



# Debt Investor Presentation H1/2020

OP Financial Group and issuing entities  
OP Corporate Bank plc and OP Mortgage Bank  
[www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

OP will publish the quarterly Capital Adequacy Report for 30 June 2020 on week 31.  
Slide 44 of this presentation will be updated afterwards.

# Disclaimer

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

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

# Contents

• OP Financial Group in brief	4
• OP's measures amid the coronavirus pandemic (COVID-19)	8
• Finnish economy	11
• OP Financial Group	22
Ÿ Structure, joint liability and market shares	
Ÿ Strategy, competitive advantages and development activities	
Ÿ CR programme	
Ÿ Capitalisation, financial performance and asset quality	
Ÿ Credit ratings, liquidity and funding	
• OP Mortgage Bank	51
• OPMB Cover Asset Pool & ECBC Harmonised Transparency Template	56
• Appendix	66
• Debt IR contacts	82



A close-up photograph of an older man with a grey beard and glasses, wearing a blue flat cap and a green jacket over a plaid shirt. He is looking down at a white smartphone in his hands, with white earbuds in his ears. The background is blurred, showing warm, out-of-focus lights.

# OP Financial Group in brief

# Co-operative OP Financial Group

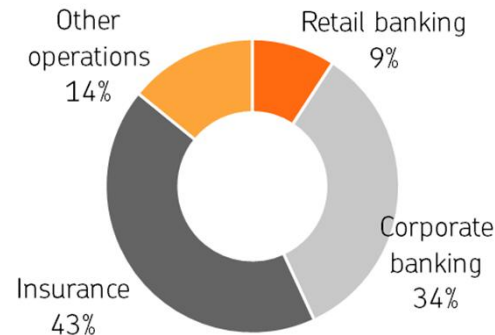
## TOTAL ASSETS

€160 bn

at end-Jun 2020

## EARNINGS BEFORE TAX

(excl. group  
eliminations,  
H1/20)



## JOINT LIABILITY

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

## SOLID CAPITAL POSITION

17.7%

CET1 ratio  
at end-Jun 2020

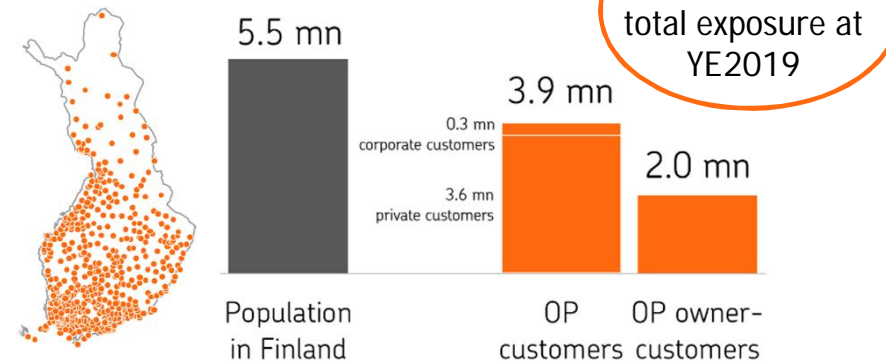
21.1%

Total capital ratio  
at end-Jun 2020

7.5%

Leverage ratio  
at end-Jun 2020

## FINNISH RISK EXPOSURE



## MARKET LEADER IN FINLAND

35.5%

Market share  
in Loans  
YE2019

39.2%

Market share  
in Deposits  
YE2019

33.5%

Market share  
in Non-life  
Insurance YE2019

17.6%

Market share  
in Life Insurance  
YE2019

## 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

# Key financials H1/20

## Main P&L line items

Group EBT  
**€287 mn**  
 (-28%)

Retail banking EBT **€28 mn (-70%)**  
 Corporate banking EBT **€103 mn (-26%)**  
 Insurance EBT **€130 mn (-32%)**  
 Other operations EBT **€43 mn**

Total income  
**€1,481 mn**  
 (-6%)

NII **€646 mn (+7%)**  
 Net insurance income **€295 mn (+8%)**  
 Net commissions and fees **€455 mn (+1%)**  
 Net investment income **€-28 mn (-113%)**

Total expenses  
**€993 mn**  
 (+4%)

Personnel costs **€415 mn (+3%)**  
 Development cost impact **€100 mn (91)**

Majority of OP's personnel's statutory earnings-related pension insurance was transferred to Mutual Pension Insurance Company Ilmarinen at YE2018. The rest of these pension insurance liabilities are planned to be transferred at YE2020 which is estimated to decrease personnel costs by €57 mn in 2020.

## Volumes (H1/20 growth)

Home loans  
**€39.8 bn (+1%)**  
 Corporate loans  
**€23.2 bn (+3%)**  
 Housing company loans  
**€9.7 bn (+5%)**

Loans, total  
**€93.7 bn (+3%)**  
 Deposits, total  
**€69.2 bn (+8%)**

Insurance premium revenue  
 (y-on-y growth)  
**€740 mn (+2%)**

Assets under management  
**€79.8 bn (-4%)**

## Outlook 2020

OP Financial Group's earnings before tax for 2020 are expected to be lower than in 2019.

Exceptional uncertainty caused by the coronavirus pandemic increases impairment loss on receivables and weakens net investment income in 2020.

# In H1/20, the coronavirus pandemic affected OP's core business operations in different ways


## Banking

- Applications for **loan repayment holiday and loan repayment schedule modification** in H1/20
  - Home loans: **120,000 applications**
  - SME loans: **20,000 applications**
  - **Number of applications normalised towards end-June 2020**
- After the restrictions set due to the coronavirus pandemic were eased, **loan demand started to bounce back** at end-May 2020

## Insurance

- Claims incurred increased by **event and epidemic interruption claims** and **claims compensated by travel insurance** due to cancelled or interrupted journeys
- Muted travelling activity, significantly lower traffic and **decline in general activity in the society** decreased the number of claims up to **25%** compared to normal levels in Q2/20
- According to current estimates, overall **effect of the coronavirus pandemic on net insurance income** expected to be minor



A close-up photograph of an older man with a white beard and glasses, wearing a blue flat cap and a green jacket over a plaid shirt. He is looking down at a white smartphone in his hands, with white earbuds in his ears. The background is blurred, showing warm, out-of-focus lights.

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



# OP takes responsibility amid the coronavirus pandemic

## Supportive actions for private and corporate customers

### Customers advised to utilise digital service channels

Some branches temporarily closed due to the pandemic, in the rest of branches particular attention paid to hygiene and safe use of services, protective plexiglasses installed

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

Separate service hours in branches and dedicated telephone line

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

120,000 applications by end-June 2020.  
At end-June, the number of applications returned to its pre-pandemic level.

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

20,000 applications for repayment holidays and repayment schedule modifications by end-June 2020.  
Towards end-June, the number of applications decreased.  
In addition, guarantees provided by state-owned financing company Finnvera are available for corporate customers (corporate loans of max. €1 mn are 80%-guaranteed by Finnvera)

### Adjustments to rent payments and rent reliefs for commercial real estate

Offered by OP Real Estate Asset Management Ltd to its rental locations.  
At end-June, the lessees' need for flexible lease payment decreased.

### Payment time flexibility for corporate customers' insurance bills

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

# OP takes responsibility amid the coronavirus pandemic

## Supportive actions for employees, healthcare sector and society

OP supported and recommended remote working for its employees when possible

During the coronavirus pandemic in H1/20, around 75% of OP's employees worked remotely.

OP has drawn up detailed plans for a safe, gradual and well-controlled return to in-office work. As of the beginning of June, employees have been able to return to offices so that a maximum of 30% of employees are present at the same time.

In August, aim is to return back to work from summer holidays according to normal working practices focusing on employees' and customers' wellbeing, safety and operational profitability.

Pohjola Hospital donated its personnel's (up to 100 employees) work contribution for public healthcare

Persons tracked COVID-19 infection chains and helped in other critical tasks. Pohjola Hospital paid the salaries of these persons.

OP postponed payment of €97 mn interest on Profit Shares (for 2019) until 1 Oct 2020

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

9,600 lunch vouchers to families in need

Pohjola Insurance Ltd together with Hope ry donated vouchers to families in need with the aim of supporting local restaurants, too

A close-up photograph of an older man with a white beard and glasses, wearing a blue flat cap and a green jacket over a plaid shirt. He is looking down at a white smartphone in his hands. White earbuds are visible in his ears. The background is blurred, showing warm, out-of-focus lights, suggesting an urban setting at night.

# Finnish economy



# Economic response to the coronavirus crisis in Finland

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

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

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

Source: Pellervo Economic Research PTT

# Forecasts for the Finnish economy

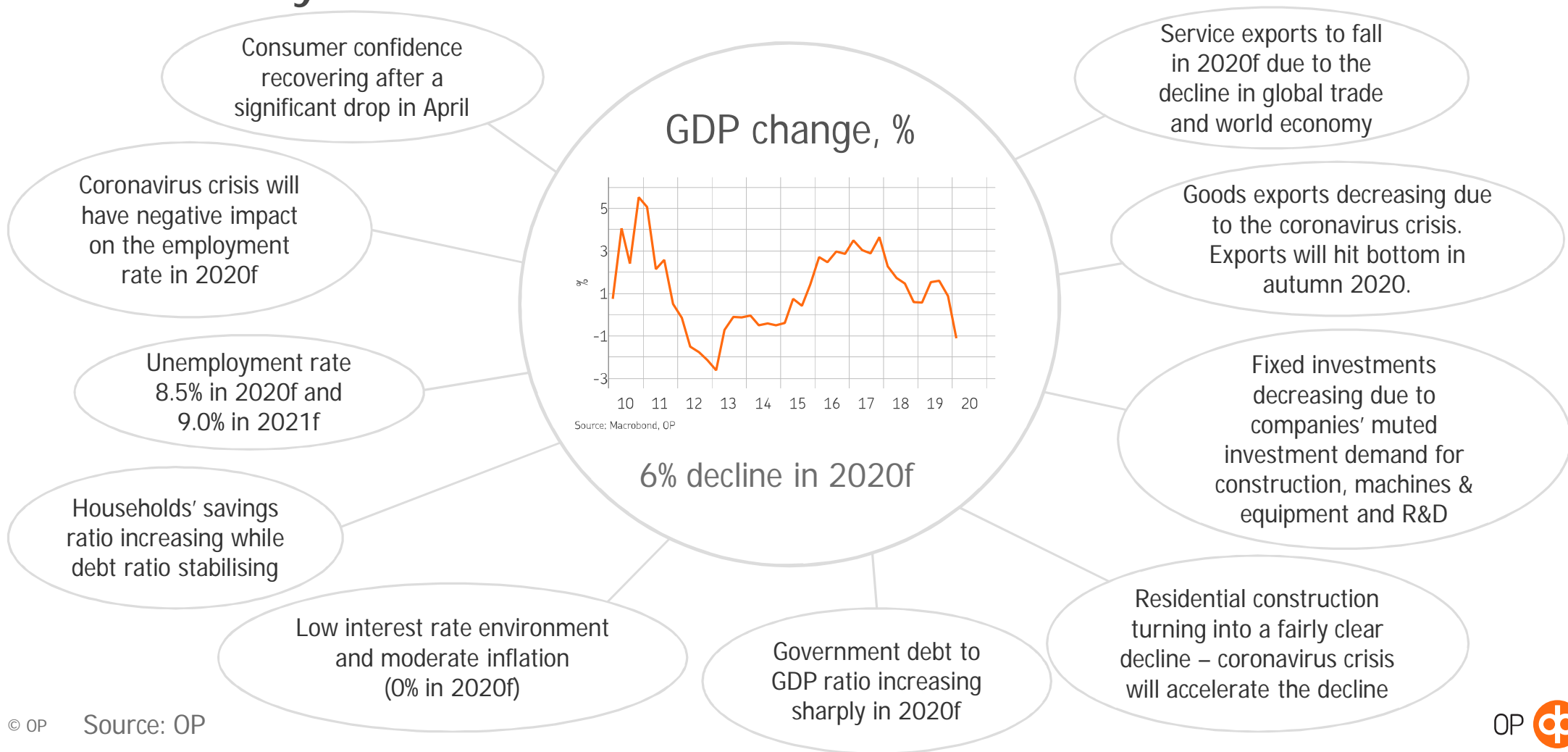
Published 19 May 2020

Forecasts for the Finnish economy, May 2020

	EUR bn				
Volume, % change on previous year	2018 <sup>*</sup>	2018 <sup>*</sup>	2019	2020f	2021f
GDP	234,5	1,6	1,0	-6,0	3,5
Imports	92,1	5,5	2,2	-10,0	8,0
Exports	90,4	1,7	7,2	-11,5	8,0
Consumption	176,8	1,9	0,6	-4,0	4,5
- Private	123,7	1,7	1,0	-7,5	6,0
- Public	53,1	2,1	0,9	4,0	1,0
Fixed investment	55,5	3,7	-0,8	-5,5	1,0
Other key indicators		2018	2019	2020e	2021e
Consumer price index, % change y/y		1,1	1,0	0,0	1,0
Change in wage and salary earnings, %		1,7	2,4	2,5	2,5
Unemployment rate, %		7,4	6,7	8,5	9,0
Current account balance, % of GDP		-1,6	-0,8	-0,5	-1,0
General government net lending, % of GDP		-0,9	-1,1	-8,0	-8,0
General government debt, % of GDP		59,6	59,4	70,5	74,5

Sources: Statistics Finland and OP Financial Group

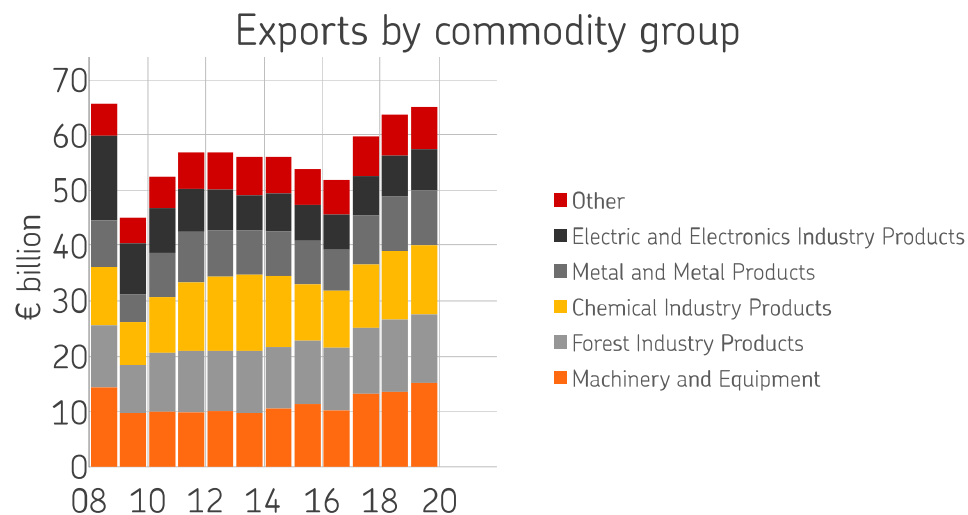
# Recession inevitable in Finland in 2020f – Exceptional uncertainty in the economic outlook due to coronavirus crisis





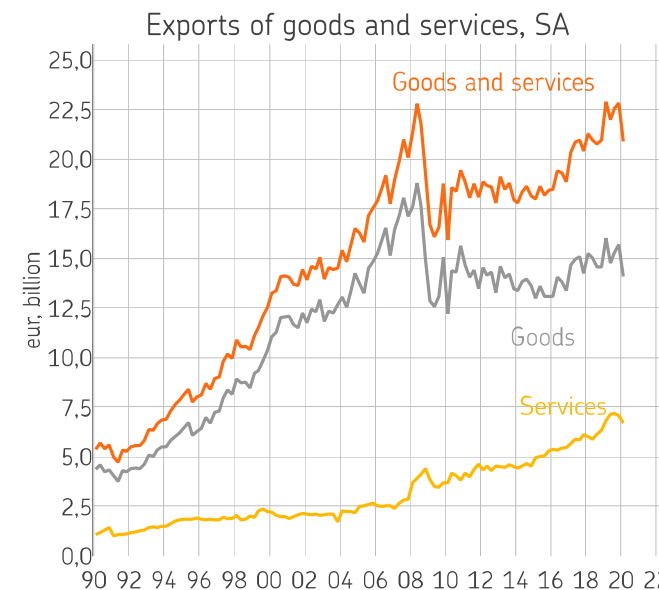
# Balanced goods exports structure by commodity group

Goods exports by commodity group  
2008–19



Source: Macrobond, Finnish Customs

Goods exports around 2/3 of  
Finnish exports



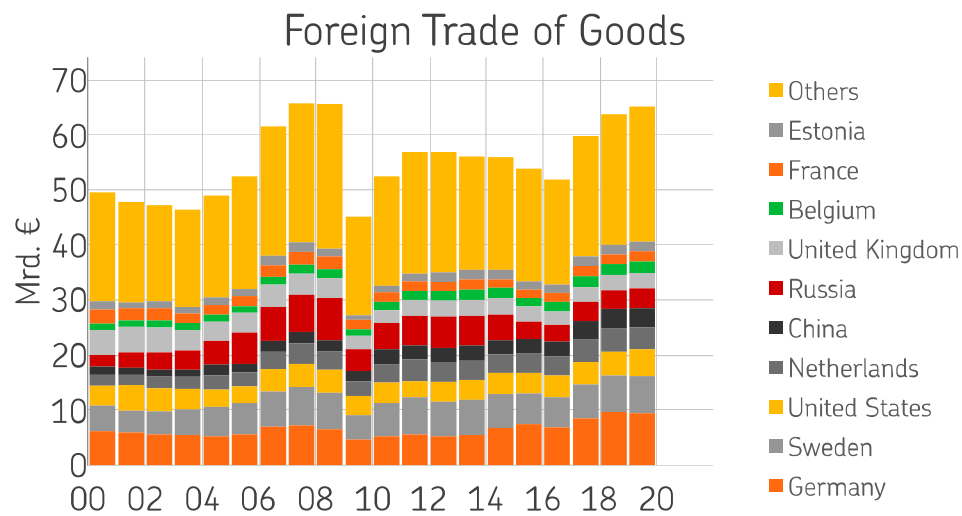
Source: Macrobond, OP  
Latest values: Q1/2020

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

# Diversified goods exports structure by country

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

Finland's largest goods exports countries  
2000-19



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



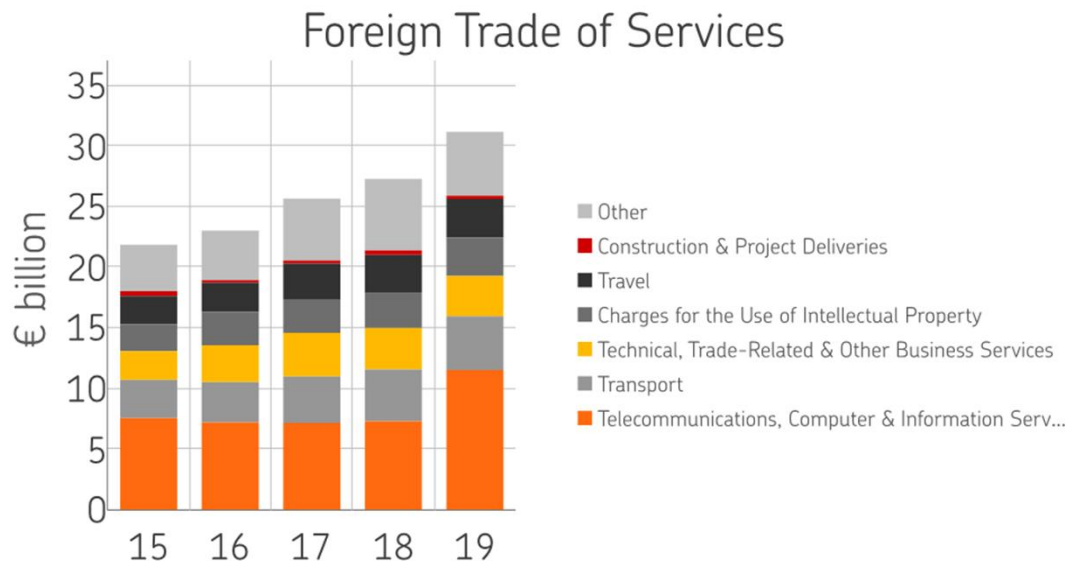
Source: Macrobond, OP

\* Italy (3.5%), Poland (2.8%), Japan (2.1%), Spain (1.8%), Denmark (1.6%), South Korea (1.4%), Switzerland (1.2%), Turkey (1.2%), Australia (1.1%), Latvia (0.9%), Lithuania (0.9%), Canada (0.8%), India (0.8%), Austria (0.7%), Mexico (0.6%), Czech Republic (0.6%), Chile (0.6%), Brazil (0.6%), South Africa (0.5%) and the remaining countries (11.6%) of which less than 0.5% each.

# Service exports structure rather stable

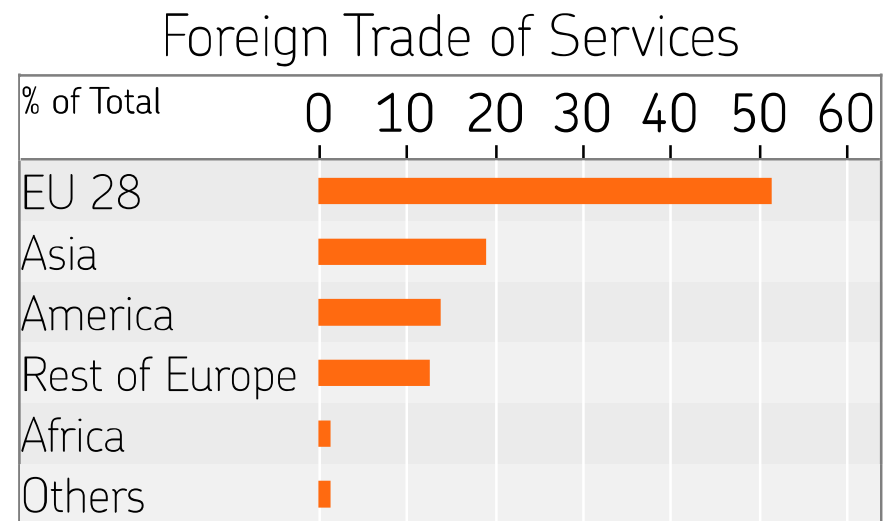
In 2019, IT services accounted for around 11% of total exports while eg. forest industry products accounted for 13%

Finland's service exports by item  
2015–19



Source: Macrobond, OP

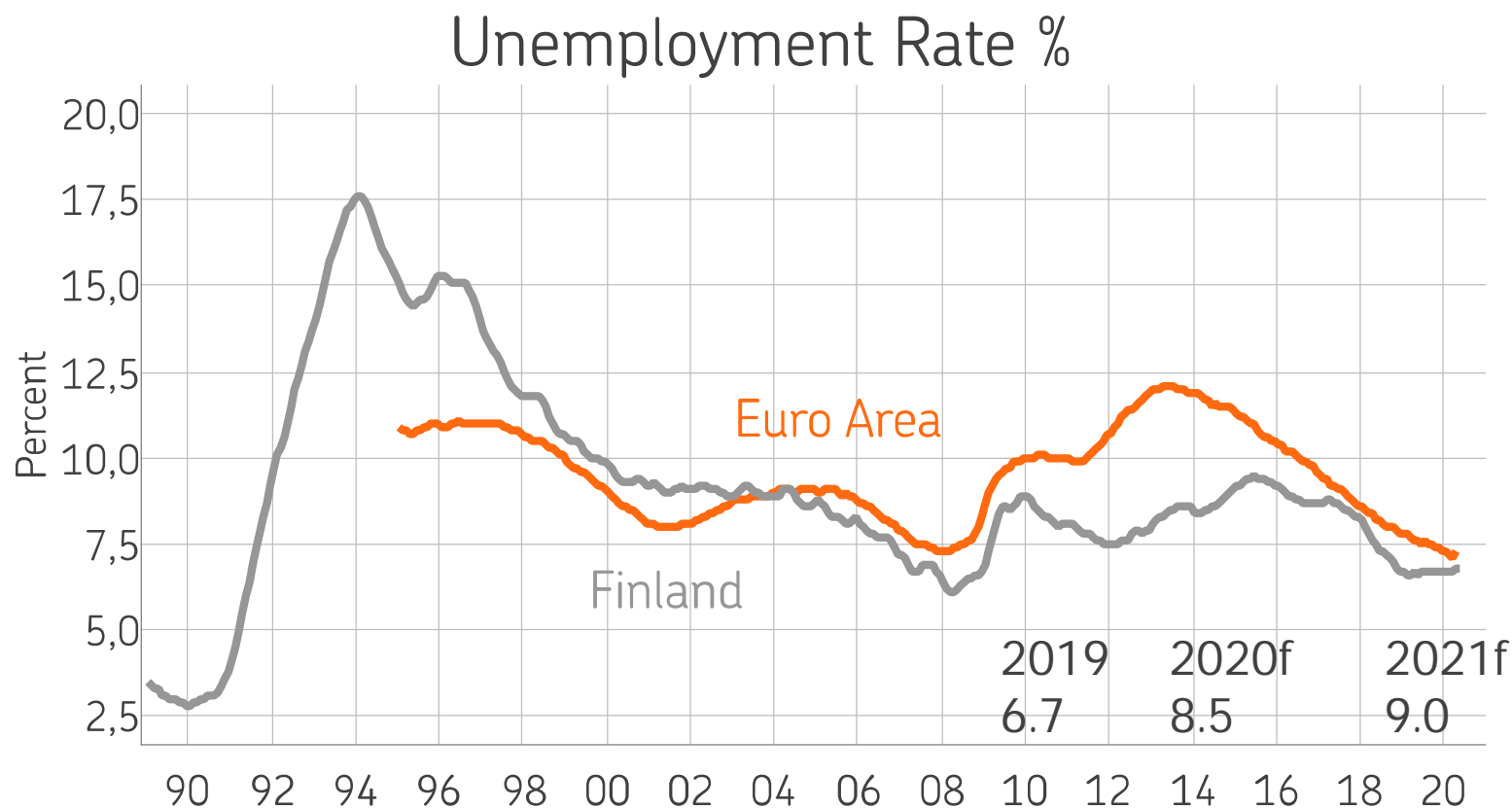
Finland's service exports by area  
2019



Source: Macrobond, OP



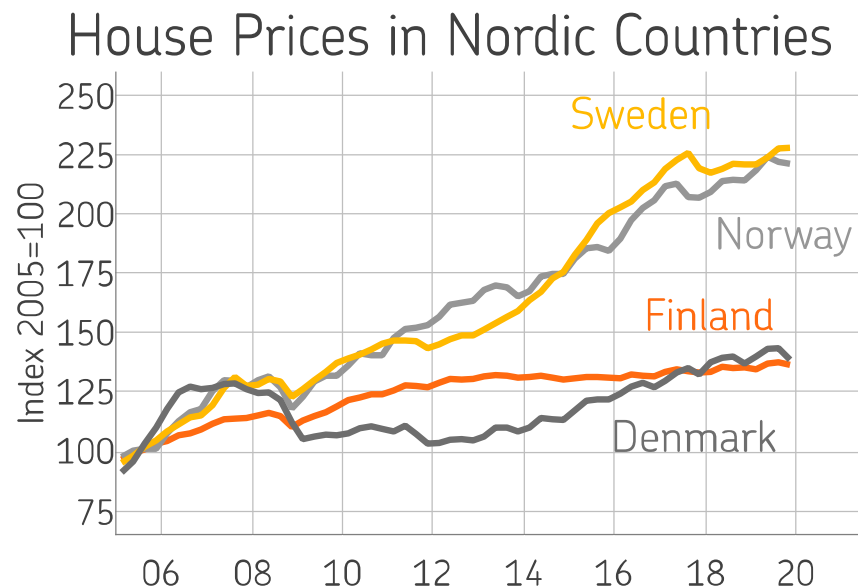
# Unemployment rate rising due to the coronavirus crisis



Employment declines in 2020 due to the recession caused by the coronavirus pandemic

# Average house prices and households' debt

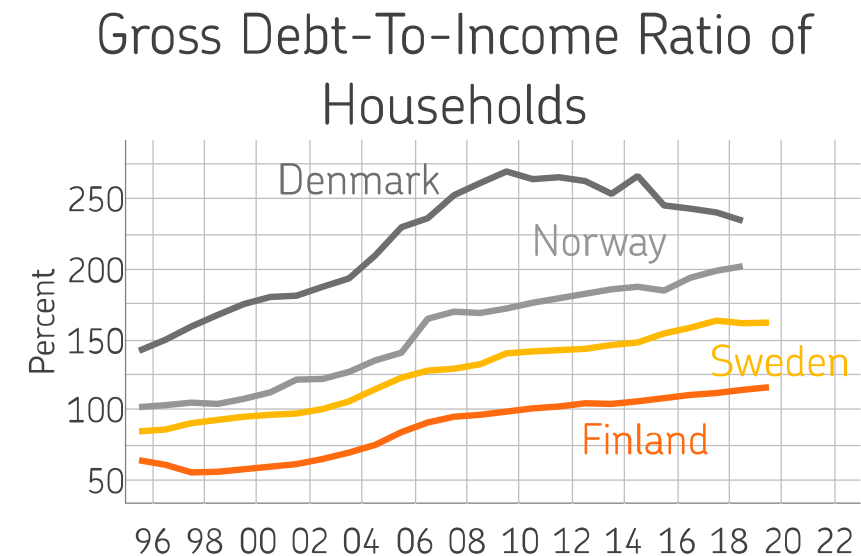
In Finland, the coronavirus crisis will hit the housing market and average house prices are estimated to decrease in 2020



Source: Macrobond, OP, Eurostat

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

Latest values: Q4/2019



Source: Macrobond, OP

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

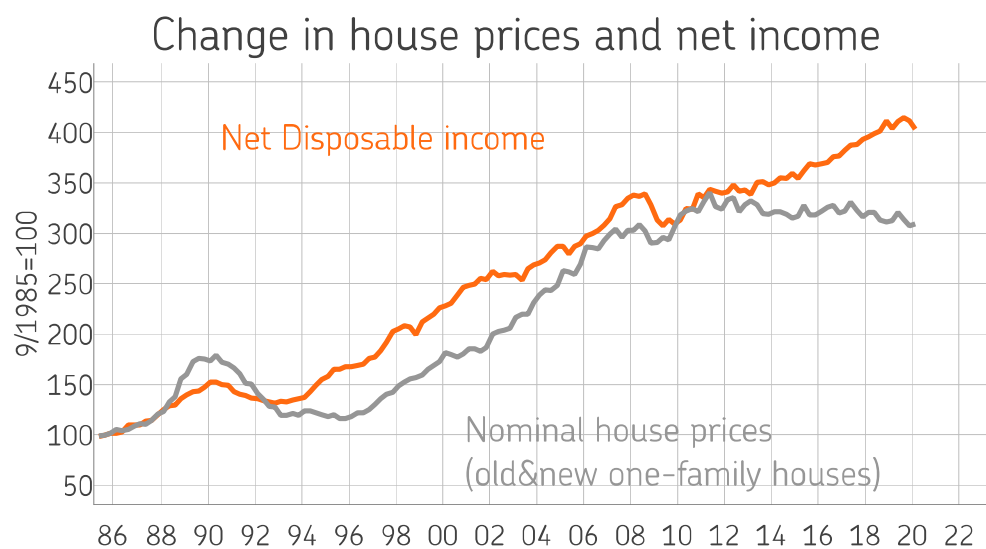
Latest values: Finland & Sweden 2019, Norway & Denmark 2018

# Finnish housing market is stable

## Characteristics of Finnish housing market

- Y Fully-amortizing housing market
- Y Average maturity of a new home loan 21 yrs 4 mths in May 2020
- Y 98% of home loans tied to variable interest rates in May 2020
- Y Stress-tested with 6% interest rate in 25 years' maturity at OP
- Y Home loan cap (LTC) increased to 90% (95% for first-home-buyers) from 85% due to COVID-19 related support actions for housing market in June 2020
- Y Ownership ratio 63% at YE2018
- Y Rental market: around 50% municipalities/subsidized and around 50% privately financed/non-subsidized (of which 30% private investors, 20% professional investors)
- Y Average price of an old dwelling 2,129 €/sq m in May 2020 (-1.1% y-o-y, preliminary information)
- Y 3,846 €/sq m in Helsinki Metropolitan Area (+1.4%)
- Y 1,630 €/sq m in rest of Finland (-3.5%)

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



Source: Macrobond, OP

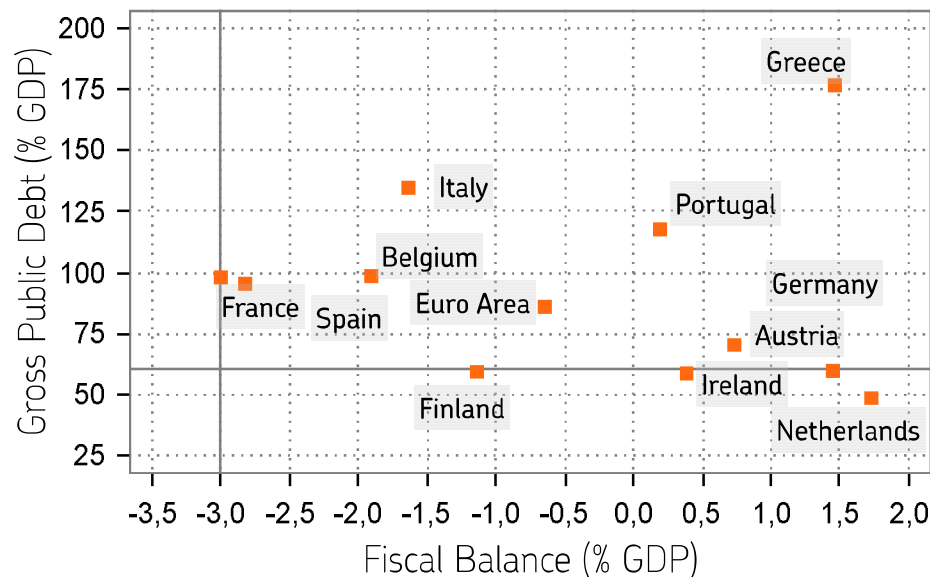
Updated: 12 July 2020

Sources: Statistics Finland, Bank of Finland, RAKLI ry



# Finland is wealthy and balanced economy in European comparison

Fiscal Balance and Public Debt  
% of GDP in 2019



Source: OP, Macrobond, European Commission estimates

Long-term sovereign credit ratings of selected European countries

9 July 2020

	Moody's	S&P	Fitch
Germany	Aaa	AAA	AAA
Netherlands	Aaa	AAA	AAA
Austria	Aa1	AA+	AA+
<b>Finland</b>	<b>Aa1</b>	<b>AA+</b>	<b>AA+</b>
France	Aa2	AA	AA**
Belgium	Aa3	AA	AA-**
Ireland	A2	AA-	A+
Spain	Baa1	A	A-
Portugal	Baa3*	BBB	BBB
Italy	Baa3	BBB**	BBB-
Greece	B1	BB-	BB

\* Positive outlook

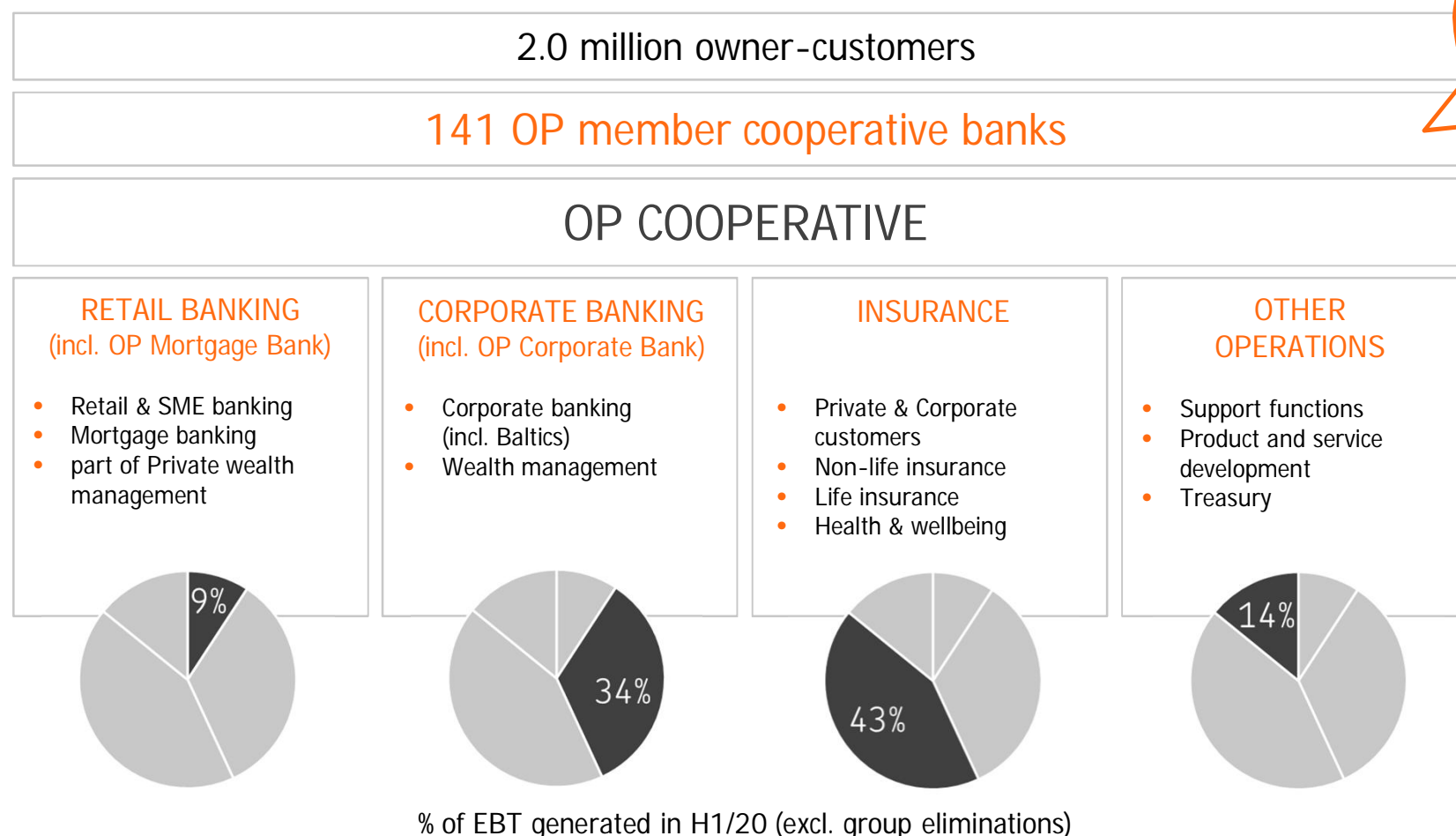
\*\* Negative outlook

Sources: Rating agencies' websites

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# OP Financial Group

# OP Financial Group's structure



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

## Three-tier governance structure since 1 Jan 2020

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

# Joint liability within OP Financial Group

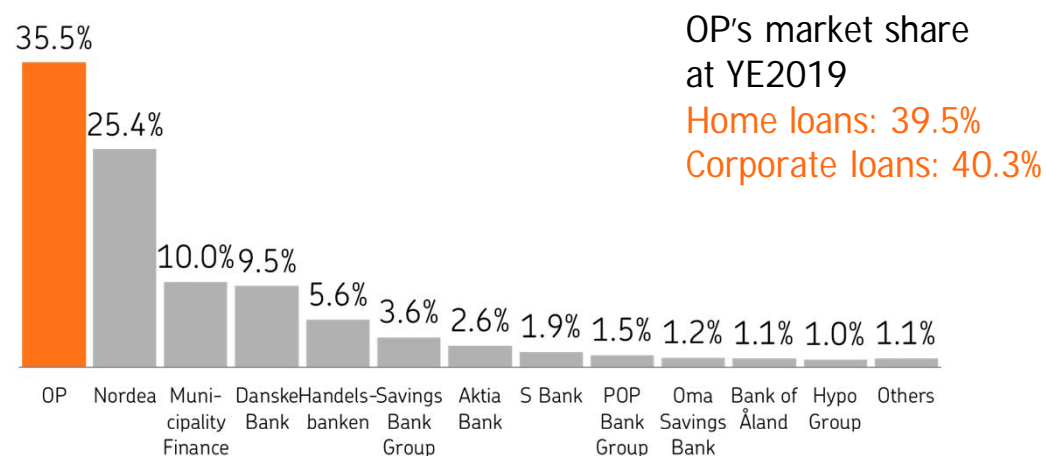
- Y Under the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä 599/2010), OP Cooperative and the member credit institutions are jointly liable for each others' debts.
- Y The member credit institutions include OP Corporate Bank plc, Helsinki Area Cooperative Bank, OP Mortgage Bank, OP Card Company Plc (incl. OP Customer Services Ltd\*) and the member cooperative banks. Insurance companies or other group entities do not fall within the scope of joint liability.
- Y If a creditor has not received payment from a member credit institution on a due debt, the creditor may demand payment from OP Cooperative.
- Y 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.
- Y OP Cooperative and the member credit institutions are under an obligation to take support actions to prevent a member credit institution's liquidation.
- Y Further information on the joint liability available in the Base Prospectuses of OP Corporate Bank plc and OP Mortgage Bank.

\* OP Customer Services Ltd was merged into OP Card Company Plc on 30 November 2019

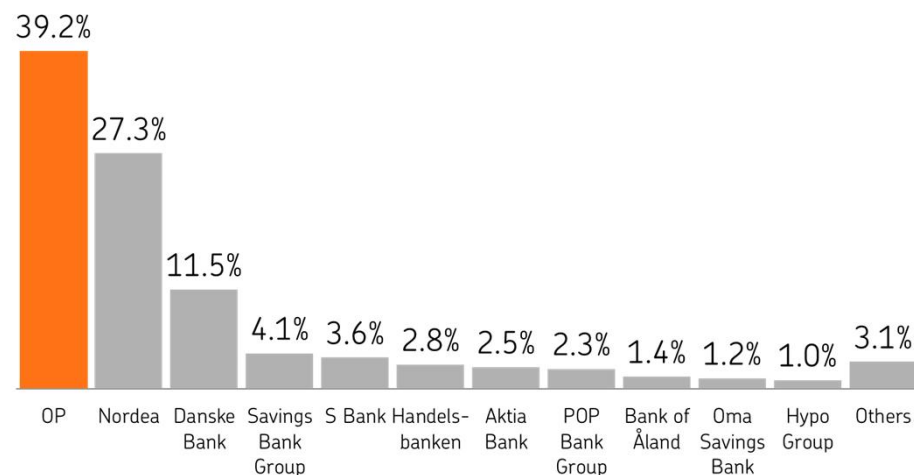
# OP is the leading financial group in Finland

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

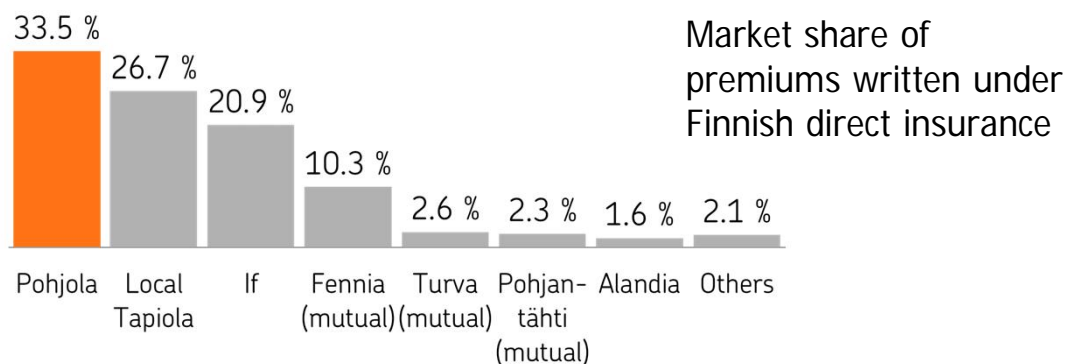
Loans, YE2019 (Finland: €247.7 bn)



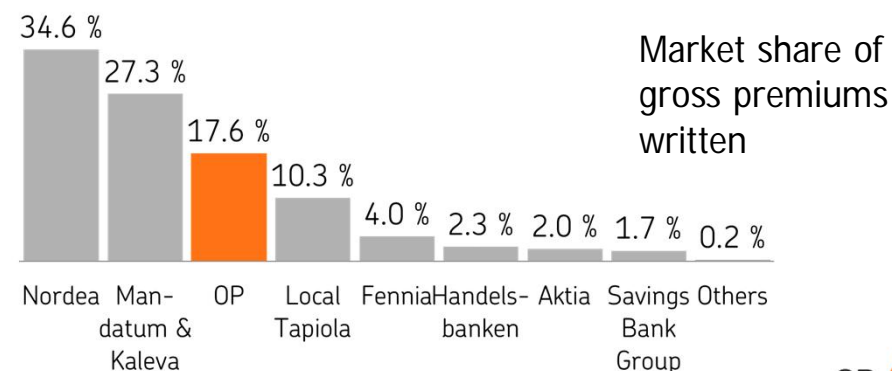
Deposits, YE2019 (Finland: €164.8 bn)



Non-life Insurance, YE2019 (Finland: €4.3 bn)



Life Insurance, YE2019 (Finland: €6.0 bn)



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



# OP's vision is to be the leading and most attractive financial services group in Finland

## Continuous strategy process

- Constant assessment, reshaping and implementation
- Systematic operating environment and operating model evaluation
- Annually specified strategic priorities
- Indicators for measuring implementation of strategic priorities affirmed during annual planning

## Key elements of the vision

- Leading market position, strong financial performance
- Attractive employer
- Pioneer and innovator in the financial sector
- #1 choice for our customers and partners
- Present where our customers are
- Trusted and responsible expert

## Strategic priorities for 2020



BEST CUSTOMER  
EXPERIENCE



MORE BENEFIT FOR  
OWNER-CUSTOMERS



EXCELLENT EMPLOYEE  
EXPERIENCE



FASTER GROWTH IN INCOME  
THAN IN EXPENSES



PRODUCTIVE  
DEVELOPMENT

# OP's strategic targets

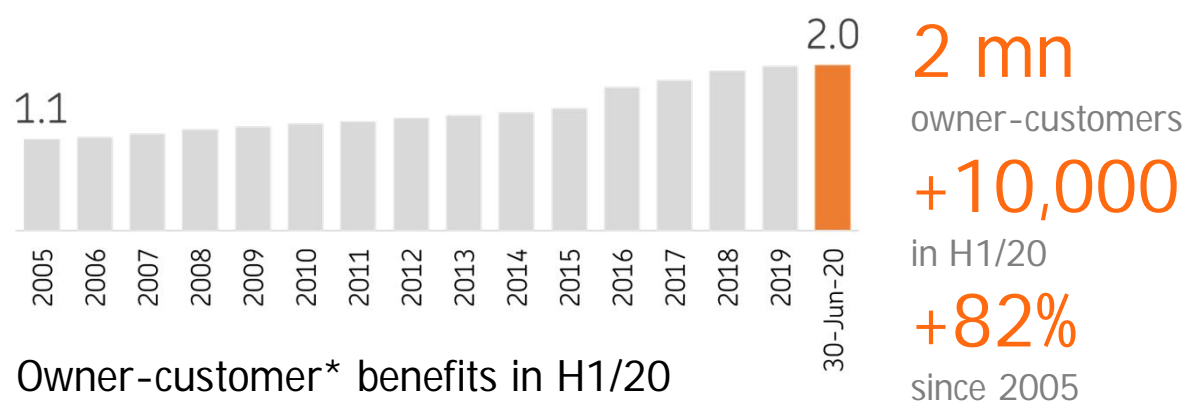
Indicator	Target	30 Jun 2020	2019	2018	2017
ROE (excl. OP bonuses)	8% in 2025	5.2%	7.1%	8.1%	9.3%
CET1 ratio	Min. CET1 ratio capital requirement + 400 bps management buffer	17.7%	19.5%	20.5%	20.1%
Brand NPS* (private & corporate customers)	30 in 2025	24	26	23	22
Credit rating	At least at the level of AA-/Aa3	AA-/Aa3	AA-/Aa3	AA-/Aa3	AA-/Aa3

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

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

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

Solid growth in number of owner-customers, mn



Owner-customer\* benefits in H1/20

€129 mn

accrued OP Bonuses\*\*

€60 mn

to banking and wealth  
management service fees

€64 mn

to insurance policy fees

€2.9 bn

investments in Profit  
Shares

€47 mn

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

€14 mn

discounts on daily banking

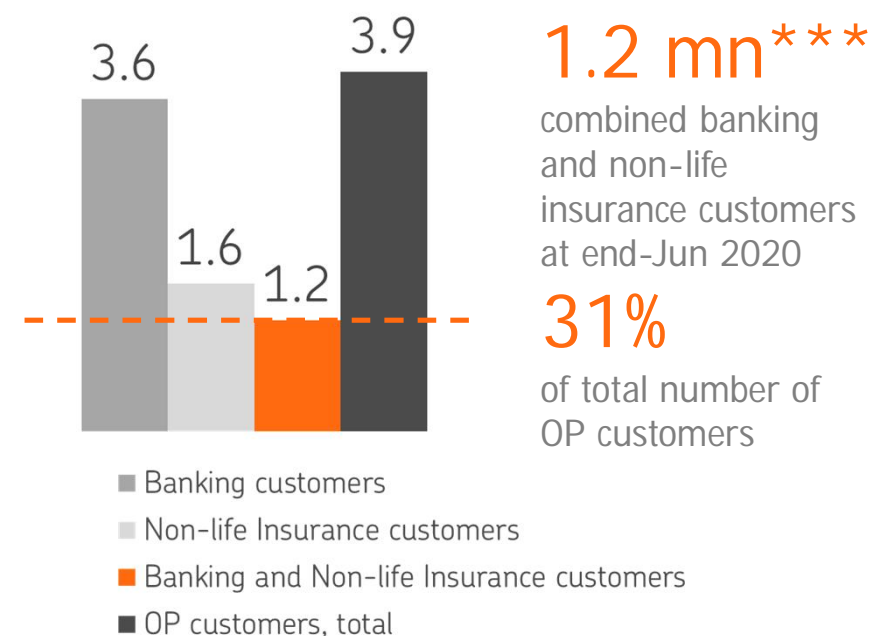
€35 mn

loyalty discounts on non-life insurance policies

€4 mn

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

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



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

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

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

# Key development areas in OP's operations

€2 bn development investments during 2016–2020 – total development expenditure €154 mn in H1/20 (157)



## Group

- ICT architecture and data warehousing renewal
- Agile process automation and service digitisation
- New competencies for UX/UI, service design, AI, analytics, big data, block chain, robotics etc.
- Open Banking: APIs and new partnership models
- Regulation-driven development (eg. AML, PSD2, IFRS9)



## Banking: Private & SME Customers

- Digital home loan process & automated decision-making: >75% of home loans applied for in digital channels
- Renewal of loan origination process (incl. collateral mgmt)
- Digital platforms for real estate business and home sales
- Real-time payments and payment platform renewal
- Digital work desk and new phone handling system for bank clerks
- Core system renewal in card business and wealth management
- Extended use of Mobile Key in authentications



## Insurance Customers

- New online and mobile services eg. digital purchase paths for private customers
- AI utilisation and improved business process management in claims handling
- Improved products and services for partners
- Improved risk analysis and fraud detection
- Insurance core platform renewal
- Digital Pohjola Hospital mobile app



## Banking: Corporate & Institutional Customers

- Improvements to corporate service offering and processes
- Platform renewals within payments, financing and asset management
- Successful customer service shows in NPS and Prospera's Corporate Banking surveys; OP Corporate Bank the best bank in Finland (selected by large caps in 2018 and by mid-caps in 2019)

# 1.7 mn active users in OP's digital channels

Digital service channels actively utilized amid the coronavirus pandemic

Logins and users in OP's digital channels

OP Mobile  
app

191 mn

logins in H1/20

+36% y-on-y

1.5 mn reg. users

Op.fi  
internet bank

39 mn

logins in H1/20

-29% y-on-y

1.9 mn reg. users

OP Business  
Mobile app

7 mn

logins in H1/20

+57% y-on-y

95,000 reg. users

Pivo Mobile  
Wallet app

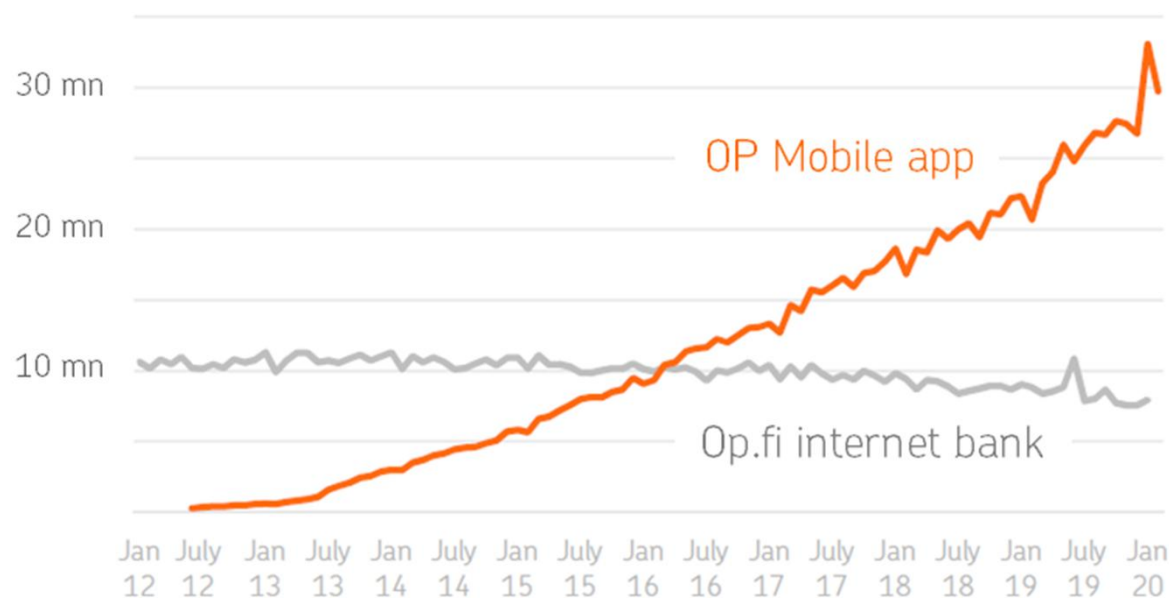
22 mn

logins in H1/20

-11% y-on-y

1 mn reg. users

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



OP's Mobile Key enables authentication in multiple digital channels

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



# Digital customer experience changes the role of local presence

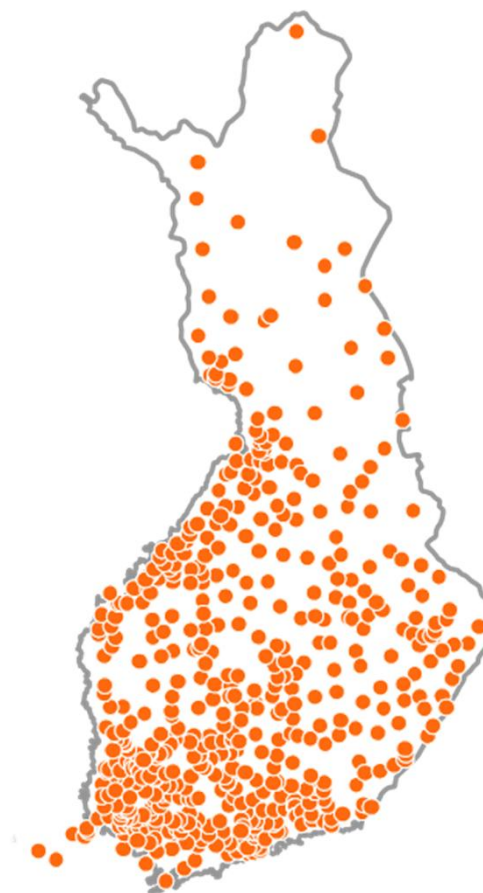
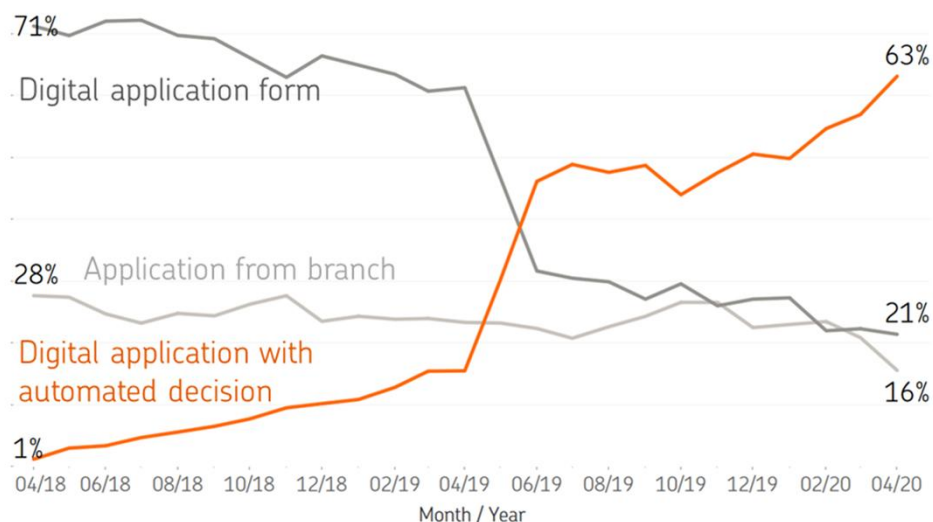
>98%

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

45%

of customers classified as active users\* of OP's digital channels

Majority of home loan applications made digitally with automated decision making (% of total applications)



141

OP member cooperative banks  
-40 since YE2014

350

branches  
-105 since YE2014

\* Customers that have logged in to digital channels at least once during the past 30 days

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

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



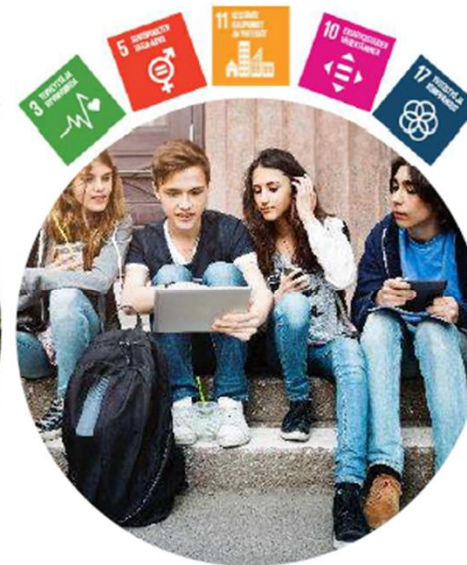
**We improve financial literacy in Finland**

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



**We foster a sustainable economy**

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



**We support local vitality and communities**

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

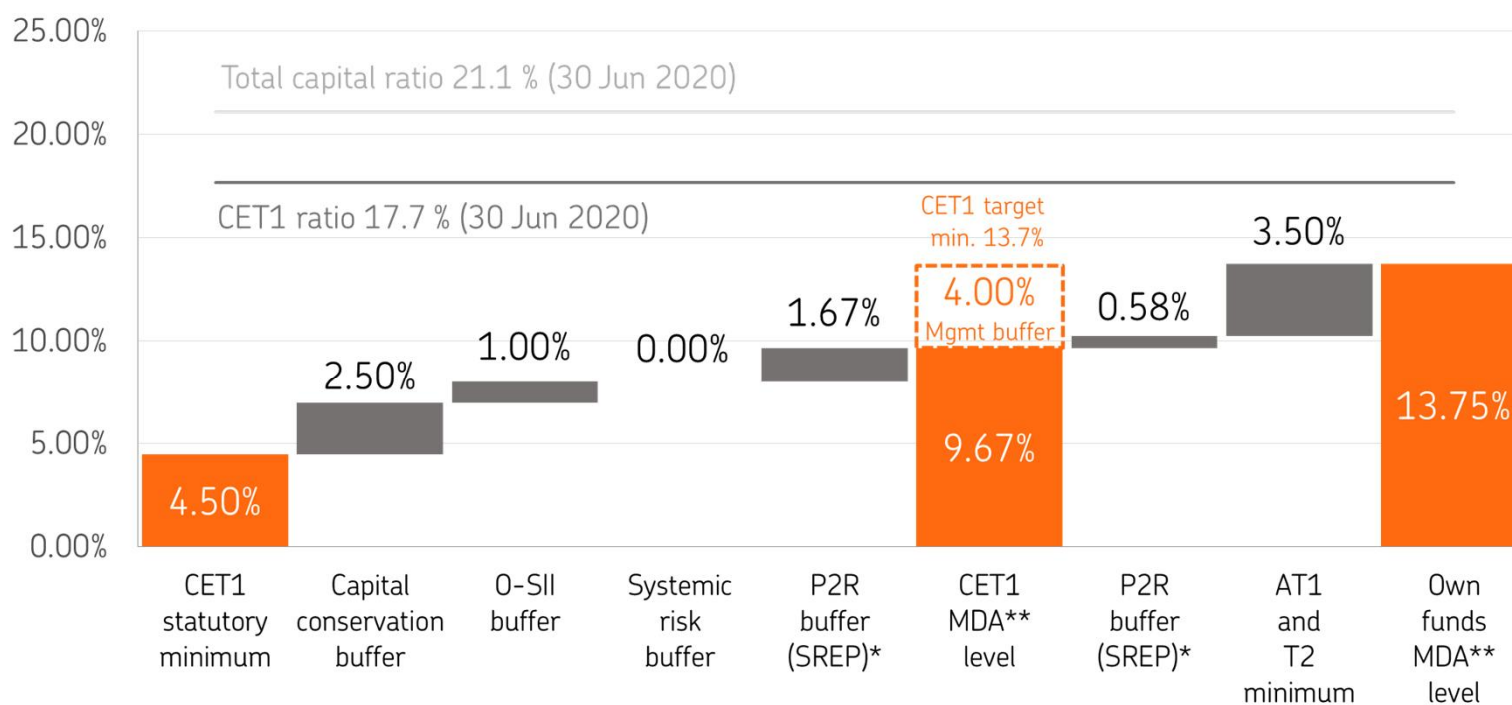


**We use our intellectual and information capital responsibly**

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

# CET1 ratio target: Management buffer min. 400 bps above CET1 MDA level – totalling to min. 13.7% (Jun 2020)

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



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

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

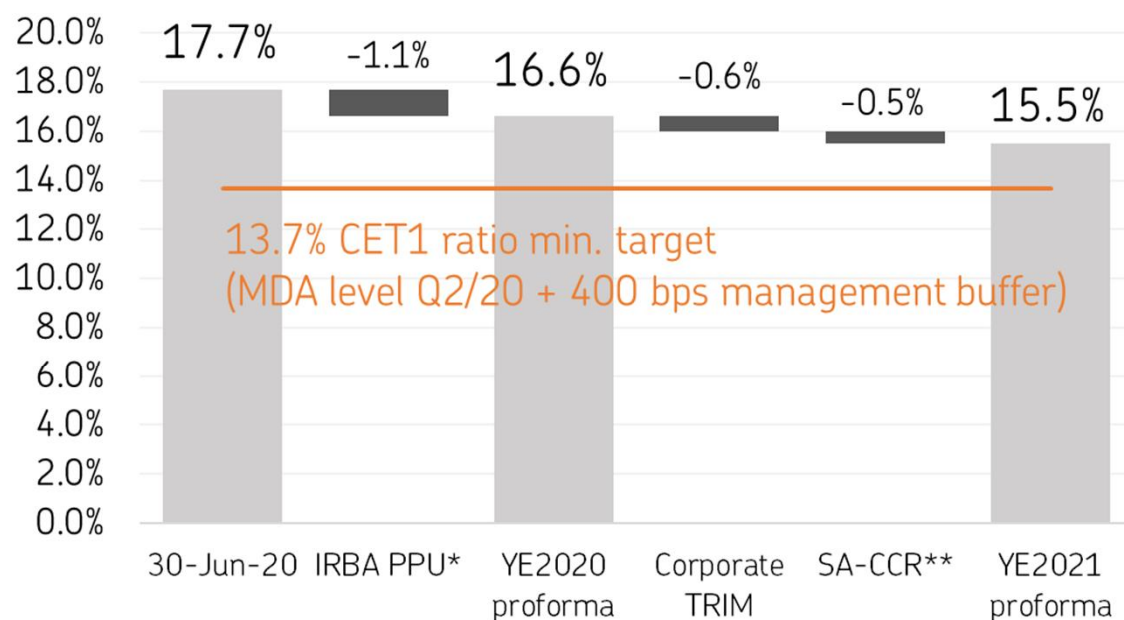
In December 2019, as part of SREP, the ECB set OP Financial Group's P2R buffer requirement at 2.25% (previously 2.00%) that entered into force on 1 January 2020.

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

# CET1 ratio 17.7%

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

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



\* Internal Ratings-Based Approach Permanent Partial Use

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

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

## Profit shares in CET1 capital €2.9 bn REA €61.4 bn (55.5)

- €0.2 bn caused by ECB RW floors
- €0.6 bn addition to REA made in Q2/20 in order to prepare for COVID19 impacts

## Average risk weights, 30 Jun 2020

22.8% for retail exposures (17.6)

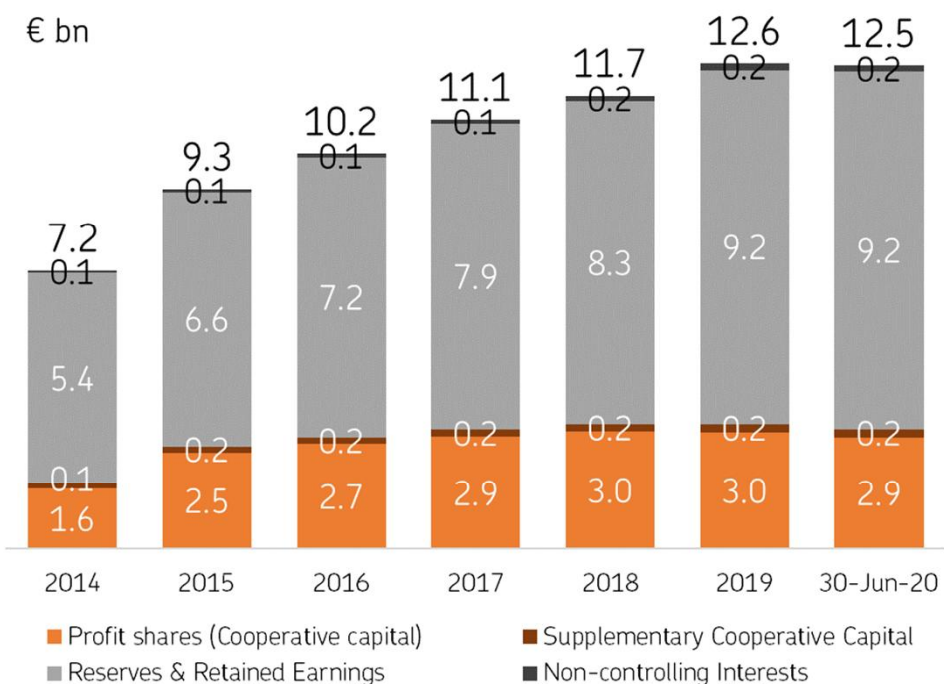
69.2% for corporate exposures (66.8)

- In Feb 2017, ECB decision on RW floors for retail exposures – valid until qualitative requirements met
  - 15.4% for mortgage-backed exposures
  - 32.7% for other private customer exposures
- FIN-FSA's 15% RW floor on residential mortgage loans came into force on 1 Jan 2018 and is valid until YE2020
- In Apr 2019, ECB set RW floor of approx. 12% for home loans (TRIM) – valid until qualitative requirements met
  - No further effect on OP's CET1 ratio due to previously set higher RW floors
- In Feb 2020, ECB decision on new DoD incl. risk weighting factors for corporate and retail exposures – valid until qualitative requirements met

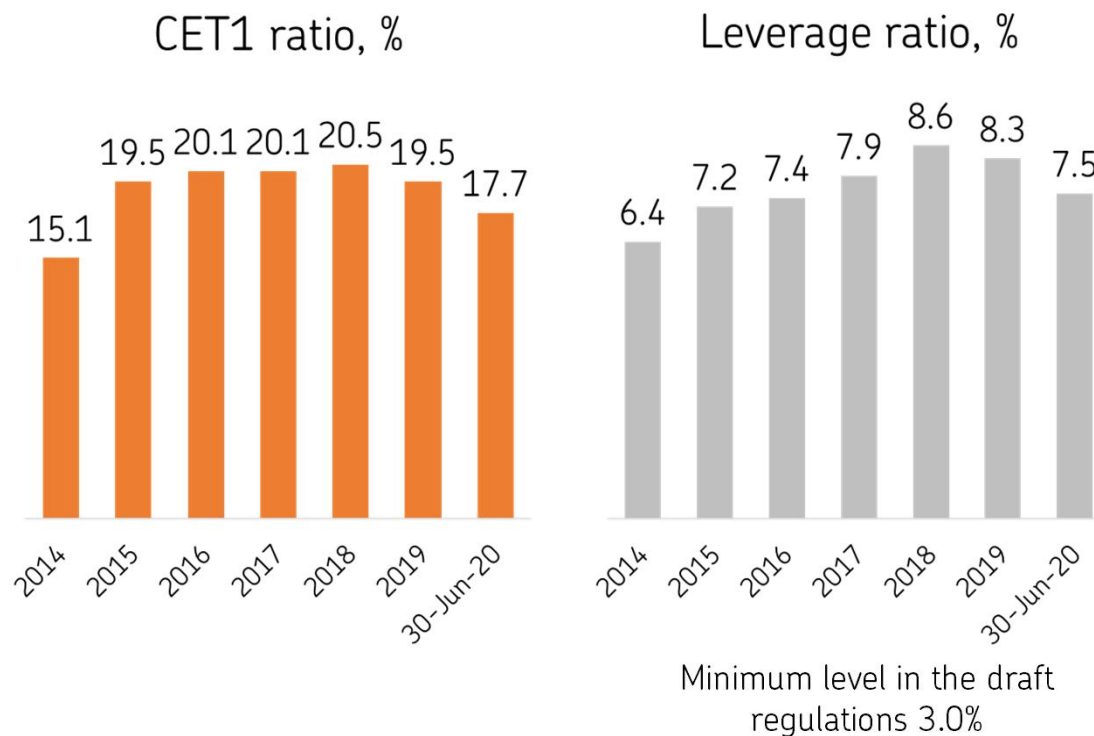


# Strong track record of capital generation

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



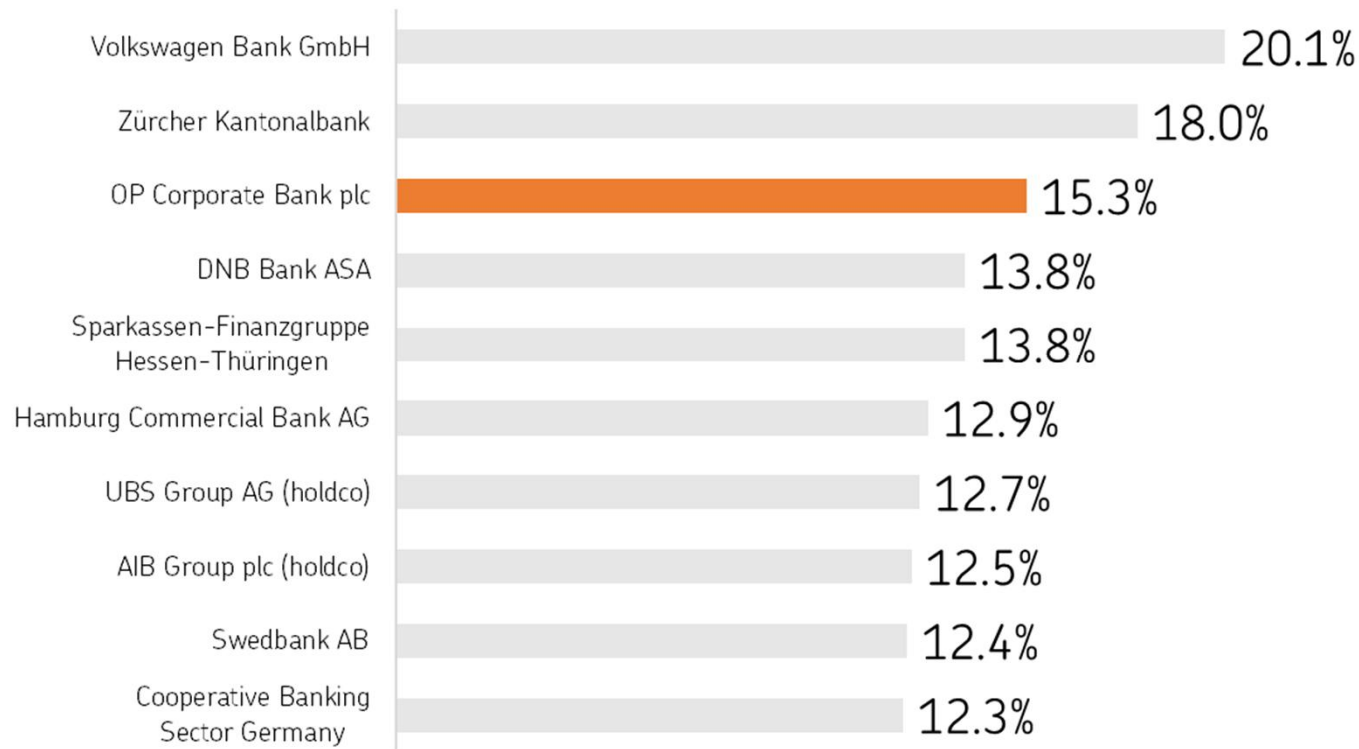
Earnings and profit shares contribute to CET1 and leverage ratio improvement





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

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



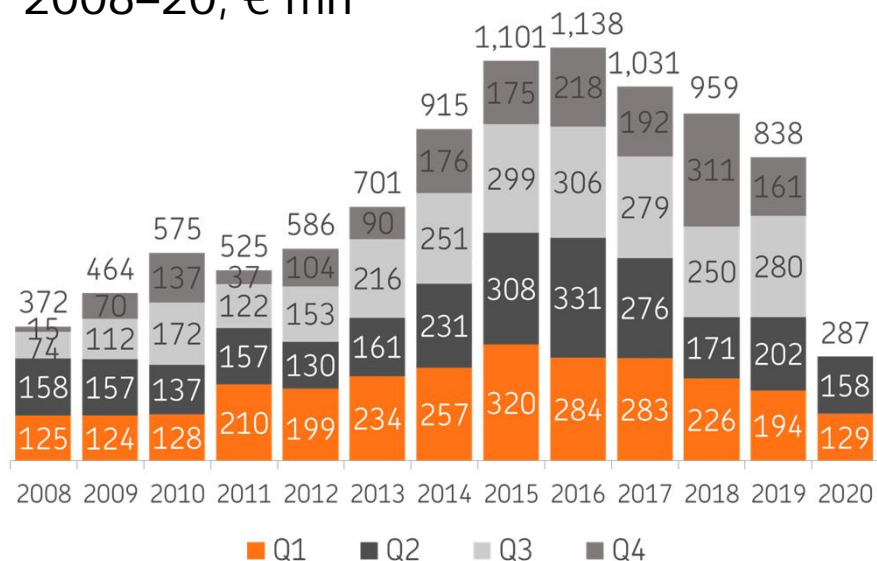
Source: Standard & Poor's, Risk-Adjusted Capital (RAC) for the Top 50 European Banks, September 26, 2019

# EBT for 2020 expected to be lower than in 2019

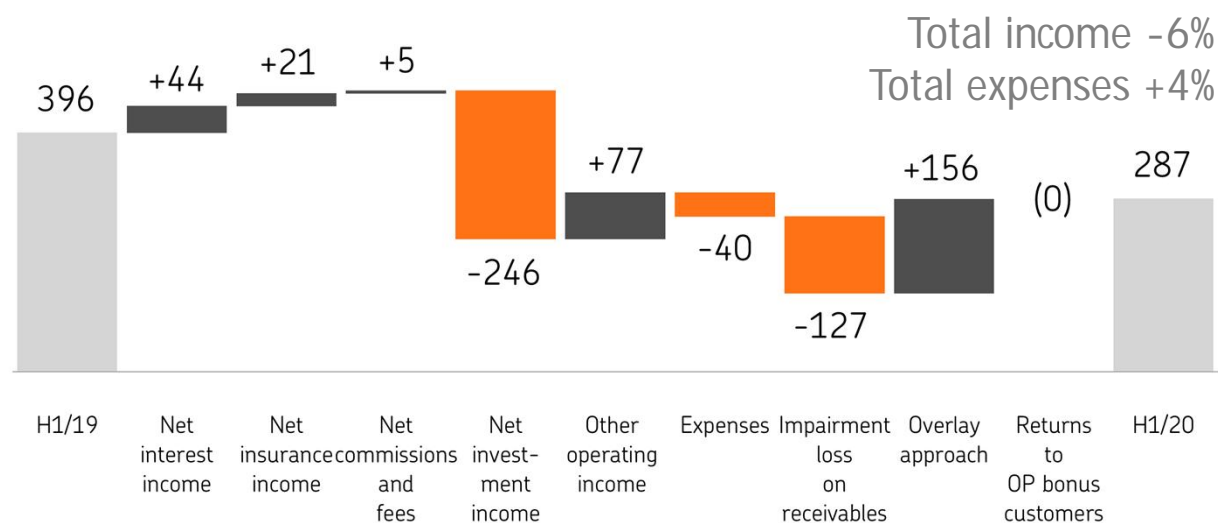
In H1/20, income deriving from customer business increased while lower net investment income and higher impairment loss on receivables eroded the EBT – largely caused by the coronavirus crisis

A net capital gain of €96 mn recognised on the sale of Vallila HQ property in other operating income

EBT by quarter  
2008–20, € mn



EBT, y-o-y change by P&L line item\*, \*\*  
H1/20 vs. H1/19, € mn



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

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

# OP's financial performance by business line H1/20

H1 earnings 2020, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	460	202	0	-32	17	646
of which internal net income before tax		-6		6		
Net insurance income			302		-7	295
Net commissions and fees	353	65	34	5	-2	455
Net investment income	1	60	-54	2	-37	-28
Other operating income	14	11	3	421	-336	112
<b>Total income</b>	<b>828</b>	<b>337</b>	<b>285</b>	<b>396</b>	<b>-365</b>	<b>1 481</b>
Personnel costs	215	39	71	89	0	415
Depreciation/amortisation	26	10	27	67	-2	129
Other operating expenses	353	109	136	197	-346	449
<b>Total expenses</b>	<b>595</b>	<b>158</b>	<b>234</b>	<b>354</b>	<b>-348</b>	<b>993</b>
Impairments loss on receivables	-99	-68	0	1		-166
OP bonuses to owner-customers	-106	-9	-9			-124
Temporary exemption (overlay approach)			88	0	1	89
<b>Earnings before tax*</b>	<b>28</b>	<b>103</b>	<b>130</b>	<b>43</b>	<b>-17</b>	<b>287</b>

## Cost efficiency

Group C/I ratio

**67% (60)**

Retail Banking  
C/I ratio

**71.8% (72.4)**

Corporate Banking  
C/I ratio

**46.7% (47.6)**

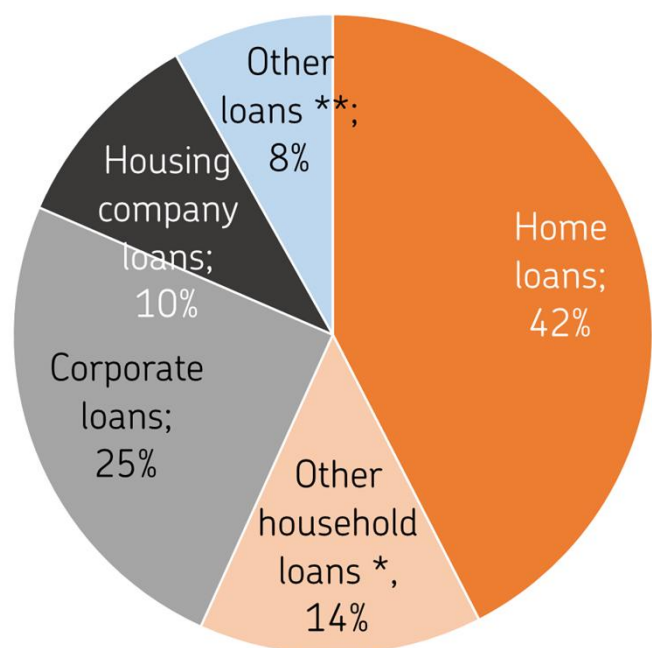
Non-life Insurance  
Operating cost ratio

**27.3% (28.2)**

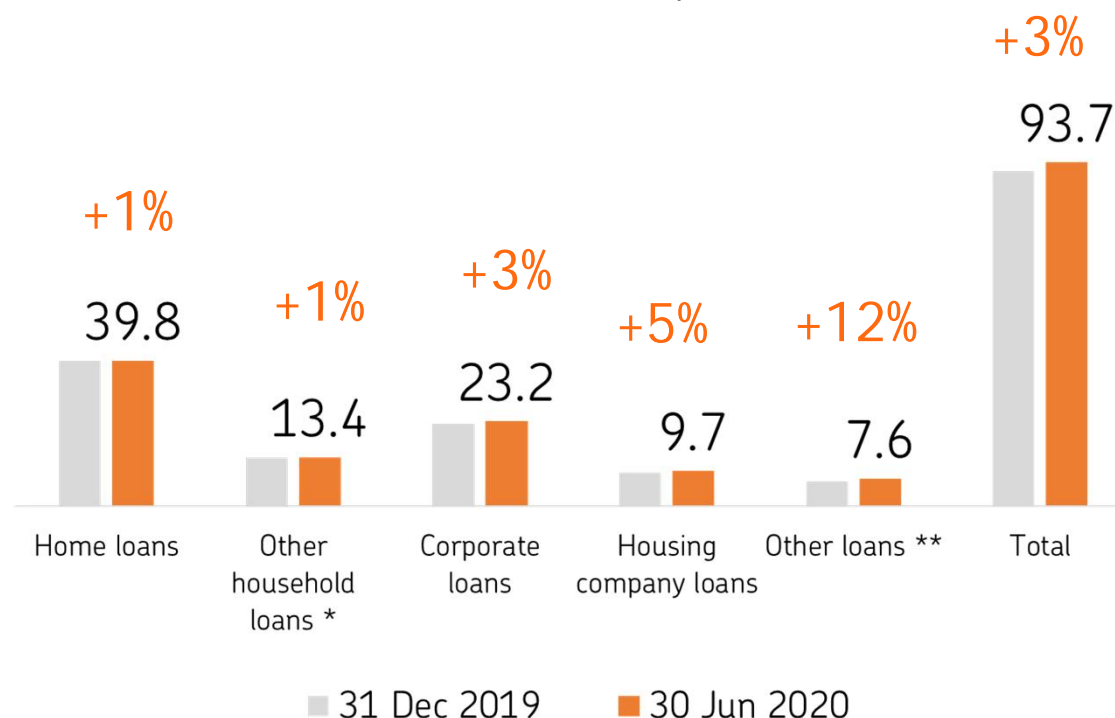
\* Group eliminations recognised through profit or loss are mainly due to the change in accounting policies

# Loan portfolio up by 3% in H1/20

€93.7 bn Loan portfolio breakdown,  
30 Jun 2020, %



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

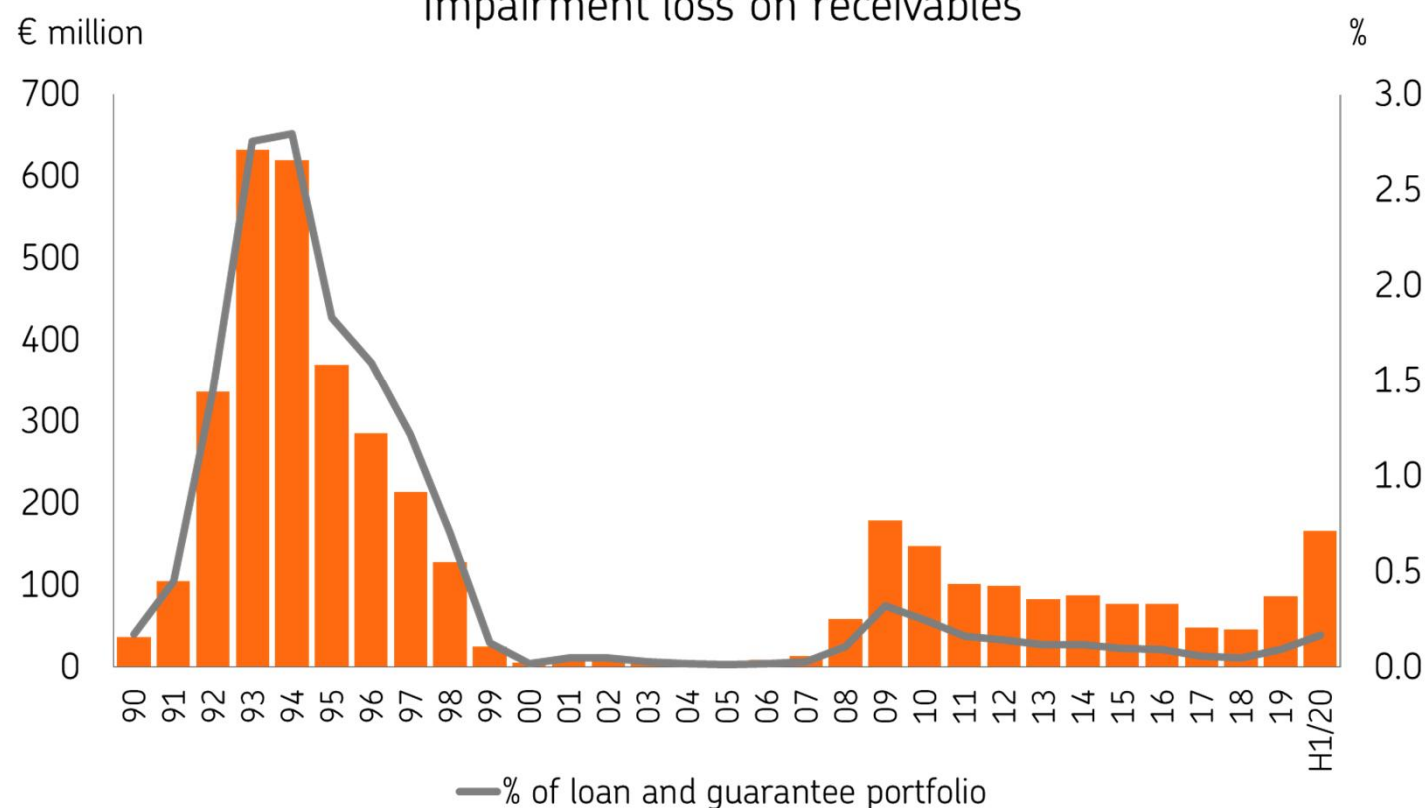


\* Other household loans include loans for holiday homes, consumer loans, student loans etc.

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

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

OP Financial Group's  
Impairment loss on receivables



**H1/20:**

€166 mn (39) ie.  
0.17% (0.04) of loan  
and guarantee  
portfolio

Increase in impairment loss  
on receivables mainly caused  
by the coronavirus crisis  
(€65 mn) and the new DoD  
(€44 mn)



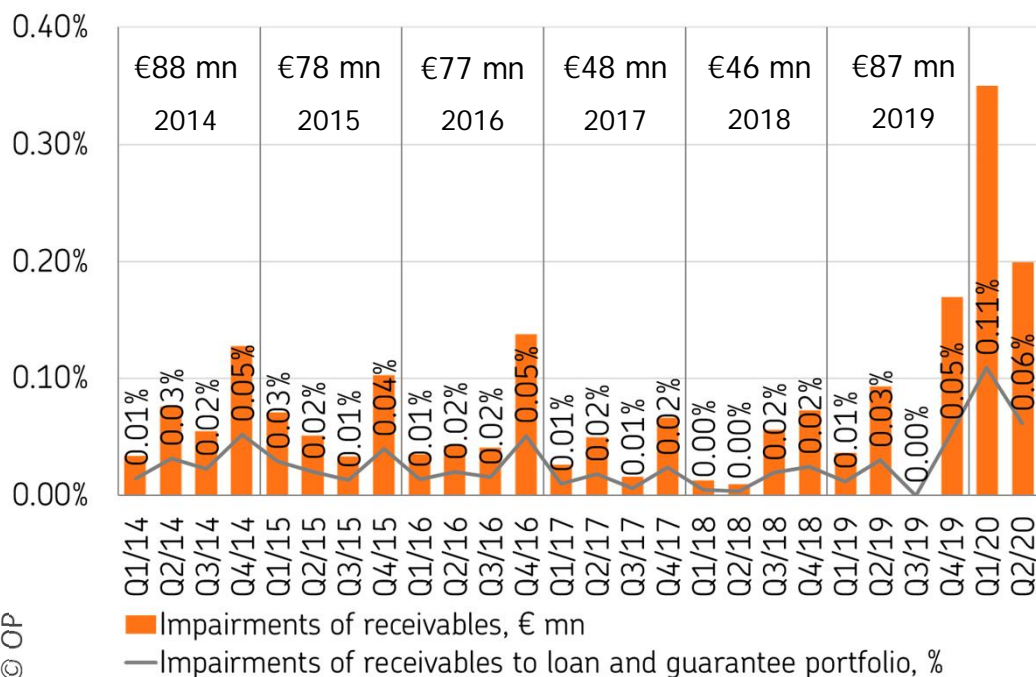
# H1/20 impairment loss on receivables €166 mn

Doubtful receivables 4.5% of loan and guarantee portfolio (3.2)

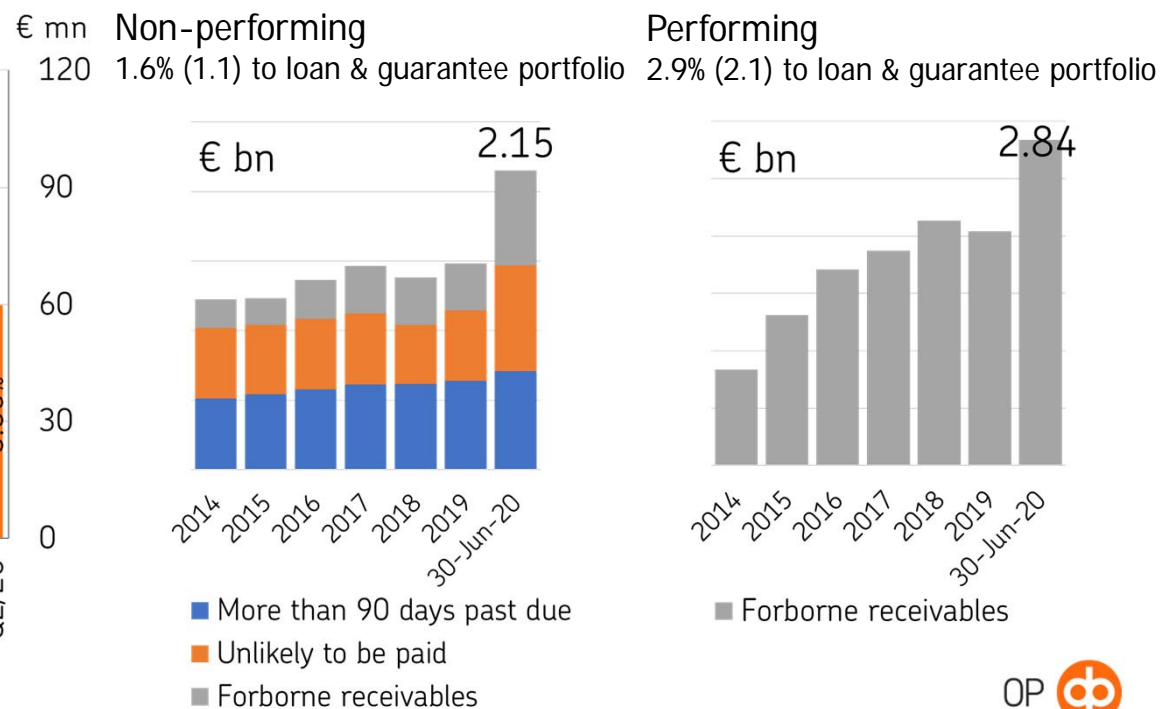
Performing forborne receivables 64% (66) of gross doubtful receivables

Effect of the coronavirus crisis on growth in ECL totalled around €65 mn in H1/20

## Impairment loss on receivables



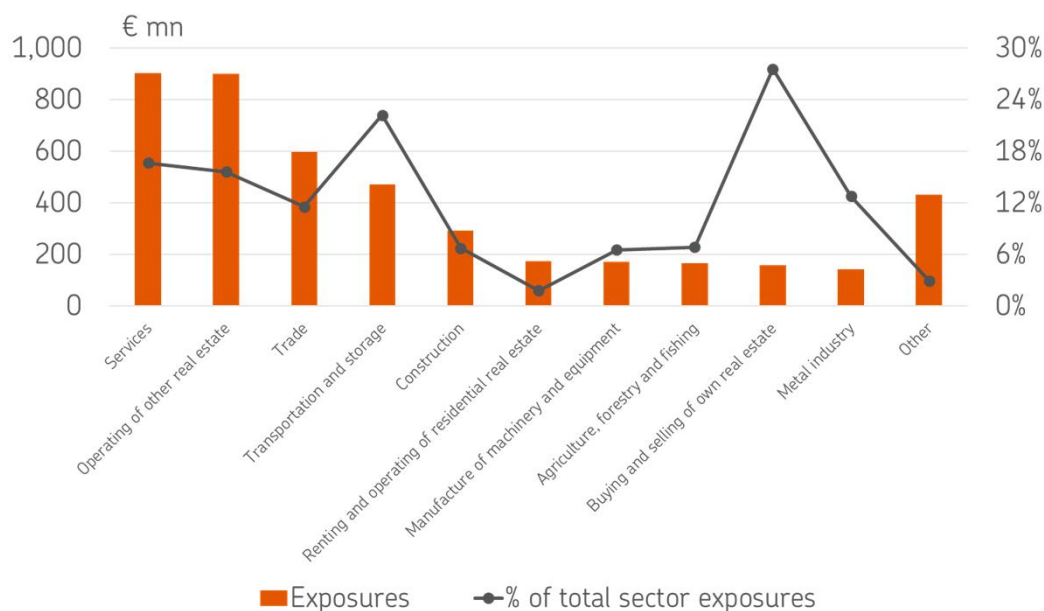
## Doubtful receivables (gross)



# Some negative effects of the coronavirus crisis seen in certain industries of corporate exposures

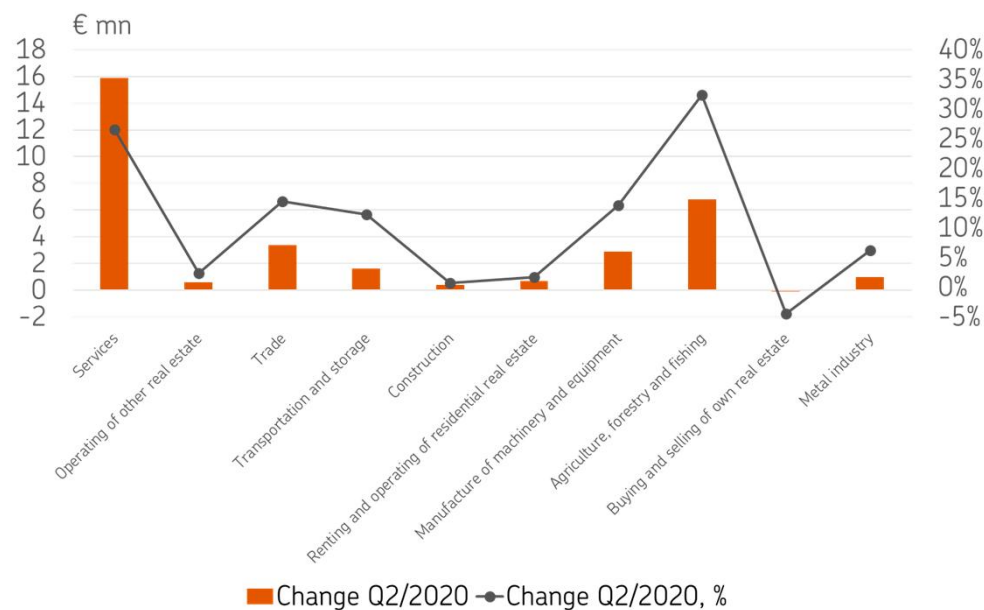
In March-June 2020, repayment holidays and repayment schedule modifications were granted to customer exposures worth €11.1 bn, of which 60% concerned private customers and 40% corporate customers

Corporate exposures related to loan modifications and repayment holidays due to coronavirus, by industry



21% of repayment holidays and repayment schedule modifications granted Services (eg. hotels, restaurants, tourism), 20% Renting and operating of other real estate (commercial real estate) and 14% Trade

Change in expected credit loss (ECL) by industry 30 Jun 2020 vs. 31 Mar 2020



In March-June, the most significant ECL were recognised in corporate exposures related to Services, Agriculture, forestry, fishery and Trade

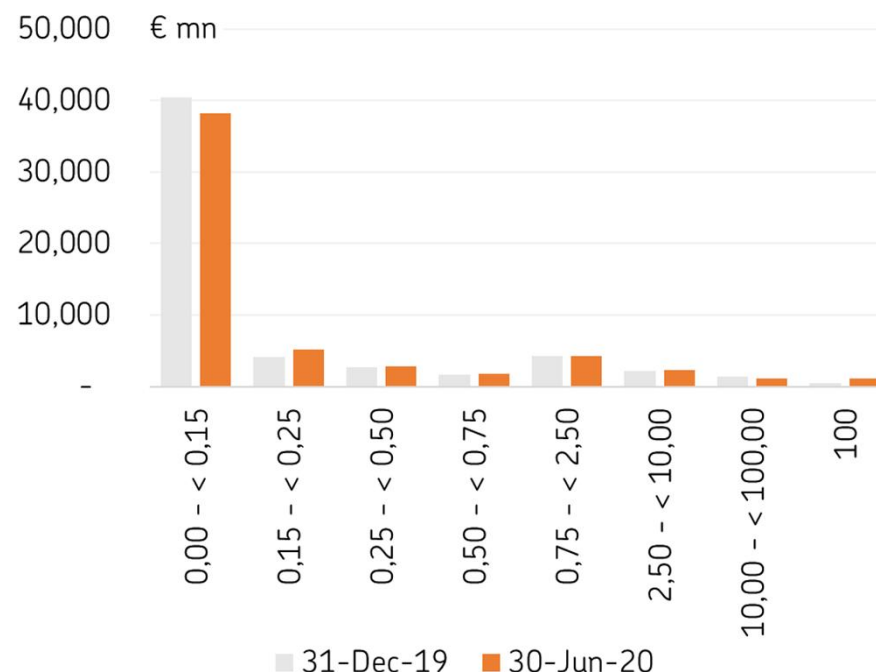
# Credit risk exposures (IRB) by PD class

Corporate exposures (gross value) by PD range (€51.9 bn at 30 Jun 2020)



In OP Financial Group's 20-tier internal rating system for corporate customers, 35% of the corporate exposures to which a repayment plan change or repayment holiday was granted concerned the highest seven rating grades, while 5% concerned the lowest three rating grades.

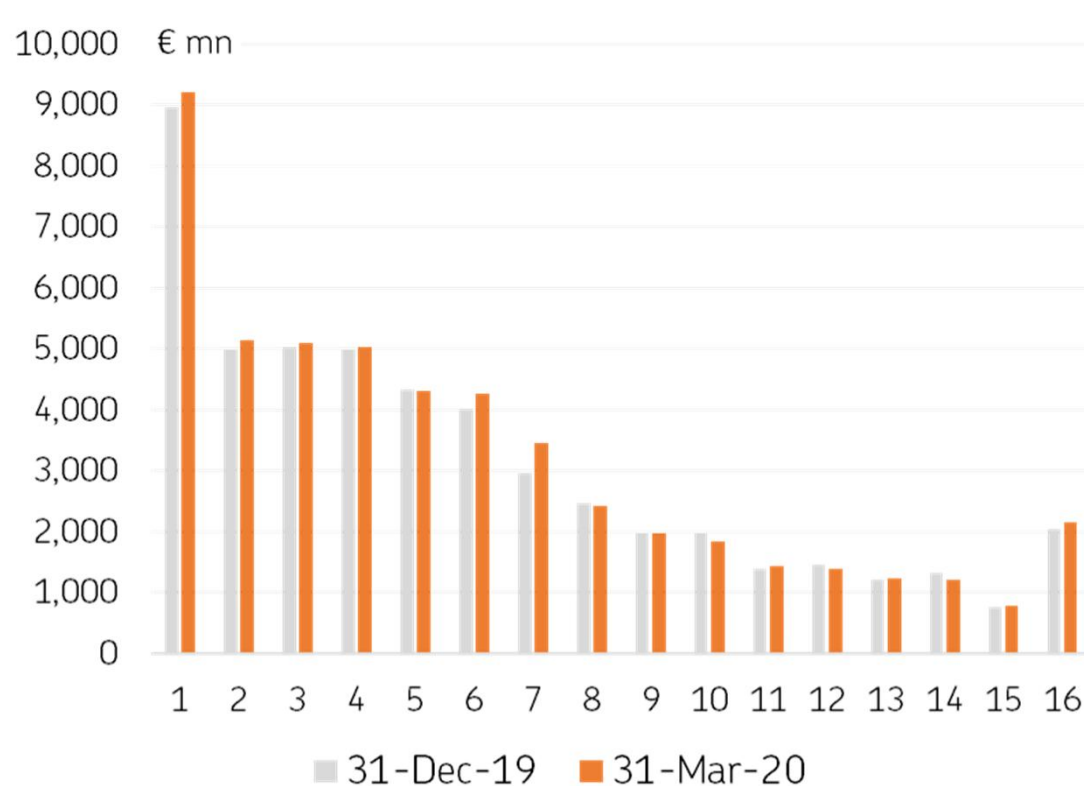
Retail exposures (gross value) by PD range (€56.9 bn at 30 Jun 2020)



76% of repayment holidays granted to private customers concerned the top six rating grades in OP Financial Group's 16-tier internal rating system, while 4% concerned the lowest three rating grades.

# Corporate exposures well diversified by industry\*

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



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

\* Slide 44 to be updated on week 31 according to the Capital Adequacy Report for 30 June 2020

# Funding based on strong credit ratings

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

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

\* Negative outlook

\*\* Covered bond rating

\*\*\* Insurance financial strength rating

Updated: 12 July 2020

## OP CORPORATE BANK PLC

- ✓ Moody's affirmed Aa3 rating with stable outlook in December 2018
- ✓ Uplifts from Loss-Given-Failure (+2 notches) and Government Support (+1 notch)
- ✓ S&P affirmed AA- rating and changed outlook from stable to negative in May 2020
- ✓ 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

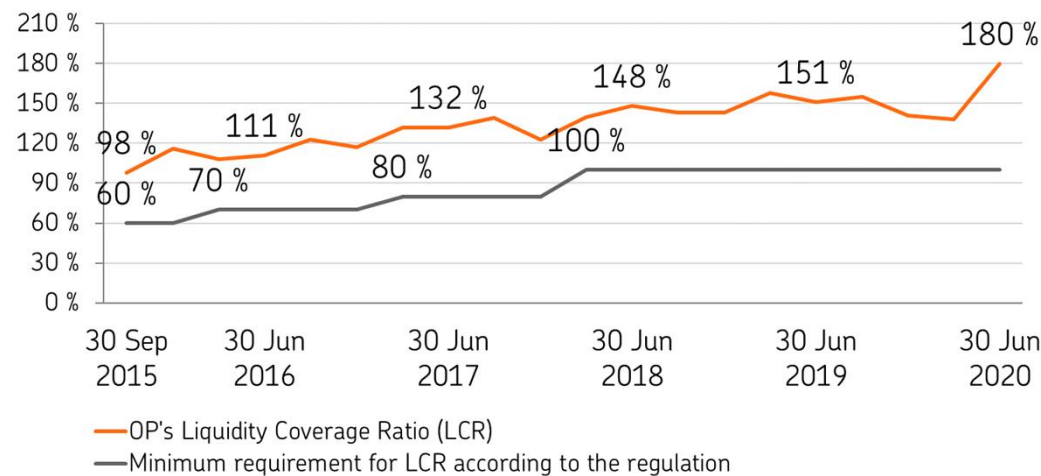
## POHJOLA INSURANCE LTD

- ✓ Moody's upgraded rating to A2 with stable outlook in January 2019
- ✓ S&P affirmed A+ rating and changed outlook from stable to negative in May 2020

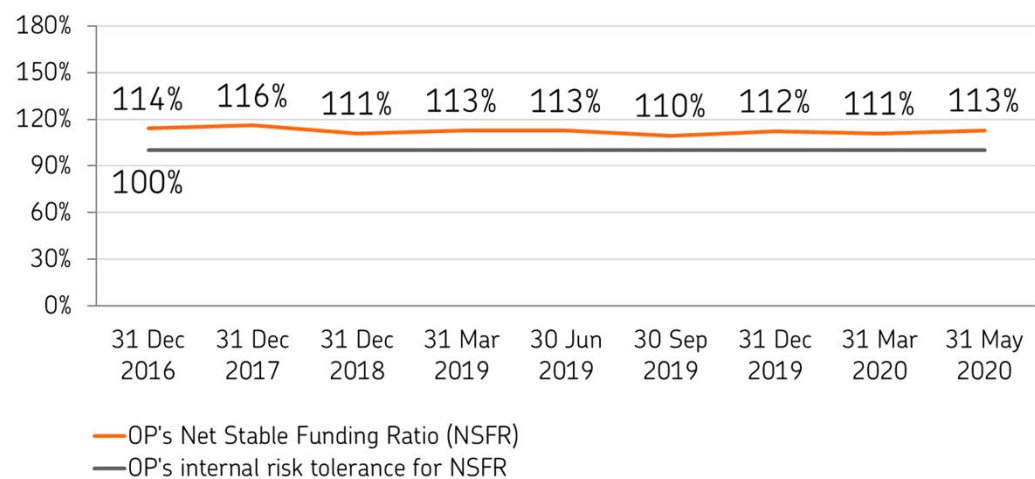


# Despite the effects of coronavirus pandemic OP's liquidity and funding position remained good

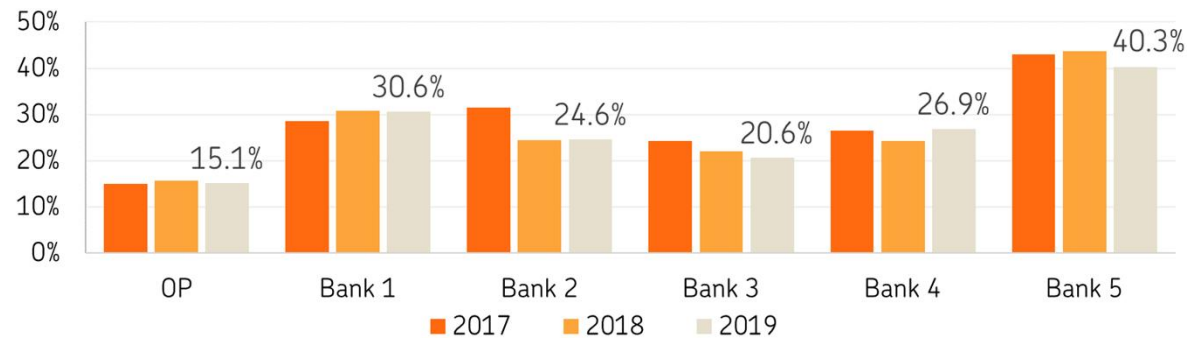
## LCR vs. minimum requirement



## NSFR vs. internal risk tolerance



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

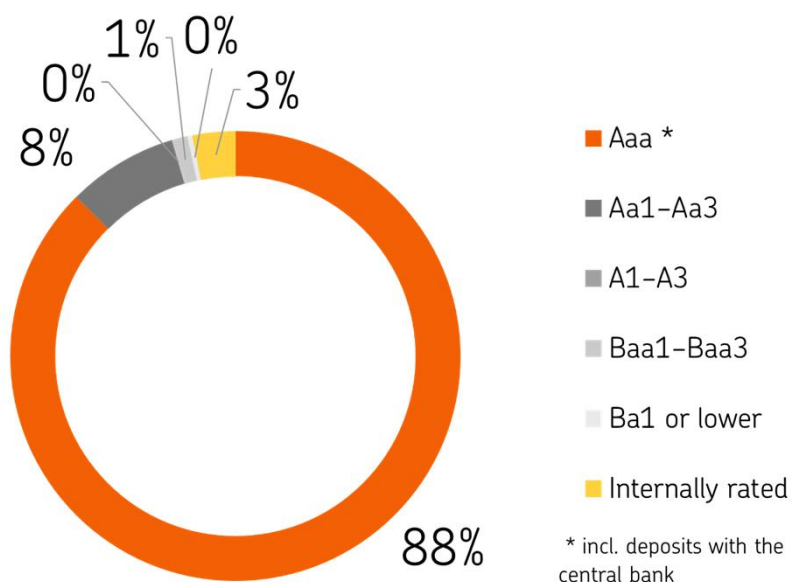


Source: Banks' Annual reports/Risk Management Reports & calculations by OP Financial Group, calculated from data reported by banks according to EBA Asset Encumbrance Disclosure Guidelines (Bank 5 ratio as reported by the bank itself)

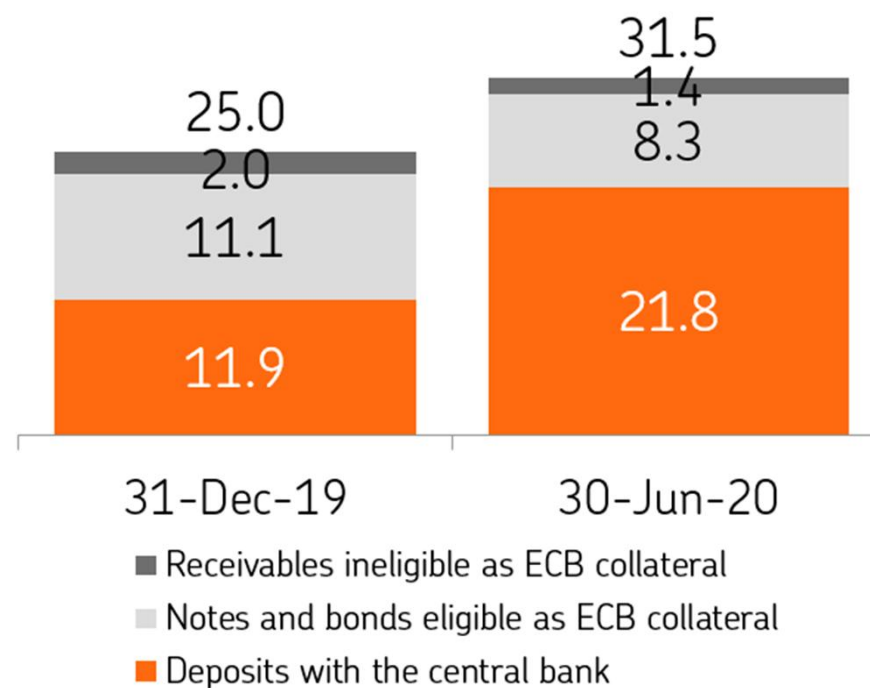
# Liquidity buffer €31.5 bn

The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario

Liquidity buffer by credit rating\*\*, as at 30 Jun 2020

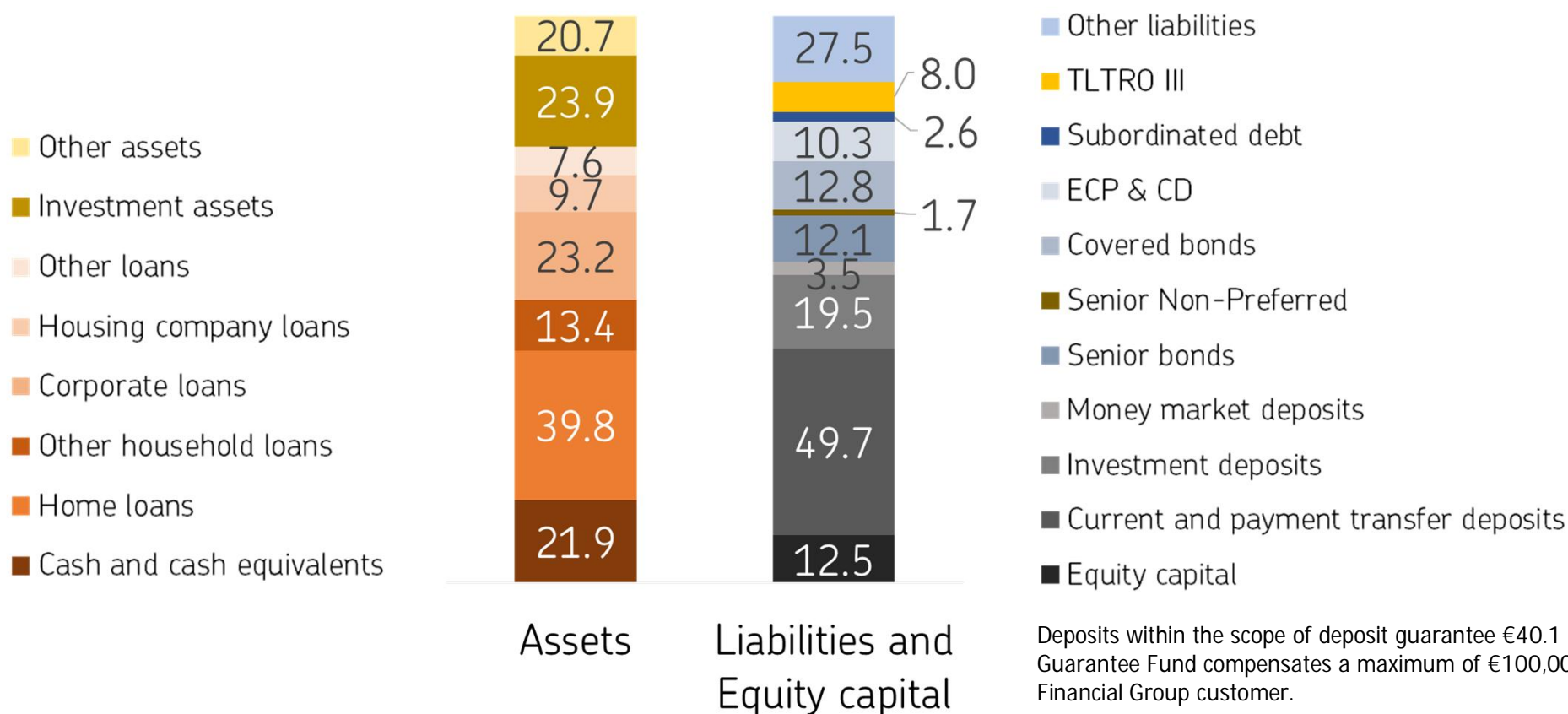


Liquidity buffer breakdown, € bn



# Balance sheet totaled €160 bn at end-Jun 2020

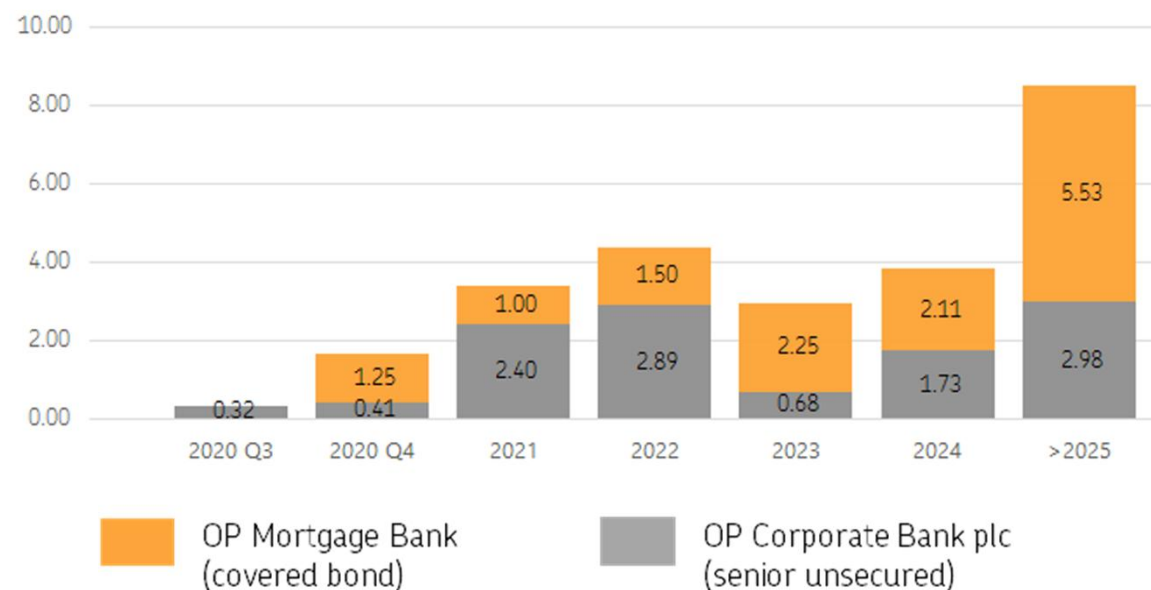
Loans 58%, deposits 43% and market-based funding 27% of the balance sheet



Deposits within the scope of deposit guarantee €40.1 bn. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

# Maturity breakdown of wholesale funding well diversified

Issued senior unsecured and covered bonds by maturity, 30 Jun 2020 (€ bn)



## MREL regulation

- The Finnish Financial Stability Authority has set MREL for OP Financial Group at 14.1 billion euros ie. 27% of the risk exposure amount (REA) at YE2018
- OP Financial Group clearly fulfils the requirement set by the authority: MREL ratio was around 43% as at 30 Jun 2020
- As of 30 Jun 2020, OP Financial Group had SNP instruments worth €1.7 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

# Issued long-term bonds €5.9 bn in H1/20 (2.5)

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

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

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

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

In March 2020, OP took ECB's USD-denominated financing worth \$500 mn with a maturity of less than a year. Additionally, OP participated in ECB's TLTRO III financing operation by €6 bn (maturity 3 yrs) in June 2020.



A close-up photograph of an older man with a grey beard and glasses, wearing a blue flat cap and a green jacket over a plaid shirt. He is looking down at a white smartphone in his hands, with white earbuds in his ears. The background is blurred, showing warm, out-of-focus lights.

OP Mortgage Bank

# OP Mortgage Bank (OPMB)

## OPMB in brief

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

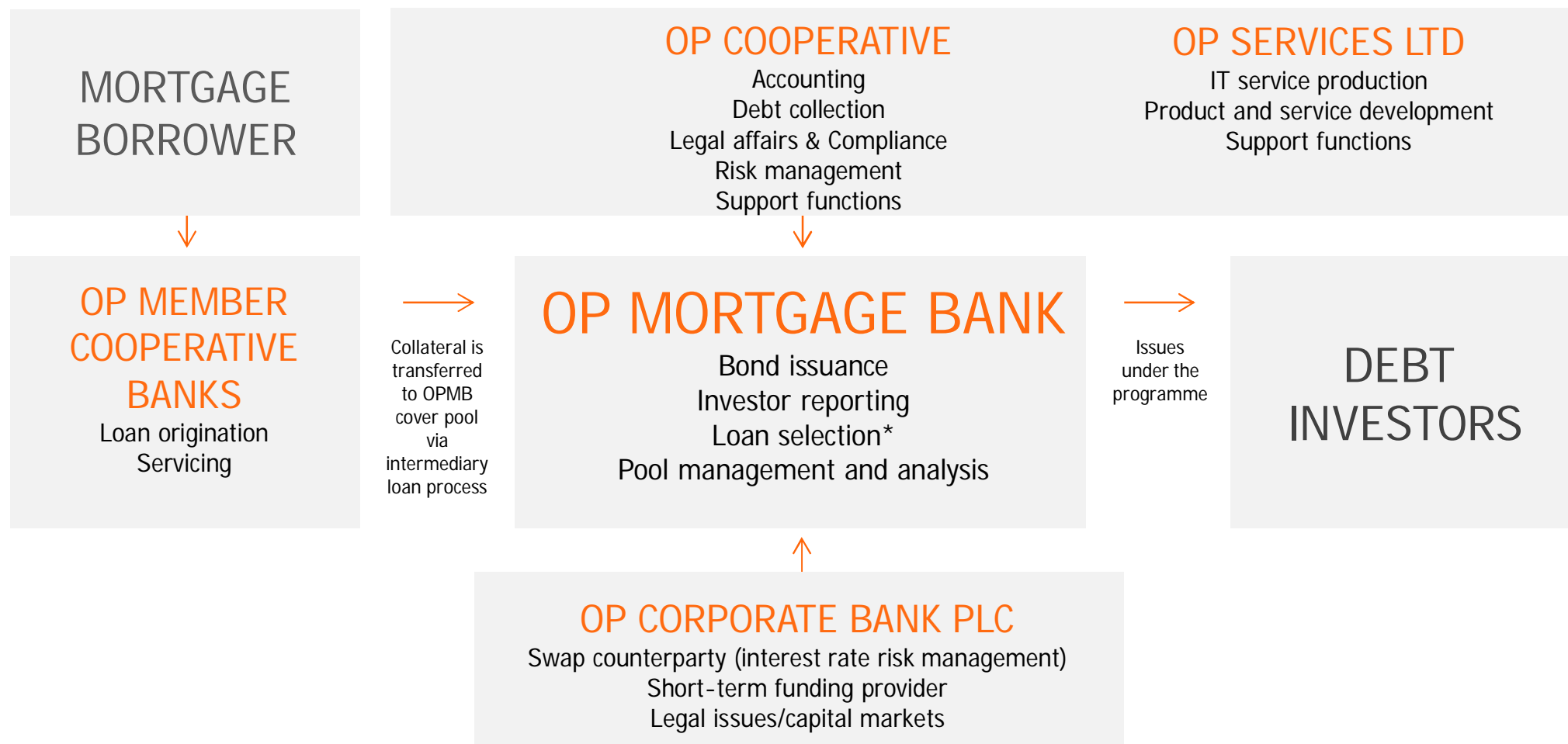


Read more about the ECBC's covered bond label at [www.coveredbondlabel.com/issuer/6/](http://www.coveredbondlabel.com/issuer/6/)

## OPMB & Joint liability

- Ÿ 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
- Ÿ 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

# Operating model and roles



\* Basic lending criteria for the Group are set by OP Cooperative. OP Mortgage Bank has additional loan selection and cover pool eligibility criteria.

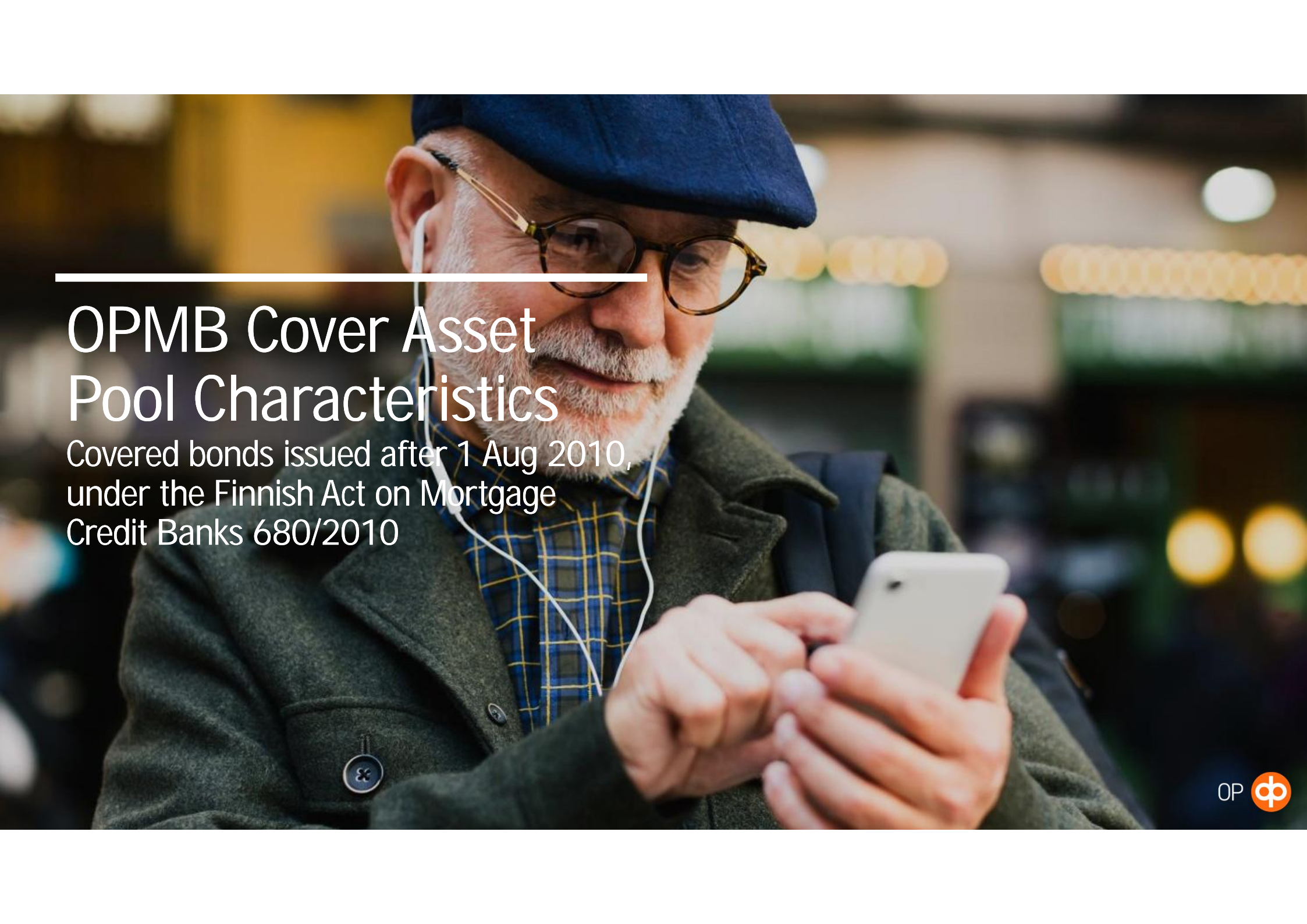
# Intermediary loan process

- 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

# Highlights of the Act on Mortgage Credit Bank Operations

- Segregation of assets in Covered Register
- Tight LTV restrictions on eligible assets (70% LTV on home loans)
- Over-collateralisation requirement of 2%
- Continuity of Cover Pool and Covered Bonds in the event of liquidation and bankruptcy of the issuer
- Regulated by Finnish FSA and ECB
- Assets that must be booked as non-performing (over 90 days in arrears), according to FIN-FSA regulations, shall not be included in the Cover Pool
  - At OPMB, non-performing loans were €40.4 mn as at 30 Jun 2020 (€18.6 mn at YE2019), increase due to the new DoD



A close-up photograph of an older man with a grey beard and glasses, wearing a blue flat cap and a green jacket over a blue and yellow plaid shirt. He is looking down at a white smartphone in his hands. The background is blurred, showing warm, out-of-focus lights, suggesting an evening street scene.

# 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 OPMB Cover Asset Pool as of 30 June 2020

- Collateralized by Finnish mortgages
- Current balance EUR 15.7 billion
- Weighted Average indexed LTV of 47%
- Average loan size of approximately EUR 52,500
- 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 issued EUR 13.665 billion

# OPMB Cover Asset Pool Rating Buffers

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

- ÿ 3 unused notches of jurisdictional support
- ÿ 2 unused notches of collateral based uplift

### ÿ Key scores (as at 30 June 2019)

- ÿ Available Credit Enhancement: 29.61%
- ÿ Target Credit Enhancement: 4.96%
- ÿ Credit Enhancement (OC) commensurate with AAA rating: 2.5%
- ÿ WAFF\*: 17.87%
- ÿ WALs\*\*: 7.23%

\* Weighted-average foreclosure frequency

\*\* Weighted-average loss severity

## Moody's: Aaa (Stable)

- ÿ TPI\*\*\* Leeway 5 notches

### ÿ Key scores (as at 31 March 2020)

- ÿ CR-A\*\*\*\*: Aa2(cr)
- ÿ CB Anchor: CR-A + 1 notch = Aa1
- ÿ TPI: Probable-High
- ÿ Collateral Score post-haircut: 3.4% (cap 5.0%)

\*\*\* Timely payment indicator

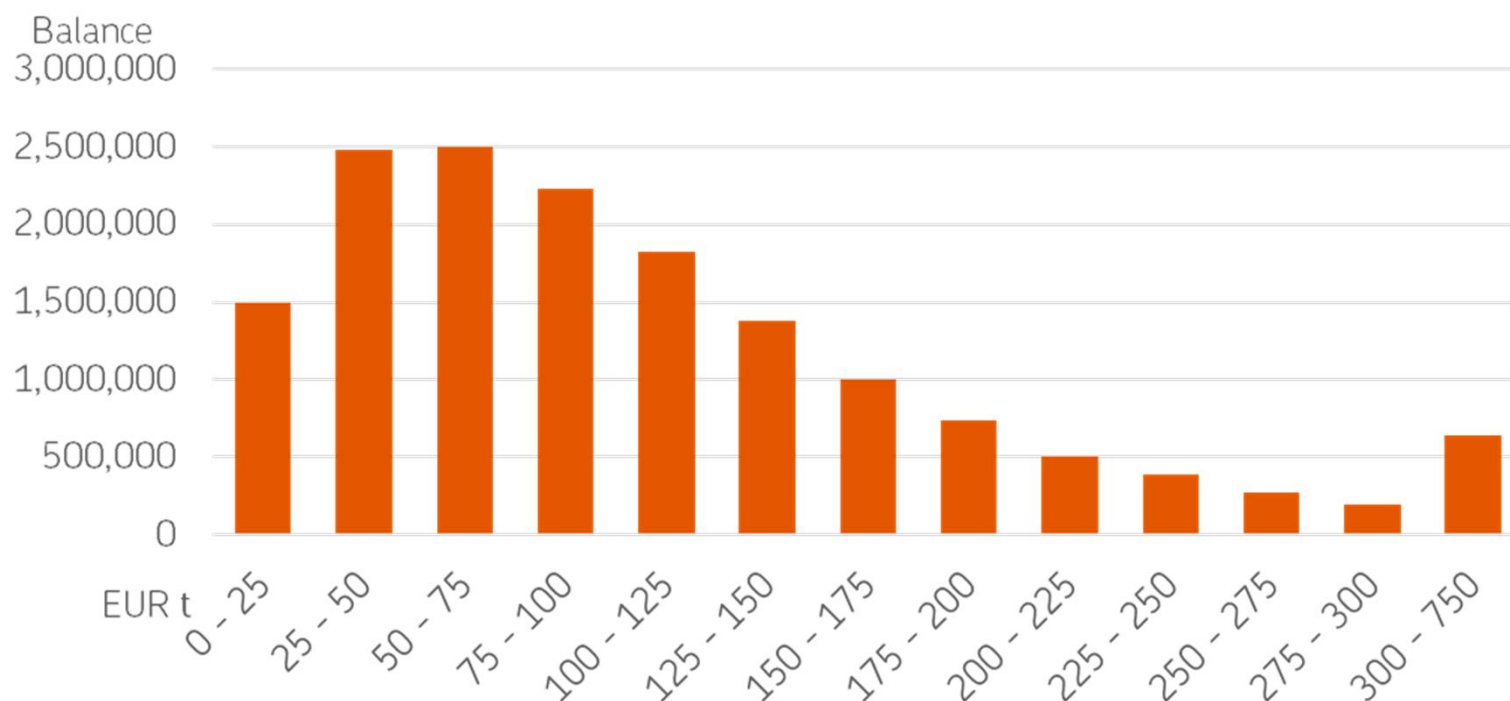
\*\*\*\* Counterparty risk assessment

Source: Standard & Poor's Global Ratings Europe Limited, Transaction Update: OP Mortgage Bank, 17 September 2019

Source: Moody's Investors Service Ltd, Performance Overview, OP Mortgage Bank, Mortgage Covered Bonds 2, 8 May 2020

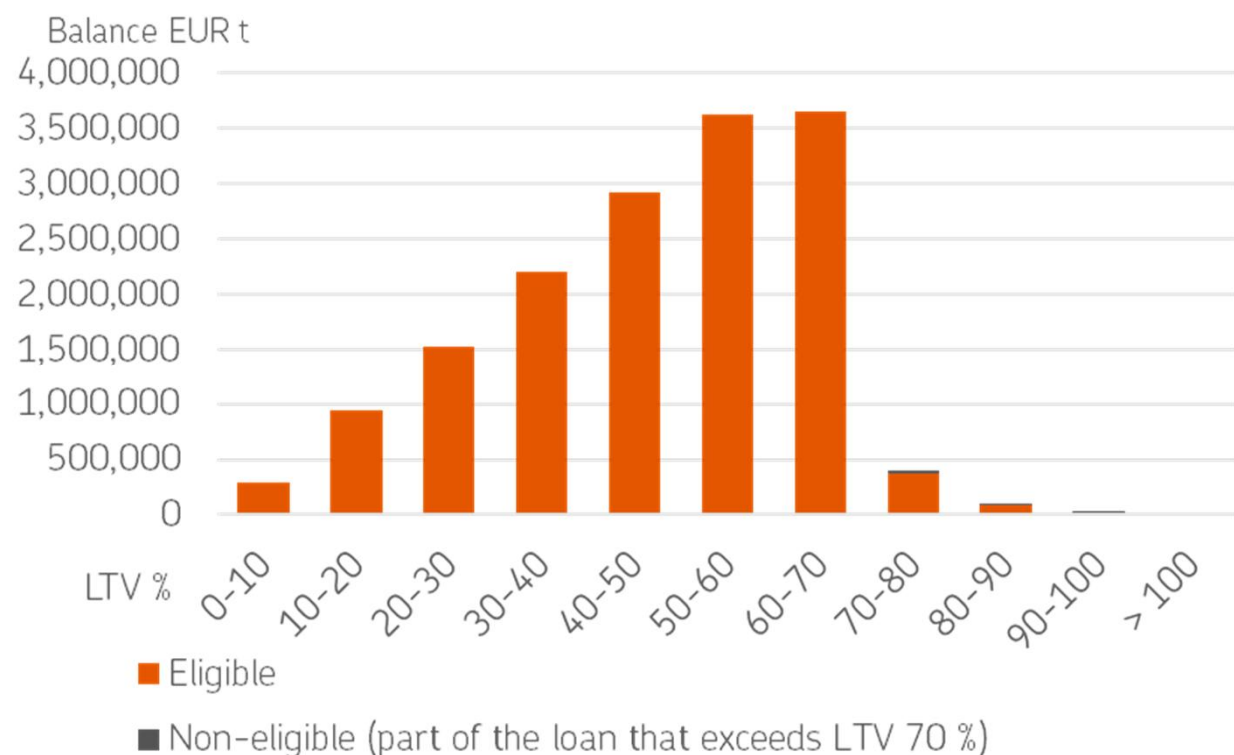
# OPMB Cover Asset Pool

## Loans by size



# OPMB Cover Asset Pool

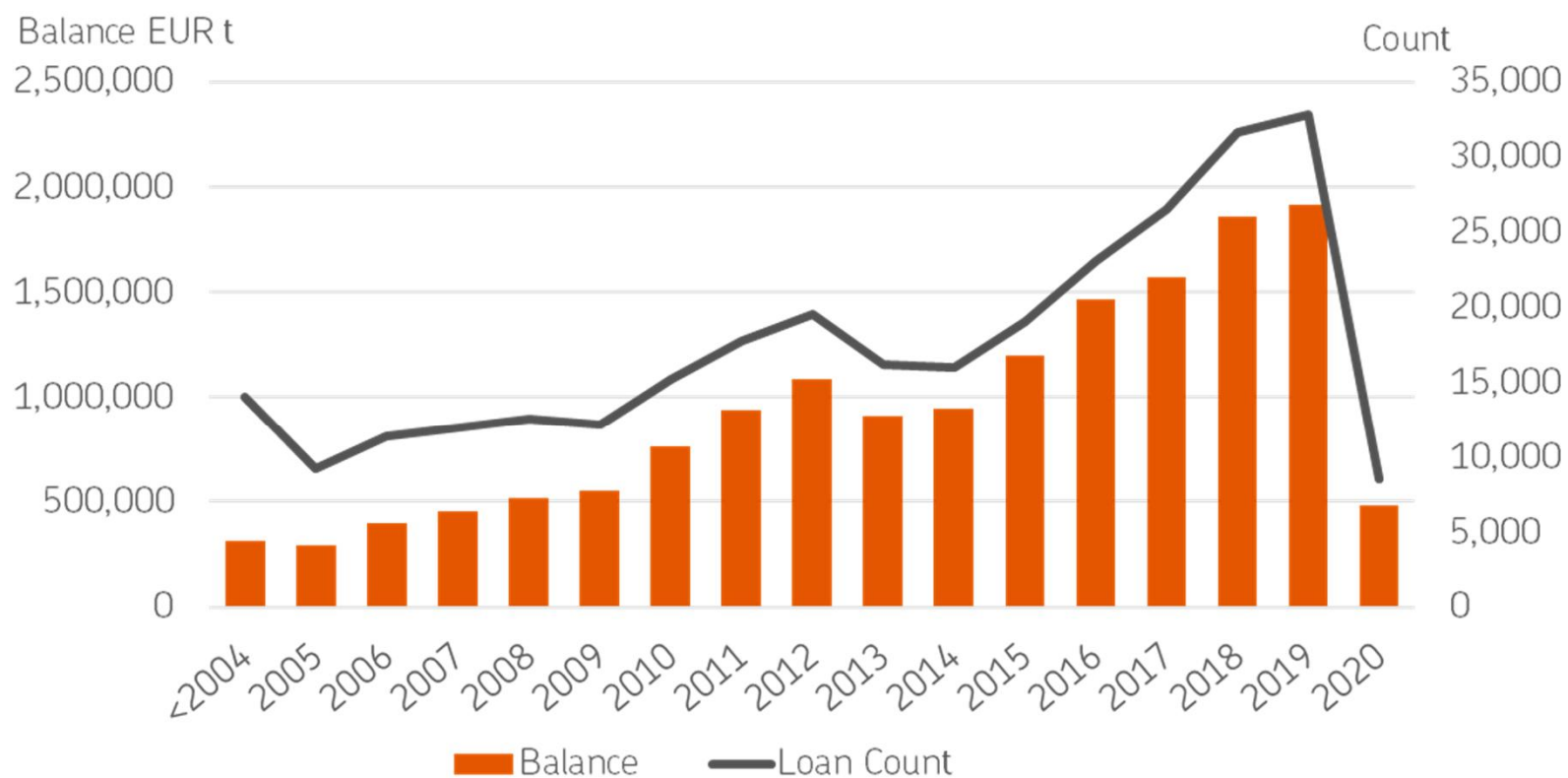
## Loans by LTV



- Total assets EUR 15.7 billion
- Eligible Cover Pool assets EUR 15.6 billion
- Weighted average indexed LTV of 47%
- Over-collateralization 14.3% Eligible only

# OPMB Cover Asset Pool

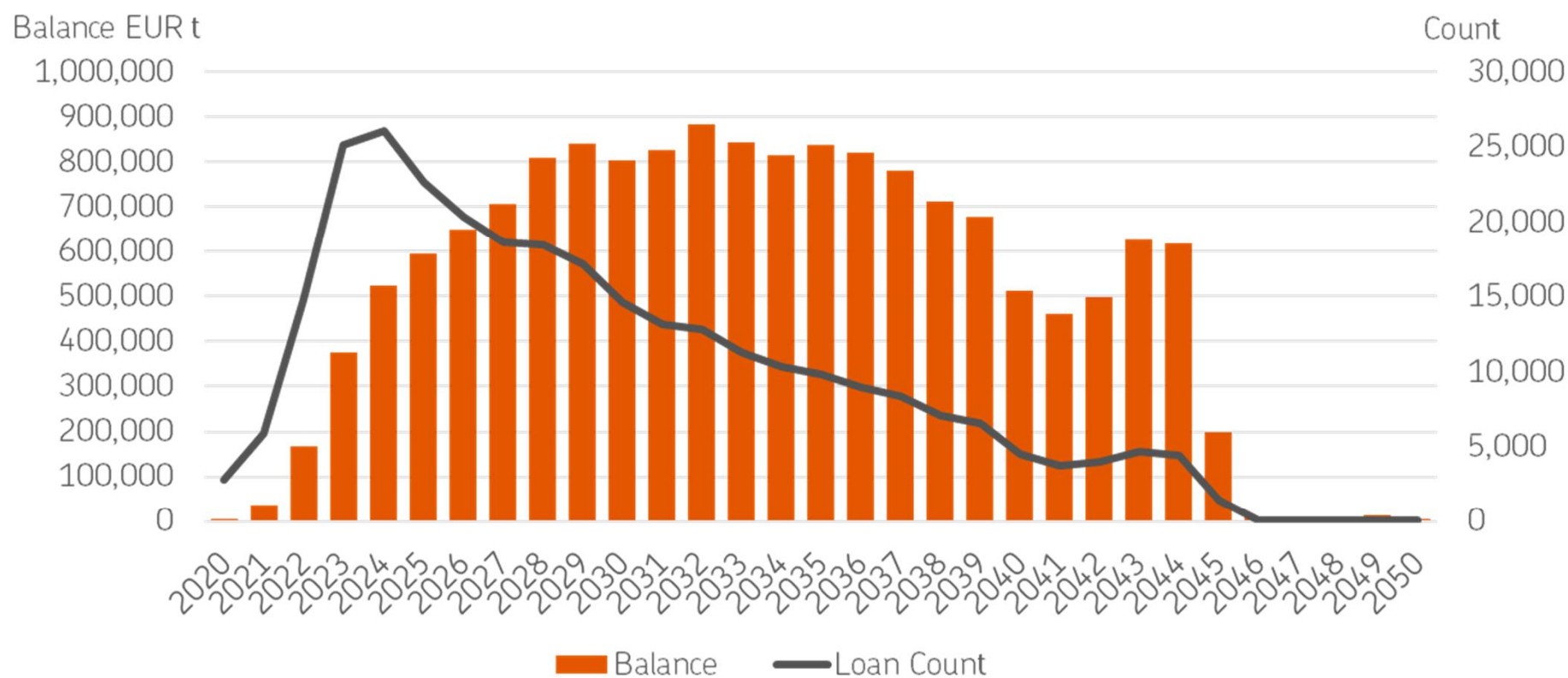
## Loans by origination year





# OPMB Cover Asset Pool

## Loans by maturity



# OPMB Cover Asset Pool

## Geographical distribution

1	Southern Finland	48%
	• Helsinki 19%*	
2	Western Finland	32%
	• Tampere 7%	
	• Turku 5%	
	• Jyväskylä 4%	
3	Eastern Finland	9%
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

## Harmonised Transparency Template



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

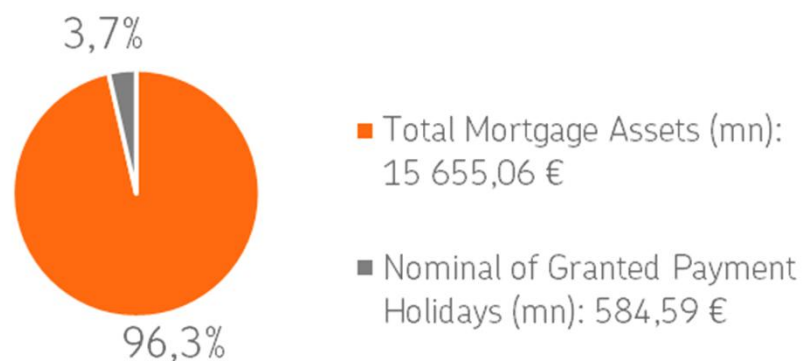


<https://www.coveredbondlabel.com/issuer/6/>

# OPMB Cover Asset Pool

## Harmonised Transparency Template COVID-19 Impact

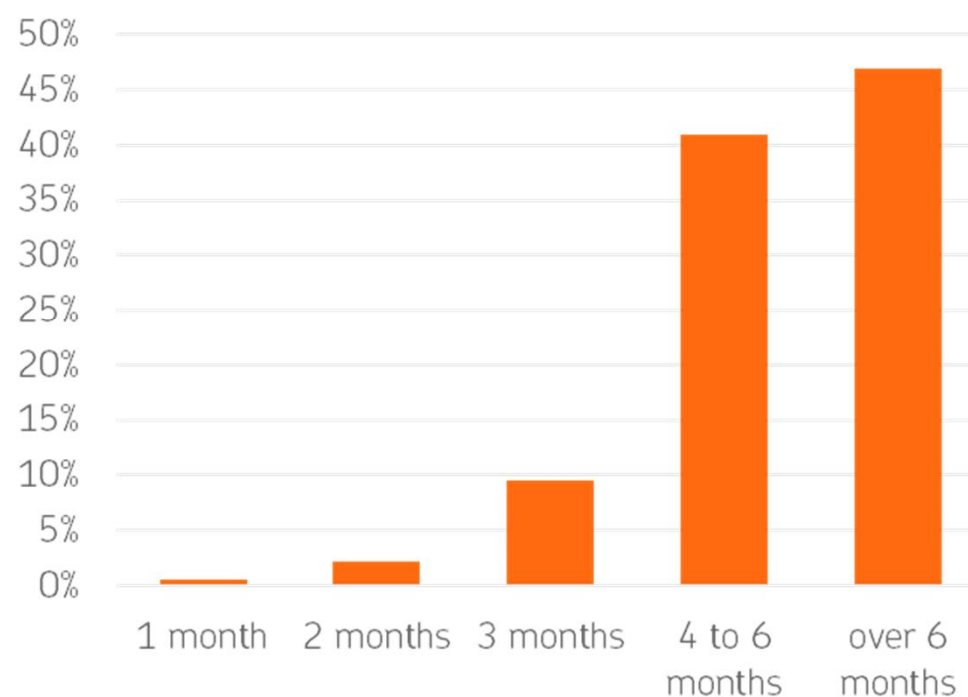
Value of granted payment holidays (mn €)



Number of mortgage loans granted with payment holidays



Lengths of Granted Payment Holidays

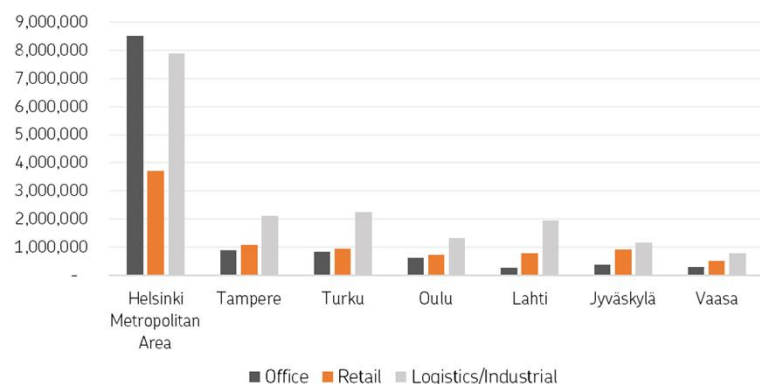


# Appendix

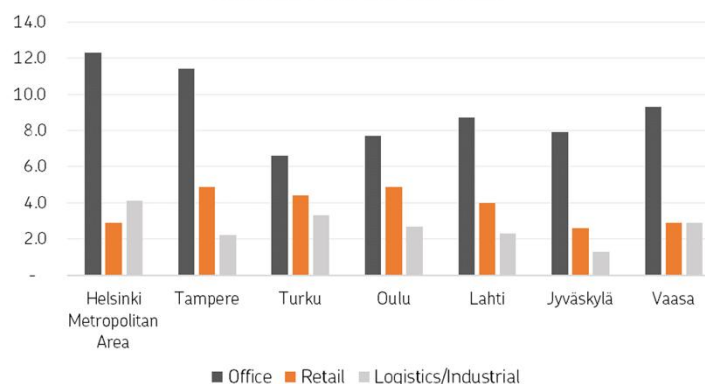


# Commercial real estate market in Finland

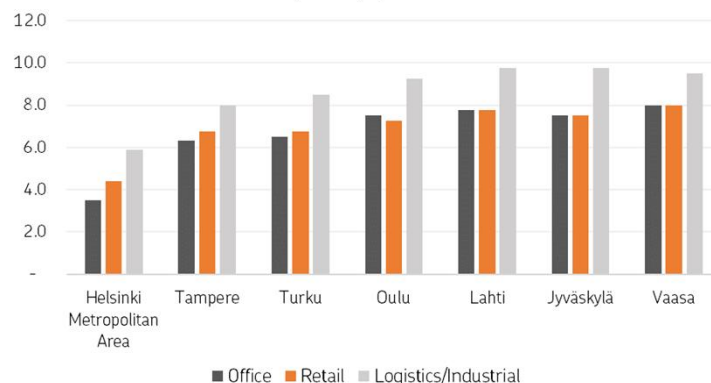
Real estate stock (sq. m.) Q2/2019



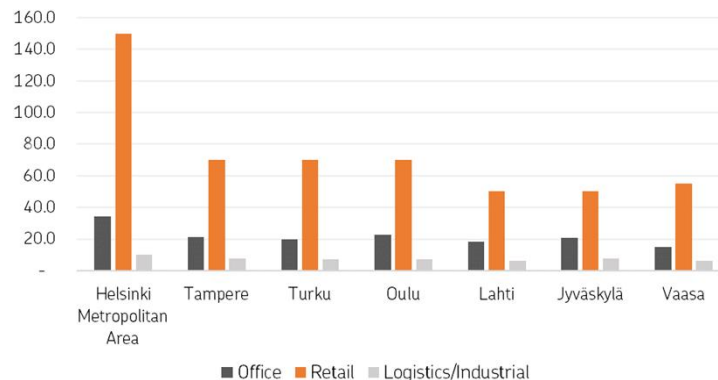
Vacancy rate (%) Q2/2019



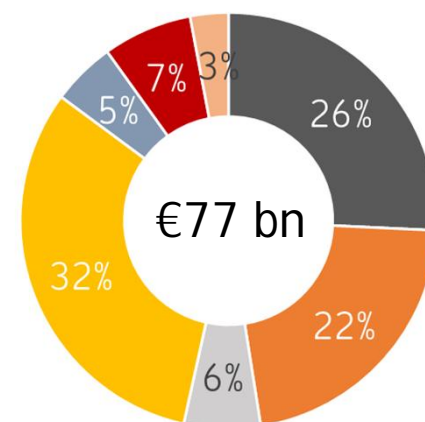
Prime yield (%) Q2/2019



Prime rent (€/sq. m./month) Q2/2019



Professional property investment market at YE2019



Rental levels and yields are based on following criteria: Rents are gross rents. Retail premises: Street level retail premises in the central business district (CBD), well-known domestic or international tenant, 3–5-year lease agreement and initial yield without renovations. Office premises: Modern or renovated premises in the CBD with good rentability, stable anchor tenants, 3–5-year lease agreements and initial yield without renovations. Logistics/Industrial premises: Ordinary premises located in a good industrial area, newer medium-sized building without major renovations needed, one stable tenant, 5–7-year lease agreement and initial yield without renovations. Particularly long lease agreements currently decrease yields by approx. 0.1–0.5% points in the Helsinki CBD and 0.1–0.7% points in other submarkets.

Source: Catella Property Oy – Real Estate Market Finland (Autumn 2019, annual survey)

Source: KTI – Market Overview (Spring 2020, biannual survey); investor inquiries, annual reports, KTI estimates



# Group structure incl. major subsidiaries

2.0 million owner-customers

141 OP Financial Group member cooperative banks

## OP COOPERATIVE

### RETAIL BANKING

- Helsinki Area Cooperative Bank 3)
- OP Card Company Plc 1)
- OP Customer Services Ltd 1), 5)
- OP Mortgage Bank 1)
- (Member cooperative banks)

### CORPORATE BANKING

- OP Corporate Bank plc 1) (Banking)
  - OP Finance AS
  - OP Finance SIA
  - UAB OP Finance
  - OP Custody Ltd 7)
- OP Asset Management Ltd 1)
- OP Fund Management Company Ltd 1)
- OP Real Estate Asset Management Ltd 1)

### INSURANCE

- Pohjola Insurance Ltd 2)
  - Eurooppalainen Insurance Company Ltd 4)
  - Pohjola Hospital Ltd
  - A-Insurance Ltd 6)
- OP Life Assurance Company Ltd 1)

### OTHER OPERATIONS

- OP Services Ltd 1)
- Pivo Wallet Oy 1)
- Checkout Finland Oy 1)
- OP Corporate Bank plc 1) (Treasury)

The legal restructuring of OP Financial Group's central cooperative consolidated streamlines the group structure, simplifies management and makes the cost structure slimmer.

1) OP Cooperative's ownership 100%

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

3) OP Cooperative's control 2/3

4) Was merged into Pohjola Insurance Ltd on 31 October 2019

5) Was merged into OP Card Company Plc on 30 November 2019

6) Was merged into Pohjola Insurance Ltd on 31 March 2020

7) Was transferred from OP Cooperative to OP Corporate Bank plc's full ownership on 31 August 2019. OP Corporate Bank's custody and clearing business and its custodian business were transferred to OP Custody Ltd on 1 November 2019.

**JOINT LIABILITY: OP Cooperative and OP Financial Group member credit institutions belonging in the scope of joint liability marked with orange color.**

# Owner-customer relationship rationale

Based on co-operative company form and mission:

We promote our owner-customers' and operating environment's sustainable financial prosperity, safety and wellbeing

## Ownership

Co-operative mindset. Finnish and local. Genuinely close to customers.  
OP owned by its customers.

## Community spirit

Finnish roots, long history and collective values. Positive community and society impacts. Donations for charitable purposes. Collective experiences and events.



## Financial benefits

OP bonuses. Discounts and benefits from banking, insurance, saving and investment services. Best service channels. Constantly renewing OP services. Benefits from OP's partners.

## Opportunity to influence

Influencing on your own bank's decision-making. Local owner-customer community. OP cooperative bank assembly voting. Participation in product and service development.

# Recent developments within digital channels

## OP Mobile App

Fingerprint authentication

Mobile Key to replace key code lists in autumn 2019 (>1 mn users)

Daily Banking: Accounts, Cards, Payments, Balance in personal finances

Loans: Loan details, Financing options

Non-life insurance: Loss reports, Policy details,

Travel insurance cards

Investments: Trading in equities and mutual funds,

Investment details, Market monitoring

Siirto Payment – Real-time P2P money transfers with mobile number  
(>1 mn users)

## OP.fi

### Internet Bank

Re-designed internet

bank and website at op.fi

New customership

digitally

Mobile Key

## Pivo Mobile Wallet App

Contactless payment

Siirto Payment and Pivo P2P – Real-time money transfers with mobile number

Siirto and Pivo payment buttons at webshops enabling purchases without key code list or card's PIN

Pivo wearable payment solutions

Pivo 2018-19 renewal: Pivo consumer loan, Pivo facial payment pilot, services & benefits from partners

## OP Developer platform

Open application programming interface for external developers



## OP Business Mobile App

for corporate customers' loans, daily banking, invoicing and monitoring receivables  
Mobile Key (>70% of customers using)

## OP Accessible

Accessible web service providing basic banking services to those who are unable to use eg. the op.fi service or OP Mobile App due to vision or hearing impairments, motoric challenges or other functional defects, available at saavutettava.op.fi

## OP Cashier App

for corporate customers' payment transactions and sales

## OP chatbot service

for banking customers

## Social media channels & op.media

for customer service, employee interaction and sharing expertise

# Health and wellbeing business

2020: Pohjola Hospital donates its personnel's work contribution (up to 100 employees) for public healthcare amid the coronavirus crisis

- Persons have tracked COVID-19 infection chains and helped in other critical tasks

2019: Strategic focus on orthopaedics and sports clinic activities

- Pohjola Health Ltd renamed to Pohjola Hospital Ltd as of 1 Jun 2019
- Pohjola Hospital Ltd sold its occupational healthcare services to Mehiläinen (1 Jun 2019) and will not open any medical centres as previously anticipated
- Pohjola Hospitals will give up on basic healthcare and special healthcare services

2016–18: Expansion to university hospital cities

- 4 more Pohjola Health hospitals were opened in Tampere (2016), in Oulu (2017), in Kuopio (2017) and in Turku (2018)

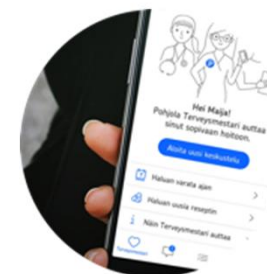
2013–15: Launching the hospital concept

- First Pohjola Health hospital was opened in Helsinki (2013)
- Innovative concept of basic healthcare and special healthcare services, examinations, surgery and rehabilitation services to private and occupational healthcare customers
- Faster care chain and more efficient claims handling process resulting to incomparable customer satisfaction








Pohjola Hospitals across Finland

Pohjola Hospital Mobile App and Pohjola Health Advisor



NPS 2019 among surgery customers

# OP's ESG Ratings

ESG Rating Agency	2020	2019	2018	Range
<b>ISS ESG</b> 	-	C- (not prime)	-	D- to A+
<b>MSCI</b> 	A	A	BB	CCC to AAA
 <b>SUSTAINALYTICS</b>	-	-	16.3 (low risk)	0 to 100 (negligible to severe risk)
<b>imug</b> (OP Corporate Bank)	CCC (neutral)	CCC (neutral)	CCC (neutral)	D to AAA
<b>imug</b> (OP Mortgage Bank)	-	B (positive)	-	D to AAA
 <b>CDP</b> <small>DISCLOSURE INSIGHT ACTION</small>	-	A- (leadership)	-	D- to A
<b>vigeo</b>  <b>eiris</b>	-	54	52 (in 2017)	0 to 100

# OP is highly committed to CR

## 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 Nordic Network
- 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)
- FIBS Diversity Charter Finland
- CR Working Group of the European Association of Co-operative Banks (EACB)
- CR Working Group of Finance Finland
- EeMAP (Energy efficiency Mortgages Action Plan) Initiative
- Pohjola Insurance Ltd & Compensate Foundation cooperation
- Pohjola Insurance Ltd & WWF Finland cooperation
- OP Asset Management Ltd: official supporter of The Task Force on Climate-related Financial Disclosures (TCFD)



# OP's CR measures during recent years

## Banking

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

## Insurance

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

## Treasury & ALM

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

## Wealth Management

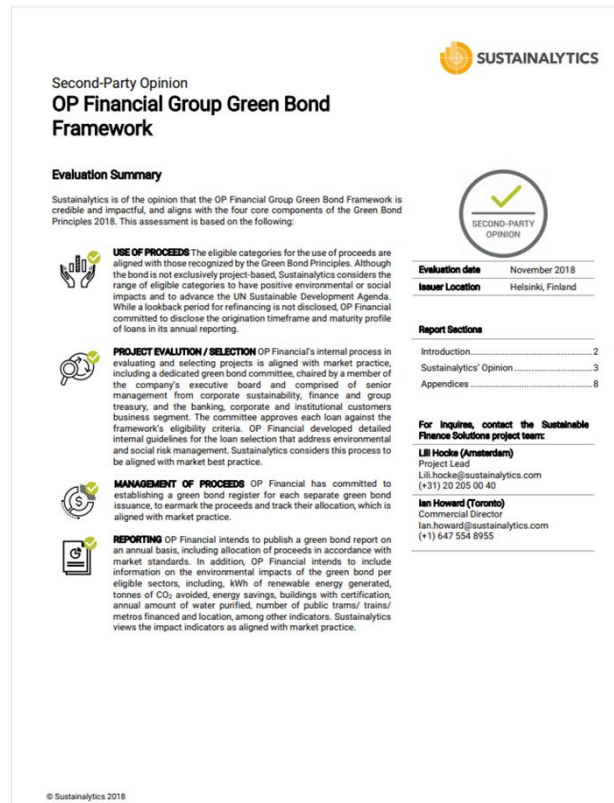
- Exclusion of high-carbon companies and measuring carbon footprint of mutual funds
- Quarterly sustainability analyses on OP funds
- Active proxy voting at AGMs
- OP Finfund Global Impact Fund I raised funds worth €76 mn in the first funding round, aiming to achieve positive impacts concerning climate change, food security, gender equality and access to finance
- Membership in Climate Action 100+ (5yr investor engagement initiative) to impact on listed companies with the highest GHG emissions globally – thematic engagement projects on carbon, water and tax risks
- TCFD-aligned review on climate change risks and opportunities in OP's investments published in June 2020; carbon intensity of OP funds decreased by 6% in 2 years

## OP premises & practices

- LEED Gold certificates for OP HQ and Pohjola Hospitals
- Solar power stations at OP HQ, Pohjola Hospitals and in properties of OP Real Estate Asset Management
- Energy used at OP HQ 100% renewable (34% at OP Financial Group level)
- OP HQ to be heated with zero-emission circulation heating (100% recycled waste heat) 2020 onwards
- WWF Finland Green Office system applied to OP HQ and some member cooperative banks
- Carbon footprint of OP's employees mitigated by remote work opportunity and incentives to use public transportation
- Emissions from own operations down by 32% (2019 vs. 2011)



# OP's Green Bond Framework published in 2018



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

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

# OP Corporate Bank's Green Bond Report highlights



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

## Most relevant UN SDGs:



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



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

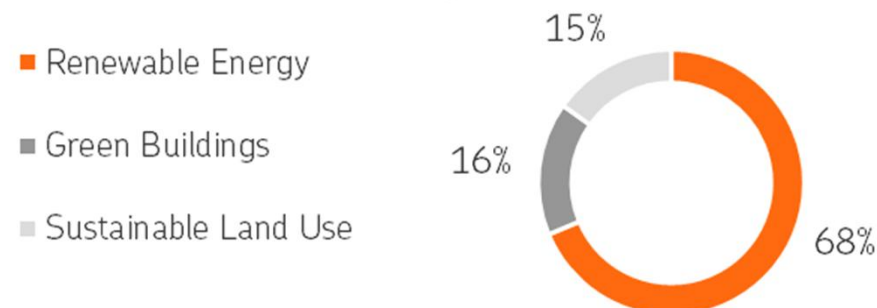


- 32 000 m<sup>2</sup> of green certified building area
- 1.2 ktCO<sub>2</sub>e avoided due to reduced energy consumption



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

## Assets included in the Green Bond register by eligible sector



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

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



# OP committed to take 20 climate actions in 2020

OP aims to be carbon-neutral by 2025



We offer new financing products aiming to mitigate the climate change

We channel investments towards climate change mitigation

We support agriculture and forestry sectors towards more sustainable future

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

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

We increase knowledge of financial impacts caused by climate change

OP HQ premises in Helsinki to be heated with zero-emission circulation heating (100% recycled waste heat)

This transition made in 2020 enables emission reduction of around 4.6% in emissions from OP's own operations

**23,762 tn CO<sub>2</sub>e**

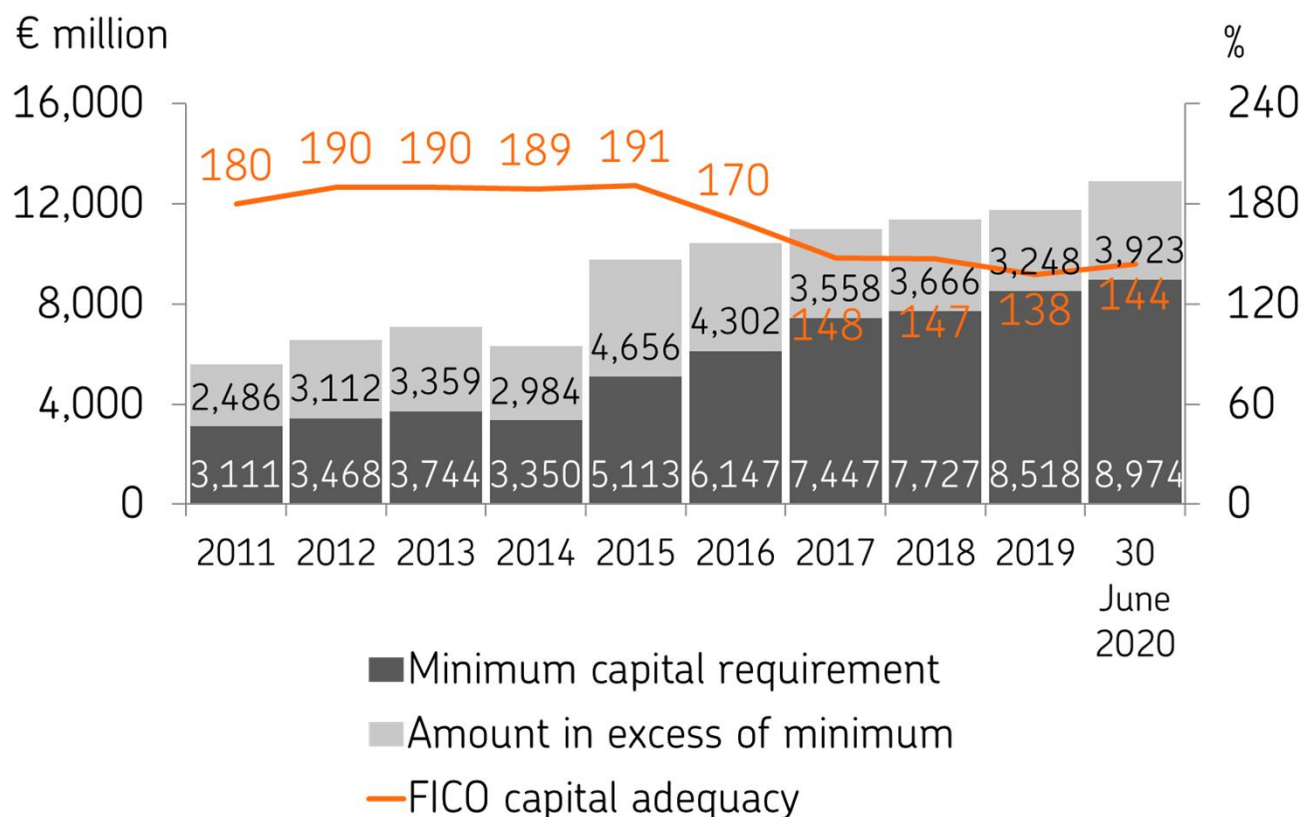
Direct GHG emissions from OP's own operations (Scopes 1 & 2) in 2019 – down by 32% since 2011

**34%**

Renewable energy of OP's total energy consumption



# Capital Adequacy under the Act on the Supervision of Financial and Insurance Conglomerates 144%



Statutory minimum requirement 100%

- Banking capital requirement 13.75% calculated on RWA
- As a result of the buffer requirements for banking and solvency requirement for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the group can operate without regulatory obligations resulting from buffers below the required level

# OP Financial Group's earnings analysis

€ million	H1/20	H1/19	2019	2018	2017	2016	2015
Net interest income	646	602	1 241	1 186	1 102	1 058	1 026
Net insurance income	295	274	421	566	478	558	528
Net commissions and fees	455	450	936	887	879	859	855
Net investment income	-28	218	530	185	522	390	432
Other operating income	112	35	53	61	83	123	55
<b>Total income</b>	<b>1 481</b>	<b>1 579</b>	<b>3 181</b>	<b>2 885</b>	<b>3 063</b>	<b>2 989</b>	<b>2 895</b>
Personnel costs	415	404	781	517	758	762	781
Depreciation/amortisation and impairment loss	129	127	278	325	246	160	162
Other operating expenses	449	421	844	839	764	646	577
<b>Total expenses</b>	<b>993</b>	<b>953</b>	<b>1 903</b>	<b>1 681</b>	<b>1 768</b>	<b>1 567</b>	<b>1 520</b>
Impairment loss on receivables	-166	-39	-87	-46	-48	-77	-78
OP bonuses to owner-customers	-124	-124	-249	-226	-217	-206	-196
Overlay approach*	89	-67	-105	26			
<b>Earnings before tax</b>	<b>287</b>	<b>396</b>	<b>838</b>	<b>959</b>	<b>1 031</b>	<b>1 138</b>	<b>1 101</b>

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



# OP Financial Group's key figures and ratios

	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Total assets, € million	160 255	147 024	140 294	137 205	133 747	124 455	110 427	100 991	99 769	91 905	83 969
Receivables from customers, € million	93 754	91 463	87 026	82 193	78 604	75 192	70 683	68 142	65 161	60 331	56 834
Liabilities to customers, € million	72 750	68 289	66 112	65 549	60 077	58 220	51 163	50 157	49 650	41 304	36 443
Equity capital, € million	12 515	12 570	11 742	11 084	10 237	9 324	7 213	7 724	7 134	6 242	6 726
CET1 ratio, %	17.7	19.5	20.5	20.1	20.1	19.5	15.1	17.1 <sup>a</sup>	14.1 <sup>b</sup>	14.0 <sup>b</sup>	12.6 <sup>b</sup>
Capital adequacy ratio, %	21.1	21.1	22.5	22.5	23.1	22.9	17.3	19.8 <sup>a</sup>	14.1	14.0	12.8
Cost/income ratio, %	67 <sup>d</sup>	60 <sup>c</sup>	58 <sup>c</sup>	58 <sup>c</sup>	52 <sup>c</sup>	53 <sup>c</sup>	56 <sup>c</sup>	62 <sup>c</sup>	63 <sup>c</sup>	63 <sup>c</sup>	59 <sup>c</sup>
Return on equity (ROE), %	3.6 <sup>d</sup>	5.5 <sup>c</sup>	6.5 <sup>c</sup>	8.0 <sup>c</sup>	9.4 <sup>c</sup>	10.3 <sup>c</sup>	8.1 <sup>c</sup>	8.9 <sup>c</sup>	7.0 <sup>c</sup>	6.8 <sup>c</sup>	6.9 <sup>c</sup>
Return on assets (ROA), %	0.29 <sup>d</sup>	0.47 <sup>c</sup>	0.54 <sup>c</sup>	0.60 <sup>c</sup>	0.71 <sup>c</sup>	0.73 <sup>c</sup>	0.57 <sup>c</sup>	0.66 <sup>c</sup>	0.50 <sup>c</sup>	0.50 <sup>c</sup>	0.53 <sup>c</sup>
Personnel	12 772	12 226	12 066	12 269	12 227	12 130	12 356	12 856	13 290	13 229	12 504

a) As at 1 January 2014

b) Core Tier 1 ratio

c) Jan-Dec

d) Jan-Jun

# OP Financial Group's key figures and ratios

	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Loan and guarantee portfolio, € billion	97.8	94.6	90.0	84.8	81.3	77.8	73.6	71.0	67.7	62.8	59.4
Impairment loss on receivables, € million	166 <sup>d</sup>	87 <sup>c</sup>	46 <sup>c</sup>	48 <sup>c</sup>	77 <sup>c</sup>	78 <sup>c</sup>	88 <sup>c</sup>	84 <sup>c</sup>	99 <sup>c</sup>	101 <sup>c</sup>	149 <sup>c</sup>
Impairment loss on receivables to loan and guarantee portfolio, %	0.17 <sup>d</sup>	0.09 <sup>c</sup>	0.05 <sup>c</sup>	0.06 <sup>c</sup>	0.09 <sup>c</sup>	0.10 <sup>c</sup>	0.12 <sup>c</sup>	0.12 <sup>c</sup>	0.15 <sup>c</sup>	0.16 <sup>c</sup>	0.25 <sup>c</sup>
Non-life Insurance operating combined ratio, %	89.3 <sup>d</sup>	92.7 <sup>c</sup>	92.0 <sup>c</sup>	96.1 <sup>c</sup>	87.6 <sup>c</sup>	87.3 <sup>c</sup>	89.4 <sup>c</sup>	86.9 <sup>c</sup>	90.5 <sup>c</sup>	89.8 <sup>c</sup>	89.7 <sup>c</sup>
Non-life Insurance Solvency II ratio (excl. transitional provisions), %	139	144	132	135	127	146	117	125	N/A	N/A	N/A
Life Insurance Solvency II ratio (excl. transitional provisions), %	152	170	176	151	149	149	100	99	N/A	N/A	N/A

c) Jan-Dec

d) Jan-Jun

A close-up photograph of an older man with a grey beard and glasses, wearing a blue flat cap and a green jacket over a plaid shirt. He is looking down at a white smartphone in his hands, with white earbuds in his ears. The background is blurred, showing warm, out-of-focus lights.

# Debt IR contacts

# Debt IR contacts



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OP's Debt IR website available at [www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

See eg. OP Financial Group's and issuing entities' financial reports and other publications and watch the CFO's H1/2020 Results Interview (to be published on week 30)