

OP Green Bond Investor Presentation November 2018

OP Financial Group and senior unsecured green bond issuing entity OP
Corporate Bank plc

OP Green Bond Framework and Sustainability Second Opinion available at
www.op.fi/debtinvestors

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Introduction

Introduction

OP Financial Group

- Largest financial services group in Finland and fully-owned by its customers
- Cooperative company form, with 156 cooperative banks, the central institution, other member credit institutions and group entities
- Mission to create sustainable prosperity, security and wellbeing for its owner-customers and in its operating region

OP has integrated social and business role



Responsibility for the wellbeing of owner-customers and operating region as well as responsibility for capital adequacy and efficiency

OP's Green Bond Framework

- Supports OP Financial Group's core value of Responsibility
- Eligible to 6 key green sectors of the Finnish economy
- Aligned with the ICMA Green Bond Principles 2018
- Dedicated selection and evaluation process under the responsibility of the Green Bond Committee
- Green Bond reporting to be published annually



Rationale for issuing green bonds

Responsibility aspect

- Strengthening OP's responsible role in the Finnish society
- Promoting one of the 4 key themes of OP's CSR programme – Fostering sustainable economy – through enabling the continuity and growth of Finnish companies' sustainable business
- Integrating sustainable policies into corporate lending

Funding aspect

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

CSR Programme KPI: Increasing sustainable finance



By issuing green bonds, OP contributes to increasing sustainable finance and supporting Finland in becoming more sustainable economy.

OP's inaugural green bond in brief

- **Issuer:** OP Corporate Bank plc
- **Programme:** EMTN
- **Issue type:** Green senior unsecured
- **Size:** Min. benchmark
- **Use of proceeds:** Renewable energy, Green buildings, Sustainable land use
- **Second opinion:** Sustainalytics

- Complies with ICMA Green Bond Principles (2018) providing market practice, investor guidelines and issuer guidance

Finland – towards a sustainable economy

Finland taking measures to support EU-level climate target

National climate change policy

- The National Climate Change Act (609/2015) sets requirements on the planning system for climate change policy and monitoring of the implementation of climate objectives
- The Act lays down Finland's long-term reduction target for all GHG emissions of at least 80% by 2050 (vs. 1990)
- The National Energy and Climate Strategy adopted in 2016 specifies the key objectives and policy outlines until 2030 concerning both the emissions trading and the non-emissions trading (effort sharing) sectors

As part of EU climate and energy package and EU target to reduce GHG emissions by 20% by 2020 (vs. 1990), Finland has nationally committed to

- Reduce GHG emissions by 16% in the non-emissions-trading sectors (construction, building-specific heating, housing, agriculture, transport and waste management, and industrial fluorated gases) by 2020 (10% at EU-level)
- Increase the share of renewable energy to 38% of end-energy consumption by 2020 (20% at EU-level)



Bioeconomy and Clean Solutions – one of 5 key focus areas of the Finnish Government Action Plan 2018–19

Government sustainability 2025 goal

- Finland to pioneer in bioeconomy, circular economy and cleantech*
- Improving balance on current account, increasing self-sufficiency, creating new jobs, and achieving climate goals and good ecological condition of the Baltic Sea through developing, introducing and exporting sustainable solutions

Goals during the term of government

- Finland to reach the 2020 climate goals
- Importing of fossil energy to be replaced with clean and renewable, domestic energy
- New jobs through growing cleantech companies, increased sustainable use of natural resources, diversified entrepreneurship in rural areas, efficient circular economy –

bearing environmental protection in mind

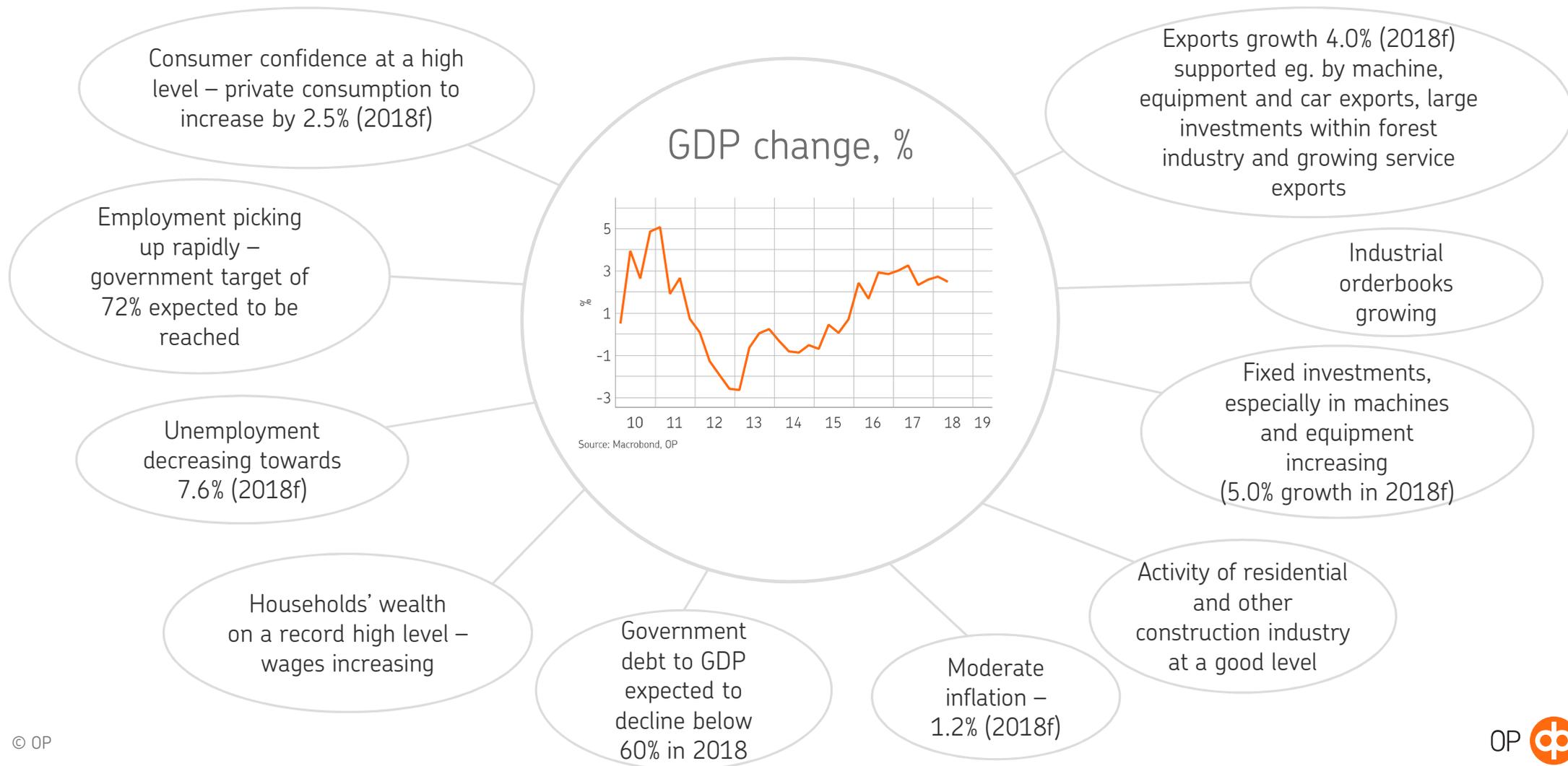
- Mitigation of administrative burden restraining the renewal

Key initiatives

- Transition into coal-free, clean and renewable energy cost-efficiently
- Forestry exports growth and new forest industry products
- Circular economy break-through and clean solutions into use
- Profitable Finnish food industry and growth in trade balance (+€500 mn) and blue bioeconomy (fishing industry, water economy)
- Cooperation-based politics regarding nature conservation and nature tourism

* For more information on cleantech companies in Finland, visit <http://www.cleantechfinland.com>
Source: Finnish Government Action Plan 2018–19, <http://julkaisut.valtioneuvosto.fi/handle/10024/160963>

Broad-based and balanced economic growth in Finland



OP Financial Group in brief

Cooperative OP Financial Group in brief

TOTAL ASSETS

€140 bn

at end-September 2018

SOLID CAPITAL POSITION

20.0%

CET1 ratio
at end-September
2018

22.1%

Total capital ratio
at end-September
2018

MARKET LEADER IN FINLAND

38.9%

Market share
in deposits
June 2018

35.5%

Market share
in loans
June 2018

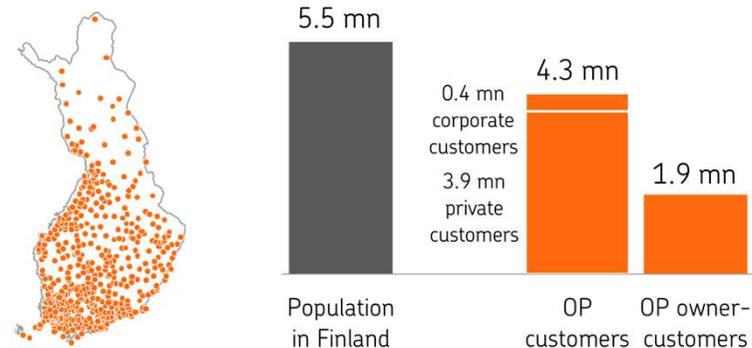
33.0%

Market share in
non-life insurance
2017

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.

FINNISH RISK EXPOSURE



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 Q1-3/2018

KEY P&L LINE ITEMS

Group EBT
€687 mn
 (-18%)

Banking EBT €489 mn (+2%)
 Non-life Insurance EBT €131 mn (-5%)
 Wealth Management EBT €136 mn (-28%)

Total income
€2,286 mn
 (-0%)

NII €867 mn (+6%)
 Net insurance income €432 mn (+27%)
 Net commissions and fees €655 mn (+3%)
 Net investment income €284 mn (-32%)

Total expenses
€1,378 mn
 (+9%)

Expense growth mainly due to higher personnel costs, development costs from existing business lines, costs from new business as well as increased depreciation/amortisation and impairment loss

VOLUMES (y-on-y)

Housing loans
+3%

Corporate loans
+7%

Deposits
+4%

Insurance premium revenue
+3%

AUM (gross)
+2%

OUTLOOK 2018

In 2018, OP's EBT is expected to be at about the same level as in 2017

The most significant uncertainty related to the earnings for the rest of the year is associated with the amount of the non-recurring item arising from the transfer of the portfolio of the statutory earnings-related pension insurance for OP Financial Group's personnel. The transfer will improve the Group's CET1 ratio by an estimated 0.4 pps and earnings before tax by €240 mn, based on the current estimate. Other uncertainties are associated with other potential effects of significant changes in the interest rate and investment environment as well as impairment losses.

OP Financial Group as responsible actor in the Finnish society

Responsibility is closely integrated in OP's strategy

Responsibility is one of OP's 3 core values



People-first
approach



RESPONSIBILITY



Prospering
together

- OP seeks to build a sustainable economy while supporting the prevention of climate change and adjusting to it
- OP develops products and services that will encourage its customers to act in a responsible and environment-friendly manner and take into account the effects of its operations on the environment

OP's strategy based on customer focus

Strategy still emphasizes creating new services and pioneering within the financial sector, but also strong focus on key measures and efficient implementation



Strategy sharpened around 5 key focus areas

New vision – The leading and most attractive financial services group in Finland

- OP is the leading actor in terms of the number of customers and a forerunner that others look up to
- OP is the most attractive actor among employees, customers, partners and stakeholders



Owner-customer relationship rationale in brief

Based on cooperative company form and mission:

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

Ownership

Cooperative mindset. Finnish and local. Genuinely close to customers. OP owned by its customers.



Financial benefits

OP bonuses. Discounts from daily banking and insurance policies. Best service channels. Constantly renewing OP services. Benefits from partners.

Community spirit

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

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.

OP is a financial services group owned by its customers

We promote our owner-customers' and operating environment's sustainable financial prosperity, safety and wellbeing. Finnish roots, Finland's most extensive service network and true customer focus make us a unique player in many ways.

OP's cooperative company form supports our integrated social and business role, which is also the foundation for our unique identity



Responsibility for the wellbeing of owner-customers and operating region as well as responsibility for capital adequacy and efficiency

OP allocates a substantial amount of its earnings to fulfilling its social role



- Strengthening the capital ratio
- Customers*
- Taxes

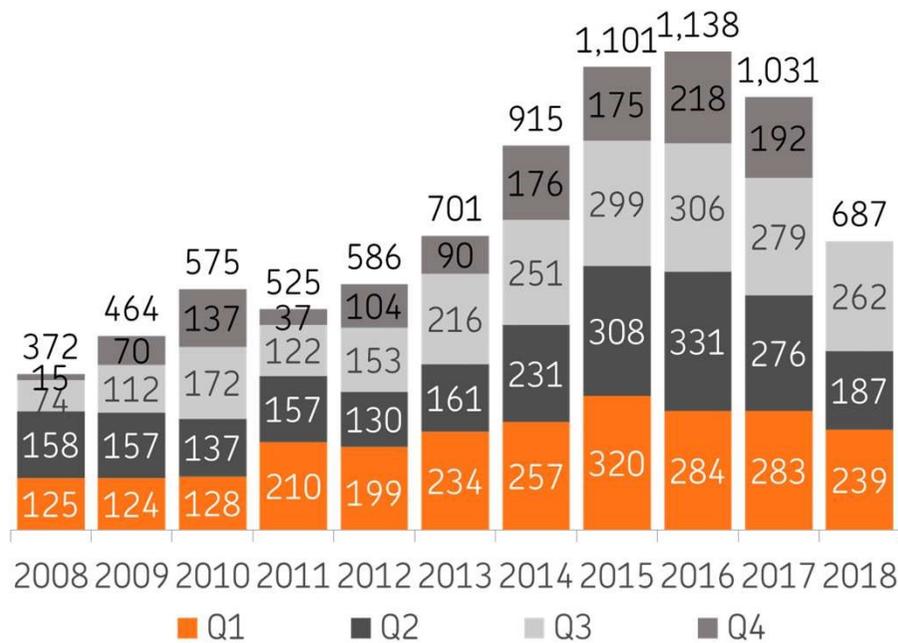
Estimated earnings allocation for the reporting period that is to be confirmed after the end of the financial year

**Customers = customer bonuses, discounts and interest on contributions made by owner-customers*

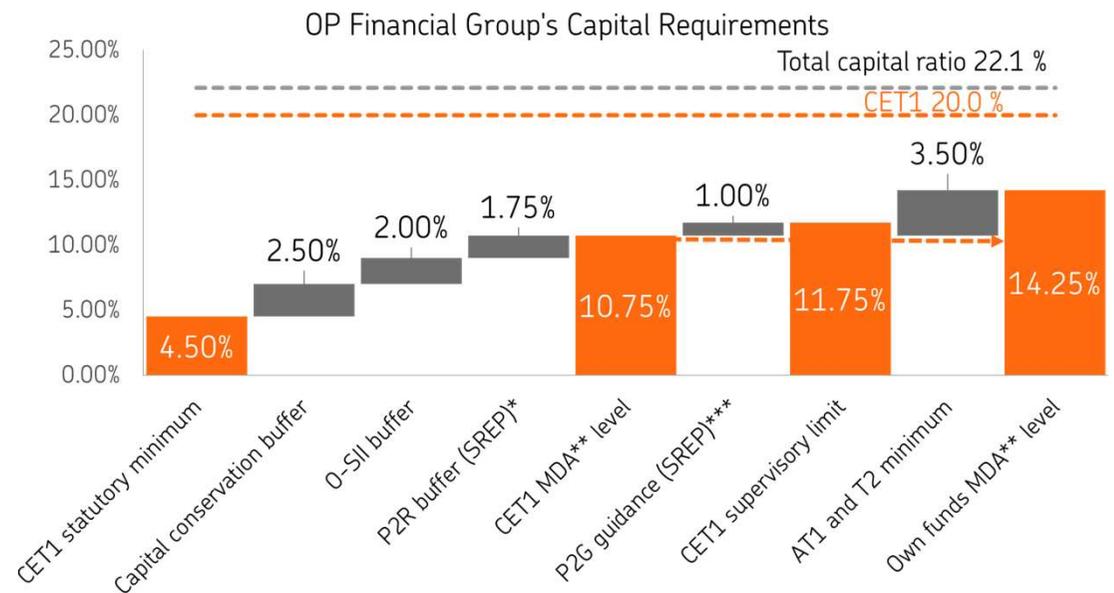
Strengthening the capital ratio through earnings

Economic responsibility enables OP's social role

Solid earnings generation (€ mn)



Comfortable capital adequacy buffers



* P2R supervisory Pillar II requirement ** Maximum distributable amount
 *** P2G supervisory guidance, breach results enhanced supervisory measures

Supporting owner-customers financial standing

Economic responsibility enables OP's social role

Growth in number of owner-customers (mn)



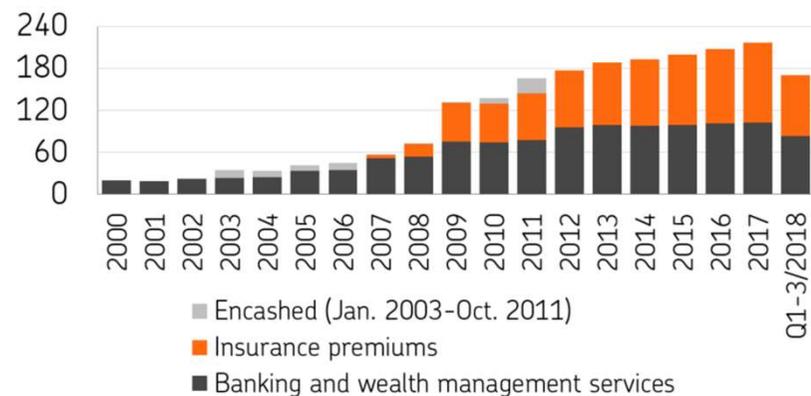
€267 mn

total OP bonuses and customer benefits
to owner-customers in Q1-3/2018

Owner-customer value through attractive loyalty benefits

- Accrued OP bonuses** €171 mn in Q1-3/2018 – Use of bonuses €83 mn to banking and wealth management services and €87 mn to insurances
- Investments in Profit shares €3.0 bn and estimated accrued interests €70 mn in Q1-3/2018 – Return target 3.25% in 2018
- Daily banking discount – total benefit €42 mn in Q1-3/2018
- Non-life insurance loyalty discount – total benefit €50 mn in Q1-3/2018
- Selling, buying and trading of most mutual funds free of charge

Use of OP bonuses (€ mn) paid to owner-customers

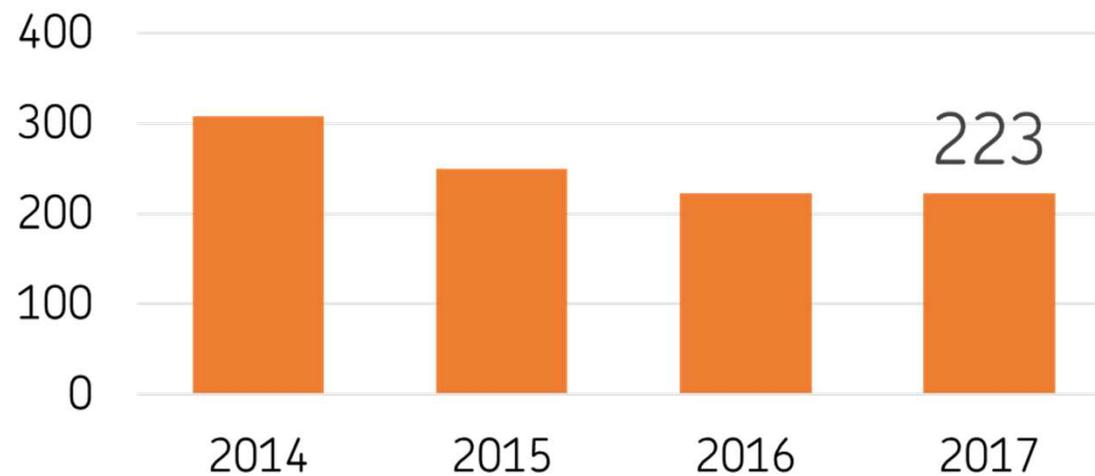


An owner-customer's loans, savings, investments and insurance premiums generate OP bonuses 0.25% of monthly transactions

OP pays its taxes to Finland

Economic responsibility enables OP's social role

Significant tax payer in the Finnish society (€ mn)



€187 mn

corporate income tax paid
by OP Financial Group
companies in 2017 (€169
mn in 2016)

OP's CSR programme built around 4 key themes



OP's ESG highlights in 2015–18

Group-level measures eg.

- Climate Leadership Coalition (CLC) membership – aims to promote the Finnish businesses' and research organisations' competitiveness and ability to respond to the threats posed by climate change and the scarcity of natural resources, as well as to improve their ability to utilise the business opportunities related to these
- LEED certificates of OP HQ premises and Pohjola Health hospitals
- Solar power stations to OP HQ premises, Pohjola Health hospitals and buildings of OP Property Management
- Electricity used at OP HQ premises 100% renewable
- WWF Finland Green Office system applied for environmentally-friendly premise management – eg. in OP HQ premises, carbon footprint of OP's employees is mitigated by remote work opportunity and incentives to use public transportation
- Some investment operations within the Group have green allocation targets in their investment policies

Specific Environmental CSR programme KPIs

CSR Programme KPIs	2017	2016 (if available)
Own CO2 emission, tn CO2e	20,964	18,559
Renewable energy, %	13	

ESG unit within wealth management committed to responsible investment

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

Sustainable customer openings at OP

Providing health and wellbeing services

OP owns 5 Pohjola Hospitals focusing on shortening the treatment chains, i.e. the total durations of incapacity to work. Quick access to proper treatment and rehabilitation and swift recovery are important not only for the patient but also for the employer and the society as a whole.

Supporting future economic growth and employment in Finland

SME financing programmes (€300 mn) guaranteed by EIF and guarantee programme (€300 mn) with EIB for large and mid-sized companies



”Putting Finland on a new growth path” initiatives

Supporting private customers’ financial condition eg. through housing loan grace periods and various discounts on insurance policies and investment services

Pioneering within sustainable mobility in Finland

OP Kulku Electric Car as a service, OP DriveNow Car sharing service franchised by OP, 100 EV charging stations near to OP branches

Promoting energy-efficiency of the Finnish housing market

Energy-saving improvements for housing companies financed by OP and performed by LeaseGreen – first cooperation case to cut down heating costs into a half and carbon footprint by 60%
See: <http://www.eacb.coop/en/corporate-social-responsibility/news/op-and-leasegreen-launch-the-first-energy-renovation-in-a-helsinki-based-housing-company.html>

Examples of sustainable society efforts at OP

Digitalisation and transfer of banking and insurance services to online and mobile channels decreases GHG emissions of our customers

Within Non-life insurance, OP strives to mitigate risks of losses caused by climate change, such as storms and floods through developing risk management practices and sustainable insurance solutions

Largest e-voting in Finland: 81 cooperative banks held the election of the Representative Assemblies electronically, where almost 2,400 owner-customers were elected to the Assemblies

100 person-years of volunteering in honour of the Finland's 100-year-independence in 2017: totalling to 274 years (in cooperation with partners)



OP is highly committed to ESG

INTERNATIONAL ESG COMMITMENTS



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 Property Management Ltd



Montréal Carbon Pledge – signed in 2015
Measuring the carbon footprint of funds and complying with CDP's climate change, water and deforestation initiatives



Equator Principles – signed in 2016
Project financing that manages risks related to environmental issues and social responsibility

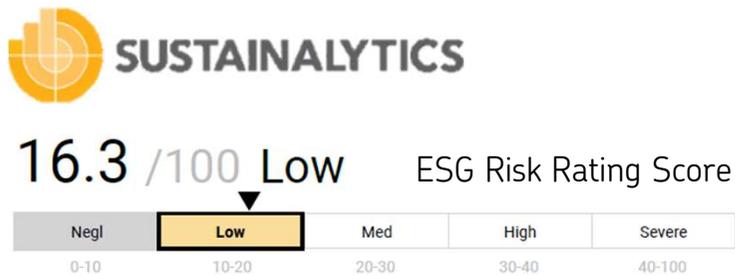


OECD Guidelines for Multinational Enterprises
Incl. voluntary CSR principles and standards

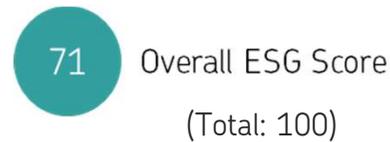
PARTICIPATION IN ESG ORGANISATIONS AND INITIATIVES

- Finland's Sustainable Investment Forum (FINSIF)
- Climate Leadership Coalition (CLC)
- Global Compact Nordic Network
- CR network of the Finnish Business & Society association (FIBS)
- FIBS Diversity Charter Finland
- CSR Working Group of the European Association of Cooperative Banks (EACB)
- CSR Working Group of Finance Finland
- EeMAP (Energy efficient Mortgages Action Plan) Initiative

OP Financial Group's performance in external ESG ratings



Source: Sustainalytics, September 2018



Source: Sustainalytics, December 2017

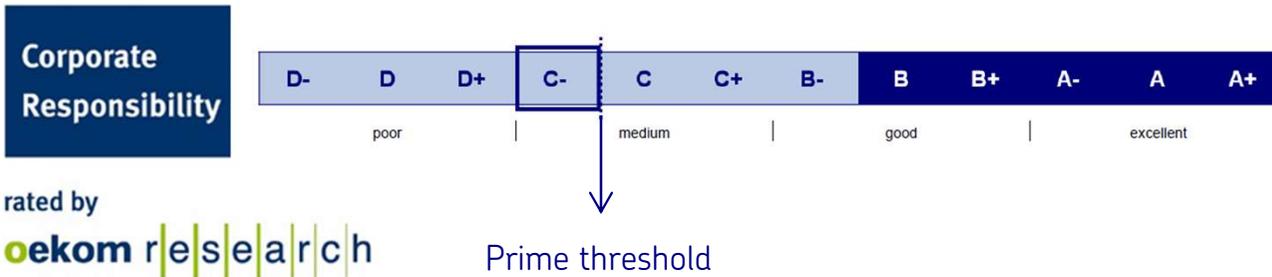


Scale:
 A, A-, B, B-, C, C-, D, D-
 (A being the best score)

OP's CDP Survey Score in 2017:
B

Company has taken actions to address environmental issues beyond initial screenings or assessments.

Source: CDP
 (www.cdp.net/en)



Source: Oekom, June 2017



Environment
 Human Resources
 Human Rights
 Community Involvement
 Business Behaviour (C&S)
 Corporate Governance

Vigeo score
52
 (Total: 100)

Source: Vigeo, April 2017

OP's issuing entities' performance in external ESG ratings

OP Corporate Bank



Scale: AAA-D

Source: Imug, August 2018



Scale: AAA-CCC

Source: MSCI, June 2018
(Re-analysis under review, to be updated to OP Financial Group level)

OP Mortgage Bank



Scale: AAA-D

Source: Imug, June 2016

OP Green Bond Framework

OP Green Bond Framework in general

Use of proceeds

- Renewable energy
- Energy efficiency
- Green buildings
- Pollution prevention and control (including Sustainable water management)
- Sustainable land use
- Clean transportation

Management of proceeds

- Green Bond Register monitoring on a monthly basis
- Quarterly internal reporting to Green Bond Committee

Project evaluation and selection

- Conventional credit process
- Green Bond Framework dedicated process
- Eligibility assessment for dedicated businesses

Reporting: Annual Green Bond Report

- Amount of proceeds allocated to green bonds
- Description of the types of business financed
- Origination timeframe and maturity profile
- Balance of net proceeds not yet allocated
- Estimated impacts of the eligible assets

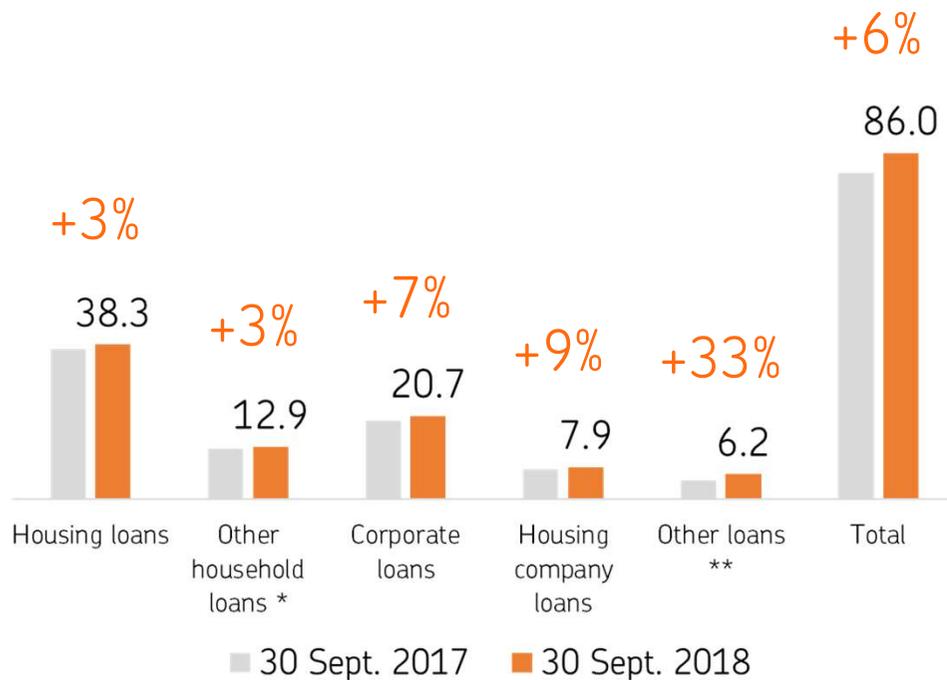
External review & verification

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

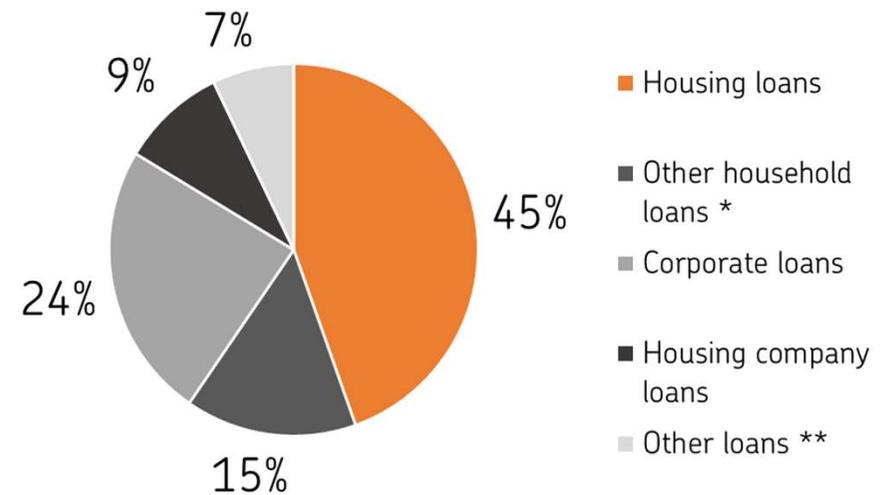
OP's inaugural Green Bond: Use of Proceeds & Selected business cases

Loan portfolio by customer group

Loan portfolio breakdown,
30 Sept. 2018 vs. 30 Sept. 2017, € bn



Loan portfolio breakdown,
30 Sept. 2018, %

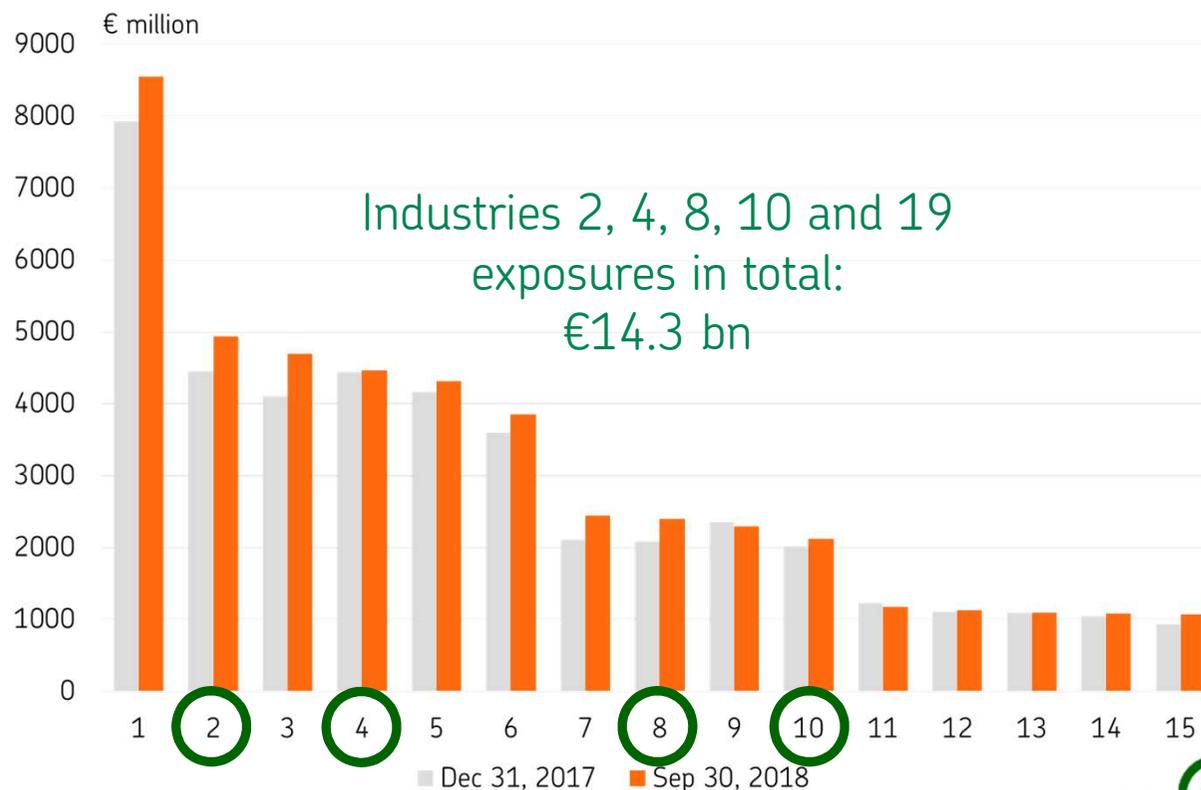


* Other household loans include loans for holiday houses, consumer loans, student loans etc.

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

OP's corporate exposures well diversified by industry

Exposures from the Non-financial corporations and housing companies sector €48.6 bn at end-September 2018



	Dec 31, 2017	Sep 30, 2018
1	17,4 %	17,6 %
2	9,8 %	10,2 %
3	9,0 %	9,7 %
4	9,8 %	9,2 %
5	9,2 %	8,9 %
6	7,9 %	7,9 %
7	4,6 %	5,0 %
8	4,6 %	4,9 %
9	5,2 %	4,7 %
10	4,4 %	4,4 %
11	2,7 %	2,4 %
12	2,4 %	2,3 %
13	2,4 %	2,2 %
14	2,3 %	2,2 %
15	2,0 %	2,2 %

--- 19 Water supply, sewerage and waste management 0.8% (0.9) ie. €410 mn (399)

Renting and operating of residential real estate industry (1)

- 94% of the exposure is housing company loans
- 12% of the exposure is guaranteed by government, cities or municipalities

OP Green Bonds Eligible Use of Proceeds

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



Selected use of proceeds of OP's inaugural green bond (benchmark)

Green Bond register (as of end-Sept. 2018)

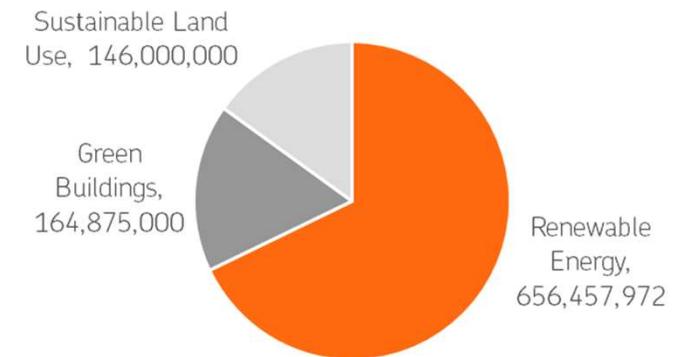
- Current identified potential: €967.3 million
- Number of loans included: 19
- Number of companies included: 14
- Average size of a loan €50.9 million
- Average look-back period: less than 2 years
- All eligible assets concern Finnish companies (EUR)

Eligible sectors

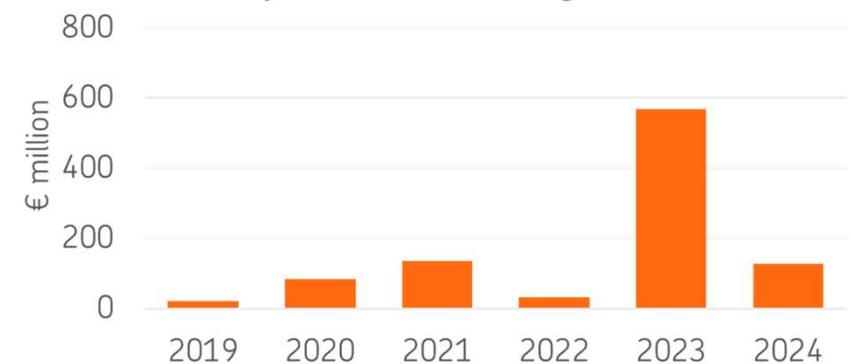
- Renewable energy
 - Wind power
 - Hydropower
 - Waste to energy
- Green buildings
- Sustainable land use
 - Sustainable forestry



Eligible loans by sector



Maturity breakdown of eligible loans



Business case 1: Wind power company

Suomen Hyötytuuli Oy

COMPANY IN BRIEF

- Suomen Hyötytuuli Oy is a Finnish wind power company, which owns 62 wind turbines with an estimated combined capacity of 186 MW.
- The assets under OP Green Bond are located in Raahe.
- The company was established in 1998 and it is co-owned by eight municipal energy utilities.

Total eligible loans €39.3 million,
maturing in 2024

- Suomen Hyötytuuli is one of the pioneers of wind power production in Finland. The company was founded in 1998.
- The company's wind parks produce 600 000 MWh of clean wind power yearly, which cover e.g. the electricity needs of 37 000 detached houses.
- Wind power is considered as a clean energy production method: it does not produce CO₂ emissions to air, land or water. In addition, it does not consume water reserves. The building, transportation and demolition of a wind power park itself consumes energy, however the energy consumed in the process is "paid back" within 3 to 9 months from the starting point of the operation.

Energy Production



Source: <http://www.tuulivoimayhdistys.fi/tietoa-tuulivoimasta/10-syyta-valita-tuulivoima>

Business case 2: Green buildings

S Group Logistics Center

COMPANY IN BRIEF

- The company is owned by SOK and S Group's 20 regional cooperatives.
- Company's business is to manage and rent S Group's strategically important logistics centers. The premises are leased to companies in the S Group.
- The company is applying for a BREEAM Excellent certification for the Sipoo Logistics Center, which is the asset proposed to be included in the Green Bond.

Total eligible loans €112.0 million, maturing in 2023

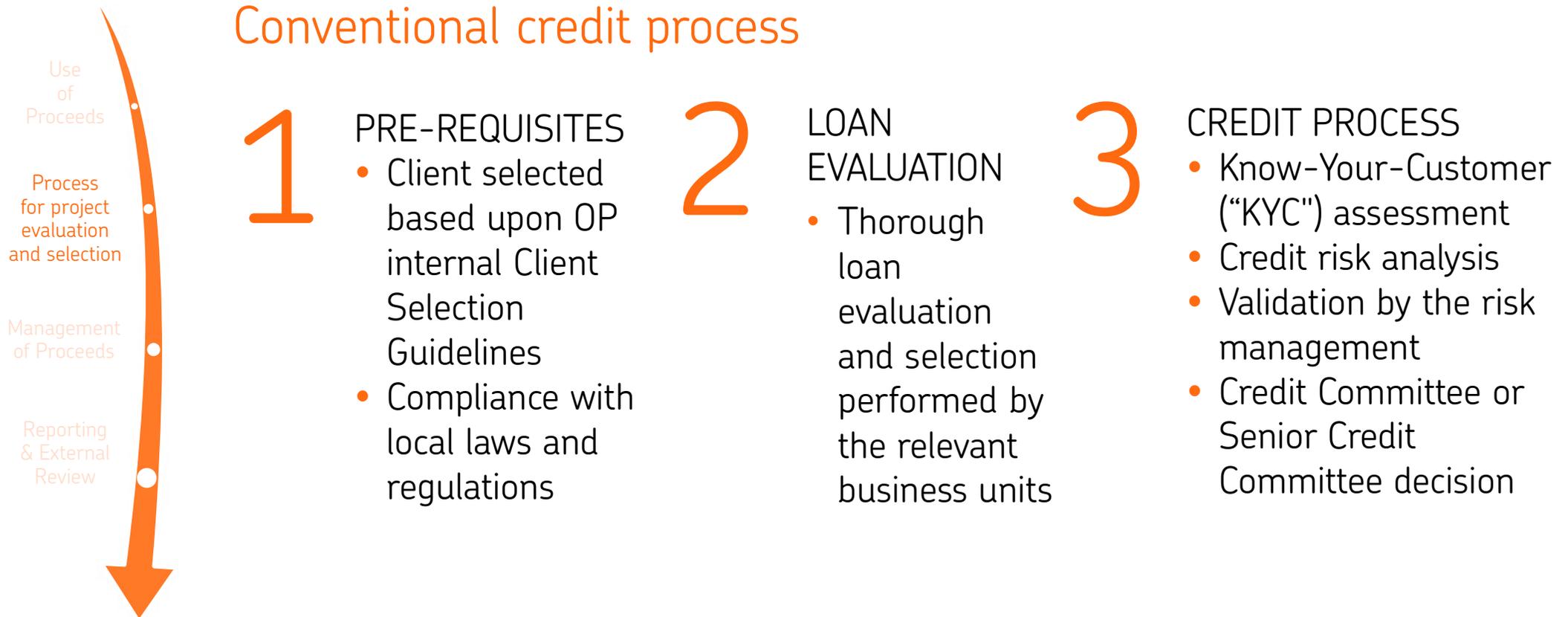
- The new Logistics Center in Sipoo is built to meet the increased demand of goods transported to stores. Highly automated center will reduce the yearly transportation and logistics costs of the S Group.
- The company has invested in energy efficiency of the Sipoo Logistics Center. The 190 000 square meter logistics center is utilizing geothermal energy and heat recovery in order to provide heat to its premises.
- When completed S Group Logistics Center will be one of the largest geothermal energy users in Finland.
- Company applies for a BREEAM certification for the Sipoo Logistics Center. When completed, Sipoo Logistics Center will become the first industrial property in the Nordic countries with BREEAM Excellent assessment.



Process for project evaluation and selection

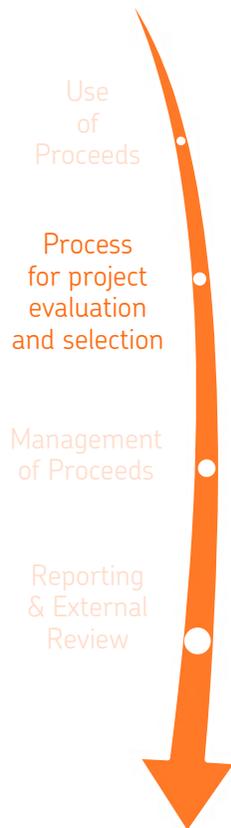
Process for Project Evaluation and Selection

Conventional credit process



Process for Project Evaluation and Selection

Green Bond Framework dedicated process



The Relevant Business Units (OP Corporate Analyst team and OP Financing and Agency unit)

- Identify potentially eligible loans, applying the Framework's specific exclusion guidelines (weapons, nuclear or fossil-fuel energy generation, gambling and other identified risky industries)
- Provide financial and ESG analysis
- Give opinion and rationale for potential selection in the OP Green Bond Register

The Green Bond Committee

- Approves each loan against the OP Green Bond Eligibility Criteria
- Removes assets that are not aligned with the Green Bond Framework
- Approves the Green Bond Register quarterly

The Financing and Agency Unit team

- Updates quarterly the Green Bond Register

OP's Green Bond Committee composition

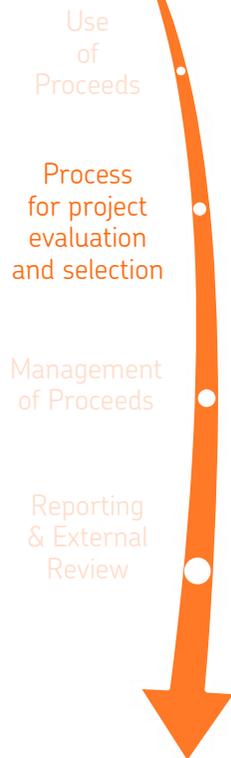
Chairman: an OP Financial Group's Executive Board Member

Members: Senior management representatives from:

- Finance and Group Treasury function
- Corporate Sustainability department
- Banking, Corporate and Institutional Customers business segment

Process for Project Evaluation and Selection

Specific case of “dedicated businesses” (1/2)



Rationale for applying “dedicated businesses” process

- As part of core mission, OP generally finances private and public sector companies on general corporate purposes basis, in the domestic Finnish market
- A number of such domestic actors are collectively dedicated to environmentally-friendly activities and purposes (“dedicated businesses”)
- To ensure alignment with the ICMA GBP recommendation with regards to such “pure players”, OP has established a specific, internal “Eligibility Assessment for Dedicated Businesses” and commits to report on the use of proceeds allocation to such dedicated companies

“The selection process for general purpose loans includes an additional step of selection, including a more detailed set of indicators for each eligible category, which OP Financial disclosed to Sustainalytics. The indicators include environmental life-cycle impact assessments for power plants, asset location in countries with high health and safety standards for employees and contractors and involvement of residents for the construction of new buildings. Moreover, “dedicated businesses” need to be clear of specific environmental, social or governance related controversy. Sustainalytics considers the additional criteria to be strong and contributing to mitigate risks related to the use of proceeds.”

Source: Sustainalytics Second Opinion, October 2018



Process for Project Evaluation and Selection

Specific case of “dedicated businesses” (2/2)



- Each loan to be approved by the Green Bond Committee on a case-by-case basis
- Preparation and presentation of the relevant eligibility assessment by the OP Corporate Analyst team
- 3-step evaluation process:
 - **Step 1** - Exclusion criteria for specified sectors
 - **Step 2** - ESG performance assessment at company level
 - **Step 3** - Specific checklist including quantitative and qualitative criteria for each Eligible Sector, in line with the Green Bond Principles definition of “pure players”*. The dedicated businesses are expected to derive more than 90 % of their turnover from environmentally-friendly activities, in line with the Framework. Moreover, the part of the turnover that is not classified as “green” is not allowed to be in any means environmentally harmful (environmentally neutral activities).

Management of proceeds

Management of Proceeds

- Until the full allocation of the proceeds to Eligible Assets, OP intends to maintain an aggregate amount of assets in the Green Bond Register that is at least equal to the aggregate net proceeds of all outstanding OP's Green Bonds
- However, there may be periods when a sufficient aggregate amount of Green Bond Assets has not yet been allocated to the Green Bond Register to fully cover the proceeds of each Green Bonds. Any portion of the net proceeds of Green Bonds that have not been allocated to Green Bond Assets in the Green Bond Register will be held in accordance with OP's conventional liquidity management policy
- OP Financing and Agency unit is responsible for the management of green bond use of proceeds and quarterly presents the changes in Green Bond Register to the Green Bond Committee for approval



Reporting

Reporting, external review & verification

Reporting

- Annual Green Bond Report (until full allocation) by OP's Treasury, Sustainability and Corporate Lending units, reviewed and approved by Green Bond Committee
- Provides:
 - The amount of net proceeds allocated to each of the Eligible Sector together with a description of the types of business and projects financed
 - The origination timeframe and maturity profile of the loans per Eligible Sector category
 - The remaining balance of net proceeds which have not yet been allocated to Green Assets
- Disclosure on the OP's Debt IR website at www.op.fi/debtinvestors

Second Opinion



- Sustainalytics provided a second party opinion on OP Green Bond Framework
- Available on Sustainalytics and OP websites

Verification

- OP will request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the Green Bond proceeds to Eligible Assets
- This report is to be provided by an external auditor



Impact reporting

Eligible Sector	Indicative Performance Indicator
Renewable Energy	<ul style="list-style-type: none"> • kWh of power generated from renewable energy • Tonnes of carbon dioxide (CO2) equivalent avoided
Energy Efficiency	<ul style="list-style-type: none"> • Energy saved per year (kWh/year)
Green Buildings	<ul style="list-style-type: none"> • Number of eligible buildings that received third-party-verified green building certification • Reduction in energy use (kWh/year)
Pollution Prevention	<ul style="list-style-type: none"> • Annual amount of waste reduced/avoided • Annual amount of waste recycled • Annual amount of water purified
Sustainable Land Use	<ul style="list-style-type: none"> • Total land area under sustainably certified forests • Amount organic Sustainable agriculture land financed in m² • Total land area transformed from heavily polluting land use to eco-friendly land use
Clean Transportation	<ul style="list-style-type: none"> • Number of public trams/ trains/ metros financed and location • Capacity created through financing • Number of cars avoided

Use of Proceeds

Process for project evaluation and selection

Management of Proceeds

Reporting & External Review

External review

Sustainalytics' second opinion

Second-Party Opinion
OP Financial Group Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the OP Financial Group Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

 **USE OF PROCEEDS** The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Although the bond is not exclusively project-based, Sustainalytics considers the range of eligible categories to have positive environmental or social impacts and to advance the UN Sustainable Development Agenda. While a lookback period for refinancing is not disclosed, OP Financial committed to disclose the origination timeframe and maturity profile of loans in its annual reporting.

 **PROJECT EVALUATION / SELECTION** OP Financial's internal process in evaluating and selecting projects is aligned with market practice, including a dedicated green bond committee, chaired by a member of the company's executive board and comprised of senior management from corporate sustainability, finance and group treasury, and the banking, corporate and institutional customers business segment. The committee approves each loan against the framework's eligibility criteria. OP Financial developed detailed internal guidelines for the loan selection that address environmental and social risk management. Sustainalytics considers this process to be aligned with market best practice.

 **MANAGEMENT OF PROCEEDS** OP Financial has committed to establishing a green bond register for each separate green bond issuance, to earmark the proceeds and track their allocation, which is aligned with market practice.

 **REPORTING** OP Financial intends to publish a green bond report on an annual basis, including allocation of proceeds in accordance with market standards. In addition, OP Financial intends to include information on the environmental impacts of the green bond per eligible sectors, including, kWh of renewable energy generated, tonnes of CO₂ avoided, energy savings, buildings with certification, annual amount of water purified, number of public trams/ trains/ metros financed and location, among other indicators. Sustainalytics views the impact indicators as aligned with market practice.





Evaluation date	October 2018
Issuer Location	Helsinki, Finland

Report Sections

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Sustainalytics' Opinion	3
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- Sustainalytics considers that OP Financial Group is well positioned to issue green bonds and that the OP Financial Group Green Bond Framework is credible, robust and aligns with the four core components of the Green Bonds Principles 2018.
- OP Financial Group's processes of project and business evaluation and selection as well as management of proceeds and reporting is aligned with market practice.

Appendix

OP Green Bonds Eligibility Criteria in detail

<p>Use of Proceeds</p>	<p>Renewable energy</p>	<p>Loans to finance projects and businesses dedicated to the development, manufacturing, construction, operation, distribution and maintenance of renewable energy:</p> <ul style="list-style-type: none"> • Offshore and onshore wind; Solar energy • Hydropower • Nordic (Finland, Sweden, Norway or Denmark) hydro power plants excluding construction of new large scale hydro plants (>20MWh). • Refurbishment investments or refinancing of large hydro power plants (>20MW) is permitted if the size of the water reservoir is not increased and the project is assessed and deemed to be compliant with the local regulations. • Waste to energy including energy from by-products of the forest sector, excluding biomass derived from sources of high biodiversity, that compete with food sources or that deplete carbon pools 	<p>Pollution Prevention & Control <i>(including Sustainable Water Management)</i></p>	<ul style="list-style-type: none"> • Pollution prevention and control including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction and waste recycling. • Sustainable water and wastewater management including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems. • Eco-efficient and/or circular economy adapted products, production technologies and processes (such as reduction of packaging or innovation contributing to reduction and recyclability of packaging) or development and introduction of environmentally sustainable products, with an eco-label or environmental certification, resource-efficient packaging and distribution.
<p>Process for project evaluation and selection</p>	<p>Energy Efficiency</p>	<p>Infrastructure, equipment, technology and processes that reduce energy consumption and increase energy efficiency (such as transmission and distribution infrastructure that results in reduced energy losses, smart grids or energy storage, but excluding energy efficiency improvement on fossil-fuel technologies). Efficiency improvement should be at least 10% or otherwise approved by the Green Bond Committee.</p>	<p>Sustainable Land Use</p>	<ul style="list-style-type: none"> • Sustainable forestry projects with a certification from FSC or PEFC • The conversion of land from energy-intensive industry and/or fossil fuel intensive use to greenzones, conservation areas or energy-neutral urban districts (e.g. highways to bikeways type projects) • Sustainable agriculture, in the EU comprised of organic farming as certified in compliance with EU and national regulations
<p>Management of Proceeds</p>	<p>Green Buildings</p>	<ul style="list-style-type: none"> • Commercial or residential buildings that have obtained one of the following certification: LEED "gold" or better; BREEAM "very good" or better; the Nordic Swan Ecolabel (Svanen) certification; or any other equivalent regional recognised certification with similar standards and approved by the Green Bond Committee. • New or recently built commercial or public real estate buildings that are in class B or better in the Finnish energy classification for buildings • Upgrade retrofits (renovations and refurbishments of buildings): <ul style="list-style-type: none"> • leading to better Energy Performance Certificates (EPCs) • or leading to at least 15% lower energy use than that required by the applicable national building code for comparable buildings. 	<p>Clean Transportation</p>	<ul style="list-style-type: none"> • Electric and hybrid vehicles or mobility as a service and the supporting infrastructure e.g. IT upgrades, signalling, communication technologies and charging infrastructure. • Projects, activities and technology that support clean transportation infrastructure such as expansion and improvements of train, tram, metro networks and bicycle schemes (excluding such infrastructure that is primarily dedicated for transportation of fossil fuels).
<p>Reporting & External Review</p>				

OP Financial Group's current reporting structure

1.9 million owner-customers, of which 90% households

156 OP member cooperative banks

OP COOPERATIVE

BANKING

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

- Retail banking
- Corporate banking
- Markets
- Baltic states
- Mortgage banking

NON-LIFE INSURANCE

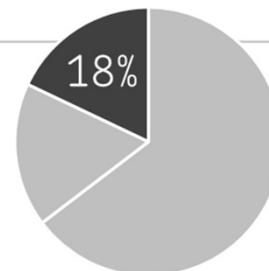
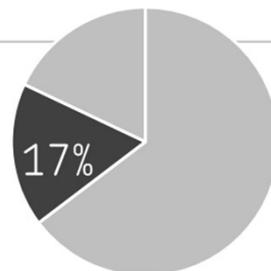
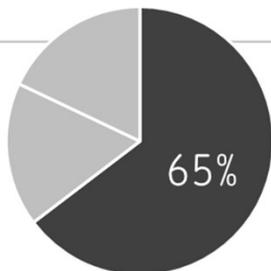
- Private customers
- Corporate customers
- Health & wellbeing

WEALTH MANAGEMENT

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

OTHER OPERATIONS

- Group Treasury
- Product and service development
- Support functions



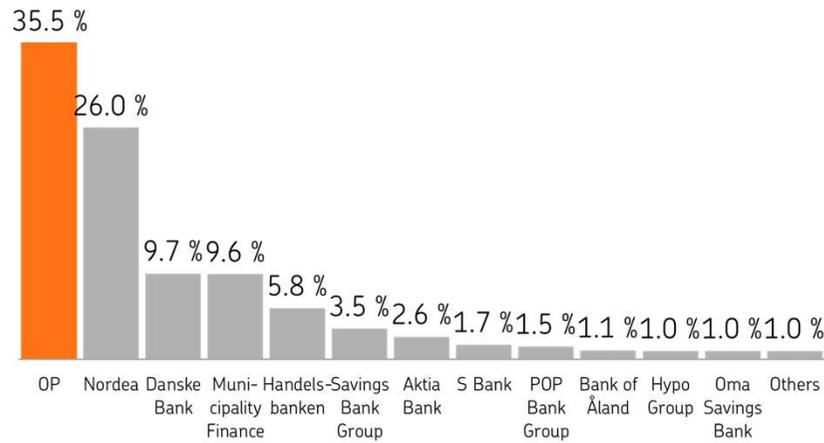
Share of EBT generated by business segments in Q1-3/2018

Change in a company name:

During 2019, OP Insurance will become Pohjola Insurance as Pohjola is one of the most renowned brands in Finland and the brand among customers is strongly associated with insurance services.

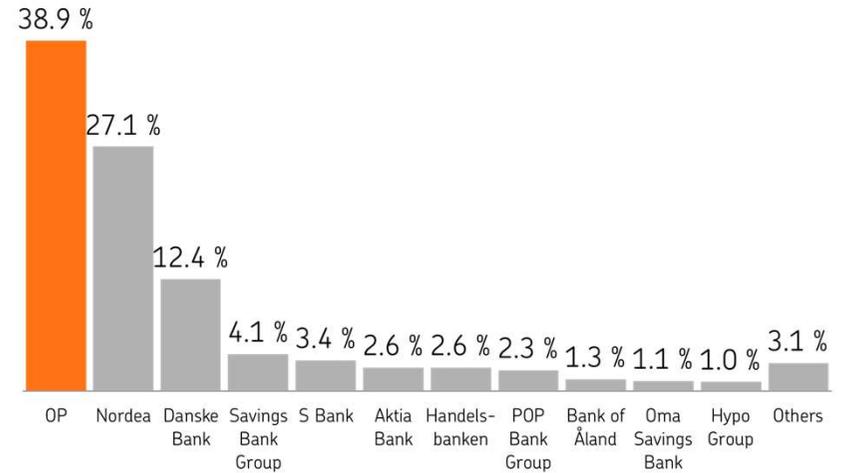
OP – Leading financial group in Finland

Loans, June 2018 (Finland: €230 bn)

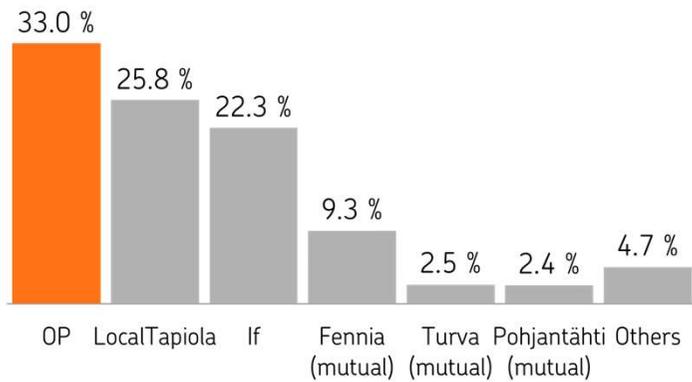


OP's market share at June 2018:
 Housing loans 39.3%
 Corporate loans 38.7%

Deposits, June 2018 (Finland: €155 bn)

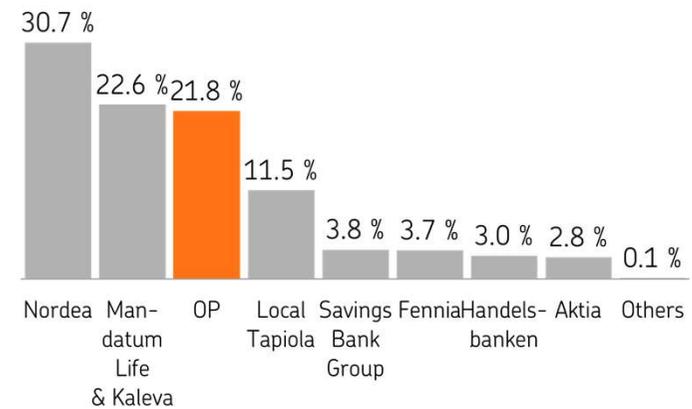


Non-life Insurance, 2017 (Finland: €4.2 bn)



Market share of premiums written under Finnish direct insurance

Life Insurance, 2017 (Finland: €4.5 bn)

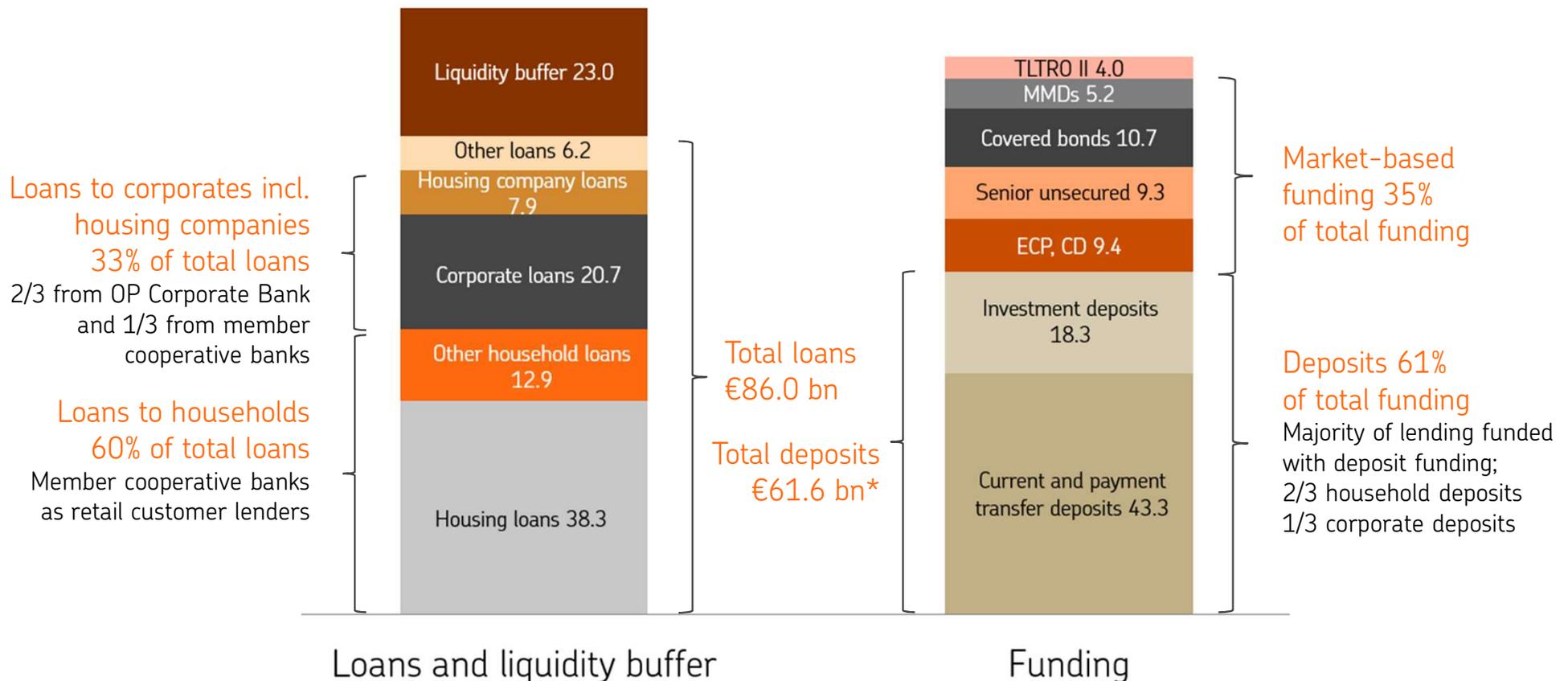


Market share of gross premiums written

Loans, liquidity buffer and funding

30 September 2018

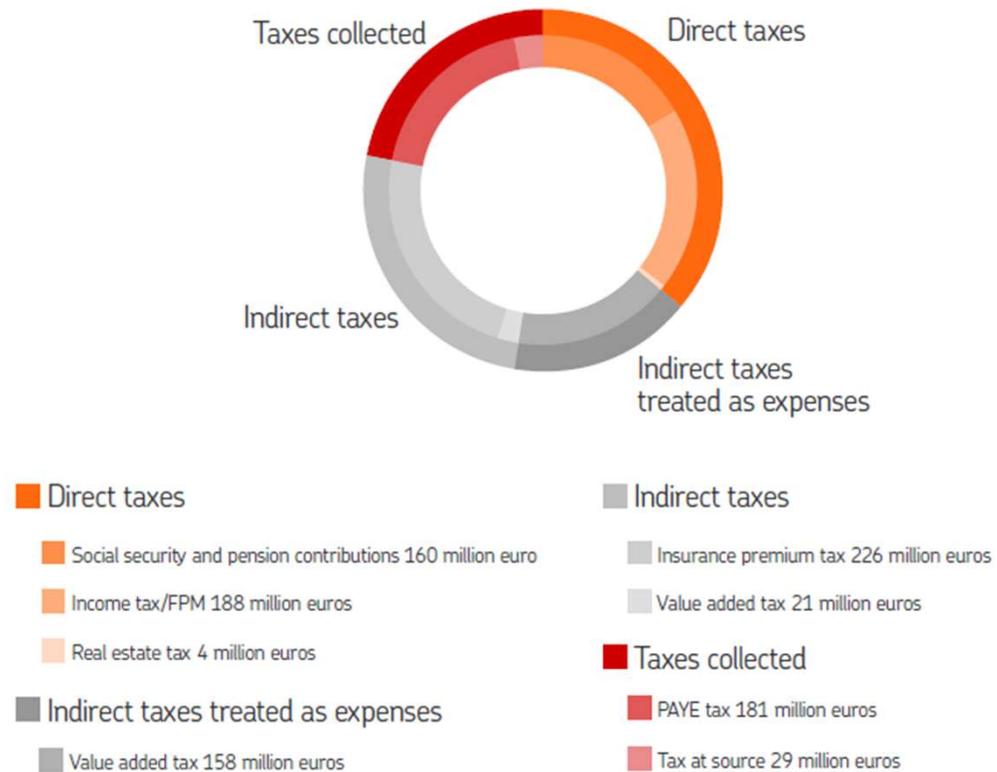
€ bn



* Deposits within the scope of deposit guarantee totalled €35.3 bn (34.3) at end-September 2018. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

OP pays its taxes to Finland

Economic responsibility enables OP's social role

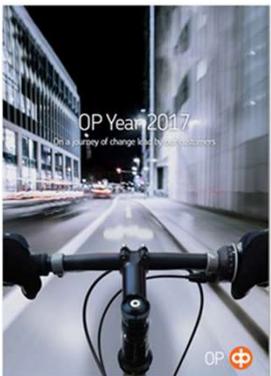


OP Financial Group's tax footprint 2017

OP's CSR governance, guidelines and reporting

Governance

- CSR forms an integral part of OP Financial Group's business and is part of the Group's strategy
- The Executive Board of OP Cooperative decides on the CSR guidelines and approves the Group's CSR programme
- Head of Communications and CSR reports to President and Group Executive Chairman
- CSR working groups established for each business line



https://op-year2017.fi/filebank/513-OP_Year_2017.pdf



https://op-year2017.fi/filebank/477-OP_Financial_Group_Corporate_Governance_Statement_2017.pdf



<https://uusi.op.fi/documents/20556/63695/Code+of+Business+Ethics/7aaf28d4-d273-42ed-8856-bf86905b0274>

Key guidelines

- Guided and coordinated by OP Financial Group's Corporate Social Responsibility Programme, updated in 2017
- OP Financial Group's Corporate Governance Statement
- OP Financial Group's CSR Policies
- OP Code of Business Ethics binding all OP employees, incl. OP's climate principles

ESG reporting

- CSR Report integrated in the Annual Report
- Corporate Governance Statements published at group- and issuer-level
- CSR reporting principles followed:
 - the Global Reporting Initiative (GRI) Standards
 - the Financial Services Sector Supplement of the GRI Guidelines
 - the UN Global Compact
- CSR reporting is being developed in the direction of the IIRC framework
- Since 2016, OP's CSR Report has been externally assured. Assurance for CSR Report 2017 was performed by KPMG.

Debt IR contacts

Debt IR contacts



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For OP Financial Group's and issuing entities' financial reports and other publications, please visit OP's Debt IR website at

www.op.fi/debtinvestors