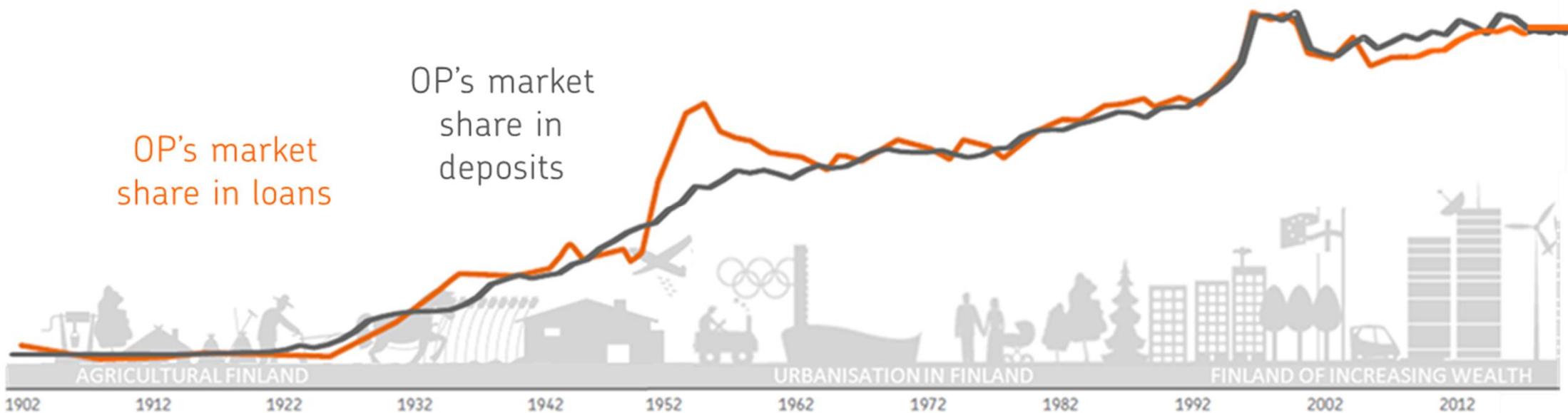


# Debt Investor Presentation Q1/2016

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

[www.pohjola.com](http://www.pohjola.com) > Investor Relations > Debt Investors

36.4%  
34.2%  
(YE2014)



# 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.

A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in the presentations. Our financial reports also describe risks and factors that could affect our future performance and the industry in which we operate. Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial position or results of operations could materially differ from that presented as anticipated, believed, estimated or expected. The views and other information provided are current as of the date of when such information was provided and may be subject to change without notice. OP Financial Group does not undertake and is not under any obligation to update any of the forward-looking statements or to conform such statements to actual results, except as may be required by law or applicable stock exchange regulations.

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

# Contents

1. OP – Leading financial group in Finland
2. Finnish economy
3. OP Financial Group
  - Structure and joint liability
  - Competitive advantages
  - Market shares
  - Capitalisation
  - Financial performance
  - Asset quality
  - Credit ratings
  - Liquidity and funding
4. OP Mortgage Bank
5. OPMB cover asset pool characteristics
6. Debt IR contacts
7. Appendices





# Leading financial group in Finland

Issuing entities: OP Corporate Bank plc and OP Mortgage Bank

**€124 bn**

Balance sheet total as of 31 March 2016

## SOLID CAPITAL POSITION

**19.5%**

CET1 ratio as of 31 March 2016

## FINNISH RISK EXPOSURE

**95%**

of retail and corporate exposures in Finland  
as of 31 Dec. 2015

## MARKET LEADER IN FINLAND

**>30%**

Market share in loans, deposits and non-life insurance

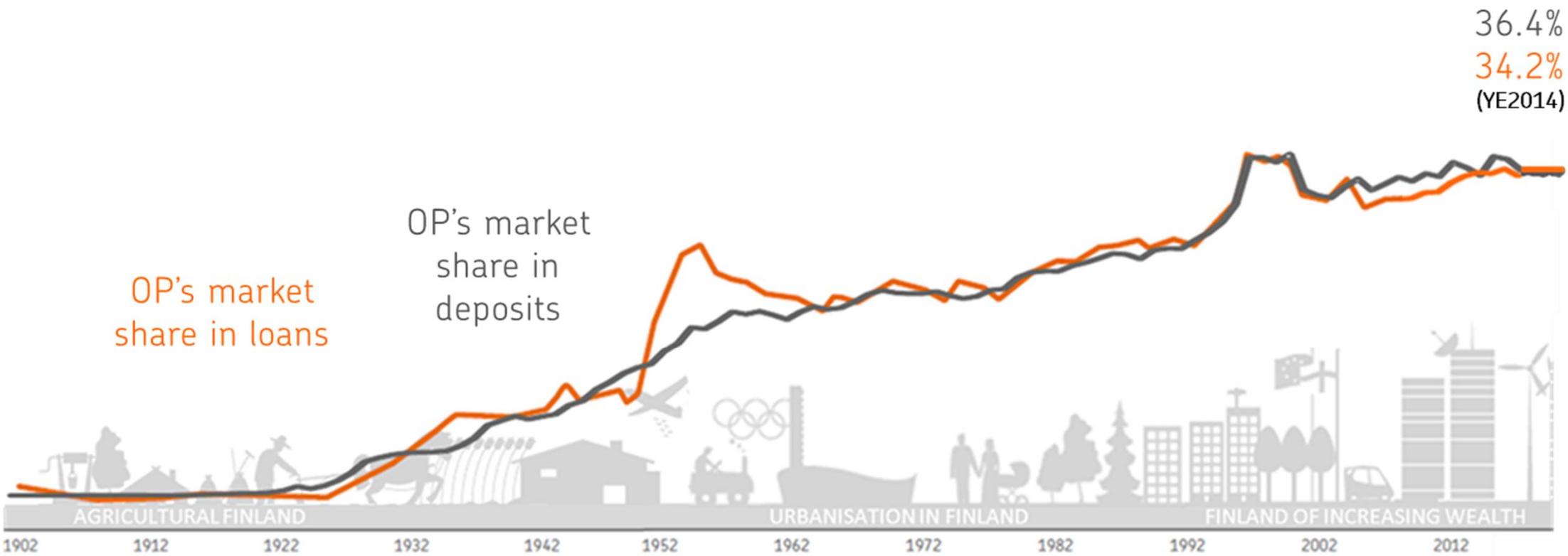
## HIGH CREDIT RATINGS

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

OP Corporate Bank plc

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

OP Mortgage Bank



# Finnish economy

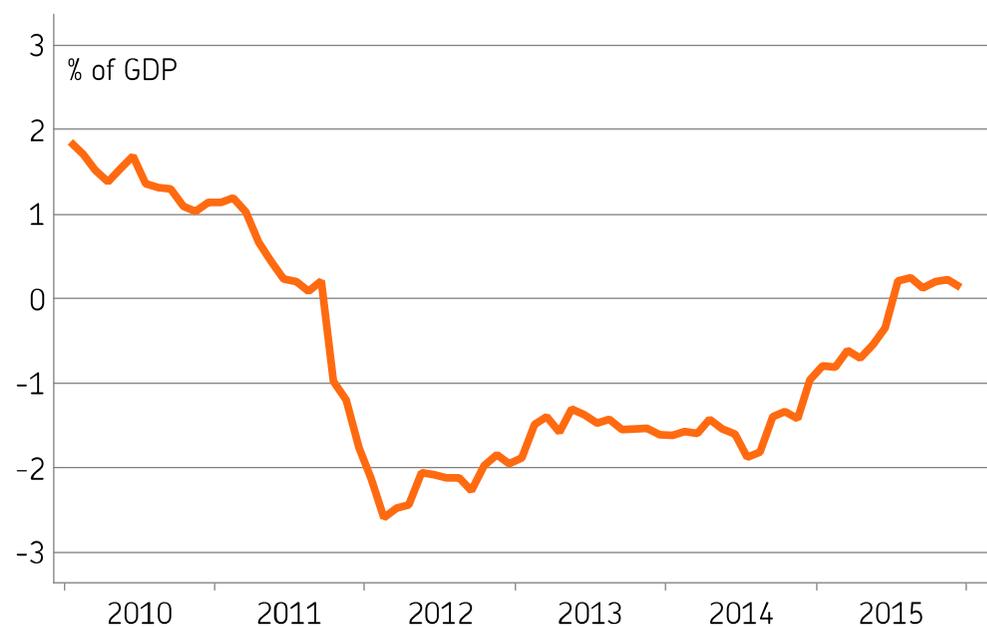
# Sluggish growth but improving economic balance

GDP growth



Source: Macrobond, OP

Current account



Source: Macrobond, OP

# Forecasts for the Finnish economy

Published 26 January 2016

	2015 € bn	2014	2015	2016f	2017f
GDP	207,2	-0,7	0,5	0,8	1,6
Imports	76,6	0,0	-0,4	1,5	3,0
Exports	77,3	-0,9	0,6	1,0	3,5
Consumption	166,5	0,3	0,7	0,9	1,0
Private consumption	115,6	0,6	1,4	1,2	1,3
Public consumption	50,9	-0,3	-0,9	0,2	0,2
Fixed investment	42,1	-2,6	-1,1	3,0	3,5

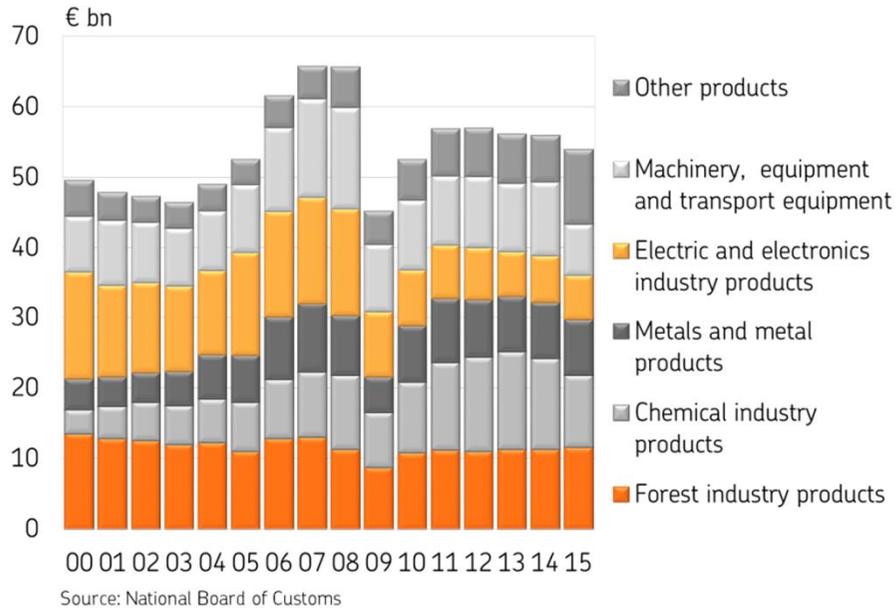
## Other key indicators

	2014	2015	2016f	2017f
Consumer price index, % change y/y	1,0	-0,2	0,2	1,0
Unemployment rate, %	8,7	9,4	9,3	9,0
Current account balance, % of GDP	-0,9	0,1	0,9	0,8
General government debt, % of GDP	59,3	63,1	65,2	67,0
General government deficit, % of GDP	-3,2	-2,7	-3,0	-2,7

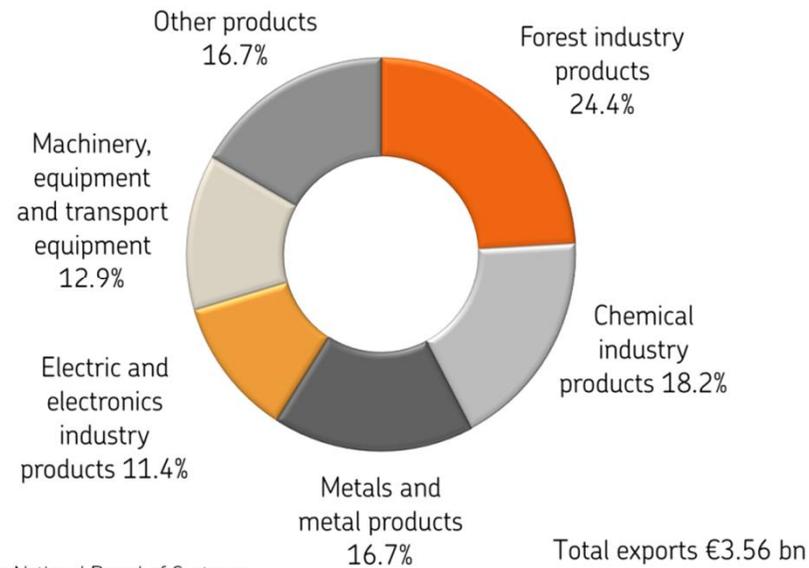
Sources: Statistics Finland and OP

# Balanced goods exports structure by commodity group

Goods exports by commodity group 2000-15



Goods exports by commodity group January 2016

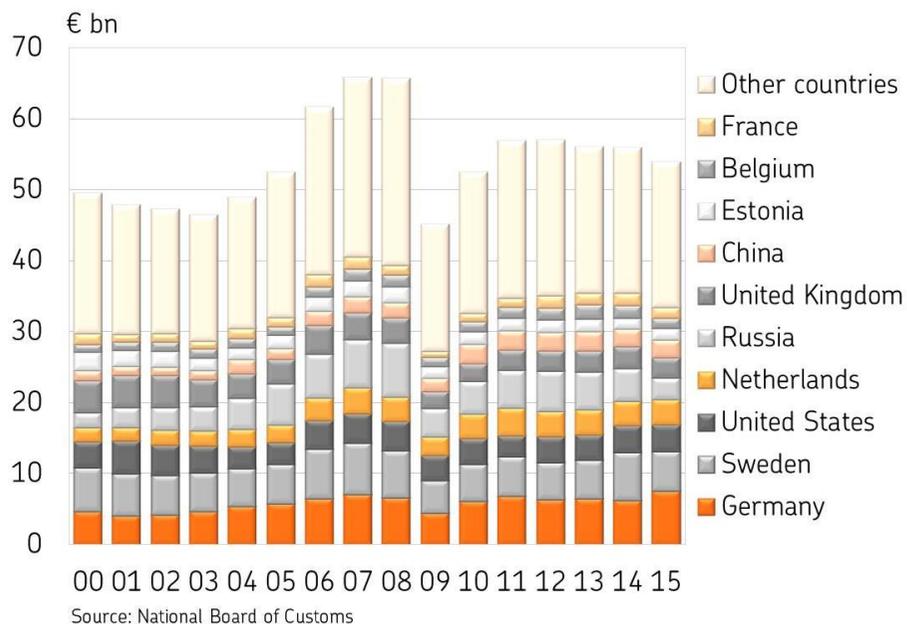


Finland is an exports-driven economy around 40% of GDP derives from exports

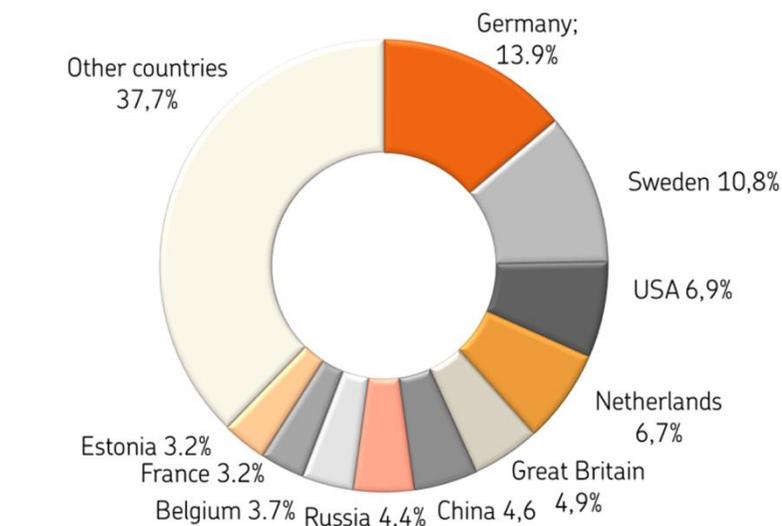
Goods exports over 70% of total exports whereas service exports roughly 30%

# Diversified goods exports structure by country

Finland's largest exports countries 2000-15



Goods exports by country January 2016

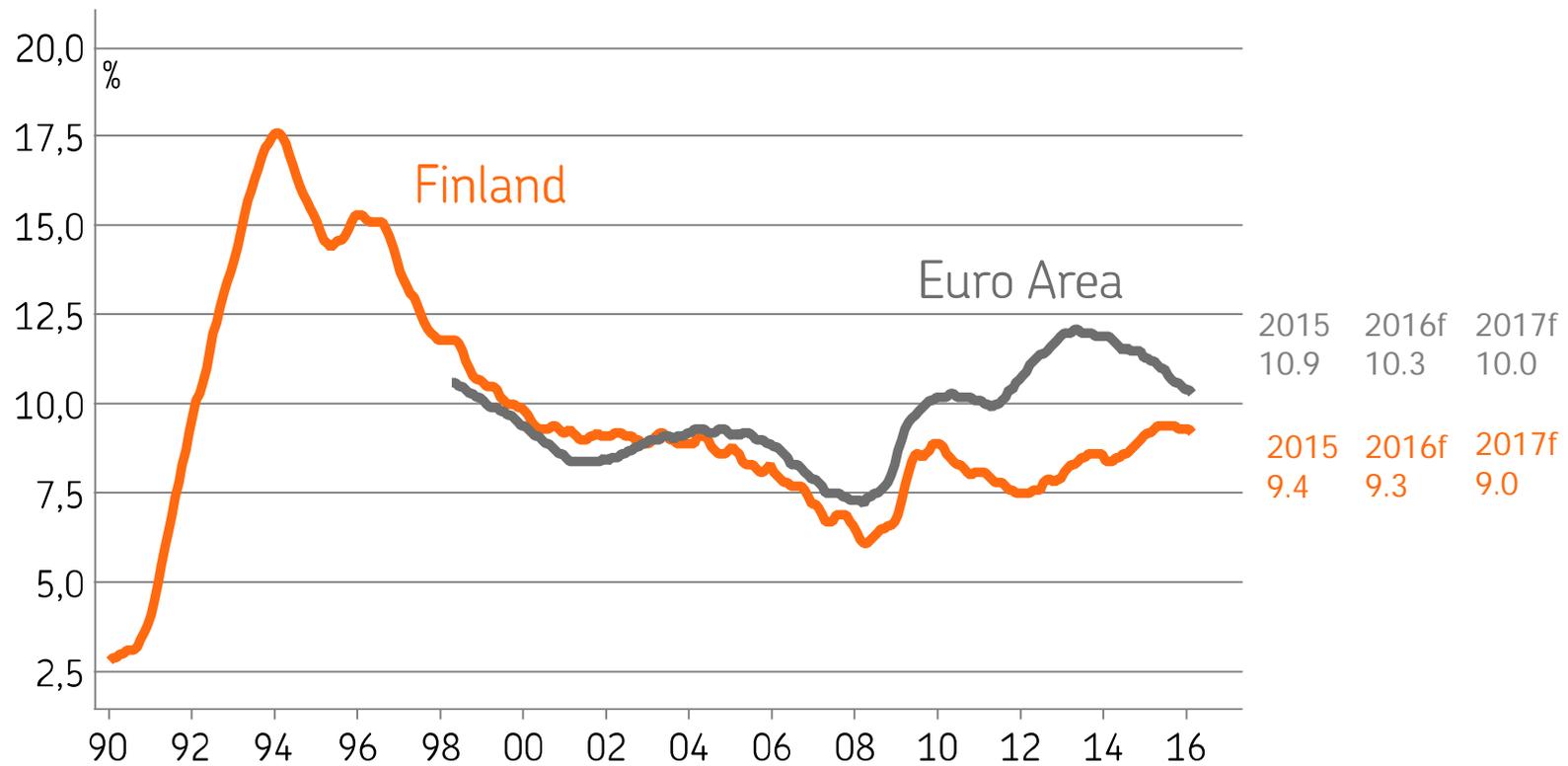


Source: National Board of Customs

Goods exports to EU member countries' 61.5% and to Euro Area 39.1% January 2016

# Unemployment rate to fall slightly

Unemployment rate in Finland and Euro area

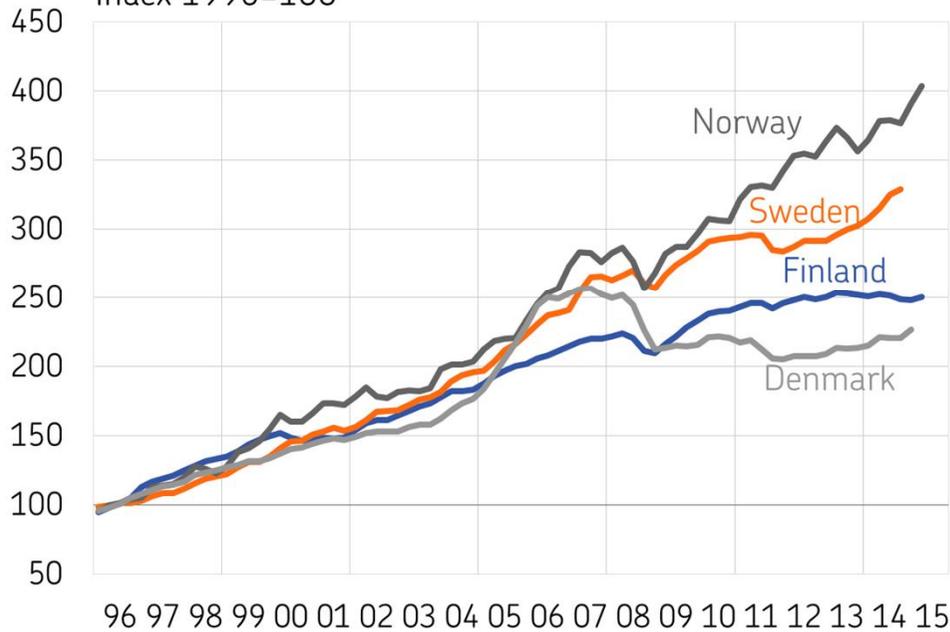


Source: Macrobond, OP

# Average house prices and households' debt

Average house prices

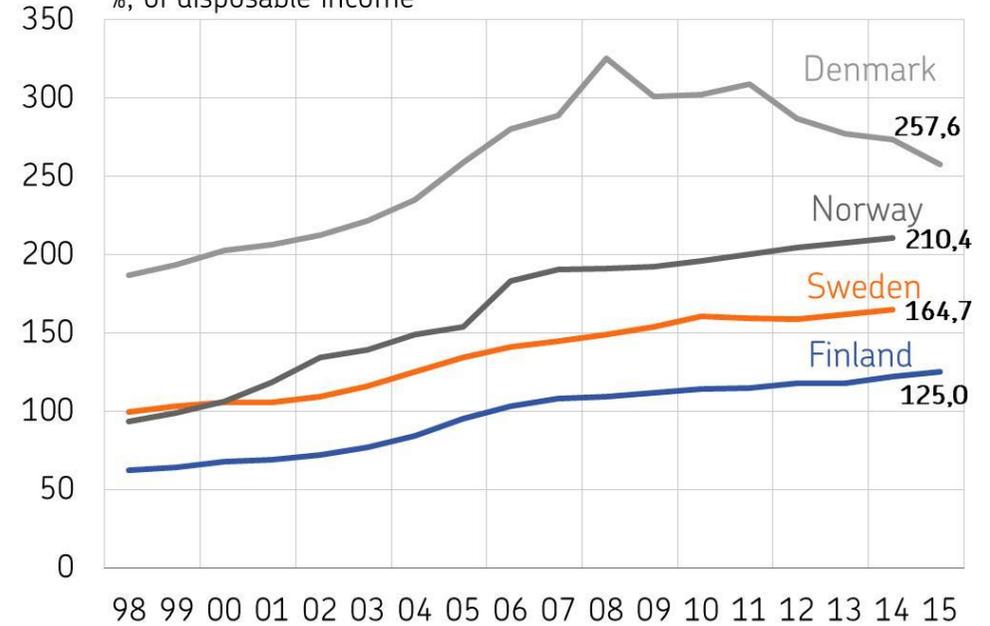
Index 1996=100



Sources: Macrobond, Statistics Sweden

Households' debt ratio

%, of disposable income



Sources: Central Banks, Statistics Finland

Latest values: Finland and Norway Q2/2015, Denmark Q1/2015 and Sweden Q4/2014

Latest values: Finland and Denmark 2015, Norway and Sweden 2014

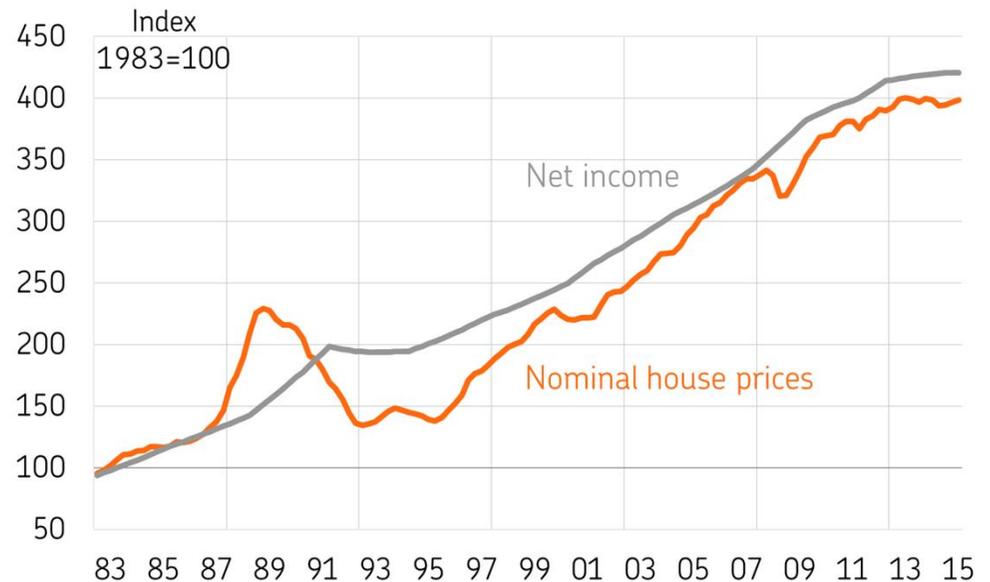
# Finnish housing market is stable

## Characteristics of Finnish housing market

- Ownership ratio of households around 69%
- Average size of homes 80.0 m<sup>2</sup>
- Typical maturity of new loans 18.6 years
- Variable interest rates: around 94% of loans to households
- Fully-amortizing market
- Interest relief in taxation (max. €3,600 / household)
- Capital gains tax-exempt after 2 years

## Gentle rise in nominal house prices in relation to average net income

Changes in house prices and net income



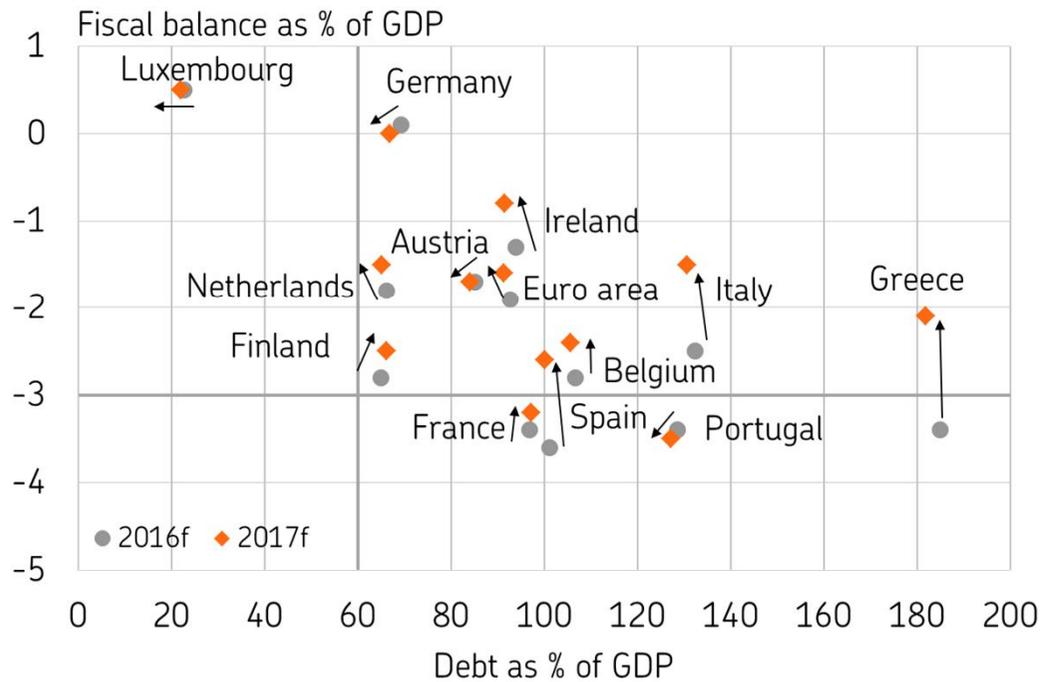
Source: Statistics Finland

As of 21 April 2016

Sources: Statistics Finland, Bank of Finland and Finnish Tax Administration

# Finland is wealthy and balanced economy in European comparison

Fiscal Balance, Forecasts for 2016 and 2017



Sources: Statistics Finland, European Commission, February 2016

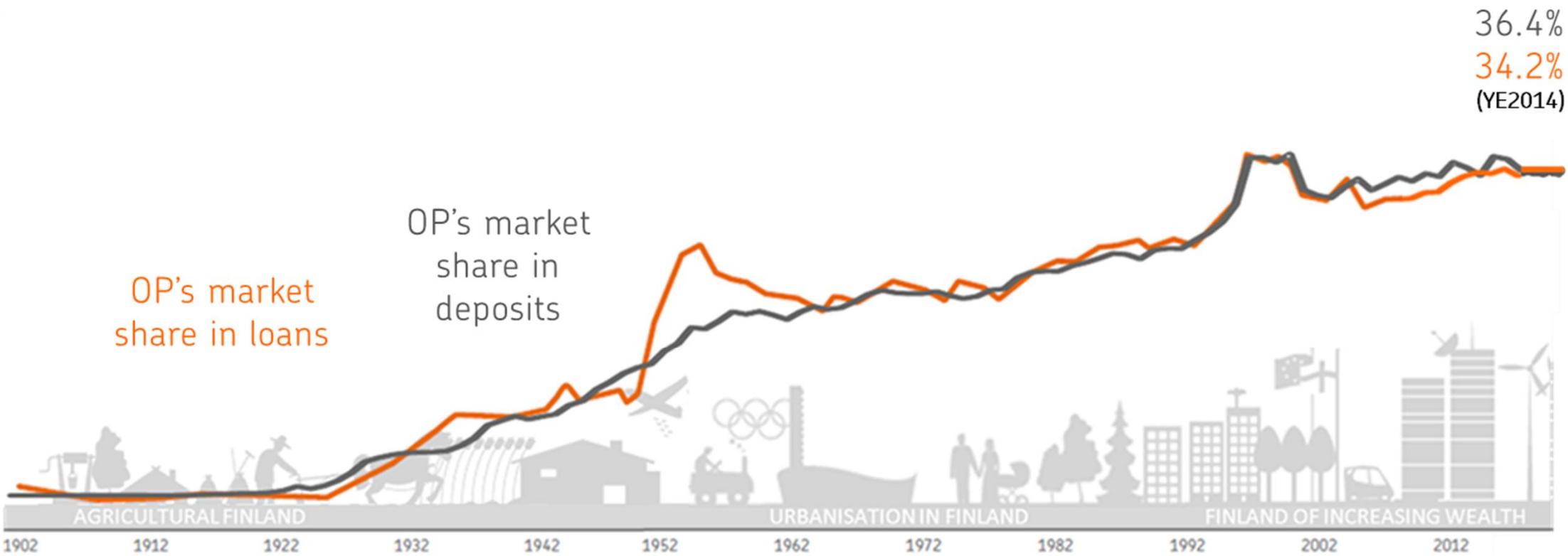
Long-term sovereign credit ratings for Euro area  
24 April 2016

	Moody's	S&P	Fitch
Germany	Aaa	AAA	AAA
Luxembourg	Aaa	AAA	AAA
Netherlands	Aaa	AAA	AAA
<b>Finland</b>	<b>Aaa*</b>	<b>AA+*</b>	<b>AA+</b>
Austria	Aaa*	AA+	AA+
France	Aa2	AA*	AA
Belgium	Aa3	AA	AA*
Estonia	A1	AA-	A+
Slovakia	A2	A+	A+
Malta	A3	BBB+**	A
Latvia	A3	A-	A-
Lithuania	A3	A-	A-
Ireland	Baa1**	A+	A
Slovenia	Baa3	A- **	BBB+**
Spain	Baa2	BBB+	BBB+
Italy	Baa2	BBB-	BBB+
Portugal	Ba1	BB+	BB+
Cyprus	B1	BB- **	B+ **
Greece	Caa3	B-	CCC

\* Negative outlook  
\*\* Positive outlook

Sources: Rating agencies' websites

Finland's negative outlook from S&P is related to lack of economic recovery and potential inadequate progress on competitiveness-enhancing measures.



# OP Financial Group



1.5 million owner-customers, of which 90% households

177 OP Financial Group member cooperative banks

## OP COOPERATIVE

Central institution of the Group in charge of overall supervision and steering

### 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 & well-being

### WEALTH MANAGEMENT

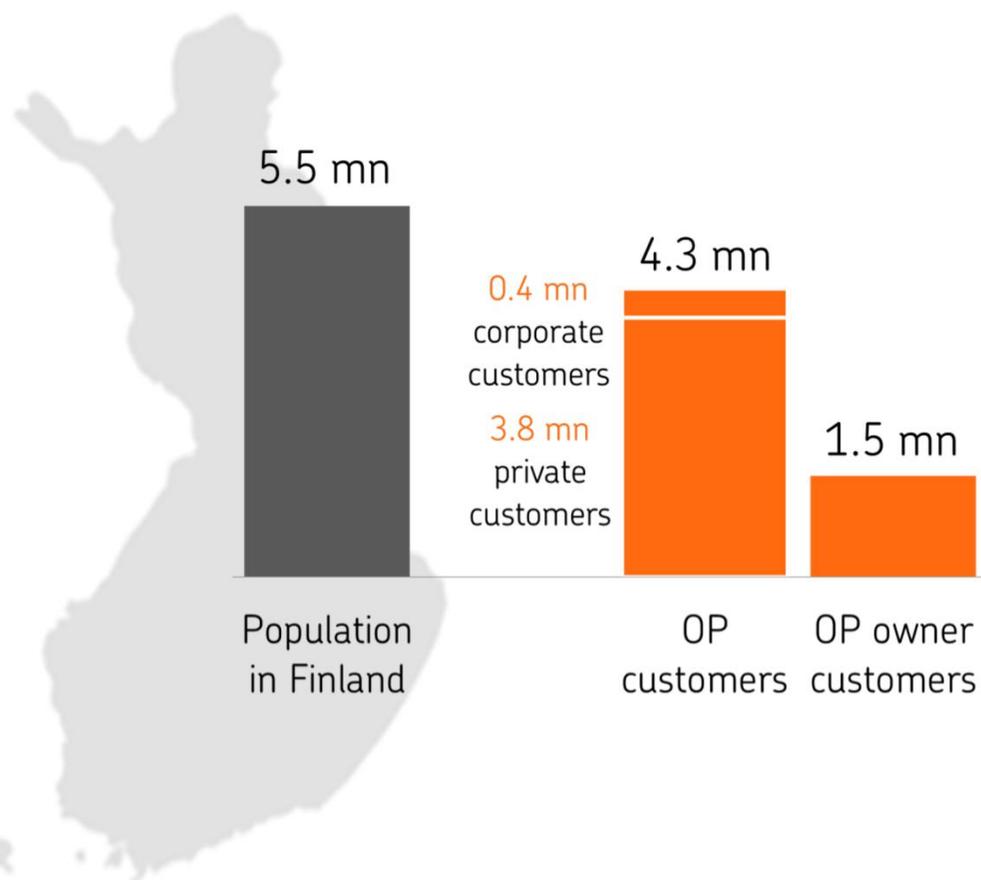
- Private banking
- Institutional asset management
- Life insurance
- Mutual fund management

- FINANCE & TREASURY (INCL. CENTRAL BANK)
- RISK MANAGEMENT
- GROUP STEERING
- ETC.

## 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 EMTN Base Prospectus.

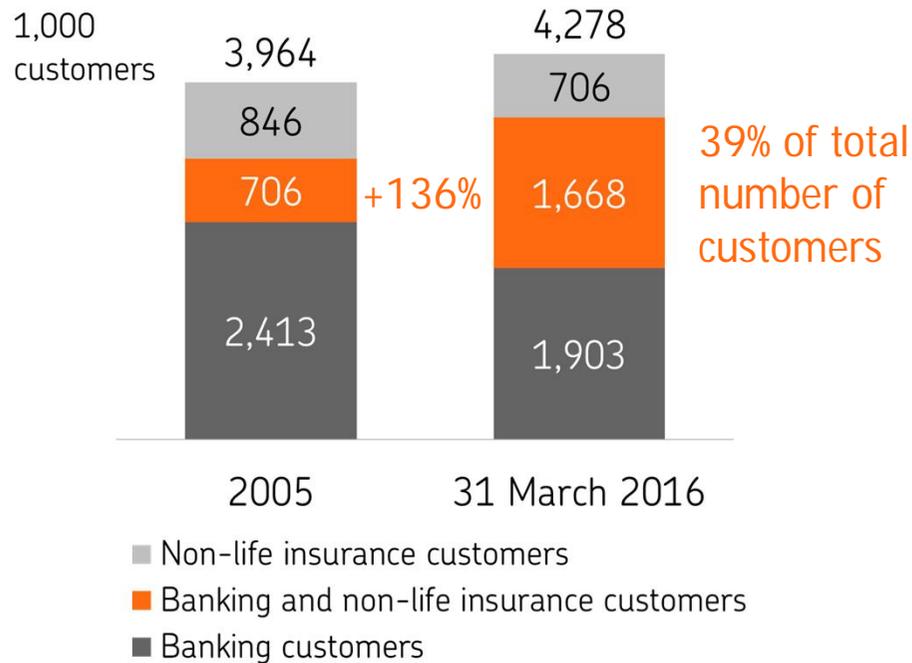
## Customer-owned OP widely present among Finnish households and corporates



- ✓ 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

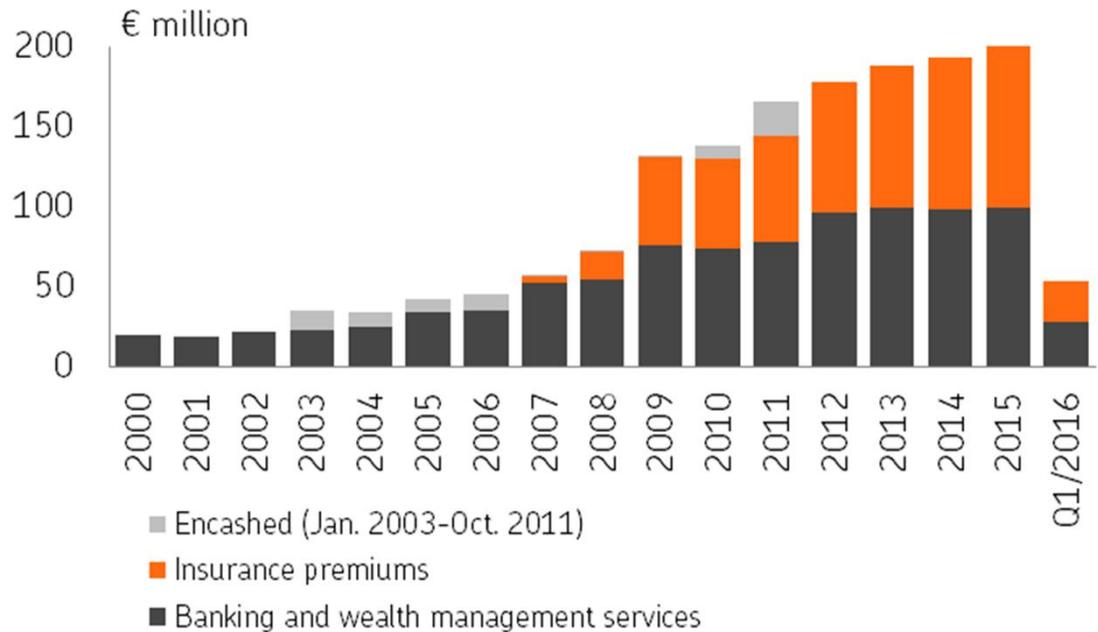
# Significant customer potential through successful bancassurance business model

12,000 new combined banking and non-life customerships in Q1/2016



Use of OP bonuses €53 mn in Q1/2016

2,023,000 insurance premiums paid using OP bonuses, of which 273,000 insurance premiums paid in full using OP bonuses only



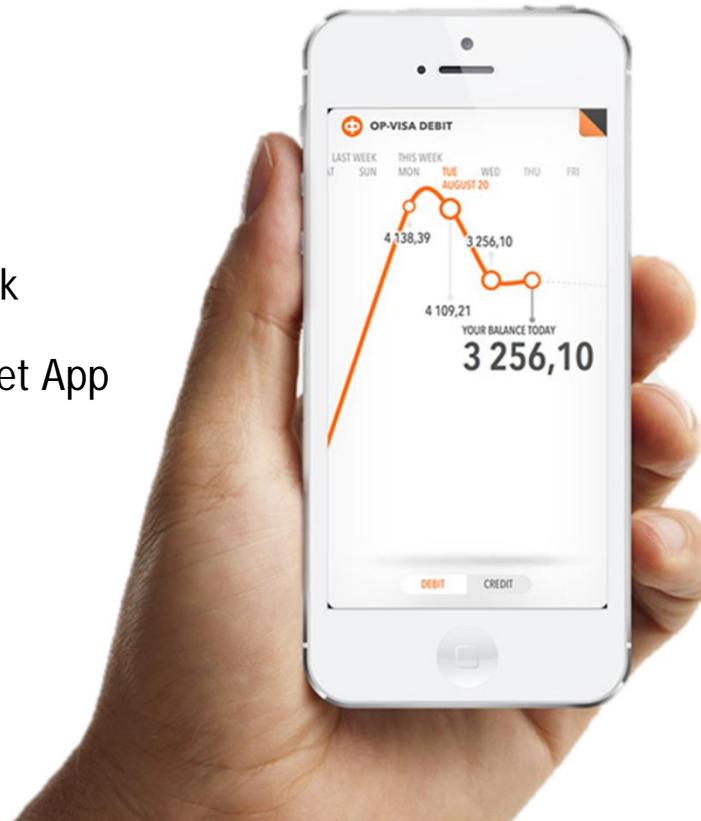
# Digitisation requires investments in technology, customer experience and service design

## Number of visits in digital channels in March 2016

**10 mn** OP Mobile App  
(#1 channel for daily transactions)

**10 mn** Op.fi internet bank

**1.5 mn** Pivo Mobile Wallet App



## New features in digital channels in 2015–16 eg.

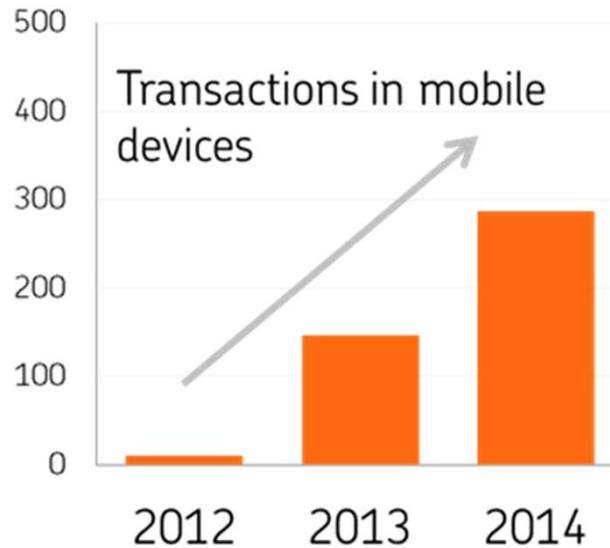
### OP Mobile App

- Fingerprint authentication
- Non-life insurance loss reports
- Loan details and extra repayments
- Trading in equities on Stockholm and Copenhagen stock exchanges in addition to Helsinki stock exchange
- Wealth management investment reporting

### Pivo Mobile Wallet App

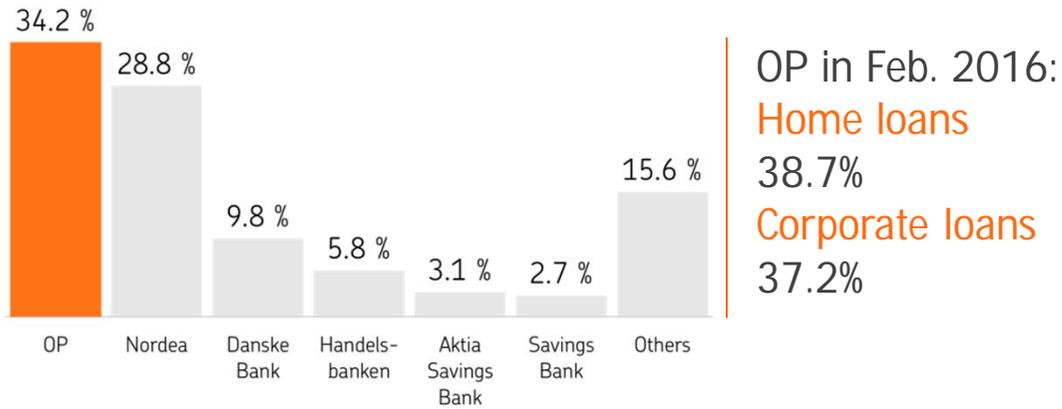
- Contactless payment

# Providing financial services through local presence and digital channels

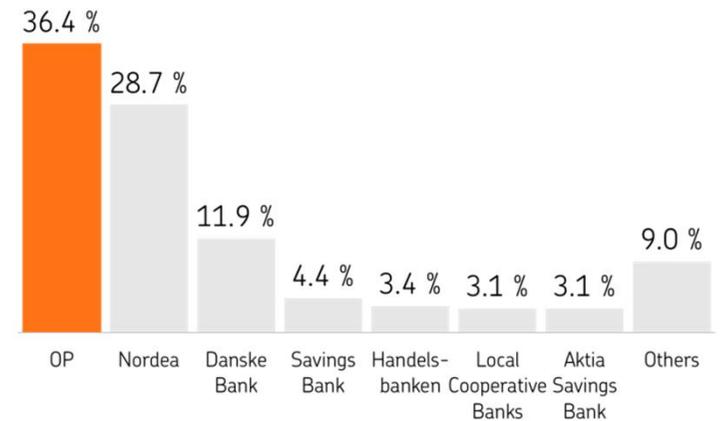


# OP – Leading financial group in Finland

## Loans 2014 (Finland: €206 bn)

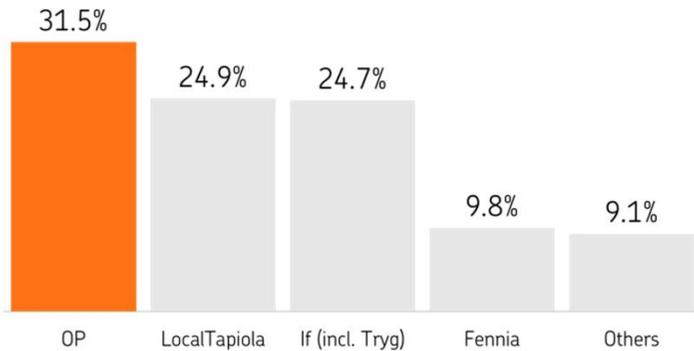


## Deposits 2014 (Finland: €133 bn)



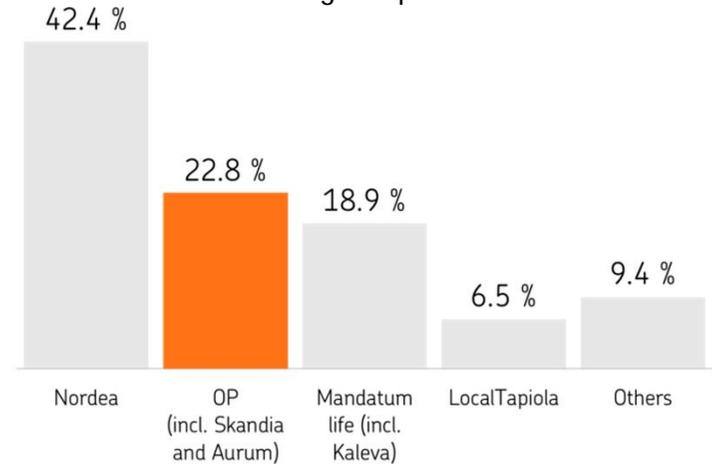
## Non-life Insurance 2014 (Finland: €4.4 bn)

Market share of premiums written under Finnish direct insurance

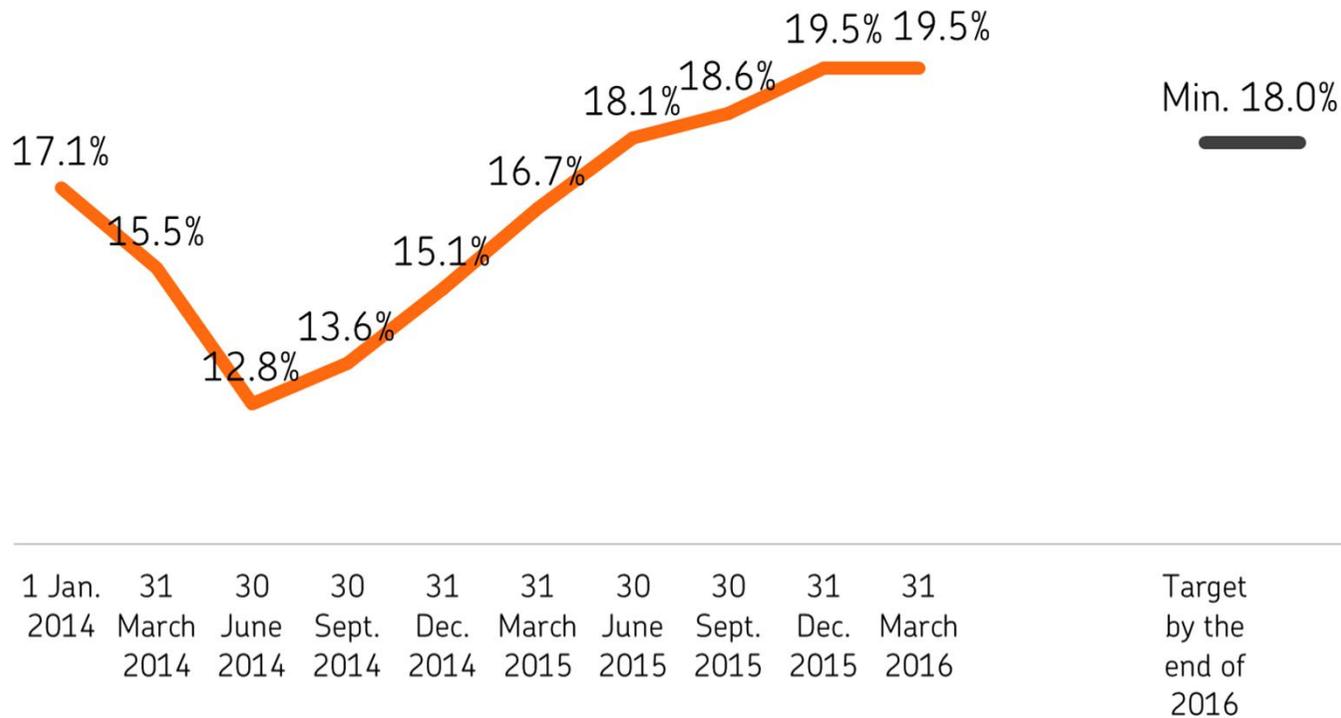


## Life Insurance 2014 (Finland: €6.0 bn)

Market share of gross premiums written



# Actions to maintain strong CET1 capital adequacy



## PROFIT SHARES

- Conversions of old cooperative capital of €0.6 bn issued by member cooperative banks
- Member cooperative banks' €1.3 bn profit share issuances in 2014–15 and additional issuances of €0.4 bn March 2015 onwards
  - Issued profit shares €2.5 bn as of 31 March 2016

## EARNINGS

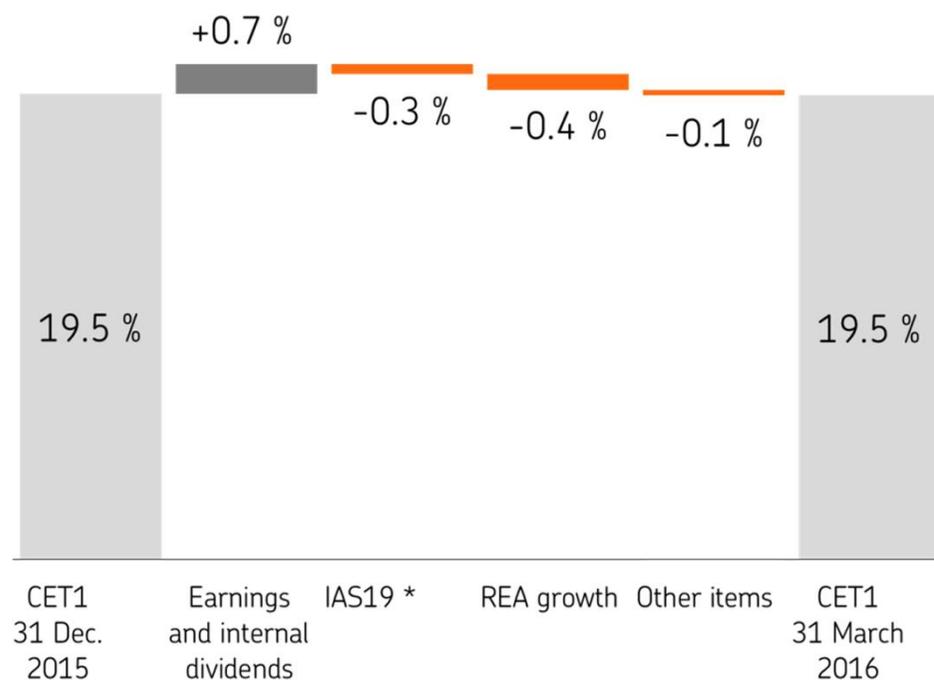
- Retained earnings 2014–16

## RISK EXPOSURE AMOUNT (REA)

- Active management of REA growth in 2014–16

# CET1 ratio 19.5% supported by EBT and dividends

## CHANGES IN CET1 RATIO IN Q1/2016



## LEVERAGE RATIO

7.4% as of 31 March 2016 (7.2)

- Minimum level in the draft regulations 3.0%

## AVERAGE RISK WEIGHTS

7.5% for Retail exposures as of 31 March 2016 (7.4)

- AIRB Approach
- Higher RWs on housing loans under preparations by Fin-FSA
- 64.8% for Corporate exposures as of 31 March 2016 (65.1)
- FIRB Approach

## REGULATORY CAPITAL BUFFERS

- Capital conservation buffer 2.5% of RWA (1 Jan. 2015)
- Discretionary capital requirement buffer as part of SREP incl. requirement for CET1 capital 9.75% and incl. 2.0% O-SII buffer (7 Jan. 2016) 11.75%, respectively

# EBT €284 mn in Q1/2016 (320)

Income down by 8% and expenses down by 6%

## BANKING

EBT, € mn	<b>151</b> (-21%) Q1/15: 192
Net interest income, € mn	<b>279</b> (+3%) Q1/15: 272
Net commissions and fees**, € mn	<b>202</b> (+10%) Q1/15: 184
Impairments of receivables, € mn	<b>10</b> Q1/15: 22
Loan portfolio, € bn	<b>75.8</b> (+6%) Q1/15: 71.3
Deposits, € bn	<b>53.6</b> (+10%) Q1/15: 48.6
Operating cost/income ratio, %	<b>56.9</b> Q1/15: 51.0

## NON-LIFE INSURANCE

EBT, € mn	<b>59</b> (-11%) Q1/15: 66
Insurance premium revenue, € mn	<b>347</b> (+3%) Q1/15: 336
Operating combined ratio, %	<b>88.6</b> Q1/15: 87.2
Operating expense ratio, %	<b>18.1</b> Q1/15: 17.9
Return on investments at fair value, %	<b>1.7</b> Q1/15: 2.6
Solvency II ratio*, %	<b>137</b> YE2015: 139

## WEALTH MANAGEMENT

EBT, € mn	<b>75</b> (-19%) Q1/15: 93
Net commissions and fees, € mn	<b>50</b> (-10%) Q1/15: 55
Assets under management, € bn	<b>67.2</b> (+0%) Q1/15: 67.0
Operating cost/income ratio, %	<b>46.5</b> Q1/15: 42.5
Return on investments at fair value within Life Insurance, %	<b>1.7</b> Q1/15: 2.4
Solvency II ratio* within Life Insurance, %	<b>132</b> YE2015: 149

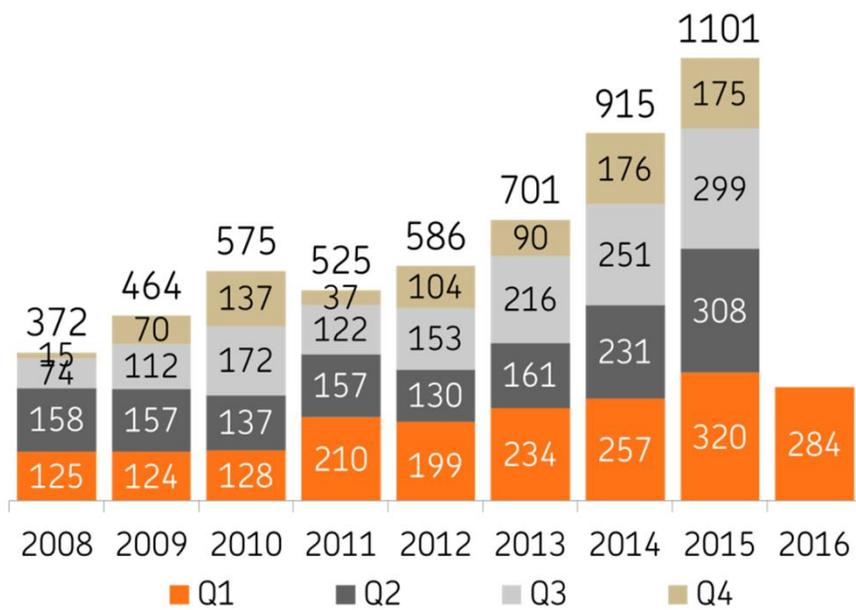
\* According to the Solvency II draft (EU 138/2009), excluding transitional provision

\*\* In Q1/2016, increase in net commissions and fees was affected by the change in the Group's internal operating model, as a result of which EUR 21 million were recognised in commissions and fees.

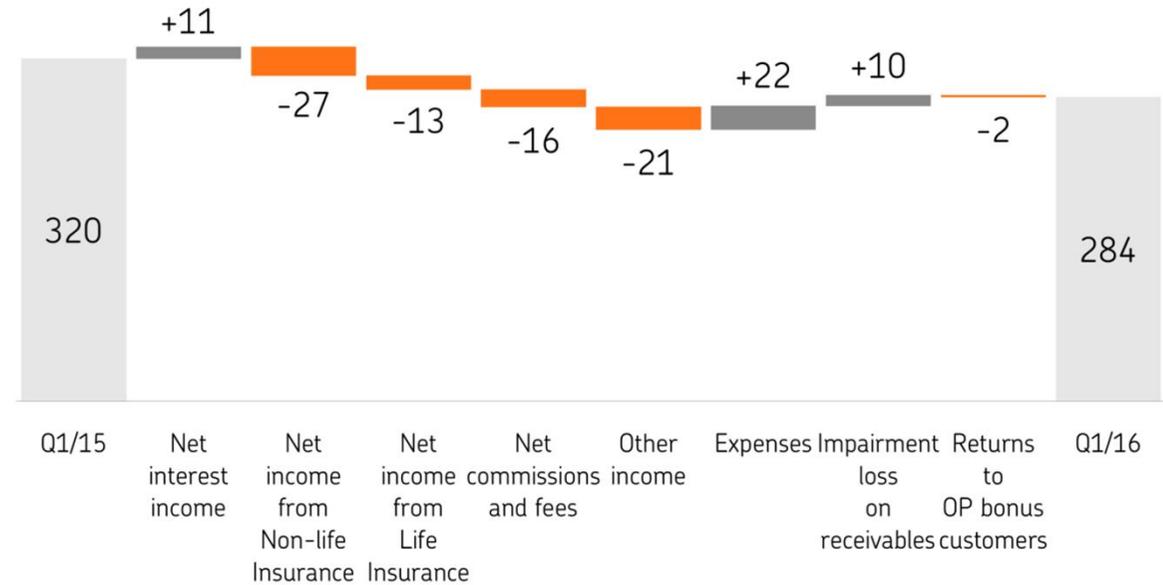
# 2016 EBT expected to be about the same as in 2015

EBT in Q1/2016 was the second best first-quarter figure ever recorded

EBT by quarter 2008–16, € mn



EBT, y-o-y change by P&L line item\*  
Q1/16 vs. Q1/15, € mn

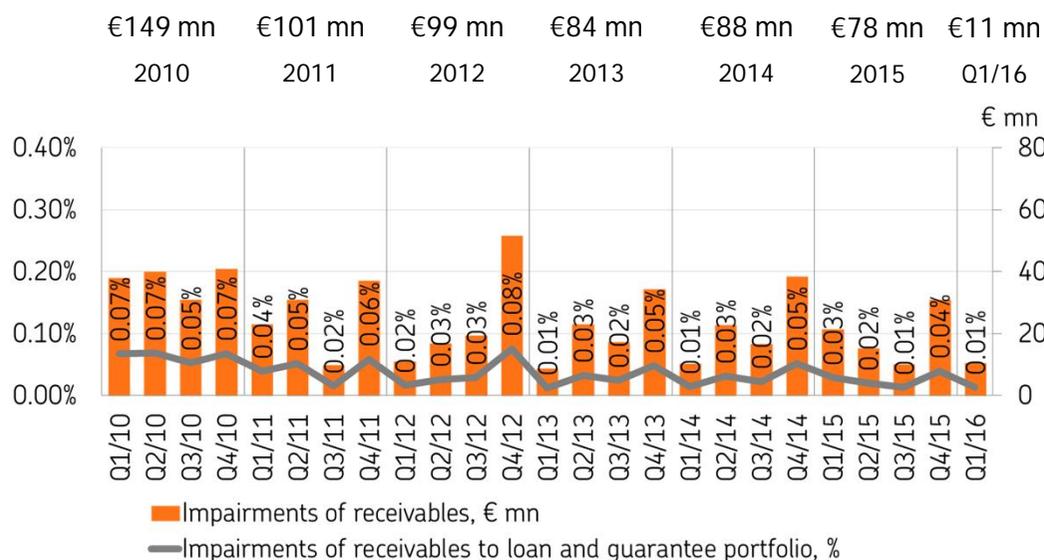


\* Other income includes net trading income, net investment income and other operating income

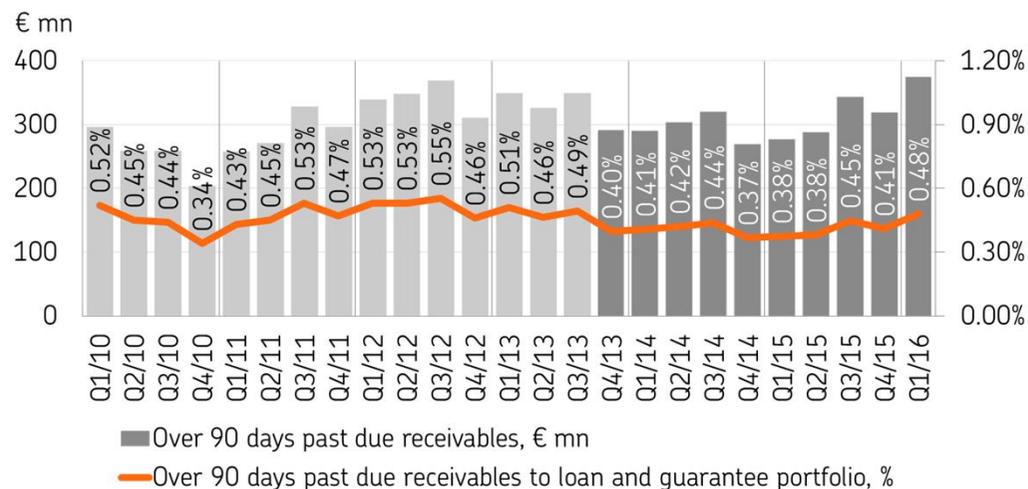
# Q1/16 impairment loss on receivables 0.05% to loan and guarantee portfolio (0.12)

Over 90 days past due receivables (€375 mn as of 31 March 2016) 0.48% to loan and guarantee portfolio (0.41)

## Impairment loss on receivables



## Over 90 days past due receivables\*



\*\* Until Q3/13 over 90 days past due receivables and zero interest receivables, since Q4/13 over 90 days past due receivables

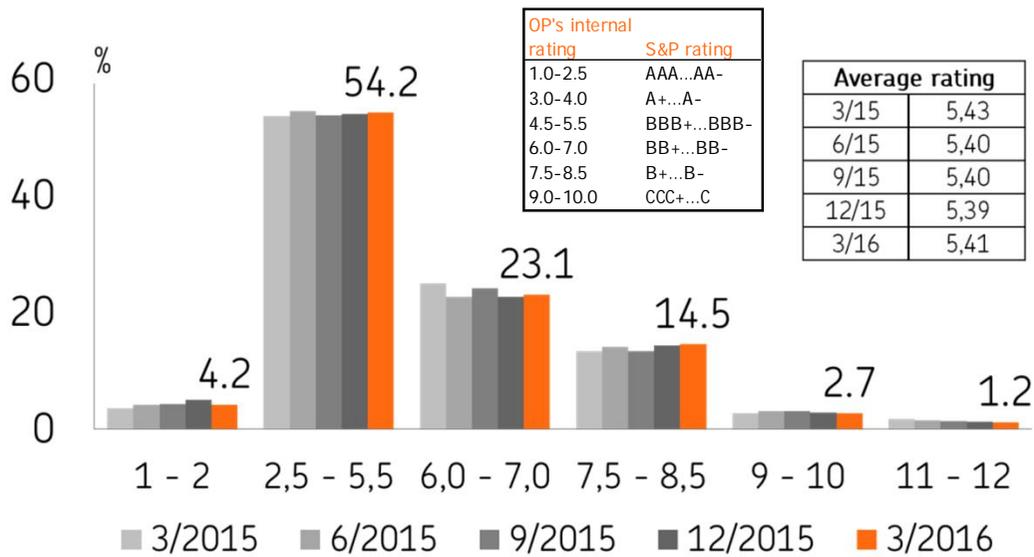
As of 31 March 2016, ratio of exposures individually assessed for impairment to doubtful receivables\*\*

**16.4% (17.3 at YE 2015)**

# Exposures by credit rating category

IG (1.0-5.5) 58% of the exposure from Non-financial corporations and housing associations sector

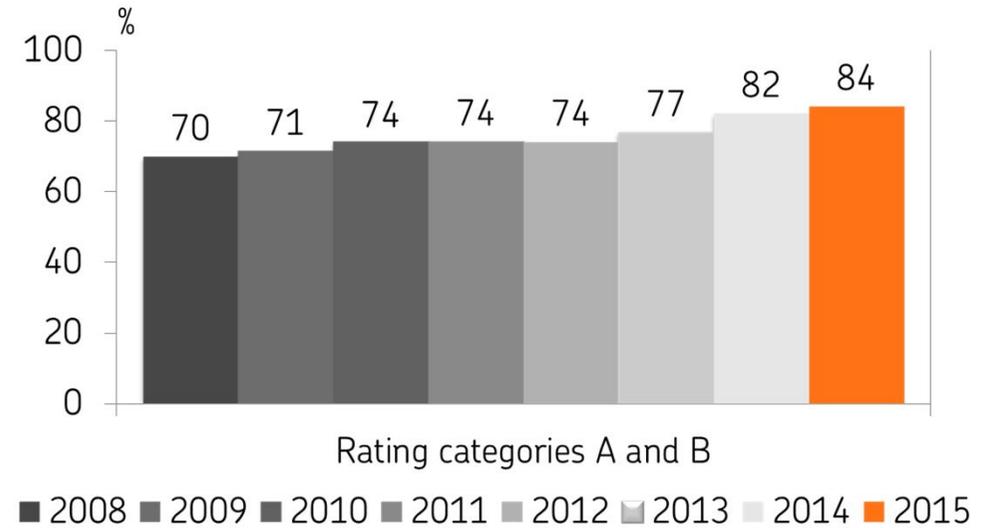
Exposures from the Non-financial Corporations and Housing Associations Sector by credit rating category (total €36.3 bn as of 31 March 2016)



Largest single counterparty-related customer risk to Group's own funds covering customer risk at YE2015

5.7% (6.6)

Private Customer exposures of credit rating categories A and B (total €47.4 bn at YE2015)

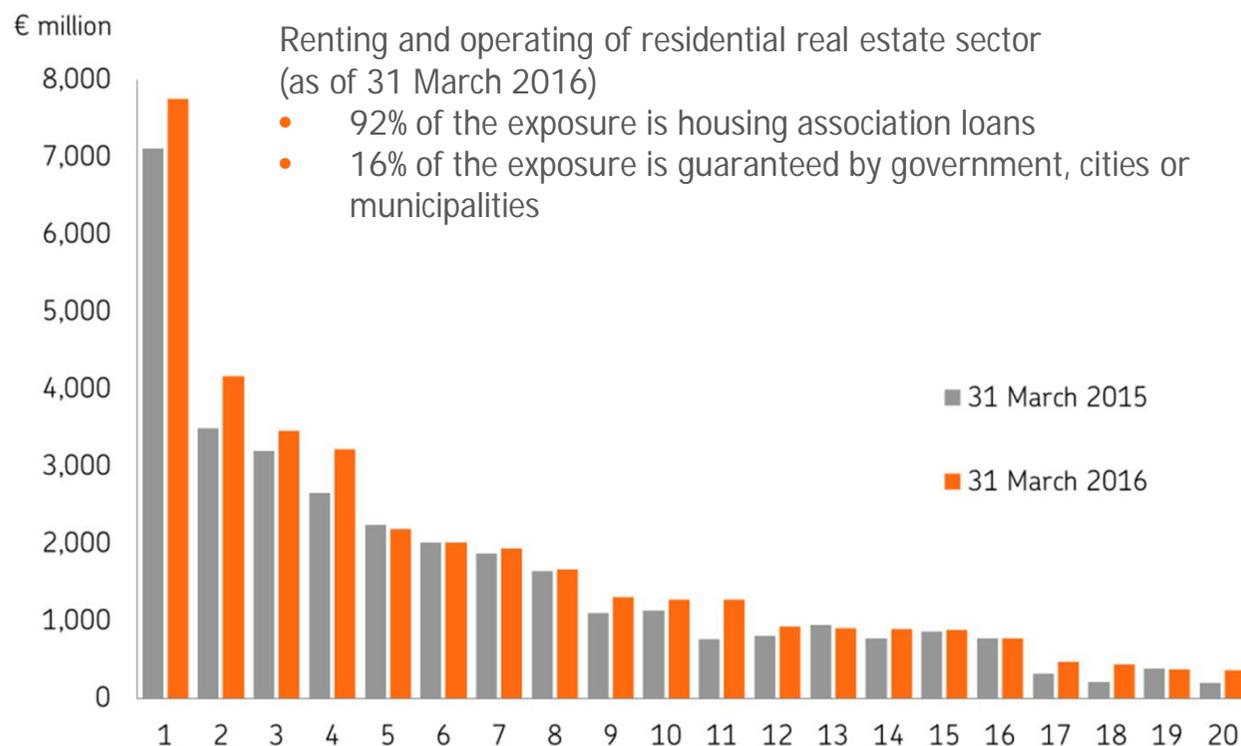


At YE2015, average PD of private customer exposures (Pillar III) with a credit rating of A and B a maximum of

0.1% (0.1)

# Corporate loan portfolio well diversified by industry

Exposures from the Non-financial corporations and housing associations sector €36.3 bn as of 31 March 2016



	31 March 2015	31 March 2016
1 Renting and operating of residential real estate	21.8%	21.4%
2 Renting and operating of other real estate	10.7%	11.5%
3 Wholesale and retail trade	9.8%	9.5%
4 Energy	8.2%	8.9%
5 Services	6.9%	6.0%
6 Construction	6.2%	5.6%
7 Manufacture of machinery and equipment (incl. services)	5.8%	5.3%
8 Transportation and storage	5.0%	4.6%
9 Forest Industry	3.4%	3.6%
10 Agriculture, forestry and fishing	3.5%	3.5%
11 Financial and insurance services	2.3%	3.5%
12 Metal Industry	2.5%	2.6%
13 Food Industry	2.9%	2.5%
14 Chemical Industry	2.4%	2.5%
15 Information and communication	2.6%	2.4%
16 Real estate investments	2.4%	2.1%
17 Other manufacturing	1.0%	1.3%
18 Other industries	0.6%	1.2%
19 Water supply, sewerage and waste management	1.2%	1.0%
20 Mining and quarrying	0.6%	1.0%

# Funding based on strong credit ratings

Rating target: AA rating affirmed by at least 2 credit rating agencies  
(or 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>
Handelsbanken	Aa2	AA-*
Nordea	Aa3	AA-*
Swedbank	Aa3	AA-*
SEB	Aa3	A+
DNB	Aa2*	A+*
Danske Bank	A2	A
<b>OP Mortgage Bank***</b>	<b>Aaa</b>	<b>AAA</b>
<b>OP Insurance Ltd****</b>	<b>A3</b>	<b>A+*</b>
If****	A2**	A+
Finnish government	Aaa*	AA+*

\* Negative outlook

\*\* Positive outlook

\*\*\* Covered bond rating

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

Updated: 24 April 2016

## 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 with negative outlook on 2 December 2015
  - 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 February 2016
  - TPI (Timely Payment Indicator) Leeway 5 notches
- S&P affirmed AAA rating with stable outlook in June 2015
  - 3 unused notches of jurisdictional support
  - 2 unused notches of collateral based uplift

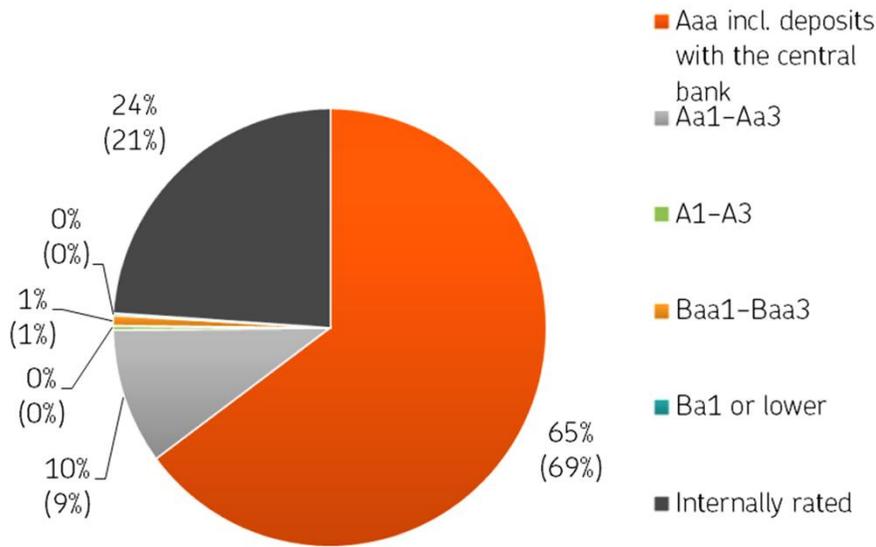
## OP INSURANCE LTD

- Moody's affirmed A3 rating with stable outlook on 15 May 2015
- S&P downgraded rating from AA- to A+ with negative outlook on 2 December 2015

# Liquidity buffer €22.8 billion

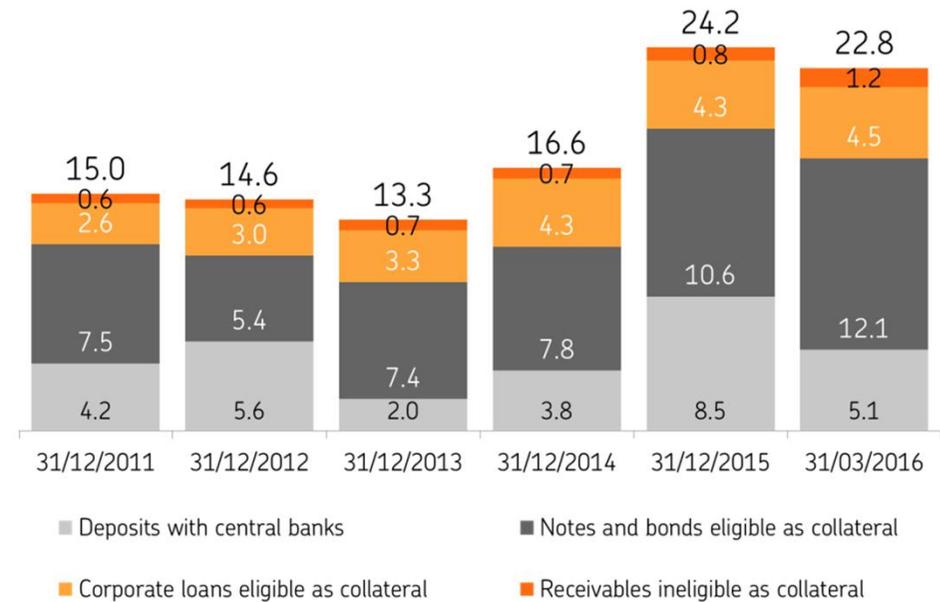
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using LCR. According to the transitional provisions, LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. OP Financial Group's LCR was 108% at end-March 2016.

Liquidity buffer by credit rating\* as of 31 March 2016 (31 Dec. 2015)



\*) Internally rated: corporate loans (83%) and the remainder externally non-rated notes and bonds issued by public-sector entities and companies, both eligible as ECB collateral.

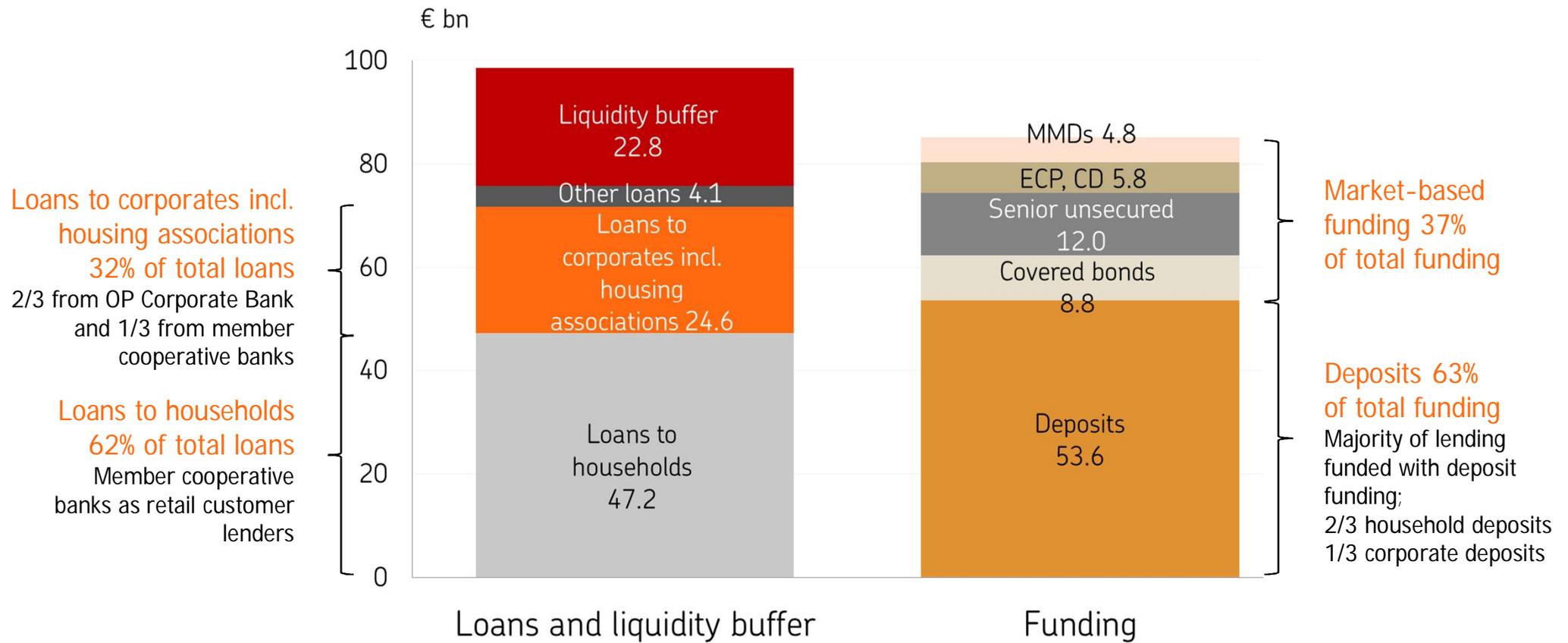
Liquidity buffer breakdown\*\*, € bn



\*\*\*) The liquidity buffer plus other items based on OP Financial Group's contingency funding plan can be used to cover maturing wholesale funding for at least 24 months.

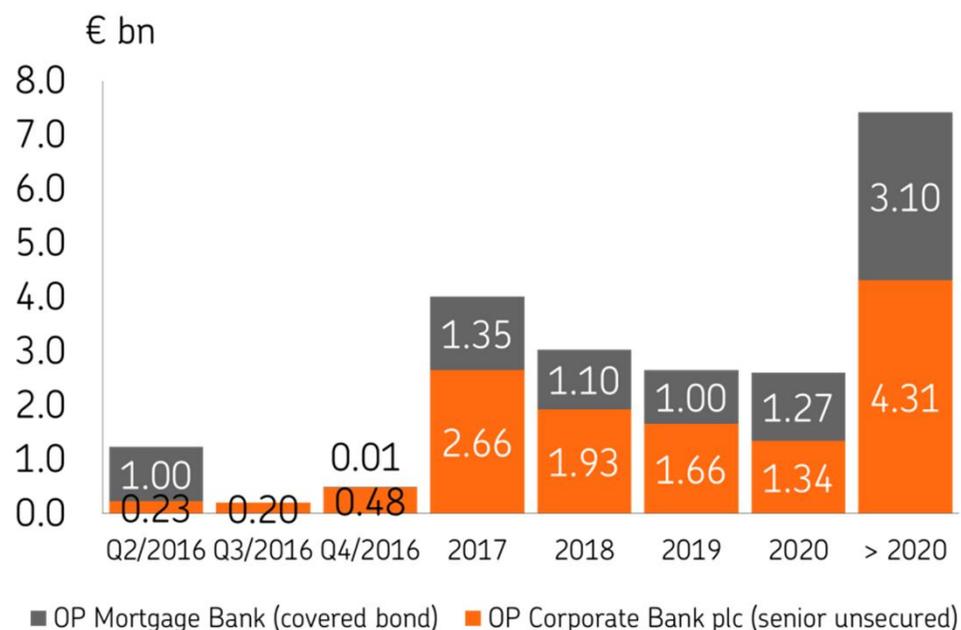
# Loans, liquidity buffer and funding

## 31 March 2016



# Issued senior unsecured and covered bonds

Issued senior unsecured and covered bonds by maturity, 31 March 2016

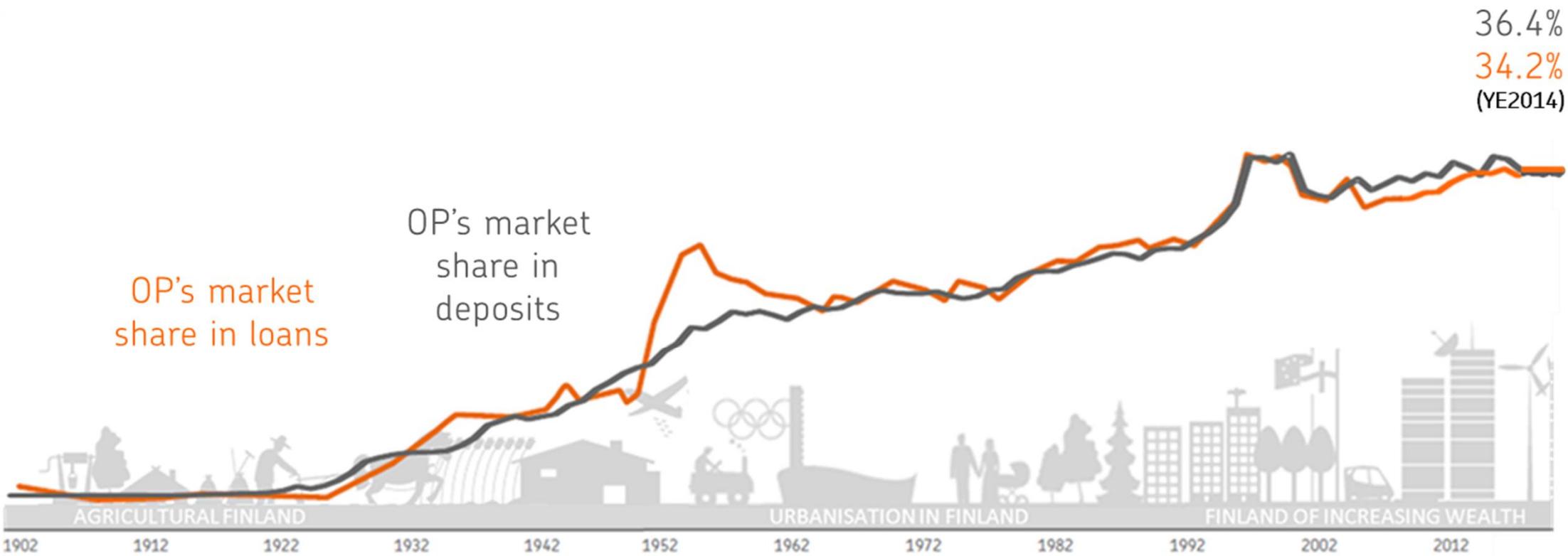


OP Corporate Bank plc's senior unsecured benchmark bonds 2014–16

Year	Month	Amount	Maturity	Interest rate
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
2014	June	CHF300 mn	7 yrs	CHFm/s + 30 bps
2014	June	Total ¥60 bn (€432 mn), 2 issues	3 yrs (fixed) & 5 yrs (fixed)	m/s + 28.6 bps & m/s + 48.4 bps
2014	June	€750 mn	5 yrs	m/s + 48 bps
2014	March	€750 mn	7 yrs	m/s + 67 bps
2014	March	€750 mn	3 yrs	Eb3 + 36 bps

OP Mortgage Bank's covered bonds 2014–16

Year	Month	Amount	Maturity	Interest rate
2015	November	€1.25 bn	5 yrs	m/s + 5 bps
2015	September	€1 bn	7 yrs	m/s - 1 bps
2014	November	€1 bn	10 yrs	m/s + 4 bps
2014	June	€1 bn	5 yrs	m/s + 5 bps
2014	March	€1 bn	7 yrs	m/s + 14 bps



# 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 the 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 2015)
  - Available Credit Enhancement: 22.29% (TCE\* commensurate with AAA rating 3.96%)
  - WAFF\*\* : 11.67%
  - WALS\*\*\* : 7.36%

## Moody's: Aaa (stable)

- TPI\*\*\* Leeway 5 notches
- Key scores (as of 31 Dec. 2015)
  - CR-A: Aa2(cr)
  - CB Anchor: CR-A + 1 notch = Aa1
  - TPI: Probable-High
  - Collateral score (post-haircut): 3.4% (cap 5.0%)

\* Target credit enhancement

\*\* Weighted-average foreclosure frequency

\*\*\* Weighted-average loss severity

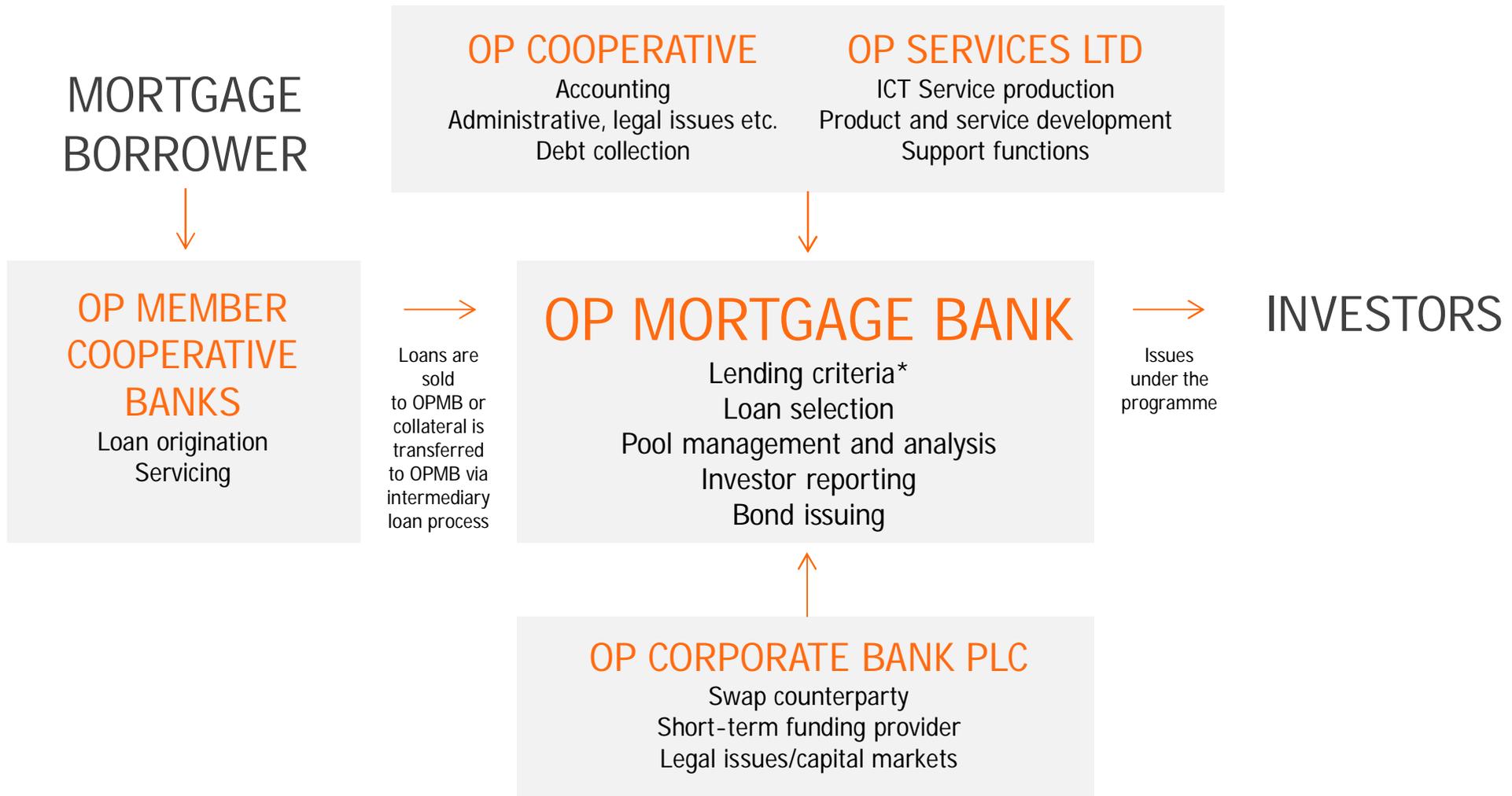
\*\*\* Timely payment indicator

\*\*\*\* Counterparty risk assessment

# 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

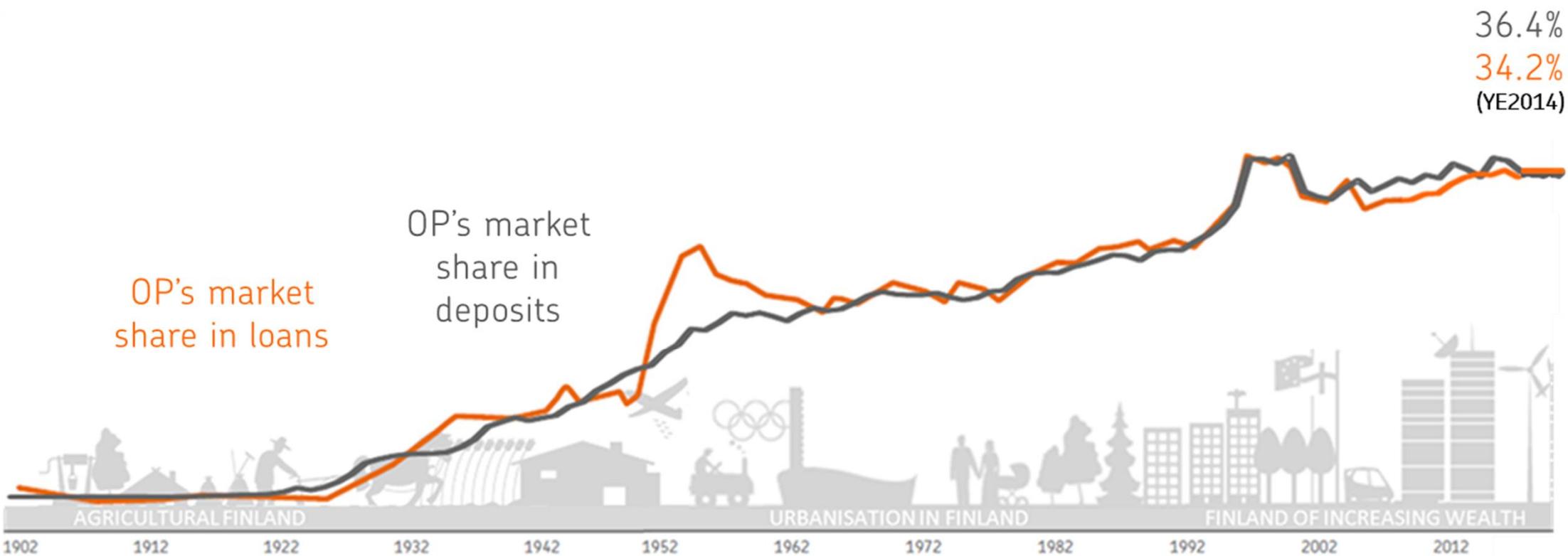
# Operating model and roles



\*) Basic lending criteria for the Group are set by OP Cooperative. OP Mortgage Bank can set additional limits.

# 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

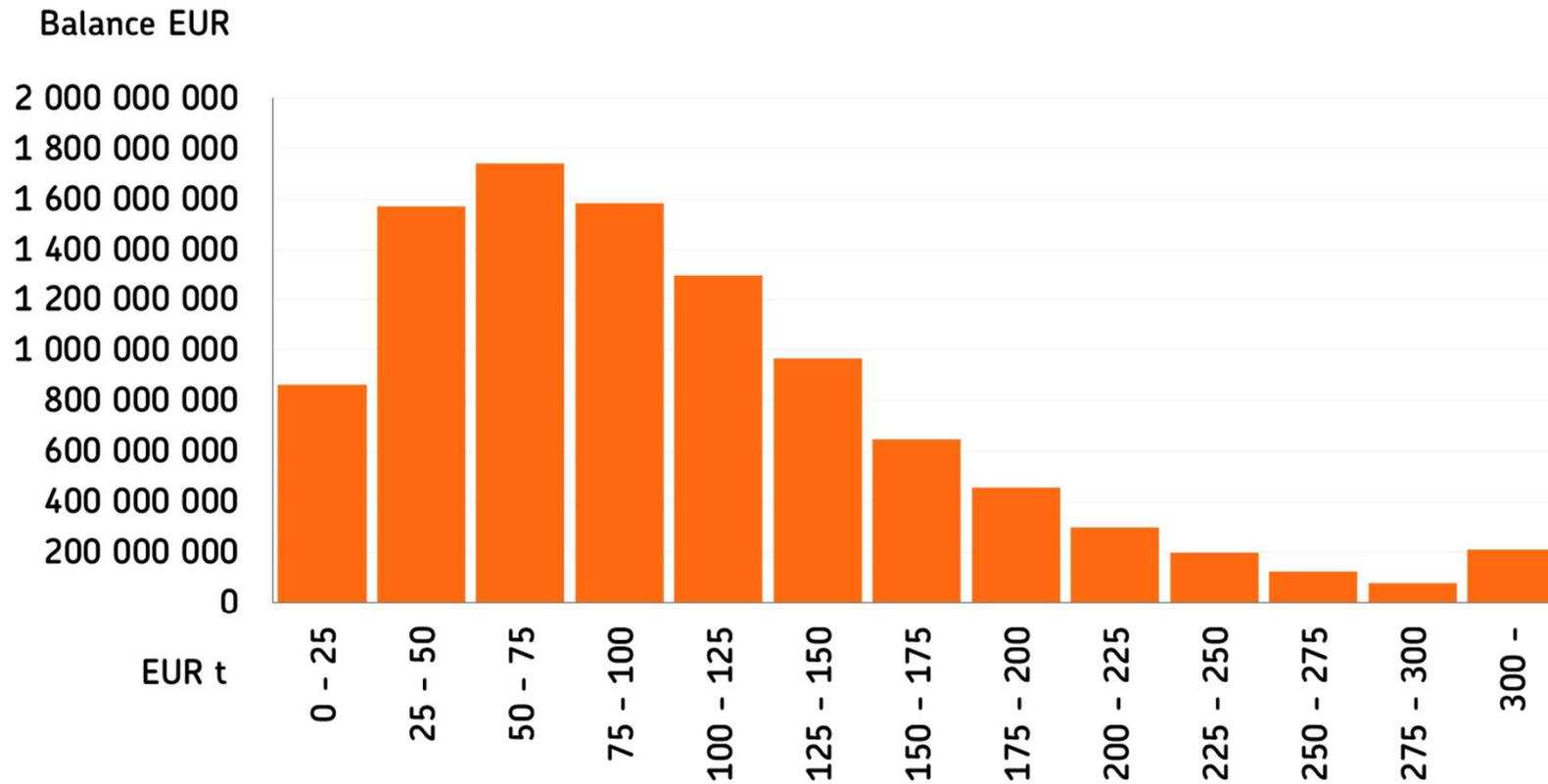
Covered bonds issued after 1 Aug. 2010,  
under the Finnish Act on Mortgage Credit Banks 680/2010

## Main Features of OP Mortgage Bank's Cover Asset Pool as of 31 March 2016

- Collateralized by Finnish mortgages
- Current balance EUR 10.01 billion
- Weighted Average indexed LTV of 49%
- Average loan size of approximately EUR 53,501
- No loans over 90 days in arrears ongoing
- Variable interest rates: over 95% of all loans
- Hedging agreements in place in order to mitigate interest rate risk
- Total amount of covered bonds issued EUR 8.845 billion

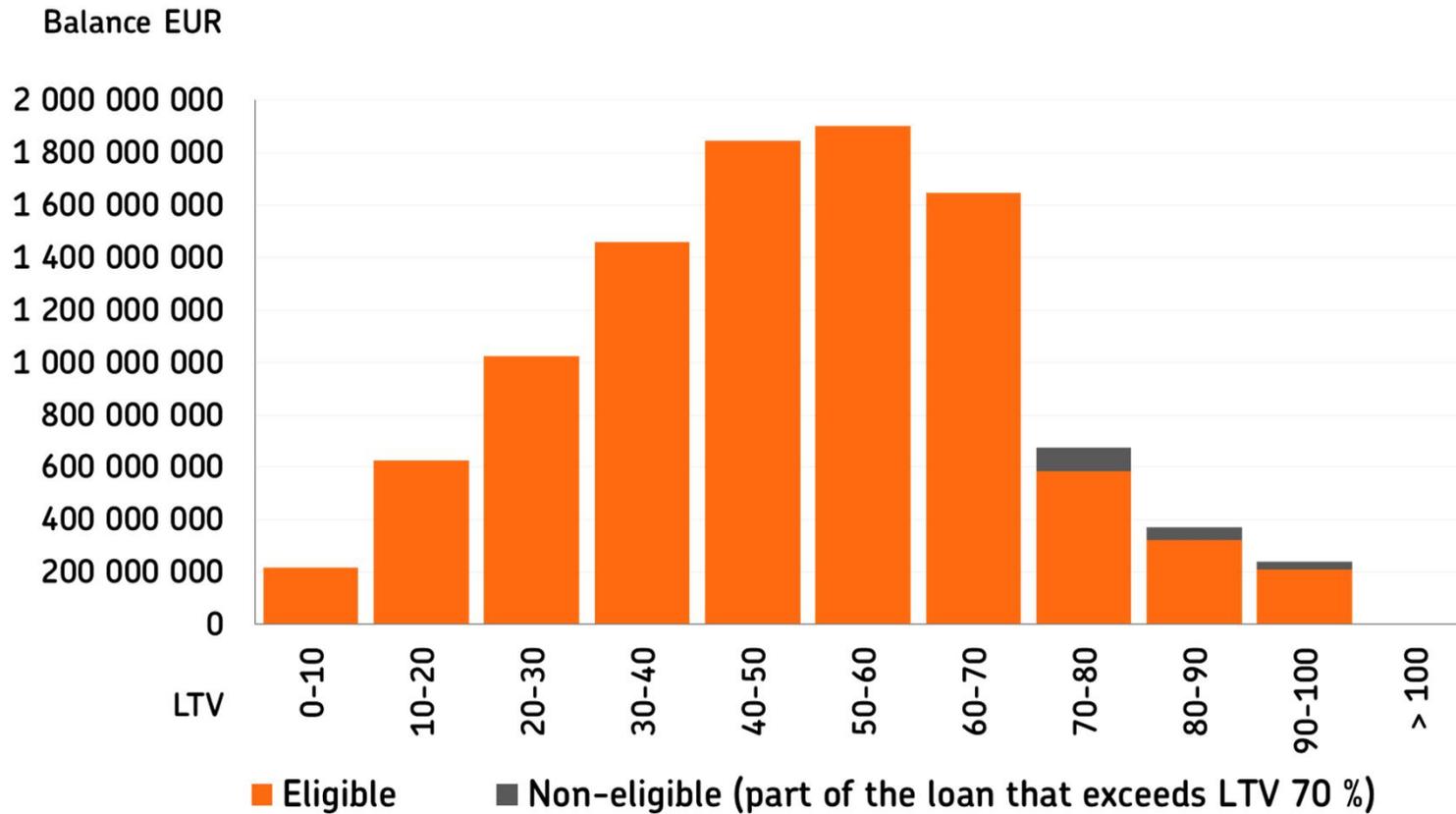
# OPMB Cover Asset Pool Characteristics

## Loans by size



# OPMB Cover Asset Pool Characteristics

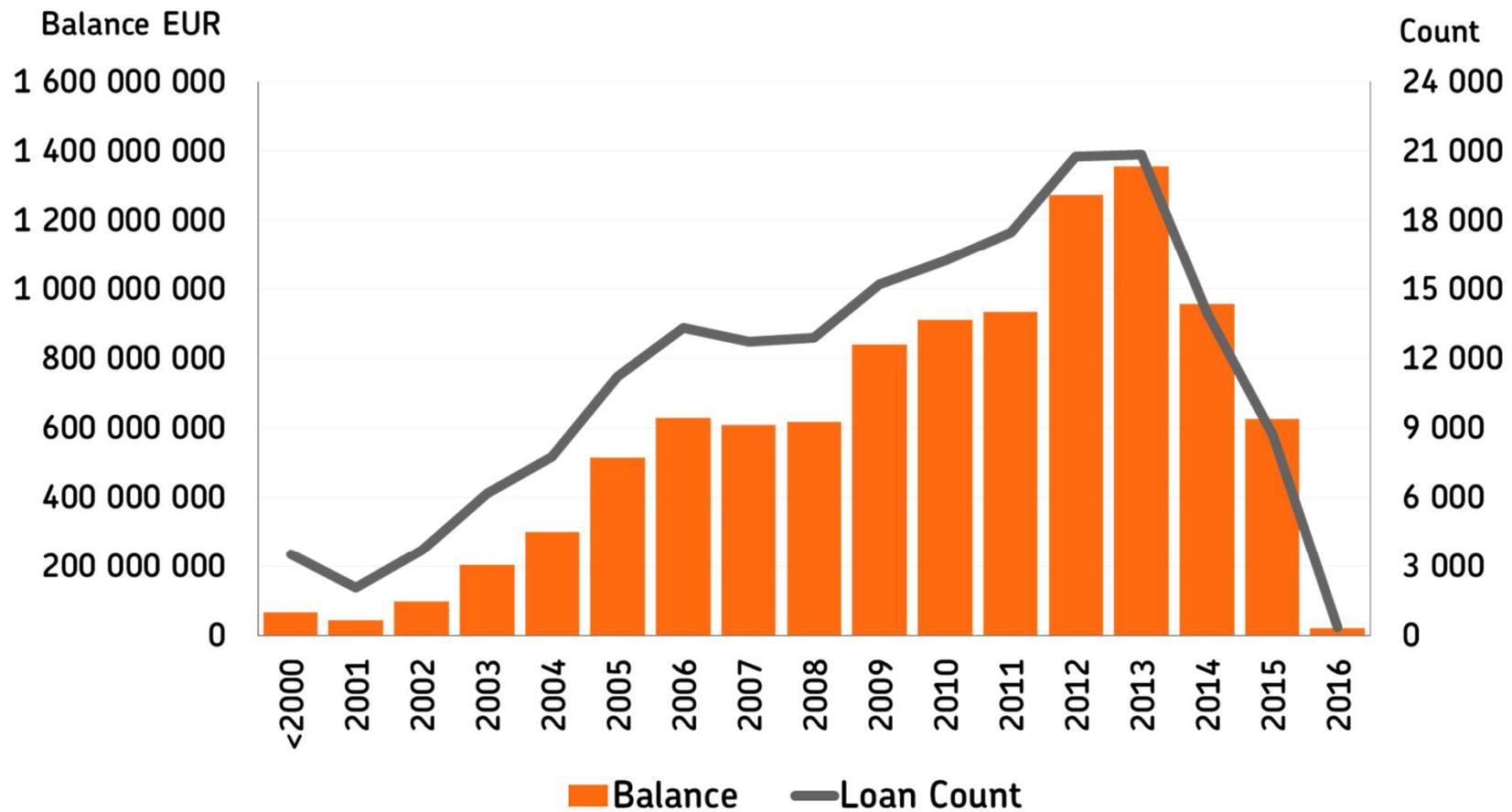
## Loans by LTV



- Total assets  
EUR 10.01 billion
- Eligible Cover Pool assets  
EUR 9.84 billion
- Weighted average indexed LTV of 49%
- Over-collateralisation  
13.1%

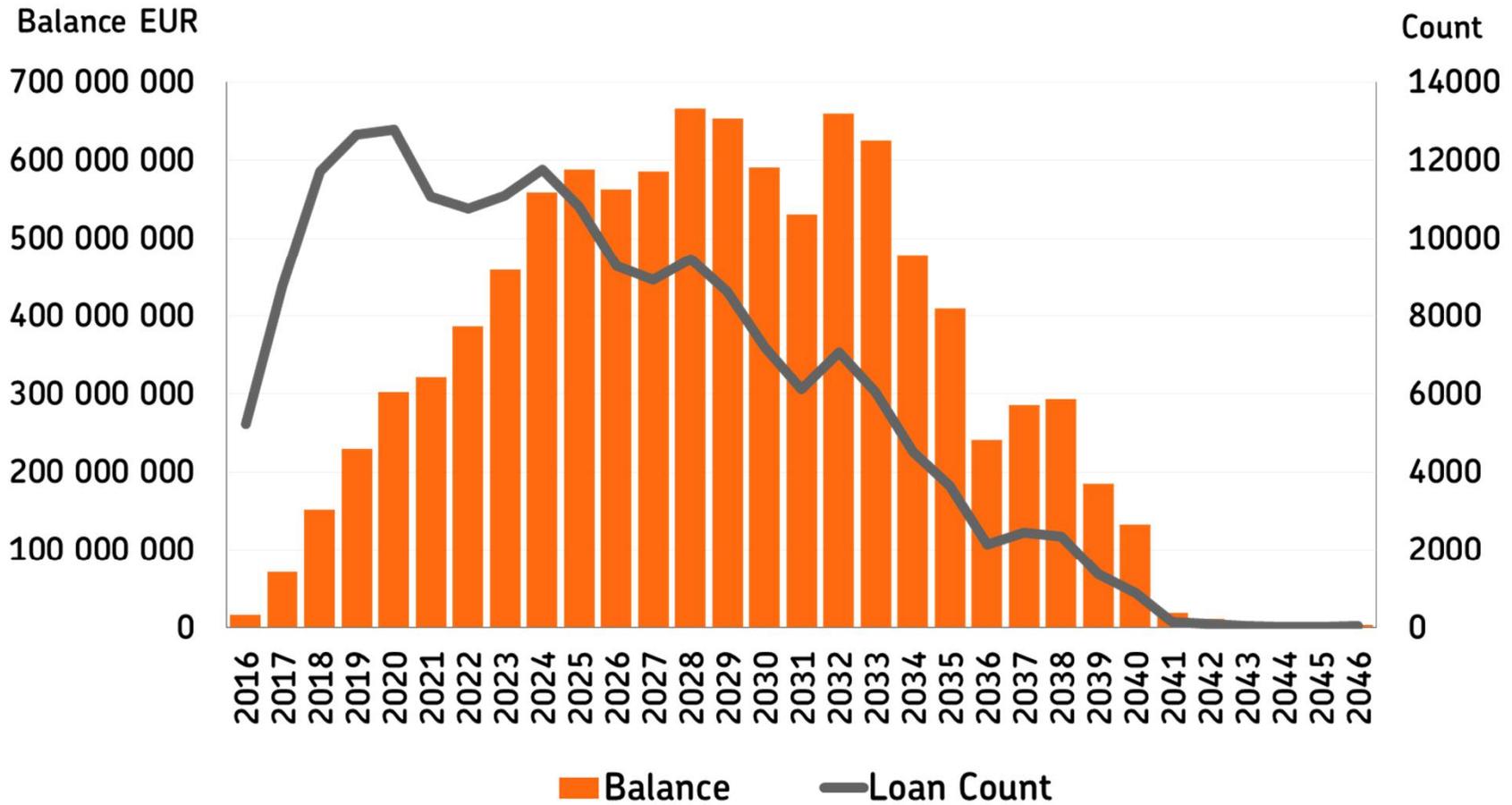
# OPMB Cover Asset Pool Characteristics

## Loans by origination year



# OPMB Cover Asset Pool Characteristics

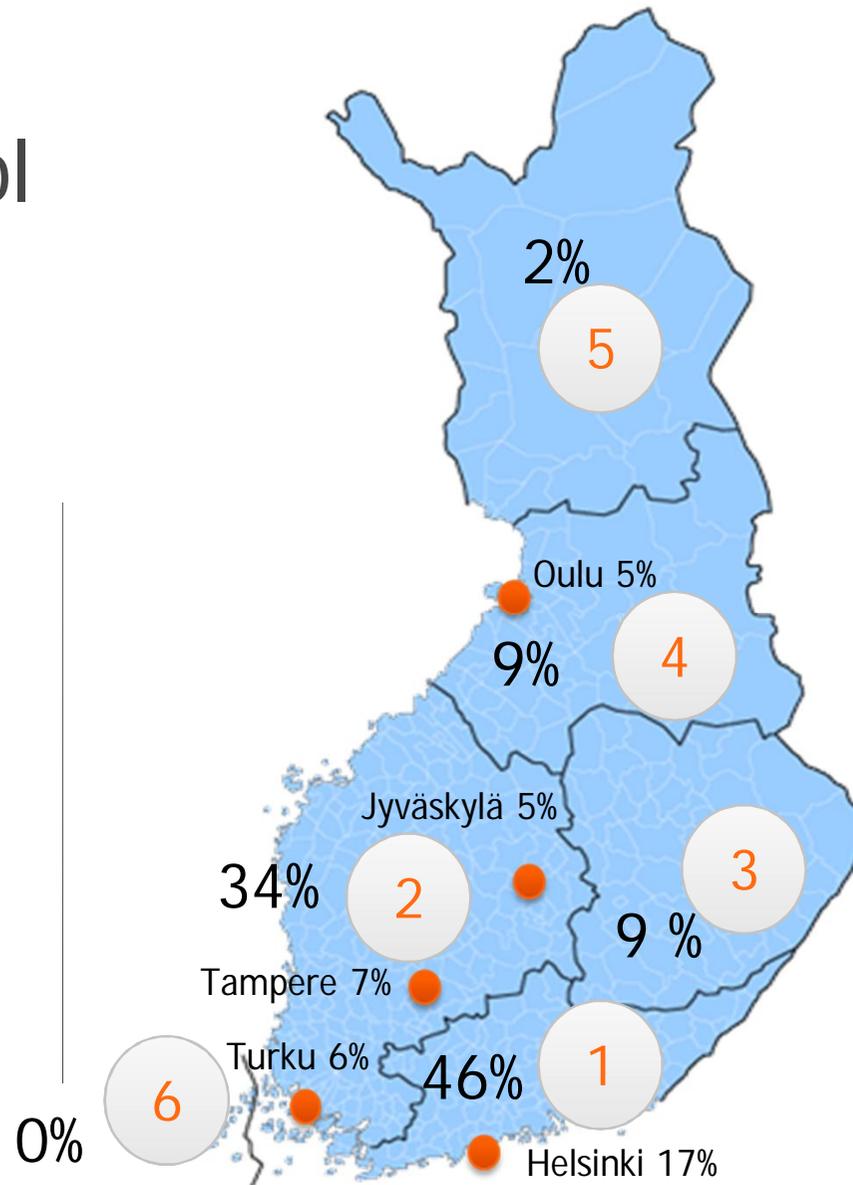
## Loans by maturity



# OPMB Cover Asset Pool Characteristics

## Geographical distribution

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



# OPMB Cover Asset Pool as of 31 March 2016

## Issuer and rating

Issuer:	OP Mortgage Bank	CRD-compliant
Owner:	OP Cooperative	Yes
	OP Mortgage Bank, Cover	
Pool ID:	Asset Pool	
Supervisory authority:	ECB, FFSA	
Reporting date:	31/03/2016	
Long Term Rating	S&P	Moody's
Covered bond issuer	AAA	Aaa
Owner	AA-	Aa3

## Outstanding covered bonds

### Outstanding benchmark covered bonds\*

ISIN	MEUR	Currency	Issue date	Maturity	Coupon	Fix/FRN
XS0611353086	1,000	EUR	01/04/2011	01/04/2016	3.25%	Fix
XS0646202407	1,000	EUR	11/07/2011	11/07/2018	3.50%	Fix
XS0785351213	1,250	EUR	23/05/2012	23/05/2017	1.63%	Fix
XS1045726699	1,000	EUR	17/03/2014	17/03/2021	1.50%	Fix
XS1076088001	1,000	EUR	11/06/2014	11/06/2019	0.75%	Fix
XS1144844583	1,000	EUR	28/11/2014	28/11/2024	1.00%	Fix
XS1285892870	1,000	EUR	04/09/2015	04/09/2022	0.63%	Fix
XS1324085569	1,250	EUR	23/11/2015	23/11/2020	0.25%	Fix

	MEUR	*) All benchmark covered bonds issued by OP Mortgage Bank fulfill the eligibility criteria for their classification as a Level 1 or Level 2 asset in accordance with Chapter 2 of the LCR delegated act.
Non-benchmark bonds	345	
Total of outstanding bonds	8,500	
of which repos	0	

Bond redemptions (MEUR)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026-	Sum
Total	1,010	1,350	1,100	1,000	1,270	1,000	1,000		1,115			8,845

# OPMB Cover Asset Pool as of 31 March 2016

## Cover Pool

Cover pool assets (MEUR)			Cover pool items			Type of loan collateral (MEUR)		
	Volume	%				Volume		%
Loans (up to LTV limit)	10,006	100%	Number of loans	187,033	Single-family housing	5,628		56%
Substitute assets			Number of clients	234,241	Flats	4,378		44%
Other	0	0	Number of properties	146,238	Multi-family housing	0		%
Eligible assets (*)	9,694	97%	Average loan size (EUR)	53,501	Commercial	0		%
Other eligible assets	0	0			Forest & agricultural	0		%
Total assets	10,006				Public sector	0		0%
					Sum	10,006		100%

\*) calculated according to section 16 in MCBA

Volumes in stratification tables are presented as:

LTV Distribution - whole loans. Other sections - Loans up to LTV limit / Total assets

Interest rate type on loans, MEUR			Repayments, MEUR		
	Volume	%		Volume	%
Floating	9,925	99%	Amortizing	9,993	100%
Fixed	82	1%	Interest only*	13	0%
Sum	10,006	100%	Sum	10,006	100%

\*) Contract-level information, not customer-level information

LTV distribution (indexed)									Eligible assets	>70% up to 100%	Total loans
	<=10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%				
Loan volume, MEUR	217	623	1,025	1,462	1,846	1,900	1,648	8,722	1,285	10,006	
Percentage	2%	6%	10%	15%	18%	19%	16%	87%	13%	100%	

# OPMB Cover Asset Pool as of 31 March 2016

## Cover Pool

<b>Loan maturity MEUR</b>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026-	Sum
Contractual amortizations	790	1,014	970	879	798	726	650	595	539	467	2,578	10,006
Percentage	7.90%	10.14%	9.70%	8.78%	7.98%	7.25%	6.50%	5.95%	5.38%	4.66%	25.77%	100%

<b>Seasoning</b>	0-12 M	12-24 M	24-36 M	36-60 M	> 60 M	Sum
Loan volume, MEUR	487	927	1,268	2,310	5,014	10,006
Percentage	5%	9%	13%	23%	50%	100%

<b>Credit quality</b>	31-60 d	60-90 d	>90 d	Sum
Past due				
Loan volume, MEUR	1	0	0	1
Percentage	0.01%	0.00%	0.00%	100.00%

### Impaired Loans

Impaired loans, %	%
-------------------	---

# OPMB Cover Asset Pool as of 31 March 2016

## Key ratios

<b>Key ratios</b>		Calculated according to:
OC, accounting	11.2%	Eligible assets, section 16 in Mortgage Credit Bank Act
OC, nominal	13.1%	Total assets, including loan balances up to 100% LTV limit
OC, NPV	35.7%	Eligible assets, section 16 in Mortgage Credit Bank Act
WALTV (indexed)	48.1%	Eligible assets, section 16 in Mortgage Credit Bank Act
WALTV total (indexed)	48.8%	Total assets, including loan balances up to 100% LTV limit
<b>Remaining average maturity (MCBA)</b>		Calculated according to:
	Years	Section 17 in Mortgage Credit Bank Act
Assets	6.5	Section 5.4.3 Finnish FSA regulation and guidelines 6/2012 Mortgage bank authorisation procedure and risk management
Liabilities	3.9	

<b>Currency risk</b>	Before hedges		Hedges		After hedges	
	Pool assets	Covered bonds	Pool assets	Covered bonds	Pool assets	Covered bonds
SEK						
EUR						
USD						
Other						
Sum	0	0	0	0	0	0

According to Section 13 of the MCBA, collateral entered in the register of covered bonds must be in the same currency as the covered bond.

This also applies to derivatives contracts concluded to hedge against risks relating to covered bonds and the assets placed as collateral for them.

# OPMB Cover Asset Pool as of 31 March 2016

## Key ratios

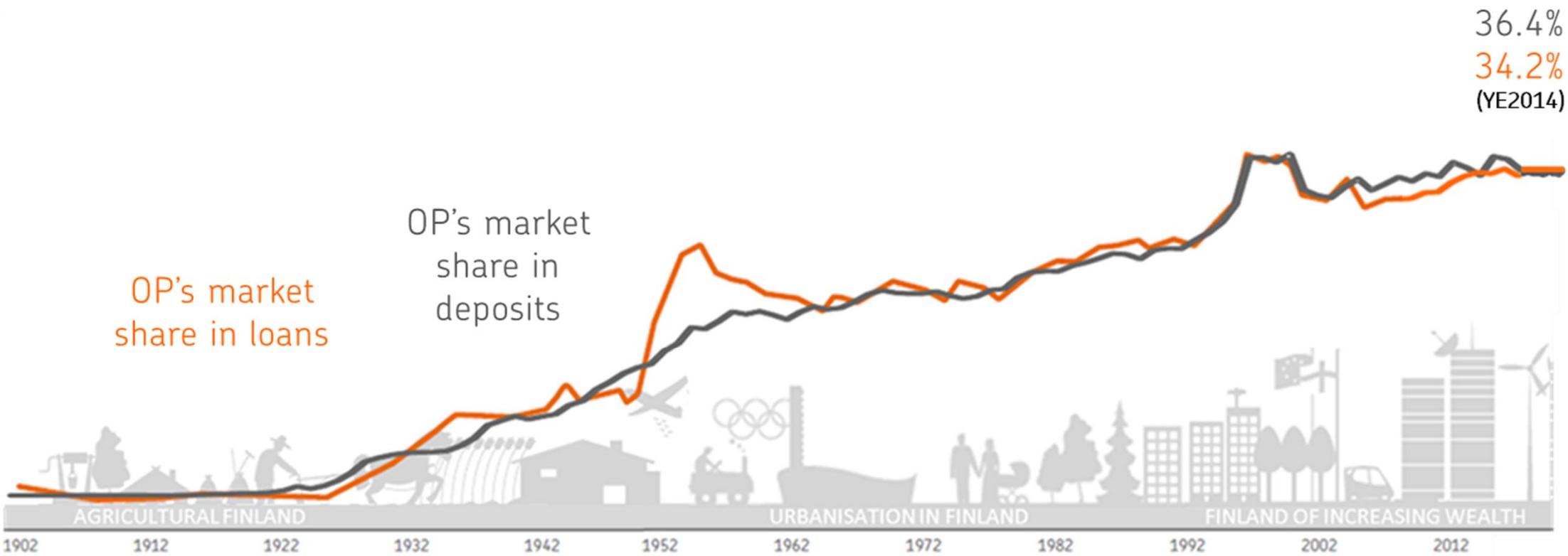
	Before hedges		Hedges		After hedges	
	Pool assets	Covered bonds	Pool assets	Covered bonds	Pool assets	Covered bonds
<b>Interest rate risk</b>						
Floating	9,688	200	9,773	8,845	9,770	8,845
Fixed	82	8,645			0	0
Capped floating	237		233		237	
Sum	10,006	8,845	10,006	8,845	10,006	8,845

Accrued interest cash flows, MEUR	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y
Interest income	87	76	74	76	79	80	81	79	74	66
Interest expense	7	0	4	10	19	22	18	17	19	9
Net	80	75	69	66	60	58	63	62	55	57

Calculation method used: Contractual maturities

Calculated according to:  
Section 17 in Mortgage Credit Bank Act

Section 5.4.4 Finnish FSA regulation and guidelines 6/2012 Mortgage bank authorisation procedure and risk management



## Debt IR contacts

# Debt IR contacts



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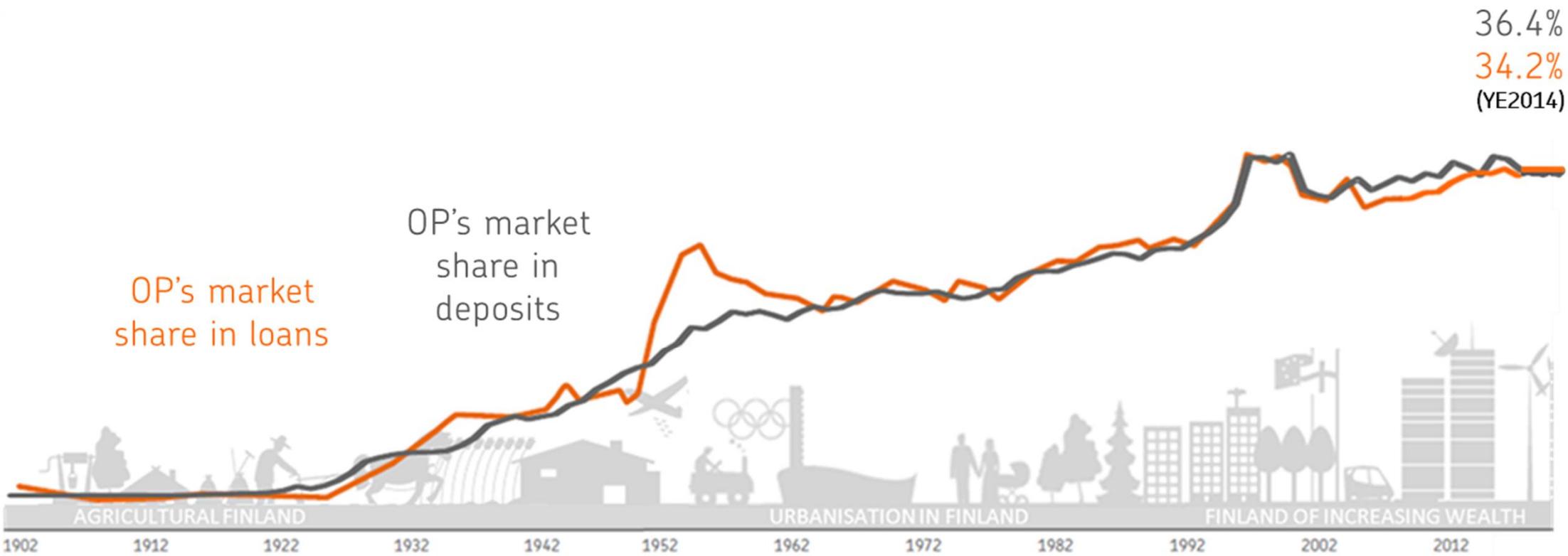
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## Financial reports and background material online

- OP Financial Group: [www.op.fi](http://www.op.fi) (English) > OP Financial Group > Media > Material service > OP Financial Group publications
- OP Corporate Bank plc: [www.pohjola.com](http://www.pohjola.com) > Media > Material Service
- OP Mortgage Bank: [www.op.fi](http://www.op.fi) (English) > OP Financial Group > Media > Material service > Subsidiaries' publications



# Appendices

## Bioeconomy as one of the new growth areas

- Branch of the economy using biological natural resources to produce products, energy, food and services.
- Clean, environment saving technologies and efficient recycling are typical to bioeconomy.
- The significance of the forestry sector in Finland has been and will be great, as over one half of Finland's bioeconomy today relies on forests.
- The objective of the Bioeconomy Strategy is to push bioeconomy output up to €100 bn by 2025 and to create 100,000 new jobs.

**16%** of the total Finnish economy (i.e. turnover of €60 bn)

**13%** of total employment in Finland (i.e. 300,000 persons)

**26%** of total Finnish exports (i.e. €14 bn)

# Structure of OP Financial Group incl. OP Cooperative's main subsidiaries

1.5 million owner-customers, of which 90% households



177 OP Financial Group member cooperative banks

## OP COOPERATIVE

### BANKING

- OP Corporate Bank plc\*
- Helsinki Area Cooperative Bank\*\*\* (OP Helsinki)
- OP Mortgage Bank\*
- OP Card Company Plc\*
- Member cooperative banks

### NON-LIFE INSURANCE

- OP Insurance Ltd\*\* with its subsidiaries

### WEALTH MANAGEMENT

- OP Asset Management Ltd\*
- OP Life Assurance Company Ltd\*
- OP Fund Management Company Ltd\*

- Finance & Treasury
- Risk Management
- Group Steering
- etc.

\* OP Cooperative's ownership 100%

\*\* Planned to be transferred to OP Cooperative's direct ownership in the future as a result of the completion of OP Cooperative's public voluntary bid for all OP Corporate Bank plc shares

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

# OP Financial Group's long-term financial targets

	Target	Q1/2016	2015	2014	2013	2012
<b>Group level</b>						
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates****, %	≥ 160	160	191	189	219*	190
Common Equity Tier 1 ratio (CET1), %	18.0 by the end of 2016	19.5	19.5	15.1	17.1*	14.1**
Return on economic capital, %****	20.0	21.1	21.5	16.5	15.2	14.7
Growth differential between income and expenses, pps***	> 0	18.0	21.1	14.0	-2.8	-4.2****
Rating: AA rating affirmed by 2 credit rating agencies (or ratings at least at the main competitors' level)	2	2	2	2	2	2
<b>Banking</b>						
Growth differential between income and expenses, pps****	> 0	-1.2	4.1	9.6		
<b>Wealth Management</b>						
Growth differential between income and expenses, pps****	> 0	2.9	18.6	18.6		
<b>Non-life Insurance</b>						
Operating combined ratio, %	< 92	88.6	87.3	89.4	86.9	90.5

\* As of 1 Jan. 2014

\*\* Core Tier 1 capital adequacy

\*\*\* During 3 years

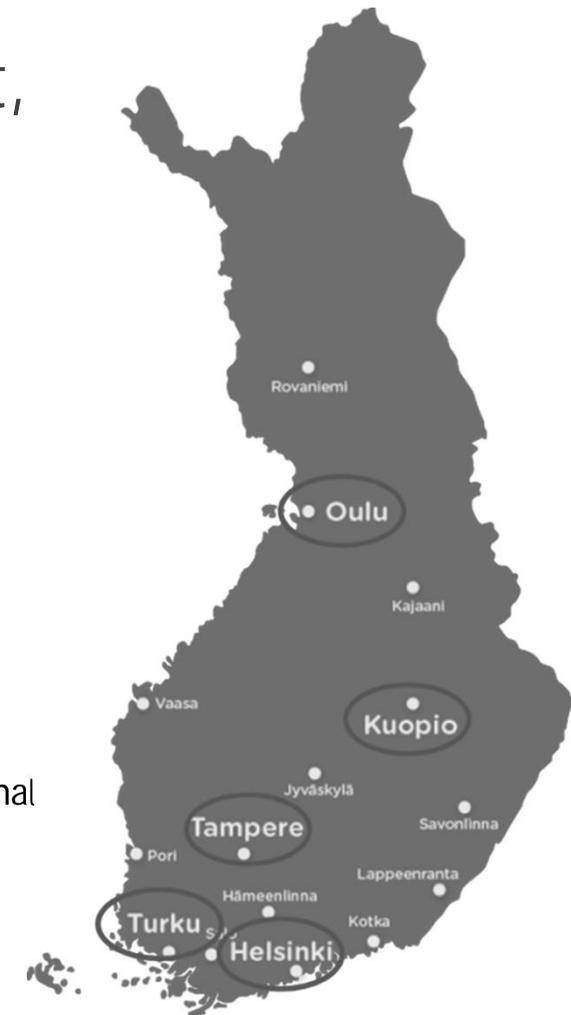
\*\*\*\* 12 mth rolling

\*\*\*\* Calculated under Solvency II transitional provisions since 2015

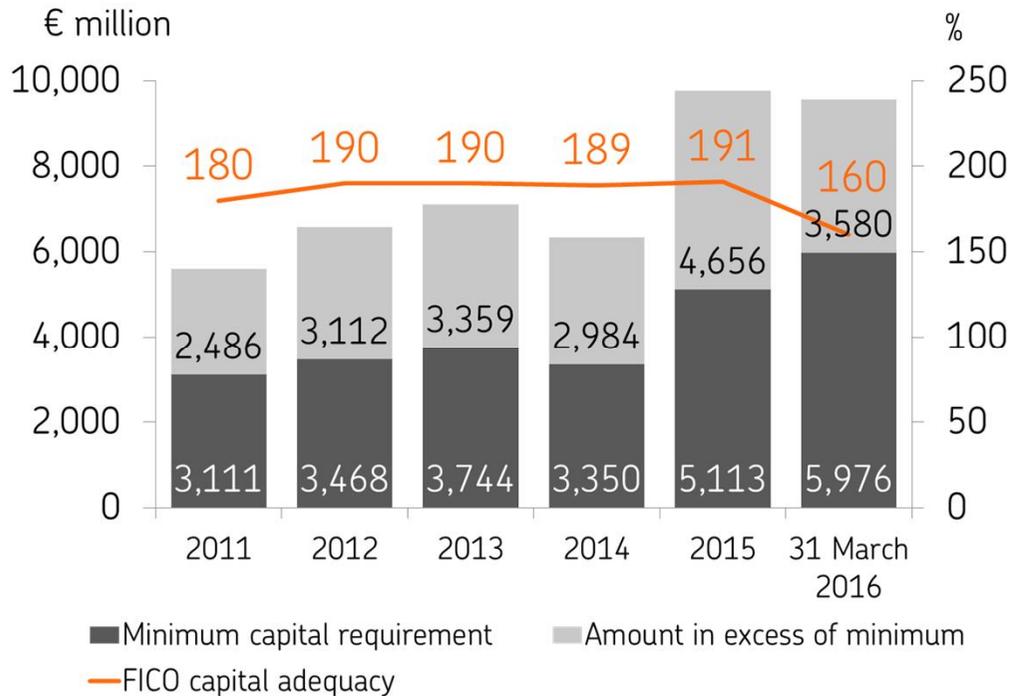
## Expansion of health and wellbeing business requires investments in service development, technology and expertise

### HEALTH AND WELLBEING AS PART OF NON-LIFE INSURANCE

- First Omasairaala hospital founded in Helsinki in 2013
  - Faster clinical pathway
  - More efficient claims handling process
  - Incomparable customer satisfaction (NPS >90)
- 4 new Omasairaala hospitals to be opened
  - In Tampere in August 2016
  - Later on in Oulu, Kuopio and Turku
- New innovative services in the field of specialised medicine and occupational health in addition to orthopaedics
- Omasairaala Oy will be renamed Pohjola Health Ltd in August 2016 and thereafter hospitals will go under name Pohjola Sairaala



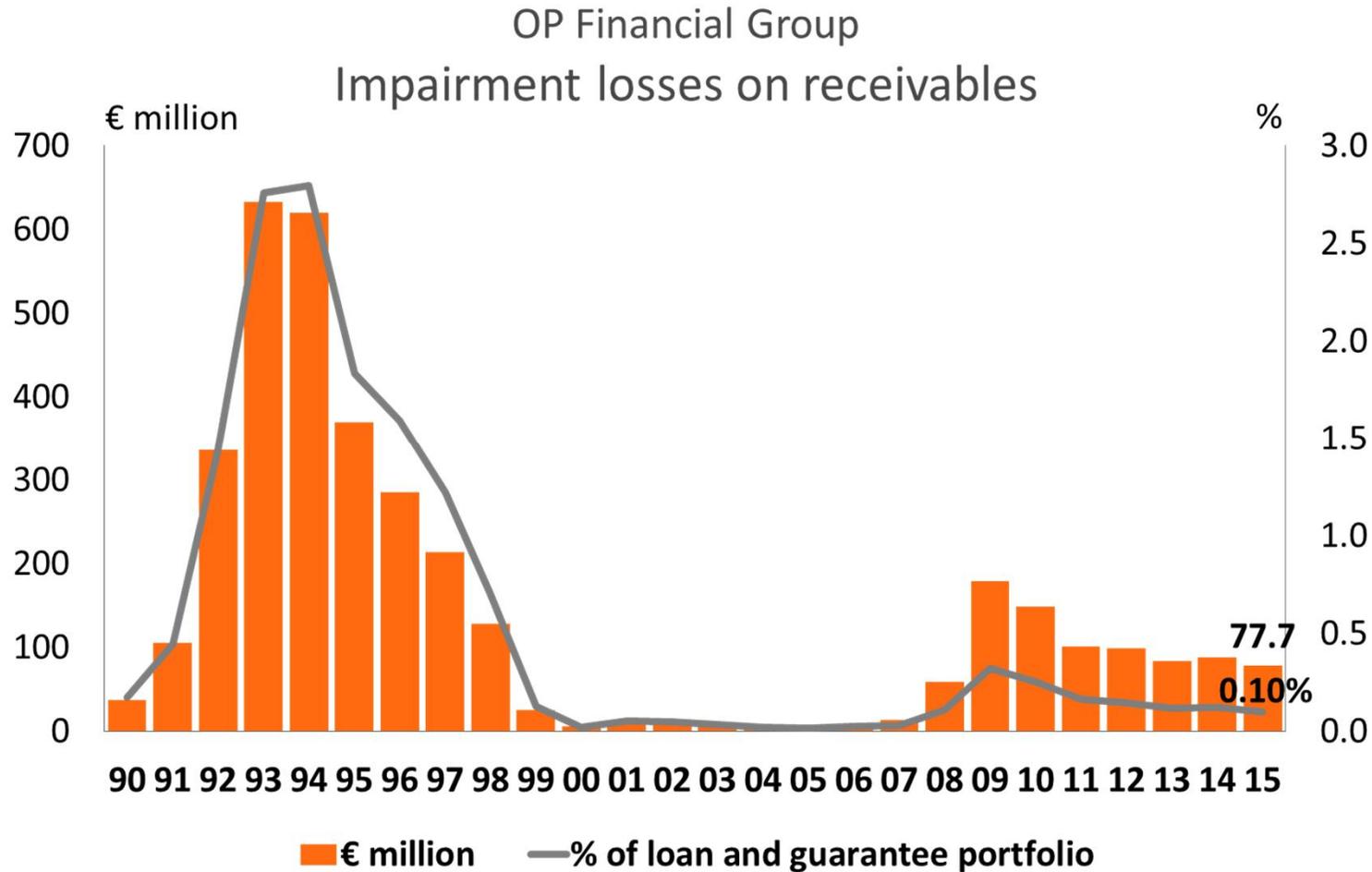
# Capital Adequacy under the Act on the Supervision of Financial and Insurance Conglomerates



Statutory minimum requirement 100%, whereas OP's minimum target 160%

- In Q1/2016, capital adequacy buffer was
  - increased by earnings
  - decreased by 22 pps by 2% capital conservation buffer of the Other Systemically Important Institution (O-SII) adopted at the beginning of 2016 and a decline in insurance business valuation differences
- 2% O-SII buffer increased the consolidated capital adequacy requirement from 10.5% to 12.5%, calculated as percentage of RWA
- Since the beginning of 2016, insurance-sector solvency has been calculated in compliance with Solvency II and the FICO capital adequacy figures for 31 March 2016 and YE2015 have been presented in view of the transitional provisions

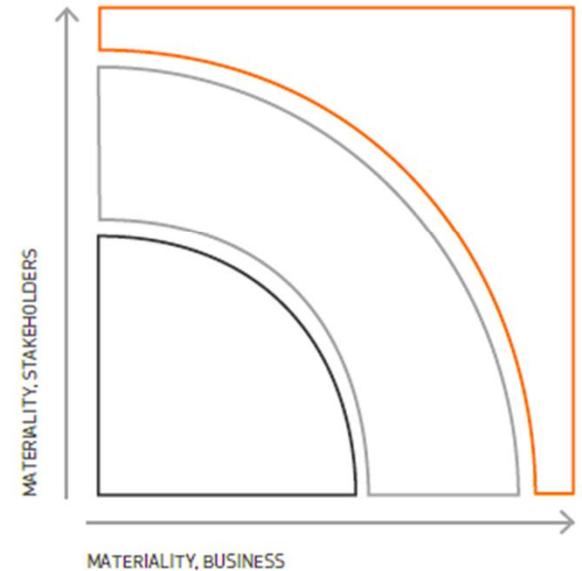
# Impairment losses at a very moderate level



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

CSR activities take economic, social and environmental responsibility into consideration

## CSR MATERIALITY ANALYSIS



## CODE OF BUSINESS ETHICS

By the beginning of 2016, 80% of OP's employees had completed the designated online course and committed to following the Code

# OP aims to be a pioneer 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 Asset Management Ltd and OP Fund Management Company Ltd signed the UN Principles for Responsible Investment (UNPRI) in 2009, among the first Finnish asset managers.



OP signed the Montréal Carbon Pledge in 2015 and thereby committed to measure the carbon footprint of its funds.

## 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) as well as the Communication and CSR Committee of Unico Banking Group

## CSR REPORTING

OP Financial Group has prepared its Corporate Social Responsibility Report in compliance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.



Since FY2015, OP's CSR Report has been assured with KPMG, a firm of authorised public accountants, performing the assurance. CSR Report is integrated with the Group's Annual Report.

# OP Financial Group's earnings analysis

€ million	Q1/2016	2015	2014	2013	2012	2011	2010
Net interest income	267	1 026	1 043	915	1 002	1 030	917
Net income from Non-Life insurance	142	639	589	524	433	312	382
Net income from Life Insurance	91	278	197	175	108	72	100
Net commissions and fees	183	704	707	694	584	574	563
Other income	36	247	217	267	243	173	210
<b>Total income</b>	<b>719</b>	<b>2 894</b>	<b>2 753</b>	<b>2 575</b>	<b>2 371</b>	<b>2 160</b>	<b>2 172</b>
<b>Total expenses</b>	<b>377</b>	<b>1 520</b>	<b>1 555</b>	<b>1 598</b>	<b>1 494</b>	<b>1 358</b>	<b>1 286</b>
Returns to OP bonus customers	47*	195*	195*	193*	192*	176*	163*
<b>Earnings before impairment loss on receivables</b>	<b>295</b>	<b>1 179</b>	<b>1 003</b>	<b>784</b>	<b>684</b>	<b>626</b>	<b>723</b>
Impairment loss on receivables	11	78	88	84	99	101	149
<b>Earnings before tax</b>	<b>284</b>	<b>1 101</b>	<b>915</b>	<b>701</b>	<b>586</b>	<b>525</b>	<b>575</b>
Change in fair value reserve	72	-219	152	-39	698	-400	225
<b>Earnings before tax at fair value</b>	<b>355</b>	<b>883</b>	<b>1 067</b>	<b>662</b>	<b>1 283</b>	<b>125</b>	<b>800</b>

\* Returns to owner-customers and OP bonus customers

# OP Financial Group's key figures

	31 March 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
Total assets, € million	124 296	125 145	110 427	100 991	99 769	91 905	83 969
Receivables from customers, € million	75 825	75 192	70 683	68 142	65 161	60 331	56 834
Liabilities to customers, € million	58 436	58 220	51 163	50 157	49 650	41 304	36 443
Equity capital, € million	9 381	9 324	7 213	7 724	7 134	6 242	6 726
CET1 ratio, %	19.5	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, %	22.7	22.9	17.3	19.8 <sup>a</sup>	14.1	14.0	12.8
Over 90 days past due receivables*, € million	375	319	270	292	311	296	204
Ratio of over 90 days past due receivables* to loan and guarantee portfolio, %	0.48	0.41	0.37	0.40	0.46	0.47	0.34
Loan and guarantee portfolio, € billion	78.3	77.8	73.6	71.0	67.7	62.8	59.4
Impairment loss on receivables, € million	11 <sup>d</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, %	0.05 <sup>d</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	12 207	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-March

## OP Financial Group's key ratios

	Q1/2016	2015	2014	2013	2012	2011	2010
Average corporate loan margin, % <sup>a</sup>	1.38	1.38	1.44	1.57	1.52	1.34	1.36
Cost/income ratio, %	52	53	56	62	63	63	59
Return on equity (ROE), %	9.9	10.3	8.1	8.9	7.0	6.8	6.9
Return on assets (ROA), %	0.7	0.7	0.6	0.7	0.5	0.5	0.5

a) OP Corporate Bank's corporate loan portfolio