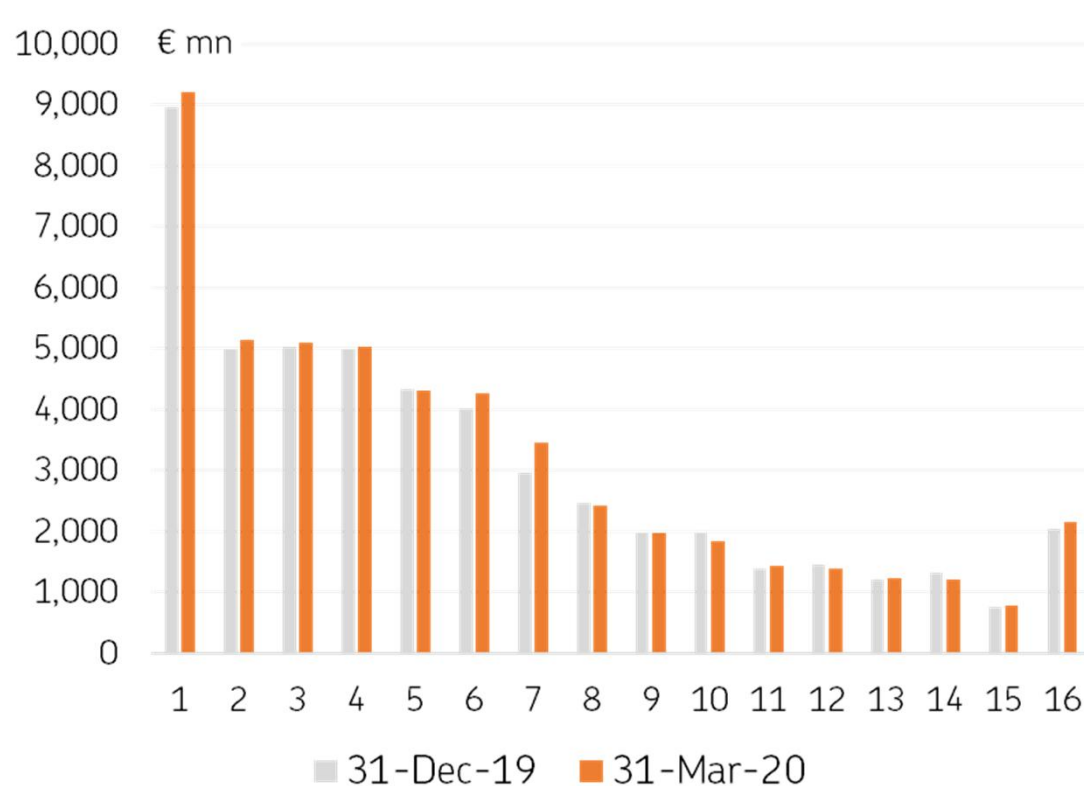


€ bn



# Corporate exposures well diversified by industry

Corporate exposures (IRB, net value) €50.9 bn as at 31 March 2020



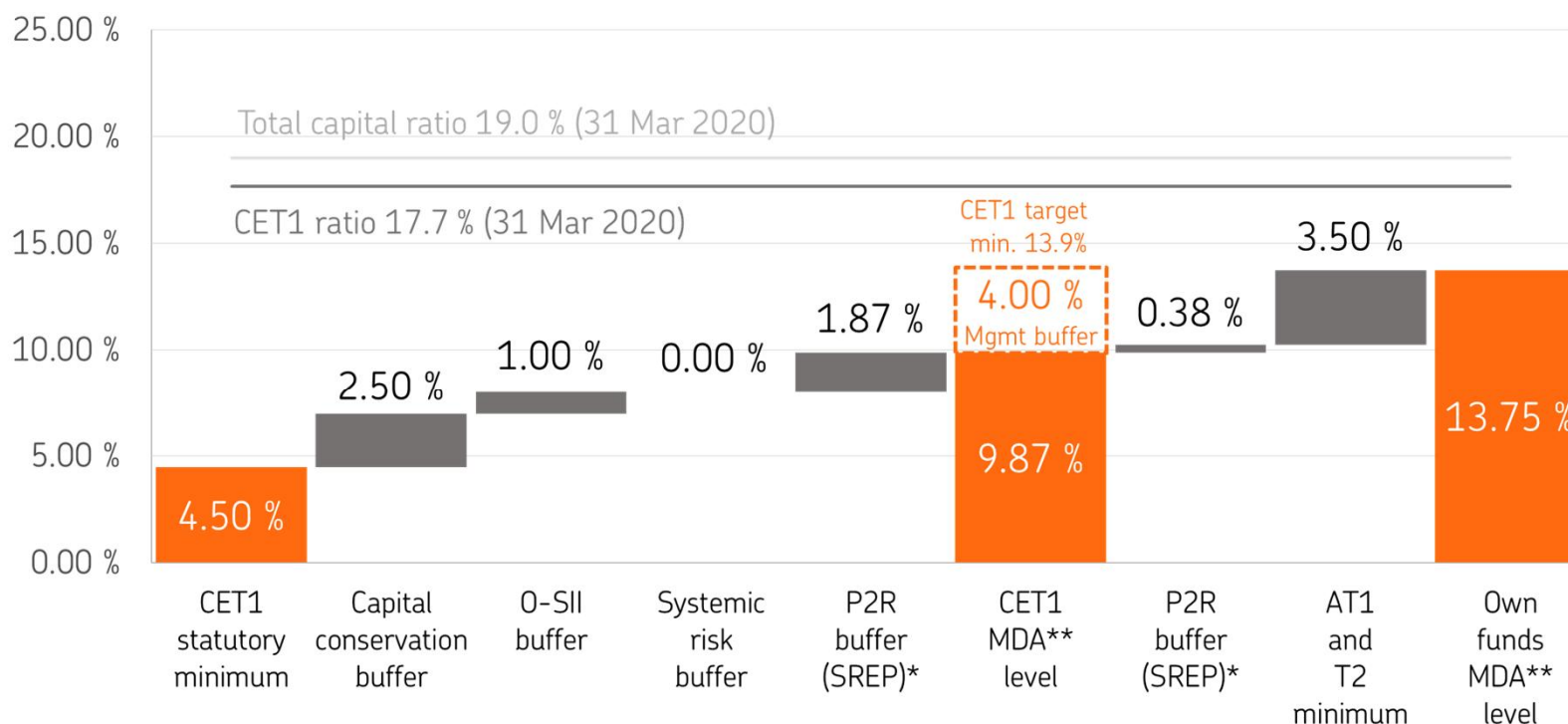
No.	Industry	31-Dec-19	31-Mar-20
1	Renting and operation of residential real estate	18.0%	18.1%
2	Operating of other real estate	10.0%	10.1%
3	Trade	10.1%	10.0%
4	Services	10.0%	9.9%
5	Construction	8.7%	8.5%
6	Energy	8.1%	8.4%
7	Financial and insurance activities	5.9%	6.8%
8	Manufacture of machinery and equipment (incl. maintenance)	4.9%	4.8%
9	Other manufacturing	3.9%	3.9%
10	Agriculture, forestry and fishing	3.9%	3.6%
11	Forest industry	2.8%	2.8%
12	Transportation and storage	2.9%	2.7%
13	Metal industry	2.4%	2.4%
14	Information and communication	2.6%	2.4%
15	Food industry	1.5%	1.5%
16	Others	4.1%	4.2%



# Capital Position

# New target for CET1 ratio: Management buffer min. 400 bps above CET1 MDA level – totalling to min. 13.9%

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



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

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

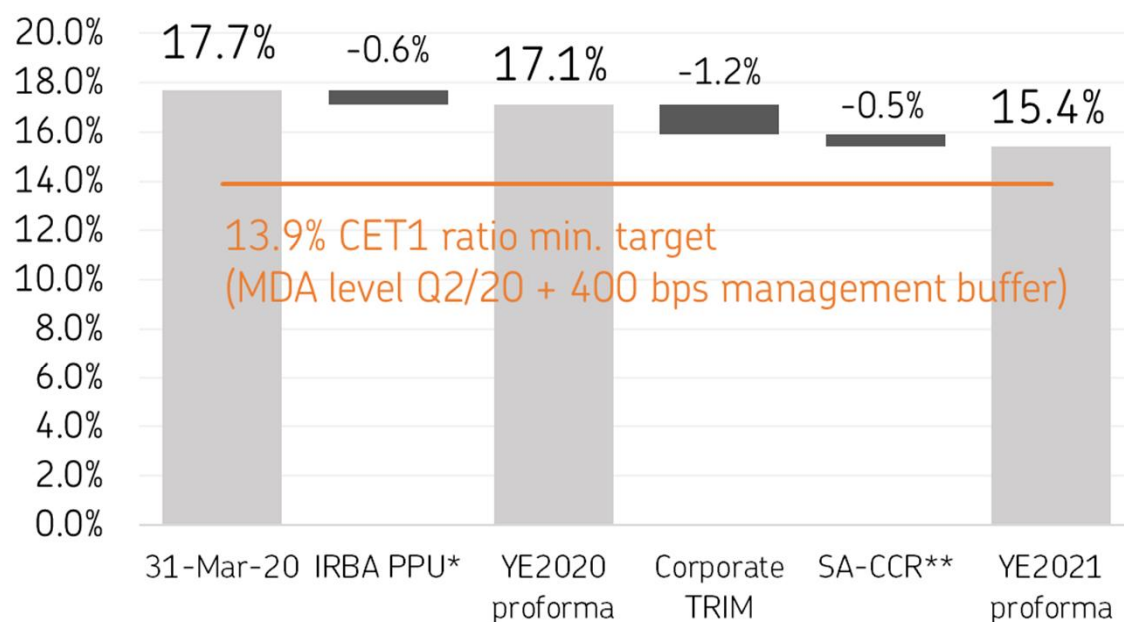
In December 2019, as part of SREP, the ECB set OP Financial Group's P2R buffer requirement at 2.25% (previously 2.00%) that entered into force on 1 January 2020.

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

# CET1 ratio 17.7%

Decline caused mainly by new-DoD-driven increase in risk weights (-1.3 pps) and loan portfolio growth  
Sale of Vallila HQ property improved CET1 ratio (+0.2 pps)

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



\* Internal Ratings-Based Approach Permanent Partial Use

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

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

Profit shares in CET1 capital €2.9 bn (excl. terminations)

REA €60.7 bn (55.5)

- €0.5 bn caused by ECB RW floors – decline caused by increase in mortgage-backed retail exposure risk weights

Average risk weights

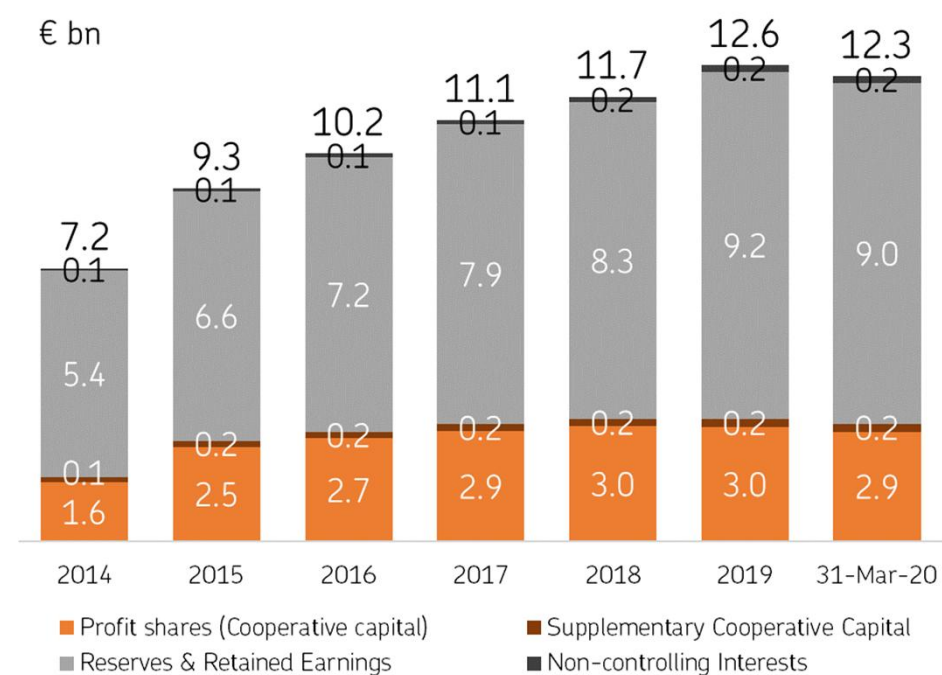
21.8% for retail exposures (17.6)

69.9% for corporate exposures (66.8)

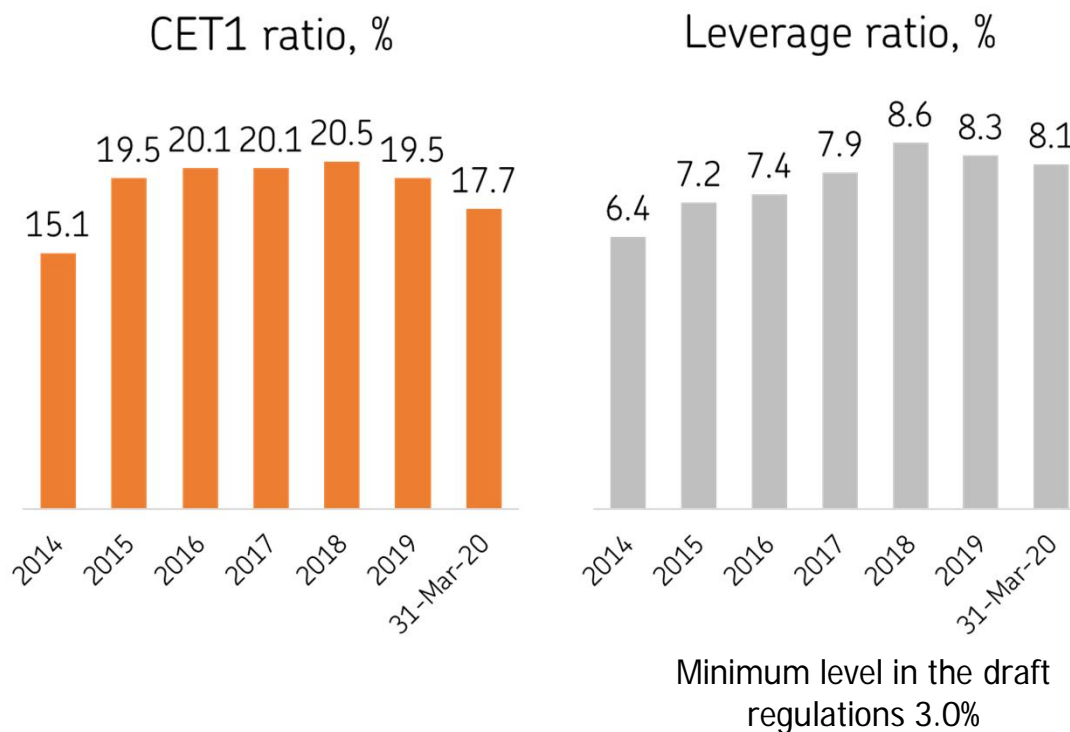
- In Feb. 2017, ECB set RW floors for OP's retail exposures
  - 15.4% for mortgage-backed exposures
  - 32.7% for other private customer exposures
- FIN-FSA's 15% RW floor on residential mortgage loans came into force on 1 January 2018 and is valid until YE2020
- In April 2019, ECB set RW floor of approx. 12% for OP's home loans (TRIM)
  - No further effect on OP's CET1 ratio due to previously set higher RW floors

# Strong track record of capital generation

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



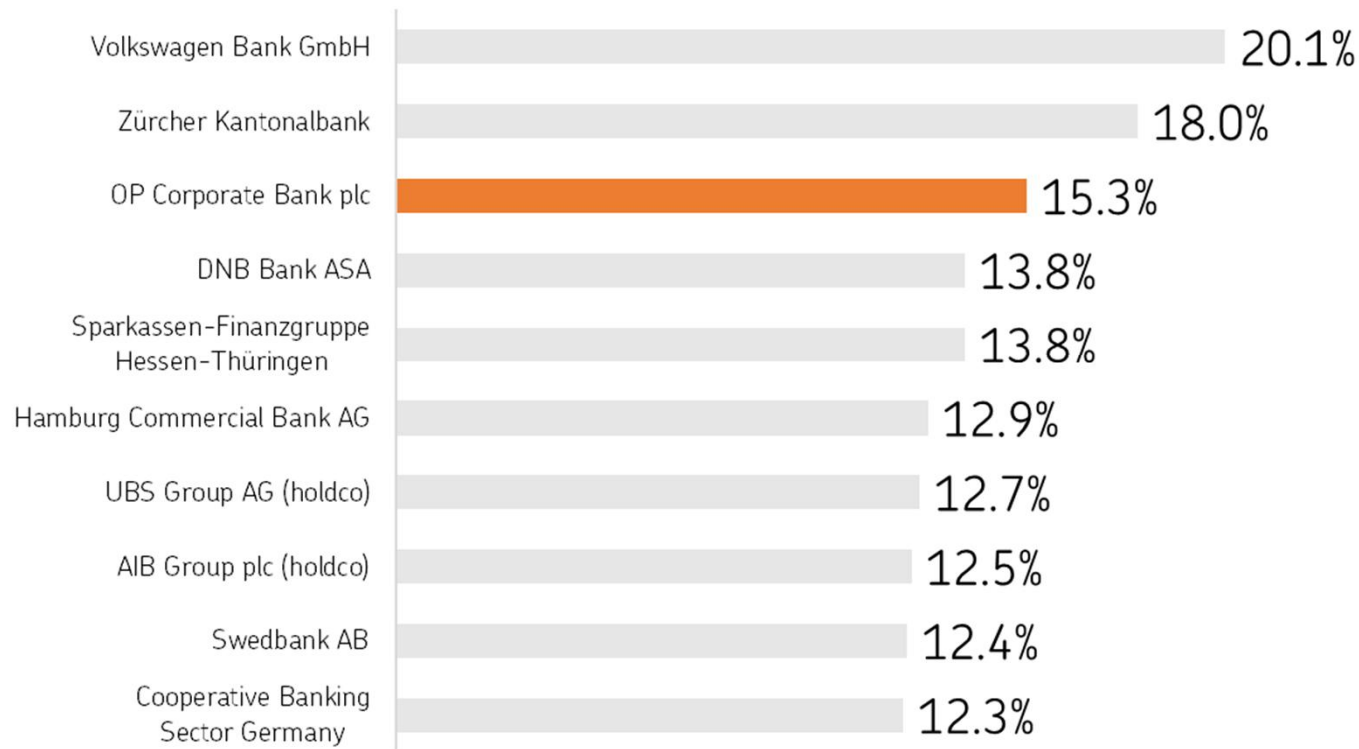
Earnings and profit shares contribute to CET1 and leverage ratio improvement





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

TOP10 European banks' S&P RAC ratios,  
before diversification (YE2018)



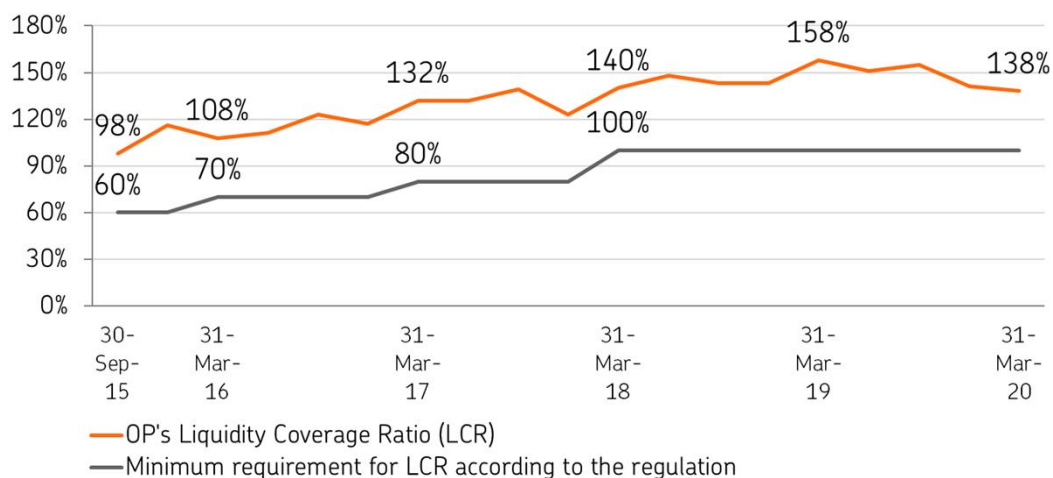
Source: Standard & Poor's, Risk-Adjusted Capital (RAC) for the Top 50 European Banks, September 26, 2019

# Liquidity and Funding

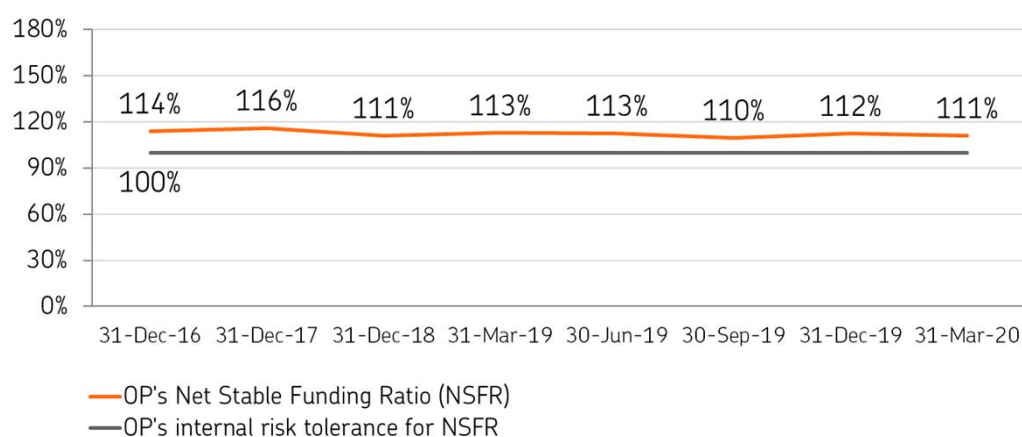


# Despite the effects of coronavirus pandemic OP's liquidity and funding position are good

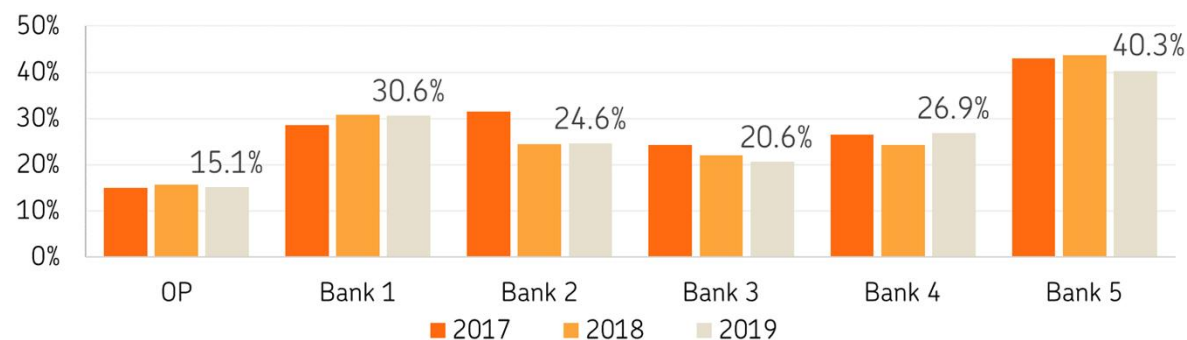
## LCR vs. minimum requirement



## NSFR vs. internal risk tolerance



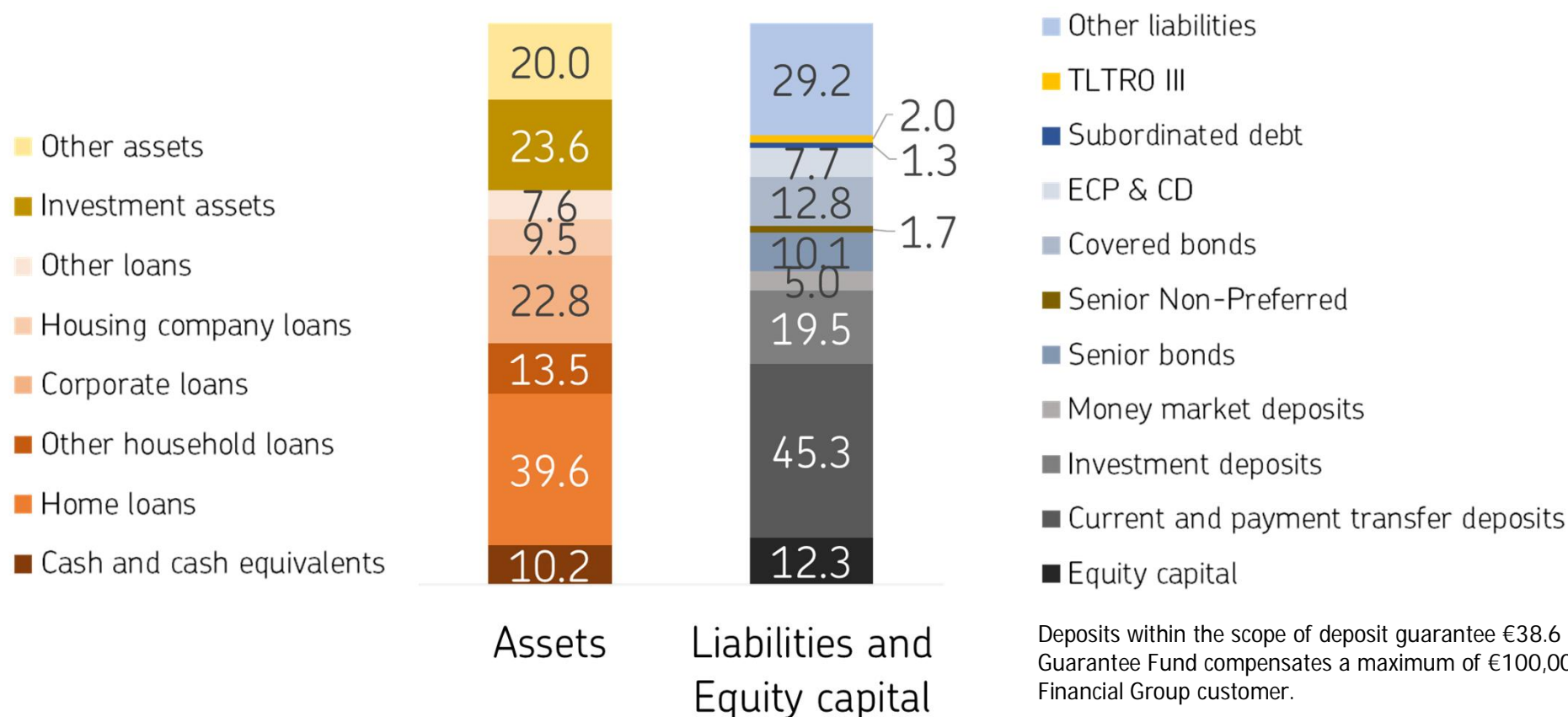
## OP has the lowest Asset Encumbrance ratio in Nordic comparison



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

# Balance sheet totaled €147 bn at end-Mar 2020

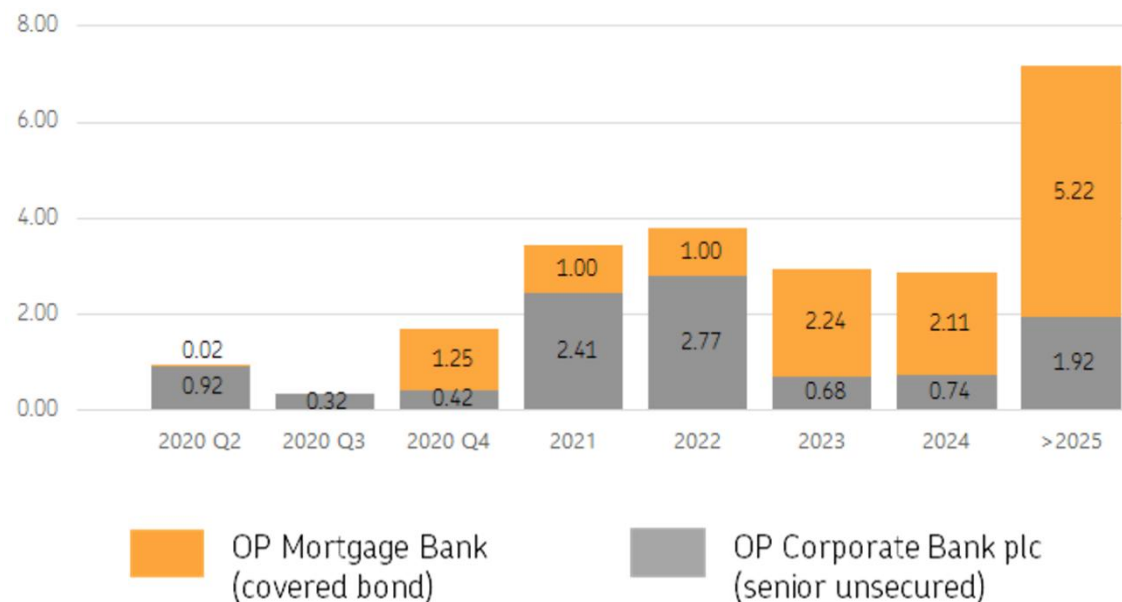
Loans 63%, deposits 44% and market-based funding 26% of the balance sheet



Other assets include: Assets covering unit-linked contracts, Derivative contracts, Intangible assets, PPE, Tax assets, Receivables from credit institutions and other assets  
 Other liabilities include: Insurance liabilities, Liabilities from unit-linked insurance and investment contracts, Derivative contracts, Provisions and other liabilities, Liabilities to credit institutions (excl. TLTRO III) and Tax liabilities

# Maturity breakdown of wholesale funding well diversified

Issued senior unsecured and covered bonds by maturity, 31 Mar 2020 (€ bn)



## MREL regulation

- In June 2019, the Finnish Financial Stability Authority set MREL for OP Financial Group of 13.4 billion euros, or 27.3% of the risk-weighted assets (RWA) at YE2017
- OP Financial Group clearly fulfils the requirement set by the authority: OP Financial Group's MREL ratio was 42% as at 31 Mar 2020
- In 2019, OP Corporate Bank issued SNP instruments worth €1.2 bn and plans to continue issuance in the future: €500 mn bond issued in Q1/20
- The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry

# Issued long-term bonds €1.6 bn in Q1/20 (1.9)

## OP Corporate Bank plc's benchmark senior unsecured bonds 2018–20

Year	Month	Amount	Maturity	Cost
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps
2019	November	€500 mn (SNP)	10 yrs	m/s +68 bps
2019	June	€500 mn (SNP)	5 yrs	m/s +60 bps
2019	February	€500 mn (Green)	5 yrs	m/s +35 bps
2018	August	€500 mn	5 yrs	m/s +22 bps
2018	May	GBP200 mn	3 yrs	Eb3 +17 bps
2018	May	Total €1 bn dual-tranche, €500 mn each	7 yrs (fixed) 3 yrs (floating)	m/s +30 bps Eb3 +20 bps

## OP Mortgage Bank's benchmark covered bonds 2018–20

Year	Month	Amount	Maturity	Cost
2020	April	€300 mn (Private Placement)	8 yrs	Eb3 +45 bps
2020	April	€500mn (Private Placement)	2 yrs	Eb3 +30 bps
2020	January	€1 bn	8.25 yrs	m/s +3 bps
2019	November	€1 bn	7 yrs	m/s +3 bps
2019	February	€1.25 bn	10 yrs	m/s +10 bps
2018	June	€1 bn	7.25 yrs	m/s -2 bps

In March 2020, OP Corporate Bank took ECB's USD-denominated financing worth \$500 mn with a maturity of less than a year.

# Funding based on strong credit ratings

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

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

\* Covered bond rating

\*\* Insurance financial strength rating

Updated: 15 April 2020

## OP CORPORATE BANK PLC

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

## OP MORTGAGE BANK

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

## POHJOLA INSURANCE LTD

- ✓ Moody's upgraded rating to A2 with stable outlook in January 2019
- ✓ S&P affirmed A+ rating and stable outlook in July 2018



A person is sitting on a light-colored wooden floor, holding a smartphone in their right hand. The phone screen displays a login or registration interface with a circular icon at the top, a text input field, and a numeric keypad. The person is wearing a white, textured knit sweater and dark blue pants. In the background, other people are partially visible, including one in a yellow shirt and another in a white shirt with a red pattern. A book or document is lying on the floor to the left.

# Corporate Responsibility and Green Bonds

# CR at the core of OP's business and strategy

New CR programme published in Dec 2019 focuses around 4 key themes



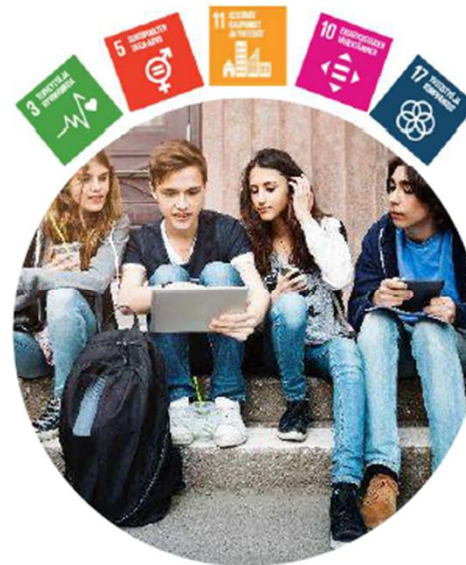
We improve financial literacy in Finland

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



We foster a sustainable economy

We support sustainable development, and mitigating climate change and adapting to it.



We support local vitality and communities

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



We use our intellectual and information capital responsibly

We use customer data and artificial intelligence transparently, in the best interest of our customers.



# OP's CR measures during recent years

## Banking

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

## Insurance

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

## Treasury & ALM

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

## Wealth Management

- Exclusion of high-carbon companies and measuring carbon footprint of mutual funds
- Quarterly sustainability analyses on OP funds
- Active proxy voting at AGMs
- OP and Finnfund global impact fund
- Membership in Climate Action 100+ (5yr investor engagement initiative) to impact on listed companies with the highest GHG emissions globally – thematic engagement projects on carbon, water and tax risks
- Signature of CDP's climate change, water and deforestation initiatives

## OP premises & practices

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



# OP committed to take 20 climate actions in 2020

OP aims to be carbon-neutral by 2025



We offer new financing products aiming to mitigate the climate change

We channel investments towards climate change mitigation

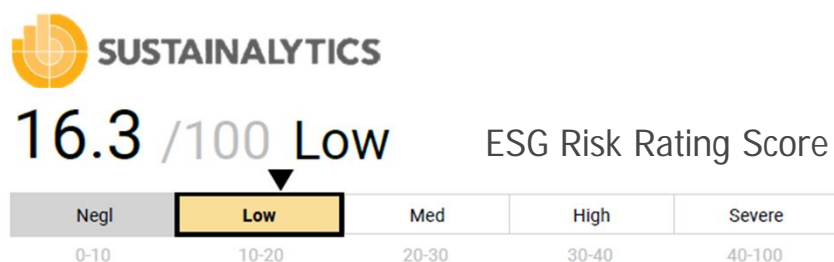
We support agriculture and forestry sectors towards more sustainable future

We help our customers to become aware of their own climate impacts

We support companies on their path towards more sustainable economic growth through ESG-performance-linked corporate loans

We increase knowledge of financial impacts caused by climate change

# OP's and its issuing entities' ESG rating performance



Source: Sustainalytics, September 2018



Source: MSCI 2020



Source: Imug, March 2020

OP  
Corporate  
Bank's  
unsecured  
bonds



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

Source: ISS ESG 2019



OP's CDP Survey Score in 2019:  
**A- (Leadership)**

"Company actions represent best practice to advance environmental stewardship; thorough understanding of risks and opportunities related to climate change; formulated and implemented strategies to mitigate or capitalize on these risks and opportunities."

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



Source: Imug, March 2019

OP  
Mortgage  
Bank's  
covered  
bonds



# OP's Green Bond Framework published in 2018



- OP Financial Group published its Green Bond Framework and associated Second Opinion issued by Sustainalytics in 2018
- Eligible sectors for use of proceeds:
  - Renewable Energy
  - Energy Efficiency
  - Green Buildings
  - Pollution Prevention and control
  - Sustainable Land Use
  - Clean Transportation
- Currently OP Corporate Bank's Green Bond register includes corporate loans from sectors 1, 3 and 5
- OP Corporate Bank aims to carry out an ESG analysis on 70% of its corporate exposure in order to seek more assets eligible for green bonds

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

# OP Green Bonds Eligible Use of Proceeds



Use of  
proceeds

Process for  
project  
evaluation  
and selection

Management  
of proceeds

Reporting &  
External  
review

Category	Eligible assets	Sustainable Development Goals
Renewable energy	<ul style="list-style-type: none"> <li>Onshore and offshore wind energy</li> <li>Solar energy</li> <li>Hydropower</li> <li>Waste-to-energy</li> </ul>	
Energy Efficiency	<ul style="list-style-type: none"> <li>Lowering energy consumption &amp; fostering energy efficiency</li> </ul>	
Green Buildings	<ul style="list-style-type: none"> <li>Commercial or residential buildings</li> <li>Upgrade retrofits (renovations and refurbishments of buildings) leading to better energy performance or reducing energy use</li> </ul>	
Pollution Prevention & Control (including Sustainable Water Management)	<ul style="list-style-type: none"> <li>Waste prevention, reduction and recycling</li> </ul>	
Sustainable Land Use	<ul style="list-style-type: none"> <li>Sustainable forestry projects</li> <li>Conversion of energy-intensive industry and/or fossil fuel intensive lands</li> <li>Sustainable agriculture</li> </ul>	
Clean Transportation	<ul style="list-style-type: none"> <li>Electric and hybrid vehicles</li> <li>Clean transportation infrastructure</li> </ul>	

# OP Corporate Bank's Green Bond Report highlights



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

## Most relevant UN SDGs:



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



- 328.6 ktCO<sub>2</sub>e avoided
- 864.7 GWh renewable energy generated
- 271.5 MW renewable energy capacity installed

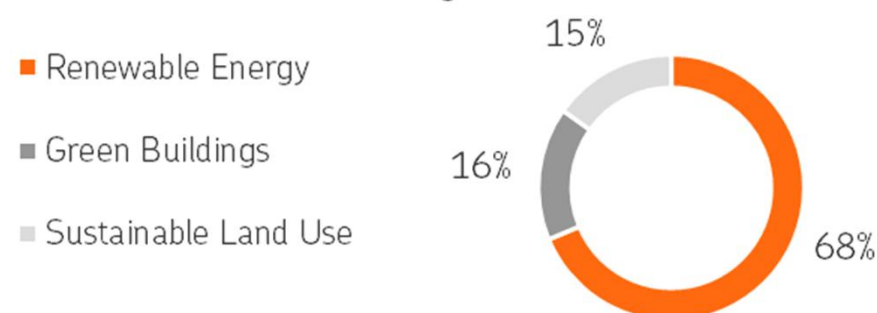


- 32 000 m<sup>2</sup> of green certified building area
- 1.2 ktCO<sub>2</sub>e avoided due to reduced energy consumption



- 69 160 hectares of forest under FSC or PEFC forestry certification

Assets included in the Green Bond register by eligible sector



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

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



# Debt IR contacts

# Debt IR contacts



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For OP Financial Group's and issuing entities' financial reports and other publications, please visit OP's Debt IR website at [www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)