



# Debt Investor Presentation H1/2020 Roadshow Material

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

[www.op.fi/debtinvestors](http://www.op.fi/debtinvestors)

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

# Finland's Macro Profile

# Economic response to the coronavirus crisis in Finland

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

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

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

Source: Pellervo Economic Research PTT

# Forecasts for the Finnish economy

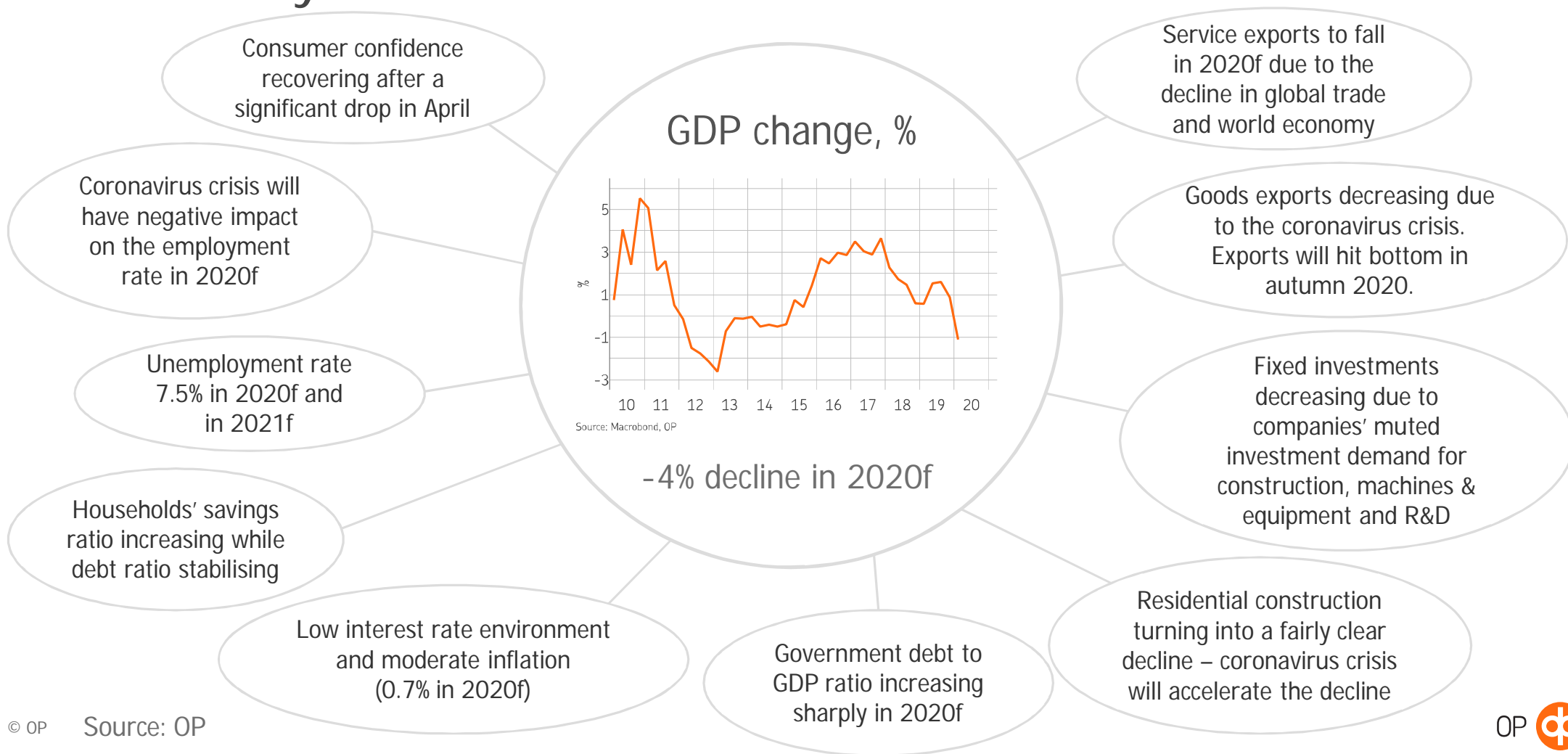
Published 20 August 2020

Forecasts for the Finnish economy, August 2020

	EUR bn				
Volume, % change on previous year	2019	2018 <sup>*</sup>	2019	2020f	2021f
GDP	240.6	1.5	1.1	-4.0	3.0
Imports	95.1	5.5	2.4	-10.0	8.0
Exports	96.5	1.7	7.5	-11.5	8.0
Consumption	181.1	1.7	1.0	-1.6	2.7
- Private	126.1	1.8	0.9	-3.0	3.0
- Public	55.4	1.6	1.2	1.5	2.0
Fixed investment	57.5	3.9	-1.0	-5.5	1.8
Other key indicators		2018	2019	2020e	2021e
Consumer price index, % change y/y		1.1	1.0	0.7	1.1
Change in wage and salary earnings, %		1.7	2.2	2.0	2.5
Unemployment rate, %		7.4	6.7	7.5	7.5
Current account balance, % of GDP		-1.7	-0.5	-0.3	-0.1
General government net lending, % of GDP		-0.9	-1.0	-6.5	-4.5
General government debt, % of GDP		59.6	59.1	68.0	70.0

Sources: Statistics Finland and OP Financial Group

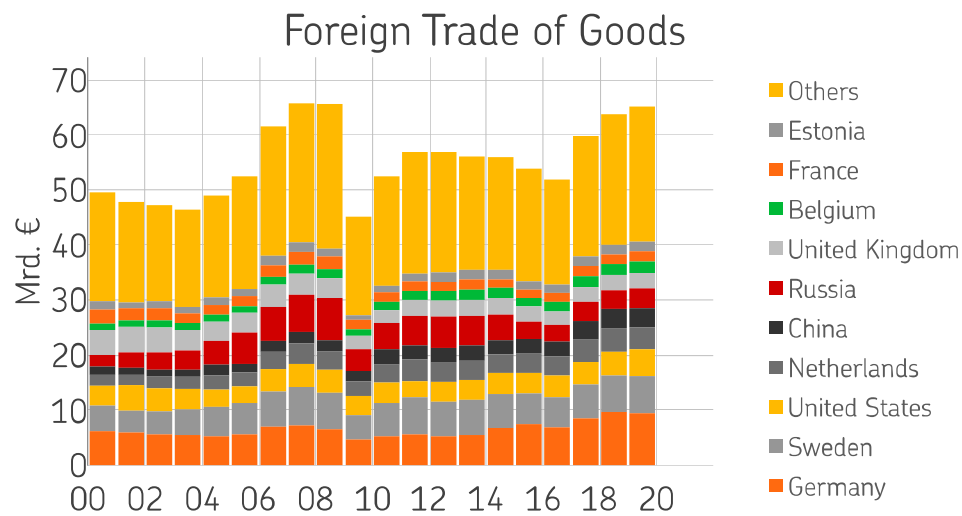
# Recession inevitable in Finland in 2020f – Exceptional uncertainty in the economic outlook due to coronavirus crisis



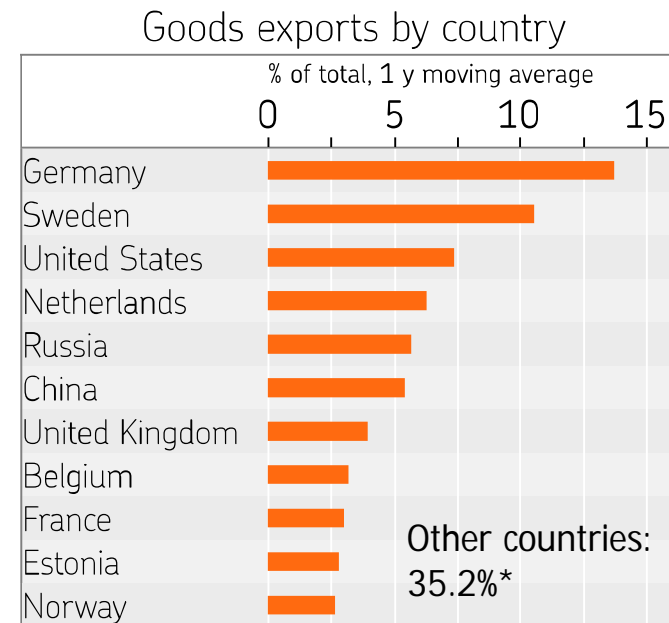
# Diversified goods exports structure by country

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

Finland's largest goods exports countries  
2000-19



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



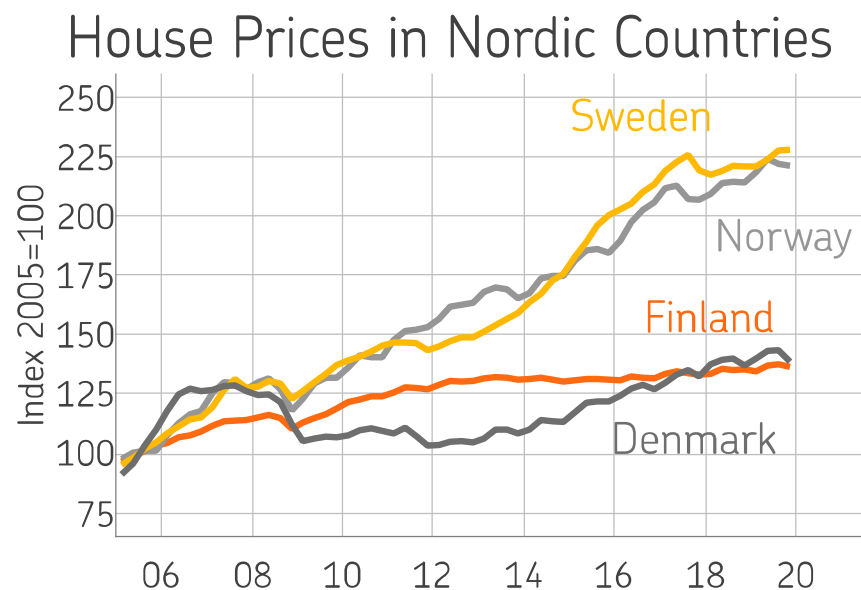
Source: Macrobond, OP

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



# Average house prices and households' debt

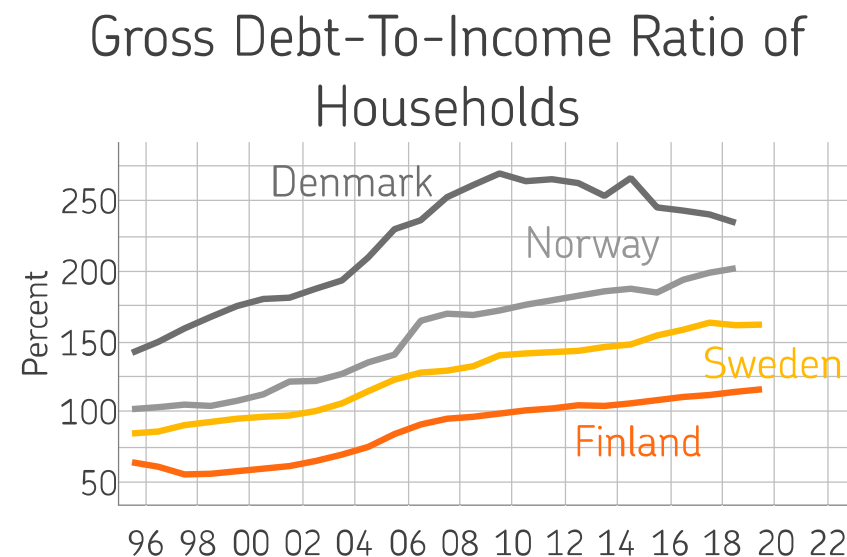
In Finland, the coronavirus crisis will hit the housing market and average house prices are estimated to decrease in 2020



Source: Macrobond, OP, Eurostat

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

Latest values: Q4/2019



Source: Macrobond, OP

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

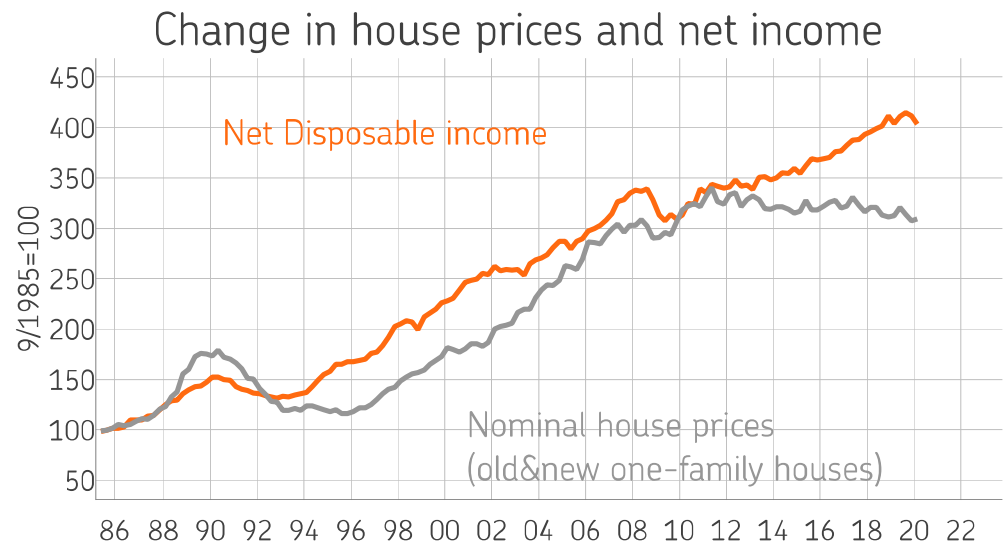
Latest values: Finland & Sweden 2019, Norway & Denmark 2018

# Finnish housing market is stable

## Characteristics of Finnish housing market

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


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



Source: Macrobond, OP

Updated: 12 July 2020

Sources: Statistics Finland, Bank of Finland, RAKLI ry



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

# OP takes responsibility amid the coronavirus pandemic

## Supportive actions for private and corporate customers

### Customers advised to utilise digital service channels

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

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

Separate service hours in branches and dedicated telephone line

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

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

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

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

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

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

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

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

# OP takes responsibility amid the coronavirus pandemic

## Supportive actions for employees, healthcare sector and society

OP supported and recommended remote working for its employees when possible

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

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

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

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

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

OP postponed payment of €97 mn interest on Profit Shares (for 2019) until 1 Jan 2021

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

9,600 lunch vouchers to families in need

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



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

# OP Financial Group Overview

# Co-operative OP Financial Group

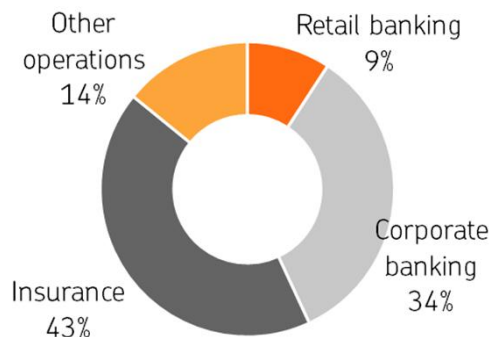
## TOTAL ASSETS

€160 bn

at end-Jun 2020

## EARNINGS BEFORE TAX

(excl. group  
eliminations,  
H1/20)



## JOINT LIABILITY

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

## SOLID CAPITAL POSITION

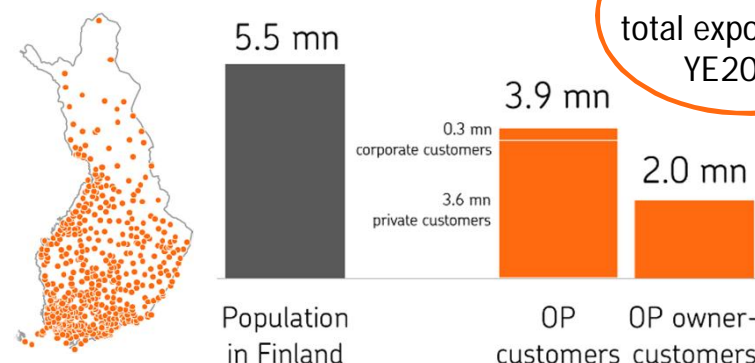
17.7%    21.1%    7.5%

CET1 ratio  
at end-Jun 2020

Total capital ratio  
at end-Jun 2020

Leverage ratio  
at end-Jun 2020

## FINNISH RISK EXPOSURE



## MARKET LEADER IN FINLAND

35.5%    39.2%    33.5%    17.6%

Market share  
in Loans  
YE2019

Market share  
in Deposits  
YE2019

Market share  
in Non-life  
Insurance YE2019

Market share  
in Life Insurance  
YE2019

## HIGH CREDIT RATINGS

Moody's Aa3  
S&P AA-

OP Corporate Bank  
plc

Moody's Aaa  
S&P AAA

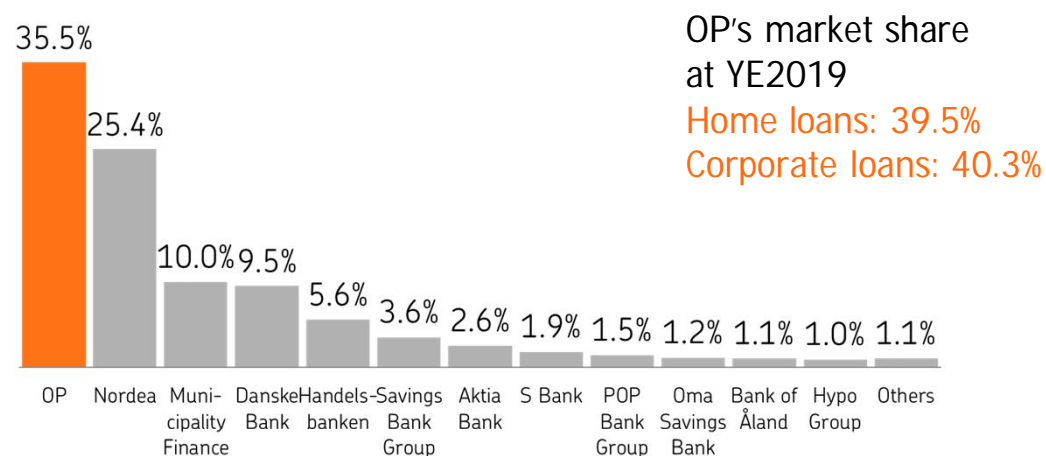
OP Mortgage Bank's  
covered bonds



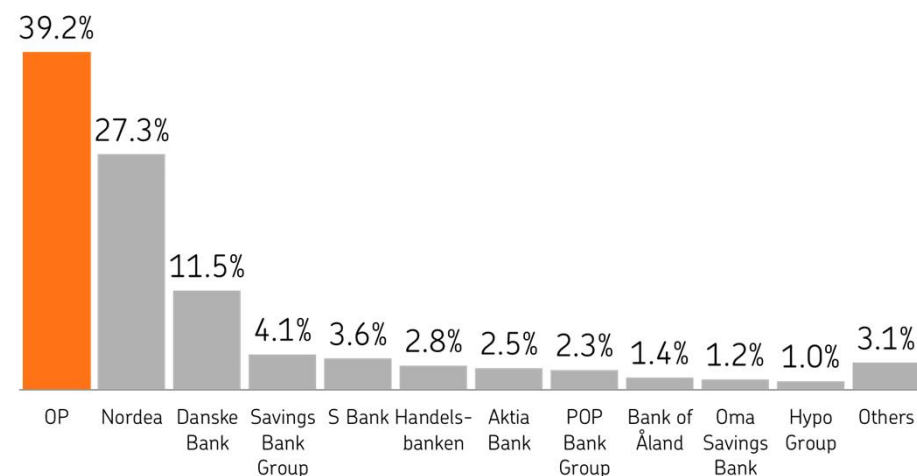
# OP is the leading financial group in Finland

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

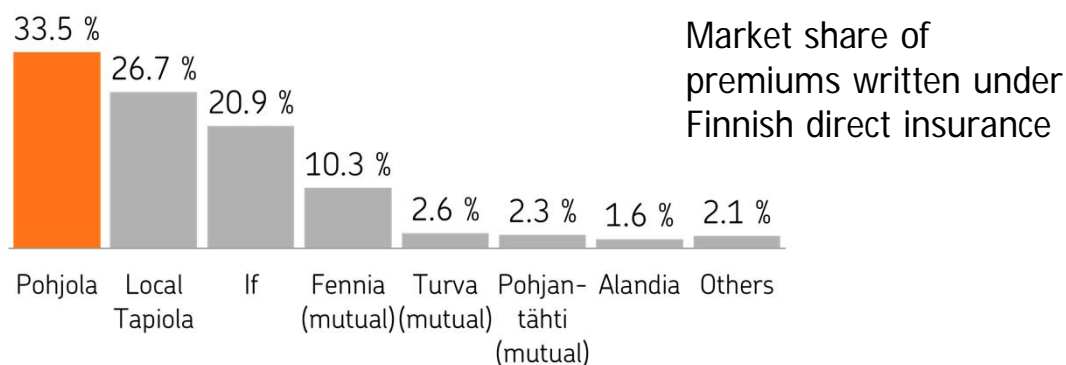
Loans, YE2019 (Finland: €247.7 bn)



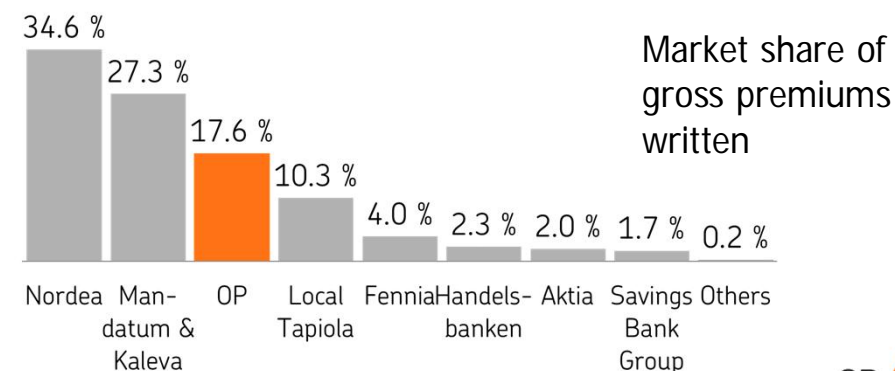
Deposits, YE2019 (Finland: €164.8 bn)



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

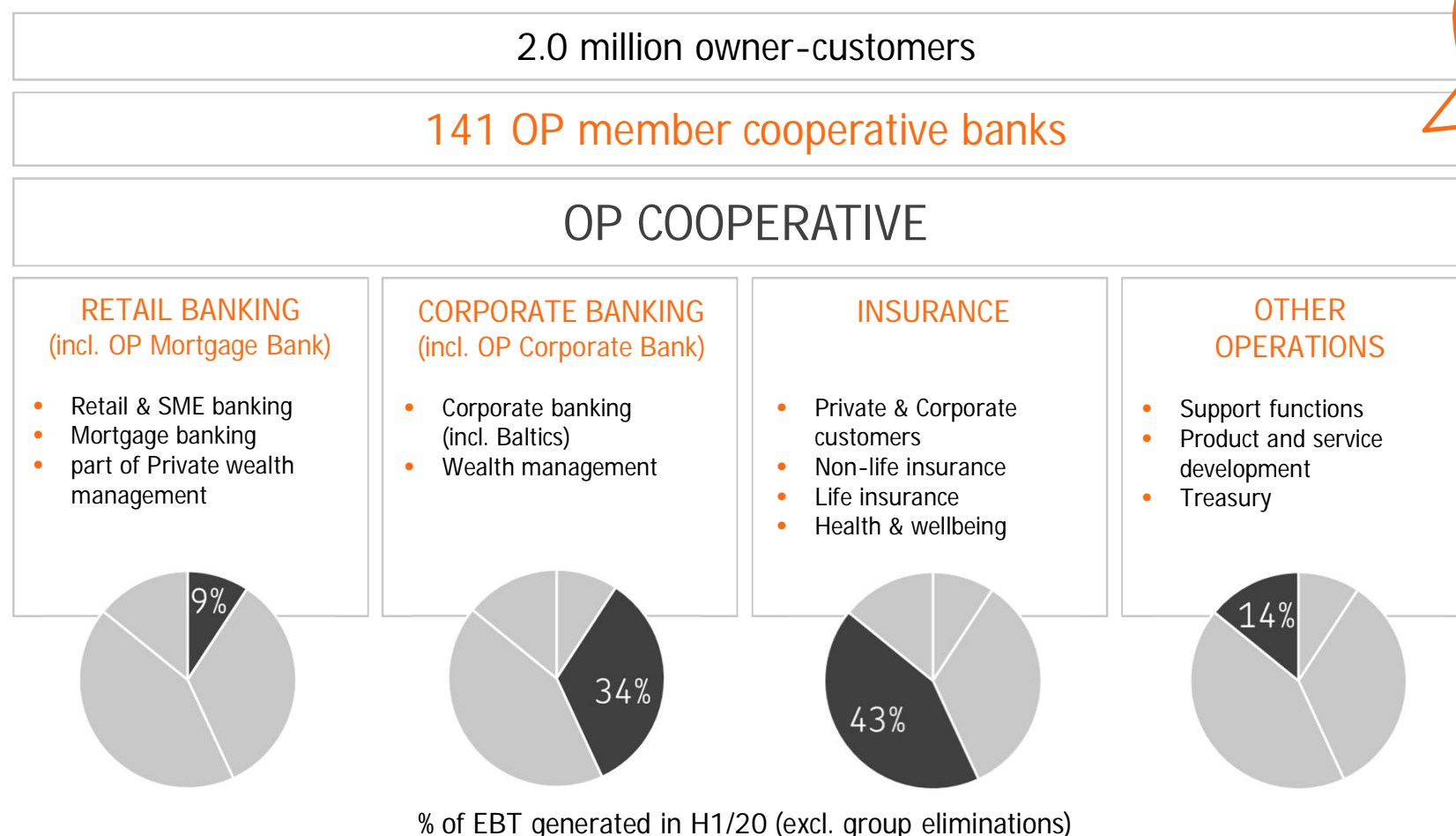


Life Insurance, YE2019 (Finland: €6.0 bn)



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

# OP Financial Group's structure



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

## Three-tier governance structure since 1 Jan 2020

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

# OP's strategic targets

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

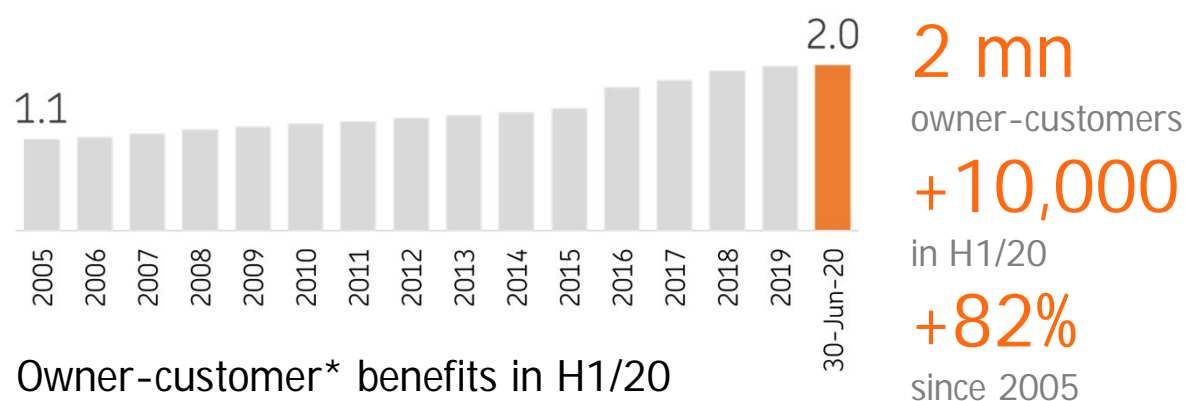
\* OP's customer experience (CX) metric is based on the Net Promoter Score (NPS) that measures likelihood of recommendation. NPS for the brand gauges the overall customer experience of OP. NPS can range between -100 and +100.



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

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

Solid growth in number of owner-customers, mn



Owner-customer\* benefits in H1/20

**€129 mn**

accrued OP Bonuses\*\*

**€60 mn**

to banking and wealth  
management service fees

**€64 mn**

to insurance policy fees

**€2.9 bn**

investments in Profit  
Shares

**€47 mn**

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

**€14 mn**

discounts on daily banking

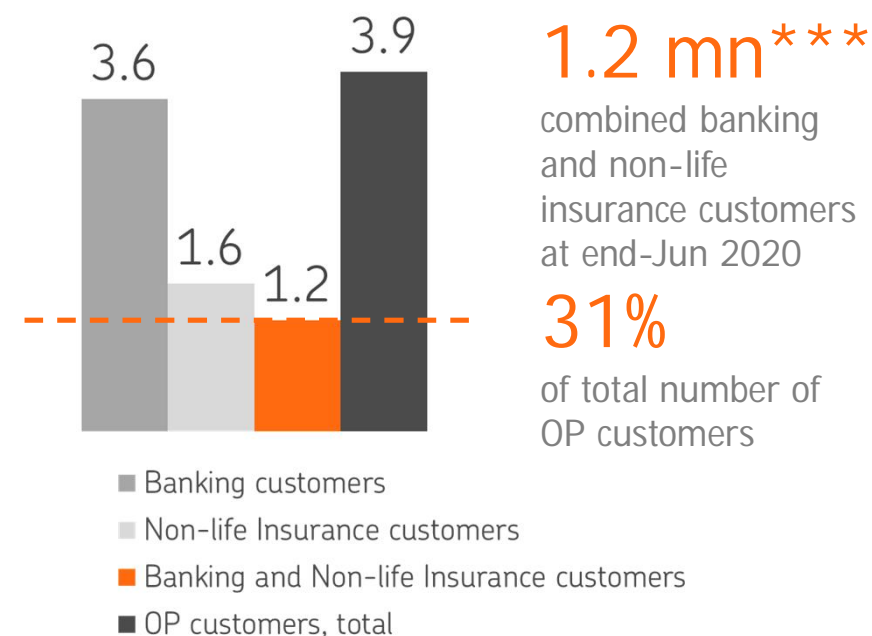
**€35 mn**

loyalty discounts on non-life insurance policies

**€4 mn**

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

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



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

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

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

# 1.7 mn active users in OP's digital channels

Digital service channels actively utilized amid the coronavirus pandemic

Logins and users in OP's digital channels

OP Mobile  
app

191 mn

logins in H1/20

+36% y-on-y

1.5 mn reg. users

Op.fi  
internet bank

39 mn

logins in H1/20

-29% y-on-y

1.9 mn reg. users

OP Business  
Mobile app

7 mn

logins in H1/20

+57% y-on-y

95,000 reg. users

Pivo Mobile  
Wallet app

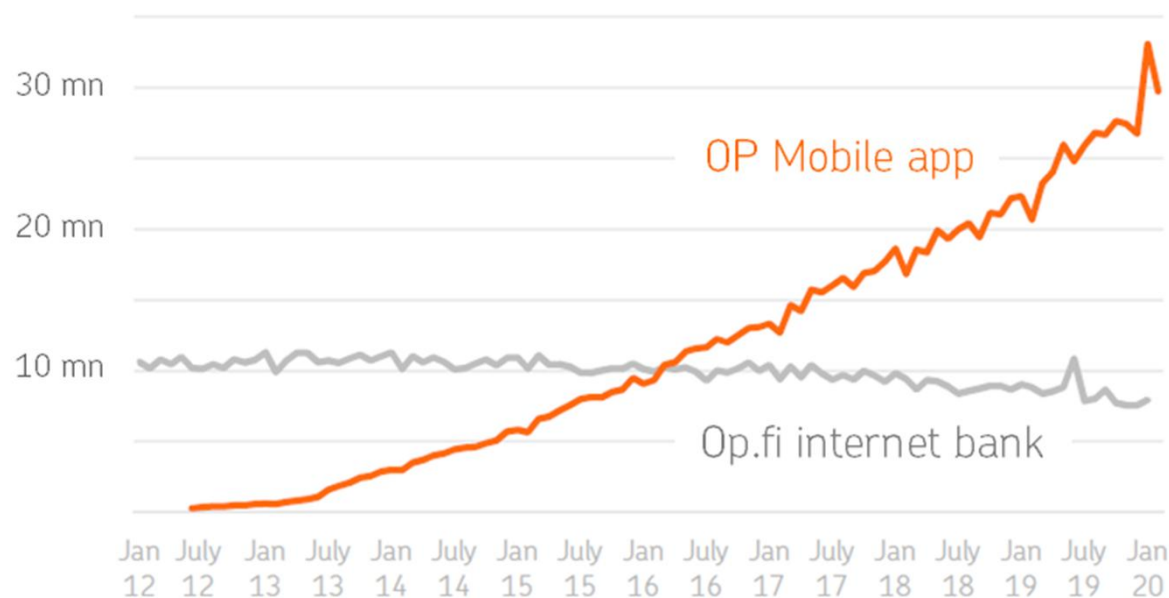
22 mn

logins in H1/20

-11% y-on-y


1 mn reg. users

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



OP's Mobile Key enables authentication in multiple digital channels

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

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

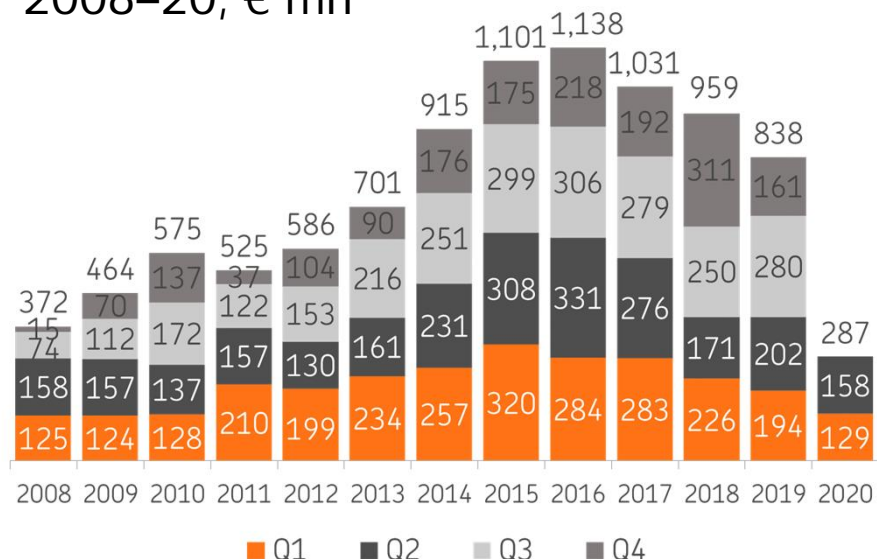
# H1/2020 Financial Results

# EBT for 2020 expected to be lower than in 2019

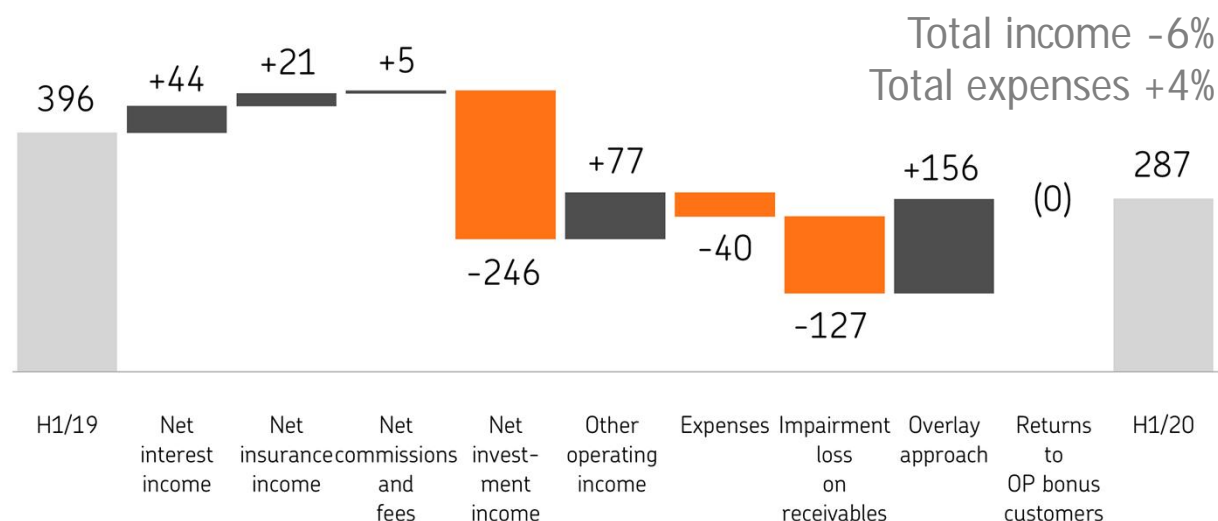
In H1/20, income deriving from customer business increased while lower net investment income and higher impairment loss on receivables eroded the EBT – largely caused by the coronavirus crisis

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

## EBT by quarter 2008–20, € mn



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



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

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



# Key financials H1/20

## Main P&L line items

Group EBT  
**€287 mn**  
 (-28%)

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

Total income  
**€1,481 mn**  
 (-6%)

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

Total expenses  
**€993 mn**  
 (+4%)

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

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

## Volumes (H1/20 growth)

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

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

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

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

## Outlook 2020

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

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



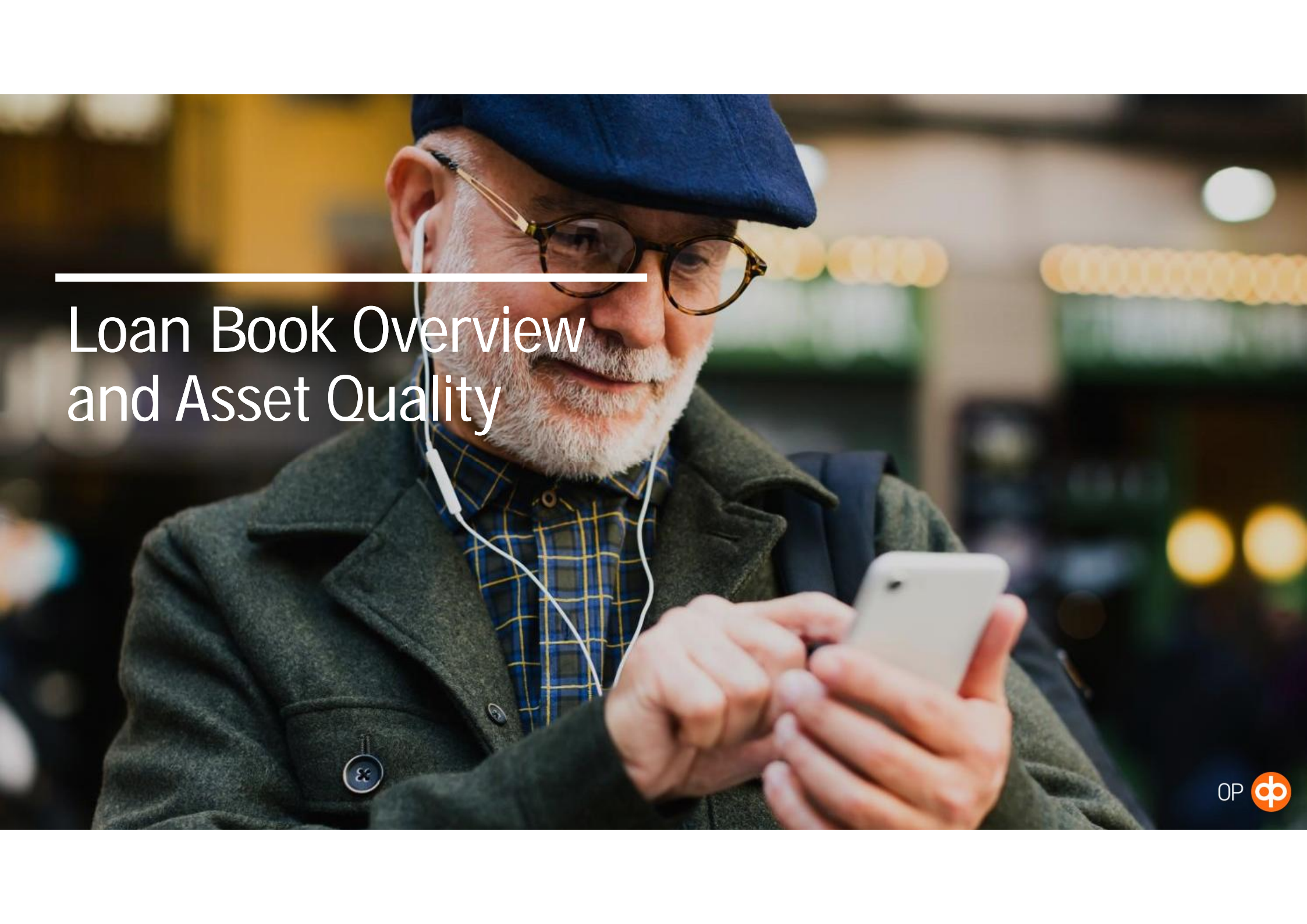
# In H1/20, the coronavirus pandemic affected OP's core business operations in different ways

## Banking

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

## Insurance

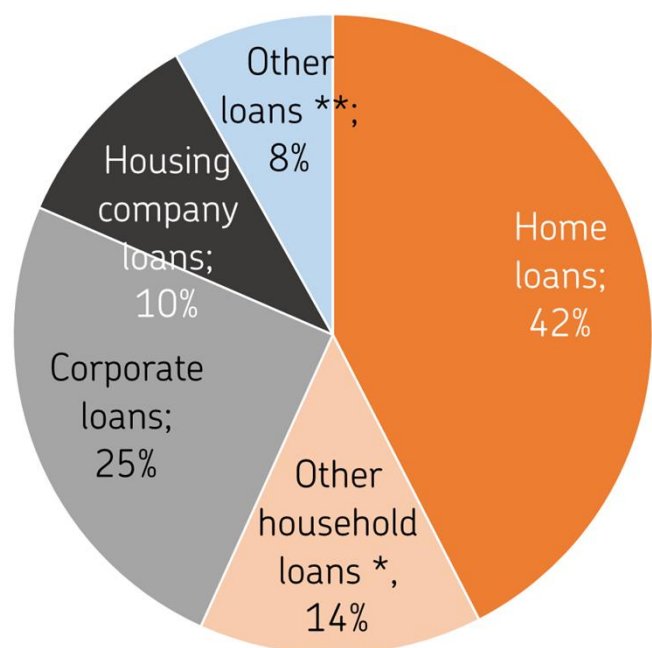
- Claims incurred increased by **event and epidemic interruption claims** and **claims compensated by travel insurance** due to cancelled or interrupted journeys
- Muted travelling activity, significantly lower traffic and **decline in general activity in the society** decreased the number of claims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

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

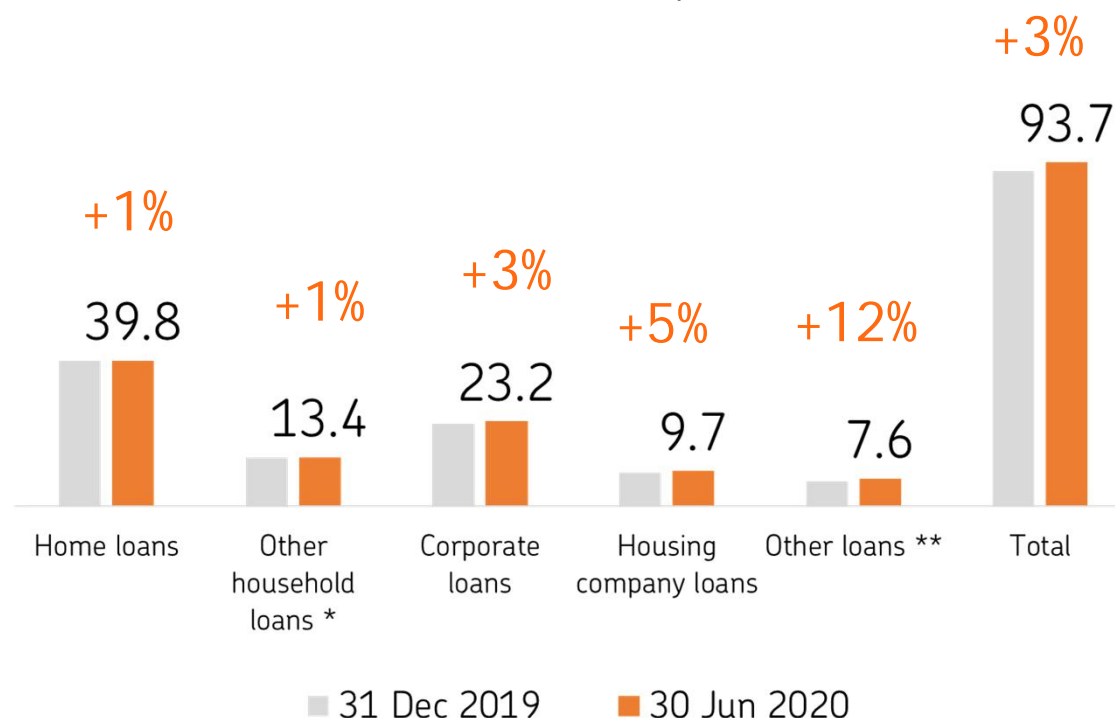
# Loan Book Overview and Asset Quality

# Loan portfolio up by 3% in H1/20

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



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

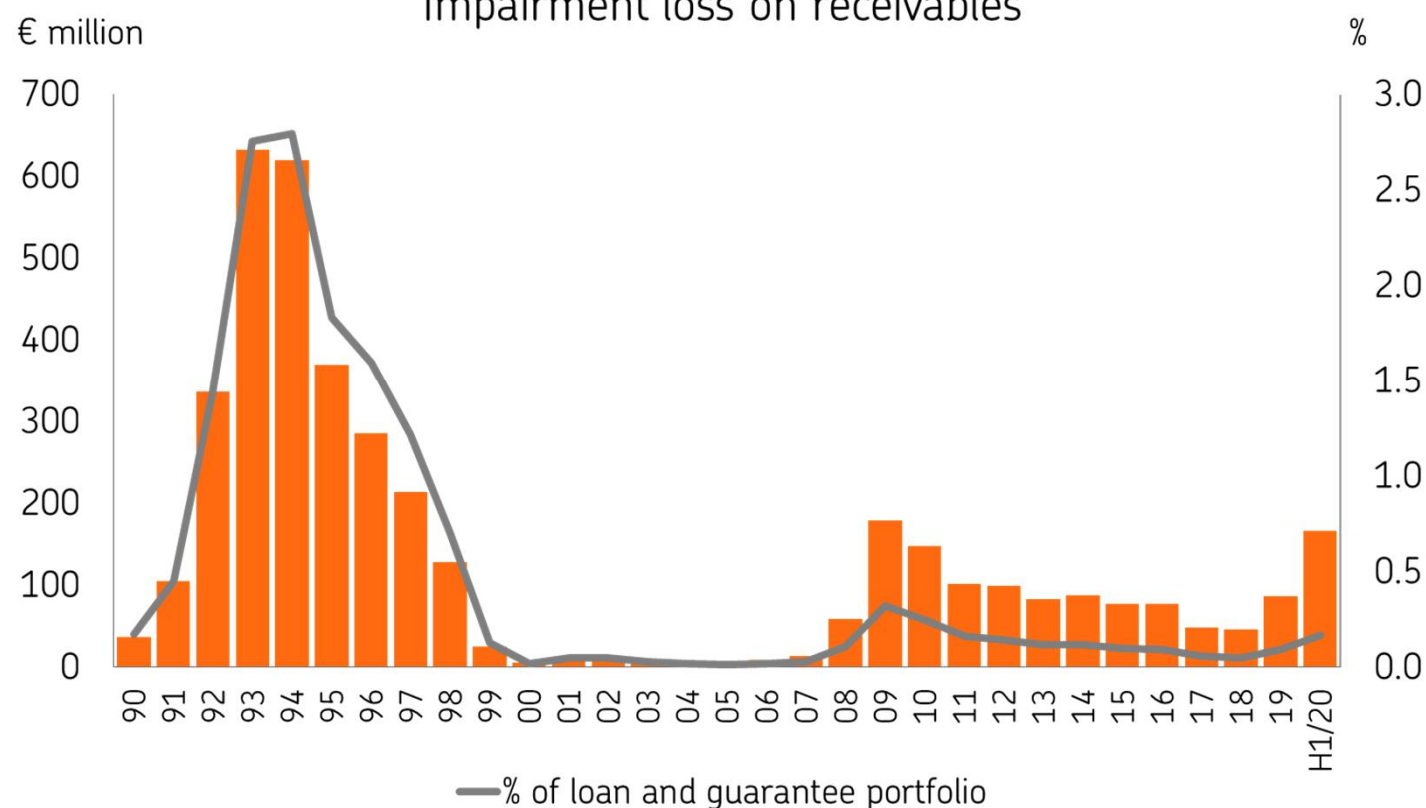


\* Other household loans include loans for holiday homes, consumer loans, student loans etc.

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

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

OP Financial Group's  
Impairment loss on receivables



**H1/20:**

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

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

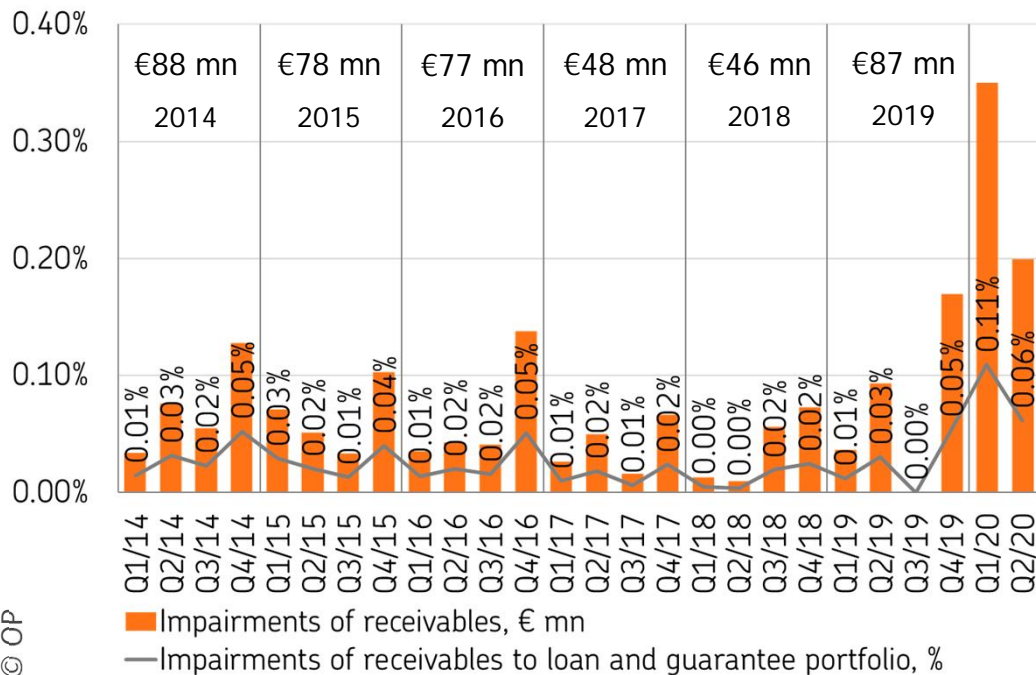
# H1/20 impairment loss on receivables €166 mn

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

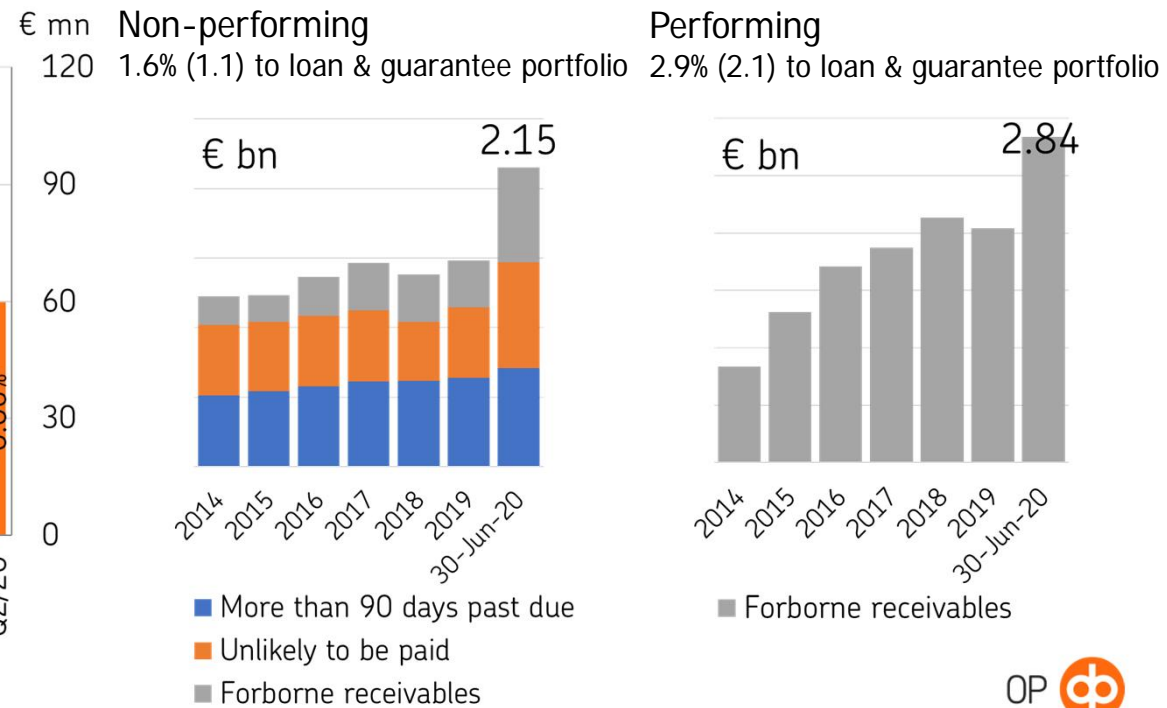
Performing forborne receivables 64% (66) of gross doubtful receivables

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

## Impairment loss on receivables



## Doubtful receivables (gross)

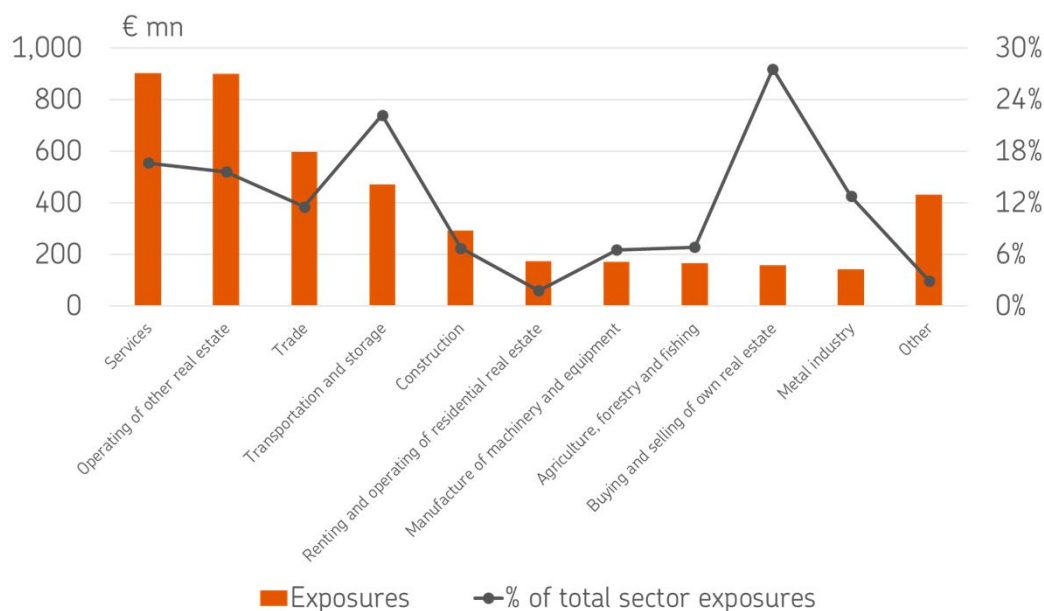




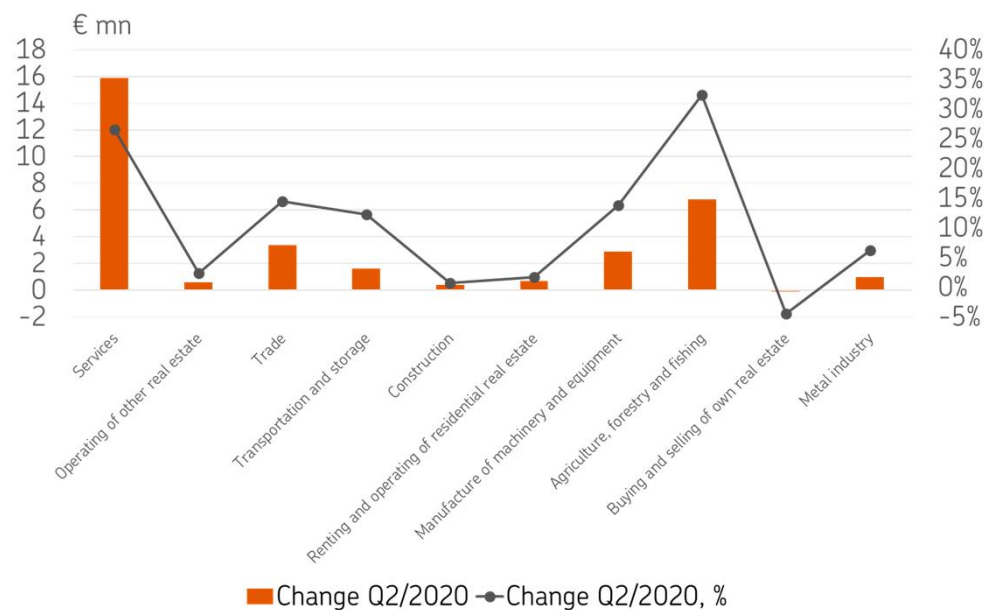
# Some negative effects of the coronavirus crisis seen in certain industries of corporate exposures

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

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



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



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

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

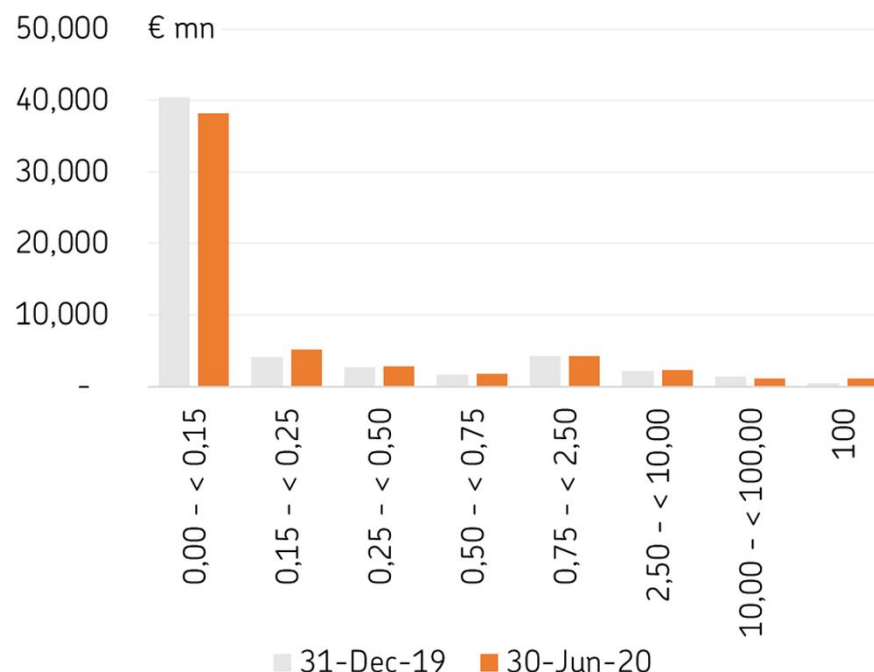
# Credit risk exposures (IRB) by PD class

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



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

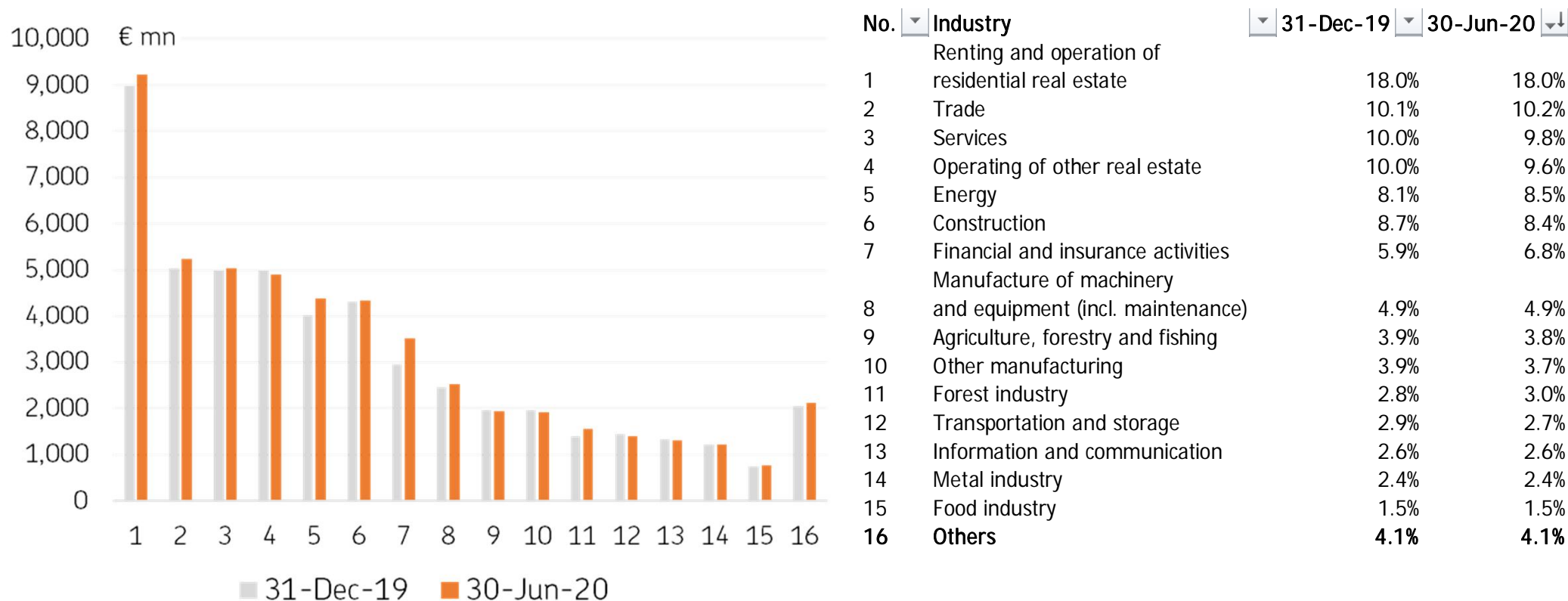
Retail exposures (gross value) by PD range (€56.9 bn at 30 Jun 2020)



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

# Corporate exposures well diversified by industry

Corporate exposures (IRB, net value) €51.4 bn as at 30 Jun 2020

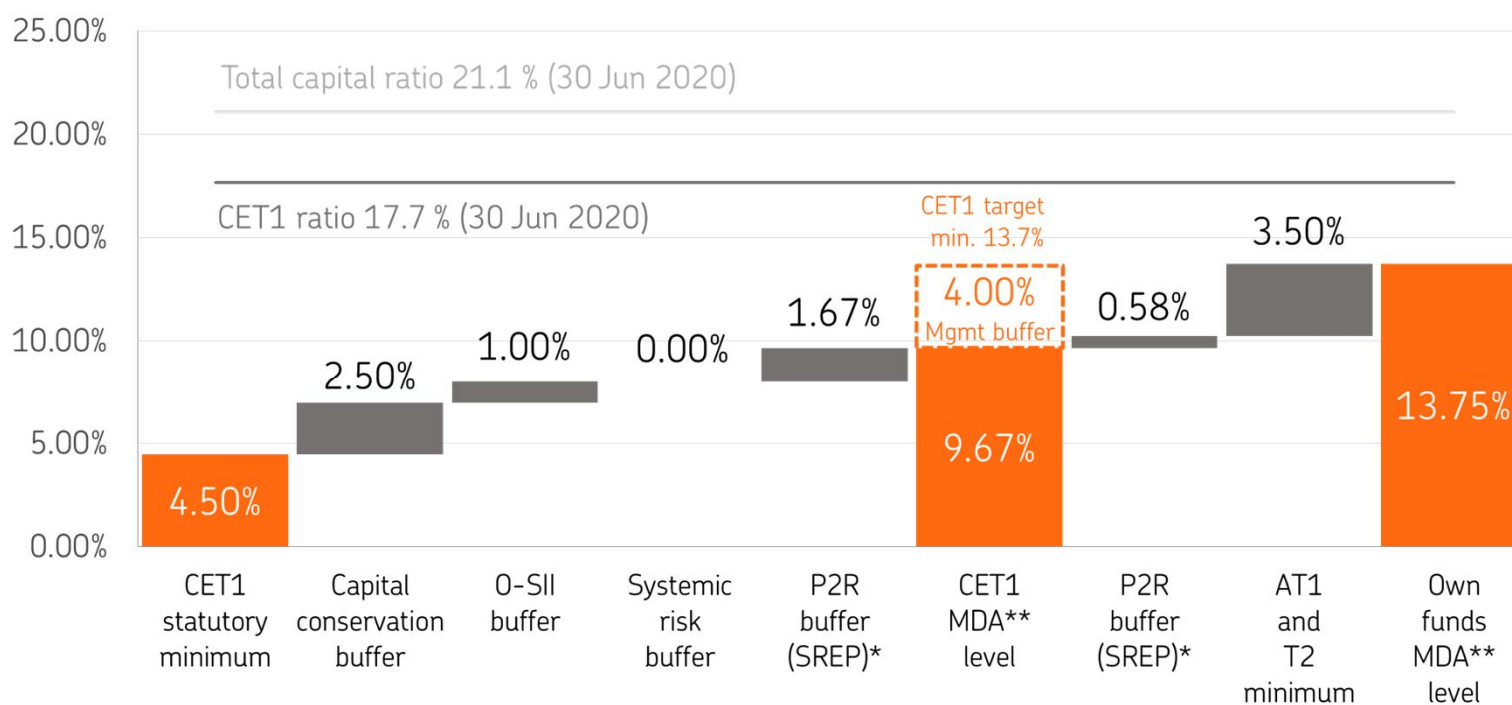


# Capital Position



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

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



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

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

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

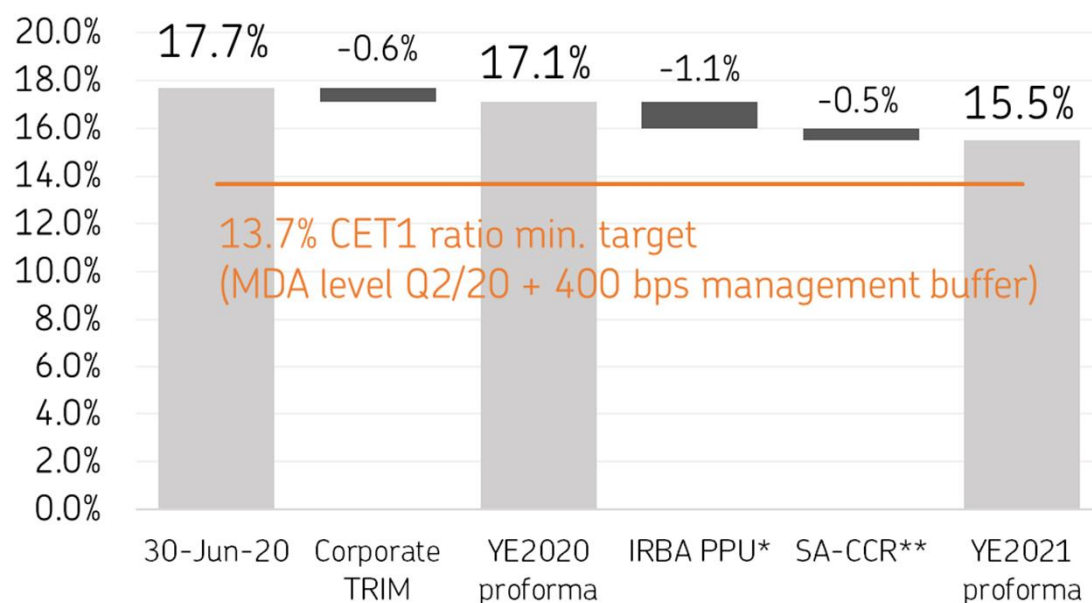
\* P2R supervisory Pillar II requirement \*\* Maximum distributable amount



# CET1 ratio 17.7%

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

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



\* Internal Ratings-Based Approach Permanent Partial Use

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

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

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

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

## Average risk weights, 30 Jun 2020

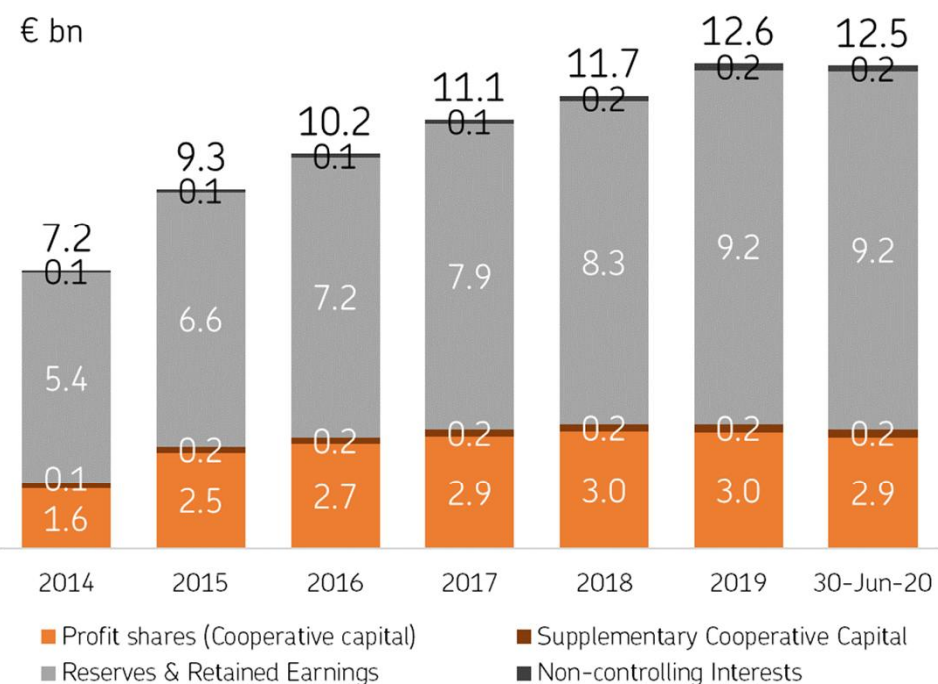
22.8% for retail exposures (17.6)

69.2% for corporate exposures (66.8)

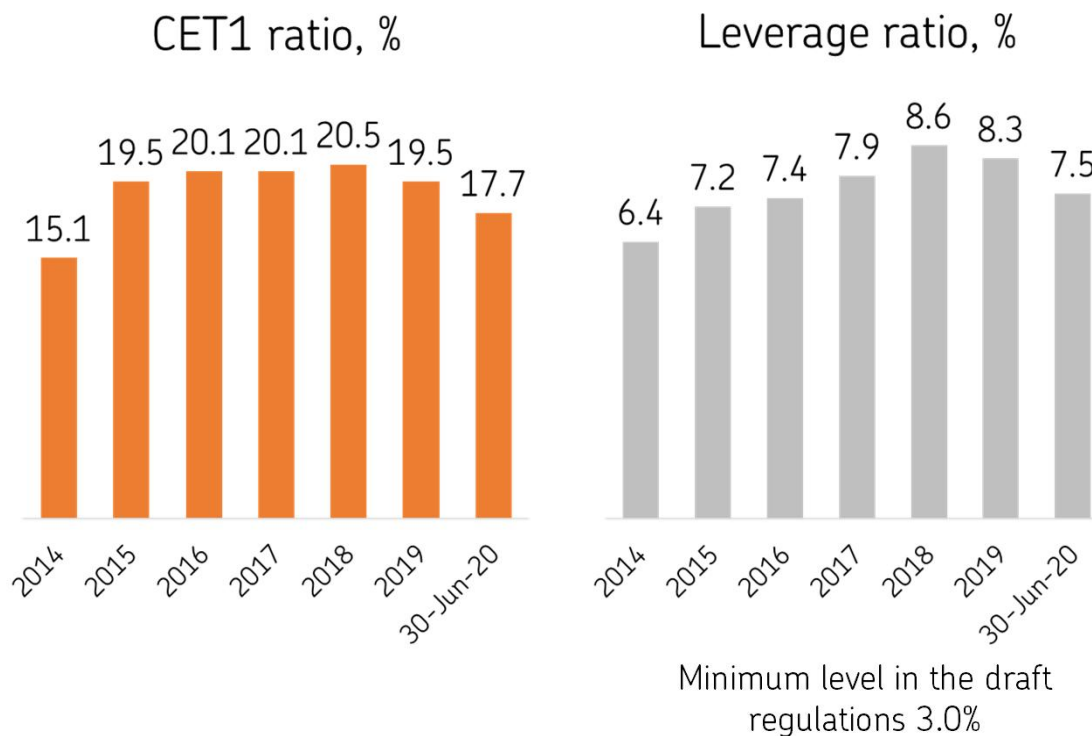
- In Feb 2017, ECB decision on RW floors for retail exposures – valid until qualitative requirements met
  - 15.4% for mortgage-backed exposures
  - 32.7% for other private customer exposures
- FIN-FSA's 15% RW floor on residential mortgage loans came into force on 1 Jan 2018 and is valid until YE2020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

# Strong track record of capital generation

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

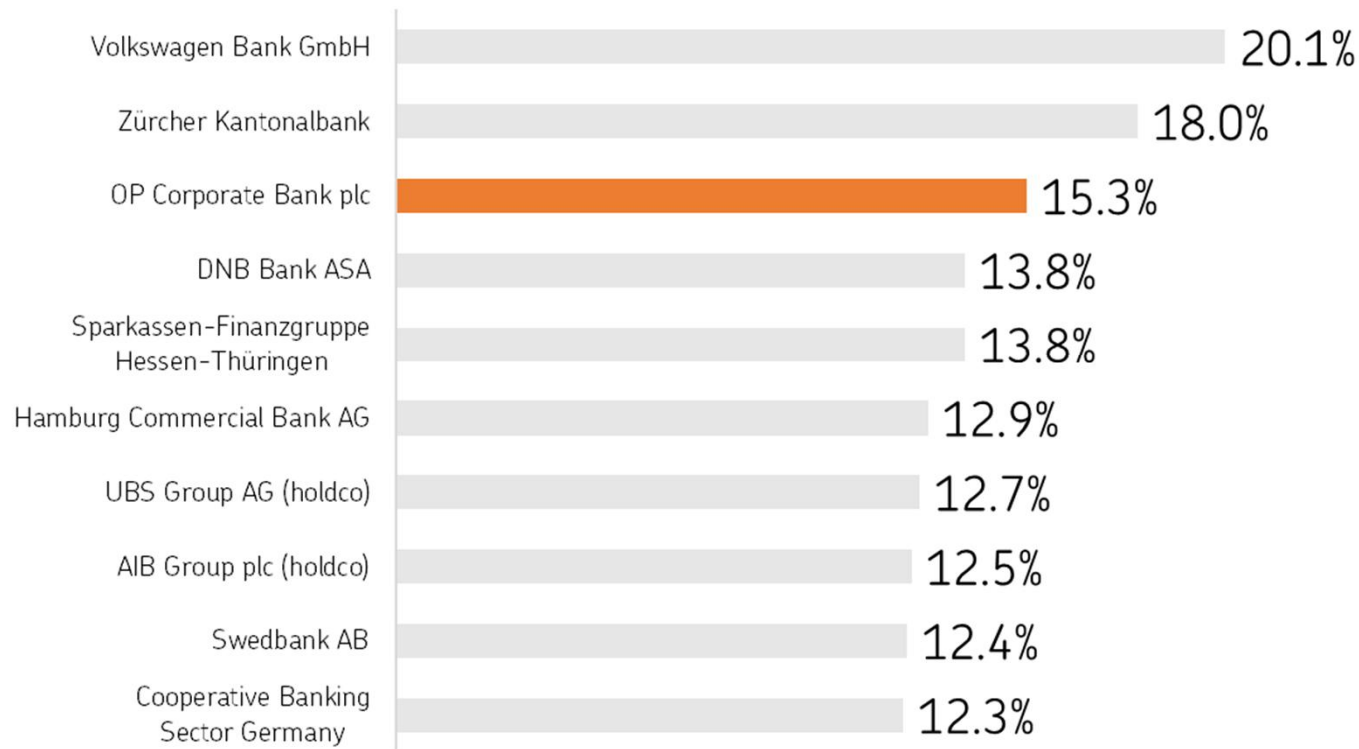


Earnings and profit shares contribute to CET1 and leverage ratio improvement



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

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



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

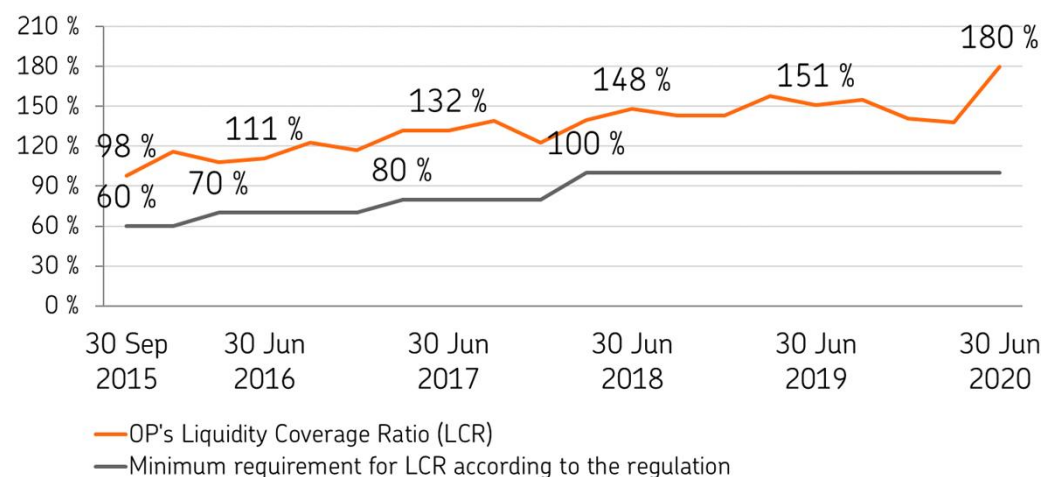


# Liquidity and Funding

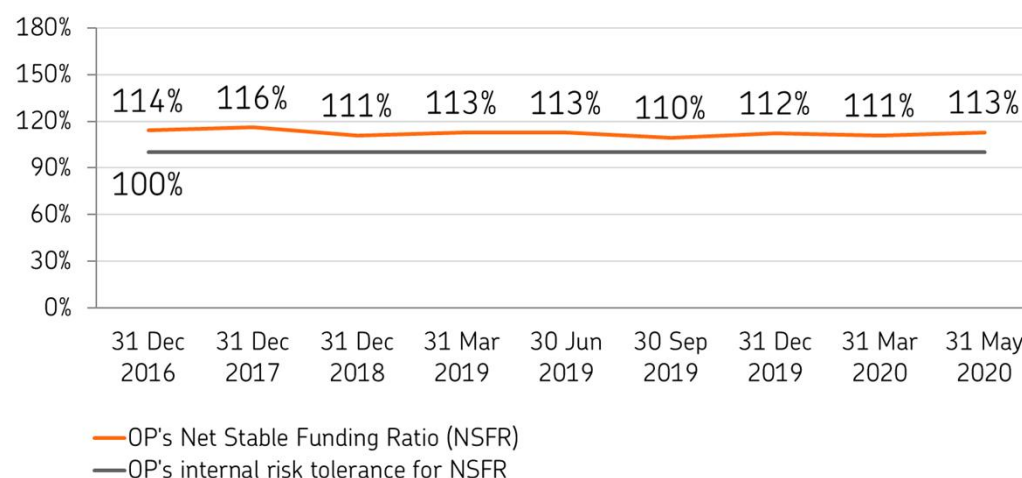


# Despite the effects of coronavirus pandemic OP's liquidity and funding position remained good

## LCR vs. minimum requirement



## NSFR vs. internal risk tolerance



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

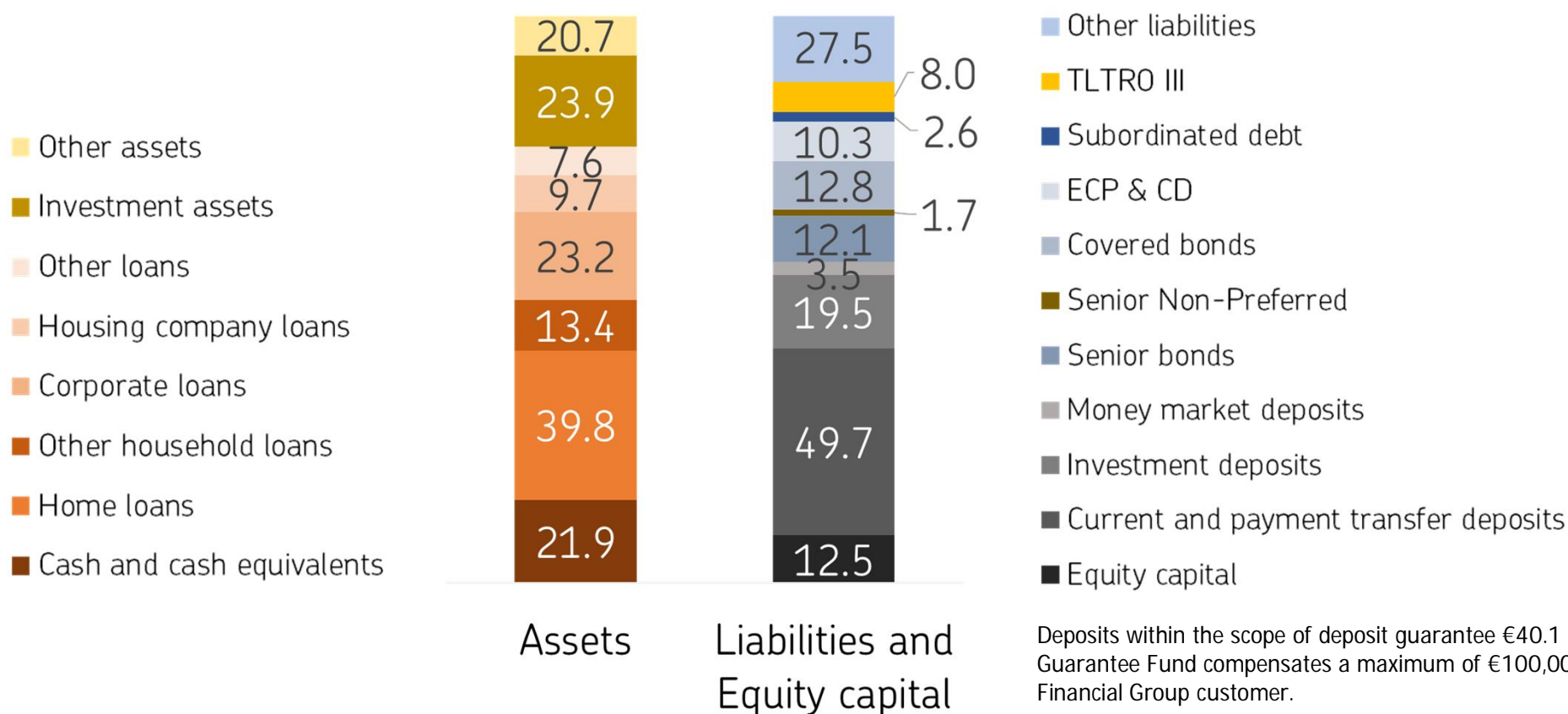


Source: Banks' Annual reports/Risk Management Reports & calculations by OP Financial Group, calculated from data reported by banks according to EBA Asset Encumbrance Disclosure Guidelines (Bank 5 ratio as reported by the bank itself)



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

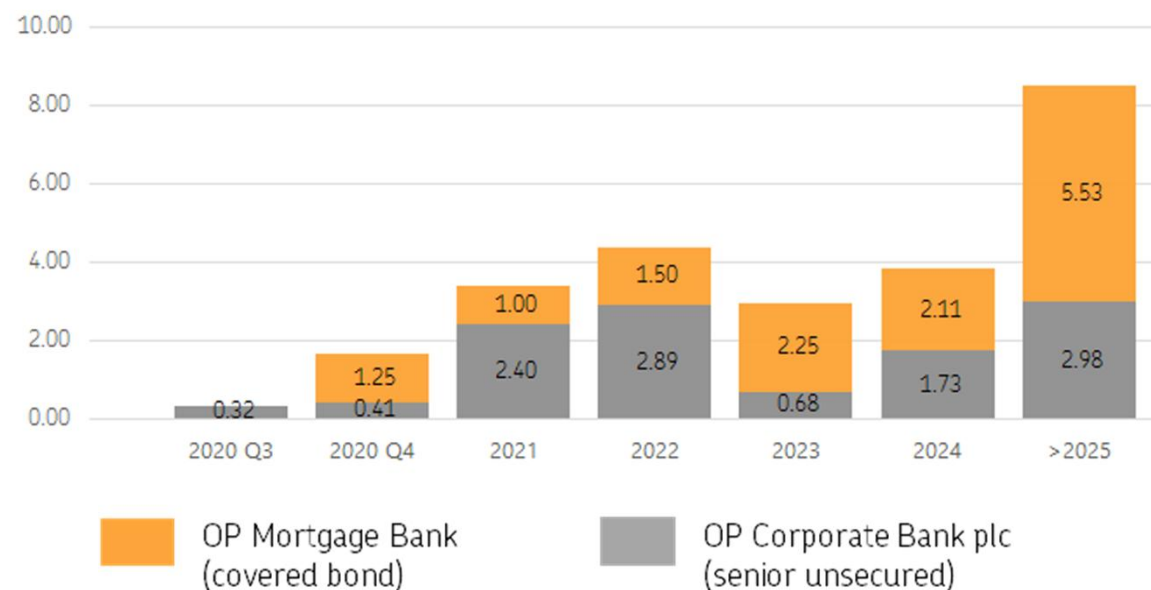
Loans 58%, deposits 43% and market-based funding 27% of the balance sheet



Other assets include: Assets covering unit-linked contracts, Derivative contracts, Intangible assets, PPE, Tax assets, Receivables from credit institutions and other assets  
 Other liabilities include: Insurance liabilities, Liabilities from unit-linked insurance and investment contracts, Derivative contracts, Provisions and other liabilities, Liabilities to credit institutions (excl. TLTRO III) and Tax liabilities

# Maturity breakdown of wholesale funding well diversified

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



## MREL regulation

- The Finnish Financial Stability Authority has set MREL for OP Financial Group at 14.1 billion euros ie. 27% of the risk exposure amount (REA) at YE2018
- OP Financial Group clearly fulfils the requirement set by the authority: MREL ratio was around 43% as at 30 Jun 2020
- As of 30 Jun 2020, OP Financial Group had SNP instruments worth €1.7 bn in its balance sheet
- The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry

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

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

Year	Month	Amount	Maturity	Cost
2020	June-July	€1 bn	4 yrs	m/s +50 bps
2020	June	€1 bn (T2)	10 yrs (10 non-call 5)	m/s +200 bps
2020	June	SEK3.25 bn (T2)	10 yrs (10 non-call 5)	m/s +230 bps
2020	May	€1 bn	5.25 yrs	m/s +85 bps
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps
2019	November	€500 mn (SNP)	10 yrs	m/s +68 bps
2019	June	€500 mn (SNP)	5 yrs	m/s +60 bps
2019	February	€500 mn (Green)	5 yrs	m/s +35 bps
2018	August	€500 mn	5 yrs	m/s +22 bps
2018	May	GBP200 mn	3 yrs	Eb3 +17 bps
2018	May	Total €1 bn dual-tranche, €500 mn each	7 yrs (fixed) 3 yrs (floating)	m/s +30 bps Eb3 +20 bps

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

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

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

# Funding based on strong credit ratings

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

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

\* Negative outlook

\*\* Covered bond rating

\*\*\* Insurance financial strength rating

Updated: 12 July 2020

## OP CORPORATE BANK PLC

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

## OP MORTGAGE BANK

- ✓ Moody's affirmed Aaa rating with stable outlook in November 2018
- ✓ TPI (Timely Payment Indicator) Leeway 5 notches
- ✓ S&P affirmed AAA rating with stable outlook in September 2019
- ✓ 3 unused notches of jurisdictional support, 2 unused notches of collateral based uplift

## POHJOLA INSURANCE LTD

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

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

# Corporate Responsibility and Green Bonds



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

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



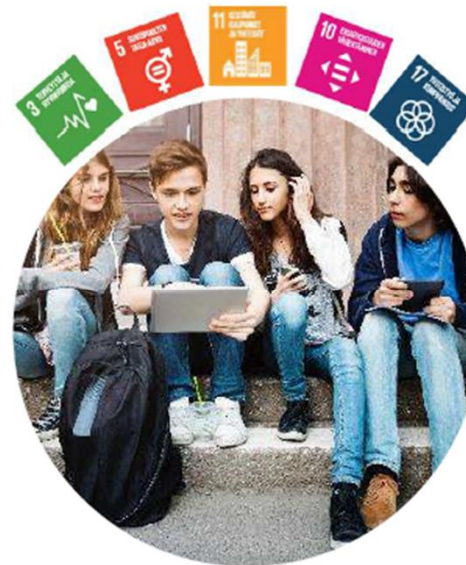
**We improve financial literacy in Finland**

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



**We foster a sustainable economy**

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



**We support local vitality and communities**

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



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

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

# OP's CR measures during recent years

## Banking

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

## Insurance

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

## Treasury & ALM

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

## Wealth Management

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

## OP premises & practices

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



# OP committed to take 20 climate actions in 2020

OP aims to have carbon-positive handprint by 2025



We offer new financing products aiming to mitigate the climate change

We channel investments towards climate change mitigation

We support agriculture and forestry sectors towards more sustainable future

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

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

We increase knowledge of financial impacts caused by climate change

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

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

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

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

**34%**

Renewable energy of OP's total energy consumption

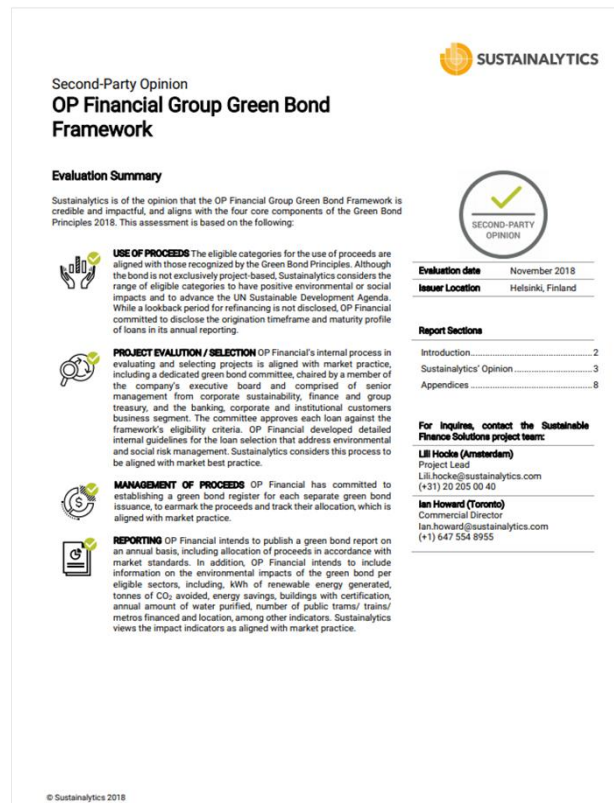
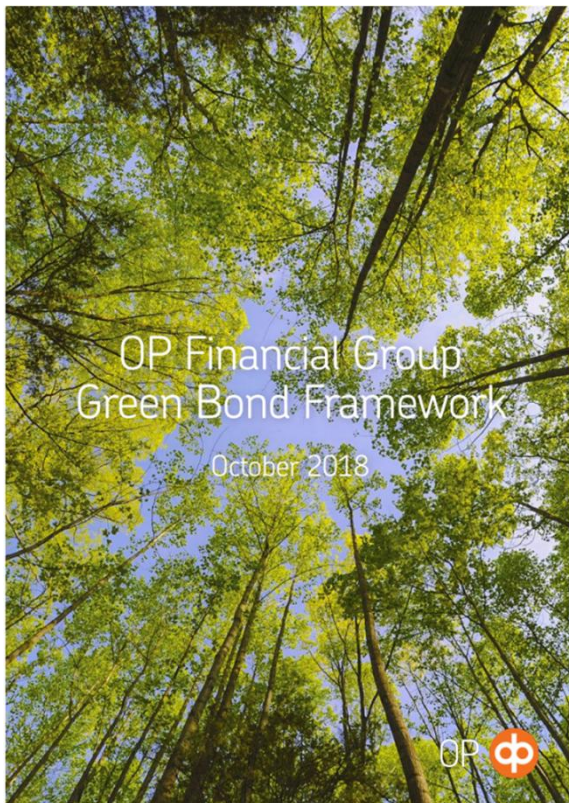


# OP's ESG Ratings

ESG Rating Agency	30 Jun 2020	31 Dec 2019	Range
<b>ISS ESG</b> 	C- (not prime)	C- (not prime)	D- to A+
<b>MSCI</b> 	A	A	CCC to AAA
 <b>SUSTAINALYTICS</b>	16.0 (low risk)	16.3 (low risk)	0 to 100 (negligible to severe risk)
<b>imug</b> (OP Corporate Bank)	CCC (neutral)	CCC (neutral)	D to AAA
<b>imug</b> (OP Mortgage Bank)	B (positive)	B (positive)	D to AAA
 <b>CDP</b> <small>DISCLOSURE INSIGHT ACTION</small>	A- (leadership)	A- (leadership)	D- to A
<b>vigeo</b>  <b>eiris</b>	54	52	0 to 100



# OP's Green Bond Framework published in 2018



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

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



# OP Green Bonds Eligible Use of Proceeds



Use of  
proceeds

Process for  
project  
evaluation  
and selection

Management  
of proceeds

Reporting &  
External  
review

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

# OP Corporate Bank's Green Bond Report highlights



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

## Most relevant UN SDGs:



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



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

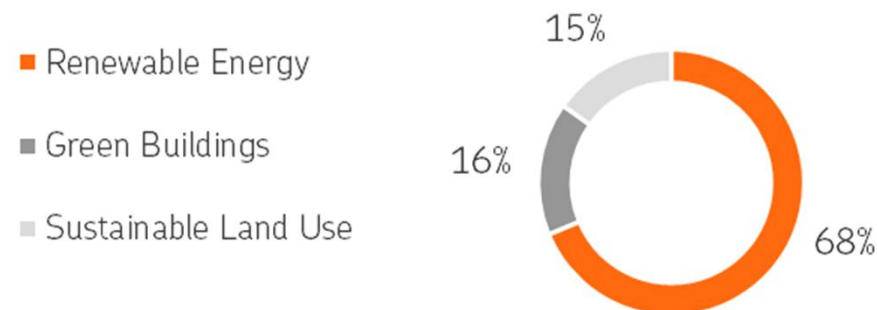


- 32 000 m<sup>2</sup> of green certified building area
- 1.2 ktCO<sub>2</sub>e avoided due to reduced energy consumption



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

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



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

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

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

# Debt IR contacts



# Debt IR contacts



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ALM

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

See eg. OP Financial Group's and issuing entities' financial reports and other publications and watch the CFO's H1/2020 Results Interview