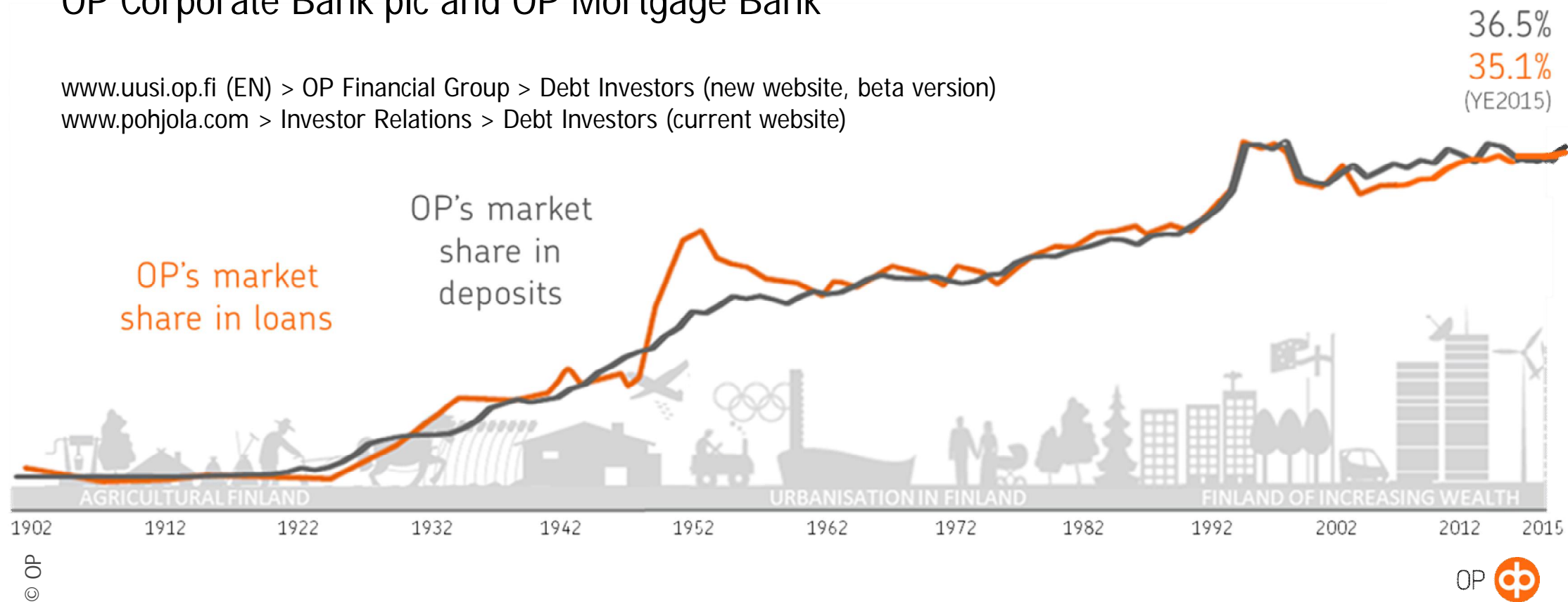


# Debt Investor Presentation FY/2016

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

[www.uusi.op.fi](http://www.uusi.op.fi) (EN) > OP Financial Group > Debt Investors (new website, beta version)

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



# Disclaimer

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

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

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

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  - Capitalisation
  - Financial performance
  - Asset quality
  - Credit ratings
  - Liquidity and funding
5. OP Mortgage Bank
6. OPMB Cover Asset Pool Characteristics and ECBC Harmonised Transparency Template
7. Debt IR contacts
8. Appendices





# Leading financial group in Finland

Issuing entities: OP Corporate Bank plc and OP Mortgage Bank

€134 bn

Balance sheet total at YE2016

## SOLID CAPITAL POSITION

20.1%

CET1 ratio at YE2016

## FINNISH RISK EXPOSURE

94%

of retail and corporate exposures in Finland  
at YE2016

## MARKET LEADER IN FINLAND

>35%

Market share in  
loans and  
deposits in 2015

>30%

Market share in  
non-life insurance  
in 2015

## HIGH CREDIT RATINGS

Moody's Aa3  
S&P AA-

OP Corporate Bank plc

Moody's Aaa  
S&P AAA

OP Mortgage Bank

IN 2016,  
OP PERFORMED  
WELL IN ITS  
FINANCIAL ROLE

€1,138 mn

EBT up by 3% to  
all-time high  
annual earnings

+3%

total income

+3% NII

+6% net insurance income  
+1% net commissions and fees

+3%

total expenses due to higher  
development costs

+4% housing loans  
+3% corporate loans  
+2% insurance  
premium revenue  
+9% AUM

20.1%

CET1 ratio up  
by 0.6 pps -  
towards the  
target of 22.0%  
by the end of  
2019

+260,000  
New owner-  
customers

IN 2016,  
OP SHOWED  
ITS SOCIAL ROLE  
THROUGH VARIOUS  
INITIATIVES,  
eg.

New financing models  
for SMEs

€150 mn financing in  
cooperation with EIF and  
€150 mn financing in  
cooperation with Finnish  
government, EIB and the EC

Invest in Finland

initiative creating 25,000 new  
shareholders for Finnish listed  
companies and reduction in  
OP's electronic equity  
trading charges

€6.3 mn  
donations for  
Finnish  
universities

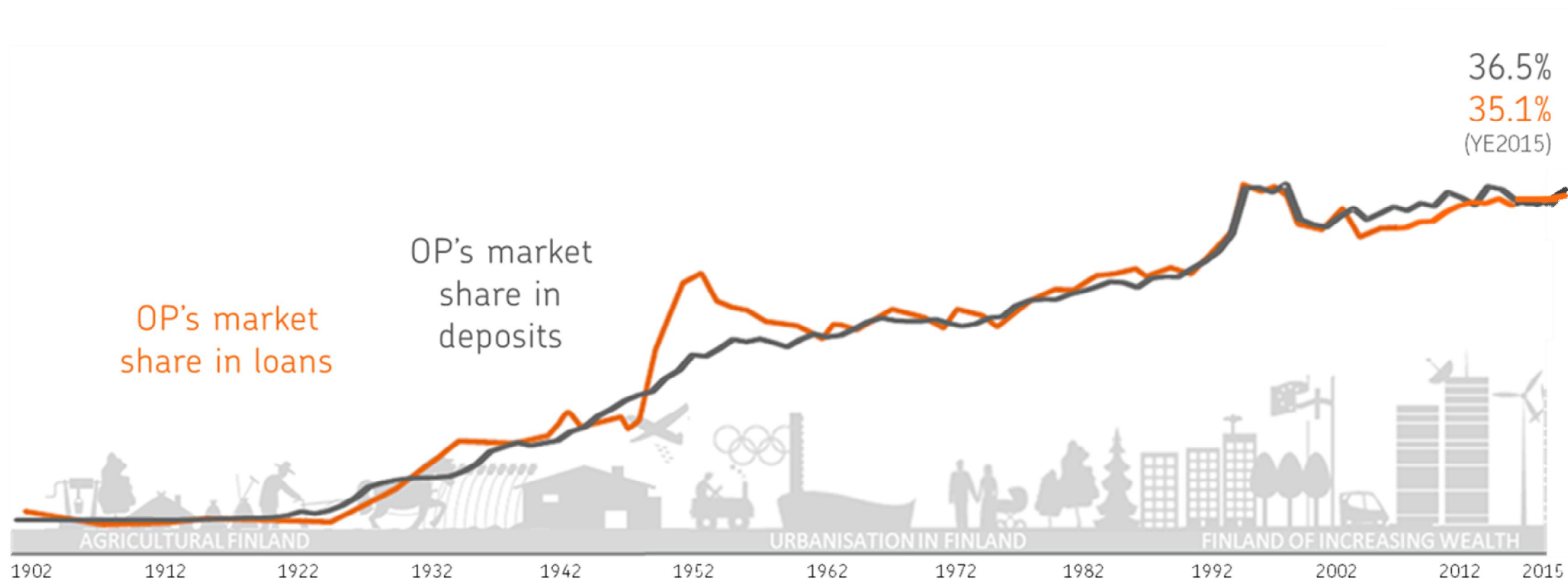
100 years of  
voluntary work  
in honour of the  
centenary of Finland's  
independence

OUTLOOK  
FOR OP AND THE  
FINNISH  
ECONOMY

In 2017,  
OP's EBT is expected to be  
about the same as or lower  
than those for 2016

During the next few years,  
Finland is expected to benefit  
from economic upswing

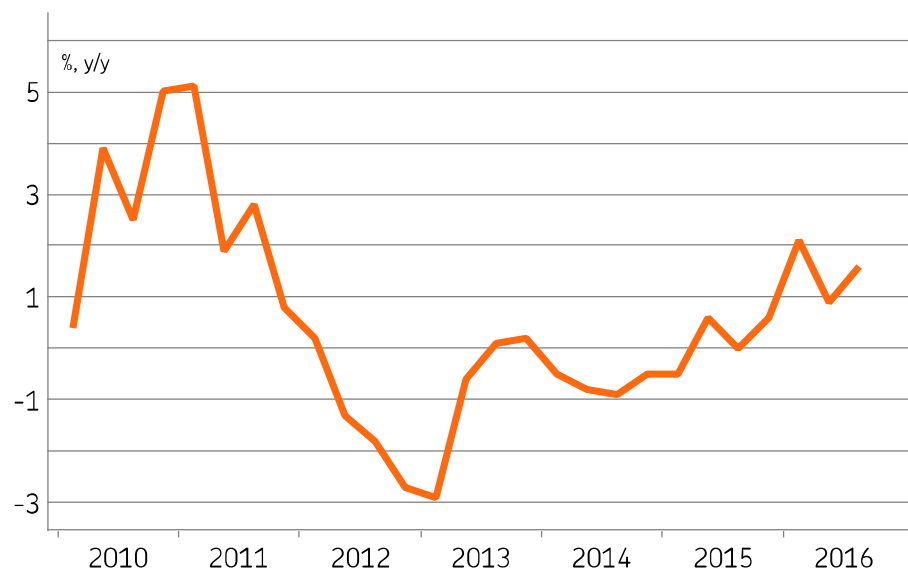
Source: OP macroeconomists' forecast,  
24 January 2017



## Finnish economy

# Finnish economy expected to pick up stronger during the next few years

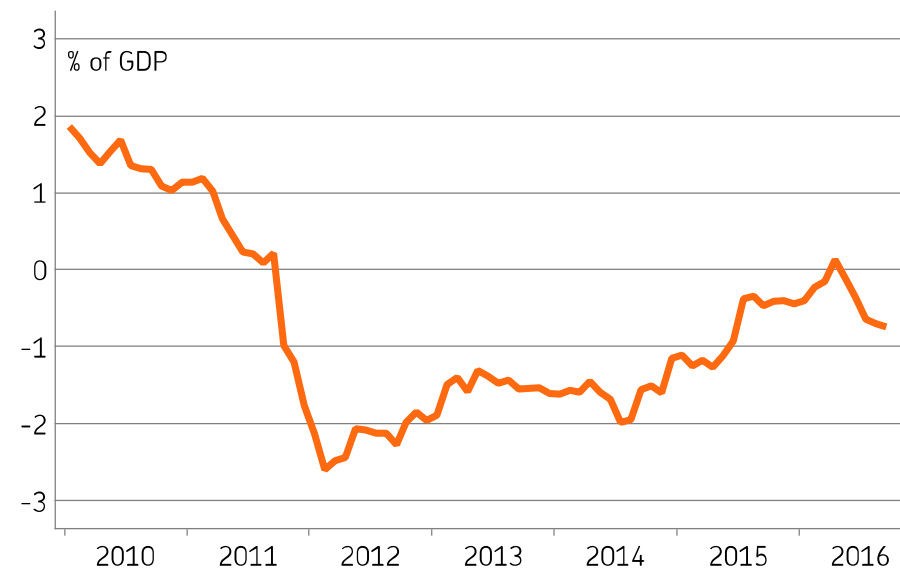
GDP growth



Source: Macrobond, OP

Updating frequency: Quarterly

Current account



Source: Macrobond, OP

Updating frequency: Monthly

# Brighter economic outlook for Finland driven by growing exports and fixed investments

## Forecasts for the Finnish economy

Published on 24 January, 2017

Volume, % change on previous year	EUR bn	2015	2016f	2017f	2018f
GDP	209,1	0,3	1,6	1,8	2,0
Imports	77,5	3,1	2,0	3,0	3,5
Exports	76,6	2,0	0,7	3,5	5,0
Consumption	166,7	1,1	1,4	0,9	1,1
Private consumption	115,7	1,5	2,0	1,5	1,5
Public consumption	51,0	0,1	0,0	-0,5	0,2
Fixed investment	42,7	1,1	5,2	4,1	3,0

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

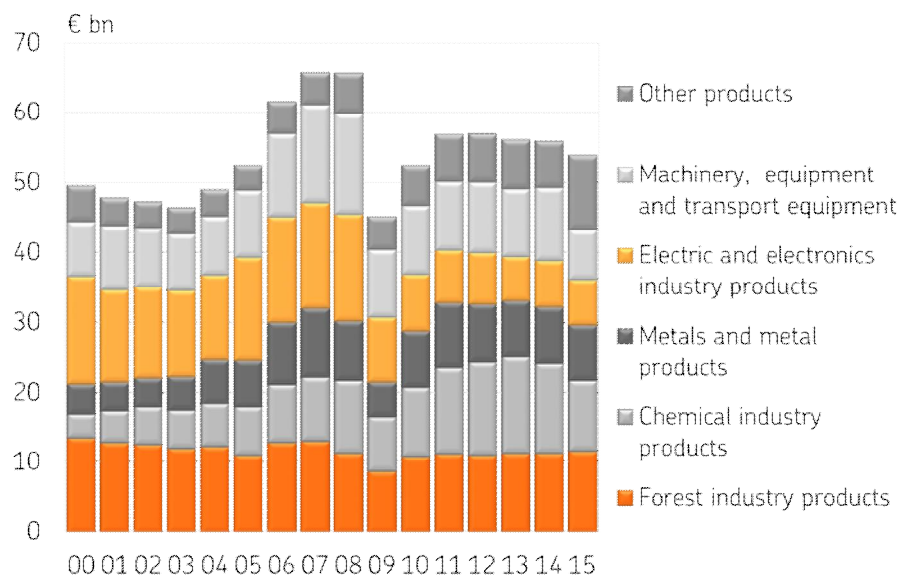
Other key indicators	2015	2016	2017f	2018f
Consumer price index, % change y/y	-0,2	0,4	1,4	1,6
Unemployment rate, %	9,4	8,8	8,3	7,8
Current account balance, % of GDP	-0,4	-0,8	-0,6	-0,4
General government net lending, % of GDP	-2,7	-2,3	-2,3	-1,8
General government debt, % of GDP	63,6	63,5	64,6	65,1

Sources: Statistics Finland and OP Financial Group



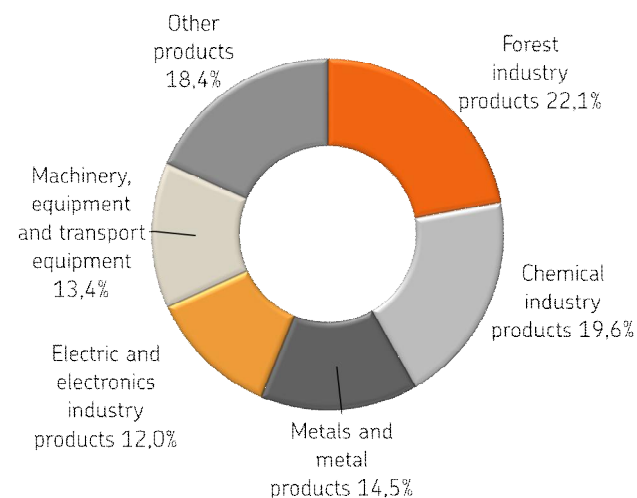
# Balanced goods exports structure by commodity group

Goods exports by commodity group  
2000-15



Source: National Board of Customs

Goods exports by commodity group  
January–October 2016



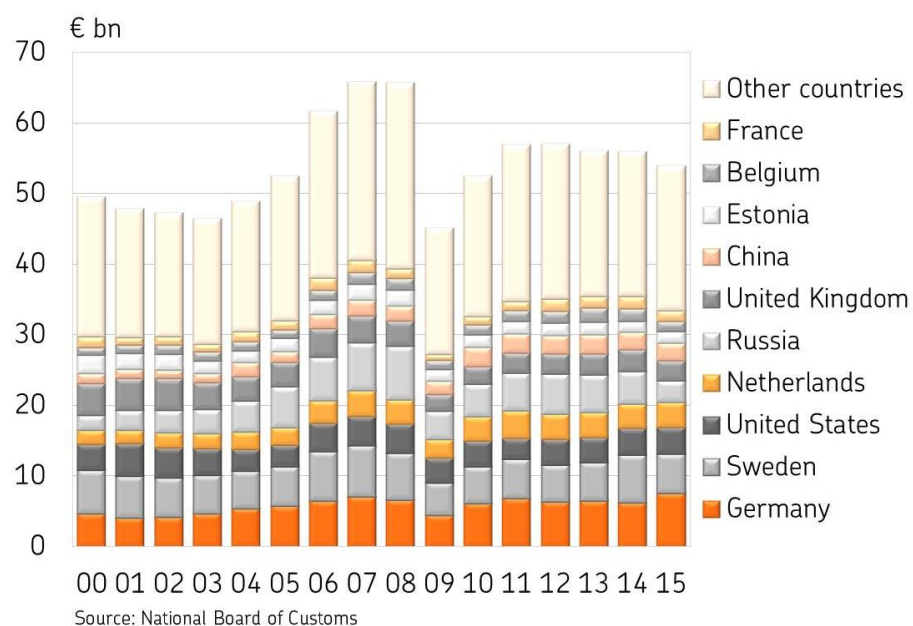
Source: National Board of Customs

Total exports €42.73 bn

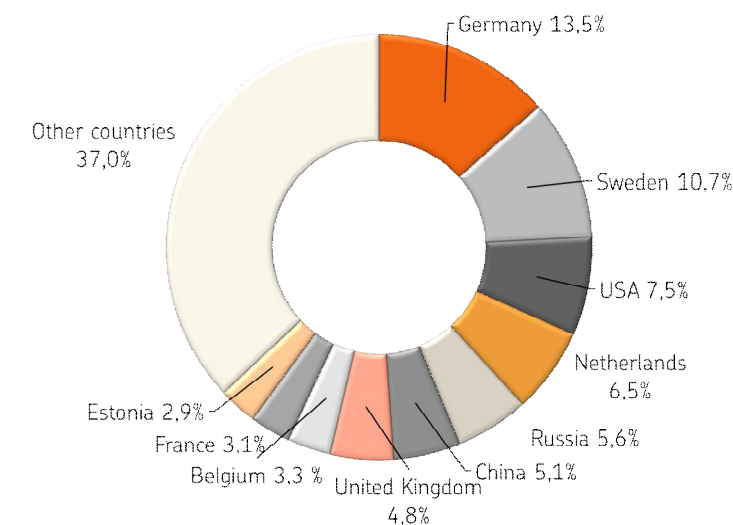
Goods exports  
70% of total  
exports

# Diversified goods exports structure by country

Finland's largest goods exports countries  
2000-15



Goods exports by country\*  
January–October 2016

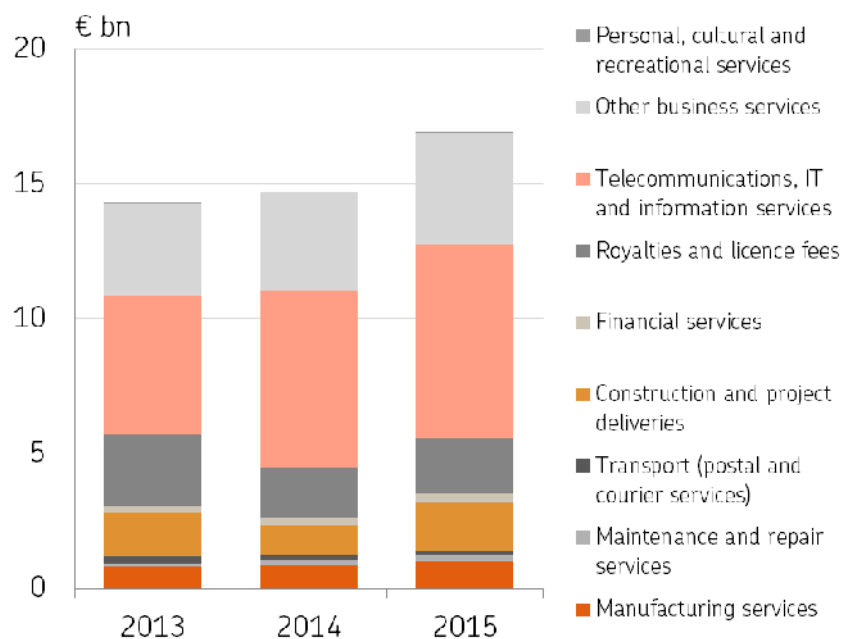


Goods exports  
to EU member  
countries'  
59.6% and to  
Euro Area  
37.7%  
in January-  
October 2016

\* Other countries: Norway (3,0%), Poland (2,8%), Italy (2,5%), Spain (1,9%), Japan (1,9%), Denmark (1,7%), Turkey (1,5%), Switzerland (1,6%), South Korea (1,3%), Latvia (1,0%), India (1,0%) and diversified other countries with a share of less than 1,0%.

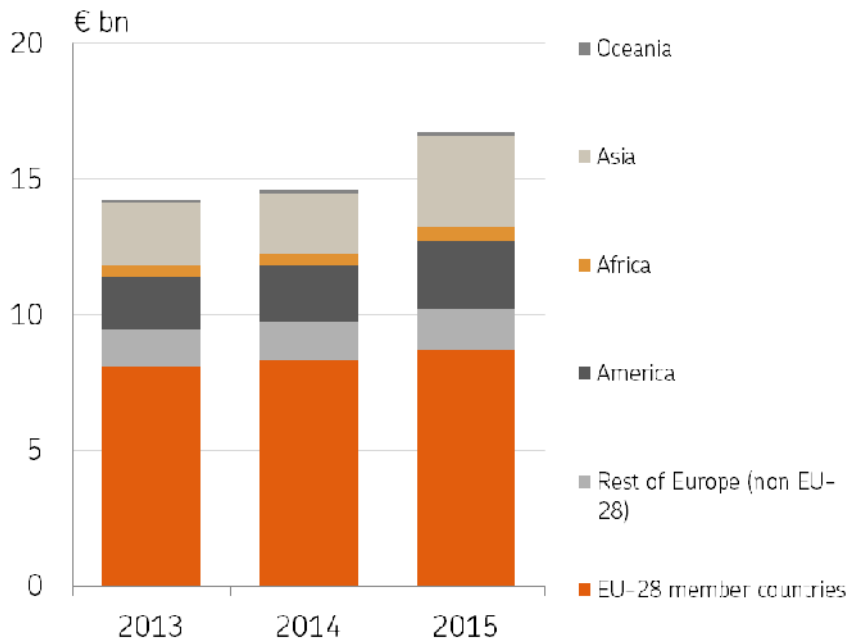
# Service exports\* up by 15% in 2015 to €16.9 bn

Service exports by service item  
2013–15



Source: Statistics Finland, May 2016

Service exports by region  
2013–15



Source: Statistics Finland, May 2016

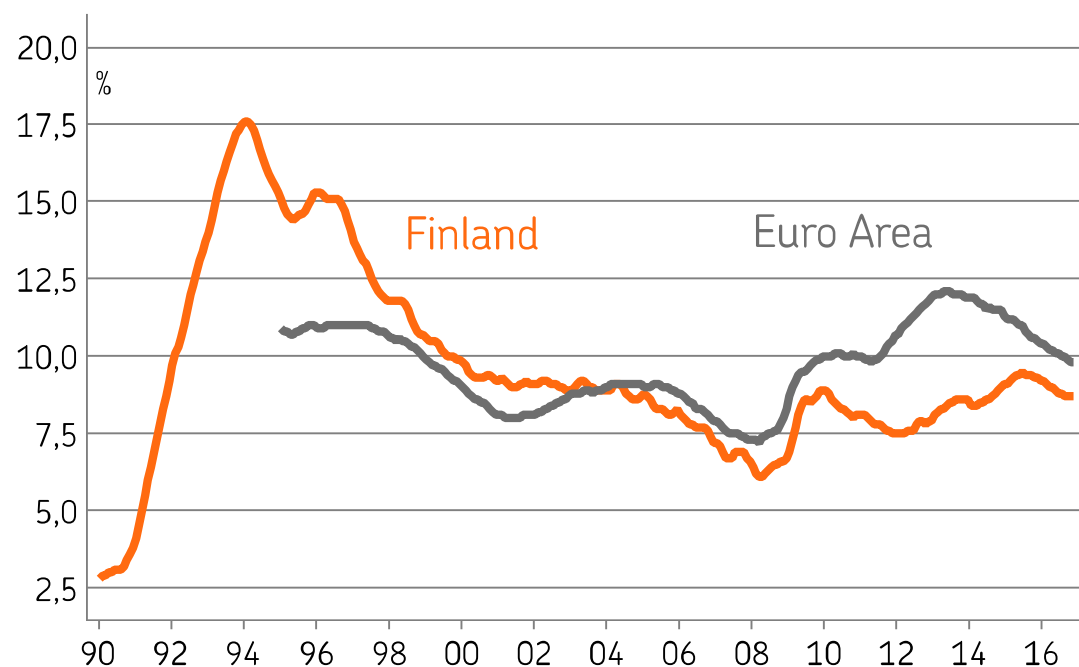
Service exports to EU member countries over 50% and to Europe 60%

Finland's TOP2 service exports countries:  
1. Sweden  
2. USA

\* Service exports statistics exclude tourism services, transportation services, insurance services and indirect financial services

# Unemployment rate to fall slightly

Unemployment rate in Finland and Euro area



Lähde: Macrobond, OP

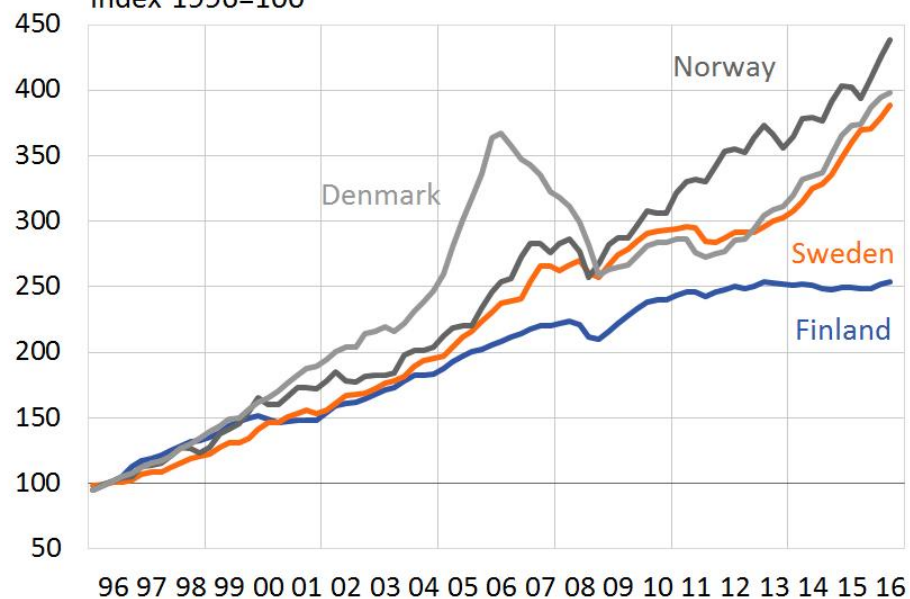
2016f	2017f	2018f
10.1	9.5	9.0

2016f	2017f	2018f
8.8	8.3	7.8

# Average house prices and households' debt

## Average house prices

Index 1996=100

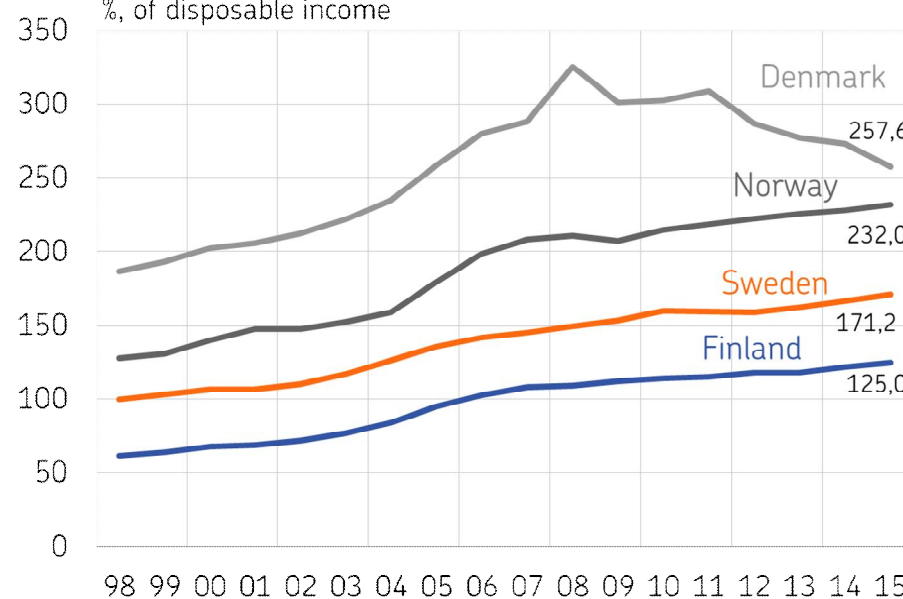


Sources: Macrobond, Statistics Sweden, Eurostat

Latest values: Q3/2016

## Households' debt ratio

%, of disposable income



Sources: Central Banks, Statistics Finland

Latest values: 2015

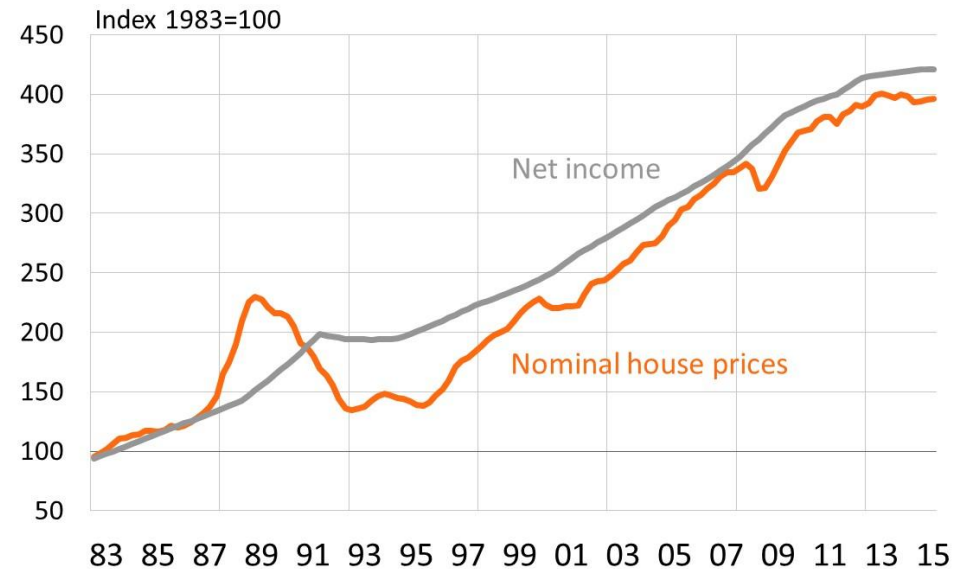
# Finnish housing market is stable

## Characteristics of Finnish housing market

- Ownership ratio of households around 68%
- Average size of homes 80m<sup>2</sup>
- Typical maturity of new loans 17.4 years
- Variable interest rates: around 96% of loans to households
- Fully-amortizing market
- Interest relief in taxation (max. €3,600 / household)
- Capital gains tax-exempt after 2 years

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

Changes in house prices and net income



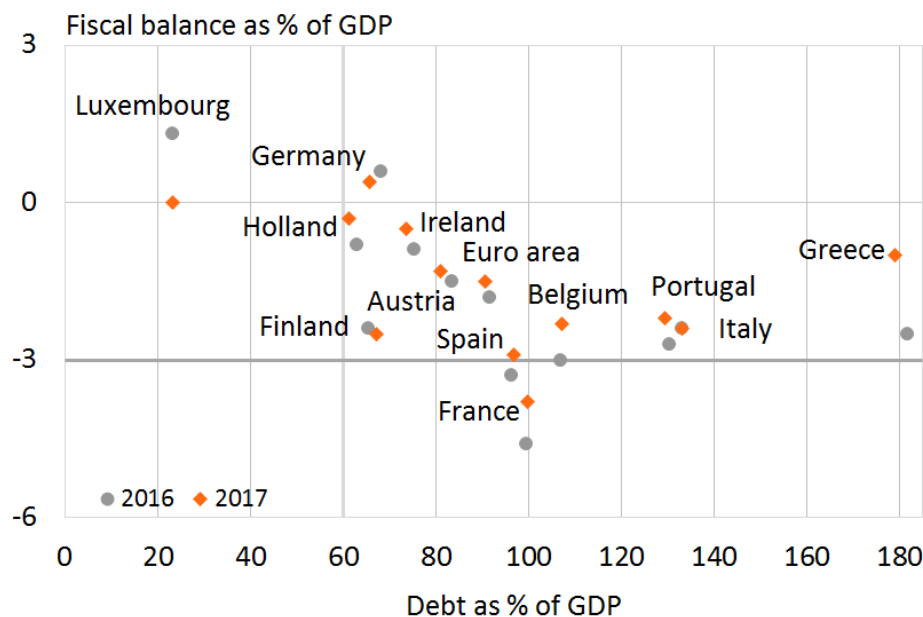
Source: Statistics Finland

As of 23 January 2017

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

# Finland is wealthy and balanced economy in European comparison

Fiscal Balance,  
Forecasts for 2016 and 2017



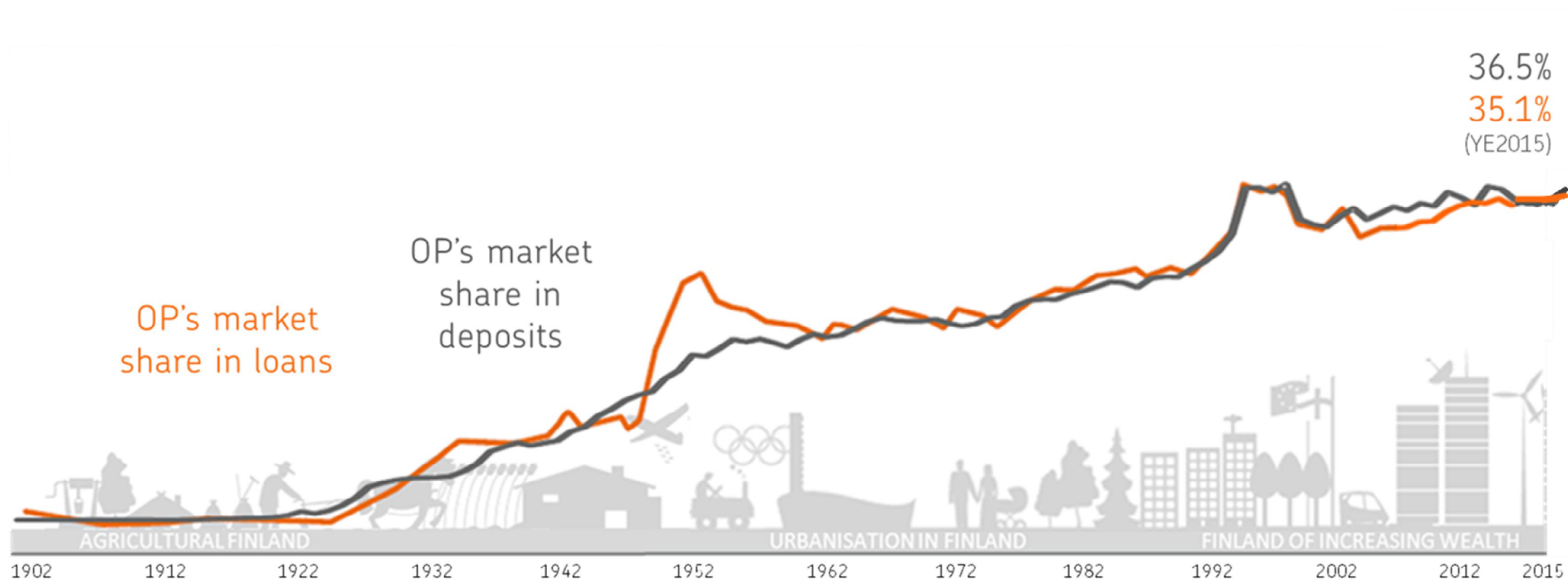
Sources: Statistics Finland, European Commission, November 2016

Long-term sovereign credit ratings for Euro area  
23 January 2017

	Moody's	S&P	Fitch
Germany	Aaa	AAA	AAA
Luxembourg	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-
Estonia	A1	AA-	A+
Slovakia	A2	A+	A+
Ireland	A3**	A+	A
Malta	A3	A-	A**
Latvia	A3	A-	A-
Lithuania	A3	A-	A-
Slovenia	Baa3**	A**	A-
Spain	Baa2	BBB+	BBB+
Italy	Baa2*	BBB-	BBB+*
Portugal	Ba1	BB+	BB+
Cyprus	B1**	BB**	BB-**
Greece	Caa3	B-	CCC

\* Negative outlook  
\*\* Positive outlook

Sources: Rating agencies' websites



# OP Financial Group





1.7 million owner customers, of which 90% households

173 OP Financial Group member cooperative banks

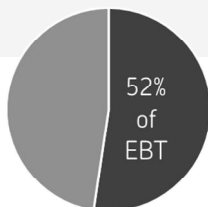
## OP COOPERATIVE

Group supervision, steering, finance, risk management, control

### BANKING

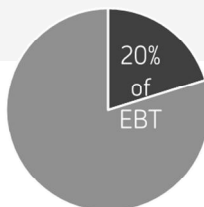
(incl. OP Corporate Bank plc and OP Mortgage Bank)

- Retail banking
- Corporate banking
- Markets
- Baltic States
- Mortgage banking



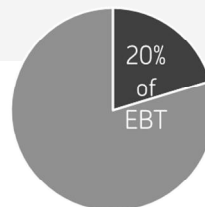
### NON-LIFE INSURANCE

- Private customers
- Corporate customers
- Baltic States
- Health & wellbeing



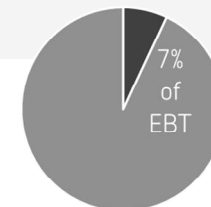
### WEALTH MANAGEMENT

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



### OTHER OPERATIONS

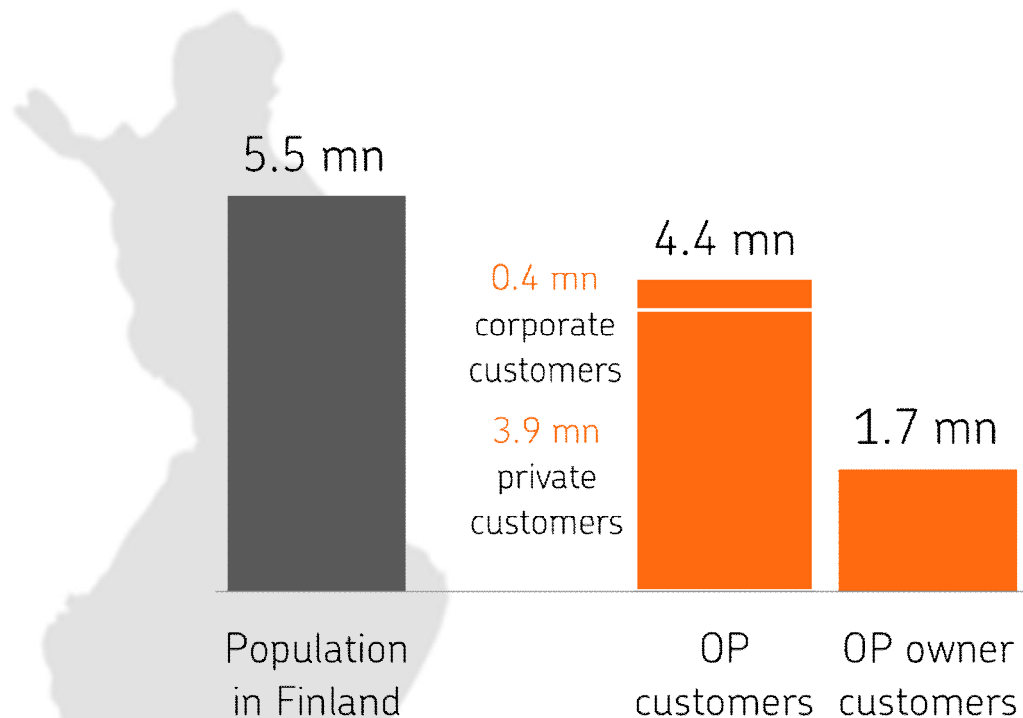
- Group Treasury (incl. Central Bank)
- Product and service development
- Support functions



## Joint liability within OP Financial Group

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

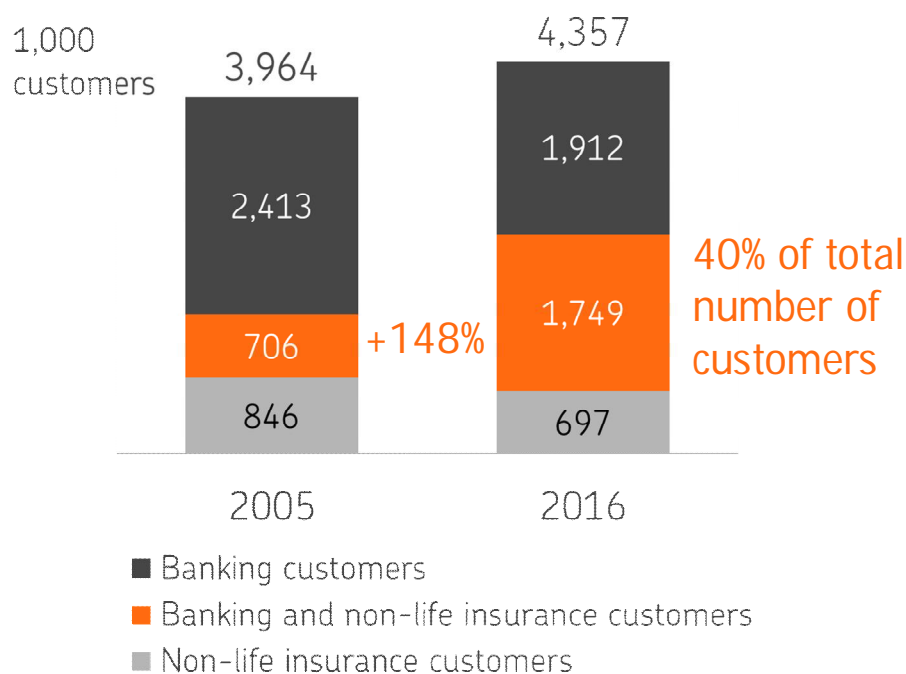
## Customer-owned OP widely present among Finnish households and corporates



- ✓ Comprehensive financial services offering
- ✓ Strong and well-known OP brand
- ✓ Best loyalty benefits, OP bonuses
- ✓ Close to customers through the most extensive service network
- ✓ Significant customer potential in cross-selling

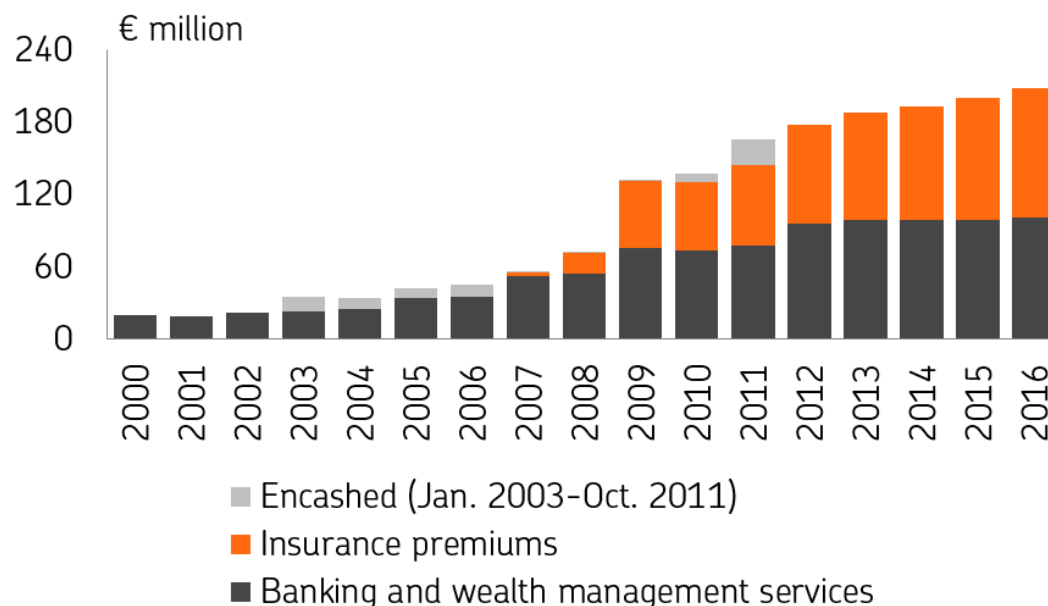
# Significant customer potential through successful bancassurance business model

93,000 new combined banking and non-life customerships in 2016



Use of OP bonuses €208 mn in 2016

2,200,000 insurance premiums paid using OP bonuses, of which 297,000 insurance premiums paid in full using OP bonuses only



# OP to change from a plain financial services provider to a diversified services company of the digital era

OP of tomorrow will be built around the needs of our owner-customers

## Mission

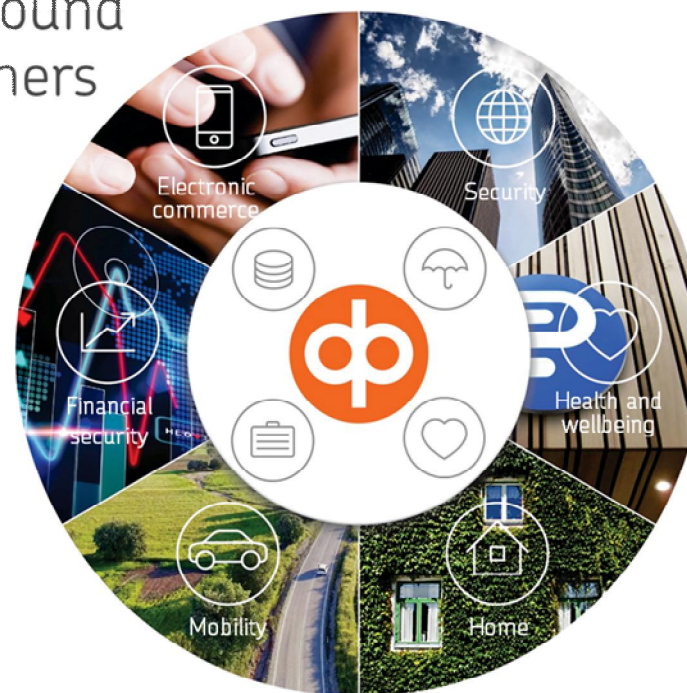
By means of our strong capital base and efficiency, we create **sustainable prosperity, security and wellbeing** for our owner-customers and in our operating region.



Bank



Financial services group



Diversified services company

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

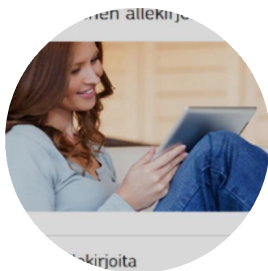
75%

of mutual fund transactions made online or through mobile devices



70%

of private customers' loss reports made online or through mobile devices



95%

of private customer encounters occur in digital channels



OP Mobile App

899,000 users at YE2016

13 mn visits in Dec. 2016



op.fi internet bank

10 mn visits in Dec. 2016

Pivo Mobile Wallet App

2 mn visits in Dec. 2016

# Providing financial services through local presence and digital channels



173

OP member  
cooperative  
banks with

450

branches  
all over Finland

## OP Mobile App

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

## OP Business Mobile App

for corporate customers' daily banking, invoicing and monitoring receivables



## New op.fi website

Beta version available at  
[uusi.op.fi](https://uusi.op.fi) (EN)

## Pivo Mobile Wallet App

OP as the first Finnish bank to enable mobile contactless payment (2016)  
Money transfers using phone number (2017)

## Pivo Cashier App

for corporate customers' payment transactions and sales

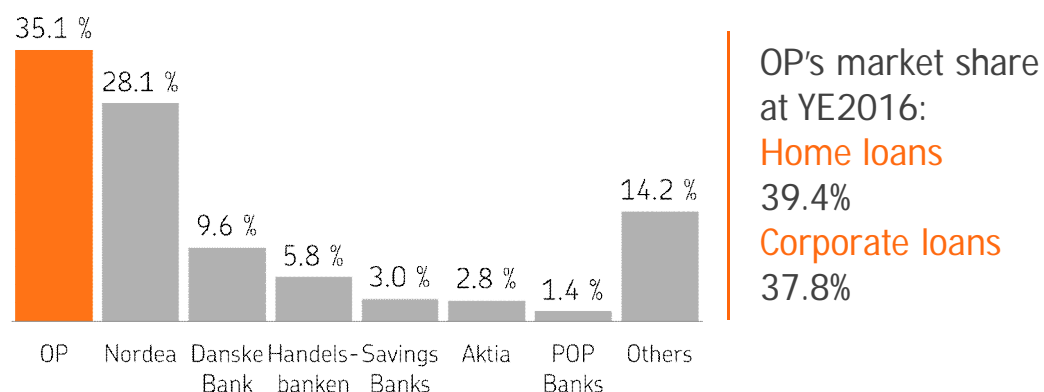


## Social media channels

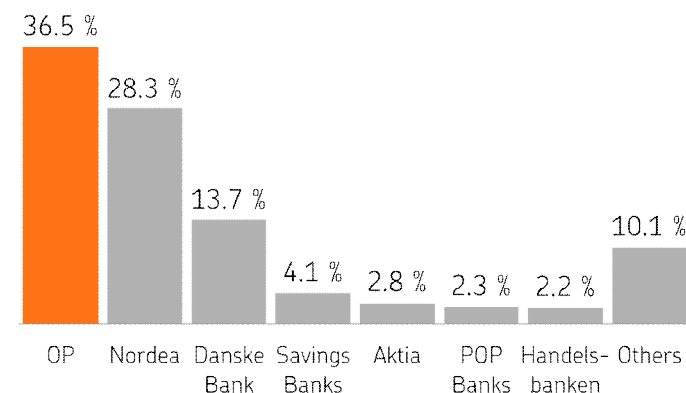
300,000 followers

# OP – Leading financial group in Finland

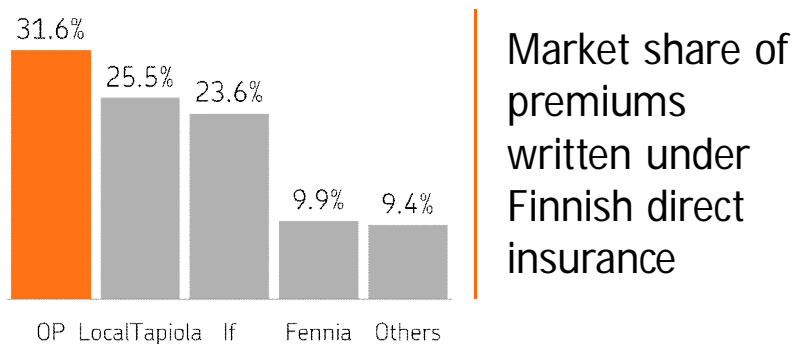
Loans 2015 (Finland: €212 bn)



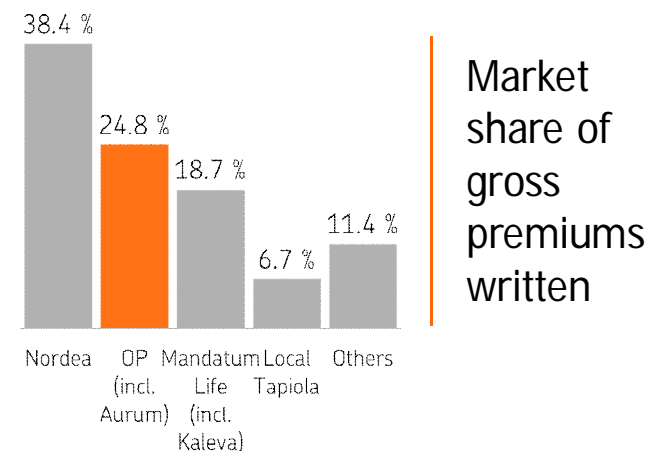
Deposits 2015 (Finland: €144 bn)



Non-life Insurance 2015 (Finland: €4.3 bn)



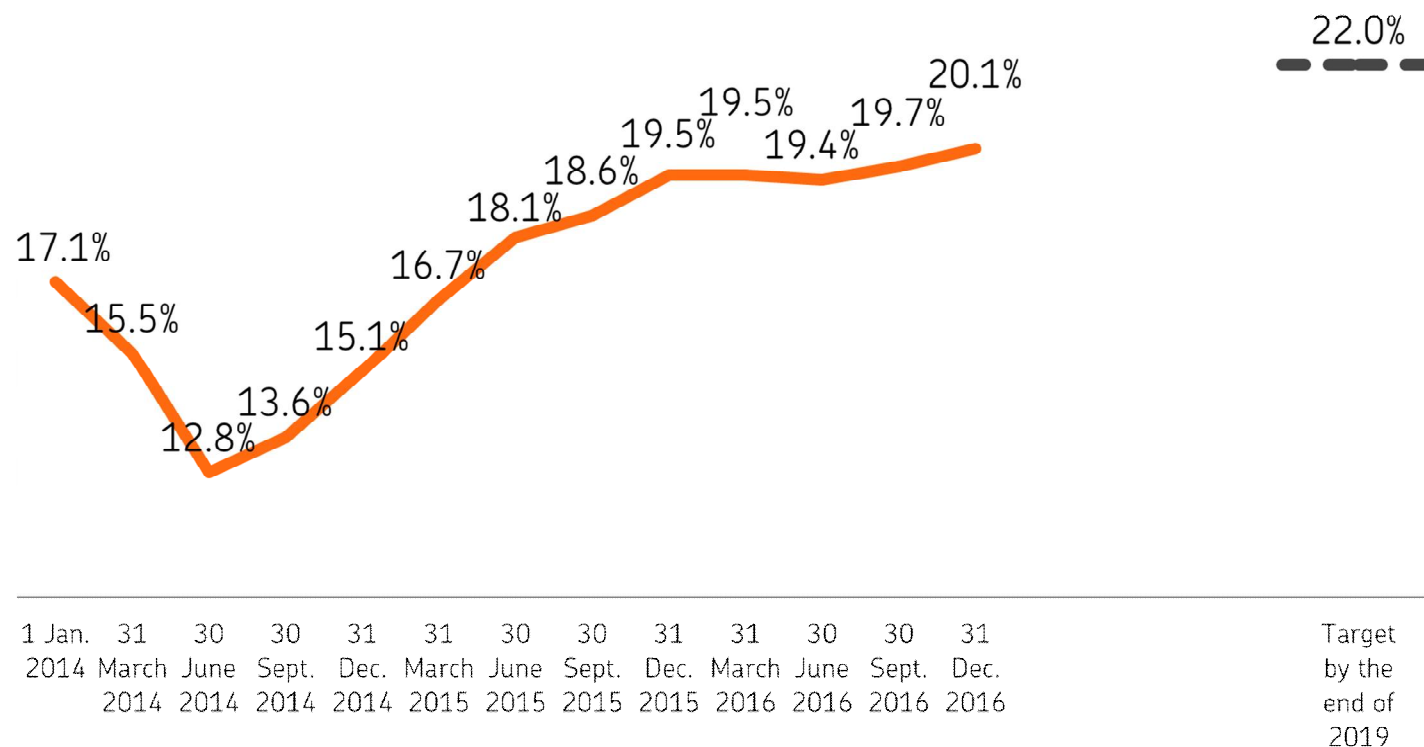
Life Insurance 2015 (Finland: €6.3 bn)



Source: Federation of Finnish Financial Services



# Actions to maintain strong CET1 ratio



## PROFIT SHARES

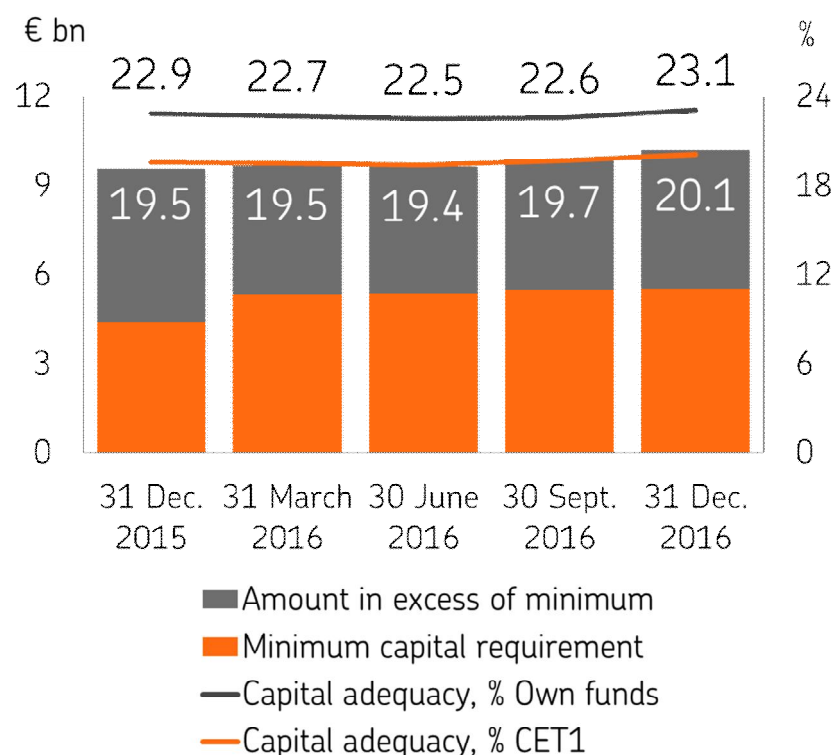
- Conversions of old cooperative capital of €0.6 bn issued by member cooperative banks
- Member cooperative banks' €1.3 bn profit share issuances in 2014–15 and additional issuances of €0.4 bn March 2015 onwards
  - Issued profit shares included in CET1 capital €2.6 bn at YE2016

## RETAINED EARNINGS

## ACTIVE MANAGEMENT OF RISK EXPOSURE AMOUNT (REA) GROWTH

# CET1 ratio 20.1% at YE2016

## CAPITAL RESOURCES AND CAPITAL ADEQUACY



## LEVERAGE RATIO 7.4% at YE2016 (7.2)

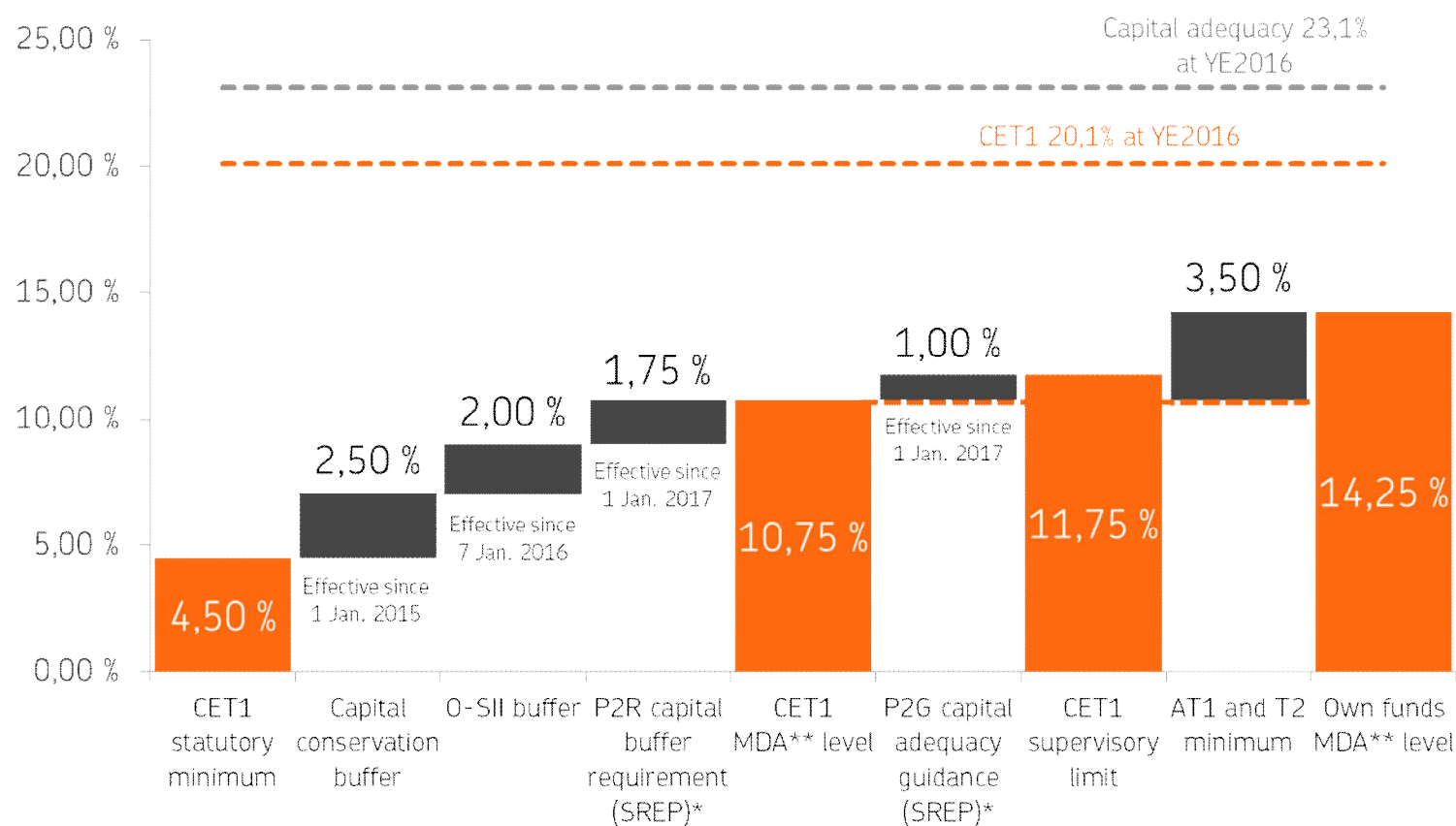
- Minimum level in the draft regulations 3.0%

## RISK EXPOSURE AMOUNT (REA) €44.1 bn at YE2016 (41.8)

## AVERAGE RISK WEIGHTS

- 7.3% for personal customer exposures (AIRB) at YE2016 (6.8)
- 66.9% for corporate customer exposures (FIRB) at YE2016 (66.7)
- Fin-FSA decided in June 2016 to start preparing a credit institution-specific minimum level of 10% for the average risk weight on housing loans of credit institutions that have adopted the IRBA. The minimum level would come into force on 1 July 2017 at the latest. Minimum RW of 10% on housing loans would lower OP's CET1 ratio by 0.9 pps. Average RW of OP's housing loans was 5.6% at YE2015 (6.1).
- On 2 Feb. 2017, OP was informed of the ECB's decision to raise OP's risk weights for retail exposures for a fixed period of 18 months. The shortcomings observed by the ECB in the IRBA validation process applied by OP in capital adequacy measurement, especially delayed validations, lie behind this raise. As a result of the rise in risk weights, OP's CET1 ratio will decrease by less than 2 pps.

# Capital buffers for OP Financial Group



\*) The definition of capital buffer requirement as part of SREP changed in 2016. The previous SREP capital buffer requirement of 2.75% is now split into P2R and P2G components and it is not comparable to the new capital buffer requirement.

\*\*) Maximum Distributable Amount

# EBT €1,138 mn in 2016 (1,101)

Income up by 3% and expenses up by 3%

BANKING		NON-LIFE INSURANCE		WEALTH MANAGEMENT		OTHER OPERATIONS	
EBT, € mn	596 (-7%) 2015: 642	EBT, € mn	230 (-11%) 2015: 259	EBT, € mn	232 (+9%) 2015: 213	EBT***, € mn	80 2015: -13
Net interest income, € mn	1,133 (+2%) 2015: 1,108	Insurance premium revenue, € mn	1,420 (+2%) 2015: 1,397	Net commissions and fees, € mn	217 (-1%) 2015: 220	Net interest income, € mn	-60 2015: -52
Net commissions and fees**, € mn	758 (+14%) 2015: 663	Net insurance income, € mn	534 (+5%) 2015: 508	Net investment income, € mn	117 (+19%) 2015: 98	Net commissions and fees****, € mn	-59 2015: 20
Impairments of receivables, € mn	76 2015: 77	Net investment income, € mn	97 (-23%) 2015: 125	Net return on Life Insurance investments at fair value, € mn	78 2015: 109	Net investment income****, € mn	179 2015: 86
Loan portfolio, € bn	78.6 (+5%) YE2015: 75.2	Net return on investments at fair value, € mn	85 2015: 98	Assets under management, € bn	74.5 (+9%) YE2015: 68.5	Long-term bonds issued to the public and TLTRO II funding, € bn	5.2 2015: 6.5
Deposits, € bn	54.8 (+6%) YE2015: 51.9	Operating combined ratio, %	87.6 2015: 87.3	Operating cost/income ratio, %	43.7 2015: 45.6	Average margin of senior wholesale funding, TLTRO II funding and covered bonds, bps	31 YE2015: 39
Operating cost/income ratio, %	55.7 2015: 53.8	Operating expense ratio, %	18.5 2015: 17.7	Solvency II ratio* within Life Insurance, %	149 YE2015: 149		
		Solvency II ratio*, %	127 YE2015: 146				

\* Excluding transitional provision. Non-life Insurance includes OVY Insurance Ltd.

\*\* In 2016, increase in net commissions and fees was affected by the change in the Group's internal operating model, as a result of which commissions of EUR 79 mn from derivatives and FX trading were recognised in commissions and fees.

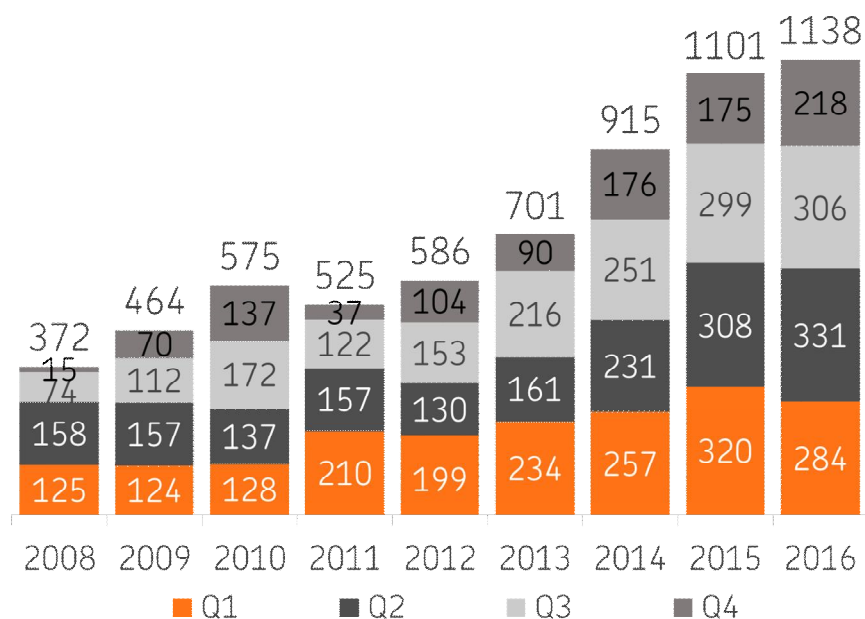
\*\*\* Other Operations recognised EUR 76 mn in non-recurring gain under other operating income as a result of the acquisition of Visa Europe Ltd by Visa Inc.

\*\*\*\* Change in the Group's internal operating model added to net investment income reported by the Other Operations segment as a result of an increase in net income from securities and FX trading while decreasing net commissions and fees.

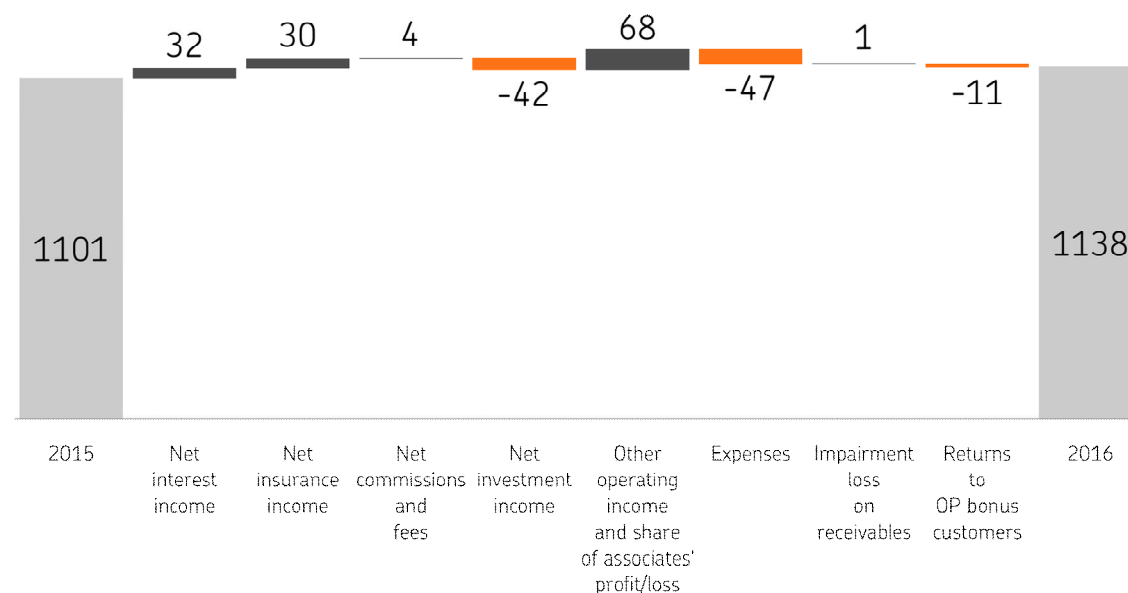
# 2017 EBT expected to be about the same as or lower than those for 2016

EBT in 2016 were the best annual earnings ever recorded

EBT by quarter 2008–16, € mn



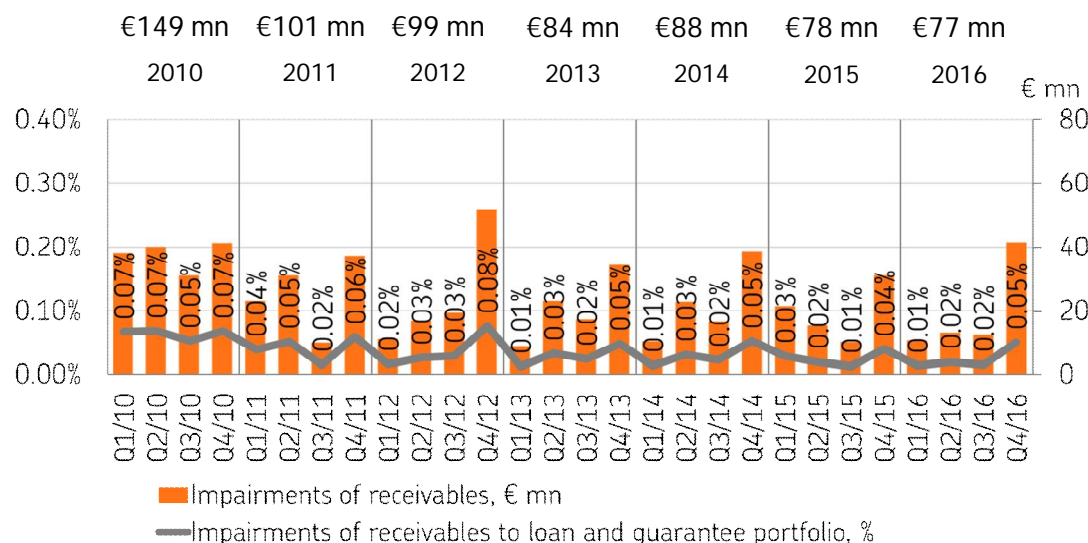
EBT, y-o-y change by P&L line item\*  
2016 vs. 2015, € mn



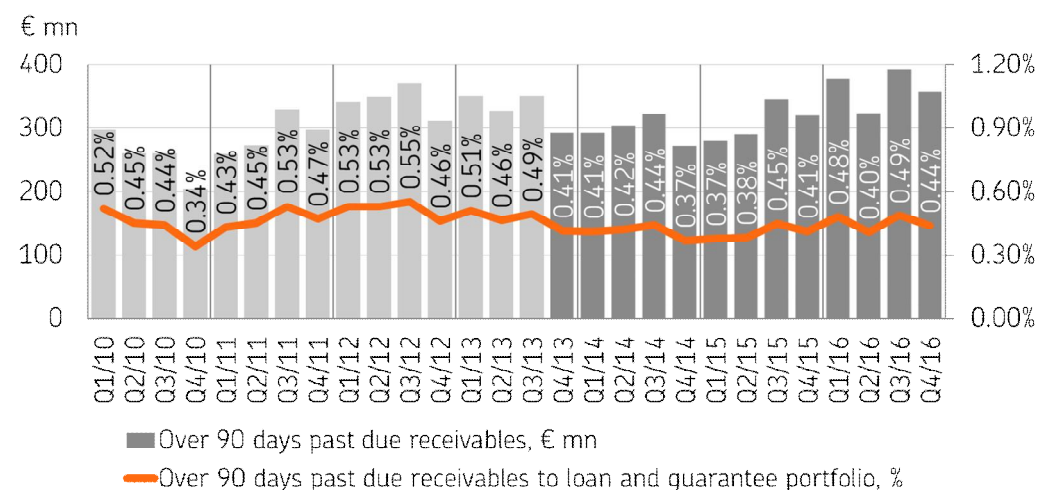
# 2016 impairment loss on receivables 0.09% to loan and guarantee portfolio (0.10)

Over 90 days past due receivables (€356 mn at YE2016) 0.44% to loan and guarantee portfolio (0.41)

## Impairment loss on receivables



## Over 90 days past due receivables\*



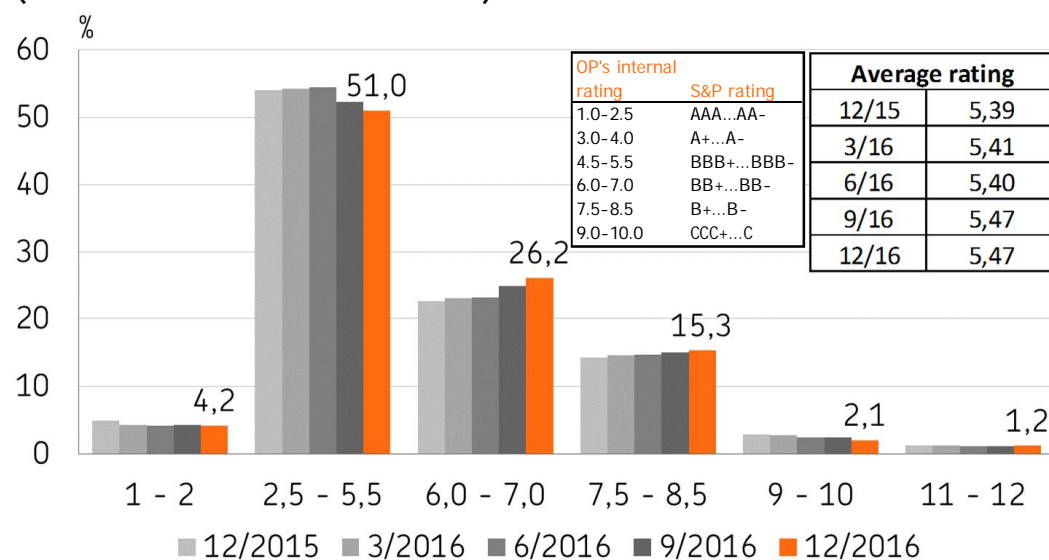
At YE2016, ratio of exposures individually assessed for impairment to gross doubtful receivables\*\*

14.5% (17.3 at YE2015)

# Exposures by credit rating category

IG (1.0-5.5) 55% (59) of the exposure from Non-financial corporations and housing associations sector. In August 2016, OP adopted updated credit rating scale for corporate customers which affected corporate customer ratings. Comparatives have not been restated.

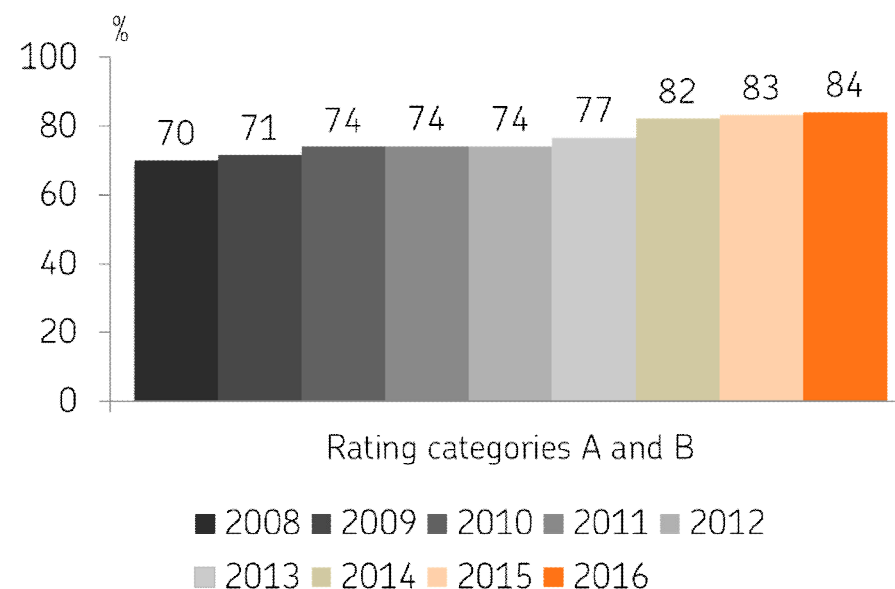
Exposures from the Non-financial Corporations and Housing Associations Sector by credit rating category (total €38.2 bn at YE2016)



Largest single customer risk to capital under FiCo capital adequacy at YE2016

4.0% (12.1)

Private Customer exposures of credit rating categories A and B (total €48.6 bn at YE2016)

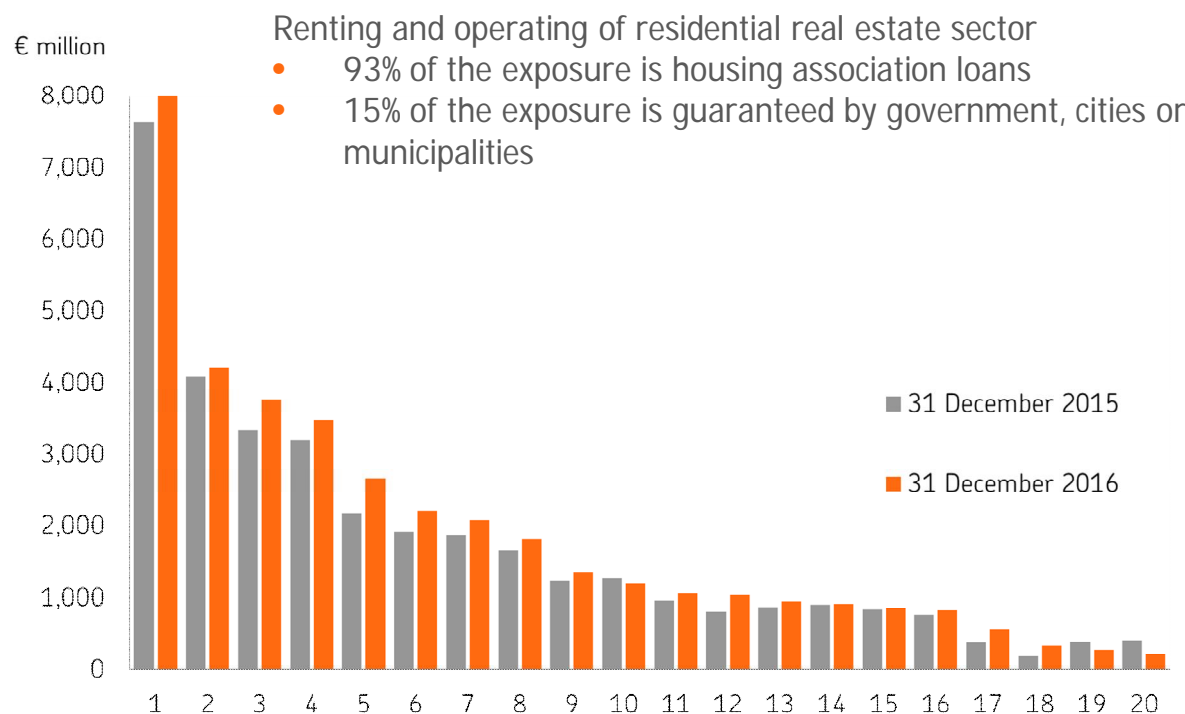


At YE2016, average PD of private customer exposures (Pillar III) with a credit rating of A and B a maximum of

0.1% (0.1)

# Corporate loan portfolio well diversified by industry

Exposures from the Non-financial corporations and housing associations sector €38.2 bn at YE2016



	31 Dec. 2015	31 Dec. 2016
1 Renting and operating of residential real estate	21.9 %	21.6 %
2 Renting and operating of other real estate	11.7 %	11.0 %
3 Wholesale and retail trade	9.6 %	9.9 %
4 Energy	9.1 %	9.1 %
5 Services	6.2 %	7.0 %
6 Manufacture of machinery and equipment (incl. services)	5.5 %	5.8 %
7 Construction	5.4 %	5.5 %
8 Transportation and storage	4.7 %	4.7 %
9 Agriculture, forestry and fishing	3.6 %	3.6 %
10 Forest Industry	3.6 %	3.2 %
11 Financial and insurance services	2.8 %	2.8 %
12 Metal Industry	2.3 %	2.8 %
13 Information and communication	2.5 %	2.5 %
14 Food Industry	2.6 %	2.4 %
15 Chemical Industry	2.4 %	2.3 %
16 Real estate investments	2.2 %	2.2 %
17 Other manufacturing	1.1 %	1.5 %
18 Mining and quarrying	0.6 %	0.9 %
19 Water supply, sewerage and waste management	1.1 %	0.7 %
20 Other industries	1.2 %	0.6 %



# Funding based on strong credit ratings

OP aims to maintain senior unsecured rating at AA level affirmed by at least 2 rating agencies or senior unsecured ratings at least at the main competitors' level

	Moody's (Senior unsecured/LT issuer rating)	S&P (LT issuer credit rating)
<b>OP Corporate Bank plc</b>	<b>Aa3</b>	<b>AA-</b>
Svenska Handelsbanken	Aa2	AA-*
Nordea Bank	Aa3	AA-*
Swedbank	Aa3	AA-*
SEB	Aa3	A+
DNB	Aa2*	A+*
Danske Bank	A1**	A
<b>OP Mortgage Bank***</b>	<b>Aaa</b>	<b>AAA</b>
<b>OP Insurance Ltd****</b>	<b>A3</b>	<b>A+</b>
If****	A1	A+
Finnish government	Aa1	AA+

\* Negative outlook

\*\* Positive outlook

\*\*\* Covered bond rating

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

Updated: 24 January 2017

## OP CORPORATE BANK PLC

- Moody's affirmed Aa3 rating with stable outlook on 29 June 2015
  - Uplifts from Loss-Given-Failure (+2 notches) and Government Support (+1 notch)
- S&P affirmed AA- rating and changed outlook from negative to stable on 17 November 2016
  - Uplifts from Business Position (+1 notch), Capital and Earnings (+1 notch) and ALAC Support (+1 notch)

## OP MORTGAGE BANK

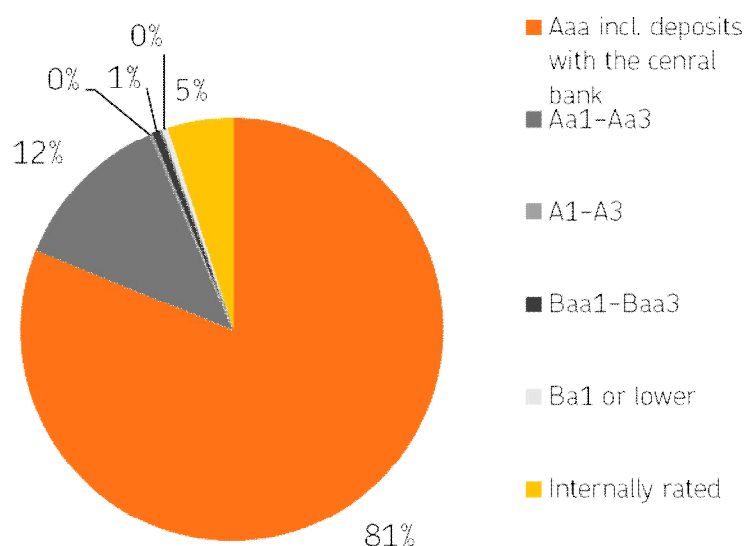
- Moody's affirmed Aaa rating with stable outlook in November 2016
  - TPI (Timely Payment Indicator) Leeway 5 notches
- S&P affirmed AAA rating with stable outlook in September 2016
  - 3 unused notches of jurisdictional support
  - 2 unused notches of collateral based uplift

## OP INSURANCE LTD

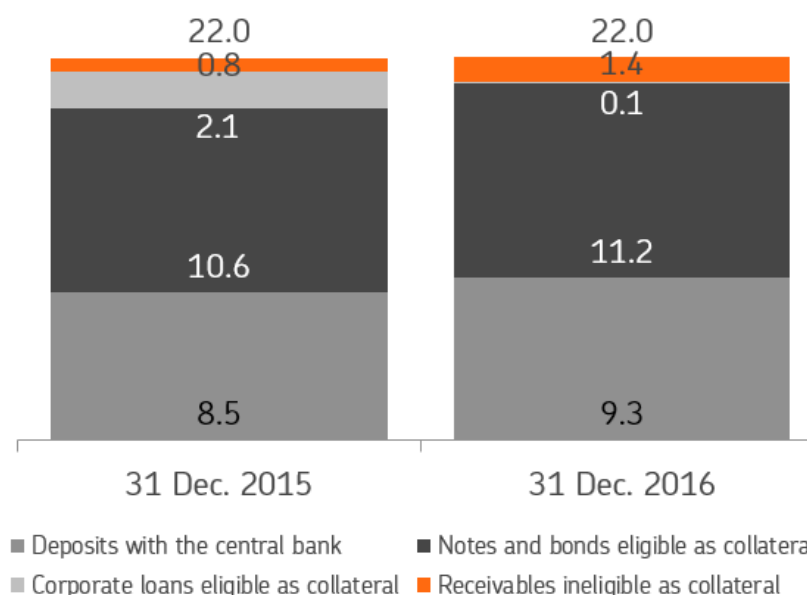
- Moody's affirmed A3 rating with stable outlook on 15 May 2015
- S&P affirmed A+ rating and changed outlook from negative to stable on 17 November 2016

# Liquidity buffer €22.0 bn at YE2016

Liquidity buffer by credit rating\*, \*\* as of 31 Dec. 2016



Liquidity buffer breakdown\*\*\*, € bn



\*) Aaa incl. deposits with the central bank: share of deposits with the central bank 42%

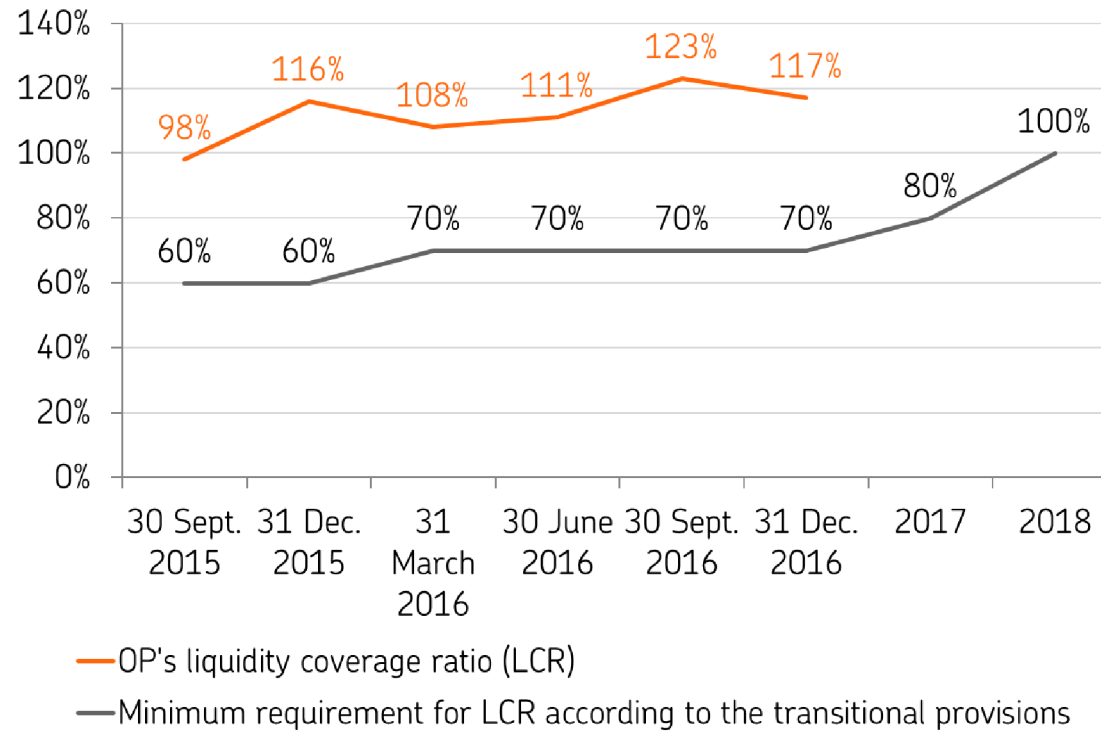
\*\*) Internally rated: corporate loans 9% and the remainder externally non-rated notes and bonds issued by public-sector entities and companies, both eligible as ECB collateral

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

The Group has reassessed the application of the collateral eligibility criteria for corporate loans eligible as collateral included in the liquidity buffer, on the basis of which the comparative figure was reduced by EUR 2.2 billion. As a result of the measures taken in the last quarter of 2016, EUR 0.8 billion of these loans could be restored to being as eligible for collateral. The amount of corporate loans eligible as collateral decreased during the financial year because they were used as collateral in TLTRO-II.

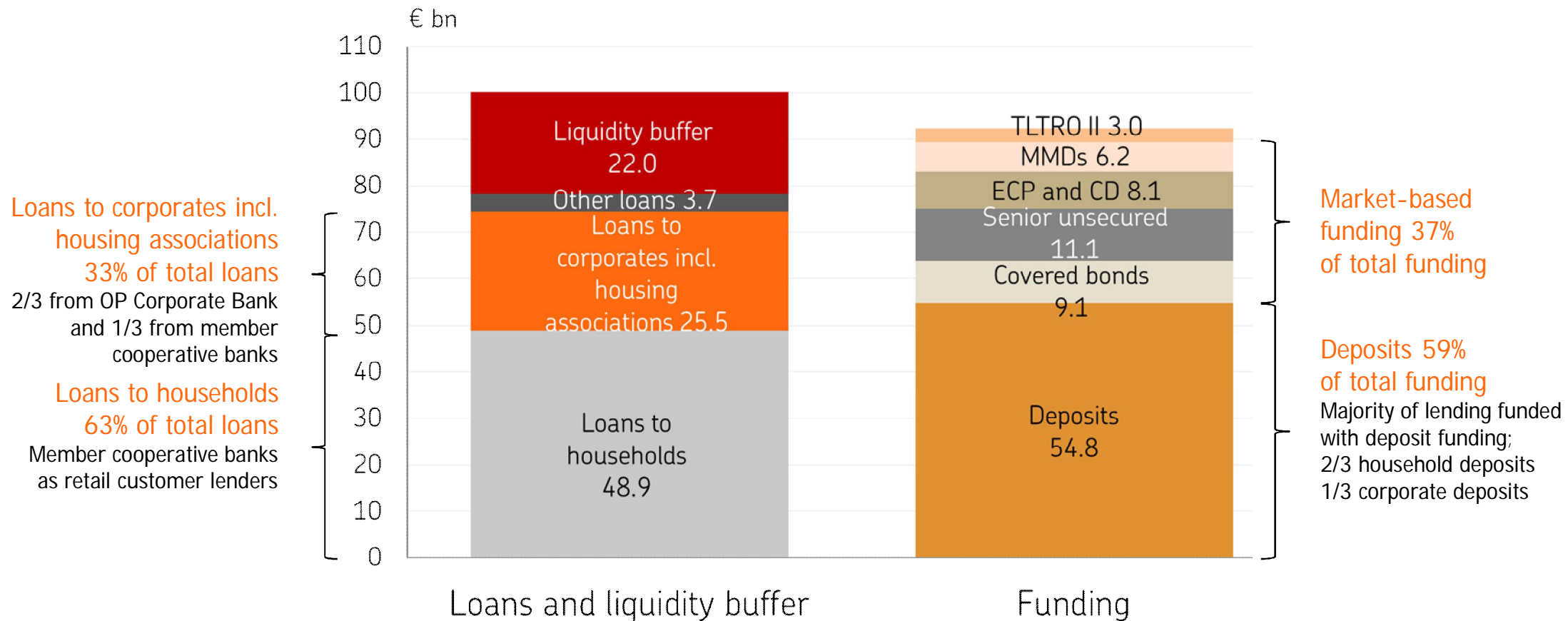
# Liduidity coverage ratio 117% at YE2016

OP monitors its liquidity and the adequacy of its liquidity buffer using LCR. According to the transitional provisions, LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018.



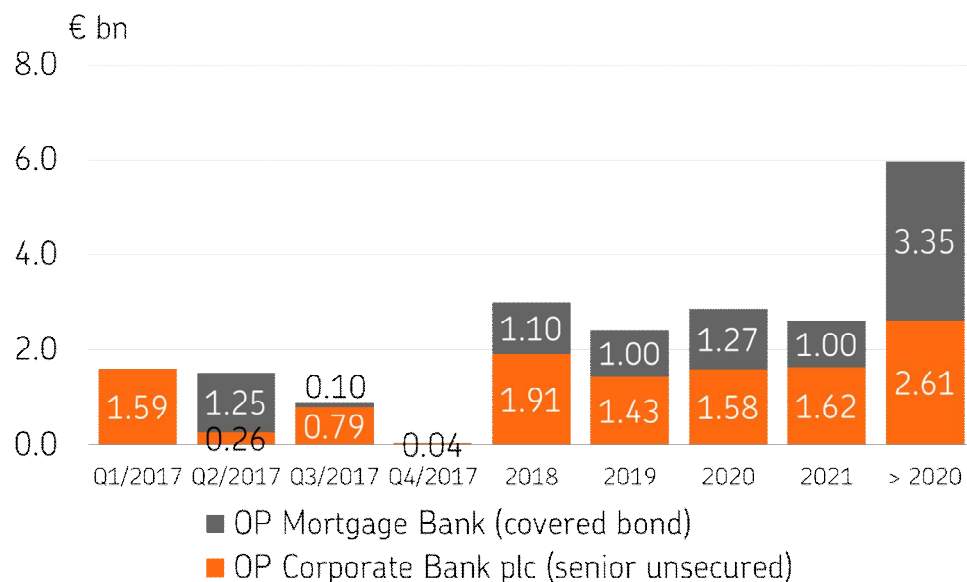
# Loans, liquidity buffer and funding

31 December 2016



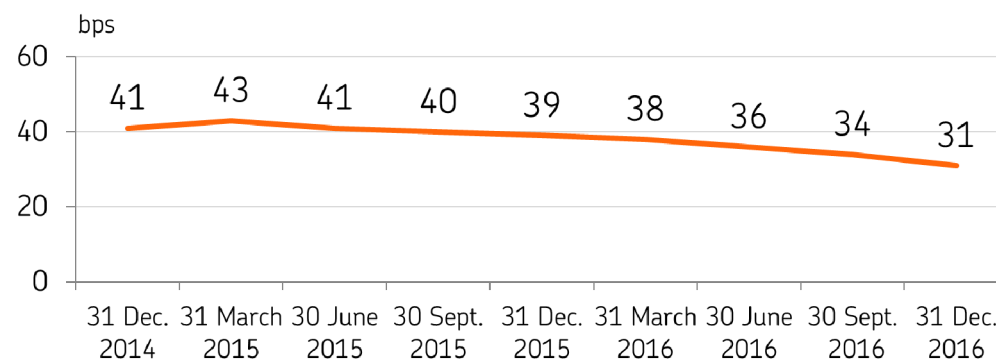
# Maturity breakdown and average margin of wholesale funding

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



OP issued long-term bonds worth €2.2 billion during 2016 (6.5). Additionally, OP participated in ECB's TLTRO II refinancing operation with a total of €3 billion in June, September and December 2016.

Average margin of senior wholesale funding, TLTRO II funding and covered bonds, bps



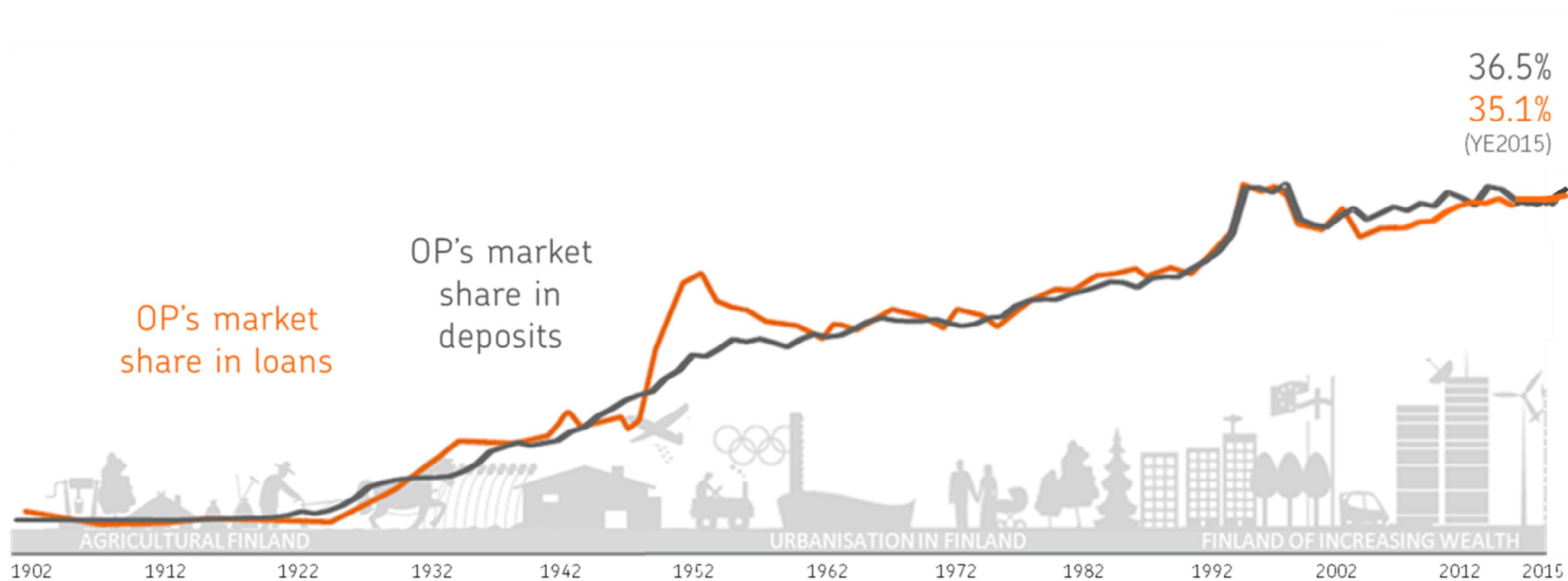
## Issued senior unsecured and covered bonds

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

Year	Month	Amount	Maturity	Interest rate
2016	January	€500 mn	5 yrs	m/s + 65 bps
2015	November	Total ¥30 bn (€228 mn), 2 issues	5 yrs (floating) & 5 yrs (fixed)	m/s + 59.9 bps & m/s + 66.1 bps
2015	May	GBP300 mn	3 yrs	Eb3 + 16 bps
2015	May	GBP400 mn	7 yrs	Eb3 + 58 bps
2015	March	€1 bn	7 yrs	m/s + 33 bps
2014	June	CHF300 mn	7 yrs	CHFm/s + 30 bps
2014	June	Total ¥60 bn (€432 mn), 2 issues	3 yrs (fixed) & 5 yrs (fixed)	m/s + 28.6 bps & m/s + 48.4 bps
2014	June	€750 mn	5 yrs	m/s + 48 bps
2014	March	€750 mn	7 yrs	m/s + 67 bps
2014	March	€750 mn	3 yrs	Eb3 + 36 bps

### OP Mortgage Bank's benchmark covered bonds 2014–16

Year	Month	Amount	Maturity	Interest rate
2016	May	€1.25 bn	7 yrs	m/s + 4 bps
2015	November	€1.25 bn	5 yrs	m/s + 5 bps
2015	September	€1 bn	7 yrs	m/s - 1 bps
2014	November	€1 bn	10 yrs	m/s + 4 bps
2014	June	€1 bn	5 yrs	m/s + 5 bps
2014	March	€1 bn	7 yrs	m/s + 14 bps



# OP Mortgage Bank

# Highlights of the Act on Mortgage Credit Bank Operations

- Segregation of assets in Covered Register
- Tight LTV restrictions on eligible assets (70% LTV on housing loans)
- Over-collateralisation requirement of 2%
- Continuity of Cover Pool and Covered Bonds in the event of liquidation and bankruptcy of the issuer
- Regulated by Finnish FSA and ECB



## OP Mortgage Bank (OPMB) in brief

- OP Mortgage Bank is a special-purpose bank operating under the Act on Mortgage Credit Bank Operations.
- OP Mortgage Bank's sole purpose is to raise funds for OP Financial Group member banks by issuing covered bonds with mortgage collateral.
- The outstanding covered bonds of OP Mortgage Bank are rated AAA by S&P and Aaa by Moody's.
- OP Mortgage Bank is a wholly-owned subsidiary of OP Cooperative.
- OP Mortgage Bank fully benefits from the joint liability based on the Act on the Amalgamation of Deposit Banks. However, since assets in its Cover Asset Pool are ring-fenced, the noteholders have the right to receive what is due to them before all other creditors.

OP Mortgage Bank's covered bond programme qualifies for the European Covered Bond Council's (ECBC) Covered Bond Label.



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

# OP Mortgage Bank's rating buffers

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

- 3 unused notches of jurisdictional support
- 2 unused notches of collateral based uplift
- Key scores (as of 30 June 2016)
  - Available Credit Enhancement: 15.59% (TCE\* commensurate with AAA rating: 3.66%)
  - WAFF\*\*: 16.50%
  - WALS\*\*\*: 16.98%

\* Target credit enhancement

\*\* Weighted-average foreclosure frequency

\*\*\* Weighted-average loss severity

Source: S&P Transaction Update OP Mortgage Bank,  
12 September 2016

## Moody's: Aaa (stable)

- TPI\*\*\* Leeway 5 notches
- Key scores (as of 30 Sept. 2016)
  - CR-A\*\*\*\*: Aa2(cr)
  - CB Anchor: CR-A + 1 notch = Aa1
  - TPI: Probable-High
  - Collateral score (post-haircut): 3.4% (cap 5.0%)

\*\*\* Timely payment indicator

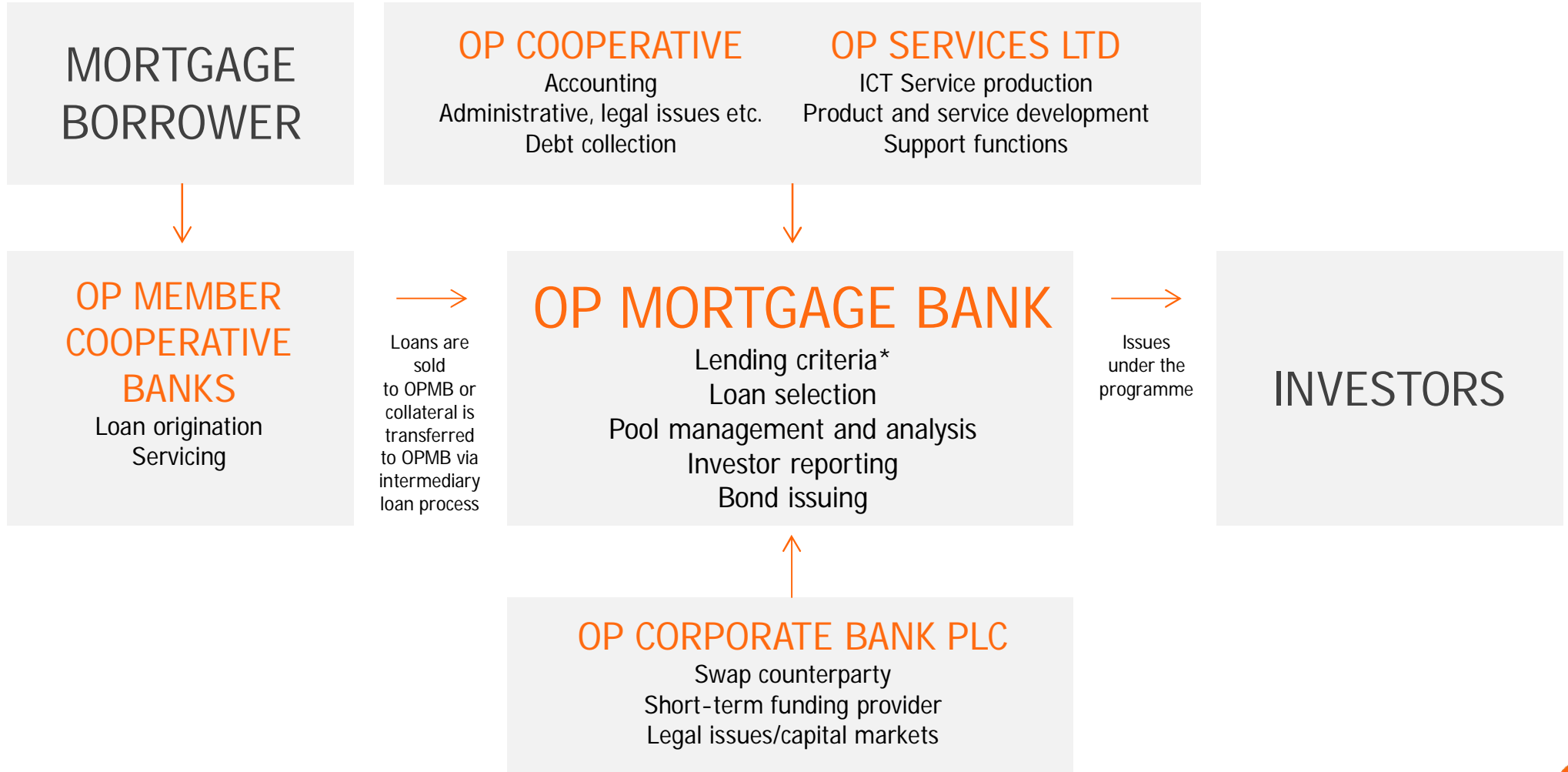
\*\*\*\* Counterparty risk assessment

Source: Moody's Performance Overview OP Mortgage Bank Covered Bonds II,  
16 November 2016

## OPMB operating model

- OPMB is a funding vehicle for the member banks:
  - Subject to strict eligibility criteria:
    - Existing loans may be sold from member banks to OPMB.
    - Collateral may be transferred to OPMB via intermediary loan process.
    - Member cooperative banks may originate directly into OPMB's balance sheet acting as a broker agent.
- OPMB utilises the structure of OP Cooperative and outsources for example:
  - origination and servicing of assets to member cooperative banks
  - risk management, IT services, accounting etc. to OP Cooperative
  - has organised interest rate risk management in cooperation with OP Corporate Bank plc

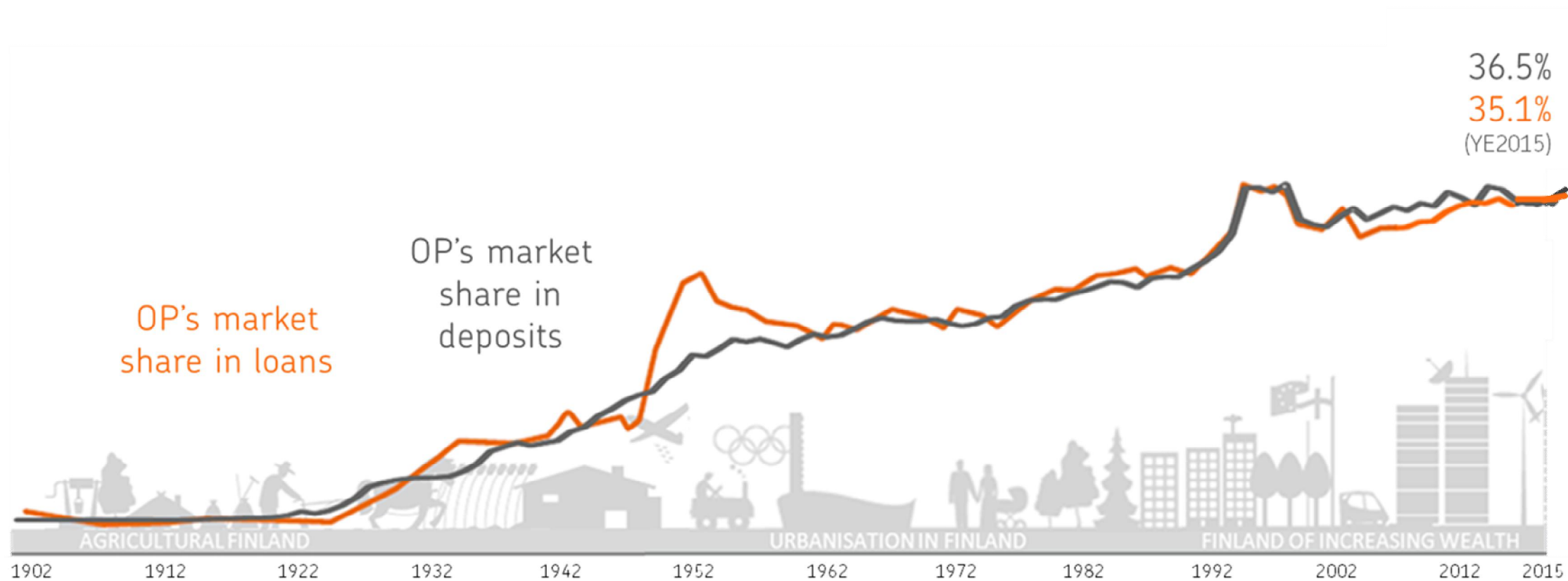
# Operating model and roles



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

# Intermediary loans

- The Finnish Covered Bond Act (2010) enables granting intermediary loans
  - The member cooperative banks are granted the opportunity to indirectly participate in the issuing of a covered bond
  - Intermediary loans are the third way for the member banks to utilize OPMB along with selling loans and granting loans from OPMB
- The intermediary loan contract is made between the member cooperative bank and OPMB
  - The amount of loan, interest margin/fixed interest rate and maturity of the loan are indicative during the contracting phase of the intermediary loan
  - The member bank commits to preserving adequate intermediary loan worthy loan portfolio for the maturity of the intermediary loan, and accepts that OPMB subscribes the loans as collateral in the cover pool
  - OPMB monitor's the adequacy of the loans daily
  - The OC is provided by OPMB
- Once the mortgage loans are registered in the covered register, whether they are entered via intermediary loan process or true sales, they serve as collateral for the covered bonds for the benefit of the noteholders.



## OPMB Cover Asset Pool Characteristics

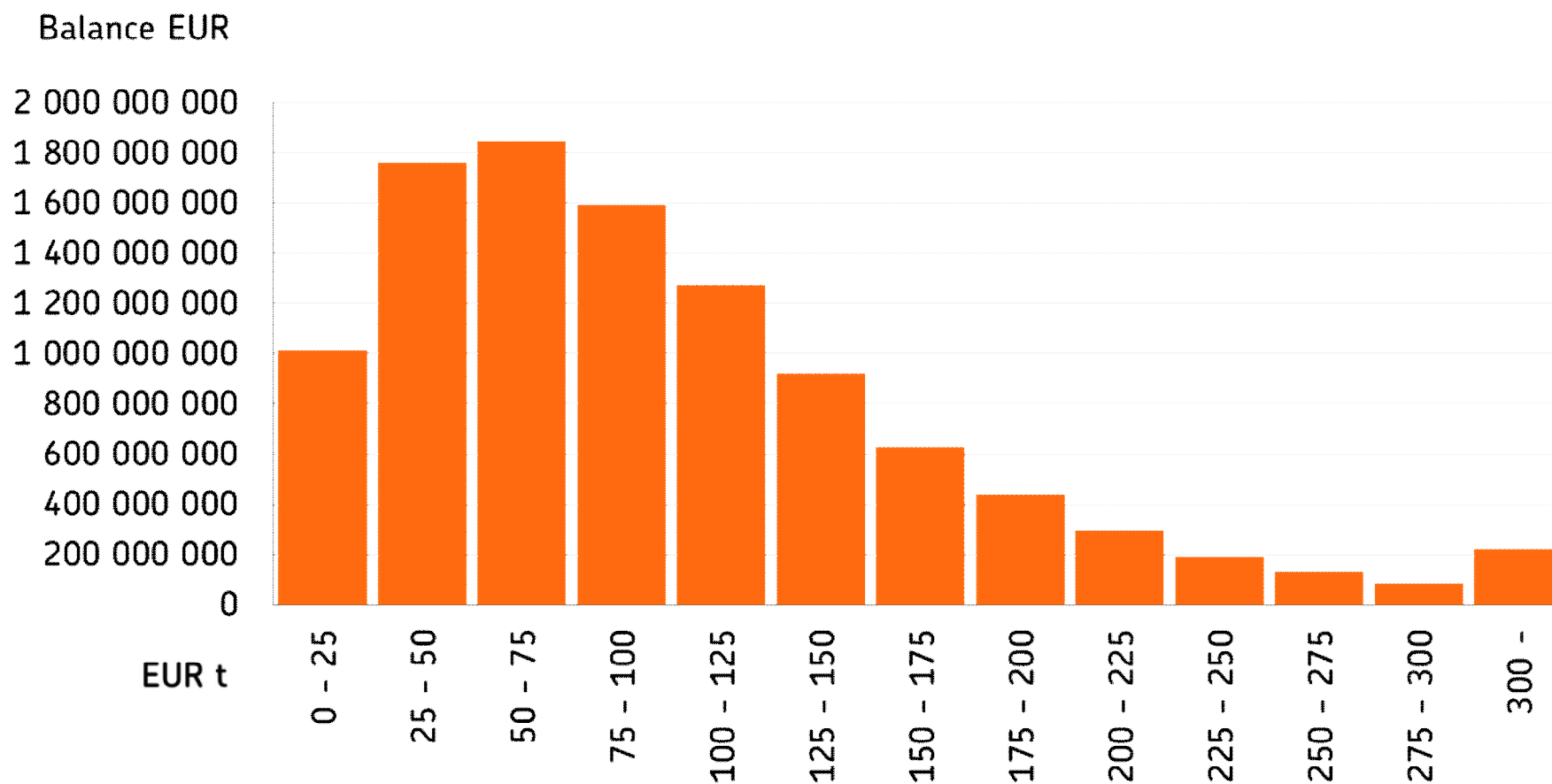
Covered bonds issued after 1 Aug. 2010,  
under the Finnish Act on Mortgage Credit Banks 680/2010

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

- Collateralized by Finnish mortgages
- Current balance EUR 10.41 billion
- Weighted Average indexed LTV of 44%
- Average loan size of approximately EUR 50,639
- No loans over 90 days in arrears ongoing
- Variable interest rates: over 95% of all loans
- Hedging agreements in place in order to mitigate interest rate risk
- Total amount of covered bonds issued EUR 9.085 billion

# OPMB Cover Asset Pool Characteristics

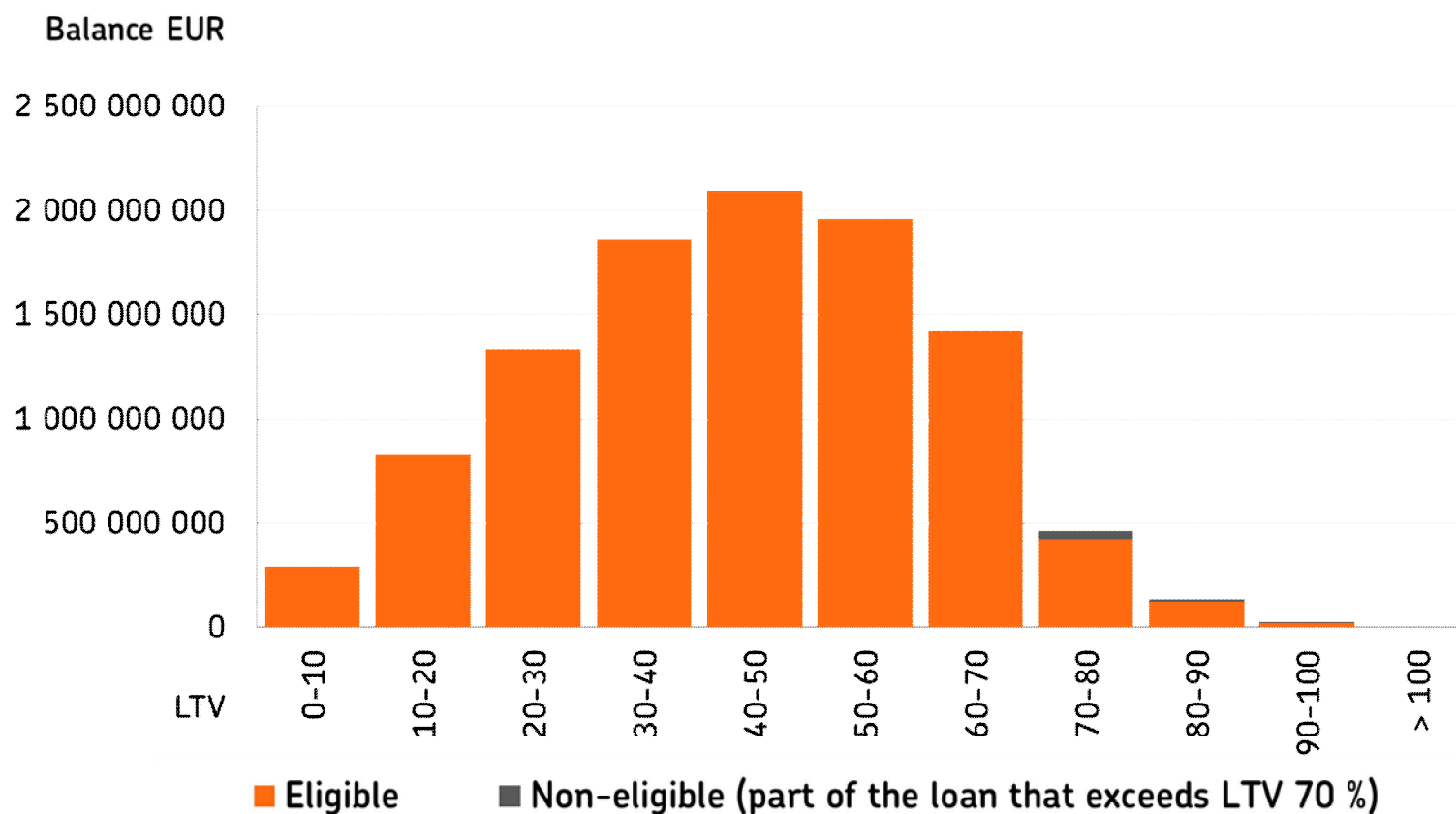
## Loans by size





# OPMB Cover Asset Pool Characteristics

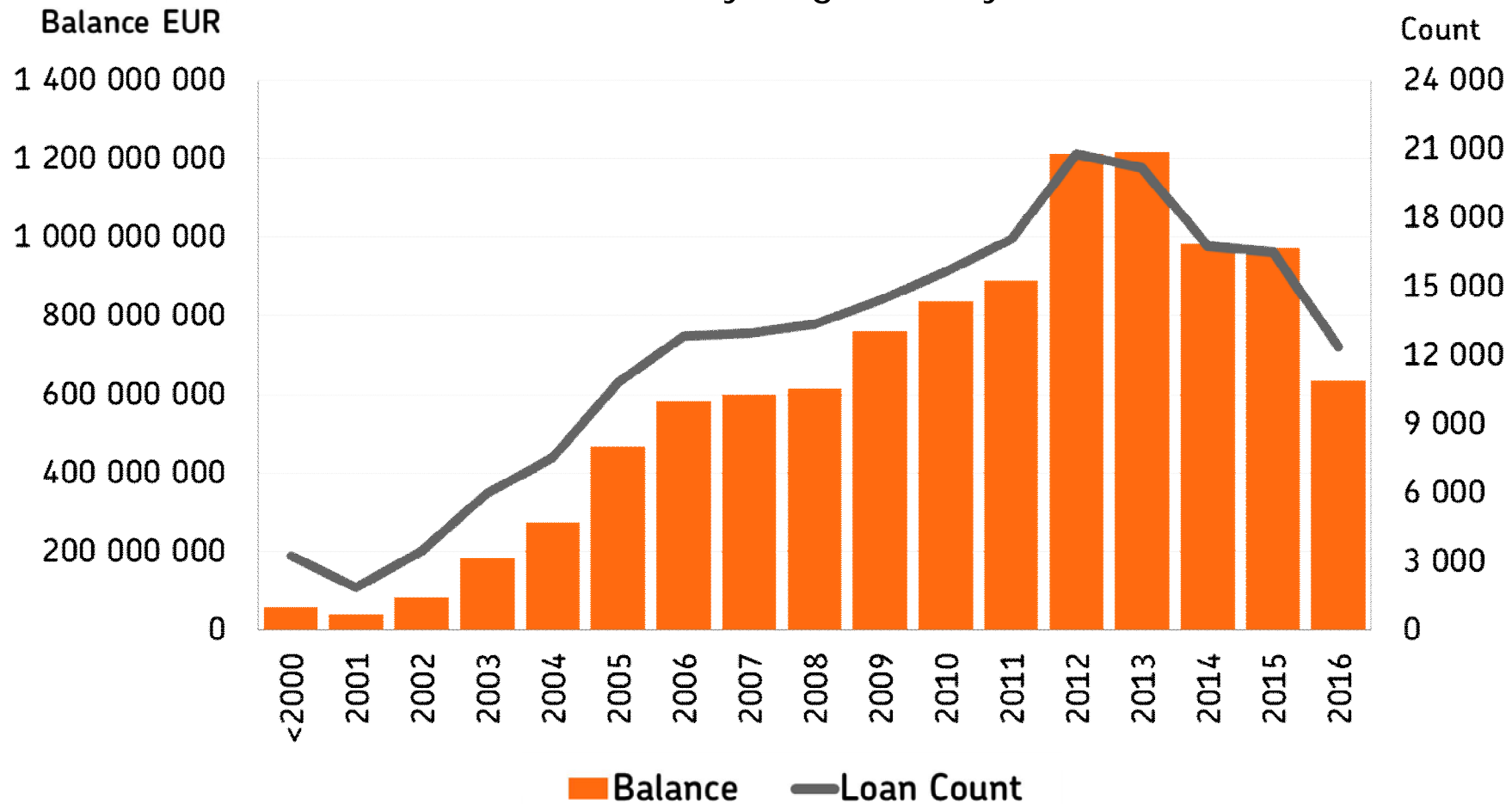
## Loans by LTV



- Total assets  
EUR 10.41 billion
- Eligible Cover Pool  
assets  
EUR 10.35 billion
- Weighted average  
indexed LTV of 44%
- Over-collateralisation  
14.6%

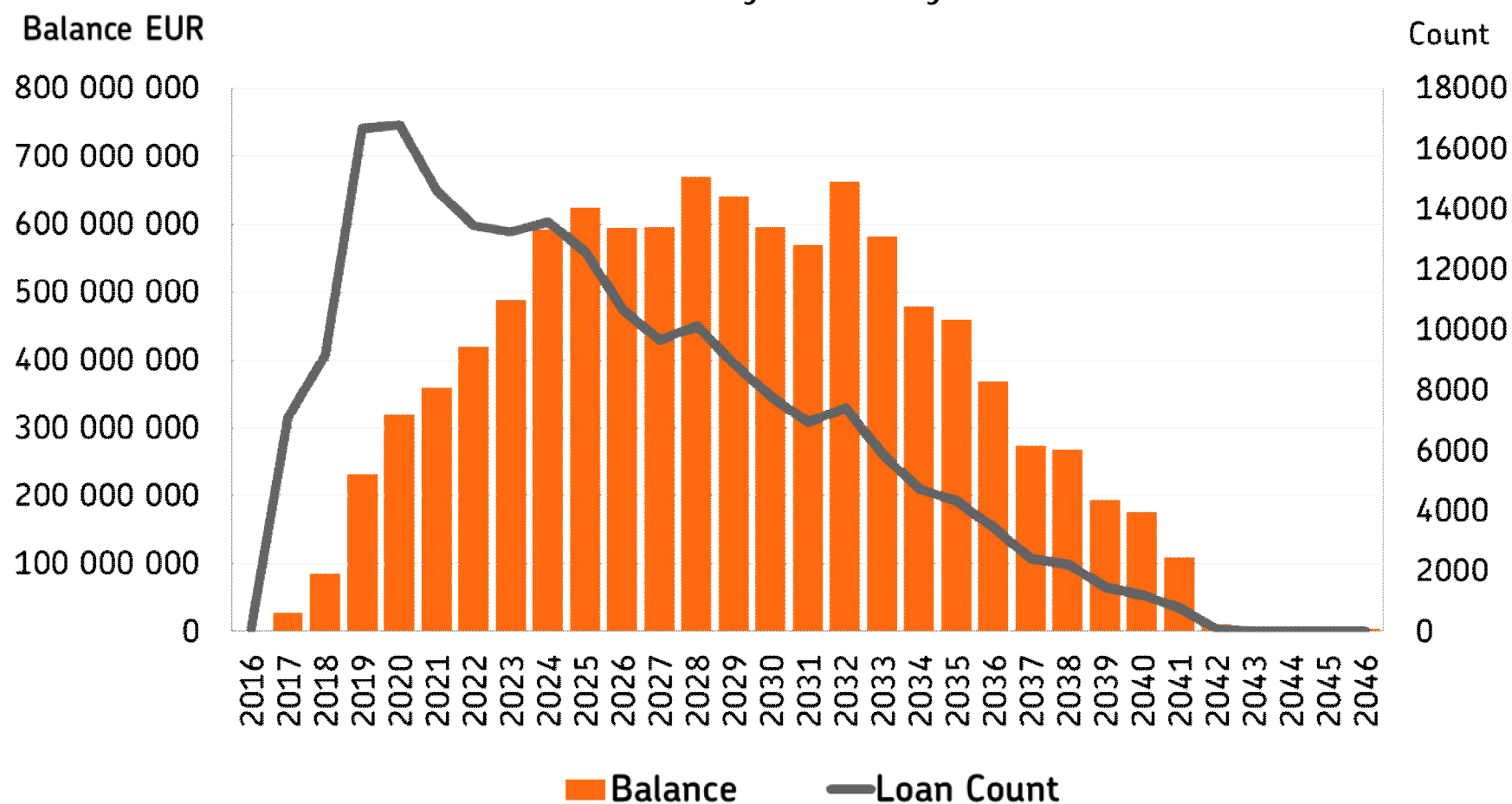
# OPMB Cover Asset Pool Characteristics

Loans by origination year



# OPMB Cover Asset Pool Characteristics

## Loans by maturity

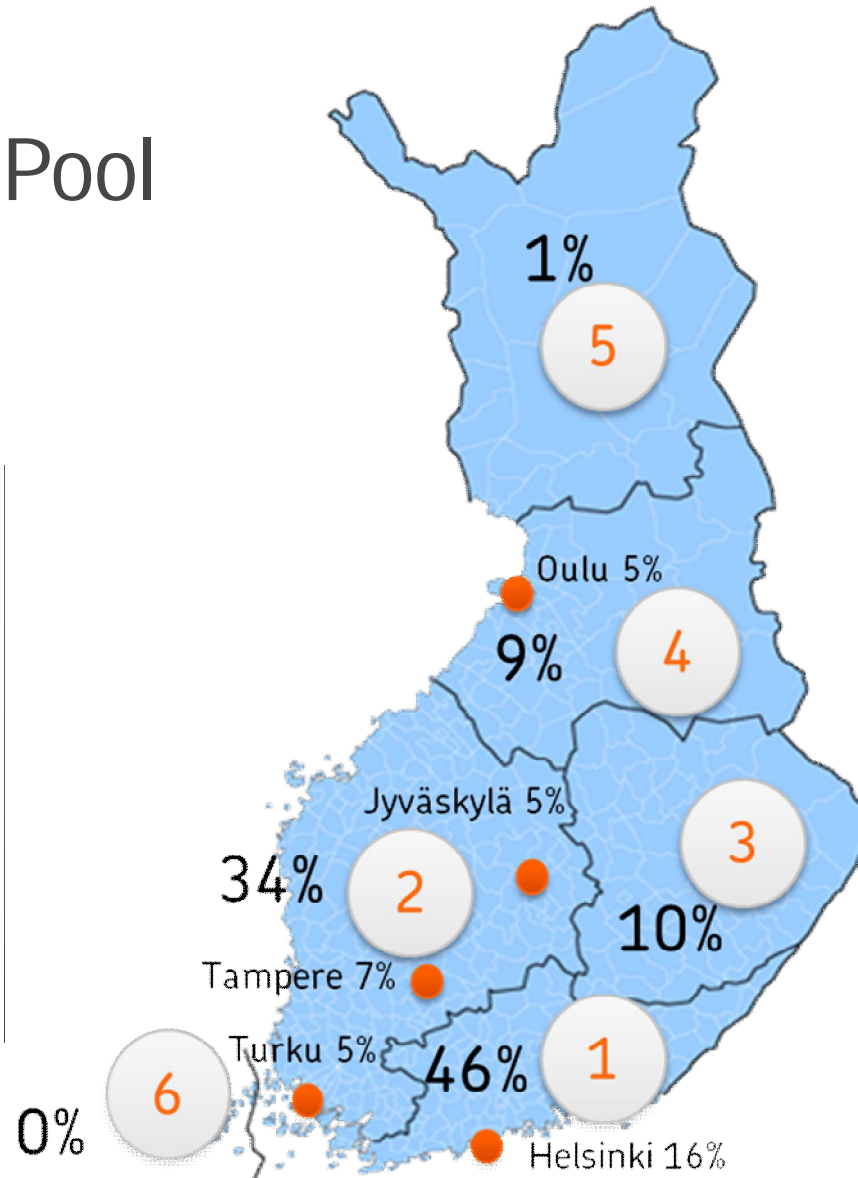


# OPMB Cover Asset Pool

## Characteristics

### Geographical distribution

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



## OPMB Cover Asset Pool

A. Harmonised Transparency Template - General Information						
	Reporting in Domestic Currency	EUR				
	CONTENT OF TAB A					
	1. Basic Facts					
	2. Regulatory Summary					
	3. General Cover Pool / Covered Bond Information					
	4. References to Capital Requirements Regulation (CRR) 129(7)					
	5. References to Capital Requirements Regulation (CRR) 129(1)					
	6. Other relevant information					
Field Number	1. Basic Facts					
G.1.1.1	Country	Finland				
G.1.1.2	Issuer Name	OP Mortgage Bank				
G.1.1.3	Link to Issuer's Website	<a href="https://www.pohjola.fi/pohjola/investor-relations/debt-investors/op-mortgage-bank?id=3342008&amp;rcpl=8&amp;kielikoodi=en">https://www.pohjola.fi/pohjola/investor-relations/debt-investors/op-mortgage-bank?id=3342008&amp;rcpl=8&amp;kielikoodi=en</a>				
G.1.1.4	Cut-off date	31/12/2016				
2. Regulatory Summary						
G.2.1.1	UCITS Compliance (Y/N)	Y				
G.2.1.2	CRR Compliance (Y/N)	Y				
G.2.1.3	LCR status	<a href="https://www.coveredbondlabel.com/issuer/6/">https://www.coveredbondlabel.com/issuer/6/</a>				
3. General Cover Pool / Covered Bond Information						
1. General Information		Nominal (mn)				
G.3.1.1	Cover Pool Size	10,407.39				
G.3.1.2	Outstanding Covered Bonds	9,085.00				
2. Over-collateralisation (OC)		Legal	Actual	Minimum Committed	Purpose	
G.3.2.1	OC (%)	2%	13.94	ND1	ND1	
3. Cover Pool Composition		Nominal (mn)			% Cover Pool	
G.3.3.1	Mortgages	10,403.62			99.96%	
G.3.3.2	Public Sector	0.00			0.00%	
G.3.3.3	Shipping	0.00			0.00%	
G.3.3.4	Substitute Assets	0.00			0.04%	
G.3.3.5	Other	3.77			100%	
G.3.3.6	Total	10,407.39				
4. Cover Pool Amortisation Profile		Contractual (mn)	Expected Upon Prepayments (mn)	% Total Contractual	% Total Expected Upon Prepayments	
G.3.4.1	Weighted Average life (in years)	6.00	ND3			
	By buckets:					
G.3.4.2	0 - 1Y	1,152.82	ND3	11.08%		
G.3.4.3	1 - 2Y	1,116.51	ND3	10.73%		
G.3.4.4	2 - 3Y	1,020.54	ND3	9.81%		
G.3.4.5	3 - 4Y	919.55	ND3	8.84%		
G.3.4.6	4 - 5Y	825.48	ND3	7.93%		
G.3.4.7	5 - 10Y	2,949.21	ND3	28.34%		
G.3.4.8	10+Y	2,423.29	ND3	23.28%		
G.3.4.9	Total	10,407.39	0	100%	0%	

Source: OP Mortgage Bank Cover Asset Pool, ECBC Harmonised Transparency Template (HTT) as of 31 December 2016

## OPMB Cover Asset Pool

5. Maturity of Covered Bonds		Initial Maturity (mn)	Extended Maturity (mn)	% Total Initial Maturity	% Total Extended Maturity
G.3.5.1	Weighted Average life (in years)	3.99	4.98		
G.3.5.2	By buckets:				
G.3.5.3	0 - 1Y	1,350.00	0.00	14.86%	0.00%
G.3.5.4	1 - 2Y	1,100.00	1,350.00	12.11%	14.86%
G.3.5.5	2 - 3Y	1,000.00	1,100.00	11.01%	12.11%
G.3.5.6	3 - 4Y	1,270.00	1,000.00	13.98%	11.01%
G.3.5.7	4 - 5Y	1,000.00	1,270.00	11.01%	13.98%
G.3.5.8	5 - 10Y	3,365.00	4,365.00	37.04%	48.05%
G.3.5.9	10+Y	0.00	0.00	0.00%	0.00%
G.3.5.10	Total	9,085.00	9,085.00	100%	100%
6. Covered Assets - Currency		Nominal [before hedging] (mn)	Nominal [after hedging] (mn)	% Total [before]	% Total [after]
G.3.6.1	EUR	0.00	0.00		
G.3.6.2	USD	0.00	0.00		
G.3.6.3	GBP	0.00	0.00		
G.3.6.4	NOK	0.00	0.00		
G.3.6.5	CHF	0.00	0.00		
G.3.6.6	AUD	0.00	0.00		
G.3.6.7	CAD	0.00	0.00		
G.3.6.8	BRL	0.00	0.00		
G.3.6.9	CZK	0.00	0.00		
G.3.6.10	DKK	0.00	0.00		
G.3.6.11	HKD	0.00	0.00		
G.3.6.12	KRW	0.00	0.00		
G.3.6.13	SEK	0.00	0.00		
G.3.6.14	SGD	0.00	0.00		
G.3.6.15	Other	0.00	0.00		
G.3.6.16	Total	0.00	0.00	0%	0%
7. Covered Bonds - Currency		Nominal [before hedging] (mn)	Nominal [after hedging] (mn)	% Total [before]	% Total [after]
G.3.7.1	EUR	9,085.00	9,085.00	100.00%	
G.3.7.2	USD	0.00	0.00	0.00%	
G.3.7.3	GBP	0.00	0.00	0.00%	
G.3.7.4	NOK	0.00	0.00	0.00%	
G.3.7.5	CHF	0.00	0.00	0.00%	
G.3.7.6	AUD	0.00	0.00	0.00%	
G.3.7.7	CAD	0.00	0.00	0.00%	
G.3.7.8	BRL	0.00	0.00	0.00%	
G.3.7.9	CZK	0.00	0.00	0.00%	
G.3.7.10	DKK	0.00	0.00	0.00%	
G.3.7.11	HKD	0.00	0.00	0.00%	
G.3.7.12	KRW	0.00	0.00	0.00%	
G.3.7.13	SEK	0.00	0.00	0.00%	
G.3.7.14	SGD	0.00	0.00	0.00%	
G.3.7.15	Other	0.00	0.00	0.00%	
G.3.7.16	Total	9,085.00	9,085.00	100%	0%
8. Covered Bonds - Breakdown by interest rate		Nominal (mn)		% Covered Bonds	
G.3.8.1	Fixed coupon	8,885.00		98%	
G.3.8.2	Floating coupon	200.00		2%	
G.3.8.3	Other	0.00		0%	
G.3.8.4	Total	9,085.00		100%	

Source: OP Mortgage Bank Cover Asset Pool, ECBC Harmonised Transparency Template (HTT) as of 31 December 2016

## OPMB Cover Asset Pool

9. Substitute Assets - Type		Nominal (mn)	% Substitute Assets	
G.3.9.1	Cash	0.00		
G.3.9.2	Exposures to/guaranteed by governments or quasi governments	0.00		
G.3.9.3	Exposures to central banks	0.00		
G.3.9.4	Exposures to credit institutions	0.00		
G.3.9.5	Other	0.00		
G.3.9.6	Total	0.00	0%	
10. Substitute Assets - Country		Nominal (mn)	% Substitute Assets	
G.3.10.1	Domestic (Country of Issuer)	0.00		
G.3.10.2	Eurozone	0.00		
G.3.10.3	Rest of European Union (EU)	0.00		
G.3.10.4	European Economic Area (not member of EU)	0.00		
G.3.10.5	Switzerland	0.00		
G.3.10.6	Australia	0.00		
G.3.10.7	Brazil	0.00		
G.3.10.8	Canada	0.00		
G.3.10.9	Japan	0.00		
G.3.10.10	Korea	0.00		
G.3.10.11	New Zealand	0.00		
G.3.10.12	Singapore	0.00		
G.3.10.13	US	0.00		
G.3.10.14	Other	0.00		
G.3.10.15	Total EU	0.00		
G.3.10.16	Total	0.00	0%	
11. Liquid Assets		Nominal (mn)	% Cover Pool	% Covered Bonds
G.3.11.1	Substitute and other marketable assets	10,407.39	100.00%	100.00%
G.3.11.2	Central bank eligible assets	0.00	0.00%	0.00%
G.3.11.3	Other	0.00	0.00%	0.00%
G.3.11.4	Total	10,407.39	100%	100%
12. Bond List				
G.3.12.1	Bond list	<a href="https://www.coveredbondlabel.com/issuer/16/">https://www.coveredbondlabel.com/issuer/16/</a>		
13. Derivatives & Swaps				
G.3.13.1	Derivatives in the cover pool [notional] (mn)	8,668.14		
G.3.13.2	Type of interest rate swaps (intra-group, external or both)	intra-group		
G.3.13.3	Type of currency rate swaps (intra-group, external or both)	ND2		
4. References to Capital Requirements Regulation (CRR) 129(7)				
		Row	Row	
The issuer believes that, at the time of its issuance and based on transparency data made publicly available by the issuer, these covered bonds would satisfy the eligibility criteria for Article 129(7) of the Capital Requirements Regulation (EU) 648/2012. It should be noted, however, that whether or not exposures in the form of covered bonds are eligible to preferential treatment under Regulation (EU) 648/2012 is ultimately a matter to be determined by a relevant investor institution and its relevant supervisory authority and the issuer does not accept any responsibility in this regard.				
G.4.1.1	(i) Value of the cover pool/outstanding covered bonds:	38		
G.4.1.2	(i) Value of covered bonds:	39		
G.4.1.3	(ii) Geographical distribution:	43 for Mortgage Assets		
G.4.1.4	(ii) Type of cover assets:	52		
G.4.1.5	(ii) Loan size:	156 for Residential Mortgage Assets	240 for Commercial Mortgage Assets	
G.4.1.6	(ii) Interest rate risk - cover pool:	113 for Mortgage Assets	161	
G.4.1.7	(ii) Currency risk - cover pool:	109		
G.4.1.8	(ii) Interest rate risk - covered bond:	161		
G.4.1.9	(ii) Currency risk - covered bond:	135		
G.4.1.10	(Please refer to "Tab D. HTT Harmonised Glossary" for hedging strategy)	17 for Harmonized Glossary		
G.4.1.11	(iii) Maturity structure of cover assets:	65		
G.4.1.12	(iii) Maturity structure of covered bonds:	87		
G.4.1.13	(iv) Percentage of loans more than ninety days past due:	149 for Mortgage Assets		
5. References to Capital Requirements Regulation (CRR) 129(1)				
G.5.1.1	Exposure to credit institution credit quality step 1 & 2	171		
6. Other relevant information				

## B1. Harmonised Transparency Template - Mortgage Assets

	Reporting in Domestic Currency		EUR				
	CONTENT OF TAB B1						
	7. Mortgage Assets						
	7.A Residential Cover Pool						
	7.B Commercial Cover Pool						

Source: OP Mortgage Bank Cover Asset Pool, ECBC Harmonised Transparency Template (HTT) as of 31 December 2016



## OPMB Cover Asset Pool

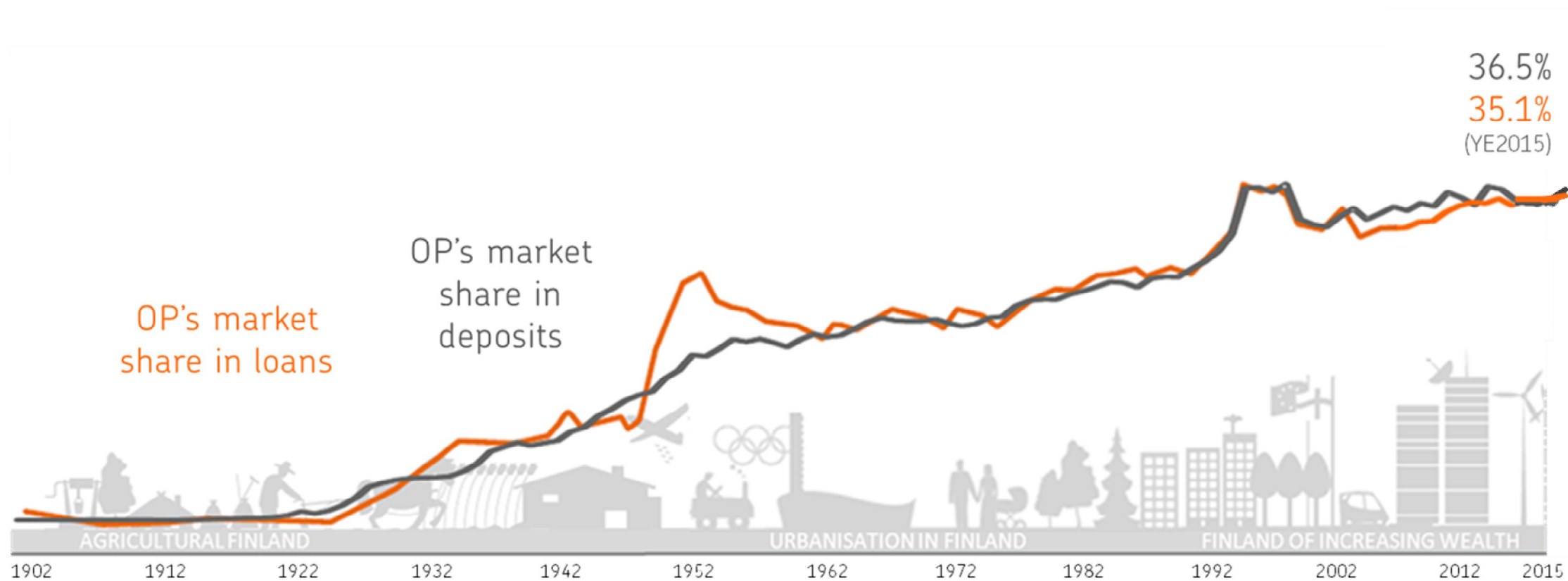
<b>5. Breakdown by domestic regions</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.5.1	Aland Islands	0.15		0.15
M.7.5.2	Central Finland	5.19		5.19
M.7.5.3	Central Ostrobothnia	1.15		1.15
M.7.5.4	Etela-Savo	2.38		2.38
M.7.5.5	Ita-Uusimaa	2.23		2.23
M.7.5.6	Kainuu	0.70		0.70
M.7.5.7	Kanta-Hame	4.87		4.87
M.7.5.8	Kyminenlaakso	2.87		2.87
M.7.5.9	Lapland	1.54		1.54
M.7.5.10	North Karelia	2.55		2.55
M.7.5.11	North Ostrobothnia	8.58		8.58
M.7.5.12	Ostrobothnia	2.01		2.01
M.7.5.13	Paijat-Hame	3.43		3.43
M.7.5.14	Pirkanmaa	9.66		9.66
M.7.5.15	Pohjois-Savo	4.93		4.93
M.7.5.16	Satakunta	3.69		3.69
M.7.5.17	South Karelia	2.71		2.71
M.7.5.18	South Ostrobothnia	2.24		2.24
M.7.5.19	Uusimaa	28.86		28.86
M.7.5.20	Varsinais-Suomi	10.27		10.27
<b>6. Breakdown by Interest Rate</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.6.1	Fixed rate	1.04		1.04
M.7.6.2	Floating rate	98.96		98.96
M.7.6.3	Other			
<b>7. Breakdown by Repayment Type</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.7.1	Bullet / interest only			
M.7.7.2	Amortising	100.00		100.00
M.7.7.3	Other			
<b>8. Loan Seasoning</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.8.1	Up to 12months	6.90		6.90
M.7.8.2	≥ 12 - ≤ 24 months	9.38		9.38
M.7.8.3	≥ 24 - ≤ 36 months	9.46		9.46
M.7.8.4	≥ 36 - ≤ 60 months	23.16		23.16
M.7.8.5	≥ 60 months	51.10		51.10
<b>9. Non-Performing Loans (NPLs)</b>		<b>% Residential Loans</b>	<b>% Commercial Loans</b>	<b>% Total Mortgages</b>
M.7.9.1	% NPLs	0.00		0.00

## OPMB Cover Asset Pool

7.A Residential Cover Pool						
10. Loan Size Information		Nominal	Number of Loans	% Residential Loans	% No. of Loans	
M.7A.10.1	Average loan size (000s)	50.64				
	By buckets (mn):					
M.7A.10.2	0 - 0,025000	1,009.53	80645	9.70%		39.25%
M.7A.10.3	0,025001 - 0,050000	1,762.46	48377	16.94%		23.55%
M.7A.10.4	0,050001 - 0,100000	3,440.64	48408	33.07%		23.56%
M.7A.10.5	0,100001 - 0,150000	2,195.43	18171	21.10%		8.84%
M.7A.10.6	0,150001 - 0,200 000	1,069.21	6252	10.28%		3.04%
M.7A.10.7	0,200001 - 0,250000	489.61	2215	4.71%		1.08%
M.7A.10.8	0,250001 - 0,300000	215.90	795	2.08%		0.39%
M.7A.10.9	0,300001 -	220.85	582	2.12%		0.28%
M.7A.10.26	Total	10,403.62	205445	100.00%		100.00%
11. Loan to Value (LTV) Information - UNINDEXED		Nominal	Number of Loans	% Residential Loans	% No. of Loans	
M.7A.11.1	Weighted Average LTV (%)	50.39				
	By LTV buckets (mn):					
M.7A.11.2	>0 - <= 40 %	8,110.85	205445	77.96%		44.52%
M.7A.11.3	>40 - <= 50 %	1,037.83	96611	9.98%		20.94%
M.7A.11.4	>50 - <= 60 %	705.76	73261	6.78%		15.88%
M.7A.11.5	>60 - <= 70 %	430.69	54817	4.14%		11.88%
M.7A.11.6	>70 - <= 80 %	105.31	27114	1.01%		5.88%
M.7A.11.7	>80 - <= 90 %	11.56	3630	0.11%		0.79%
M.7A.11.8	>90 - <= 100 %	1.55	506	0.01%		0.11%
M.7A.11.9	>100%	0.09	52	0.00%		0.01%
M.7A.11.10	Total	10,403.62	461436	100.00%		100.00%
12. Loan to Value (LTV) Information - INDEXED		Nominal	Number of Loans	% Residential Loans	% No. of Loans	
M.7A.12.1	Weighted Average LTV (%)	43.77				
	By LTV buckets (mn):					
M.7A.12.2	>0 - <= 40 %	8,815.31	205445	84.73%		59.89%
M.7A.12.3	>40 - <= 50 %	885.16	69547	8.51%		20.27%
M.7A.12.4	>50 - <= 60 %	470.72	40869	4.52%		11.91%
M.7A.12.5	>60 - <= 70 %	177.60	19258	1.71%		5.61%
M.7A.12.6	>70 - <= 80 %	46.13	6055	0.44%		1.77%
M.7A.12.7	>80 - <= 90 %	7.87	1624	0.08%		0.47%
M.7A.12.8	>90 - <= 100 %	0.83	251	0.01%		0.07%
M.7A.12.9	>100%	0.00	0	0.00%		0.00%
M.7A.12.10	Total	10,403.62	343049	100%		100%
13. Breakdown by type		% Residential Loans				
M.7A.13.1	Owner occupied	97.09				
M.7A.13.2	Second home/Holiday houses	1.26				
M.7A.13.3	Buy-to-let/Non-owner occupied	1.66				
M.7A.13.4	Other					
14. Loan by Ranking		% Residential Loans				
M.7A.14.1	1st lien	100.00				
M.7A.14.2	Guaranteed	0.00				
M.7A.14.3	Other	0.00				

## OPMB Cover Asset Pool

7B Commercial Cover Pool					
15. Loan Size Information		Nominal	Number of Loans	% Commercial Loans	% No. of Loans
M.7B.15.1	Average loan size (000s)				
	By buckets (mn):				
M.7B.15.2	0 - 0,100000	0	0		
M.7B.15.3	0,100001 - 0,200000	0	0		
M.7B.15.4	0,200001 - 0,300000	0	0		
M.7B.15.5	0,300001 - 0,400000	0	0		
M.7B.15.6	0,400001 - 0,500000	0	0		
M.7B.15.7	0,500001 - 0,600000	0	0		
M.7B.15.8	0,600001 - 0,700000	0	0		
M.7B.15.9	0,700001 - 0,800000	0	0		
M.7B.15.10	0,800001 - 0,900000	0	0		
M.7B.15.11	0,900001 - 1,000000	0	0		
M.7B.15.12	1,000001 -	0	0		
M.7B.15.26	Total	0	0	0%	0%
16. Loan to Value (LTV) Information - UNINDEXED		Nominal	Number of Loans	% Commercial Loans	% No. of Loans
M.7B.16.1	Weighted Average LTV (%)				
	By LTV buckets (mn):				
M.7B.16.2	> 0 - <= 40 %	0	0		
M.7B.16.3	> 40 - <= 50 %	0	0		
M.7B.16.4	> 50 - <= 60 %	0	0		
M.7B.16.5	> 60 - <= 70 %	0	0		
M.7B.16.6	> 70 - <= 80 %	0	0		
M.7B.16.7	> 80 - <= 90 %	0	0		
M.7B.16.8	> 90 - <= 100 %	0	0		
M.7B.16.9	> 100 %	0	0		
M.7B.16.10	Total	0	0	0%	0%
17. Loan to Value (LTV) Information - INDEXED		Nominal	Number of Loans	% Commercial Loans	% No. of Loans
M.7B.17.1	Weighted Average LTV (%)				
	By LTV buckets (mn):				
M.7B.17.2	> 0 - <= 40 %	0	0		
M.7B.17.3	> 40 - <= 50 %	0	0		
M.7B.17.4	> 50 - <= 60 %	0	0		
M.7B.17.5	> 60 - <= 70 %	0	0		
M.7B.17.6	> 70 - <= 80 %	0	0		
M.7B.17.7	> 80 - <= 90 %	0	0		
M.7B.17.8	> 90 - <= 100 %	0	0		
M.7B.17.9	> 100 %	0	0		
M.7B.17.10	Total	0	0	0%	0%
18. Breakdown by Type		% Commercial loans			
M.7B.18.1	Retail				
M.7B.18.2	Office				
M.7B.18.3	Hotel/Tourism				
M.7B.18.4	Shopping malls				
M.7B.18.5	Industry				
M.7B.18.6	Agriculture				
M.7B.18.7	Other commercially used				
M.7B.18.8	Land				
M.7B.18.9	Property developers / Building under construction				
M.7B.18.10	Other				



Debt IR contacts

# Debt IR contacts



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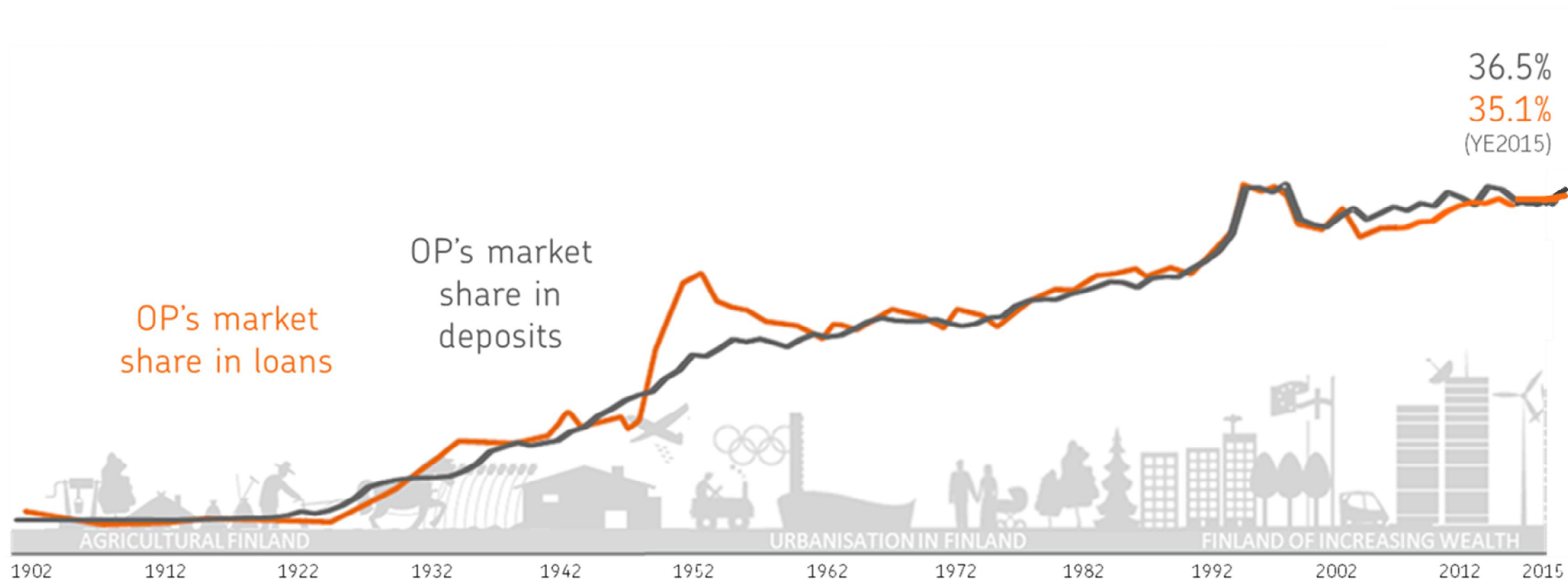
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## Financial reports and background material online

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



## Appendices

## Bioeconomy as one of the new growth areas

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

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

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

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



# Group structure incl. major subsidiaries

1.7 million owner-customers, of which 90% households



173 OP Financial Group member cooperative banks

## OP COOPERATIVE

### BANKING

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

### NON-LIFE INSURANCE

- OP Insurance Ltd\*\* with its subsidiaries
  - Eurooppalainen Insurance Company Ltd
  - A Insurance Ltd
  - Seesam insurance companies in Baltics

### WEALTH MANAGEMENT

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

### OTHER OPERATIONS

- OP Services Ltd\*
- OP Process Services Ltd\*
- OVY Insurance Ltd\*
- Pivo Wallet Oy\*
- Checkout Finland Oy\*
- OP Corporate Bank plc\* (Group Treasury)

\* OP Cooperative's ownership 100%

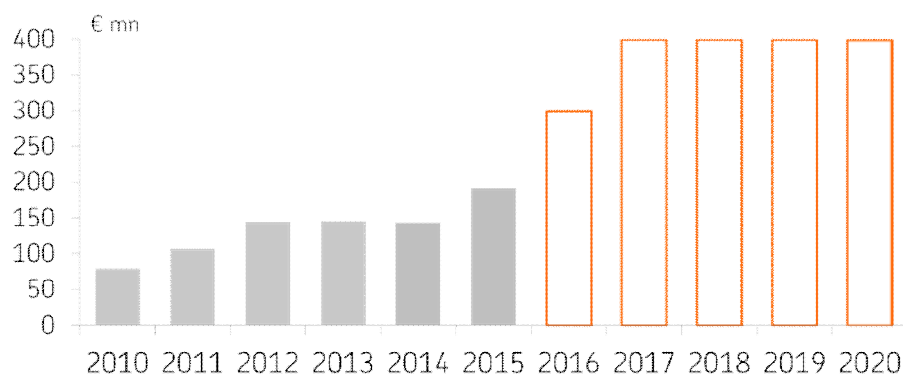
\*\* Planned to be transferred to OP Cooperative's direct ownership in the future as a result of the completion of OP Cooperative's public voluntary bid for all OP Corporate Bank plc shares

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



# In the changing operating environment, OP puts strong emphasis on investments in digital services

## OP's development expenditure, illustrative plan



OP's new strategy, published in June 2016, highlights **customer experience enhancement** by digitising services and processes.

Significant **investments of up to €2 bn** will be made in developing digital services **during next 5 years**. In 2016, OP's development expenditure was €315 mn.

**In 2016**, OP initiated a large-scale **development programme to speed up the digitisation** of its services. New strategy will be put into practice within the framework of **15 strategic development programmes**.

# Health and wellbeing services to become OP's fourth business line\*

## 2013: ESTABLISHING PHASE

First Pohjola Hospital (Omasairaala Hospital until end-July 2016) was opened in Helsinki

- New innovative services in the field of specialised medicine and occupational health in addition to orthopaedics, rehabilitation units, comprehensive diagnostic and laboratory services
- Faster clinical pathway and more efficient claims handling process resulting to incomparable customer satisfaction (NPS 96 in H1/2016)

## 2016–2019: EXPANSION TO UNIVERSITY HOSPITAL CITIES

Pohjola Hospital in Tampere was opened in August 2016 and 3 new Pohjola Hospitals are under construction in Oulu (April 2017), Kuopio (August 2017) and Turku (January 2018).

## 2017–2019: NATIONWIDE MEDICAL CENTRE NETWORK

Pohjola Medical Centres to be opened across Finland to supplement the Pohjola Hospitals based in university hospital cities to create a nationwide health and wellbeing service network

- General practitioner and specialist services as well as diagnostics services
- Pohjola Medical Centres to provide referrals to Pohjola Hospitals

NATIONWIDE  
ACCESSIBILITY  
THROUGH DIGITAL  
SERVICES DESIGNED  
FOR HEALTH AND  
WELLBEING



\* Reported as part of Non-life Insurance segment until further announcement

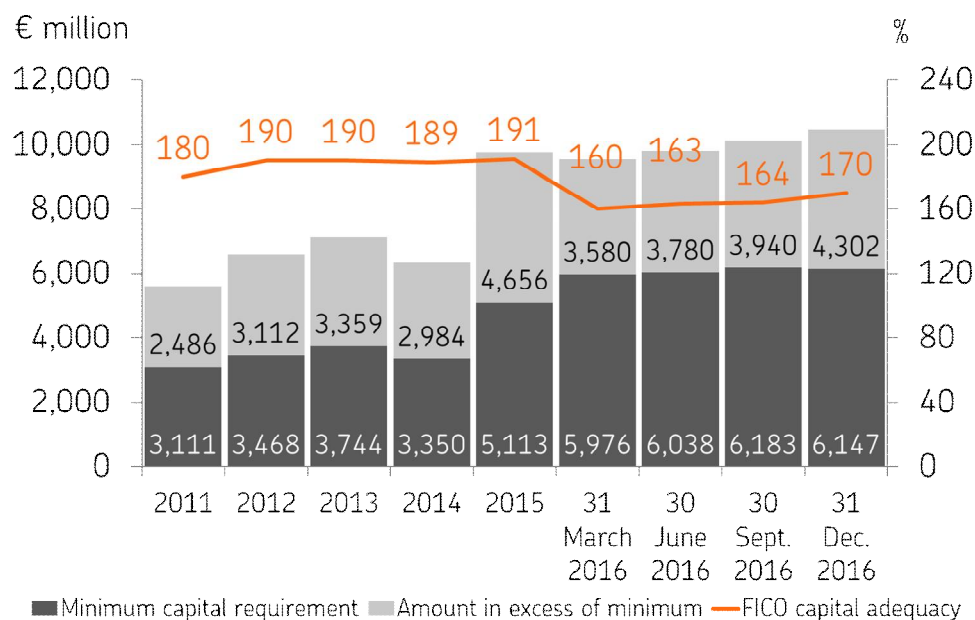
# OP's group-level strategic targets

Main target: Above-market-average growth rate

INDICATOR	TARGET	2016	2015
Customer experience (CX)*, NPS for brand	25	23	-
NPS for service	70 (over time 90)	53	-
CET1 ratio	22% by the end of 2019	20.1%	19.5%
Return on economic capital (12-month rolling)	22%	22.7%	21.5%
Expenses of present-day business (12-month rolling)	Expenses in 2019 lower than in 2015 (€1,500 mn)	€1,538 mn	€1,500 mn
Owner-customers, number	2.1 mn by 2019	1.7 mn	1.5 mn

\* 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. The NPS for service measures what kind of customer experience OP manages to create in individual service encounters in all channels. NPS can range between -100 and +100.

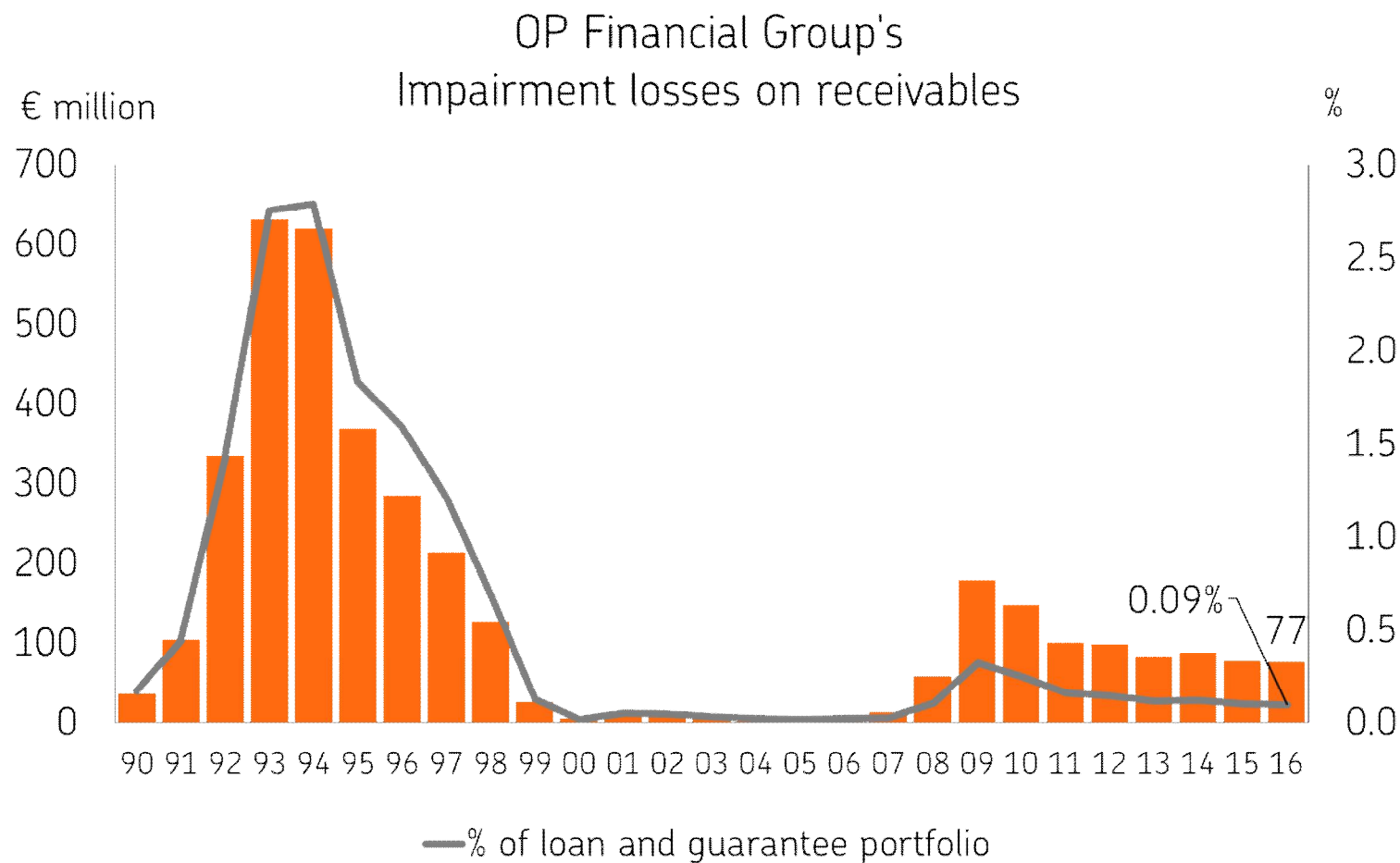
# Capital Adequacy under the Act on the Supervision of Financial and Insurance Conglomerates



## Statutory minimum requirement 100%

- In 2016, capital adequacy buffer was decreased by
  - capital conservation buffer of the Other Systemically Important Institution (O-SII) of 2% adopted at the beginning of 2016 (-24 pps) and
  - higher capital requirement caused by growth in banking operations
- O-SII buffer of 2% increased the consolidated capital adequacy requirement from 10.5% to 12.5%, calculated as percentage of RWA
- Since the beginning of 2016, insurance-sector solvency has been calculated in compliance with Solvency II and the FICO capital adequacy figures since then have been presented in view of the transitional provisions
- Fin-FSA decided on 14 June 2016 to take measures to introduce a credit institution-specific minimum level of 10% for the average risk weight on housing loans of credit institutions that have adopted the IRBA. The minimum level would come into force on 1 July 2017 at the latest. Minimum RW of 10% on housing loans would lower OP's FICO capital adequacy by 7 pps.
- New capital buffer requirement (P2R) of 1.75% set by the ECB as part of SREP (effective since 1 January 2017) will decrease FICO capital adequacy by 16 pps.

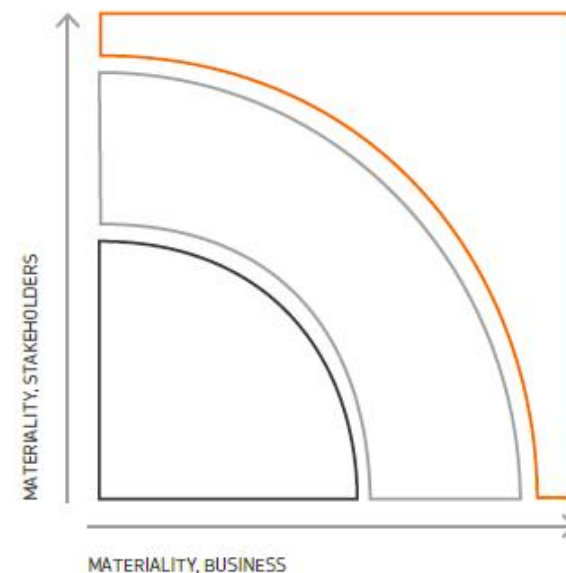
# Impairment losses at a very moderate level



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

CSR activities take economic, social and environmental responsibility into consideration

## CSR MATERIALITY ANALYSIS



## CODE OF BUSINESS ETHICS

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

# OP aims to be a pioneer in CSR within the Finnish financial sector

## INTERNATIONAL CSR COMMITMENTS



WE SUPPORT



OP Financial Group signed the UN Global Compact initiative in 2011, becoming committed to the initiative's ten principles on human rights, labour standards, environment and anti-corruption.

OP Asset Management Ltd and OP Fund Management Company Ltd signed the UN Principles for Responsible Investment (UNPRI) in 2009, among the first Finnish asset managers. Since April 2016 OP Wealth Management has been OP Financial Group's UNPRI signatory including OP Asset Management Ltd, OP Fund Management Company Ltd and OP Property Management Ltd.



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



OP signed the Equator Principles in 2016 and thereby committed to project financing that manages risks related to environmental issues and social responsibility.

## PARTICIPATION IN CSR ORGANISATIONS

- OP is one of the founding members of Finland's Sustainable Investment Forum (FINSIF)
- OP is involved in Finnish FIBS CR Network, the Corporate Social Responsibility and Co-operative Affairs Working Group of the European Association of Co-operative Banks (EACB) as well as the Communication and CSR Committee of Unico Banking Group

## CSR REPORTING

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



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



# OP's and its issuing entities' performance in CSR indices

## OP Financial Group



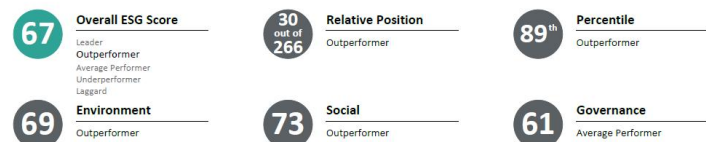
### OP Financial Group



Industry: **Diversified Financials** Marketcap.: Employees: **12,130**  
Domicile: **Finland** Ticker:

#### ESG Summary

##### Overall Performance



OP's survey  
score 2015:  
**91/100**  
(2014: 85/100)

## OP Corporate Bank



## OP Mortgage Bank





## OP Financial Group's earnings analysis

€ million	2016	2015
Net interest income	1 058	1 026
Net insurance income	558	528
Net commissions and fees	859	855
Net investment income	390	432
Other operating income	122	46
Share of associates' profit/loss	1	9
<b>Total income</b>	<b>2 989</b>	<b>2 895</b>
Personnel costs	762	781
Depreciation/amortisation and impairment loss	160	162
Other operating expenses	646	577
<b>Total expenses</b>	<b>1 567</b>	<b>1 520</b>
Impairment loss on receivables	77	78
New OP bonuses accrued to owner-customers	208	197
<b>Earnings before tax</b>	<b>1 138</b>	<b>1 101</b>

# OP Financial Group's key figures

	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010
Total assets, € million	133 747	124 455	110 427	100 991	99 769	91 905	83 969
Receivables from customers, € million	78 604	75 192	70 683	68 142	65 161	60 331	56 834
Liabilities to customers, € million	60 077	58 220	51 163	50 157	49 650	41 304	36 443
Equity capital, € million	10 237	9 324	7 213	7 724	7 134	6 242	6 726
CET1 ratio, %	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, %	23.1	22.9	17.3	19.8 <sup>a</sup>	14.1	14.0	12.8
Over 90 days past due receivables*, € million	356	319	270	292	311	296	204
Ratio of over 90 days past due receivables* to loan and guarantee portfolio, %	0.44	0.41	0.37	0.41	0.46	0.47	0.34
Loan and guarantee portfolio, € billion	81.3	77.8	73.6	71.0	67.7	62.8	59.4
Impairment loss on receivables, € million	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 / loan and guarantee portfolio, %	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>
Personnel	12 227	12 130	12 356	12 856	13 290	13 229	12 504

a) As of 1 January 2014

b) Core Tier 1 ratio

c) January-December

## OP Financial Group's key ratios

	2016	2015	2014	2013	2012	2011	2010
Average corporate loan margin, % <sup>a</sup>	1.41	1.38	1.44	1.57	1.52	1.34	1.36
Cost/income ratio, %	52	53	56	62	63	63	59
Return on equity (ROE), %	9.4	10.3	8.1	8.9	7.0	6.8	6.9
Return on assets (ROA), %	0.7	0.7	0.6	0.7	0.5	0.5	0.5

a) OP Corporate Bank's corporate loan portfolio