



OP Debt Investor Presentation Q1/2021

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

www.op.fi/debtinvestors

OP Financial Group



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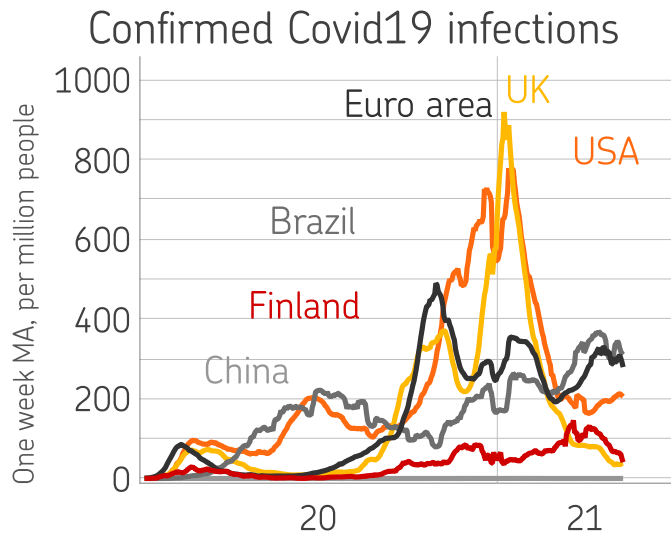
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Outlook for the Finnish Economy

In Finland coronavirus crisis has been subdued



Sources: Macrobond, WHO, OP

- Globally, Finland has fared well during the coronavirus crisis with some of the lowest reported rates as of mid-April 2021 (84,000 cases and 890 deaths).
- As of mid-April 2021, Finland had 15,000 cases per 1 mn population.
- In European comparison, Finnish economy did well in 2020 as the GDP contraction was milder than in most European countries.
- The vaccination pace will be a significant factor affecting the recovery of the whole economy

Source: OECD, EC

Updated: 20 April 2021

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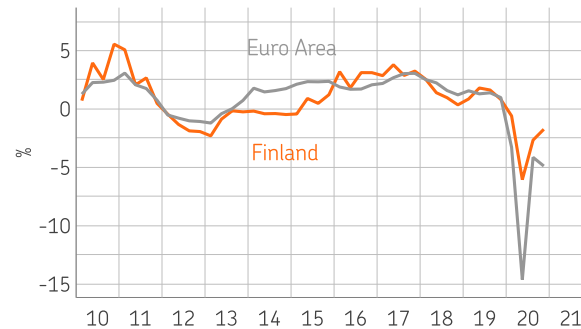
Forecasts for the Finnish economy

Published on 26 January, 2021

	2019	2020	2021f	2022f
GDP volume, annual growth %				
Finland	1,1	-2,8	3,0	2,6
Euro area	1,3	-6,6	4,7	3,5
Unemployment rate, %				
Finland	6,7	7,8	7,7	7,2
Euro area	7,6	7,9	8,0	7,5
Current account balance, % of GDP				
Finland	-0,3	0,3	0,1	0,2
Euro area	2,3	2,3	2,6	2,8
General government net lending, % of GDP				
Finland	-1,0	-4,8	-4,5	-3,7
Euro area	-0,6	-7,6	-6,4	-4,7
General government debt, % of GDP				
Finland	59,3	67,1	70,3	70,8
Euro area	84,0	96,9	102,9	104,1
Inflation, %				
Finland	1,0	0,3	0,8	1,0
Euro area	1,2	0,3	0,6	1,0

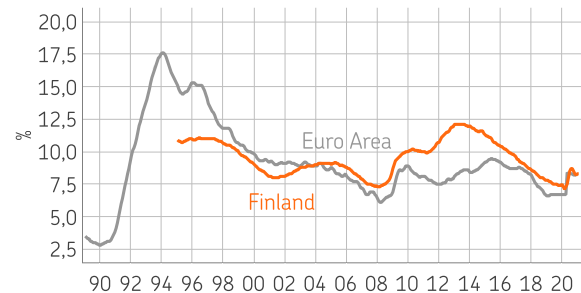
Sources: Statistics Finland, Eurostat, OP

GDP Annual Volume Change, %



Source: Macrobond, OP

Unemployment rate, %

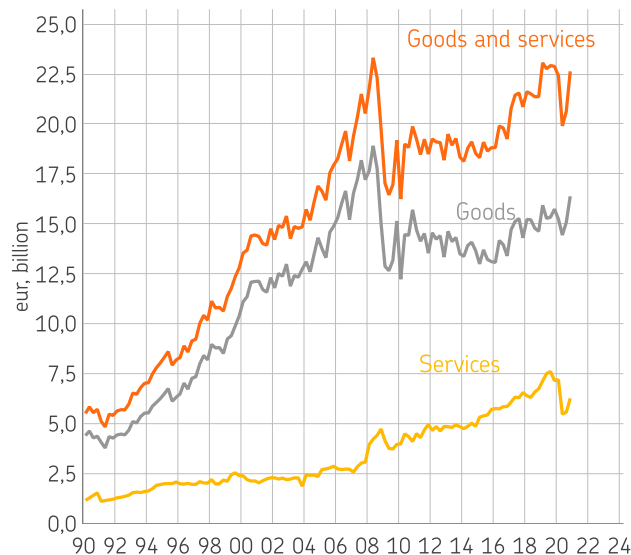


Source: Macrobond, Eurostat, StatFin, OP

Foreign trade structure rather stable

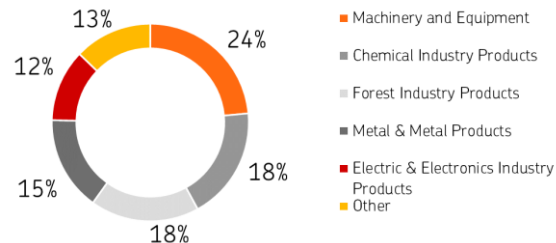
Finland is an exports-driven economy with around 40 % of GDP deriving from exports

Exports of goods and services, SA

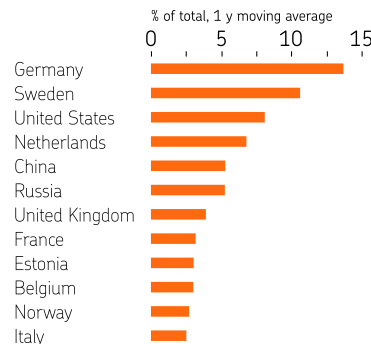


Source: Macrobond, OP

Exports by commodity group



Goods exports by country



Source: Macrobond, OP

Finnish housing market is stable

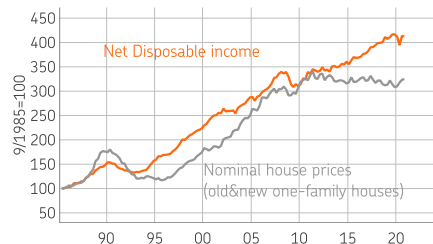
Coronavirus did not affect housing prices as much as expected

Characteristics of the Finnish housing market

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

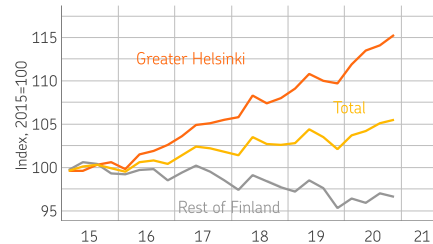
Finland

Change in house prices and net income



Source: Macrobond, StatFin, OP

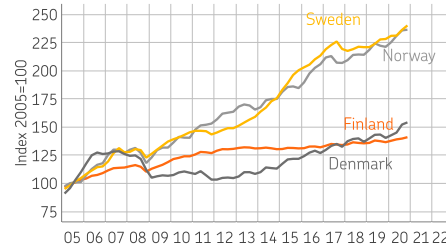
Real estate prices, old dwellings



Source: Macrobond, StatFin, OP

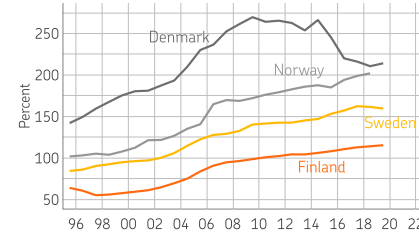
Nordic Countries

House prices



Source: Macrobond, Eurostat, OP

Gross Debt-to-Income Ratio

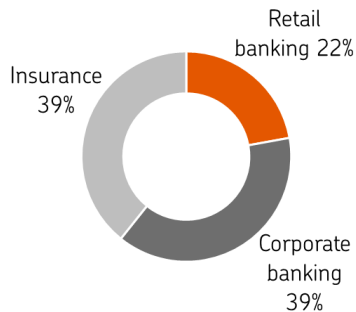


Source: Macrobond, Eurostat, OP

OP Financial Group

Co-operative OP Financial Group

Solid earnings and diversified income structure



€265 mn

Group EBT in
Q1/2021

Strong capital position

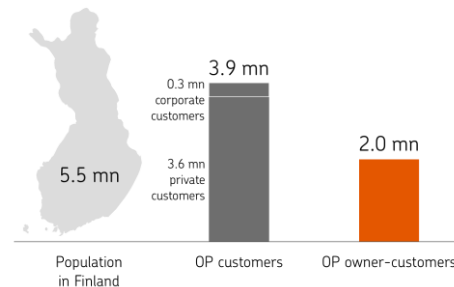
€166 bn

Total assets

18.1%

CET1 ratio

Finnish customer base



Leading market shares

Loans	Deposits	Life Insurance	Non-life Insurance
35%	38%	34%	18%

Joint liability

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

High credit ratings

Moody's Aa3
S&P AA-

OP Corporate
Bank plc

Moody's Aaa
S&P AAA

OP Mortgage
Bank's covered
bonds

OP Financial Group Structure

2 million owner-customers

133 OP cooperative banks

Central Cooperative

Retail Banking

The Retail Banking segment consists of banking for private and SME customers at OP cooperative banks and at the central cooperative consolidated.

- OP Mortgage Bank Plc
- OP Card Company Plc
- Helsinki Area Cooperative Bank

Corporate Banking

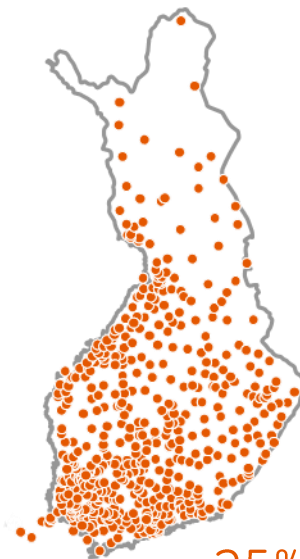
The Corporate Banking segment consists of banking and asset management services for corporate and institutional customers.

- OP Corporate Bank Plc
- OP Fund Management Company Ltd
- OP Asset Management Ltd
- OP Real Estate Management Ltd

Insurance

The Insurance segment comprises Pohjola Insurance, A-Insurance, OP Life Assurance Company and Pohjola Hospital.

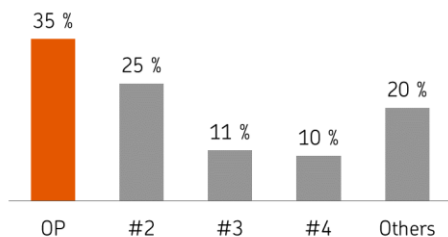
- Pohjola Insurance Ltd
- OP Life Assurance Company Ltd
- Pohjola Hospital Ltd



-25%
number of
cooperative banks
since 2014

OP is the leading financial group in Finland

Loans



OP's market share in

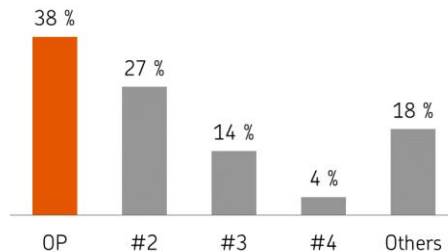
39%

Mortgages

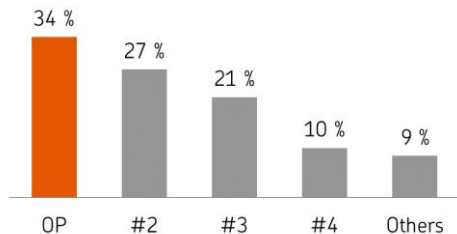
38%

Corporate loans

Deposits



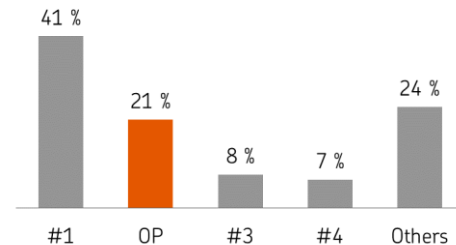
Non-life insurance



Life insurance



Mutual funds



OP's strategic priorities and long-term targets



Excellent employee
experience



Best customer
experience



More benefit for
owner-customers



Faster growth in profits
than in expenses



More efficient, higher
quality operations

”

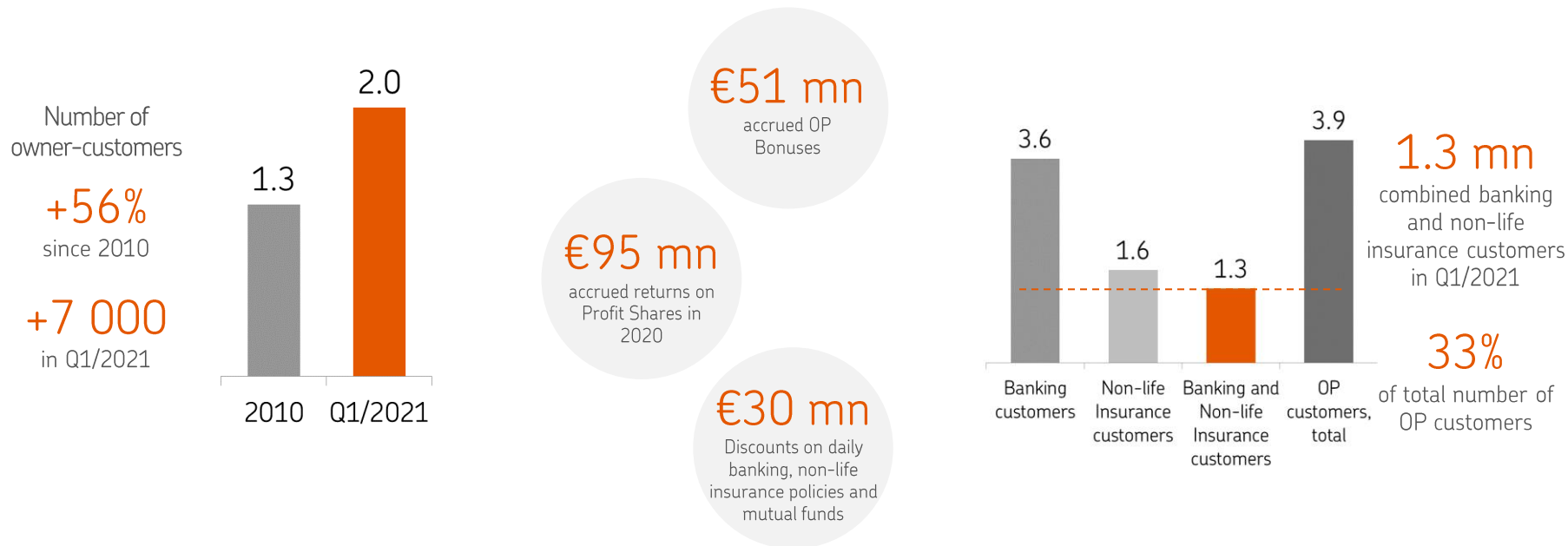
We aspire to be the leading
and most appealing financial
services group in Finland.

OP Financial Group's strategic long-term targets

	31.3.2021	Target 2025
Return on equity (ROE) excluding OP bonuses, %	7.6	8.0
CET1 ratio, %	18.1	At least CET1 ratio requirement + 4 pps
Brand recommendations, NPS (Net Promoter Score, private and corporate customers)	20	30
Credit rating	AA-/Aa3	At least at the level of AA-/Aa3

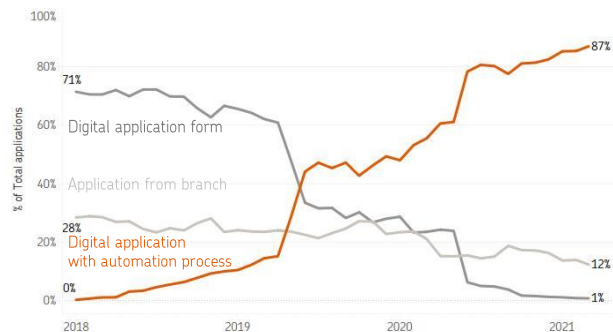
More benefit for owner-customers

Successful cross-selling supported by attractive loyalty benefits



Digital customer experience

Banking and insurance services available on OP mobile app



>99%

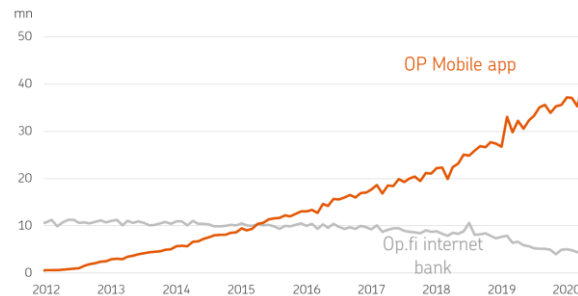
of OP's private customer service encounters occur in digital channels

112 mn

OP Mobile log-ins in Q1/2021

>70%

of customers classified as active users who login daily



Key functionality areas:



Daily banking

Transactions and money transfers

Account management, financial balance tools and salary data

Multi-Bank service

Card management and Apple Pay



Loans and homes

Loan and mortgage applications

Information on existing loans and upcoming instalments

Security for loans with interest rate cap and payment protection insurance



Savings and investments

Tools for trading shares and mutual funds

Watchlist, notifications for exchange rate alarms

OP Investment Partner as a new service



Insurance

Buy and manage

View existing claims

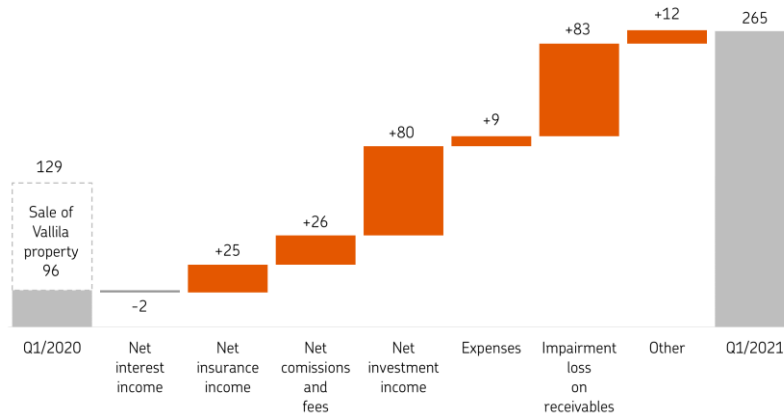
Report a loss and get help in case of an emergency

Financial Performance

Financial performance

	Q1/2021	Q1/2020	Change %
Income			
Net interest income	316	319	-0.7%
Net insurance income	157	131	19.1%
Net commissions and fees	270	244	10.5%
Net investment income	146	-140	
Other operating income	7	107	-93.7%
Total income	896	662	35.3%
Expenses			
Personnel costs	222	208	6.7%
Depreciation and impairment loss	64	65	-2.3%
Other operating expenses	221	245	-9.7%
Total expenses	507	518	-2.2%
Impairment loss on receivables	-22	-105	-78.7%
Overlay approach	-55	151	-136.2%
OP bonuses to owner-customers	-46	-60	-22.9%
Earnings before tax	265	129	105.6%

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



Key financial figures

Group EBT	Total income	Total expenses	Total loans	Total deposits	Assets under management
€265 mn (+105.6%)	€896 mn (+35.3%)	€507 mn (-2.2%)	€93.8 bn (+0.2%)	€71.3 bn (+0.5%)	€93.5 bn (+4.9%)

Retail banking EBT
€66 mn (+771.1%)

NII
€316 mn (-0.7%)

Personnel costs
€222 mn (+6.7%)

Home loans
€40.2 bn (+0.5%)

Corporate banking EBT
€115 mn (+745.2%)

Net insurance income
€157 mn (+19.1%)

Development cost impact
€46 mn (-8%)

Corporate loans
€22.4 bn (-0.7%)

Insurance EBT
€117 mn (+98%)

Net commissions and fees
€270 mn (+10.5%)

Housing company loans
€9.8 bn (-0.1%)

Other operations EBT
€-22 mn (-138.2%)

Net investment income
€146 mn

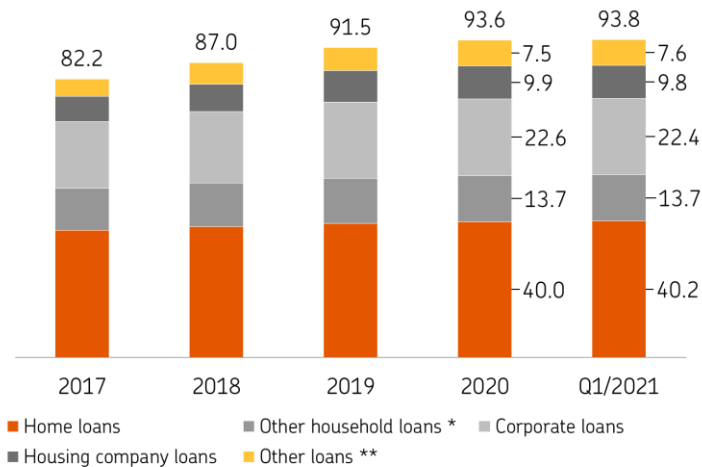
OP Financial Group's earnings before tax for 2021 are expected to be lower than in 2020.

A young girl with long brown hair, wearing a grey hoodie, is pointing at a smartphone held by an elderly woman with white hair. They are both looking intently at the screen. The woman is wearing a dark blue sweater. They are sitting at a table with a patterned tablecloth. The background is softly blurred, showing what appears to be a window with light coming through.

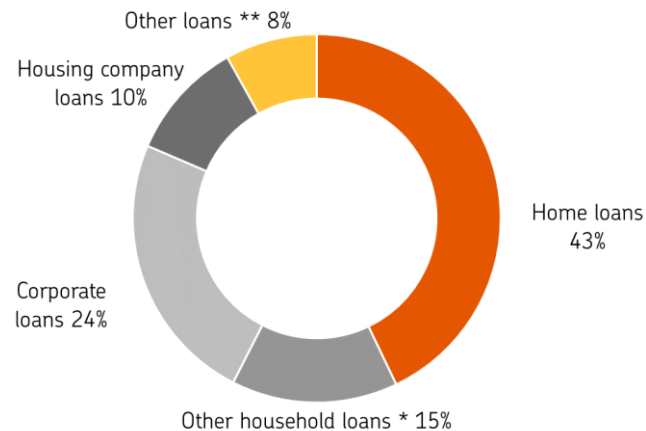
Loan Book Overview and Asset Quality

Loan portfolio

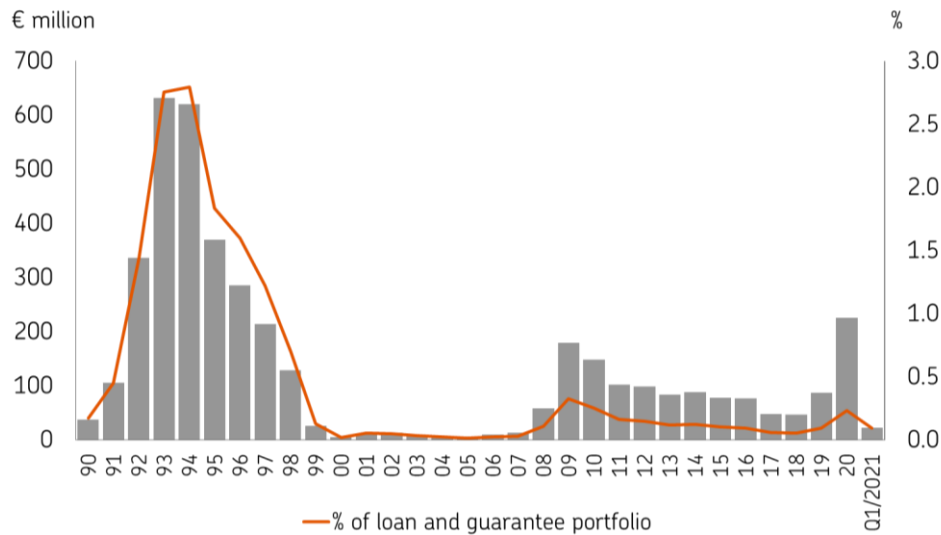
By product group, € bn



Breakdown, %



Impairment loss on receivables



Q1/2021

€22 mn (105) i.e.
0.09% (0.44) of loan
and guarantee portfolio

Impairment loss on receivables

Doubtful receivables 5.4% (5.4) of loan and guarantee portfolio

Performing forborne receivables 56% (55) of gross doubtful receivables

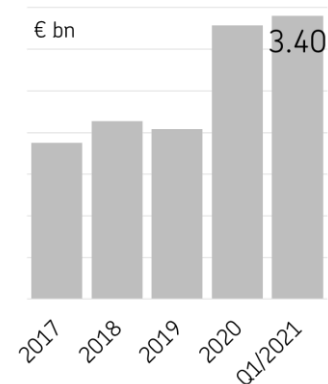
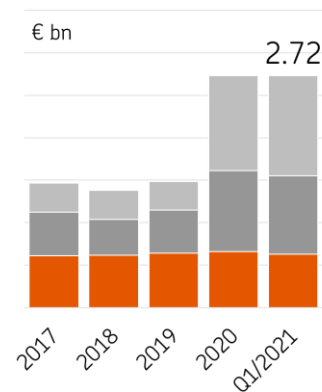
Impairment loss on receivables per quarter



Doubtful receivables (gross)

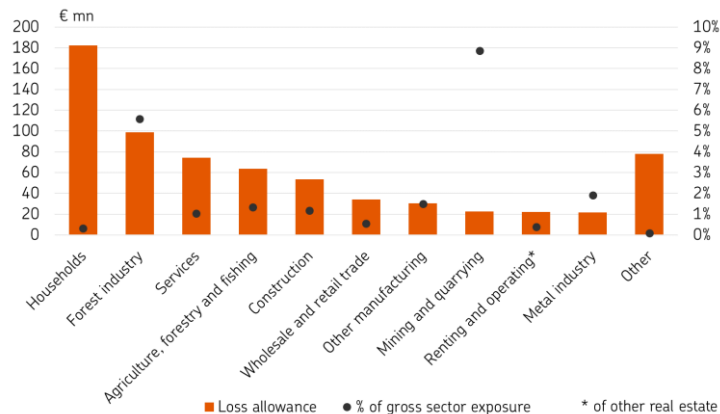
Non-performing
2.4% (2.5) to loan & guarantee portfolio

Performing
3.0% (3.0) to loan & guarantee portfolio

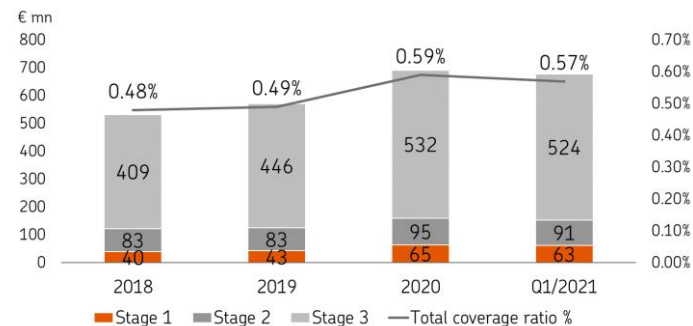


Expected credit loss

ECL allowance by sector



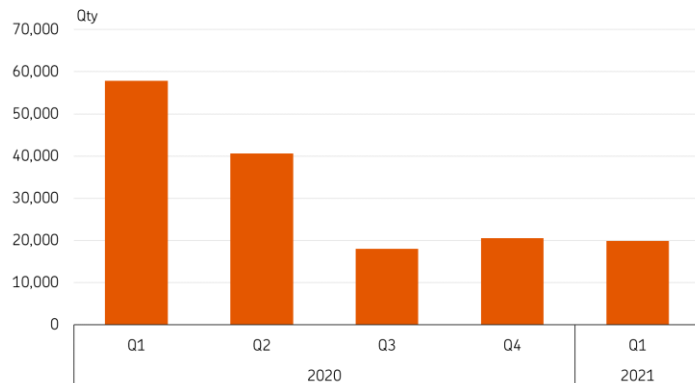
ECL allowance on receivables from customers by stage



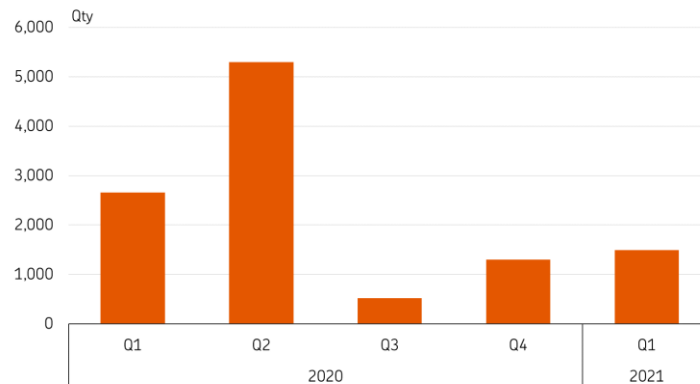
€ mn	Q1/2021	Q1/2020
Write-offs and recoveries	35	18
ECL on receivables from customers	-13	85
ECL on notes and bonds	0	2
Total impairment losses on receivables	22	105

Loan modifications returned to pre-pandemic level

Private customers' repayment holidays per quarter



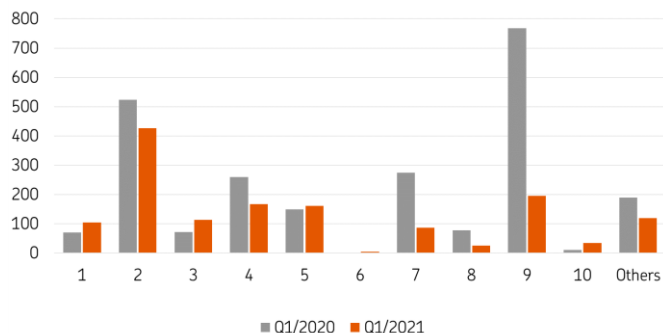
Corporate customers' loan modifications and repayment holidays per quarter



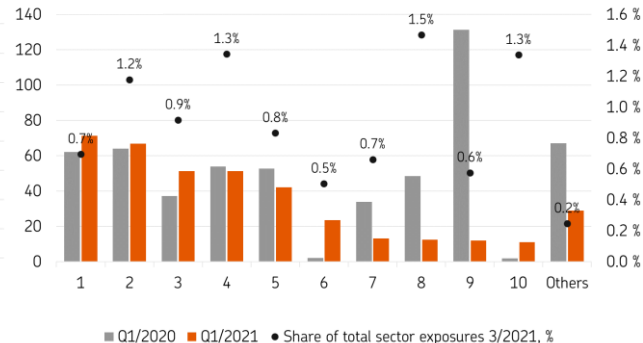
Loan modifications and repayment holidays

Corporate customers, by sector

Quantity



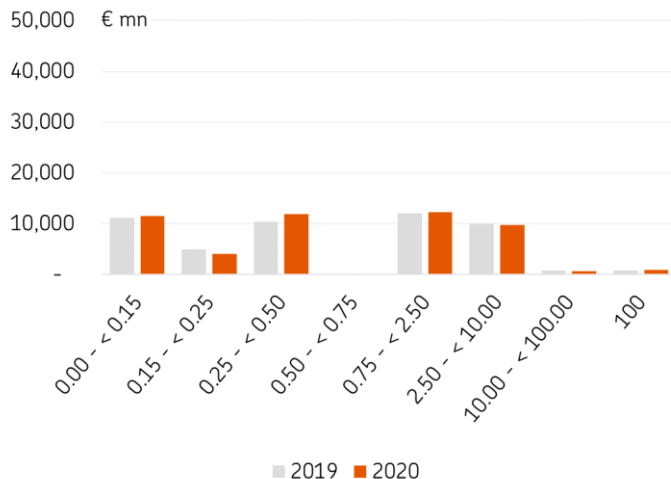
Euros, mn



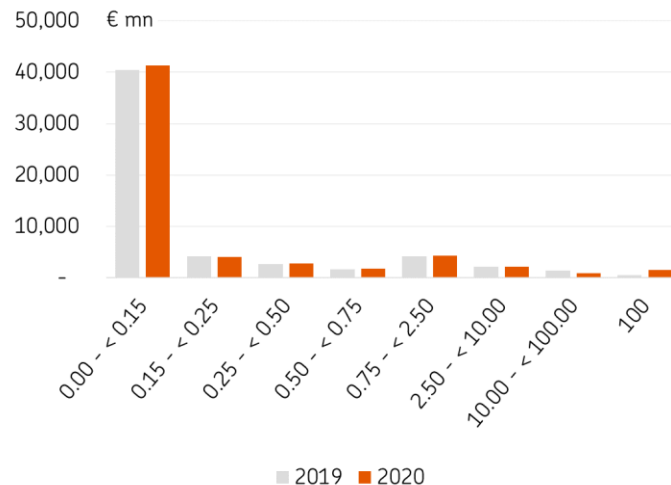
- No. Industry
- 1 Renting and operating of residential real estate
 - 2 Services
 - 3 Renting and operating of other real estate
 - 4 Construction
 - 5 Wholesale and retail trade
 - 6 Energy
 - 7 Agriculture, forestry and fishing
 - 8 Metal Industry
 - 9 Transportation and storage
 - 10 Food Industry

Credit risk exposures (IRB) by PD class *

Corporate exposures (gross value) by PD range
(€51.3 bn at YE2020)



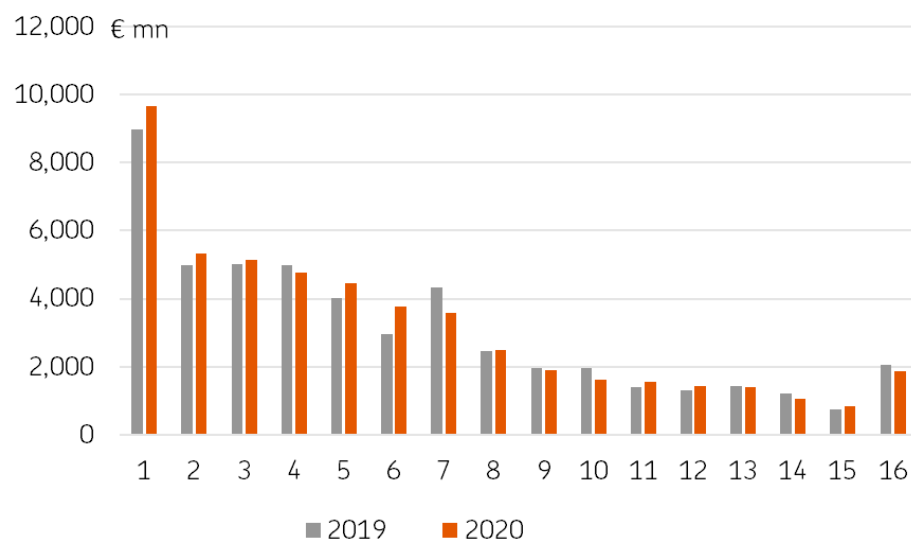
Retail exposures (gross value) by PD range
(€58.6 bn at YE2020)



* To be dated afterwards on week 18 according to the Capital Adequacy Report for 31 March 2021

Corporate exposures well diversified by industry *

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

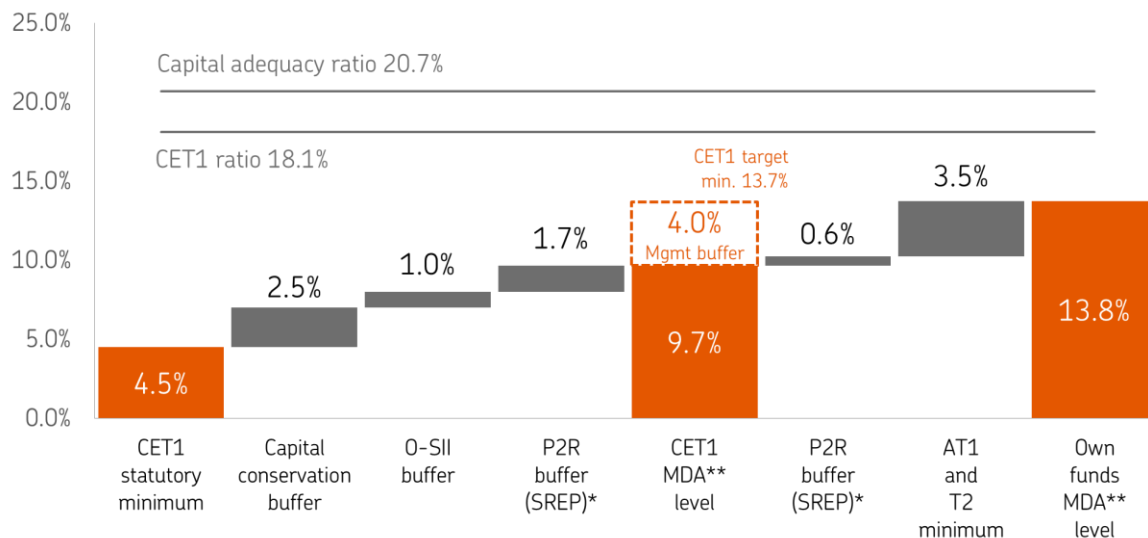


No.	Industry	2019	2020
1	Renting and operation of residential real estate	18.0%	19.0%
2	Services	10.0%	10.5%
3	Trade	10.1%	10.1%
4	Operating of other real estate	10.0%	9.4%
5	Energy	8.1%	8.8%
6	Financial and insurance activities	5.9%	7.4%
7	Construction	8.7%	7.1%
8	Manufacture of machinery and equipment (incl. maintenance)	4.9%	4.9%
9	Other manufacturing	3.9%	3.7%
10	Agriculture, forestry and fishing	3.9%	3.2%
11	Forest industry	2.8%	3.1%
12	Information and communication	2.6%	2.8%
13	Transportation and storage	2.9%	2.7%
14	Metal industry	2.4%	2.1%
15	Food industry	1.5%	1.7%
16	Others	4.1%	3.7%

* To be dated afterwards on week 18 according to the Capital Adequacy Report for 31 March 2021

Capital Position

Capital requirements



* P2R supervisory Pillar II requirement ** Maximum distributable amount

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

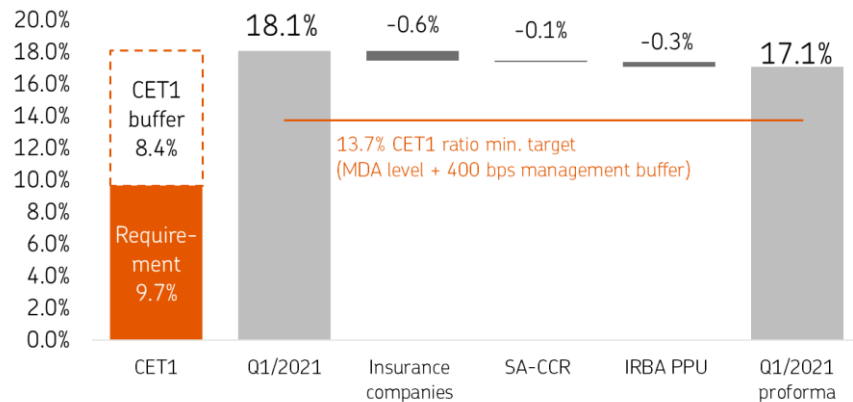
The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1% and the ECB's P2R requirement increase in practice the minimum capital adequacy ratio to 13.8% and the CET1 ratio to 9.7%.

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

Strong capital position

CET1 at 18.1% (18.9%) – ECB's decision increased the risk-weighted assets of corporate exposures

Future changes* impacting the CET1 ratio



In Q2: Simplified approach in the measurement of insurance companies' risk weights

In Q2: Standardized Approach for Counterparty Credit Risk (CRR2 update)

During Q3-Q4/2020: Internal Ratings-Based Approach Permanent Partial Use

*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
REA €62.0 bn (59.7)

Average risk weights, 2020 **

22.3% for retail exposures (17.6)

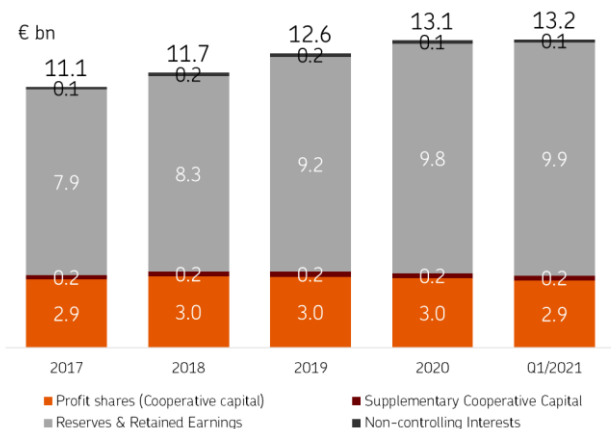
67.8% for corporate exposures (66.8)

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

** To be dated afterwards on week 18 according to the Capital Adequacy Report for 31 March 2021

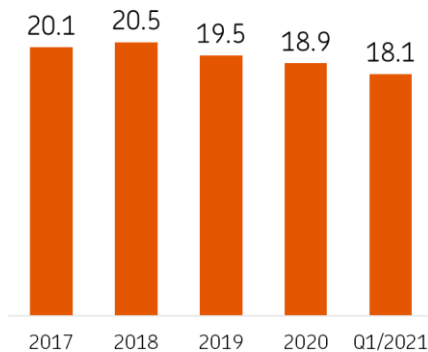
Good track record of capital generation

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

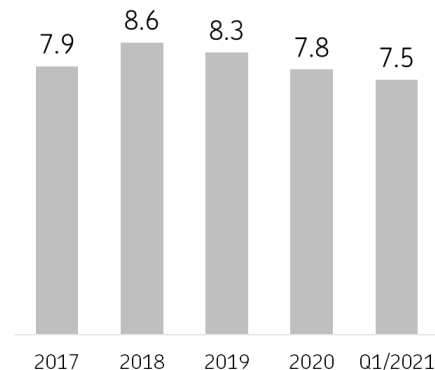


Earnings and profit shares contribute to CET1 and leverage ratio

CET1 ratio, %



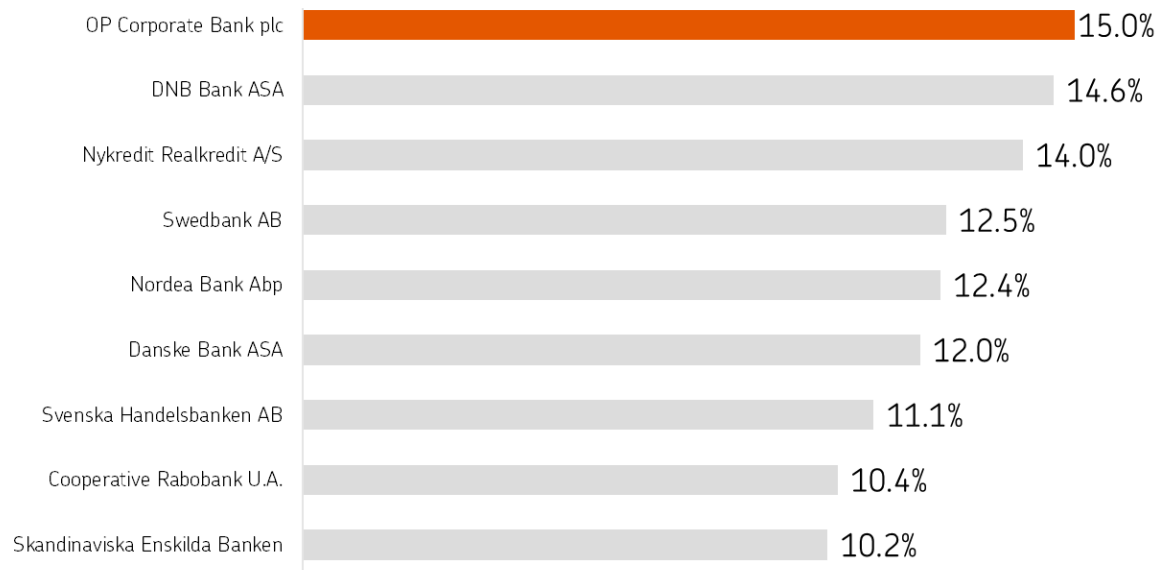
Leverage ratio, %



S&P RAC ratio comparison

OP is a clear outperformer leaving all Nordic peers behind

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



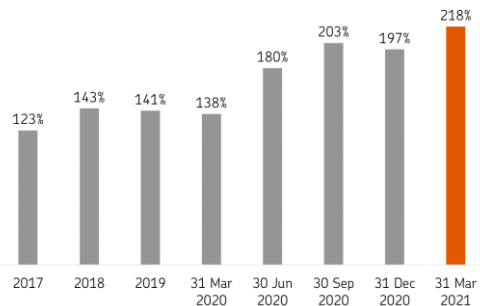
In comparison to
50 largest
European banks,
OP ranks as 4th

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

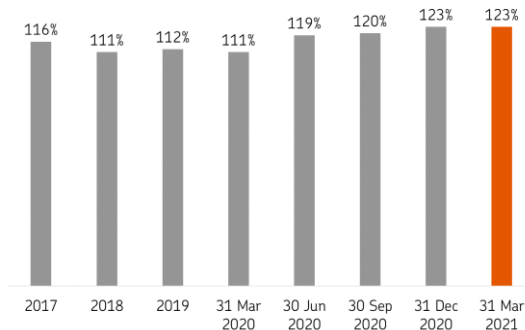
Liquidity and Funding

Stable funding and liquidity position

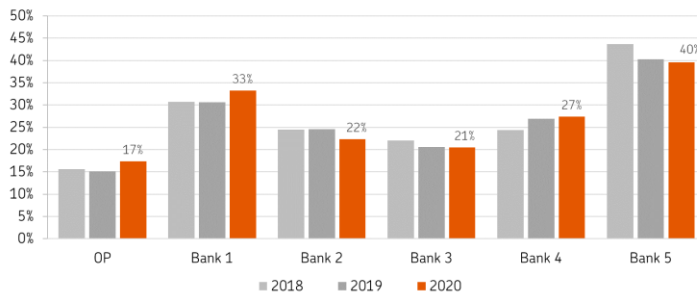
Liquidity coverage ratio (LCR)



Net stable funding ratio (NSFR)



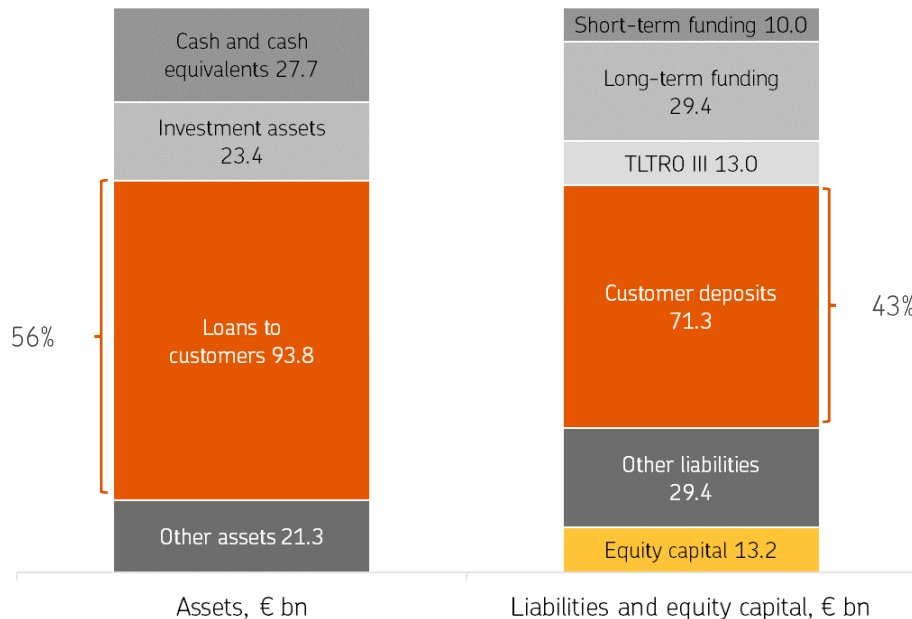
Asset encumbrance



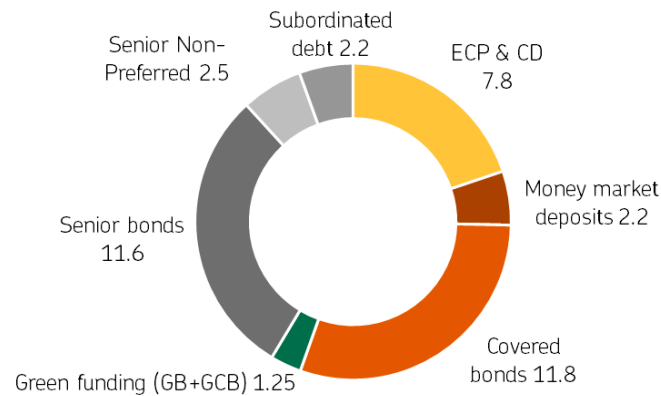
OP has the lowest asset encumbrance ratio in Nordic comparison

Balance sheet totaled €166 bn in Q1/2021

Market-based funding 24% of the balance sheet



Long-term and short-term funding, € bn

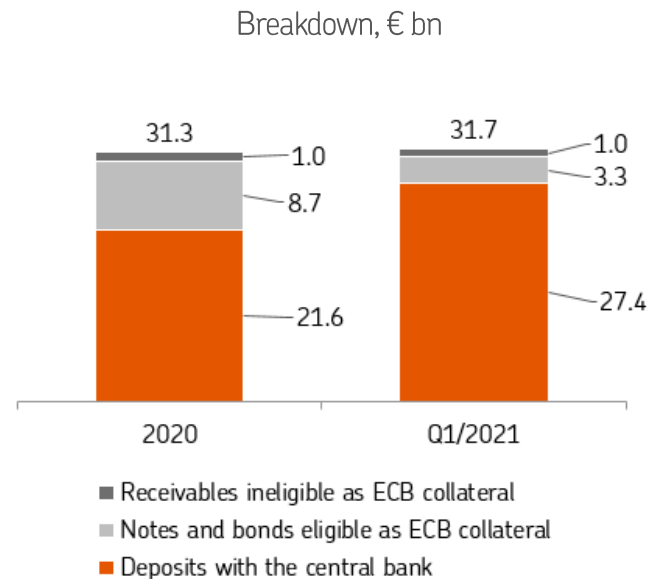
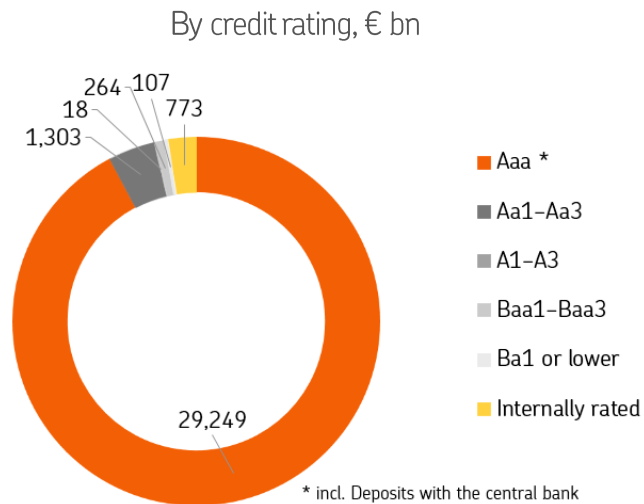


Deposits within the scope of deposit guarantee €41.7 bn. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

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

Liquidity buffer €31.7 bn



Issued long-term bonds €2.1 bn in Q1/2021

OP Corporate Bank plc's benchmark bonds

Year	Month	Amount	Maturity	Cost
2021	March	€500 mn (SNP) €300 mn (SNP)	5 yrs 10 yrs	m/s +65 bps m/s +75 bps
2020	November	€1 bn	7 yrs	m/s +48 bps
2020	June-July	€1 bn	4 yrs	m/s +50 bps
2020	June	€1 bn (T2)	10 yrs (10 non-call 5)	m/s +200 bps
2020	June	SEK3.25 bn (T2)	10 yrs (10 non-call 5)	m/s +230 bps
2020	May	€1 bn	5.25 yrs	m/s +85 bps
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps

OP Mortgage Bank's covered bonds

Year	Month	Amount	Maturity	Cost
2021	March	€750 mn	10 yrs	m/s -1 bps
2020	November	€1.25 bn	10 yrs	m/s + 2 bps
2020	April	€300 mn (retained)	8 yrs	Eb3 +45 bps
2020	April	€500mn (retained)	2 yrs	Eb3 +30 bps
2020	January	€1 bn	8.25 yrs	m/s +3 bps

In March 2021, OP participated in ECB's TLTRO III financing operation by €5 bn.

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)
OP Corporate Bank plc	Aa3	AA-
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
OP Mortgage Bank**	Aaa	AAA
Pohjola Insurance Ltd***	A2	A+
If P&C Insurance Ltd***	A1	A+
Finland	Aa1	AA+

* Negative outlook

** Covered bond rating

*** Insurance financial strength rating

Updated: 19 April 2021

OP CORPORATE BANK PLC

- Moody's affirmed Aa3 rating with stable outlook in May 2019
 - Uplifts from Loss-Given-Failure (+2 notches) and Government Support (+1 notch)
- S&P affirmed AA- rating and changed outlook from negative to stable in January 2021
 - Uplifts from Business Position (+1 notch), Capital and Earnings (+2 notches) and ALAC Support (+1 notch)

OP MORTGAGE BANK

- 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 changed outlook from negative to stable in January 2021

OP as a Responsible Actor in the Finnish Society

EU aims for climate neutrality* by 2050.

Finland aims for carbon neutrality** by 2035.

OP aims for carbon neutrality by 2025.

Meaning zero emissions from the energy and fuels that OP uses (Scope 1 and Scope 2) and also helping customers reduce their emissions.

Emissions from OP's own operations have fallen by approximately 49% from 2011.

*Includes all GHGs; water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and ozone (O₃) being the primary ones in the Earth's atmosphere

**Includes CO₂ emissions

Sources: the Ministry of the Environment http://www.ym.fi/en-US/The_environment/Climate_and_air/Mitigation_of_climate_change/National_climate_policy
Finland's Integrated Energy And Climate Plan <http://julkaisut.valtioneuvosto.fi/handle/10024/161977>
European Commission: https://ec.europa.eu/clima/policies/strategies/2030_en

OP's Corporate Responsibility Programme



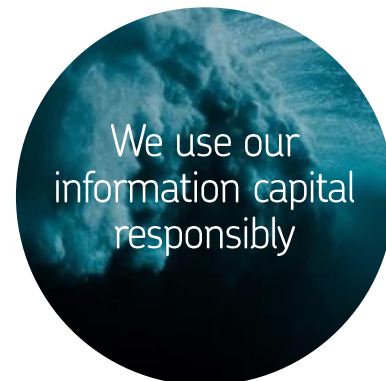
We promote the management of personal finances and prosperity in all age groups.



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



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



We use customer data and AI transparently, in the best interest of our customers. Accessibility and having the best customer experience across all channels are at the core of developing our services.

OP is highly committed to Corporate Responsibility

International ESG commitments



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

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

Collective Commitment to Climate Action – signed in 2019

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



Equator Principles – signed in 2016

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



Montréal Carbon Pledge – signed in 2015

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



UN Global Compact initiative – signed in 2011

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



UN Principles for Responsible Investment (UNPRI) – signed in 2009

Commitment by OP Asset Management Ltd, OP Fund Management Company Ltd and OP Real Estate Asset Management Ltd



OECD Guidelines for Multinational Enterprises

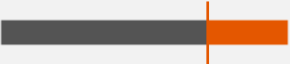
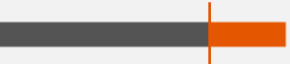
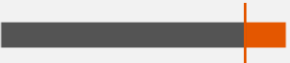
Incl. voluntary CR principles and standards

ESG participation & cooperation

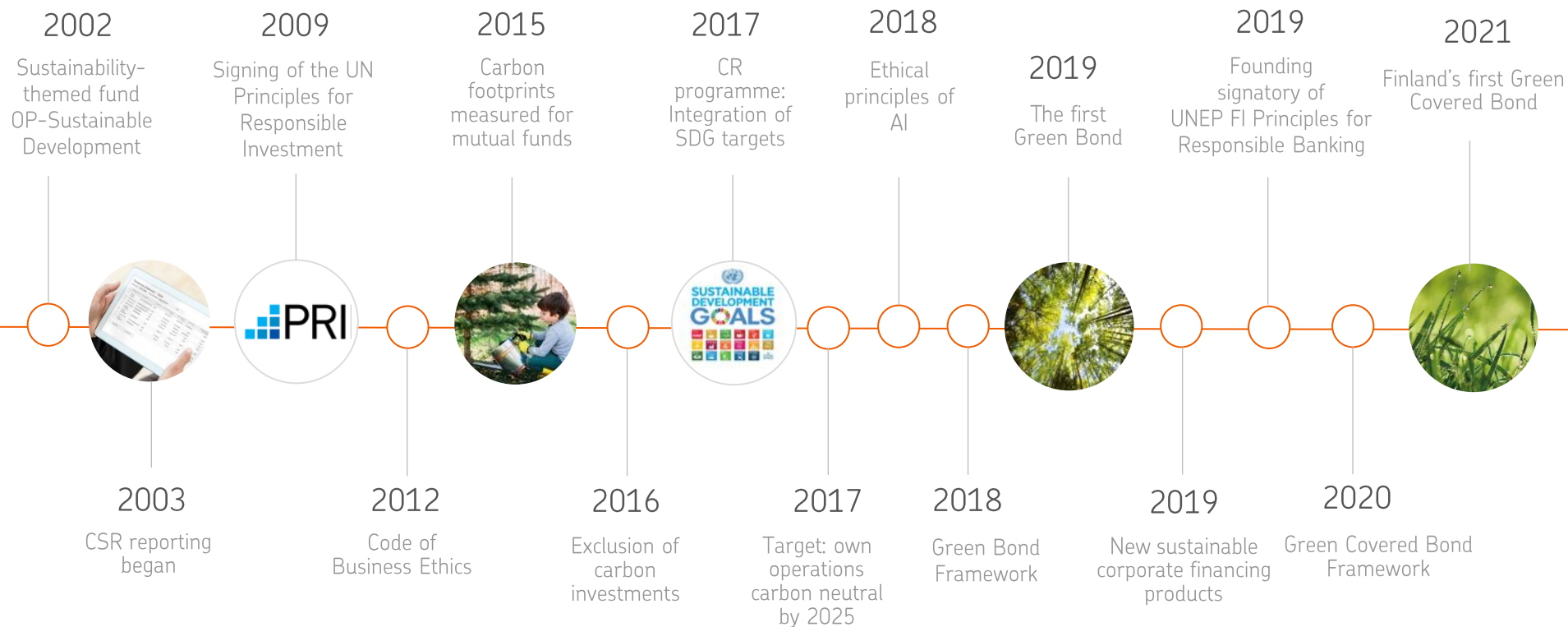
- Finland's Sustainable Investment Forum (FINSIF)
- Climate Leadership Coalition (CLC)
- Global Compact Network Finland
- International Capital Markets Association's (ICMA) Green and Social Bond Principles
- Partnership agreement with Climate Bonds Initiative (CBI)
- CR network of the Finnish Business & Society association (FIBS)
- CR Working Group of the European Association of Co-operative Banks (EACB)
- CR Working Group of Finance Finland
- EEMI (Energy efficiency Mortgages Initiative)
- Pohjola Insurance Ltd & Hope Finland cooperation
- OP Asset Management Ltd: official supporter of The Task Force on Climate-related Financial Disclosures (TCFD)

ESG Ratings

OP is among the top performers in the banking sector

Rating agency	Rating	Rating scale	OP's performance relative to the industry
MSCI 	A	CCC to AAA	low  high
 SUSTAINALYTICS	16.0 (low risk)	100 to 0 (severe to negligible risk)	low  high
ISS ESG 	C-	D- to A+	low  high
 CDP DISCLOSURE INSIGHT ACTION	A-	D- to A	low  high
 vigeo eiris	53	0 to 100	low  high

OP's CR journey



Green Bonds

Green bonds support OP's mission

Responsibility

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

Funding

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

Retail banking

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

”

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

OP's values



People First



Responsibility



Succeeding
Together

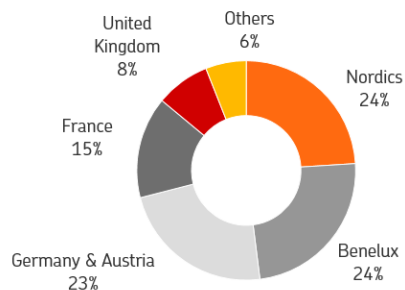
OP Corporate Bank entered the green bond market in Feb 2019

Green Bond in brief

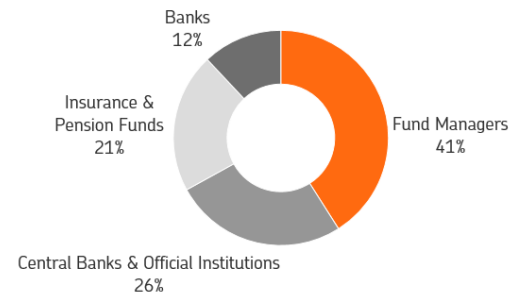
Issuer	OP Corporate Bank plc
Issuer ratings	Aa3 (Stable) by Moody's / AA- (Stable) by S&P
ISIN	XS1956022716
EMTN series number	230
Nominal amount	EUR 500 million
Issue type	Senior unsecured fixed rate notes (Senior Preferred, Green Bond)
Use of Proceeds	Green eligible projects and businesses under the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

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

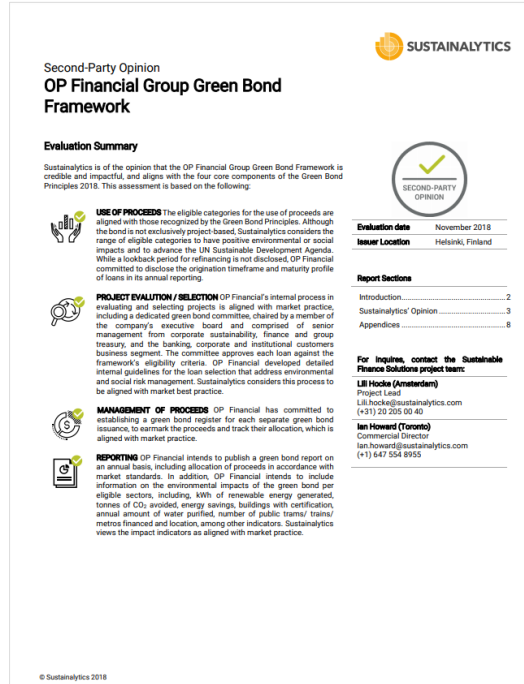
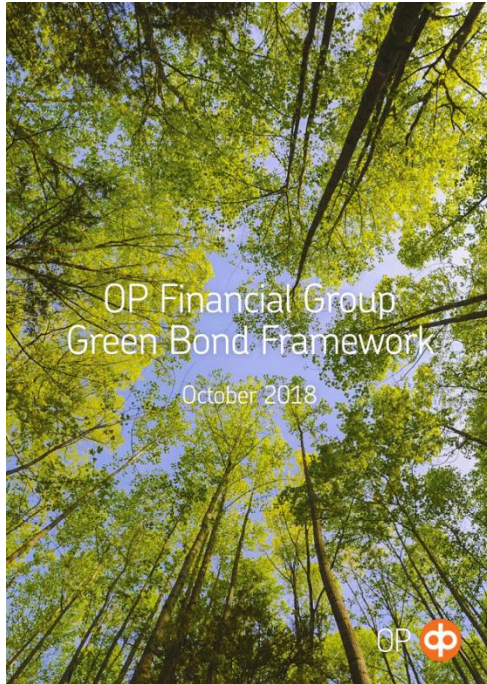
Investors by geography



Investors by type



Green Bond Framework published in 2018



- OP Financial Group published its Green Bond Framework and associated Second Opinion issued by Sustainalytics in 2018
- Eligible sectors for use of proceeds:
 1. Renewable Energy
 2. Energy Efficiency
 3. Green Buildings
 4. Pollution Prevention and control
 5. Sustainable Land Use
 6. Clean Transportation
- Currently OP Corporate Bank's Green Bond register includes corporate loans from sectors 1, 3 and 5
- OP Corporate Bank carries out ESG analyses of its corporate exposures to support credit risk assessments and seek more assets eligible for green bonds

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

OP Corporate Bank's Green Bond Report highlights



Green Bond overview

- OP Corporate Bank issued its inaugural €500 million green bond in Feb 2019
- The most recent Green Bond report was published in April 2021
- Proceeds allocated to Renewable Energy, Green Buildings and Sustainable Land Use¹
- As of end-December 2020, the Green Bond register included eligible assets worth €1,335.5 million (reserve of *unallocated* green assets €835.5 million)¹

Impacts from OP's Green Bond²



Renewable Energy

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



Green Buildings

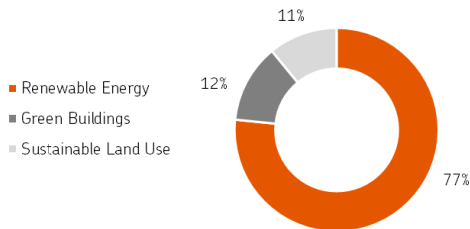
- 20 000 m² of green certified building area and 3 770 m² currently under construction
- 2 300 tCO2e avoided due to reduced energy consumption



Sustainable Land Use

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

Assets included in the Green Bond register by eligible sector



Most relevant UN SDGs:



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

² for further information on the impact methodology, please see OP Corporate Bank's Green Bond Report published in April 2021 at <https://www.op.fi/op-financial-group/debt-investors/green-bonds>

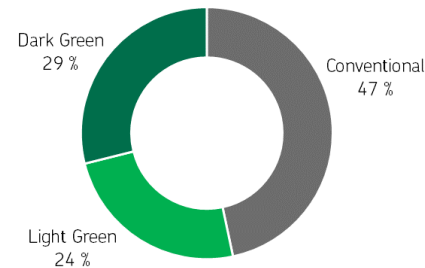
OPMB entered the Green Covered Bond market in March 2021

Green Covered Bond in brief

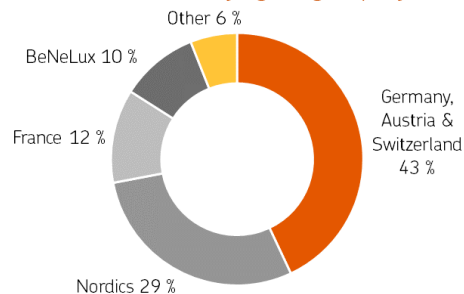
Issuer	OP Mortgage Bank
Issuer ratings	Aaa (stable) by Moody's, AAA (stable) by S&P
ISIN	XS2324321368
EMTCN series number	26
Nominal amount	EUR 750 million
Issue type	Covered Bond (under the OPMB Green Covered Bond Framework)
Use of Proceeds	Green buildings
Pricing date	18.3.2021
Issue date	25.3.2021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

The transaction was successful Green distribution (allocation)

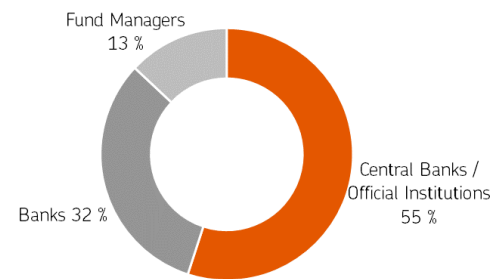
- The €750 mn bond was over-subscribed by more than **twice**. Over **50** investor accounts were involved.



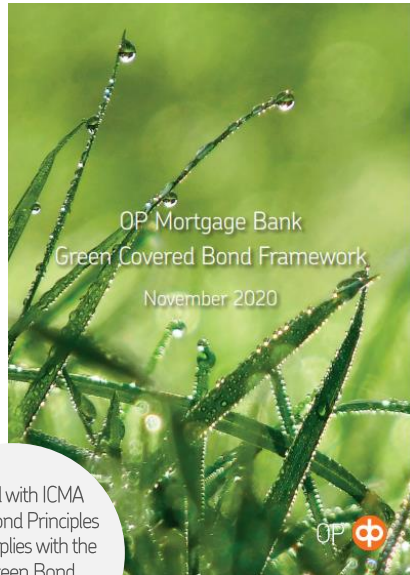
Investors by geography



Investors by type



Green Covered Bond Framework published in 2020



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

Use of Proceeds

- Eligible Sector: Green buildings
- Criteria: EU Taxonomy's Construction and real estate activities criteria and CBI Residential Buildings criteria

Project evaluation and selection

- To identify eligible mortgages, data from various sources is utilized (e.g. ARA)
- The energy performance certificates (EPCs) are used to assess eligibility
- If EPCs are not available, the secondary approach is energy efficiency statistical modeling

Management of proceeds

- Cover Pool is reviewed as a part of the pooling process on a regular basis
- Quarterly internal reporting to Green Bond Committee

Reporting: Annual Green Covered Bond Report

- Amount of proceeds allocated to green covered bonds
- Origination timeframe and maturity profile of mortgages
- Number of eligible mortgages
- Estimated environmental impacts of the mortgages

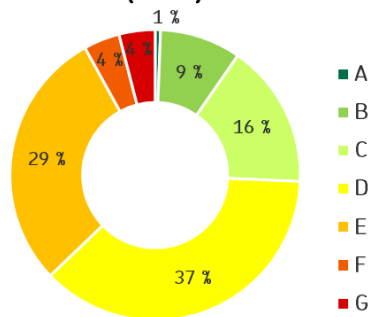
External review & verification

- Second Party Opinion by Sustainalytics
- Limited assurance report by an external auditor

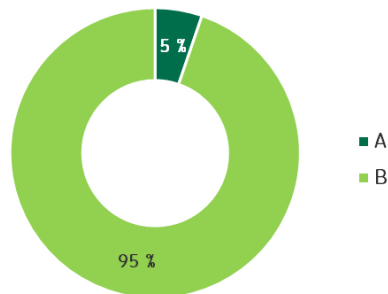
Eligible green mortgages amount to €2.1 bn

(March 2021)

Energy label breakdown*, Finland (2020)



Estimated energy label breakdown*, eligible green mortgages

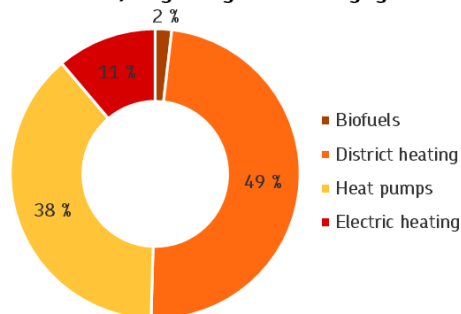


- EPCs A and B amount to approximately 10% in Finland

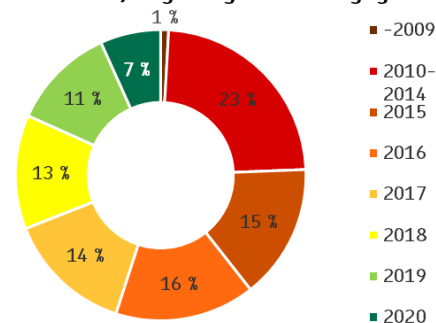
- Estimation is based on OP mortgages that have EPCs available

*presented as equivalent to 2018 Finnish EPC legislation

Estimated main heating source breakdown, eligible green mortgages



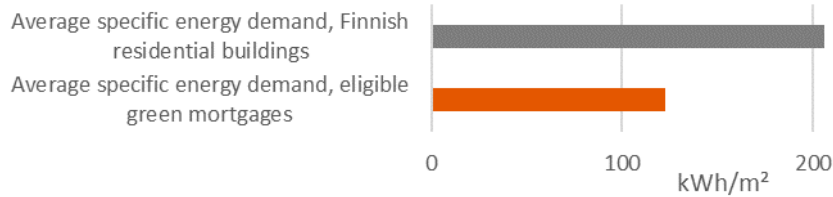
Estimated construction year breakdown, eligible green mortgages



In Finland, 85% of electricity production was CO₂-neutral and 54% of district heating was produced from renewable energy sources and waste heat in 2020.

Source: Finnish Energy (ET)

Impact metrics estimates



- Preliminary estimate for energy savings of eligible green mortgages: 65 000 MWh/a
- Preliminary estimate for emission savings of eligible green mortgages: 14 500 tCO₂/a

METHODOLOGY AND ASSUMPTIONS

- Preliminary estimates for collateral(s)' specific energy demand are calculated from EPCs (if available for a collateral) and modeled for the rest of the collateral(s) (given data availability)
- Specific energy demand for an average residential building in Finland is calculated based on data from Statistics Finland
- In emission calculations all savings in energy demand are assumed to derive from heating
- Specific emissions used in estimates:
 - Electricity (marginal): 315 gCO₂/kWh, Source: [NPSI Position Paper on Green Bonds Impact Reporting, 2020](#)
 - District heating: 154 gCO₂/kWh as of March 2021. Source: [Motiva](#) (in Finnish)
- Specific (marginal) emissions from heating for an average residential building in Finland (based on the main heating source distribution published by Statistics Finland): 189 gCO₂/kWh
- The share of impacts of green collateral(s) allocated to eligible green mortgages is calculated as follows: loan balance divided by the value of green collateral(s) as of the reporting day
- The methodology will be further developed for the Green Covered Bond Report which will be published within a year from the date of issuance

A young girl with long brown hair and a grey sweater is pointing at a smartphone held by an elderly woman with white hair and a black sweater. They are both looking intently at the screen. The background is softly blurred, showing an indoor setting with a patterned tablecloth.

OP Mortgage Bank Cover Asset Pool Characteristics

OP Mortgage Bank (OPMB)

- 100% owned subsidiary of OP Cooperative
- Covered bond issuing entity of OP Financial Group
- Special-purpose bank and a funding vehicle for the OP member cooperative banks
- Covered bond ratings: AAA (S&P), Aaa (Moody's)
- EMTCN programme of €20 bn qualifies for the ECBC Covered Bond Label

Joint liability

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

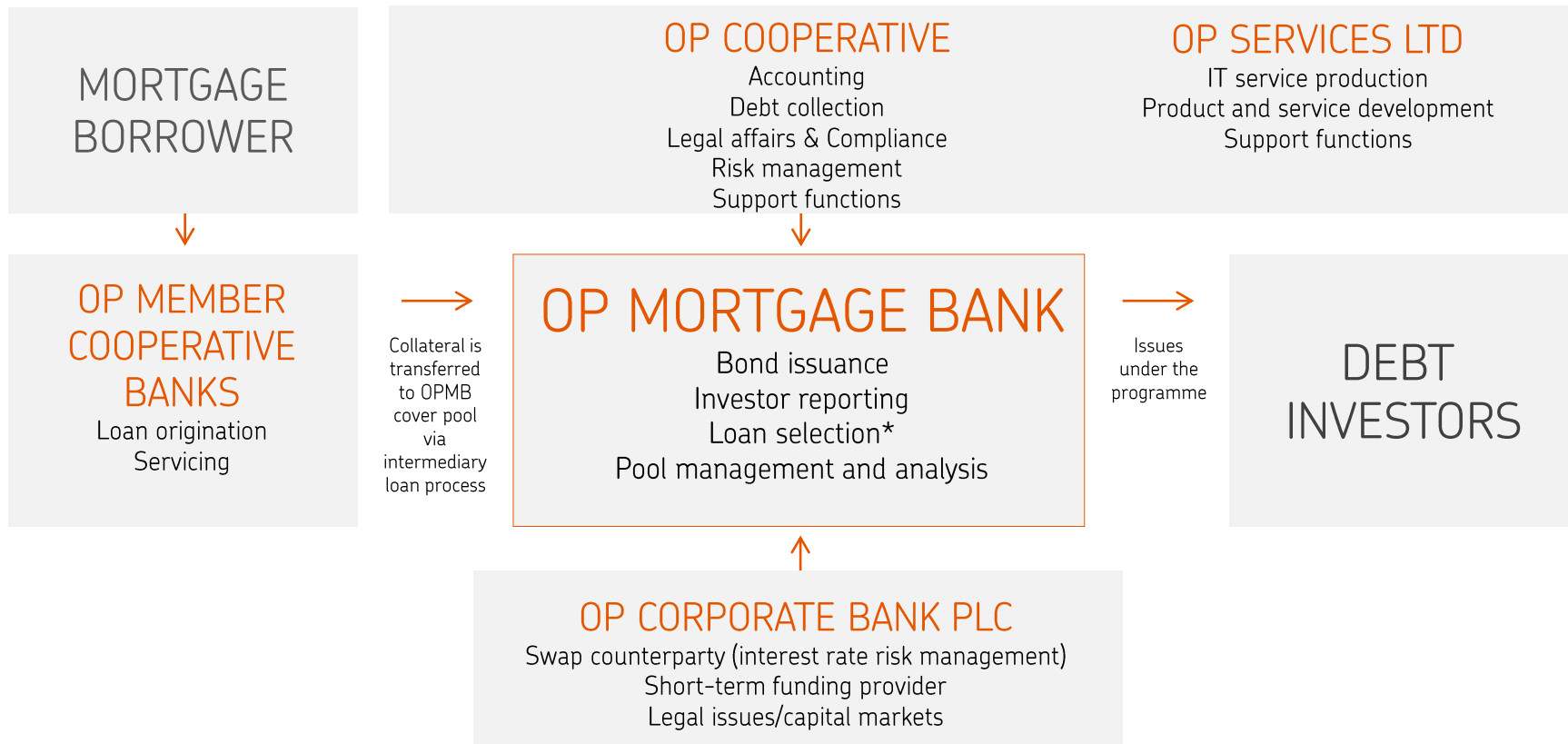
Harmonized Transparency Template



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

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

Operating model and roles



Intermediary loan process

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

Act on Mortgage Credit Bank Operations

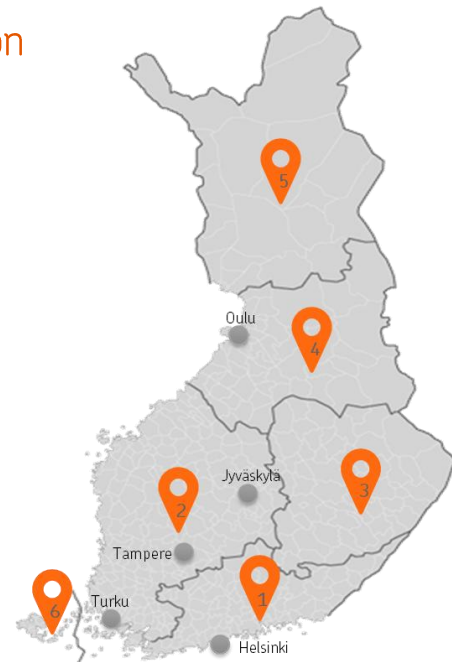
- Segregation of assets in Covered Register
- Tight LTV restrictions on eligible assets (70% LTV on residential mortgages)
- Over-collateralisation requirement of 2%
- Continuity of Cover Pool and Covered Bonds in the event of liquidation and bankruptcy of the issuer
- Regulated by the Finnish FSA and ECB
- Assets that must be booked as non-performing (over 90 days in arrears), according to the FIN-FSA regulations, shall not be included in the Cover Pool
 - At OPMB, non-performing loans were €59.3 mn as at 31 Mar 2021 (€56.4 mn at YE2020), increase due to the new definition of default (DoD)

OPMB Cover Asset Pool

- Collateralized by Finnish mortgages
- Current balance €16 bn
- Weighted Average indexed LTV of 49%
- Average loan size €60,000
- No loans over 60 days in arrears ongoing
- Variable interest rates: over 98% of all loans
- Hedging agreements in place in order to mitigate interest rate risk
- Total amount of covered bonds €13 bn

Geographical distribution

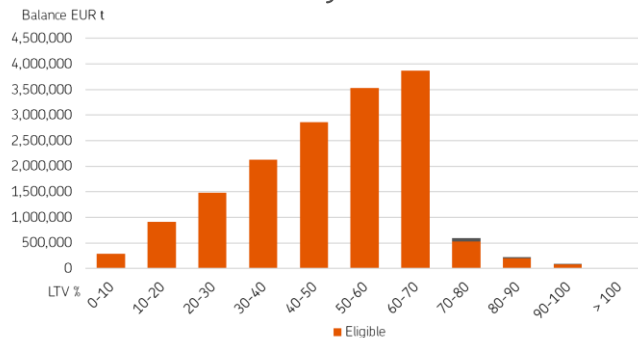
- | | | |
|---|------------------|-----|
| 1 | Southern Finland | 47% |
| | • Helsinki 19%* | |
| 2 | Western Finland | 34% |
| | • Tampere 7% | |
| | • Turku 5% | |
| | • Jyväskylä 4% | |
| 3 | Eastern Finland | 8% |
| 4 | Oulu region | 9% |
| | • Oulu 6% | |
| 5 | Lapland | 2% |
| 6 | Åland | 0% |



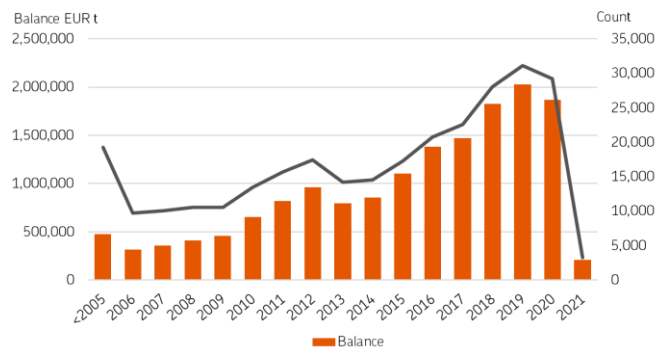
*City-specific figures are percentages of the whole of Finland

OPMB Cover Asset Pool

Loans by LTV

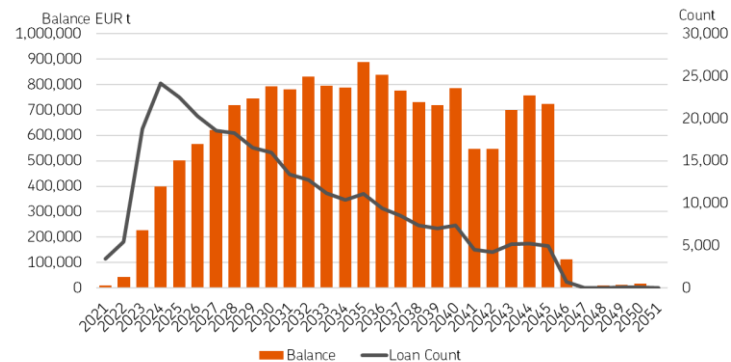


Loans by origination year



- Total assets €16 bn
- Weighted average indexed LTV of 49%
- Over-collateralisation 18.5% Eligible only

Loans by maturity



Appendix



OP's financial performance by business line

Q1 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	235	100	0	-21	3	316
of which internal net income before tax		-3		3		
Net insurance income			164		-7	157
Net commissions and fees	198	52	21	1	-2	270
Net investment income	-1	49	110	1	-13	146
Other operating income	10	13	1	176	-194	7
Total income	442	214	295	157	-214	896
Personnel costs	109	22	40	52	-1	222
Depreciation/amortisation	12	5	14	34	-1	64
Other operating expenses	195	70	65	93	-202	221
Total expenses	316	96	119	179	-204	507
Impairments loss on receivables	-24	2	0	0	0	-22
OP bonuses to owner-customers	-37	-4	-5		0	-46
Temporary exemption (overlay approach)			-55	0	0	-55
Earnings before tax	66	115	117	-22	-10	265

Cost efficiency

Group C/I ratio
56.6% (78.3%)

Retail Banking
 C/I ratio
71.3% (73.2%)

Corporate Banking
 C/I ratio
45.0% (57.1%)

Non-life Insurance
 Operating cost ratio
27.5% (27.2%)

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

Joint liability

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

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

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

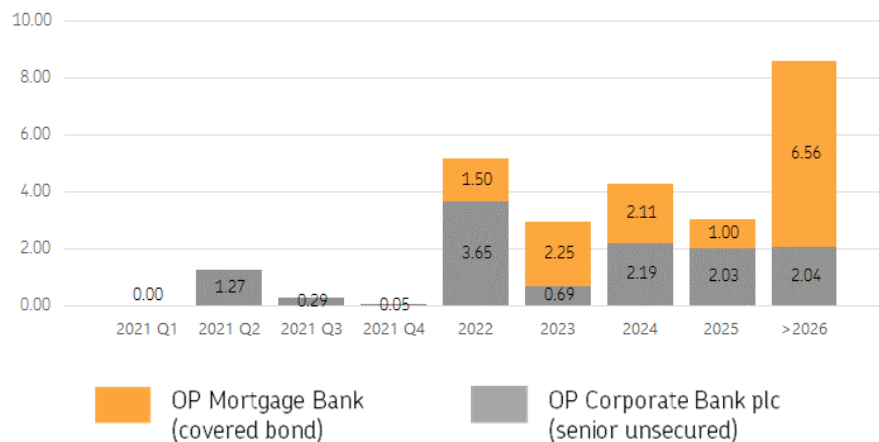
The member credit institutions must pay proportionate shares of the amount OP Cooperative has paid, and upon insolvency of OP Cooperative they have an unlimited liability to pay the debts of OP Cooperative.

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

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

Maturity breakdown of wholesale funding

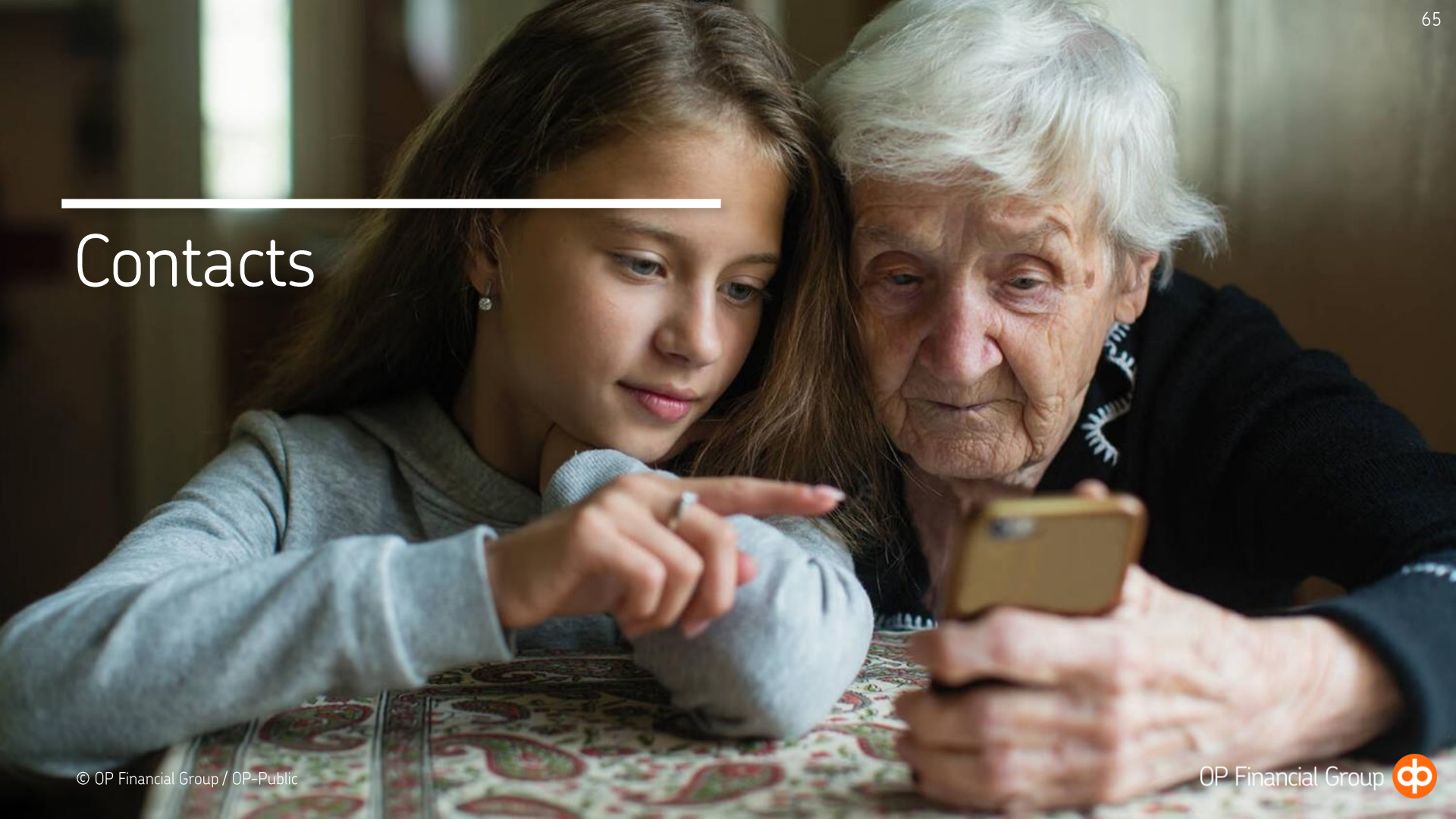
Senior unsecured and covered bonds by maturity, (€ bn)



MREL regulation

- The SRB has set MREL for OP Financial Group at 12% of liabilities and own funds ie. 27% of the total risk exposure amount (REA) at YE2018.
- As at 31 March 2021 OP Financial Group
 - clearly fulfils the requirement set by the authority: MREL ratio was around 38%
 - had SNP instruments worth €2.5 bn in its balance sheet
- 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

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CFO's Results Interview