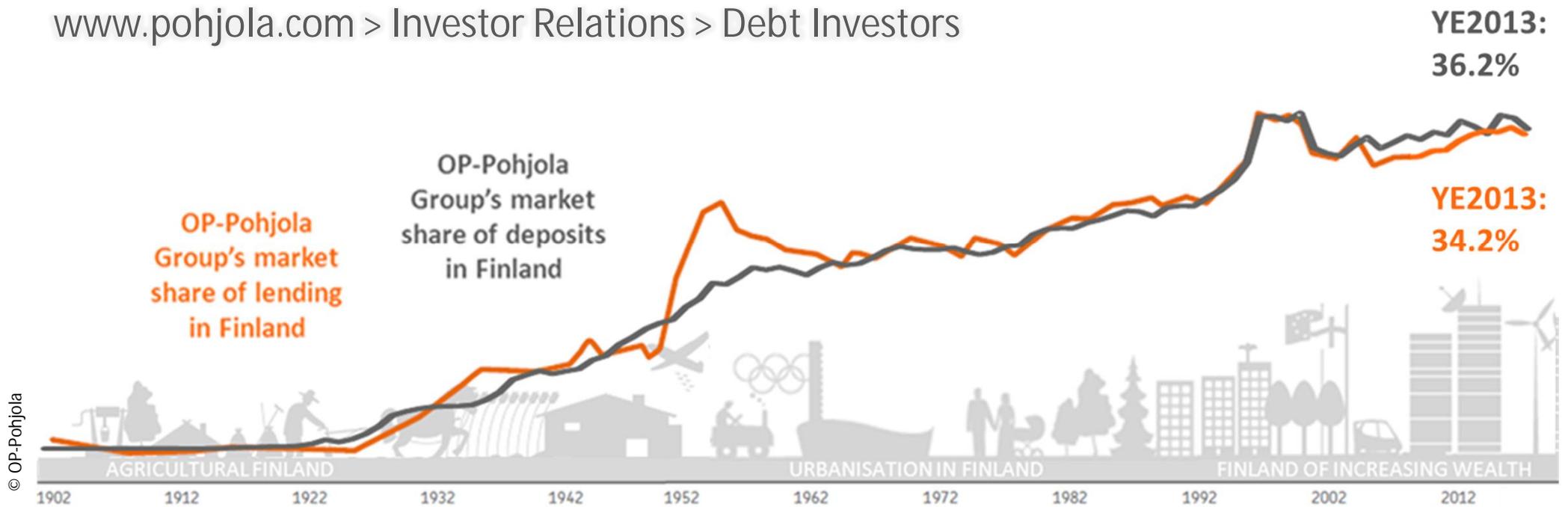


# Debt Investor Presentation

## Q1-3/2014

OP-Pohjola Group (OP Financial Group as of 1 Jan. 2015) and issuing entities Pohjola Bank plc and OP Mortgage Bank

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



# 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 Pohjola 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. Pohjola 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. Pohjola 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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  - OPMB Cover Asset Pool A Characteristics
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# OP – Leading Financial Services Provider in Finland

Issuing entities: Pohjola Bank plc and OP Mortgage Bank

## 1 High credit ratings

- Pohjola Bank plc's long-term funding
  - Moody's: Aa3 (negative)
  - S&P: AA- (negative)
  - Fitch: A+ (stable)
- OP Mortgage Bank's covered bonds
  - Moody's: Aaa
  - S&P: AAA

## 2 Solid capital position

- CET1 ratio was 13.6%\* as of 30 Sept. 2014 (17.1%\* as of 1 Jan. 2014). Financing of the public voluntary bid for all Pohjola Bank plc shares decreased CET1 ratio by approx. 6 pps and issuances of profit shares increased it by approx. 3 pps.
- Capital adequacy under the Act on the supervision of FICOs 1.79 as of 30 Sept. 2014 (1.90)
- Leverage ratio of OP-Pohjola Group's Banking is, according to the current interpretations of the new regulations, 5.9% (6.8), while the minimum requirement is 3.0%

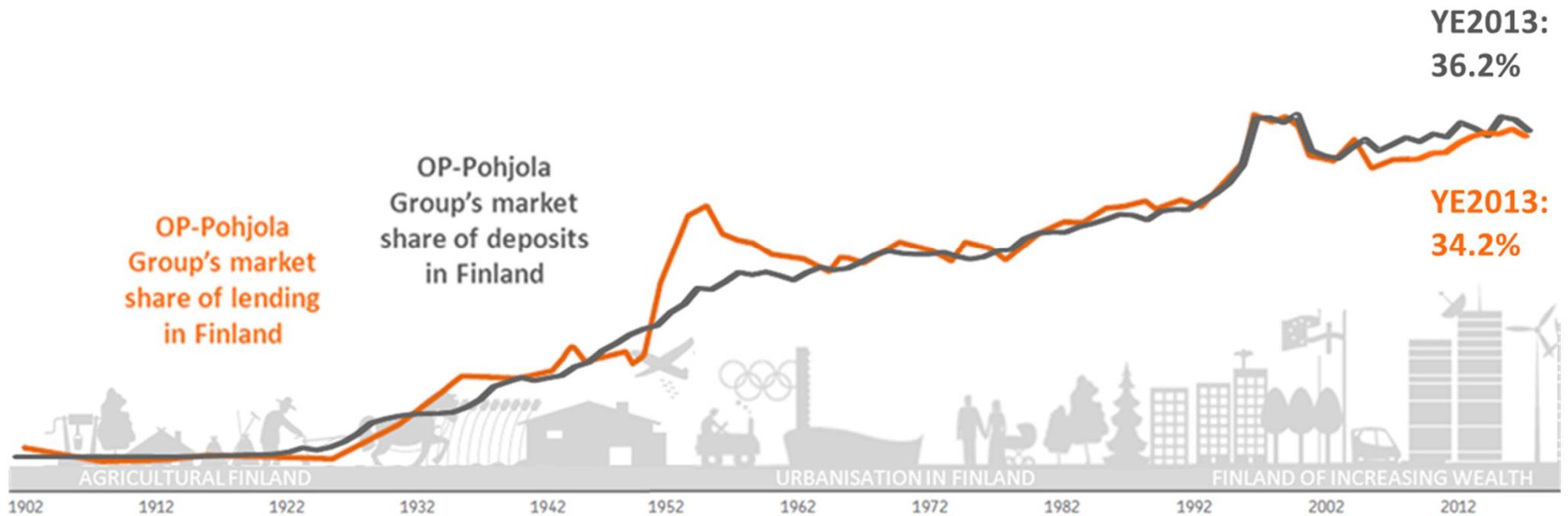
## 3 Strong funding and liquidity

- Strong deposit funding base: deposits 66% of total funding as of 30 Sept. 2014
- Liquidity buffer and other items included in OP-Pohjola Group's Contingency Funding Plan to cover 24 months of maturing wholesale funding

## 4 Finnish risk exposure and good asset quality

- 90% of total exposures (Pillar III) in Finland as of 31 Dec. 2013
- Ratio of impairments of receivables to loan and guarantee portfolio 0.09% in Q1-3/14 (0.09)
- Ratio of more than 90 days overdue and zero-interest receivables to loan and guarantee portfolio 0.46% as of 30 Sept. 2014 (0.42)

\*) In accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR/CRD IV) entered into force on 1 January 2014. OP-Pohjola Group has received temporary permission defined in the Capital Requirements Directive and Regulation (CRD IV/CRR) from the Finnish Financial Supervisory Authority to treat insurance holdings as risk-weighted assets (RW approx. 280%) on 27 November 2013. The permission is valid between 1 January and 31 December 2014. After that, treatment of insurance holdings depends on the decisions made in the European Central Bank as the ECB will take over supervisory responsibilities for OP-Pohjola Group as credit institution in November 2014.



# Finnish Economy

# Forecasts for the Finnish Economy

Published in August 2014

	2013 € bn	2012 Volume, % change on previous year	2013 Volume, % change on previous year	2014f Volume, % change on previous year	2015f Volume, % change on previous year
GDP	201.3	-1.5	-1.2	-0.1	0.6
Imports	78.8	1.3	-2.5	0.9	1.3
Exports	76.9	1.2	-1.7	1.0	1.6
Consumption	161.3	0.3	0.0	0.1	0.6
Private consumption	111.0	0.1	-0.7	0.1	0.6
Public consumption	50.2	0.7	1.5	0.1	0.4
Fixed investment	42.6	-2.5	-4.9	-2.0	0.0

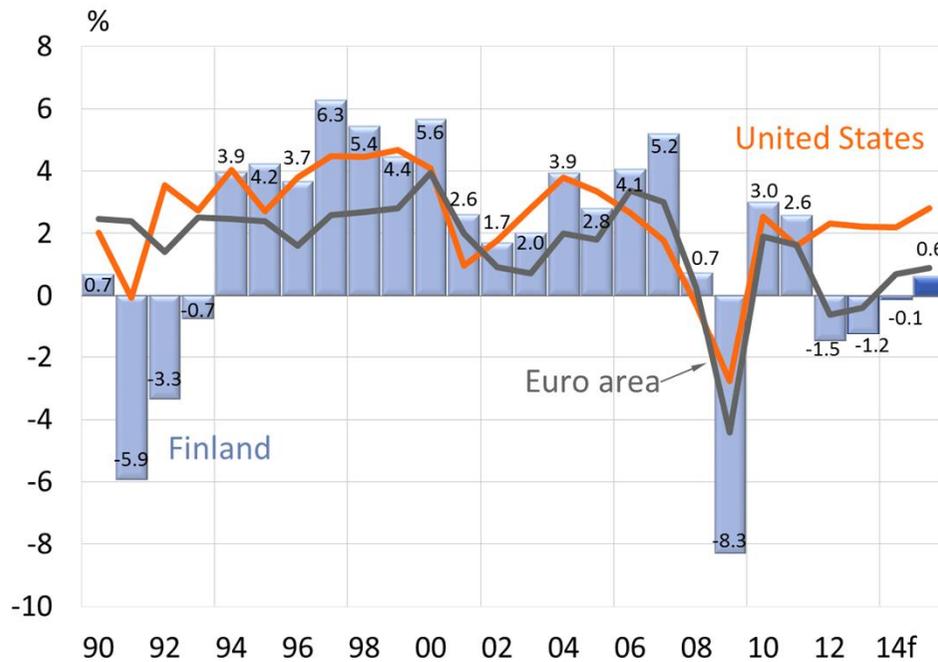
## Other key indicators

	2012	2013	2014f	2015f
Consumer price index, % change y/y	2.8	1.5	1.0	0.8
Unemployment rate, %	7.7	8.2	8.6	8.8
Current account balance, % of GDP	-1.9	-1.4	-2.0	-1.8
General government debt, % of GDP	53.0	56.0	59.5	61.5
General government deficit, % of GDP	-2.1	-2.4	-2.7	-2.2

Sources: Statistics Finland and OP

# GDP and Demand Components

Change in GDP volume

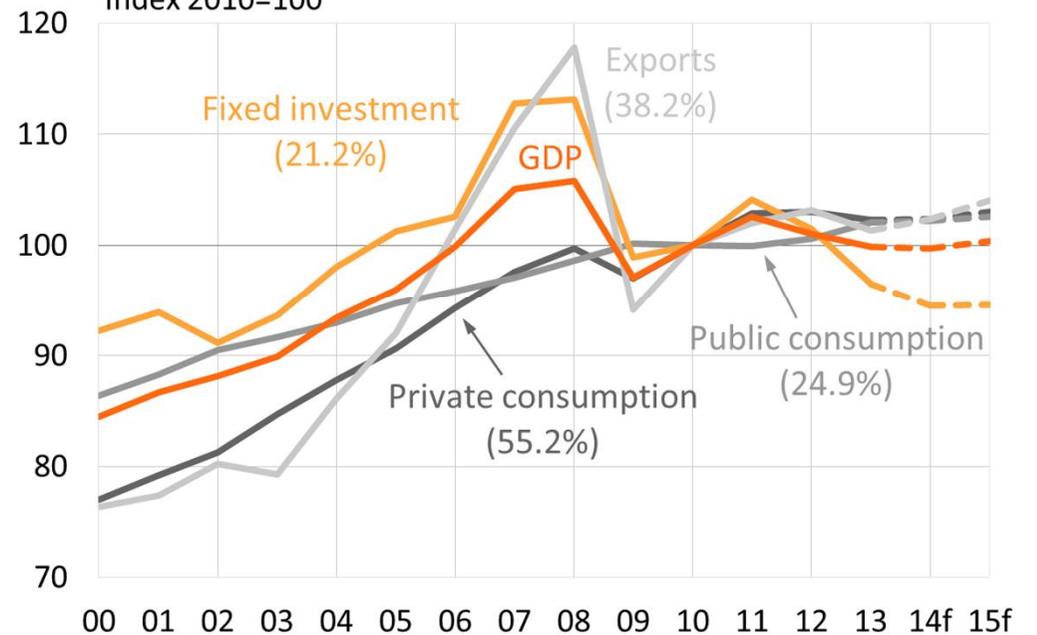


Sources: Reuters EcoWin, forecasts OP, August 2014

GDP and demand components

2013 GDP shares in brackets

Index 2010=100

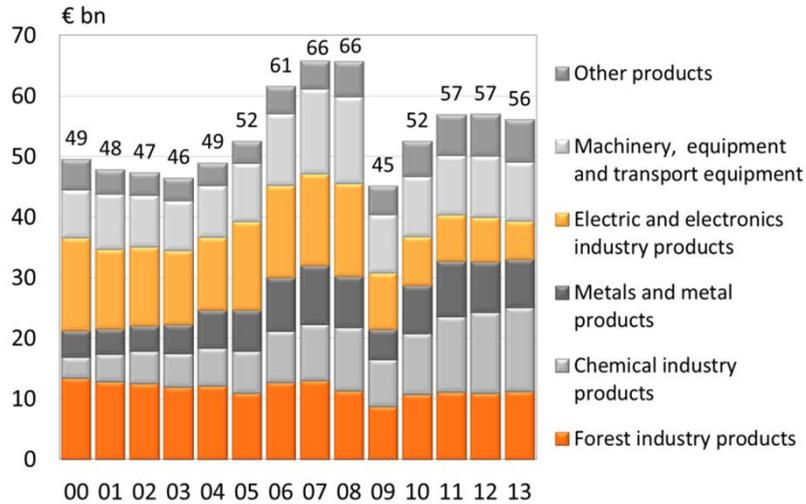


Sources: Statistics Finland, forecasts OP, August 2014



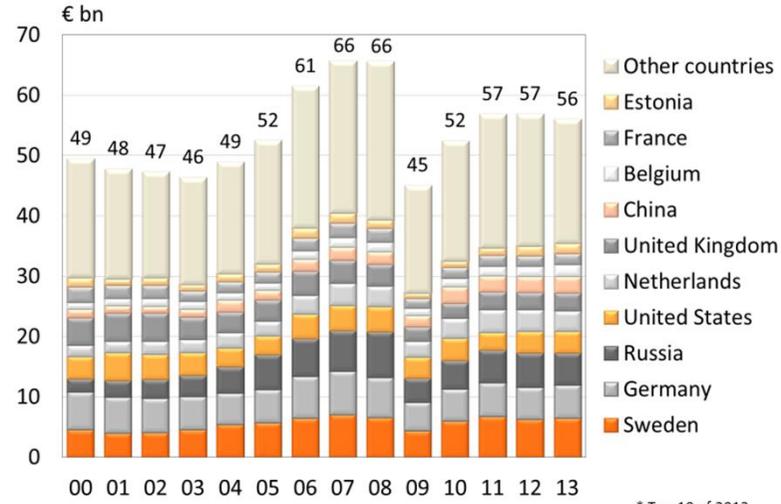
# Goods Exports by Product Group and by Country\*\*

Exports by commodity group



Source: National Board of Customs

Finlands' largest\* export countries

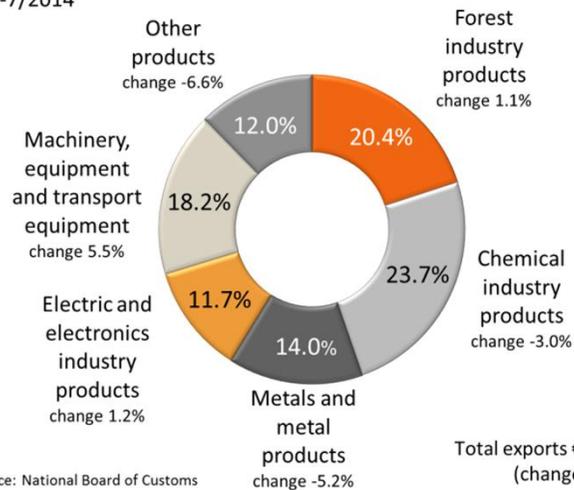


Source: National Board of Customs

\* Top 10 of 2013

Goods exports by product group

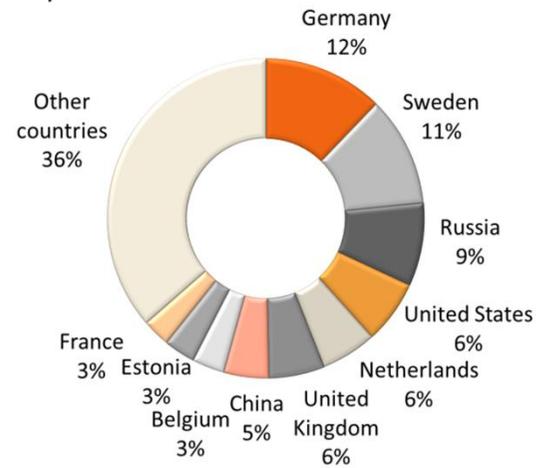
Share of total exports and annual change 1-7/2014



Source: National Board of Customs

Goods exports by country

1-7/2014

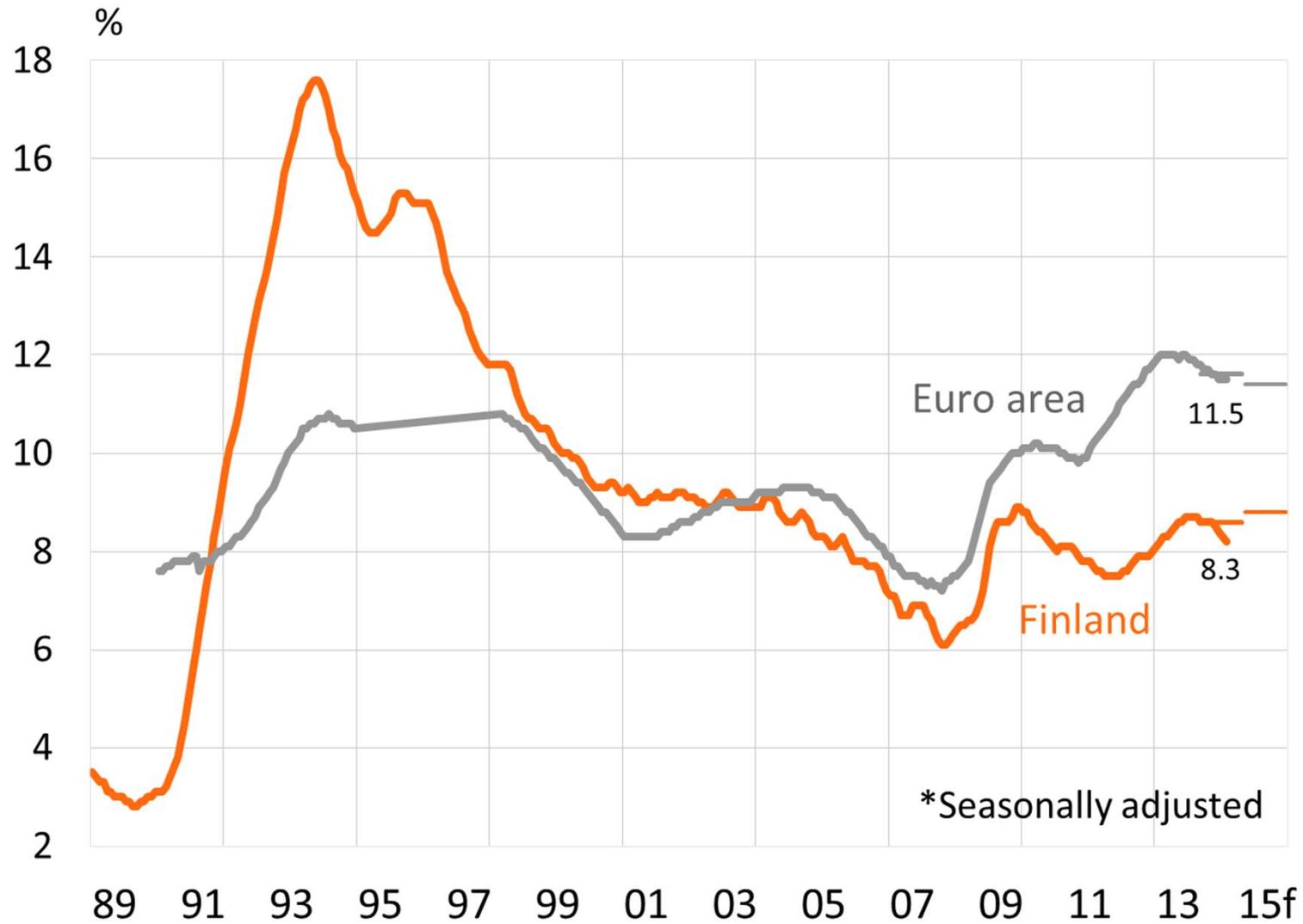


Source: National Board of Customs

\*\* In January-July 2014, EU member countries' share of goods exports was 58%



# Unemployment Rate\* in Finland and Euro Area

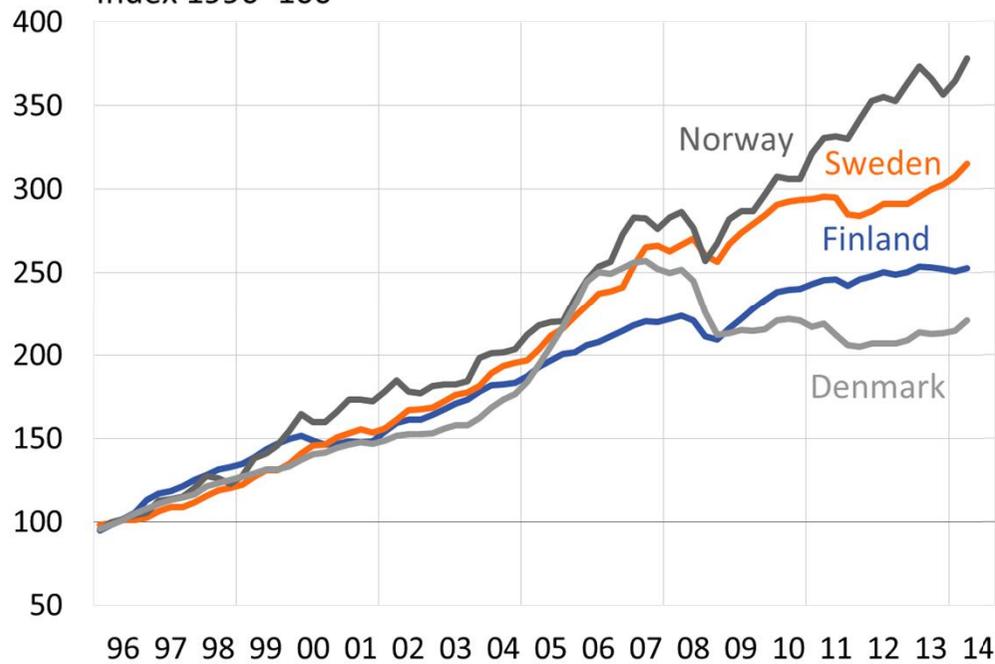


Sources: Statistics Finland, Eurostat, forecasts OP, August 2014

# Average House Prices and Households' Debt

Average house prices

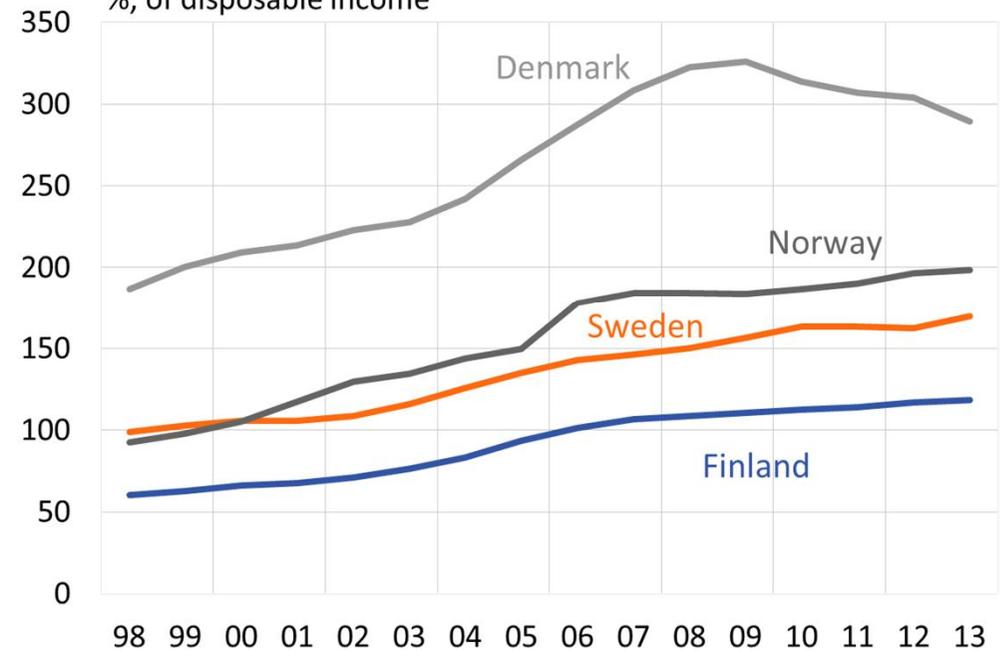
Index 1996=100



Sources: Macrobond, Statistics Sweden

Households' debt ratio

%, of disposable income



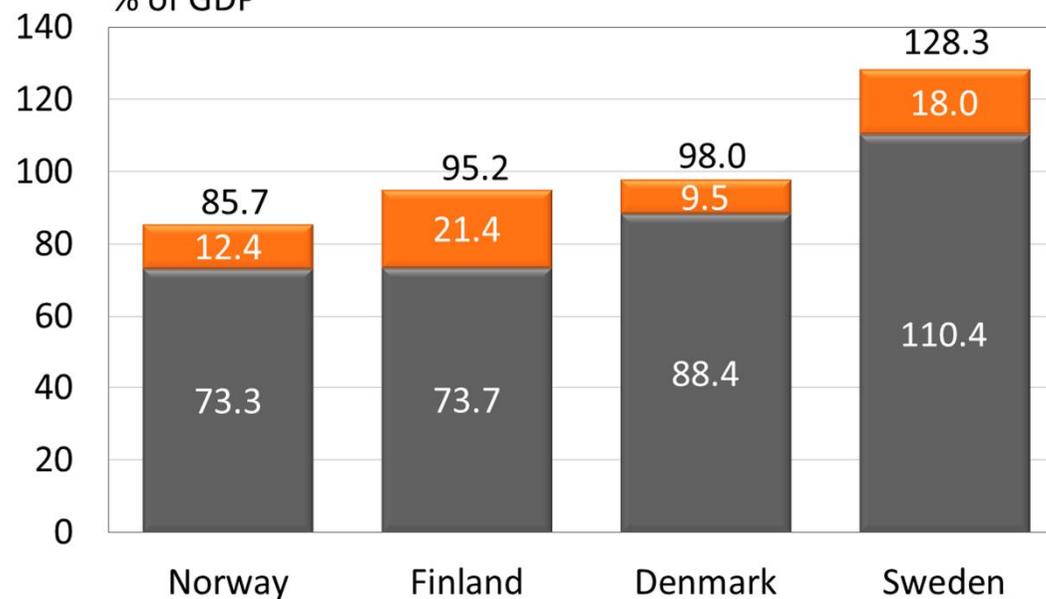
Sources: Central Banks, Statistics Finland



# Corporate Debt to GDP and Financial Condition of the Finnish Corporate Sector

## Corporate debt

Year 2012  
% of GDP



■ Corporate loans\*    ■ Debt securities\*\*

\* Excl. loans between companies

\*\* Commercial papers, corporate bonds and financial derivatives

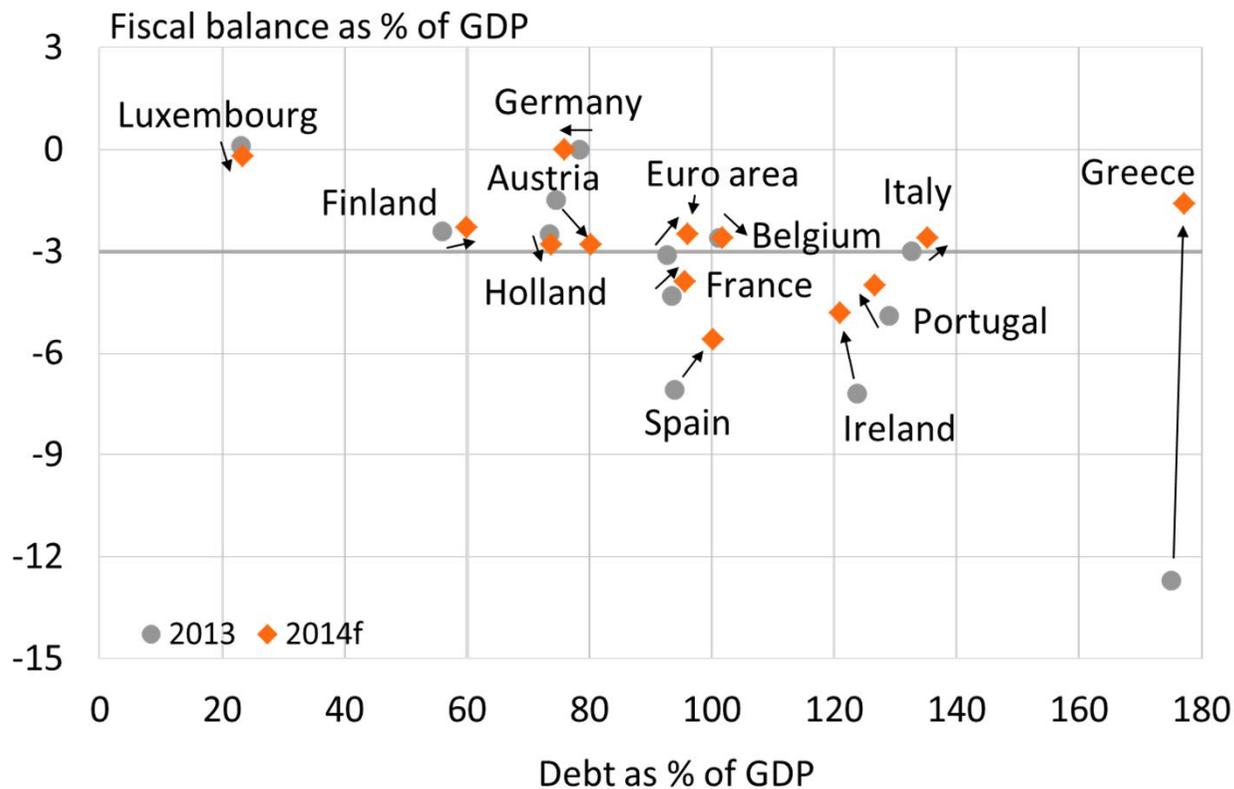
Source: Eurostat, Consolidated Financial Accounts

- TOP 650 companies account for 45% of the turnover in the Finnish corporate sector
- Average equity ratio of Finnish companies was 41.8% in 2013
- Average net profit ratio of Finnish companies was 2.2% in 2013

Source: Statistics Finland

# Fiscal Balance and Sovereign Ratings for Euro Area

## Fiscal Balance, Realized for 2013 and forecast for 2014



Sources: Statistics Finland, European Commission, May 2014

## Long-term credit ratings 22 October 2014

Country	Moody's	S&P	Fitch
Germany	Aaa	AAA	AAA
Luxembourg	Aaa	AAA	AAA
Finland	Aaa	AA+	AAA
Netherlands	Aaa	AA+	AAA
Austria	Aaa	AA+	AAA
France	Aa1*	AA*	AA+***
Belgium	Aa3	AA	AA
Estonia	A1	AA-	A+
Slovakia	A2	A**	A+
Malta	A3	BBB+	A
Ireland	Baa1	A-**	A-
Latvia	Baa1	A-	A-
Italy	Baa2	BBB*	BBB+
Spain	Baa2**	BBB	BBB+
Slovenia	Ba1	A-*	BBB+
Portugal	Ba1	BB	BB+**
Greece	Caa1	B	B
Cyprus	Caa3**	B**	B-

\* Negative outlook

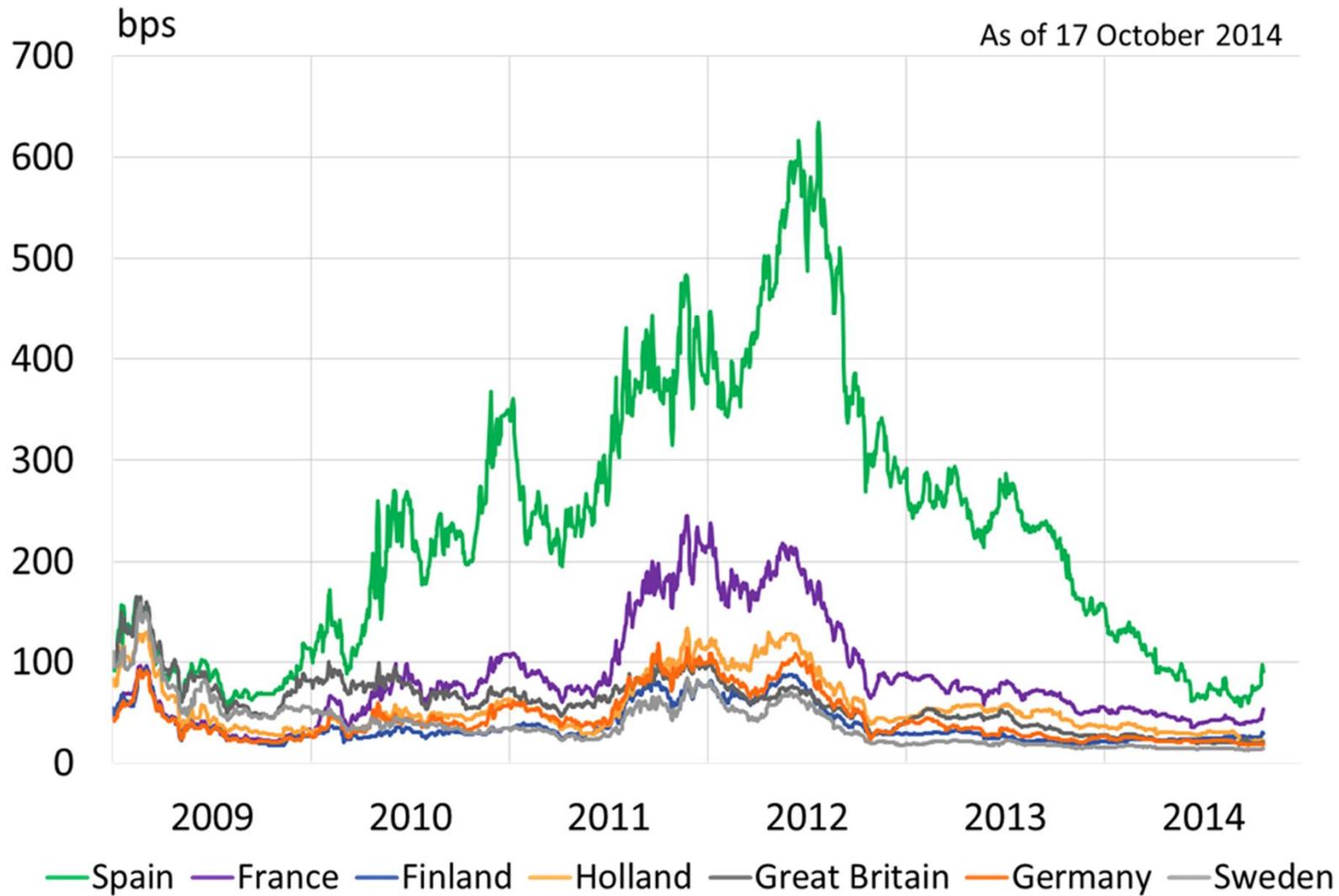
\*\* Positive outlook

\*\*\* Credit watch negative

Sources: Rating agencies' websites

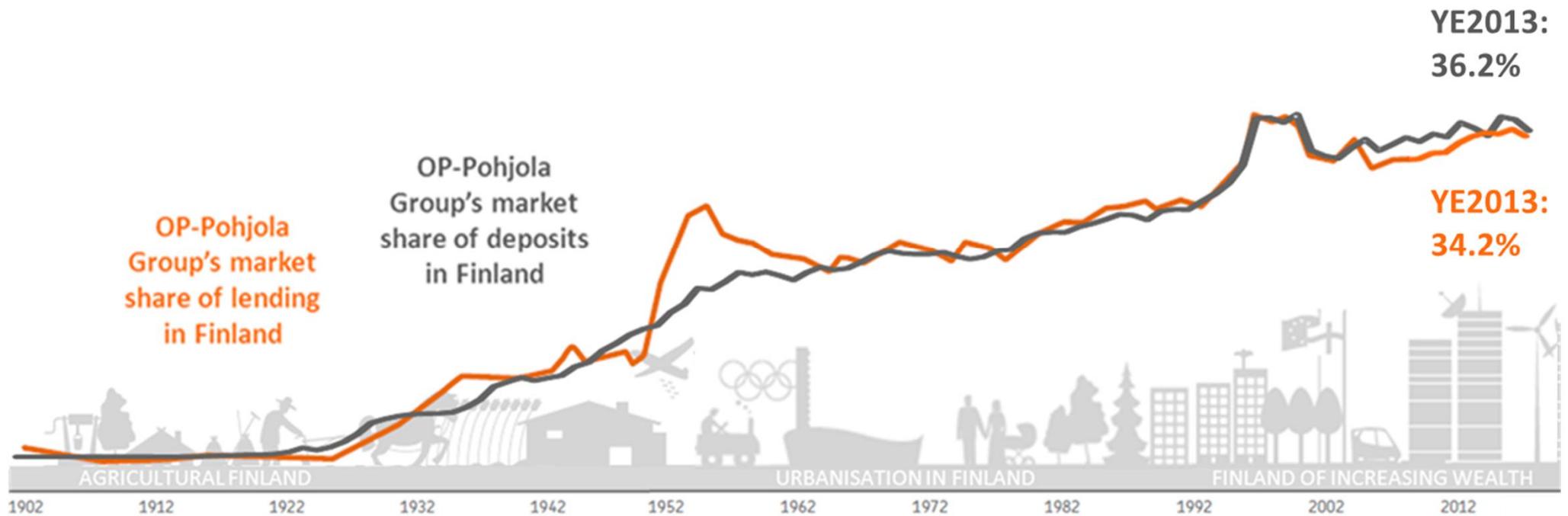


# 5-year CDS 2009–14 by Country



Source: Macrobond





# OP Financial Group



# More efficient, competitive and wholly customer-owned OP Financial Group

1.4 million owner-customers, of which 90% households



Some 180 member cooperative banks

## OP-Pohjola Group Central Cooperative

### Banking

- Pohjola Bank plc\* and Helsinki OP Bank plc\* (new OP Bank plc)
- OP Mortgage Bank\*
- OP Card Company Plc\*\*\*

### Non-life Insurance

- Pohjola Insurance Ltd (new OP Insurance)\*\*\*\* with its subsidiaries

### Wealth Management

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

- Finance & Treasury
- Risk Management
- Group Steering
- etc.

OP-Services Ltd\* in charge of service production and support functions incl. product and service development

\* OP-Pohjola Group Central Cooperative's ownership 100%

\*\* OP-Pohjola Group Central Cooperative's ownership 76%

\*\*\* OP-Pohjola Group Central Cooperative's ownership 22.5%

\*\*\*\* Will be directly transferred to OP-Pohjola Group Central Cooperative's ownership as a result of the completion of OP-Pohjola Group Central Cooperative's public voluntary bid for Pohjola Bank plc



# OP Financial Group's Business Segment Overview



**OP-Pohjola**

Earnings before tax, € mn

**739**

(Q1-3/13: 610)

Total assets, € bn

**106**

(2013: 101)

Common Equity Tier 1, %

**13.6**

(1. Jan. 2014: 17.1)

## Banking

EBT, € mn **468**  
(Q1-3/13: 317)

Loan portfolio,  
€ bn **70**  
(2013: 68)

Cost/Income –  
ratio, % **55.0**  
(Q1-3/13: 61.1)

## Non-Life Insurance

EBT, € mn **190**  
(Q1-3/13: 162)

Insurance  
premium  
revenue, € mn **986**  
(Q1-3/13: 930)

Operating  
combined ratio, % **83.1**  
(Q1-3/13: 86.6)

## Wealth Management

EBT, € mn **140**  
(Q1-3/13: 98)

Assets under  
management,  
€ bn **59**  
(2013: 52)

Cost/Income –  
ratio, % **43.0**  
(Q1-3/13: 52.8)



# Joint Liability within OP-Pohjola Group

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

# OP Financial Group's Strategy by Business Segment

Strategic focus on even closer integration between business segments, strong capital adequacy, efficiency, profitable growth and digitalisation

## Banking

More emphasis on balancing our growth, profitability and capital adequacy targets

### Retail banking

- The leading player in the Helsinki metropolitan area by 2025
- Internet and mobile banking

### Corporate banking

- Increasing market share among medium-sized companies through regional banks

Significant measures to enhance efficiency, e.g. digitalisation of back-office processes

In the forefront in product and service development

## Non-life Insurance

Key strategic goal is to maintain our market leadership

Focus on cross-selling: Significant growth potential among private and SME customers

Further developing risk selection and pricing

Significant measures to enhance efficiency and strict cost management

Creating new growth and increased customer retention and a better expense ratio out of our new personal insurance and health and wellbeing services

## Wealth Management

Focus on intensifying our efforts to become Finland's leading wealth manager

Focusing on investment performance and growth

- Competitive investment returns

Strengthening position among mid-sized institutional clients and accelerated growth in private banking

Providing basic mutual fund products to retail clients and state-of-the-art solutions to sophisticated investor clients

Growing faster than our competitors in unit-linked policies, business for corporate customers and pure risk policies

# OP Financial Group's Strategic Targets

## LONG-TERM FINANCIAL TARGETS

	TARGET
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, Group level	1.60
CET1 ratio, Banking	18.0%*
Return on economic capital, Group level	20.0%
Combined ratio, Non-life Insurance	< 92%
Growth differential between income and expenses, Group level / Banking / Wealth Management	> 0 pps

\* From 2016 onwards

## LONG-TERM GROWTH AND MARKET SHARE TARGETS

- Growth rate above the market average in the long run.
- Market leadership in banking, wealth management and non-life insurance.
- Market leadership in private customers and small, mid-size and large companies.

## LONG-TERM QUALITATIVE TARGETS

- Best comprehensive solutions and loyalty benefits
- Superior customer experience
- Industry forerunner of corporate social responsibility in Finland
- Most attractive employer in the financial sector
- Most active and innovative player in the Finnish financial sector

# OP Financial Group's Financial Targets

	Target	Q1-3/14	2013	2012
<b>Group level</b>				
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates	1.60	1.79	1.90	1.90
Common Equity Tier 1 ratio (CET1), %	18.0 by the end of 2016	13.6	17.1*	14,1**
Return on economic capital, %****	20.0	14.8	15.3	14.7
Growth differential between income and expenses, pps***	> 0	2.7	-3.4	-4,2*****
Rating: AA rating affirmed by at least 2 credit rating agencies (or at least at the main competitors' level)	2	2	2	2
<b>Non-life Insurance</b>				
Operating combined ratio, %	< 92	83.1	86.9	90.5

\* As of 1 Jan. 2014

\*\* Core Tier 1 capital adequacy

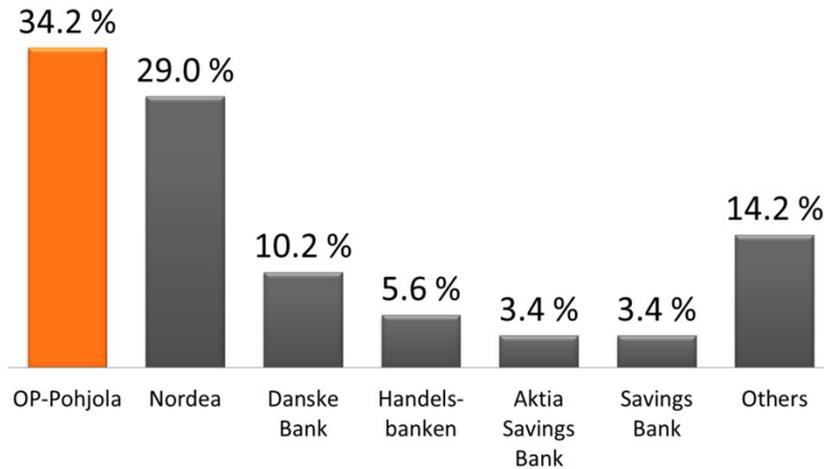
\*\*\* During 3 years

\*\*\*\* 12 mth rolling

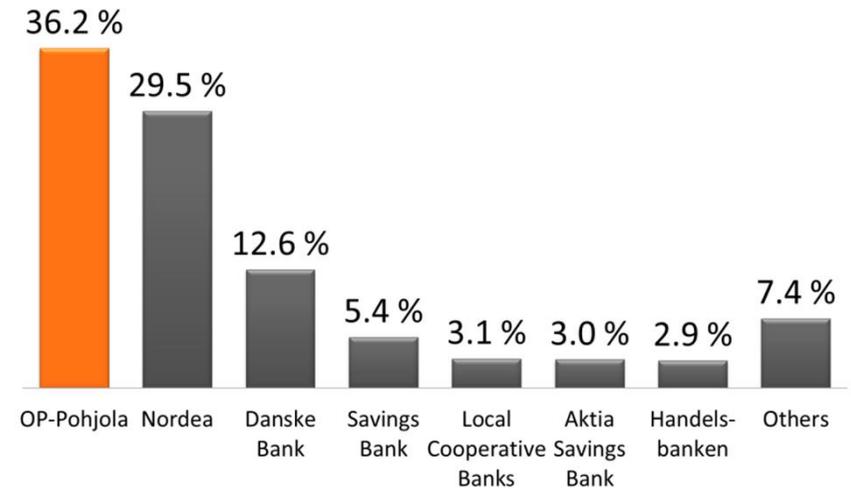
# OP – Leading Financial Group in Finland

Market shares in 2013

Loans (Finland: €199 bn)

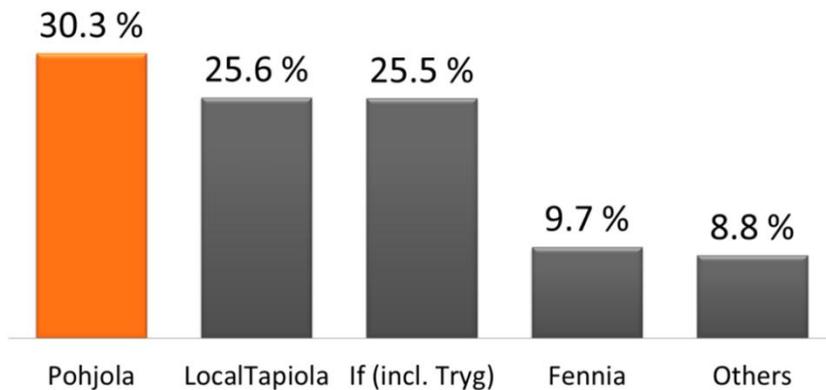


Deposits (Finland: €128 bn)



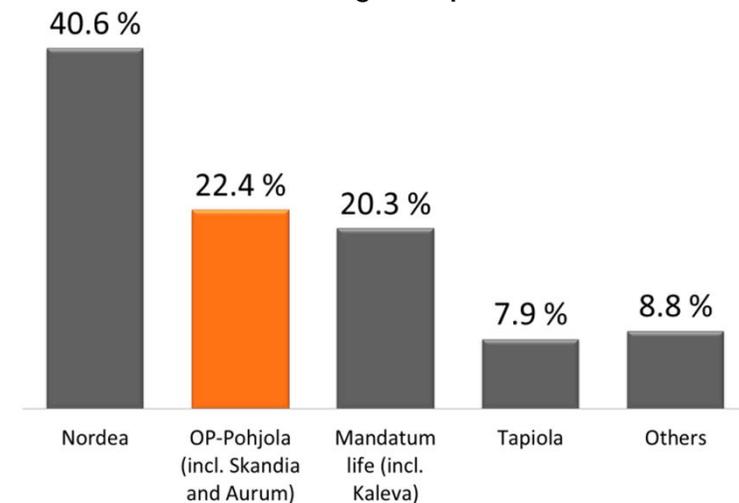
Non-life Insurance (Finland: €4.3 bn)

Market share of premiums written under Finnish direct insurance



Life Insurance (Finland: €5.4 bn)

Market share of gross premiums written



Source: Federation of Finnish Financial Services

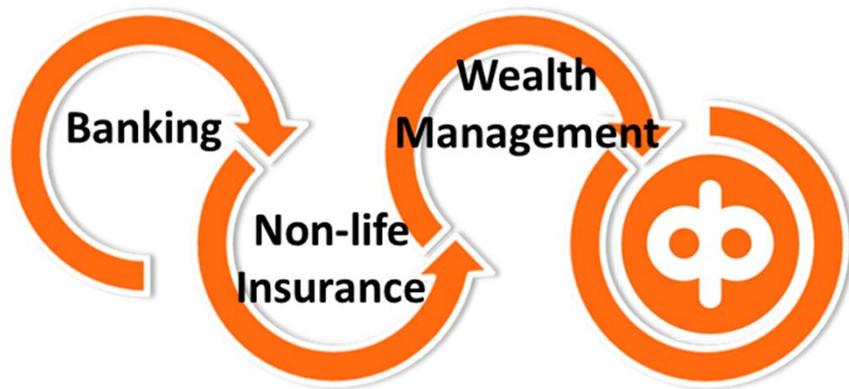


# Customer-owned OP Financial Group

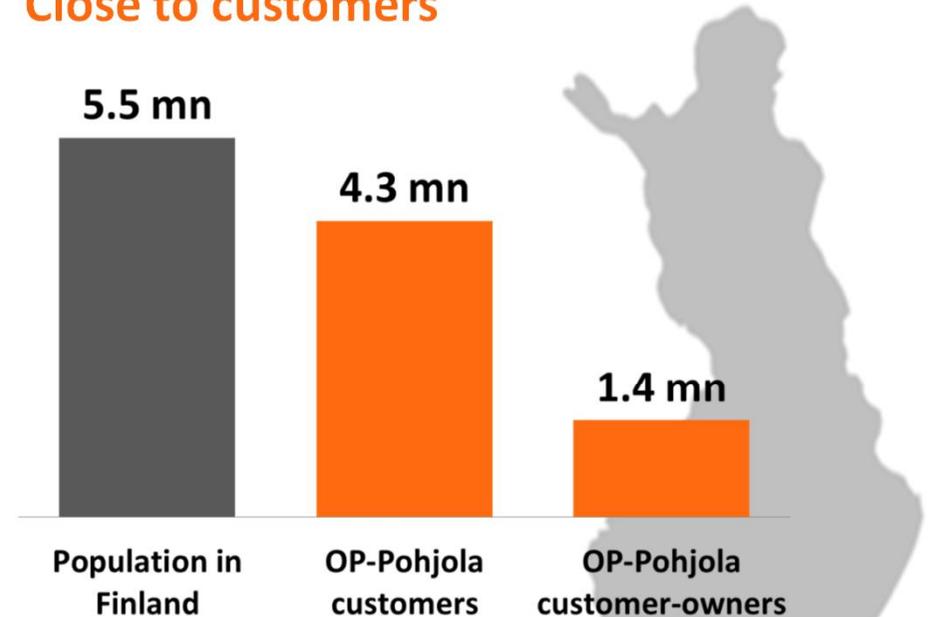
– over 120 years of stable growth together with customers

## Competitive advantages

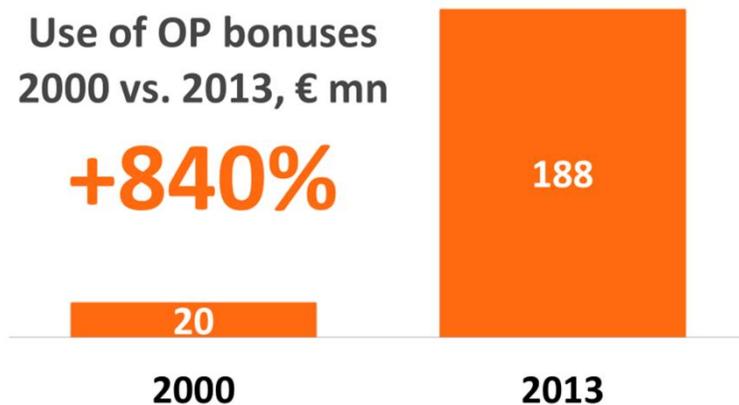
Comprehensive financial services offering under strong and well-known brand



Close to customers



Best loyalty benefits



Service network as of 30 Sept. 2014

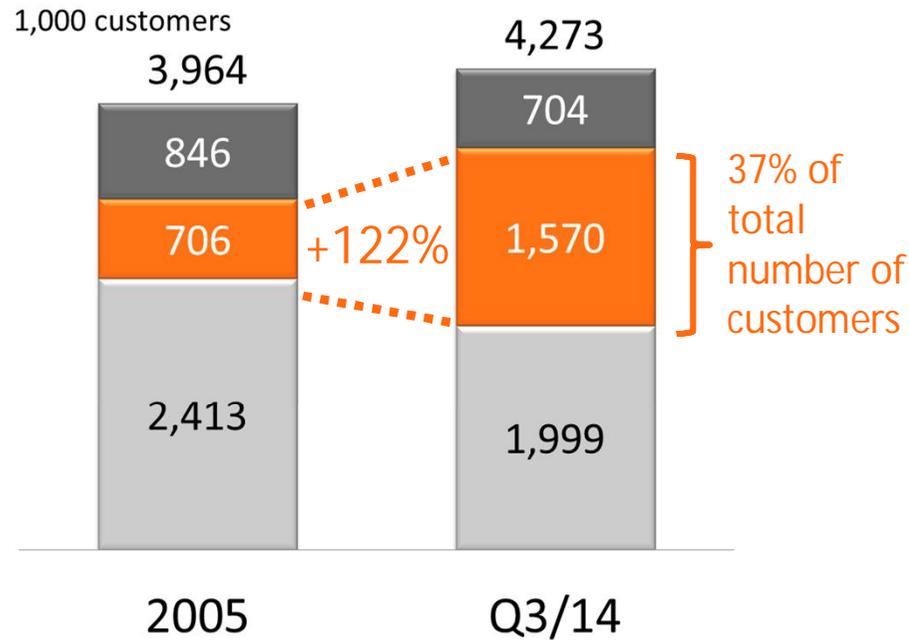
- ✓ 181 member cooperative banks
- ✓ 457 branches, of which 349 providing both banking and non-life insurance services
- ✓ 12,430 employees and 269 tied insurance agents
- ✓ 1.6 mn eServices agreements
- ✓ 490,500 OP-Mobile App users

# Significant Customer Potential

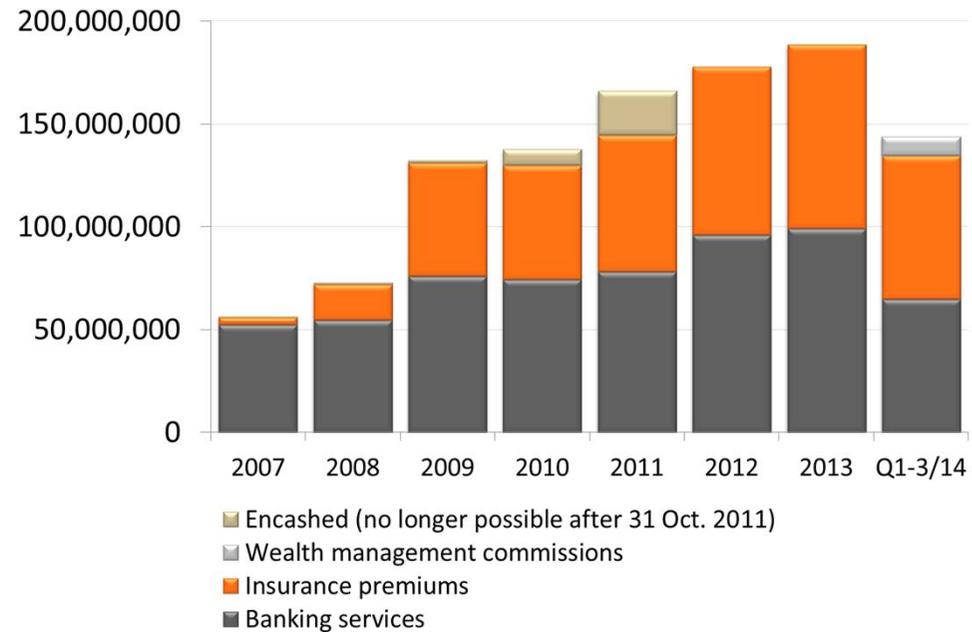
Cross-selling between OP Pohjola Group member cooperative banks and Pohjola Insurance based on strong bancassurance business model

Number of customers shared by Banking and Non-life Insurance increased by 52,000 in Q1-3/2014

OP bonuses to customers reached a new high in 2013, €182 mn (2005: €42 mn)  
Use of bonuses Q1-3/2014: €144 mn



- Non-life insurance customers
- Banking and non-life insurance customers
- Banking customers



Insurance premiums paid using bonuses totalled €70 million in Q1-3/14. In Q1-3/14, OP bonuses were used to pay 1,438,000 insurance premiums, with 189,000 paid in full using bonuses only.

# OP-Pohjola Group's EBT for Q1-3/14 Amounted to €739 mn (610)

Income up by 8% and expenses by 3% in Q1-3/14. Income up by 7% and expenses by 3% in Q3/14.

## 1 Banking EBT €468 million (317)

- Net interest income up by 22% thanks to higher average margin level and growth in loan portfolio
- Net commissions and fees decreased by €4 million
- Expenses down by 1%
- Loan portfolio up by 3% and deposits up by 1% in Q1-3/14
- Impairment loss on receivables €50 million (47)
- Cost/income ratio 55% (61)

## 2 Non-life Insurance EBT €190 million (162)

- Insurance premium revenue increased by 6%
- Operating combined ratio 83.1% (86.6) and expense ratio 17.4% (18.4)
- Return on investments at fair value 4.9% (2.1)
- Solvency II ratio 135% as of 30 Sept. 2014 (125% as of 31 Dec. 2013)\*
- Reduction in the discount rate for pension liabilities from 2.8% to 2.5% increased Q3/14 claims incurred and eroded Non-life EBT by €62 million.

## 3 Wealth Management EBT €140 million (98)

- Net commissions and fees up by 17%
- Assets under management (gross) up by 17% y-on-y amounting to €58.8 billion
- Return on investments at fair value within Life insurance 4.8% (2.5)
- Solvency II ratio within Life Insurance 114% as of 30 Sept. 2014 (99)\*

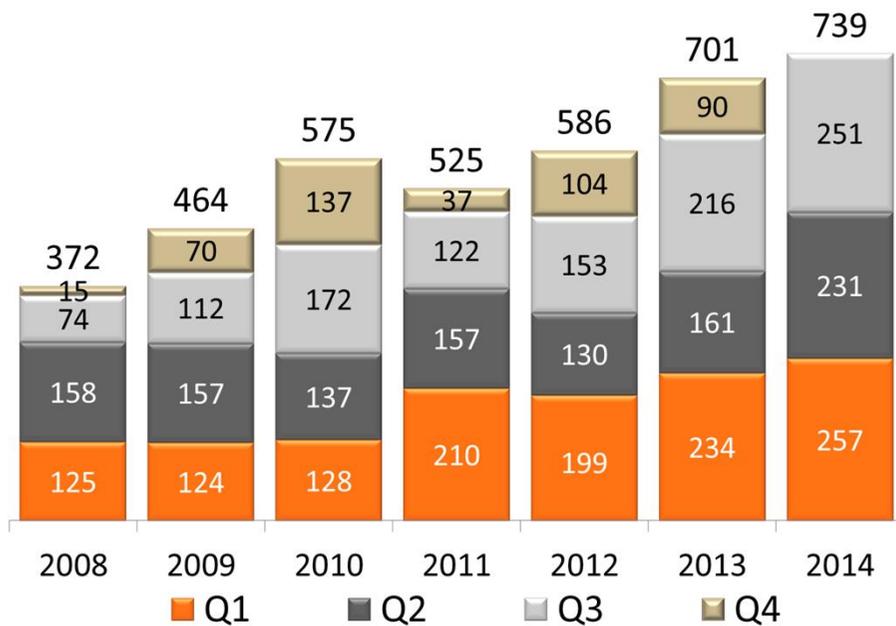
## 4 Other operations incl. eliminations EBT €-59 million (33)

- Net interest income decreased to € -27 million (11) mainly due to preparation for tighter liquidity rules, which impacted net interest income arising from the liquidity buffer
- Net investment income amounted to €36 million (37)
- Impairment loss on receivables amounted to €0 million (2)

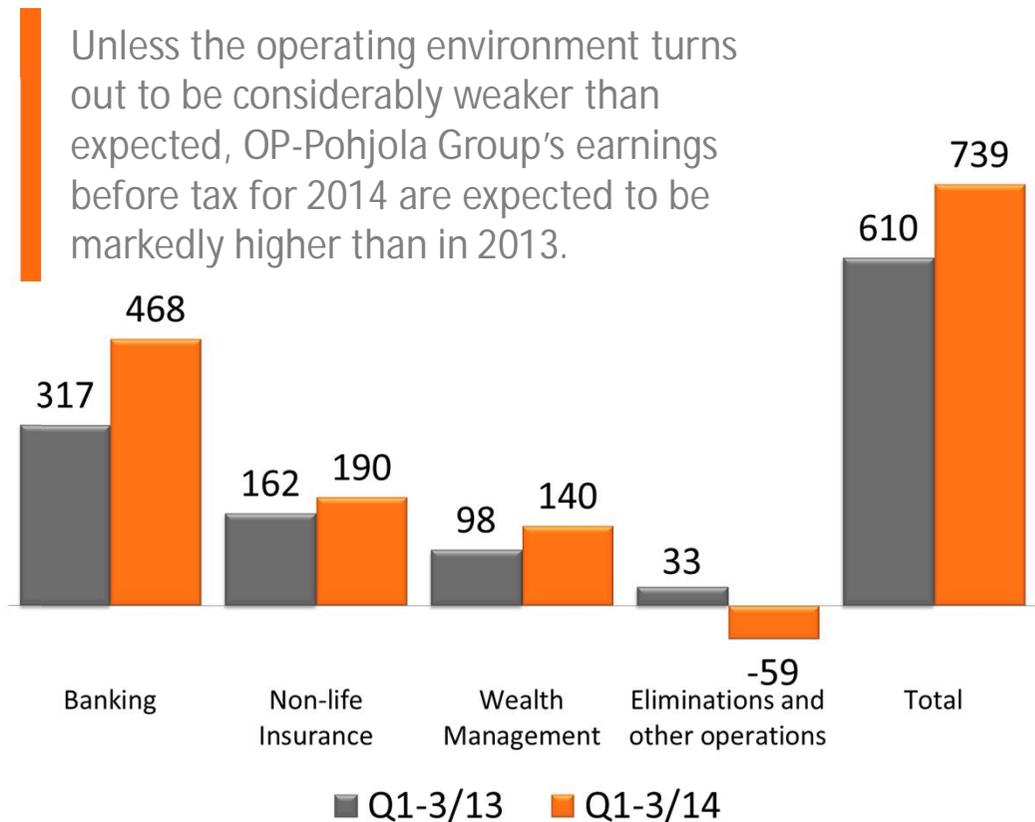
# OP-Pohjola has steadily improved its EBT and aims at annual earnings of more than €1 bn within the next few years

EBT in Q1-3/14 improved by 21% and exceeded EBT in 2013 by 5%

Earnings before tax by quarter, between 2008 and Q1-3/14, € mn



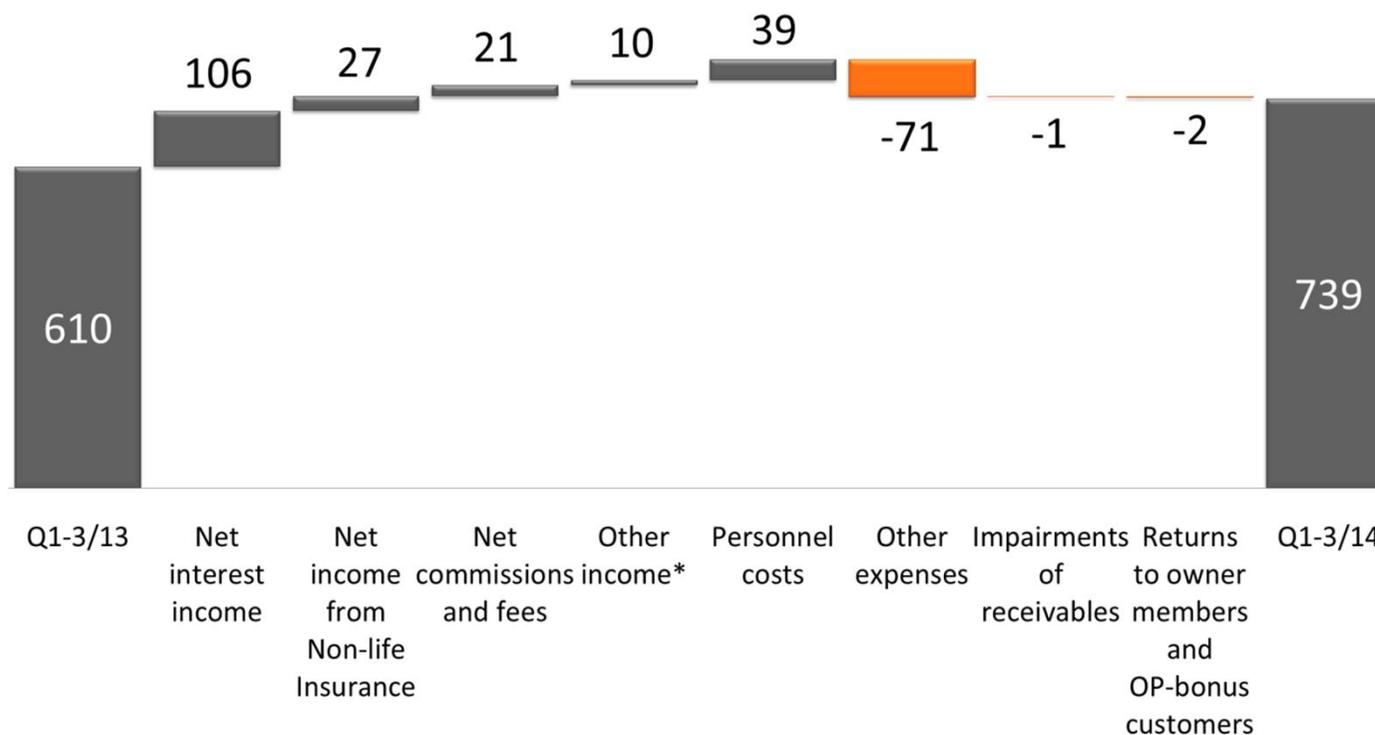
Earnings before tax by business segment, year-on-year Q1-3/14 vs. Q1-3/13, € mn



# Increase in NII and net income from Non-life Insurance and lower personnel costs contributed to higher EBT in Q1-3/14

Earnings before tax, € million

Year-on-year change Q1-3/14 vs. Q1-3/13



Non-recurring expenses of €21 million related to the squeeze-out of Pohjola Bank plc shares and a tax-related penalty interest contributed to higher other expenses in Q1-3/14.

\* Other income includes net income from Life Insurance, net trading income, net investment income and other operating income

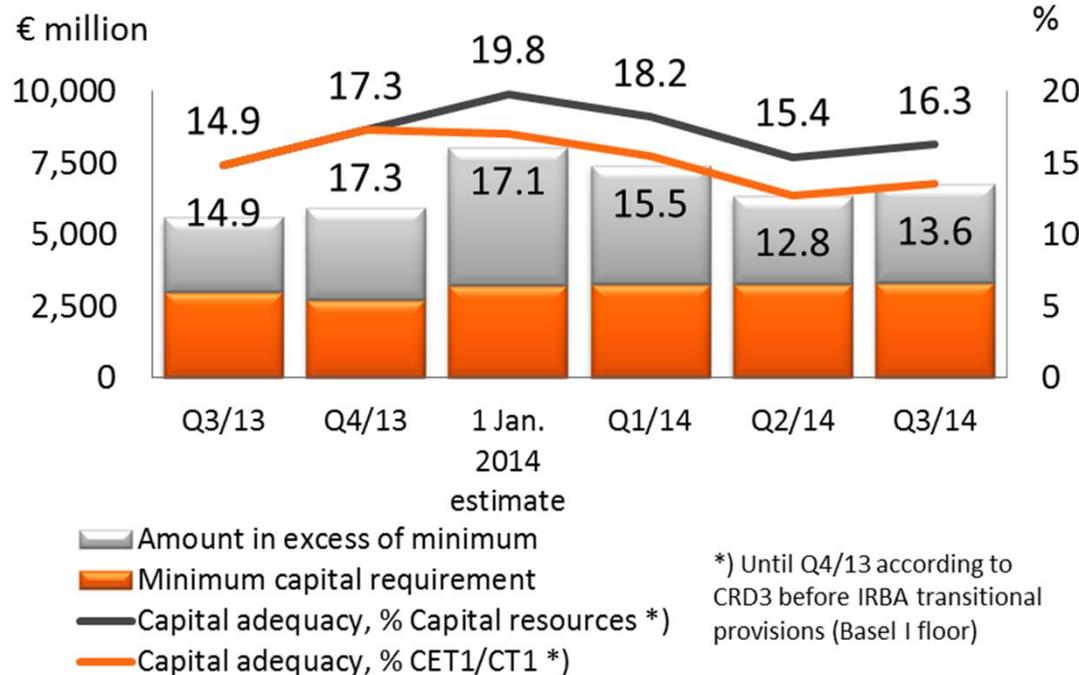


# Common Equity Tier 1 ratio 13.6%

(according to CRR/CRD4)

OP-Pohjola Group received temporary permission defined in the Capital Requirements Directive and Regulation (CRR/CRD4) from the Finnish FSA to treat insurance holdings as risk-weighted assets on 27 Nov. 2013. The permission is valid between 1 Jan. and 31 Dec. 2014. After that, treatment of insurance holdings depends on the decisions made in the European Central Bank which will take over supervisory responsibilities for OP-Pohjola Group as credit institution in November 2014.

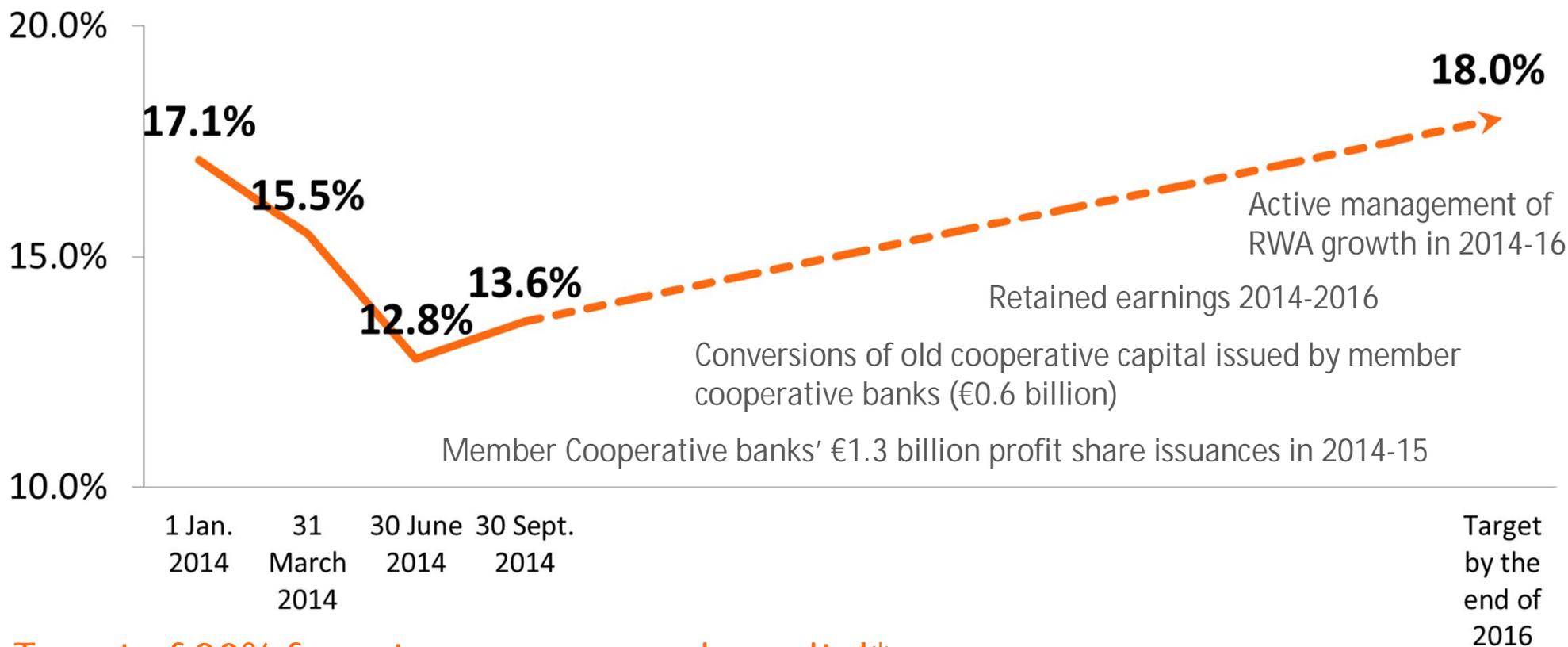
## Capital base and Common Equity Tier 1 ratio, CET1 (according to CRR/CRD4)



- OP-Pohjola Group's target for Common Equity Tier 1 ratio (CET1) to be achieved by the end of 2016 is 18.0%
  - CET1 ratio was 13.6% as of 30 Sept. 2014 (17.1% as of 1 Jan. 2014)
- Leverage ratio of OP-Pohjola Group's Banking is, according to the current interpretations of the new regulations, 5.9% (6.8), while the minimum requirement is 3.0%.
- Internal Ratings Based Approach (IRBA) applied to retail, corporate and credit institution exposures since December 2011. Foundation Internal Ratings Based Approach (FIRB) applied to corporate and credit institution exposures. At YE2013, average risk weight for retail exposures was 8.8% (16.1) and for corporate exposures 74.0% (74.4).

# Actions Taken to Strengthen the Capital Adequacy and Profitability of OP-Pohjola Group

## Indicative path to restored CET1 capital adequacy



## Target of 20% for return on economic capital\*

Requires OP-Pohjola Group to record earnings before tax above €1 billion within the next few years

\* Return on economic capital, %

$$\frac{\text{Earnings + customer bonuses after tax (value rolling 12 month)}}{\text{Average economic capital}} \times 100$$

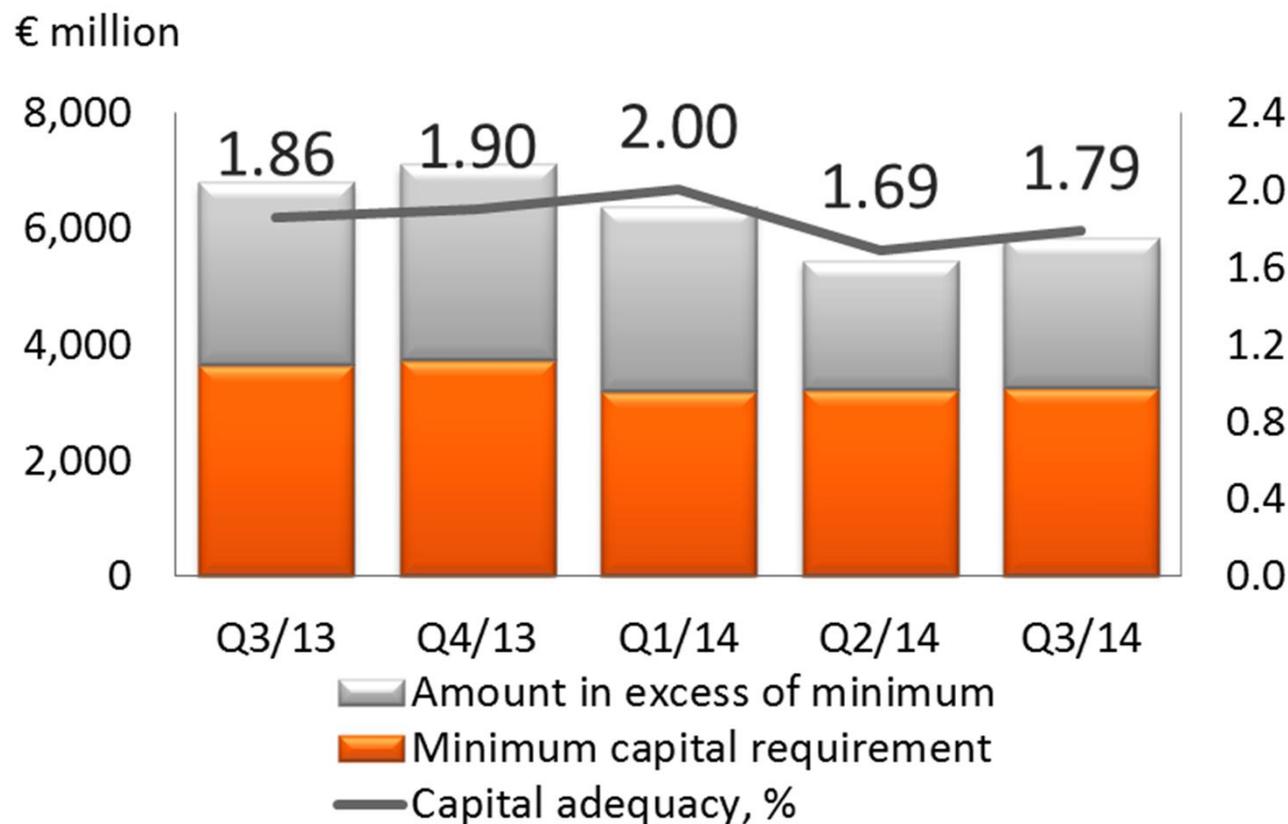


# Profit Share Issuances by OP-Pohjola Member Cooperative Banks

- To achieve OP-Pohjola Group's CET1 target of 18%, OP-Pohjola Group member cooperative banks began to sell profit shares\* in March.
- **Issuance supported by nationwide marketing campaign**
  - Profit share issuances by 24 October 2014 totalled €1.23 billion, which constitutes approximately 65% of total target set for 2014–15.
- **Issuance capacity**
  - Profit shares are sold in almost all 181 OP-Pohjola Group member cooperative banks.



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



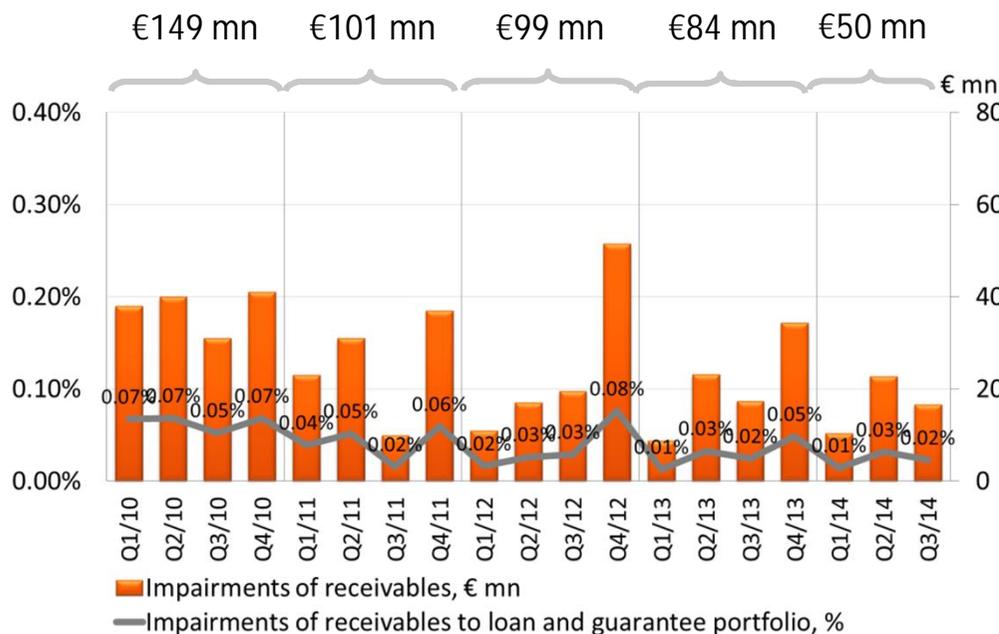
Statutory minimum requirement is 1.00

OP-Pohjola Group's minimum target for capital adequacy under the Act on the supervision of financial and insurance conglomerates is 1.60

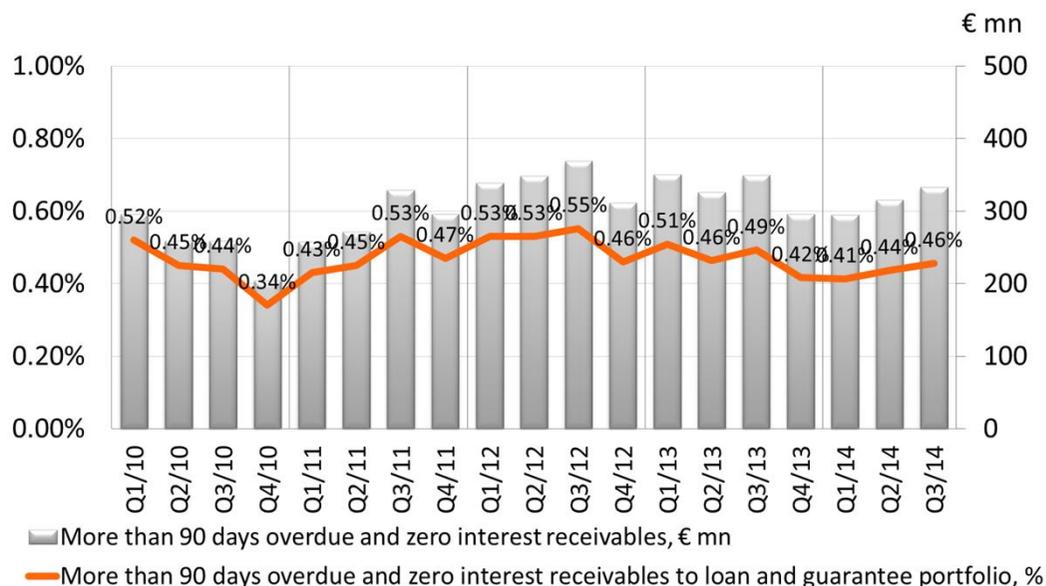
# Q1-3/14 Impairments of Receivables 0.09% to Loan and Guarantee Portfolio (0.09)

Ratio of more than 90 days overdue and zero-interest receivables to loan and guarantee portfolio still at a low level

Ratio of impairment loss on receivables to loan and guarantee portfolio (%) and € mn



Ratio of more than 90 days overdue and zero-interest receivables to loan and guarantee portfolio (%) and € mn



At year-end 2013, ratio of exposures individually assessed for impairment to doubtful receivables

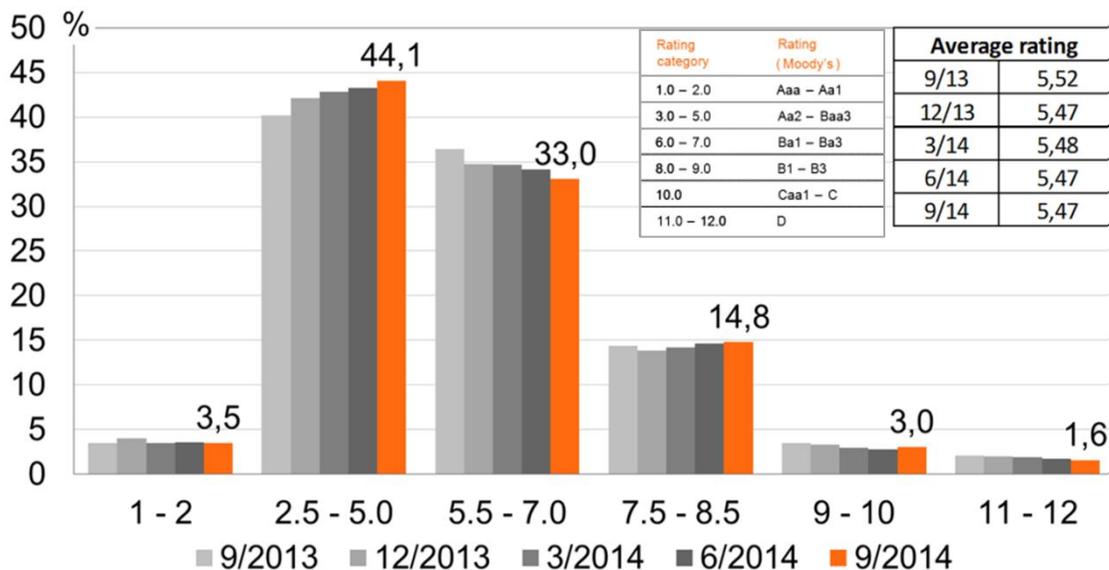
28.6% (31.7)



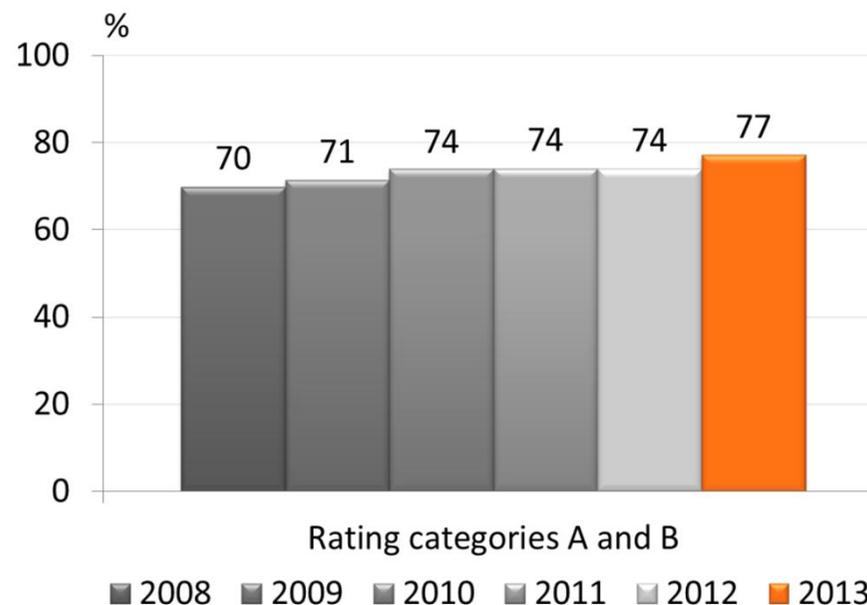
# Exposures by Credit Rating Category

Share of investment-grade (rating categories 1–5) exposure to total exposure from the Non-financial Corporations and Housing Associations Sector stood at 48% as of 30 Sept. 2014 (46)

Exposures from the Non-financial Corporations and Housing Corporations Sector by credit rating category



Private Customer exposures of credit rating categories A and B



Largest single counterparty-related customer risk to Group's own funds covering customer risk at year-end 2013

5.8% (6.9)

At year-end 2013, average PD of private customer exposures (Pillar III) with a credit rating of A and B a maximum of

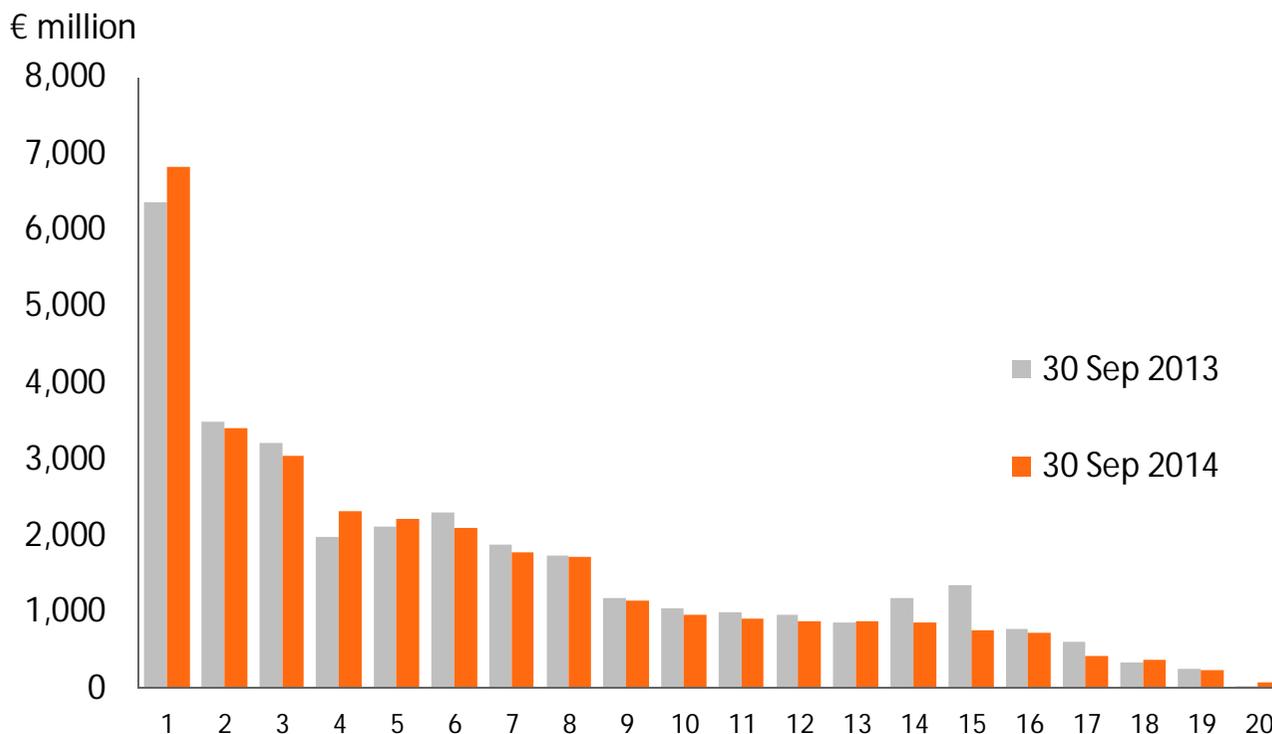
0.1% (0.6)



# Exposures from the Non-financial Corporations and Housing Associations Sector by Industry

€31.5 billion as of 30 Sept. 2014

	30 Sep 2013	30 Sep 2014
1 Renting and operating of residential real estate	19.5 %	21.6 %
2 Renting and operating of other real estate	10.7 %	10.8 %
3 Wholesale and retail trade	9.9 %	9.7 %
4 Energy	6.0 %	7.3 %
5 Services	6.4 %	7.0 %
6 Construction	7.0 %	6.6 %
7 Manufacture of machinery and equipment (incl. services)	5.7 %	5.6 %
8 Transportation and storage	5.3 %	5.4 %
9 Forest Industry	3.6 %	3.6 %
10 Agriculture, forestry and fishing	3.2 %	3.0 %
11 Information and communication	3.0 %	2.9 %
12 Metal Industry	2.9 %	2.8 %
13 Food Industry	2.6 %	2.7 %
14 Real estate investments	3.6 %	2.7 %
15 Financial and insurance services	4.1 %	2.4 %
16 Chemical Industry	2.3 %	2.3 %
17 Other manufacturing	1.9 %	1.3 %
18 Water supply, sewerage and waste management	1.0 %	1.1 %
19 Mining and quarrying	0.7 %	0.7 %
20 Public administration and defence; compulsory social security	0.0 %	0.2 %



Renting and operating of residential real estate sector (as of 30 Sept. 2014)

- More than 90% of the exposure is housing association loans
- 19% of the exposure is guaranteed by government, cities or municipalities



# Funding Based on Strong Credit Ratings

Rating target: AA rating affirmed by at least 2 credit rating agencies  
(or at least at the main competitors' level)

	Moody's	S&P	Fitch
Pohjola Bank plc	Aa3*	AA-*	A+
Handelsbanken	Aa3*	AA-*	AA-
Nordea	Aa3*	AA-*	AA-
DNB	A1*	A+	-
SEB	A1*	A+*	A+**
Swedbank	A1*	A+*	A+**
Danske Bank	Baa1**	A*	A
OP Mortgage Bank***	Aaa	AAA	-
Pohjola Insurance Ltd	A3	AA-*	-
If	A2	A	-
Finnish government	Aaa	AA+	AAA

- S&P affirmed Pohjola Bank plc's AA- rating on 22 October 2014. Outlook remained negative.
- Fitch affirmed A+ rating and stable outlook for OP-Pohjola Group and Pohjola Bank plc on 24 June 2014
- Moody's affirmed Aa3 rating for Pohjola Bank plc and revised outlook to negative on 29 May 2014 and affirmed A3 rating and stable outlook for Pohjola Insurance Ltd on 26 June 2014

\* Outlook is negative

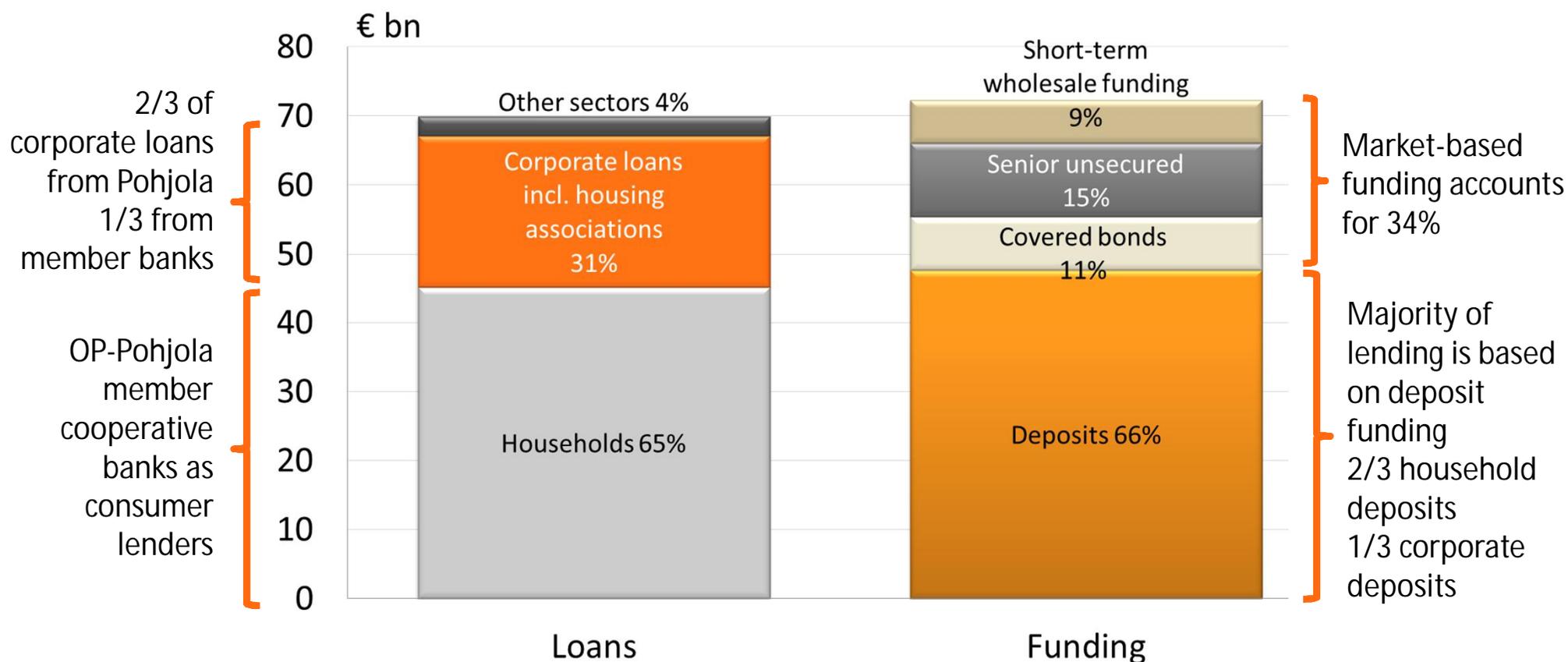
\*\* Outlook is positive

\*\*\* Covered bond rating

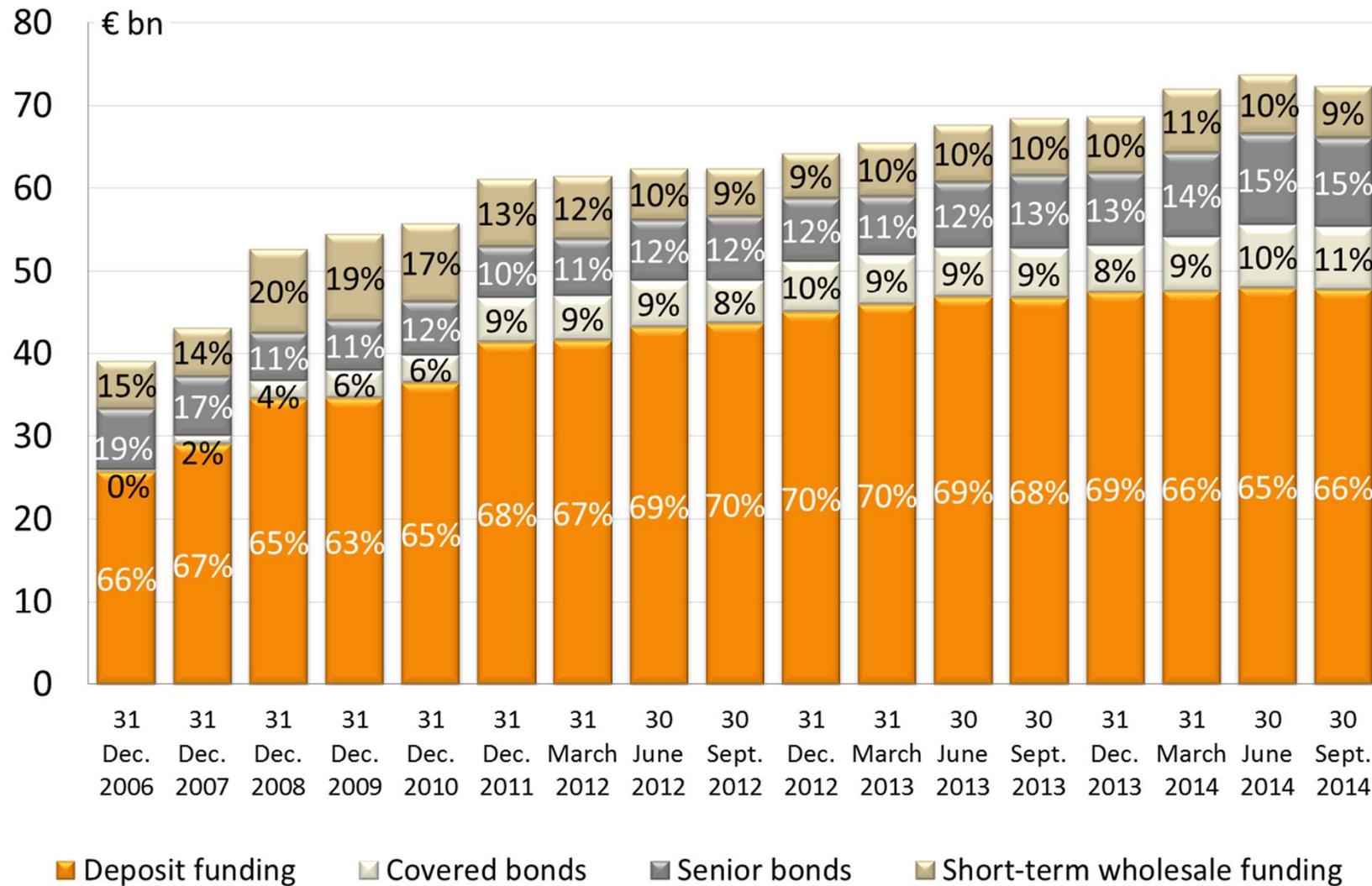
Updated: 22 October 2014

# Loans and Funding Structure

30 September 2014

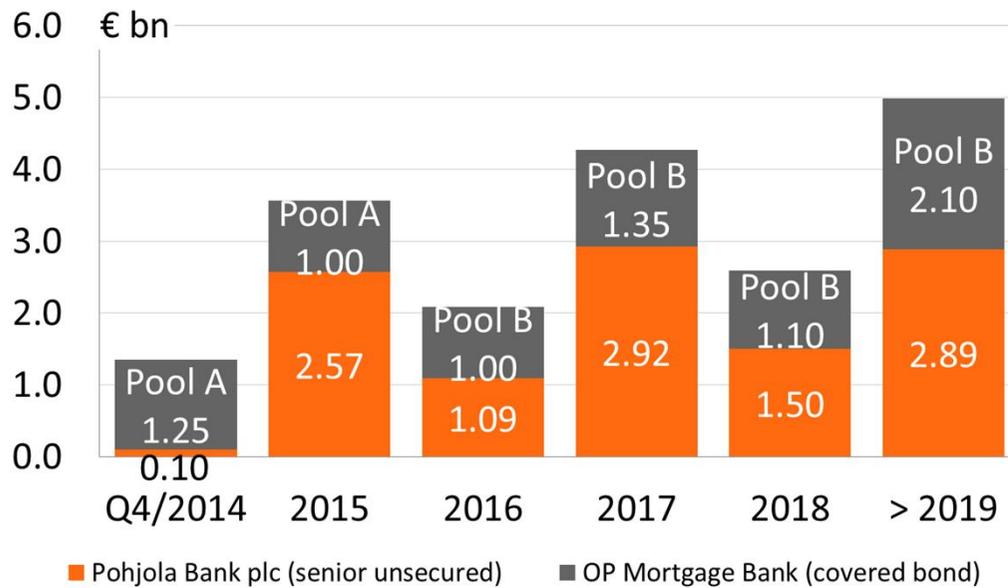


# Funding Structure Development 2006–30 September 2014



# Issued Senior Debt and Covered Bonds

Issued senior unsecured and covered bonds by maturity, 30 Sept. 2014



Pohjola Bank plc's senior unsecured bonds 2014

Year	Month	Amount	Maturity	Interest rate
2014	June	CHF300 mn	7 yrs	CHFm/s + 30bps
2014	June	¥60 bn (€432 mn)	3-5 yrs	m/s + 28.6-48.4bps
2014	June	€750 mn	5 yrs	m/s + 48bps
2014	March	€750 mn	7 yrs	m/s + 67bps
2014	March	€750 mn	3 yrs	Eb3 + 36bps

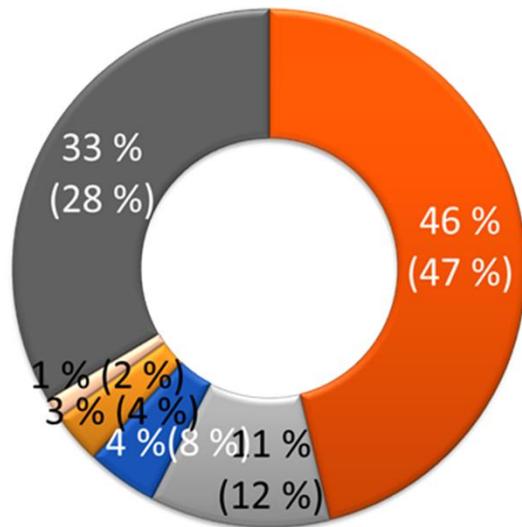
OP Mortgage Bank's covered bonds 2014

Year	Month	Amount	Maturity	Interest rate
2014	June	€1 bn	5 yrs	m/s + 5bps
2014	March	€1 bn	7 yrs	m/s + 14bps



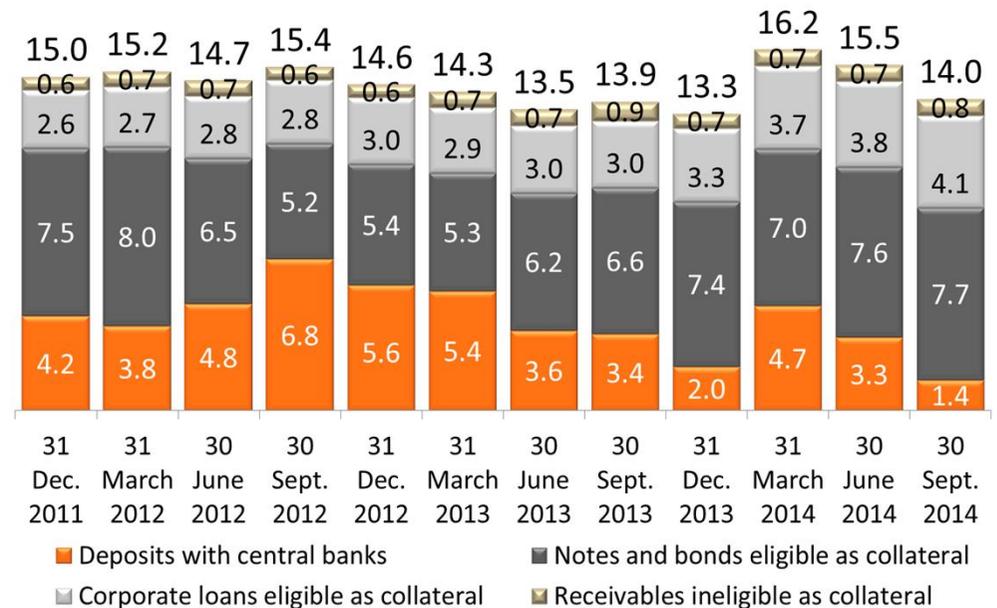
# Liquidity Buffer

Liquidity buffer (€14.0 bn) by credit rating as of 30 Sept. 2014 (31 Dec. 2013)



- Aaa and deposits with central banks
- Aa1–Aa3
- A1–A3
- Baa1–Baa3
- Ba1 or lower
- Internally rated\*

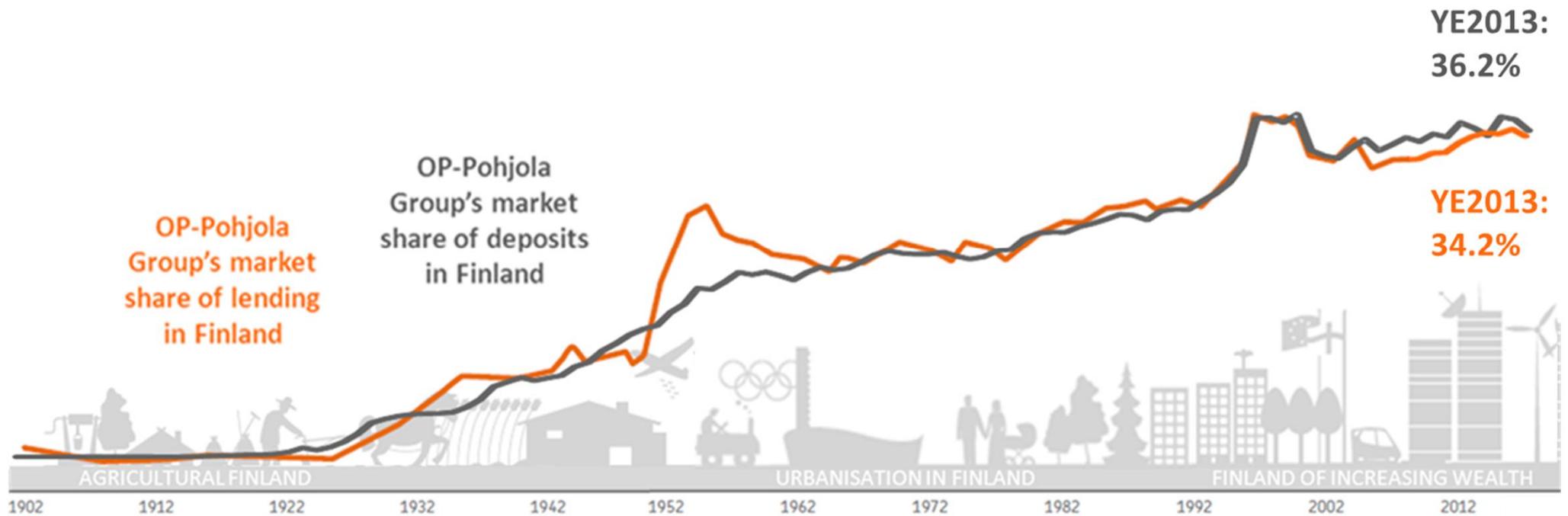
Liquidity buffer by product, € bn



\*) Internally rated: corporate loans (88%) 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-Pohjola Group's contingency funding plan can be used to cover maturing wholesale funding for at least 24 months.





# OP Mortgage Bank

# Overview: Finnish Housing Market

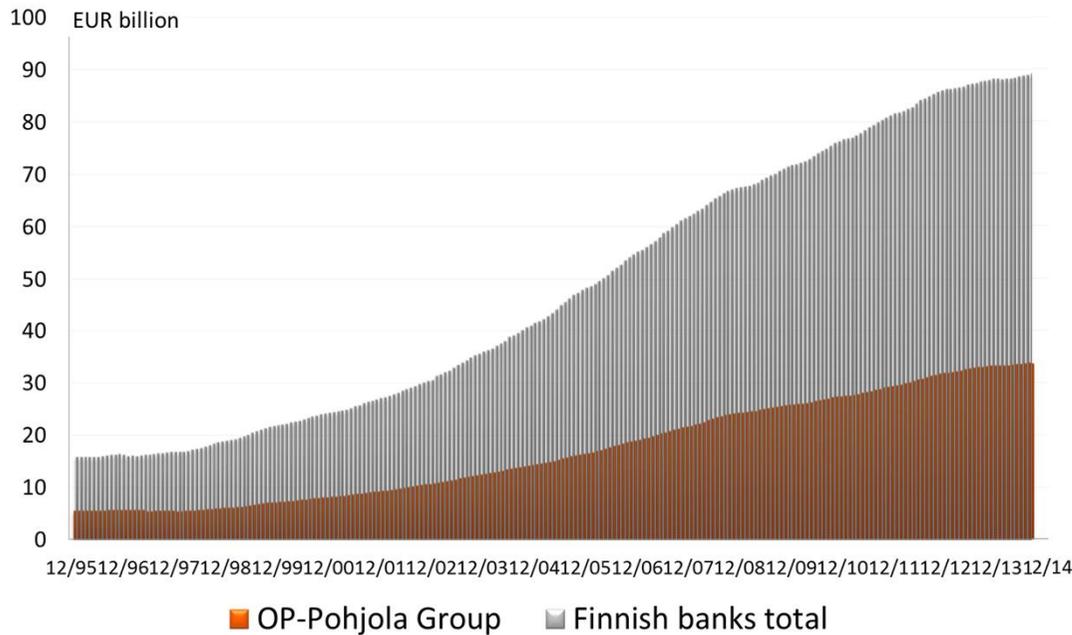
- Ownership ratio of households around 70%
- Average size of homes 79.9 m<sup>2</sup>
- Floor space per occupant 39.8 m<sup>2</sup>
- Typical maturity of new loans 20 years
- Variable interest rates: around 94% of loans to households
- Average annual housing starts around 27,000
- Interest relief in taxation (max. €3,600 / household)
- Capital gains tax-exempt after 2 years

As of September 2014

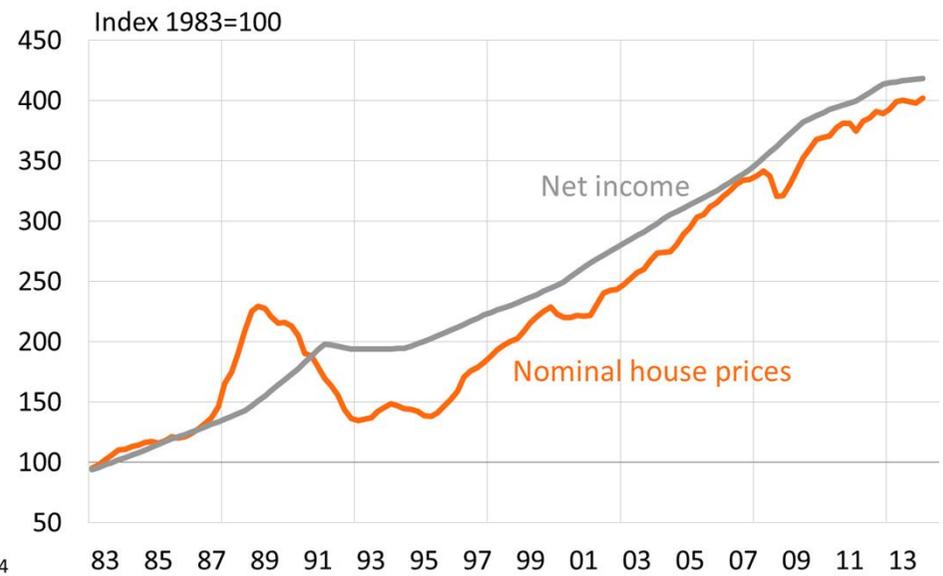
# Mortgage Market and House Price Growth

- The lending volume in the Finnish mortgage market has increased over the past few years, which has driven up nominal house prices.
- In real terms, house prices have risen more gently and as per the average net income the increase in house prices has been very stable over a long period of time.

Mortgage lending volume



Changes in house prices and net income

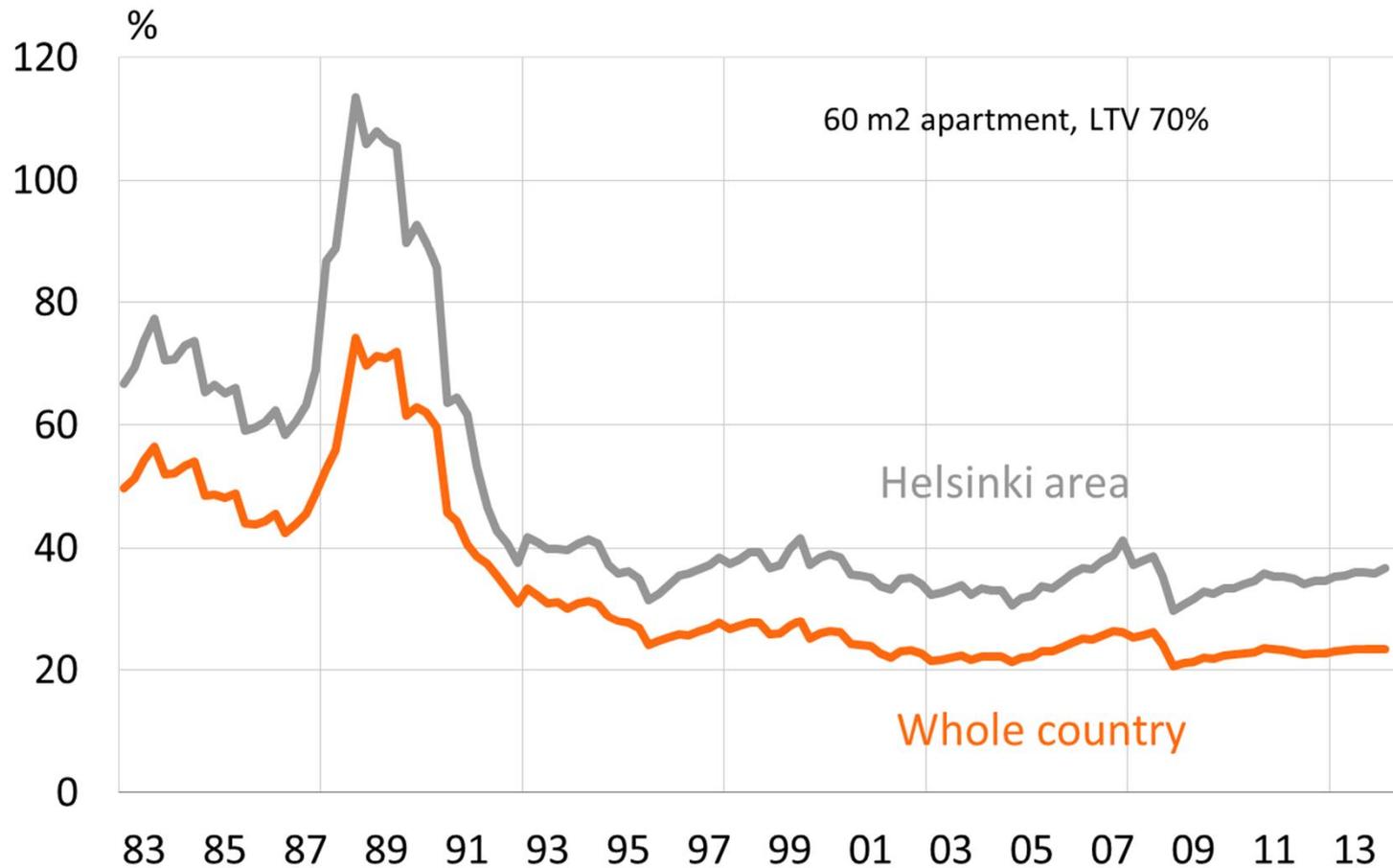


Source: Statistics Finland



# Loan Servicing Costs in Relation to Net Income

Annuity payment during the first year



Sources: Statistics Finland, Taxpayers' Association of Finland



# 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

# OP Mortgage Bank (OPMB) in Brief

- OP Mortgage Bank is a special-purpose bank operating under the Act on Mortgage Credit Bank Operations.
- Its sole purpose is to raise funds for OP-Pohjola 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-Pohjola Group Central 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.

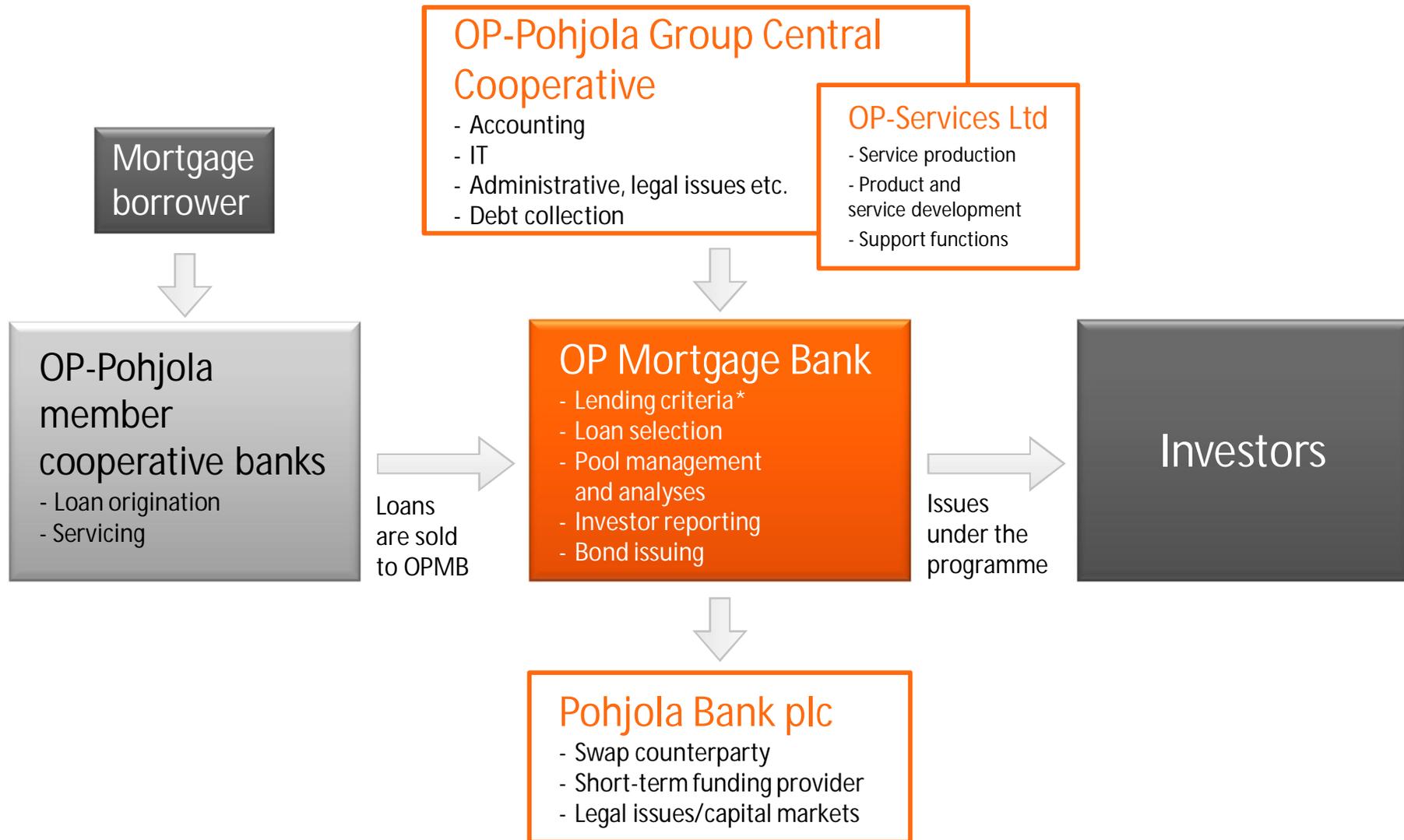


Read more about ECBC's covered bond label at [www.coveredbondlabel.com](http://www.coveredbondlabel.com)

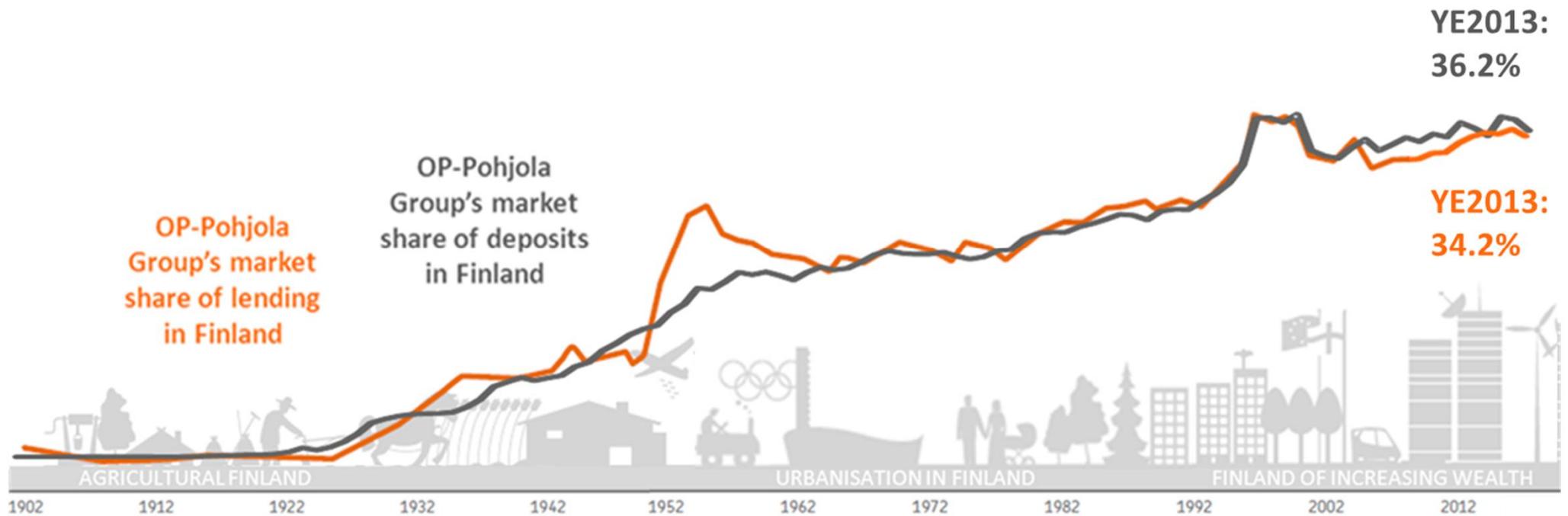
# OPMB Operating Model

- OPMB is a funding vehicle for the member banks:
  - Subject to strict eligibility criteria:
    - Existing loans may be transferred from member banks to OPMB.
    - Origination can be performed directly into OPMB where the member cooperative bank will act as a broker agent.
- OPMB utilises the current structure of the cooperative and outsource, for example:
  - origination and servicing of assets to member cooperative banks
  - risk management, IT services, accounting etc. to the Central Cooperative
  - interest rate risk management in cooperation with Pohjola Bank plc

# Operating Model and Roles



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



# OPMB Asset Pool Characteristics; Pool B

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

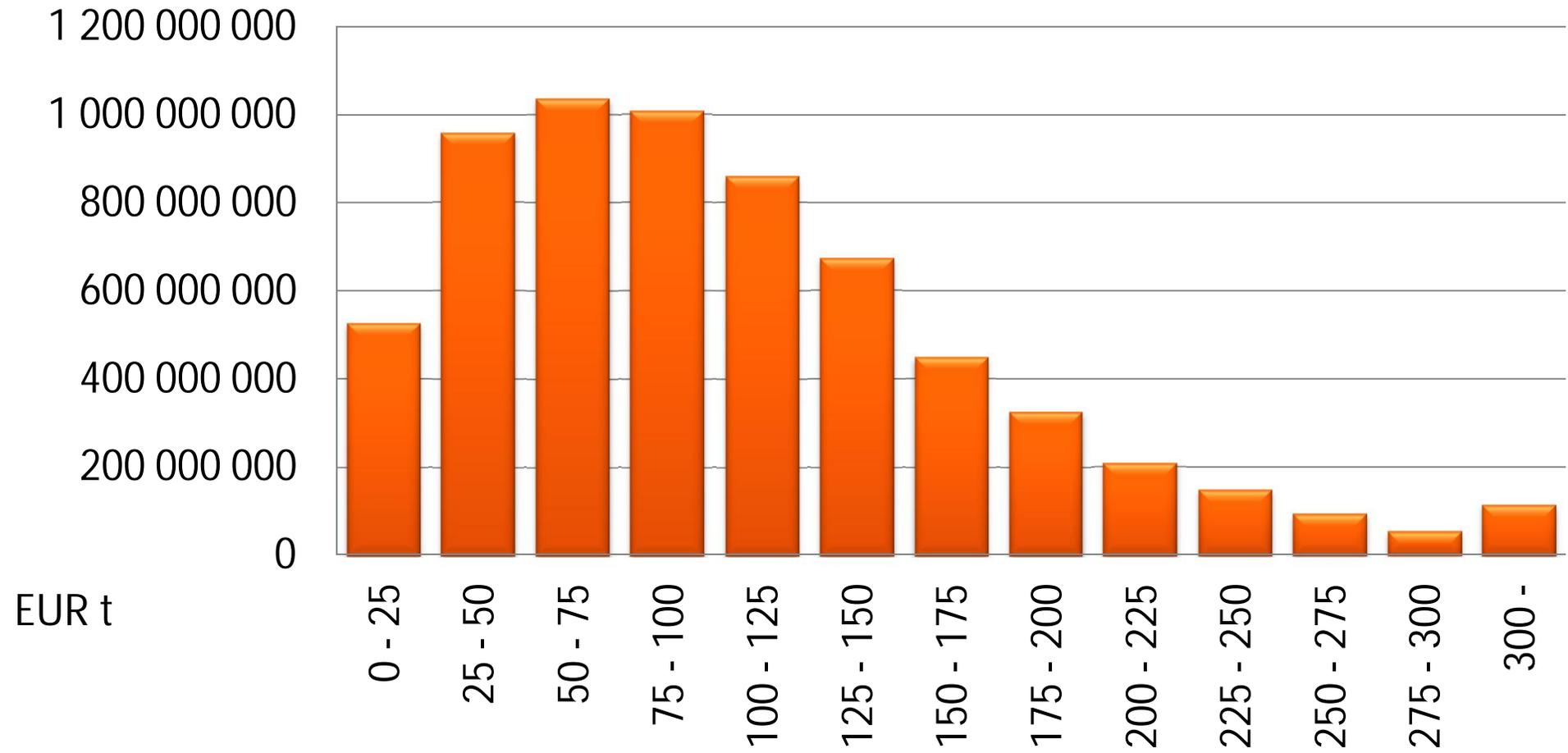
# Main Features of OP Mortgage Bank Cover Asset Pool B as of 30 September 2014

- Collateralized by Finnish mortgages
- Current balance EUR 6.5 billion
- Weighted Average indexed LTV of 55%
- Average loan size of approximately EUR 57,500
- 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 5.565 billion

# OPMB Asset Pool B Characteristics

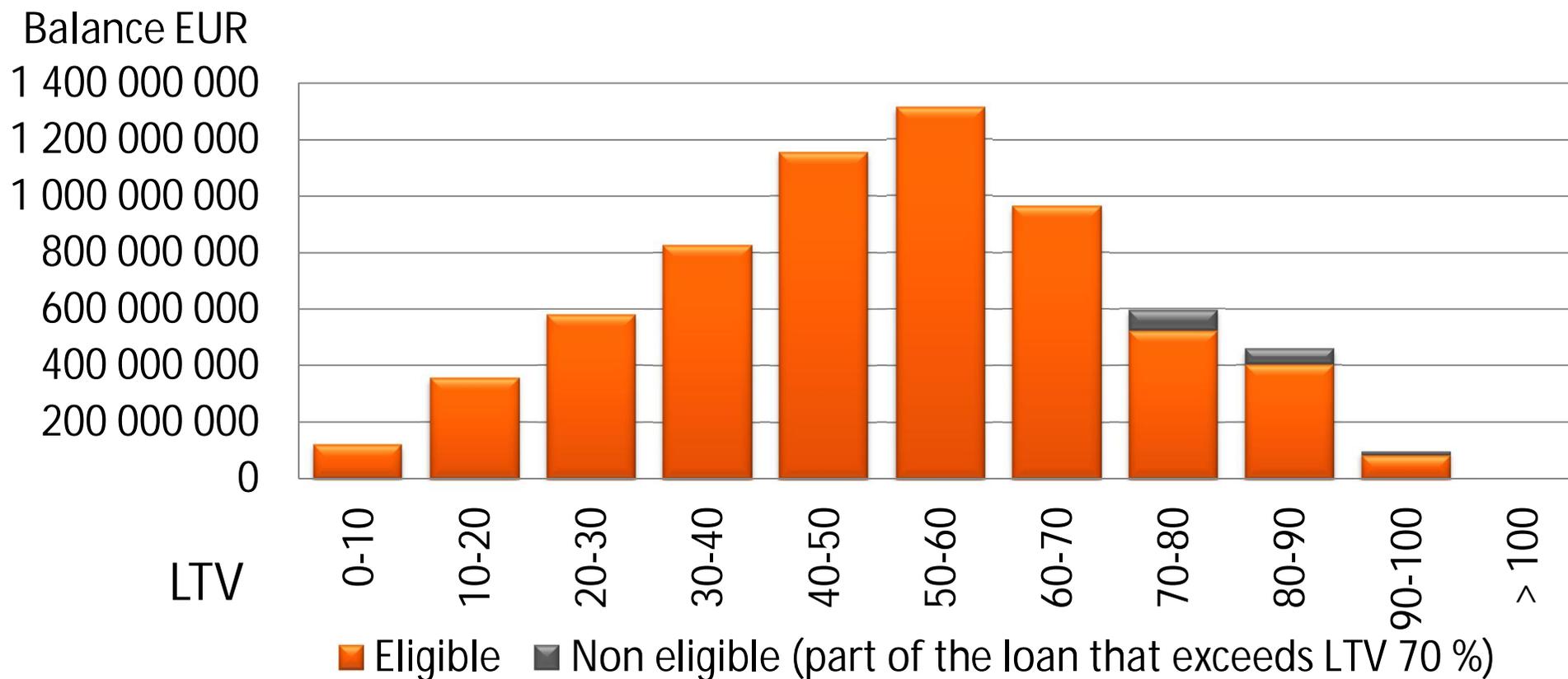
Loans by size

Balance EUR



# OPMB Asset Pool B Characteristics

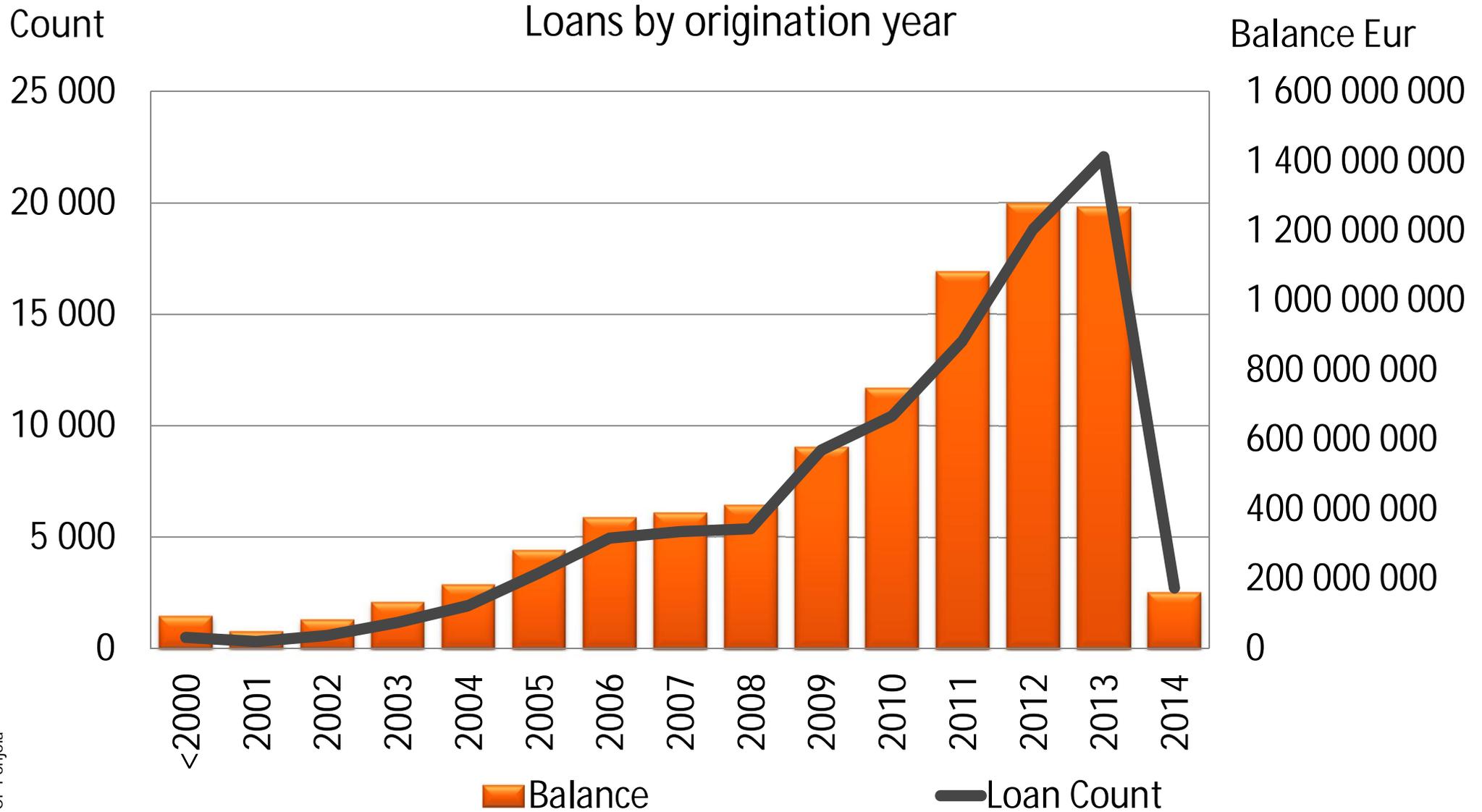
## Loans by LTV



- Total assets EUR 6.5 billion
- Eligible Cover Pool assets EUR 6.3 billion
- Weighted Average indexed LTV of 55%
- Over-collateralisation 16.2 %

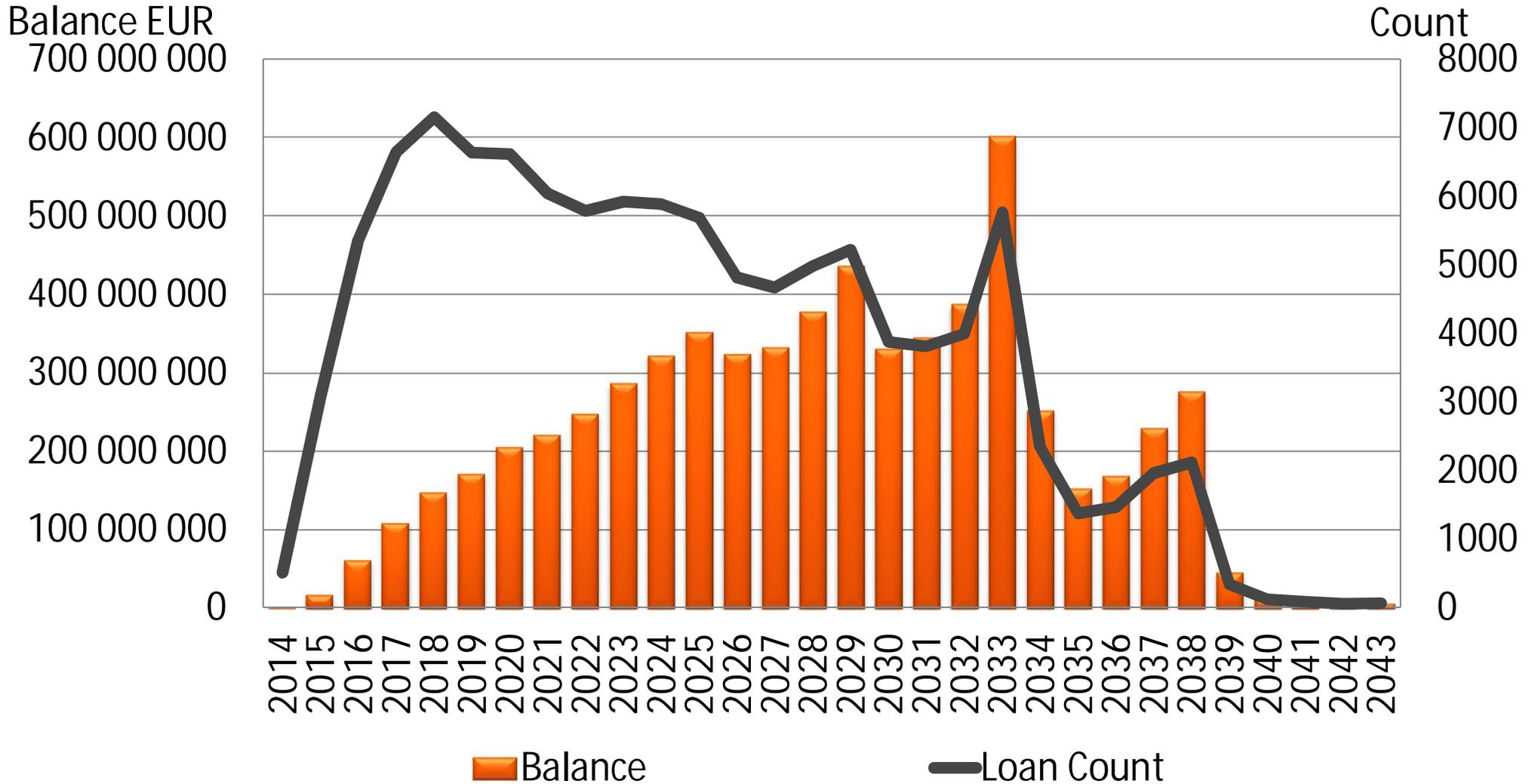


# OPMB Asset Pool B Characteristics



# OPMB Asset Pool B Characteristics

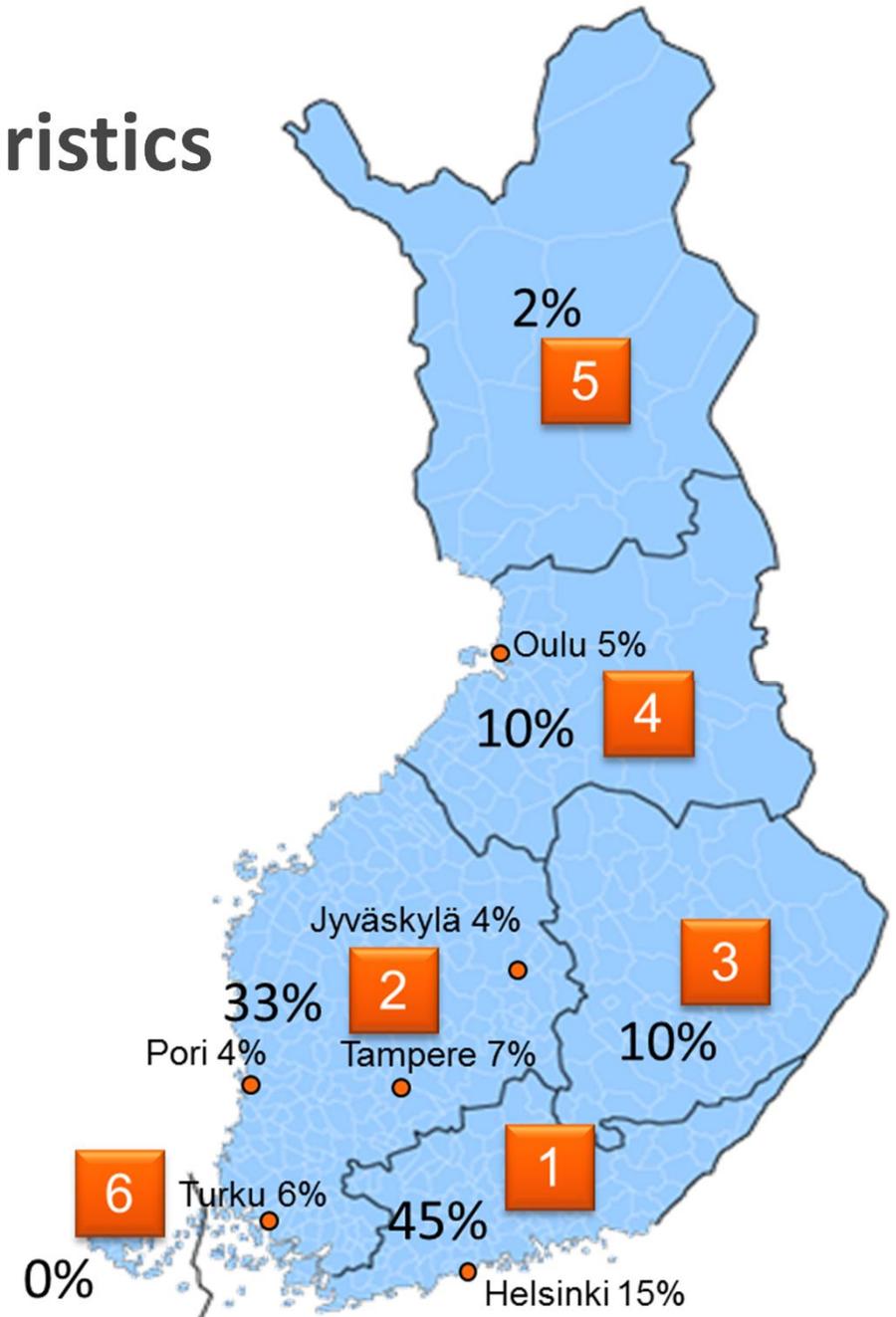
## Loans by maturity



# OPMB Asset Pool B Characteristics

## Geographical distribution

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



# OP Mortgage Bank Cover Asset Pool B as of 30 Sept. 2014

## Issuer and rating

Issuer:	OP Mortgage Bank
Owner:	OP Mortgage Bank,
Pool ID:	Pool B
Supervisory authority:	FFSA
Reporting date:	30/09/2014

CRD-compliant
Yes

Long Term Rating	S&P	Moody's	Fitch
Covered bond	AAA	Aaa	
Issuer			
Owner	AA-	Aa3	A+

## Outstanding covered bonds

Outstanding benchmark covered bonds						
ISIN	MEUR	Currency	Issue date	Maturity	Coupon	Fix/FRN
XS0611353086	1,000	Eur	01 April 2011	01 April 2016	3.25%	Fix
XS0646202407	1,000	Eur	11 July 2011	11 July 2018	3.50%	Fix
XS0785351213	1,250	Eur	23 May 2012	23 May 2017	1.63%	Fix
XS1045726699	1,000	Eur	17 March 2014	17 March 2021	1.50%	Fix
XS1076088001	1,000	Eur	11 June 2014	11 June 2019	0.75%	Fix

	MEUR
Non-benchmark bonds	315
Total of outstanding bonds	5,250
of which repos	0

Bond redemptions (MEUR)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-	Sum
Total			1000	1,350	1,100	1,000		1,000			115	5,565

Source: OP Mortgage Bank, Pool B, Finnish National Template as of 30 Sept. 2014



# OP Mortgage Bank Cover Asset Pool B as of 30 Sept. 2014

## Cover Pool

Cover pool assets (MEUR)	Volume	%
Loans (up to LTV limit)	6,467	100%
Substitute assets	0	
Other	0	
Eligible assets (*)	6,327	97.80%
Other eligible assets	0	
Total assets	6,467	

\* calculated according to section 16 in MCBA

Cover pool items	
Number of loans	112,553
Number of clients	143,509
Number of properties	131,973
Average loan size (EUR)	57,459

Type of loan collateral (MEUR)	Volume	%
Single-family housing	3,287	
Flats	3,181	
Multi-family housing		
Commercial		
Forest & agricultural		
Public sector		
Sum	6,467	100%

Interest rate type on loans, MEUR	Volume	%
Floating	6,426	99%
Fixed	41	1%
Sum	6,467	100%

Repayments, MEUR	Volume	%
Amortizing	6,403	99%
Interest only (*)	65	1%
Sum	6,467	

\*) Contract level information, grace period > 2 years is reported as interest only

LTV distribution (indexed)	<=10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	total <70%	>70% up to 100%	Total loans
Loan volume, MEUR	119	355	579	828	1,156	1,315	964	5,316	1,151	6,467
Percentage	2%	5%	9%	13%	18%	20%	15%	82%	18%	100%

Source: OP Mortgage Bank, Pool B, Finnish National Template as of 30 Sept. 2014

# OP Mortgage Bank Cover Asset Pool B as of 30 Sept. 2014

## Cover Pool

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-	Sum
Contractual amortizations	154	594	573	535	489	449	413	374	342	312	2,231	6,467
Percentage	2.39%	9.19%	8.87%	8.27%	7.56%	6.94%	6.39%	5.78%	5.30%	4.83%	34.49%	100%

Seasoning	0-12 M	12-24 M	24-36 M	36-60 M	> 60 M	Sum
Loan volume, MEUR	531	1,492	1,057	1,480	1,907	6,467
Percentage	8%	23%	16%	23%	29%	100%

Credit quality	31-60 d	60-90 d	>90 d	Sum
Past due				
Loan volume, MEUR	19	2	0	20
Percentage	0.29%	0.02%	%	%

Impaired Loans	
Impaired loans, %*	0.00%



# OP Mortgage Bank Cover Asset Pool B as of 30 Sept. 2014

## Key ratios

Key ratios	
OC, accounting	13.7%
OC, nominal	15.1%
OC, NPV	38.2%
WALTV (indexed)	50.5%
WALTV total (indexed)	51.0%

*Calculated according to:*

*Eligible assets, section 16 in Mortgage Credit Bank Act  
Total assets, including loan balances up to 100% LTV  
limit*

*Eligible assets, section 16 in Mortgage Credit Bank Act*

*Eligible assets, section 16 in Mortgage Credit Bank Act  
Total assets, including loan balances up to 100% LTV  
limit*

Remaining average maturity (MCBA)	Years
Assets	7.1
Liabilities	4.8

*Calculated according to:*

*Section 17 in Mortgage Credit Bank Act  
Section 5.4.3 Finnish FSA regulation and guidelines 6/2012 Mortgage  
bank  
authorisation procedure and risk management*

	Before hedges		Hedges		After hedges	
	Pool assets	Covered bonds	Pool assets	Covered bonds	Pool assets	Covered bonds
Currency risk						
SEK						
EUR						
USD						
Other						
Sum	0	0	0	0	0	0

According to Section 13 of the MCBA, collateral entered in the register of covered bonds must be in the same currency as the covered bond.

This also applies to derivatives contracts concluded to hedge against risks relating to covered bonds and the assets placed as collateral for them.

Source: OP Mortgage Bank, Pool B, Finnish National Template as of 30 Sept. 2014



# OP Mortgage Bank Cover Asset Pool B as of 30 Sept. 2014

## Key ratios

	Before hedges		Hedges		After hedges	
	Pool assets	Covered bonds	Pool assets	Covered bonds	Pool assets	Covered bonds
Interest rate risk						
Floating	6,164	200	6,205	5,565	6,205	5,565
Fixed	41	5365				
Capped floating	263		263		263	
Sum	6,467	5565	6,467	5,565	6,467	5,565

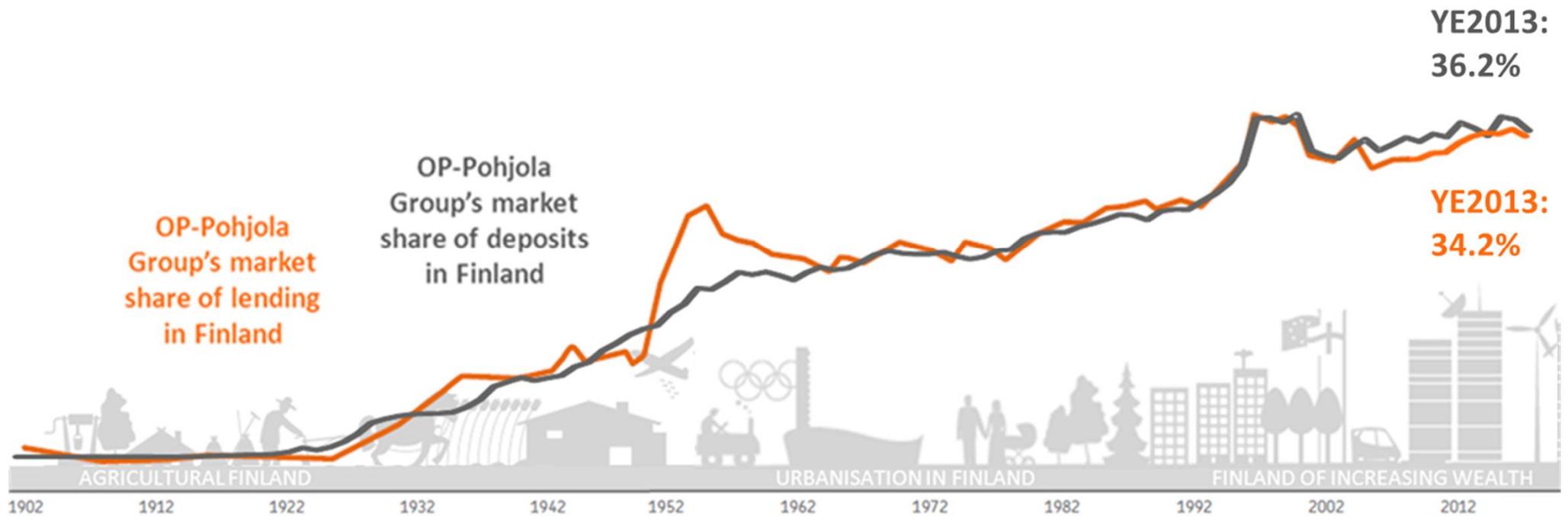
Accrued interest cash flows, MEUR	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y
Interest income	81	73	72	73	75	78	79	77	74	68
Interest expense	30	27	32	33	33	23	18	11	3	3
Net	50	46	40	40	42	54	61	66	71	65

Calculation method used: Contractual maturities

Calculated according to:

Section 17 in Mortgage Credit Bank Act

Section 5.4.4 Finnish FSA regulation and guidelines 6/2012 Mortgage bank authorisation procedure and risk management



# OPMB Asset Pool Characteristics; Pool A

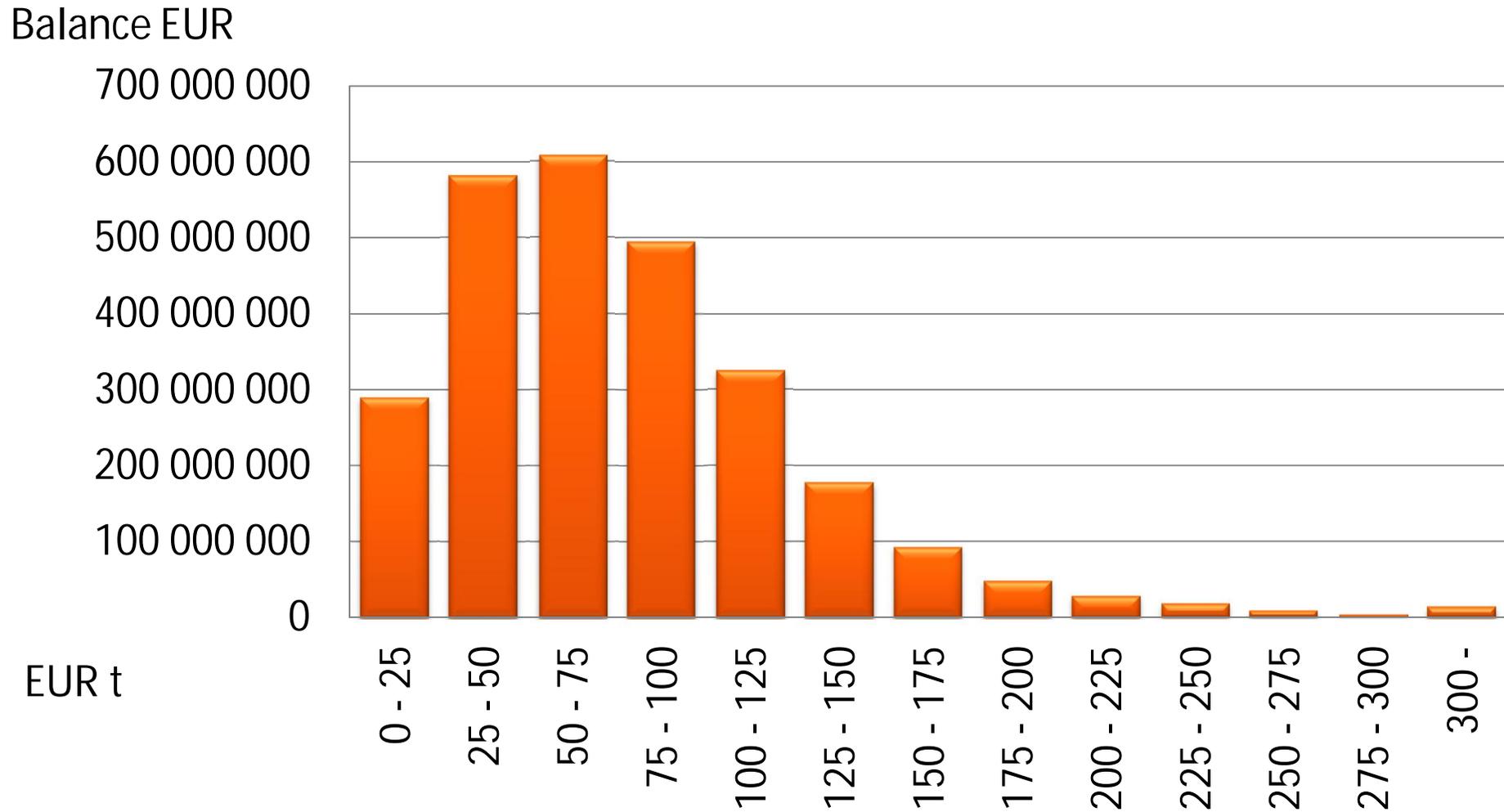
Covered bonds issued before 1 Aug. 2010,  
under the Finnish Act on Mortgage Credit Banks 1240/1999

# Main Features of OP Mortgage Bank Cover Asset Pool A as of 30 September 2014

- Collateralized by Finnish mortgages.
- Current balance EUR 2.7 billion.
- Weighted Average indexed LTV of 42%
- Average loan size of approximately EUR 43,600
- 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 2.25 billion.

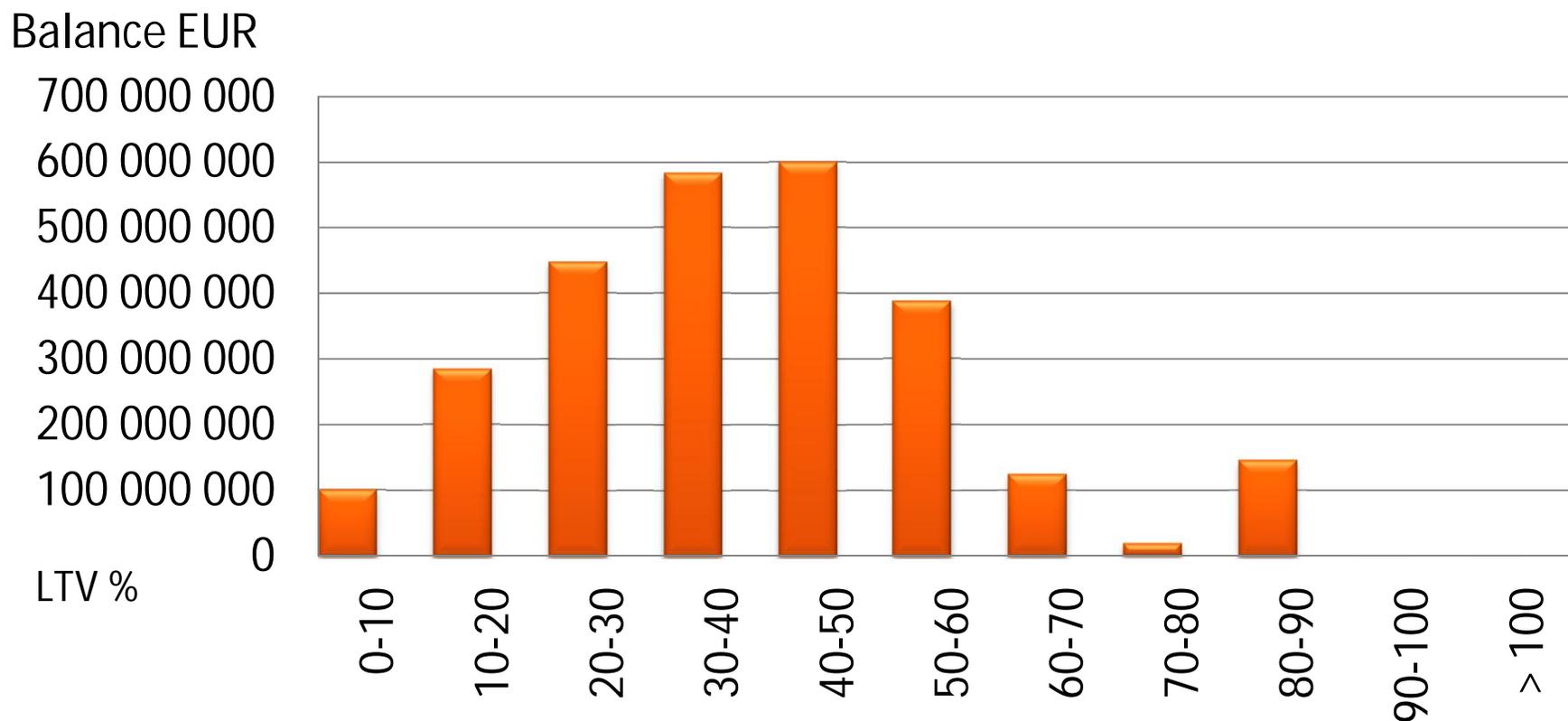
# OPMB Asset Pool A Characteristics

## Loans by size



# OPMB Asset Pool A Characteristics

Loans by LTV

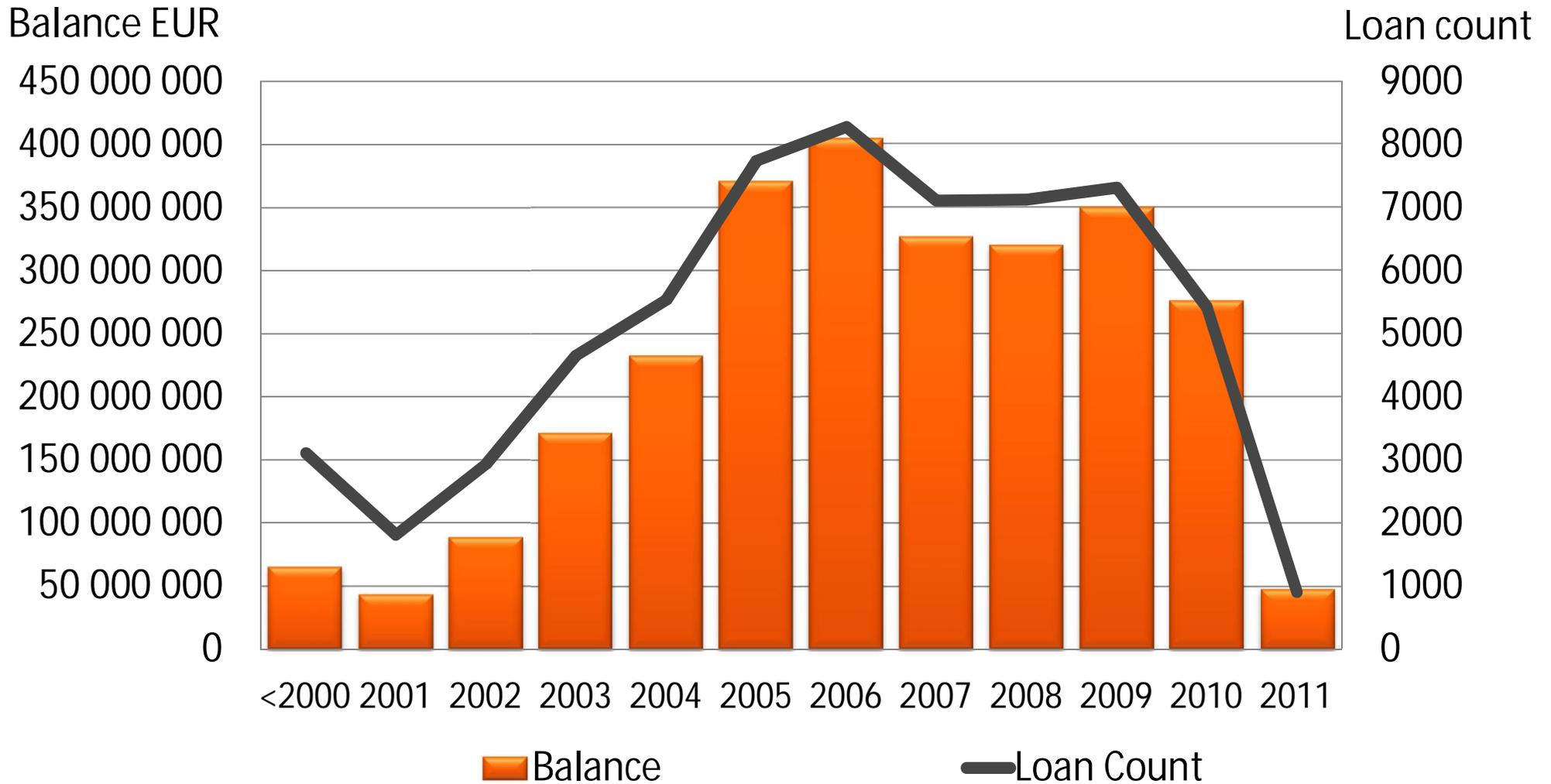


- Total assets EUR 2.7 billion
- Eligible Cover Pool assets EUR 2.7 billion
- Weighted Average indexed LTV of 42.0 %
- Over collateralization 20.0 %



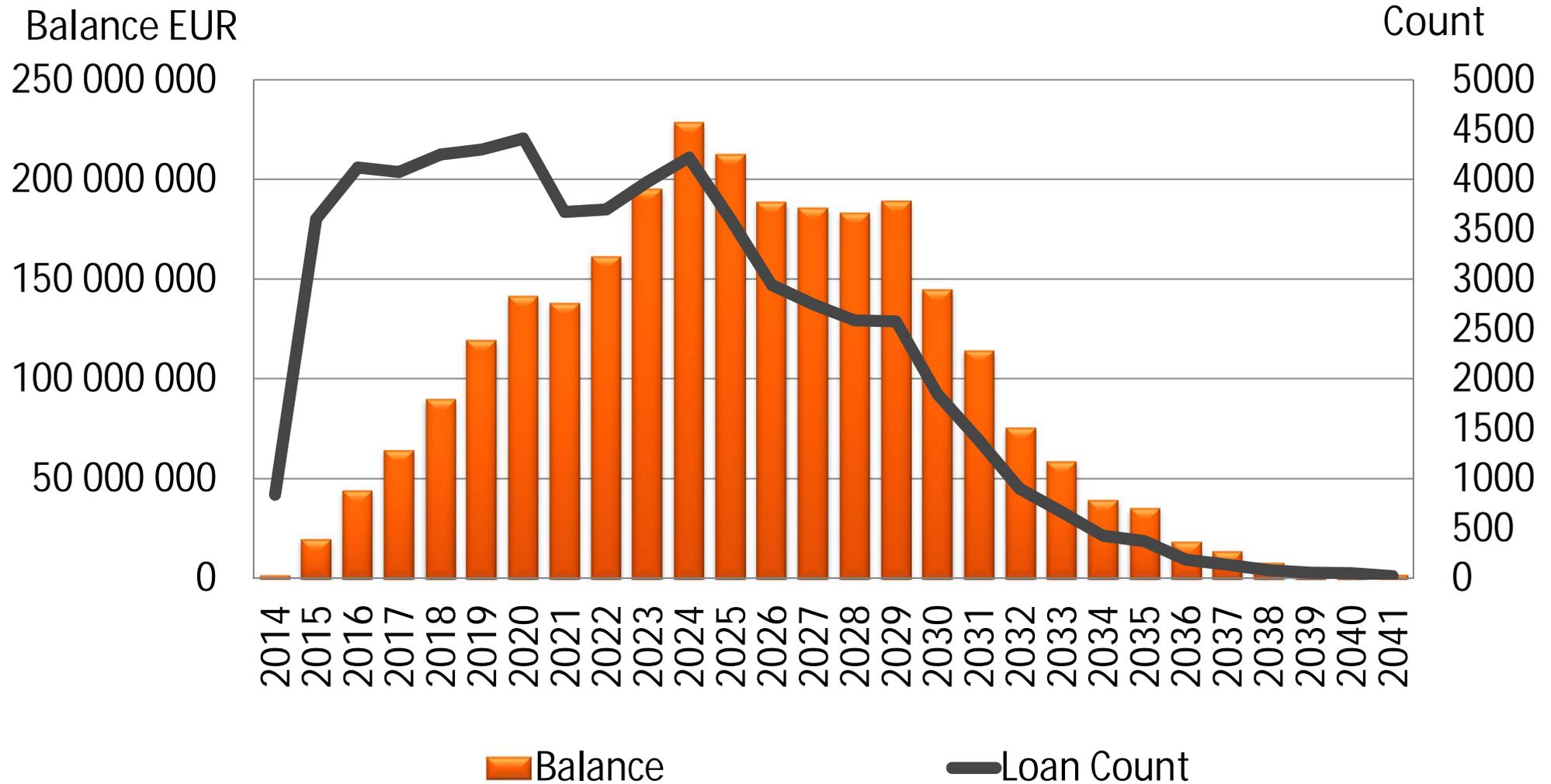
# OPMB Asset Pool A Characteristics

Loans by origination year



# OPMB Asset Pool A Characteristics

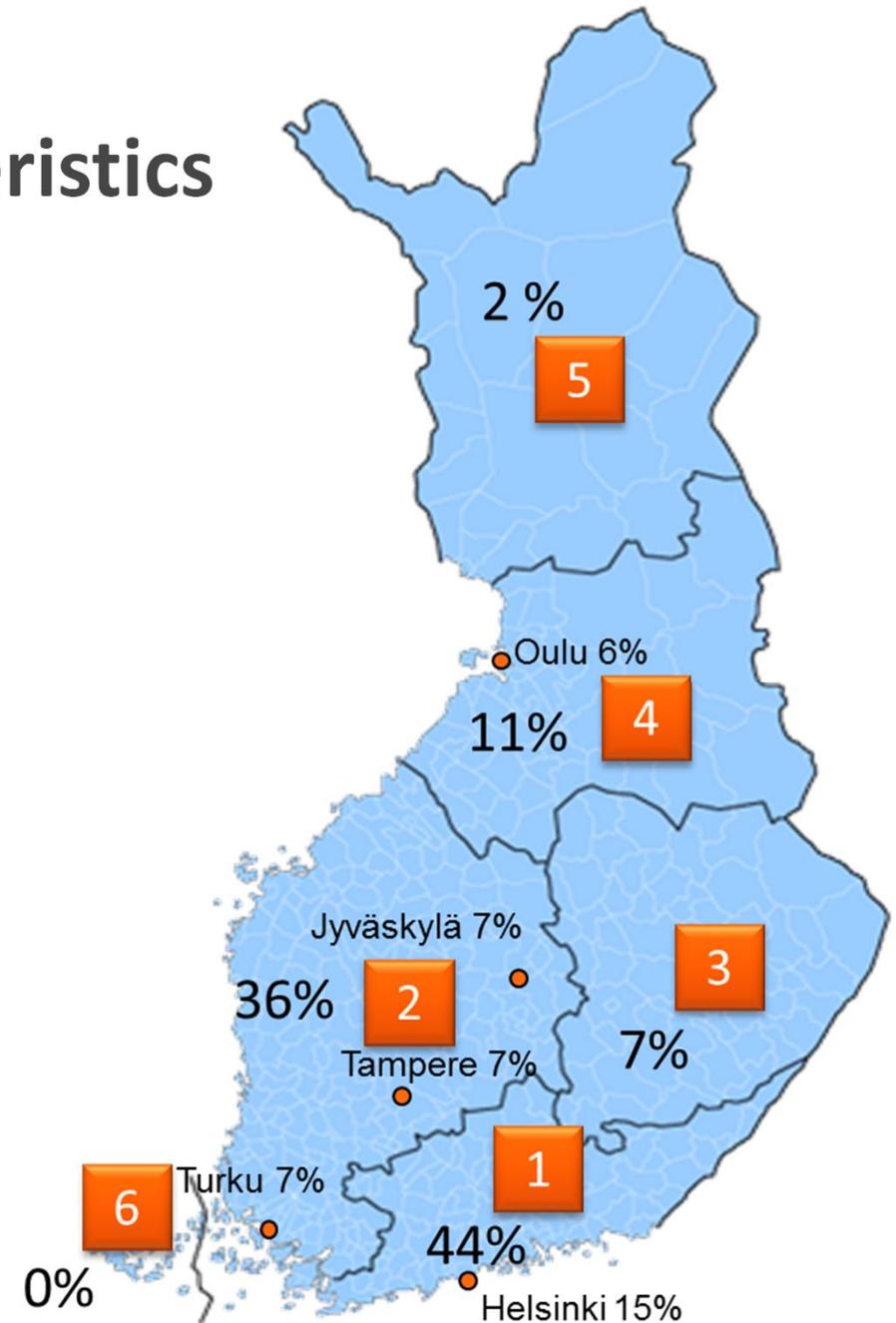
Loans by maturity

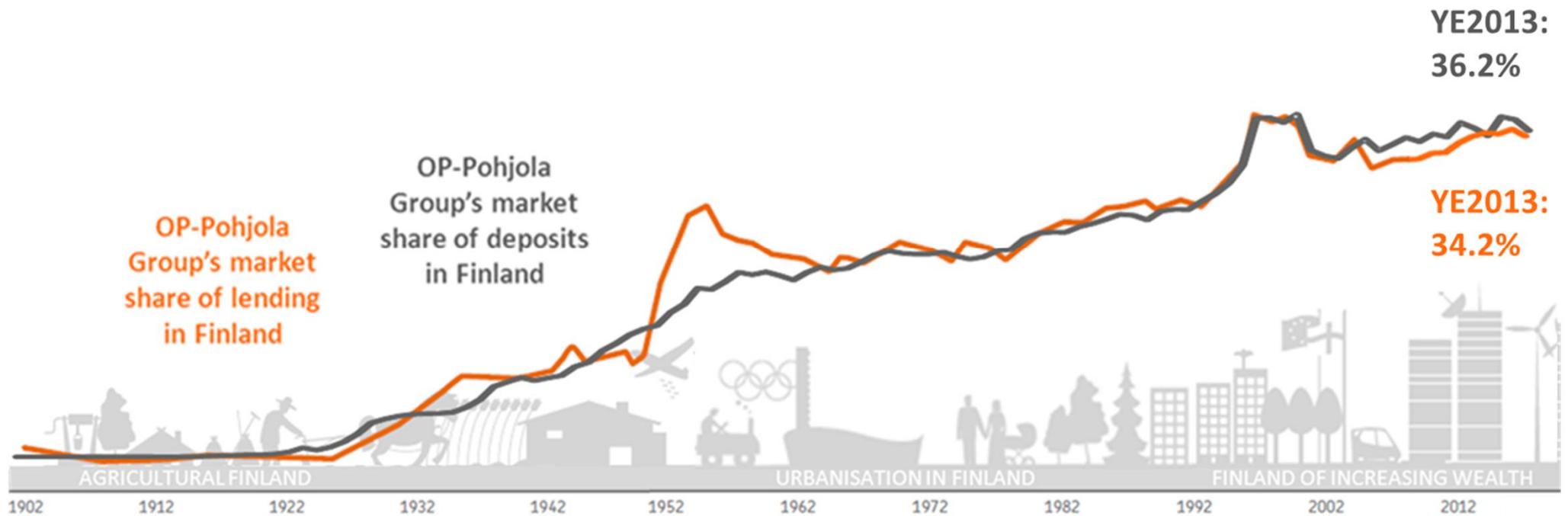


# OPMB Asset Pool A Characteristics

## Geographical distribution

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





# Debt Investor Relations Contacts

# Debt Investor Relations Contacts



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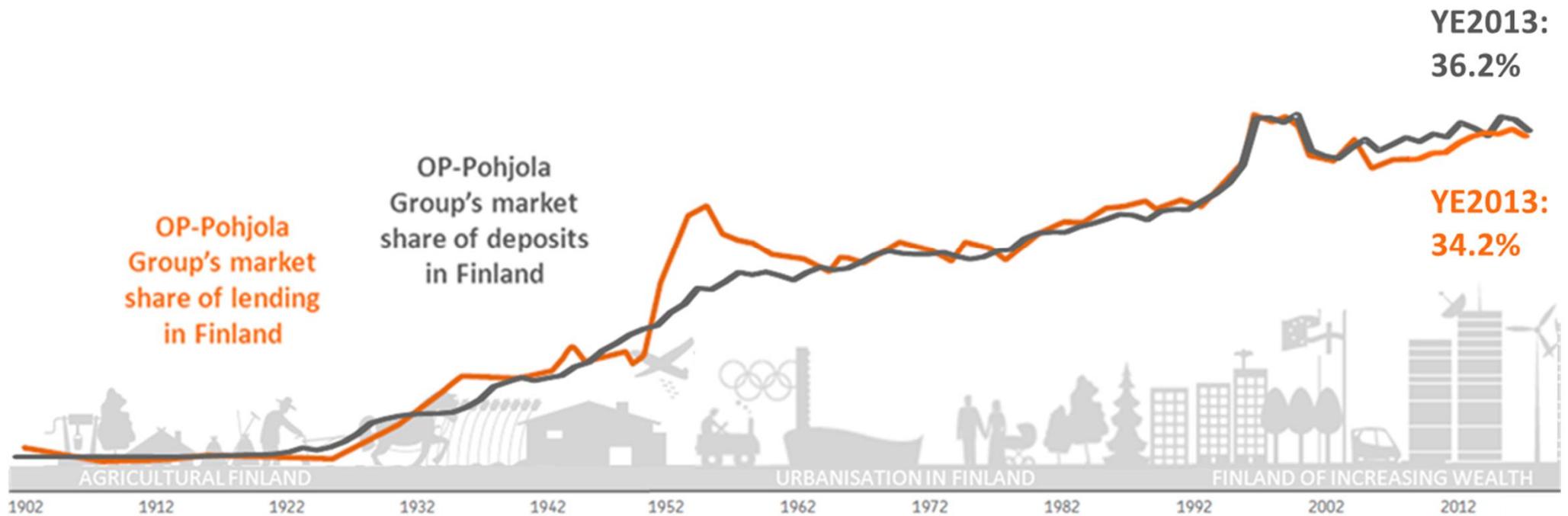
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## Financial reports and background material online

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



# Appendices

# OP-Pohjola Group's earnings analysis

€ million	Q1-3/2014	2013	2012	2011	2010	2009
Net interest income	774	915	1 002	1 030	917	1 070
Net income from Non-Life insurance	454	524	433	312	382	396
Net income from Life Insurance	168	175	108	72	100	-120
Net commissions and fees	549	694	584	574	563	496
Other income	183	267	243	173	210	208
Total income	2 128	2 575	2 371	2 160	2 172	2 051
Total expenses	1 192	1 598	1 494	1 358	1 286	1 248
Returns to owner-members and OP-bonus customers	147	193	192	176	163	160
Earnings before impairment loss on receivables	789	784	684	626	723	643
Impairment loss on receivables	50	84	99	101	149	179
Earnings before tax	739	701	586	525	575	464
Change in fair value reserve	103	-39	698	-400	225	677
Earnings before tax at fair value	843	662	1 283	125	800	1 140

# OP-Pohjola Group's key figures

	30 Sept. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Total assets, € million	106 265	100 991	99 769	91 905	83 969	80 430
Receivables from customers, € million	70 003	68 142	65 161	60 331	56 834	52 992
Liabilities to customers, € million	49 434	50 157	49 650	41 304	36 443	34 617
Equity capital, € million	6 715	7 724	7 134	6 242	6 726	6 187
Common Equity Tier 1 ratio, %	13.6	17.1 <sup>a</sup>	14.1 <sup>b</sup>	14.0 <sup>b</sup>	12.6 <sup>b</sup>	n/a
Capital adequacy ratio, %	16.3	19.8 <sup>a</sup>	14.1	14.0	12.8	12.6
Doubtful receivables, € million <sup>c</sup>	333	295	311	296	204	223
Ratio of doubtful receivables to loan and guarantee portfolio, % <sup>c</sup>	0.46	0.42	0.46	0.47	0.34	0.40
Loan and guarantee portfolio, € billion	73.0	71.0	67.7	62.8	59.4	55.6
Impairment loss on receivables, € million	50 <sup>d</sup>	84 <sup>e</sup>	99 <sup>e</sup>	101 <sup>e</sup>	149 <sup>e</sup>	179 <sup>e</sup>
Impairment loss on receivables / loan and guarantee portfolio, %	0.09 <sup>d</sup>	0.12 <sup>e</sup>	0.15 <sup>e</sup>	0.16 <sup>e</sup>	0.25 <sup>e</sup>	0.32 <sup>e</sup>
Personnel	12 430	12 856	13 290	13 229	12 504	12 504

a) As of 1 January 2014

b) Core Tier 1 ratio

c) More than 90 days overdue and zero-interest receivables

d) January-September

e) January-December

# OP-Pohjola Group's key ratios

	Q1-3/2014	2013	2012	2011	2010	2009
Net interest margin, % <sup>a</sup>	1.0	0.9	1.0	1.2	1.1	1.4
Average corporate loan margin, %	1.49	1.57	1.52	1.34	1.36	1.33
Cost/income ratio, %	56	62	63	63	59	53
Return on equity, (ROE) at fair value, %	6.8	8.7	1.0	0.4	9.4	14.7
Return on assets, (ROA) at fair value, %	0.5	0.6	1.0	0.0	0.7	1.1
Solvency ratio (Solvency II), Non-life Insurance, % <sup>b</sup>	135	125	n/a	n/a	n/a	n/a
Solvency ratio (Solvency II), Life Insurance, % <sup>b</sup>	114	99	n/a	n/a	n/a	n/a
Operating combined ratio, Non-life Insurance, %	83.1	86.9	90.5	89.8	89.7	87.7

a) Net interest income as a percentage of average total assets

b) According to Solvency II draft (EU 138/2009)