

# Debt Investor Presentation

## Q1/2014

OP-Pohjola Group and issuing entities Pohjola Bank plc  
and OP Mortgage Bank

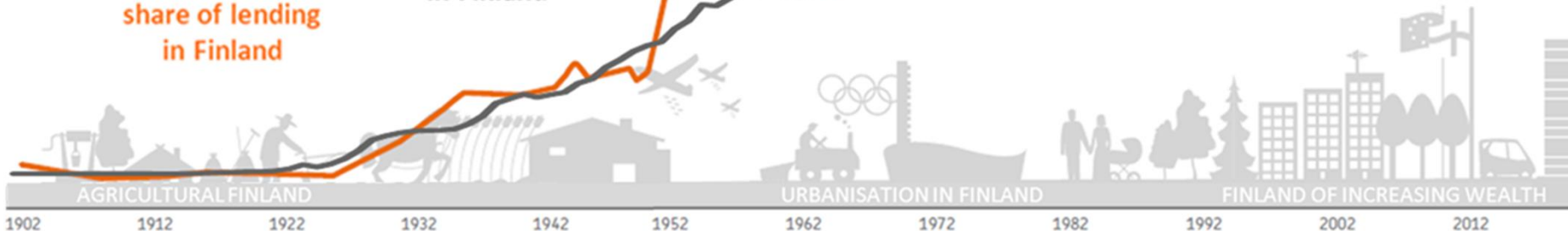
[www.pohjola.com](http://www.pohjola.com) > Investor Relations > Debt Investors

**YE2013:**  
**36.2%**

**YE2013:**  
**34.2%**

**OP-Pohjola  
Group's market  
share of lending  
in Finland**

**OP-Pohjola  
Group's market  
share of deposits  
in Finland**



# 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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# OP-Pohjola Group – 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 (stable)
  - S&P: AA- (credit watch negative)
  - Fitch: A+ (stable)
- OP Mortgage Bank's covered bonds
  - Moody's: Aaa
  - S&P: AAA

## 2 Solid capital position

- CET1\* ratio 15.5% as of 31 March 2014 (17.1 as of 1 Jan. 2014)\*\*
- Capital adequacy under the Act on the supervision of FICOs 2.00 as of 31 March 2014 (1.90)
- Leverage ratio of OP-Pohjola Group's Banking is, according to the current interpretations of the new regulations, 6.0% (6.8) which is double the 3% minimum

## 3 Strong funding and liquidity

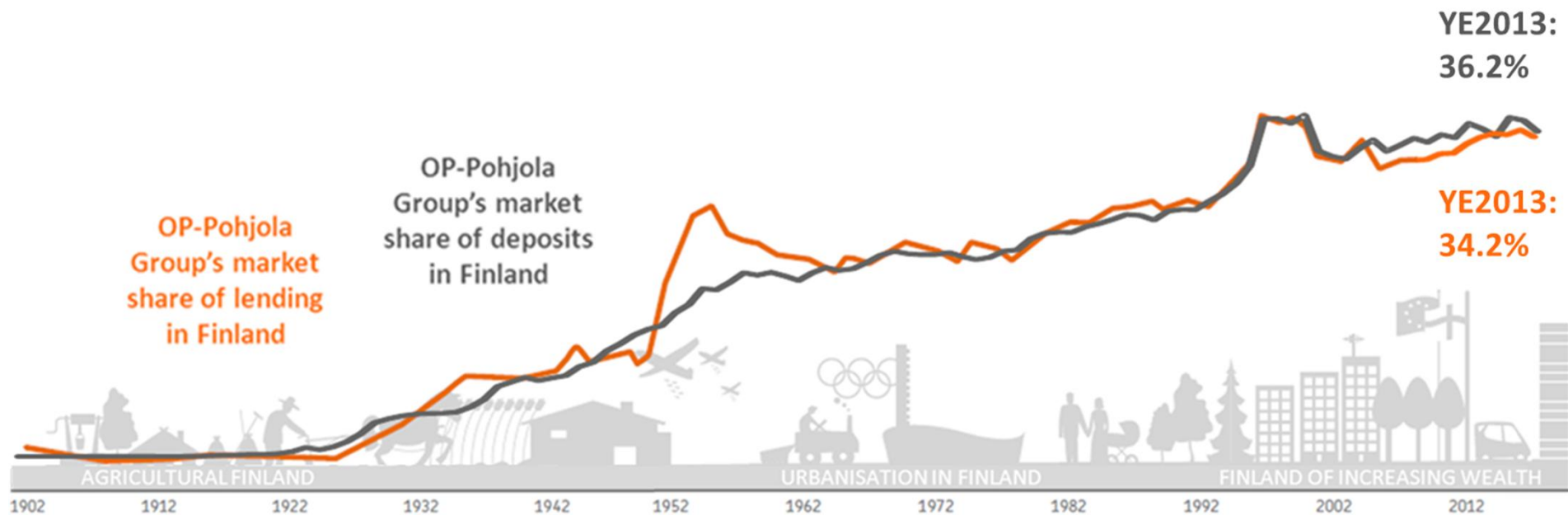
- Strong deposit funding base: deposits 66% of total funding as of 31 March 2014
- Liquidity buffer and other items included in OP-Pohjola Group's Contingency Funding Plan to cover 24 months of maturing wholesale funding

## 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 0.06% in Q1/14 (0.05)
- Ratio of more than 90 days overdue and zero-interest receivables to loan and guarantee portfolio 0.41% as of 31 March 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 March 2014

	2013 € bn	2012 Volume, % change on previous year	2013	2014f	2015f
GDP	193.4	-1.0	-1.4	1.0	2.0
Imports	77.8	-0.7	-1.8	1.0	3.5
Exports	77.6	-0.2	0.3	3.2	4.9
Consumption	159.2	0.4	-0.3	0.3	0.8
Private consumption	109.4	0.3	-0.8	0.2	1.0
Public consumption	49.7	0.5	0.8	0.4	0.3
Fixed investment	36.3	-0.8	-4.6	-1.0	3.2

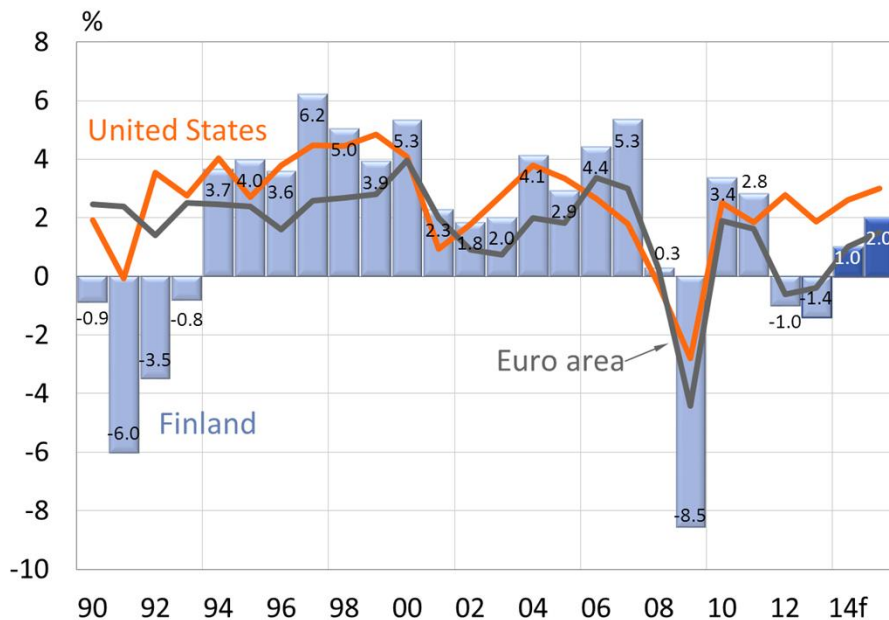
## Other key indicators

	2012	2013	2014f	2015f
Consumer price index, % change y/y	2.8	1.5	1.3	1.8
Unemployment rate, %	7.7	8.2	8.3	8.1
Current account balance, % of GDP	-1.4	-1.1	0.3	0.4
General government debt, % of GDP	53.6	57.0	59.6	59.8
General government deficit, % of GDP	-1.8	-2.1	-2.0	-0.5

Sources: Statistics Finland and OP-Pohjola Group

# GDP and Demand Components

## Change in GDP volume

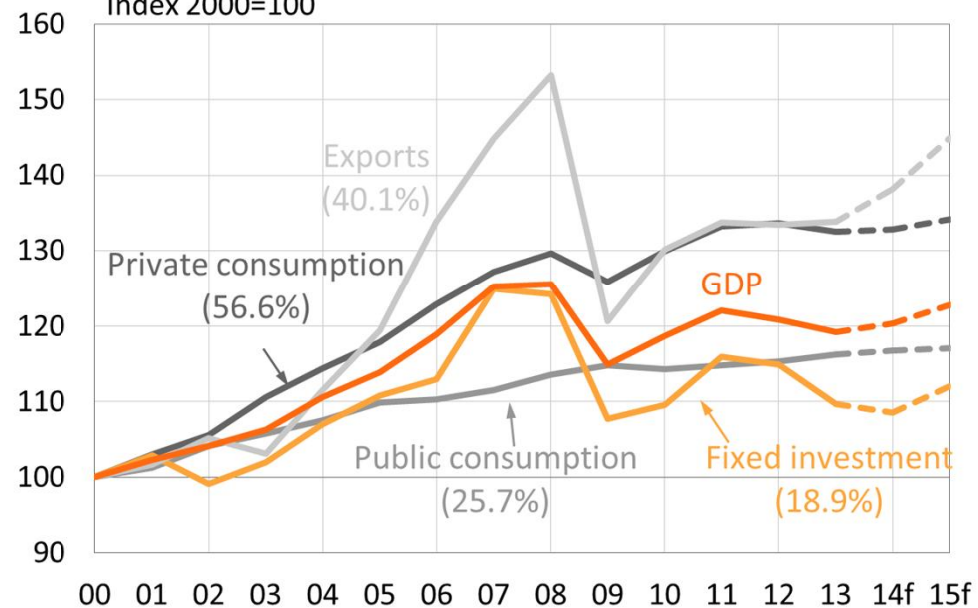


Sources: Reuters EcoWin, forecasts OP-Pohjola Group, January and March 2014

## GDP and demand components

2013 GDP shares in brackets

Index 2000=100

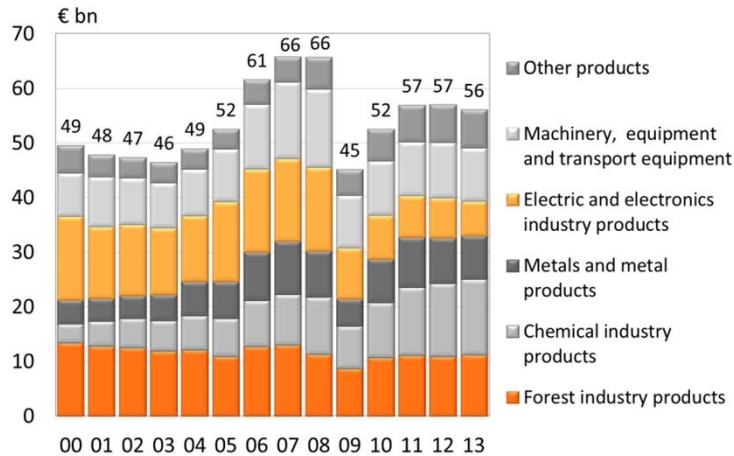


Sources: Statistics Finland, forecasts OP-Pohjola Group, March 2014



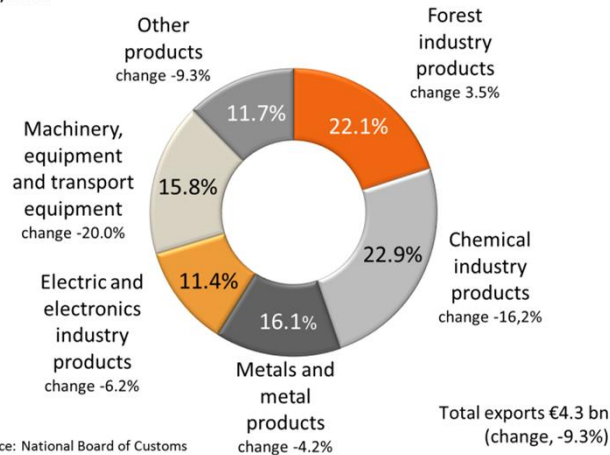
# Goods Exports by Product Group and by Country\*\*

Exports by commodity group

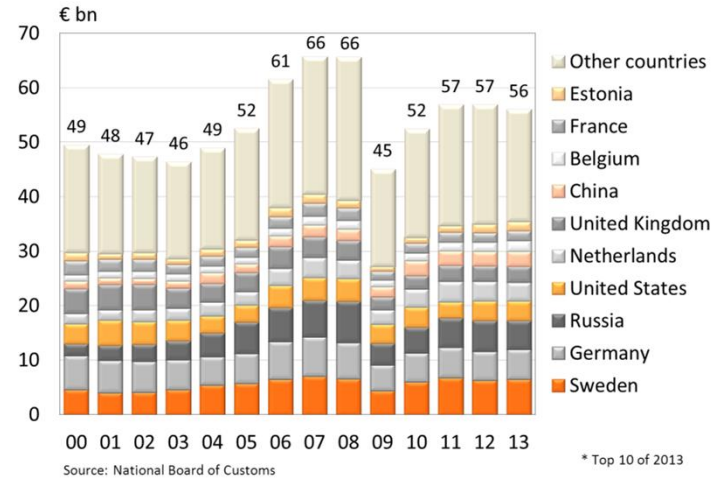


Goods exports by product group

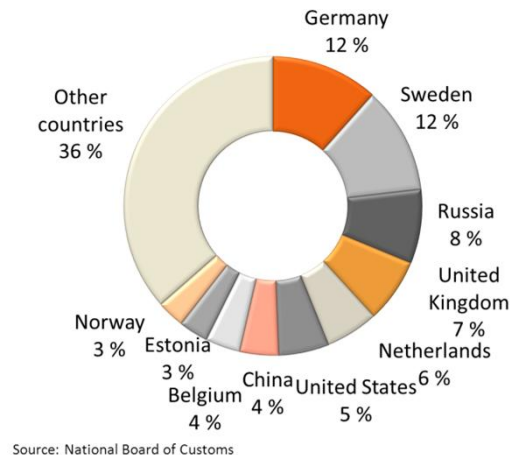
Share of total exports and annual change 1/2014



Finlands' largest\* export countries



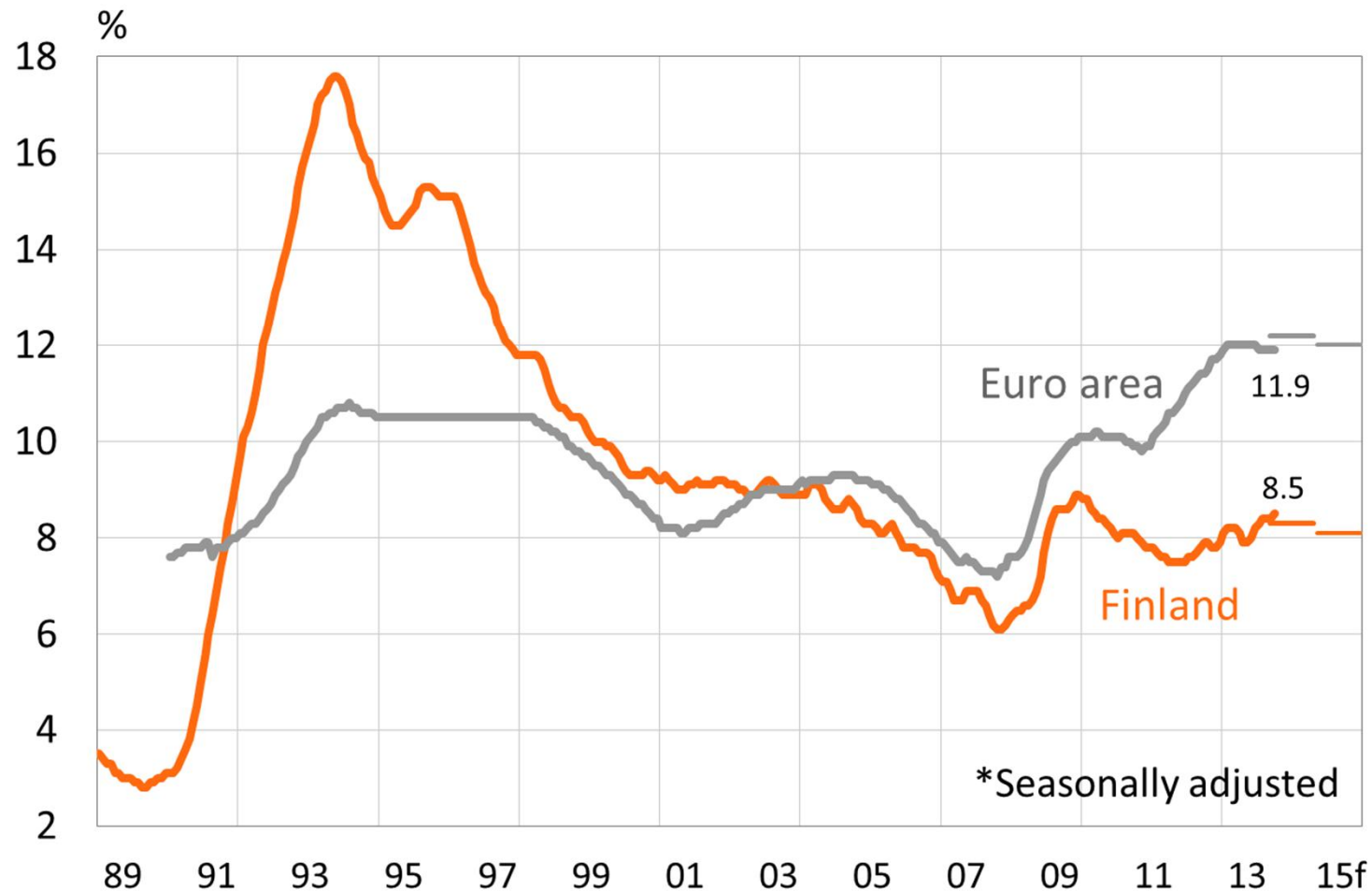
Goods exports by country 1/2014



\*\* In January 2014, EU member countries' share of goods exports was 60%



# Unemployment Rate\* in Finland and Euro Area

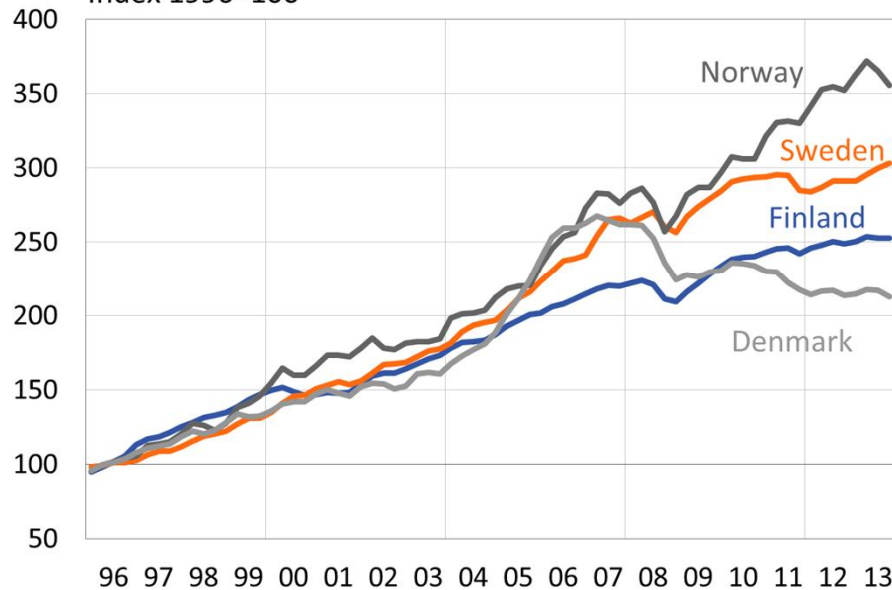


Sources: Statistics Finland, Eurostat, forecasts OP-Pohjola Group, January and March 2014

# Average House Prices and Households' Debt

## Average house prices

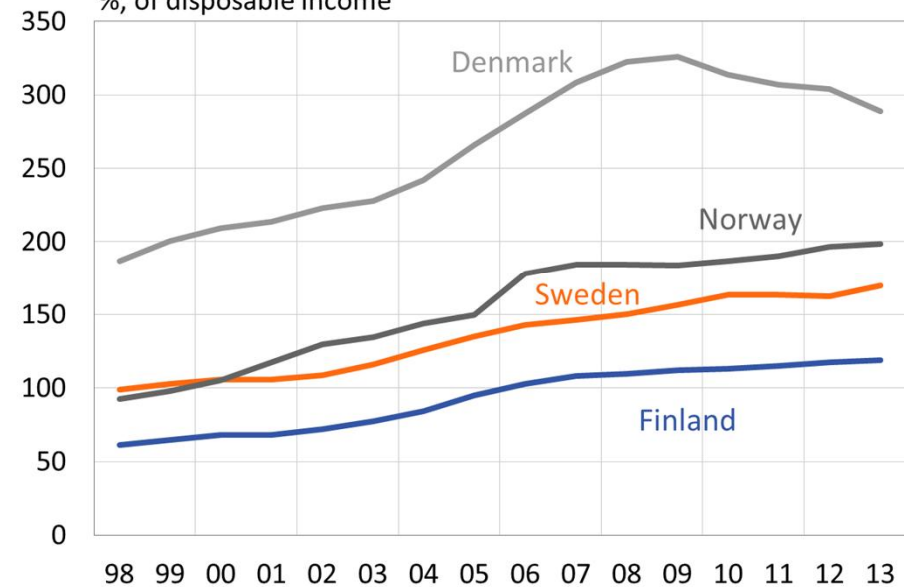
Index 1996=100



Sources: Reuters EcoWin, Statistics Sweden

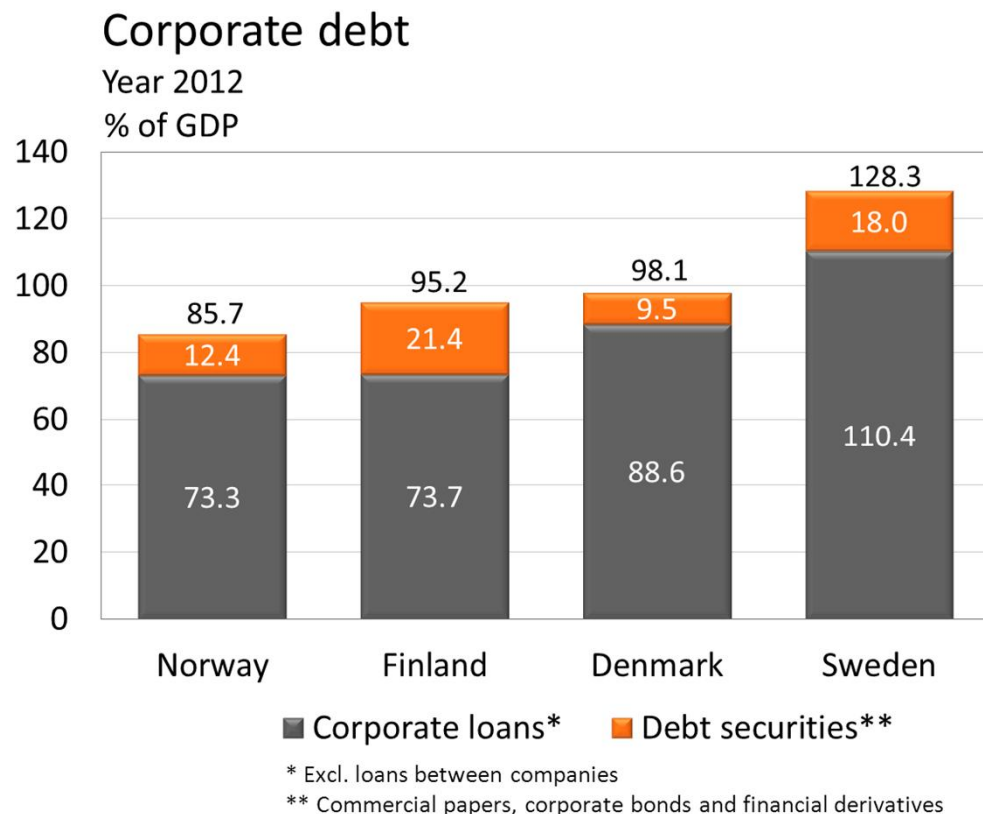
## Households' debt ratio

%, of disposable income



Sources: Central Banks, Statistics Finland

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



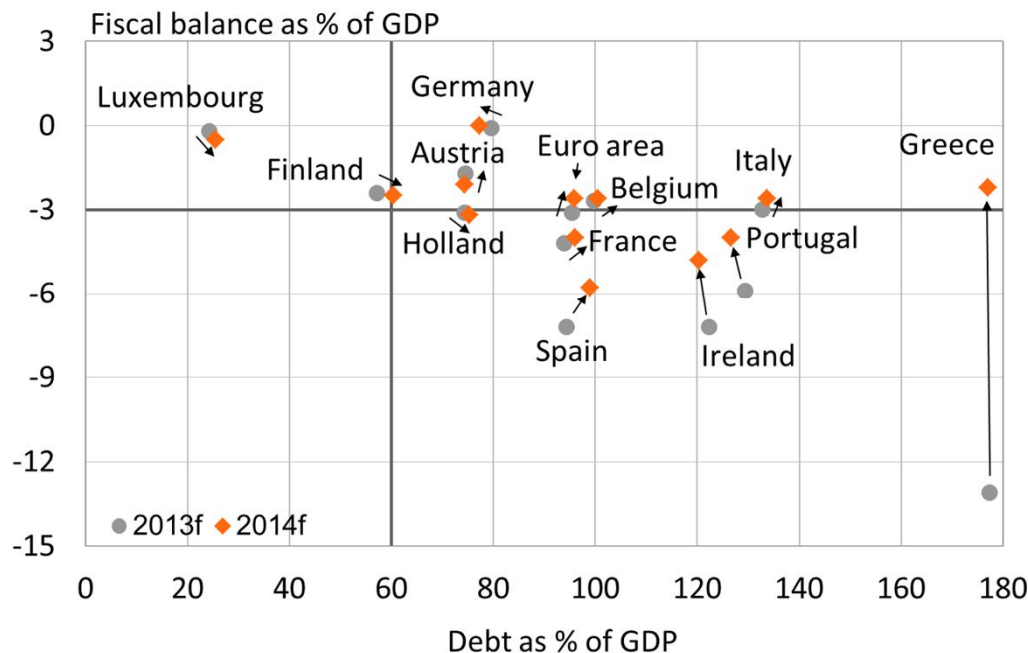
Source: Eurostat, Consolidated Financial Accounts

- TOP 650 companies account for 45% of the turnover in the Finnish corporate sector
- Average equity ratio of Finnish companies was 42.3% in 2012
- Average net profit ratio of Finnish companies was 2.5% in 2012

Source: Statistics Finland

# Fiscal Balance and Sovereign Ratings for Euro Area

## Fiscal Balance, forecasts for 2013 and 2014



Source: European Commission, February 2014

## Long-term credit ratings

22 April 2014

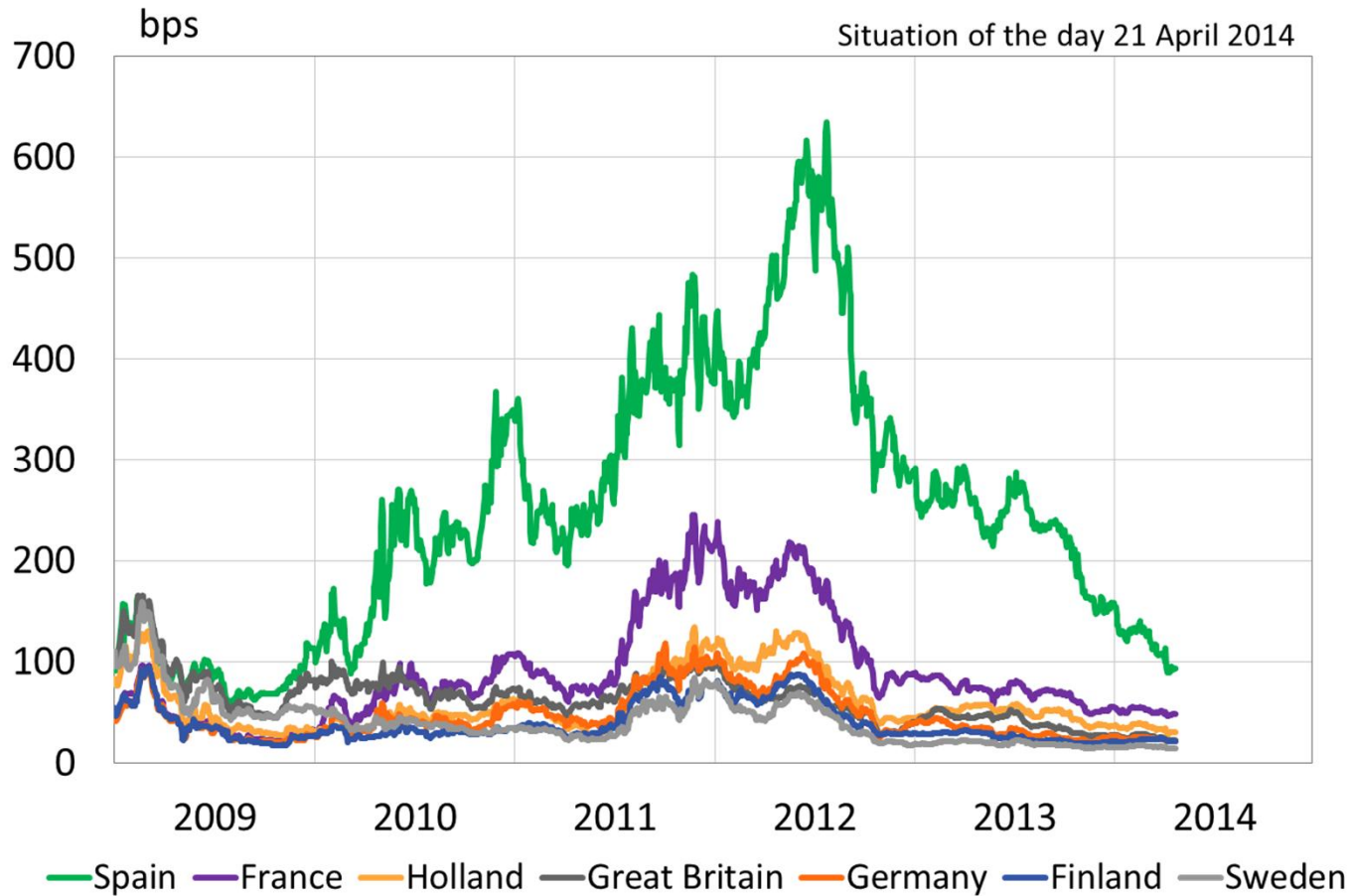
Country	Moody's	S&P	Fitch
Germany	Aaa	AAA	AAA
Luxembourg	Aaa	AAA	AAA
<b>Finland</b>	<b>Aaa</b>	<b>AAA*</b>	<b>AAA</b>
Netherlands	Aaa	AA+	AAA*
Austria	Aaa	AA+	AAA
France	Aa1*	AA	AA+
Belgium	Aa3	AA	AA
Estonia	A1	AA-	A+
Slovakia	A2	A	A+
Malta	A3	BBB+	A
Latvia	Baa2**	BBB+**	BBB+
Italy	Baa2	BBB*	BBB+*
Spain	Baa2**	BBB-	BBB
Slovenia	Ba1	A-	BBB+*
Ireland	Baa3**	BBB+**	BBB+
Portugal	Ba3	BB*	BB+**
Cyprus	Caa3**	B-	B-*
Greece	Caa3	B-	B-

\* Negative outlook

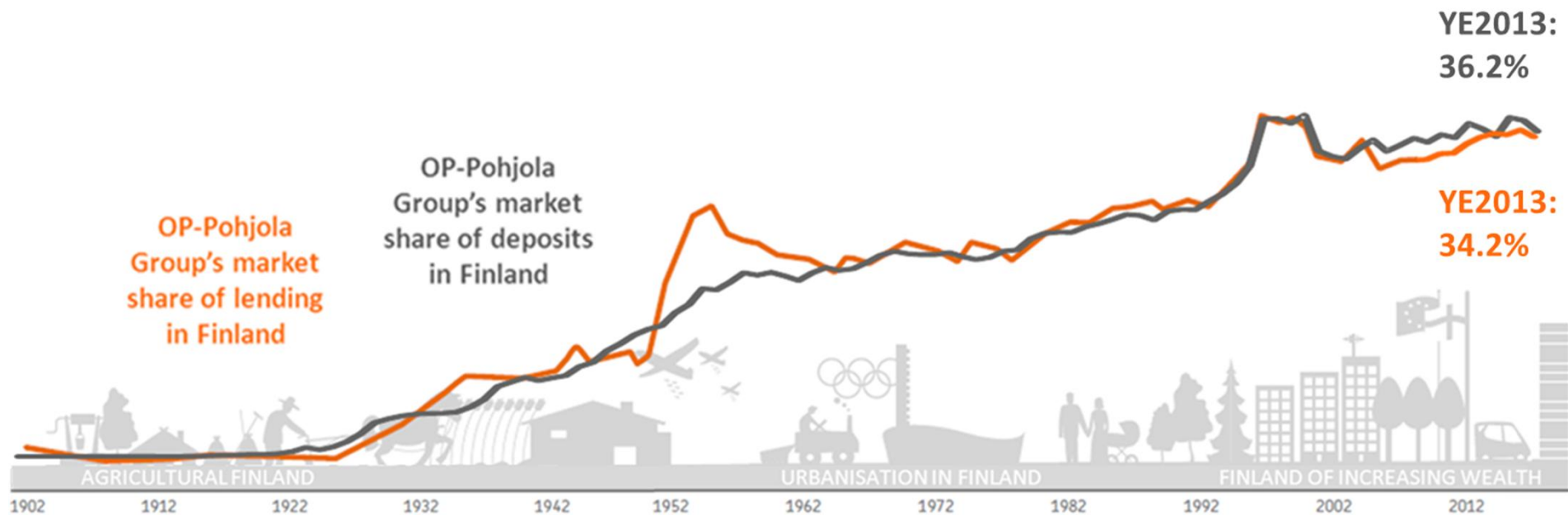
\*\* Positive outlook

Sources: Rating agencies' websites

# 5-year CDS 2009–14 by Country



Source: Reuters EcoWin



OP-Pohjola Group

# OP-Pohjola Group's Strategy by Business Segment

## Strategic focus on cross-selling

### 1 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. digitalization of back-office processes
- In the forefront in product and service development

### 2 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

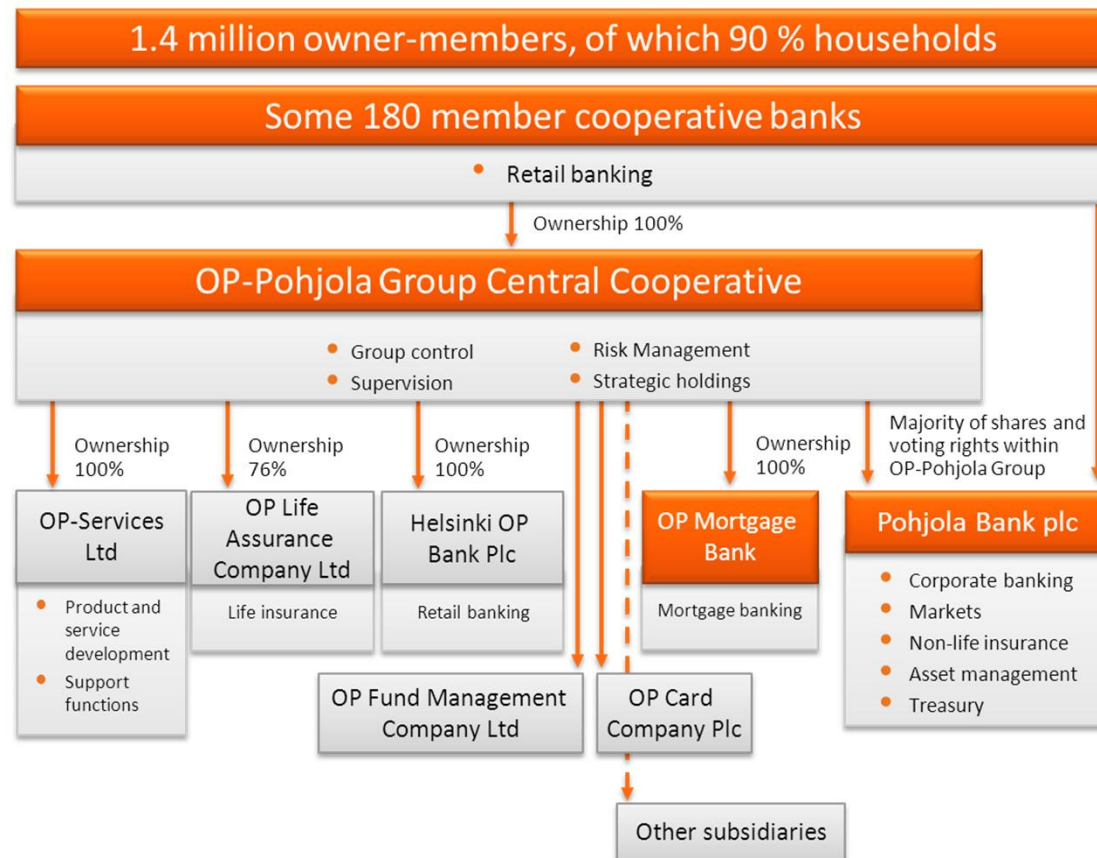
### 3 Wealth Management – Focus on intensifying our efforts to become Finland's leading provider of wealth management services

- 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



# Pohjola Bank plc Transaction will lead to More Efficient and Competitive OP-Pohjola Group

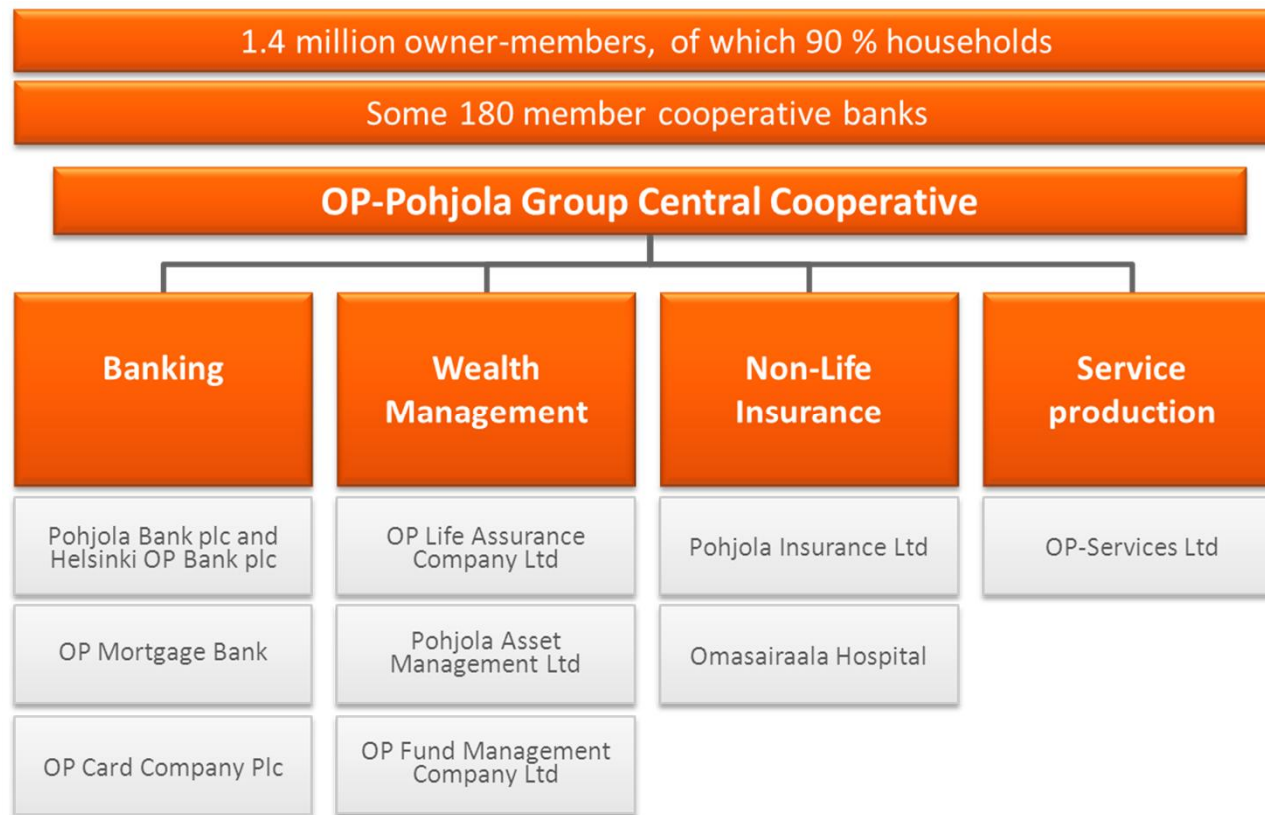
## Current



Issuing entities are Pohjola Bank plc and OP Mortgage Bank. Joint liability remains unchanged.

# Pohjola Bank plc Transaction will lead to More Efficient and Competitive OP-Pohjola Group

## Target



Issuing entities are Pohjola Bank plc and OP Mortgage Bank. Joint liability remains unchanged.

# 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-Pohjola Group Central Cooperative has executed the public voluntary bid for Pohjola shares and its holding in Pohjola shares has increased to 98.4%\*

## Public tender offer for all Pohjola Bank plc shares

OP-Pohjola Group Central Cooperative announced on 6 February 2014 of a public tender offer for all Pohjola Bank plc shares.

Acceptance period  
24 Feb.–1 April 2014

Bid price €16.80 per Series A and K share



OP-Pohjola Group Central Cooperative's holding 94.07% of shares and 96.78% of votes

Extra offer period  
7–22 April 2014

Offered consideration €16.13 for each Series A share (deducted with the dividend of €0.67)

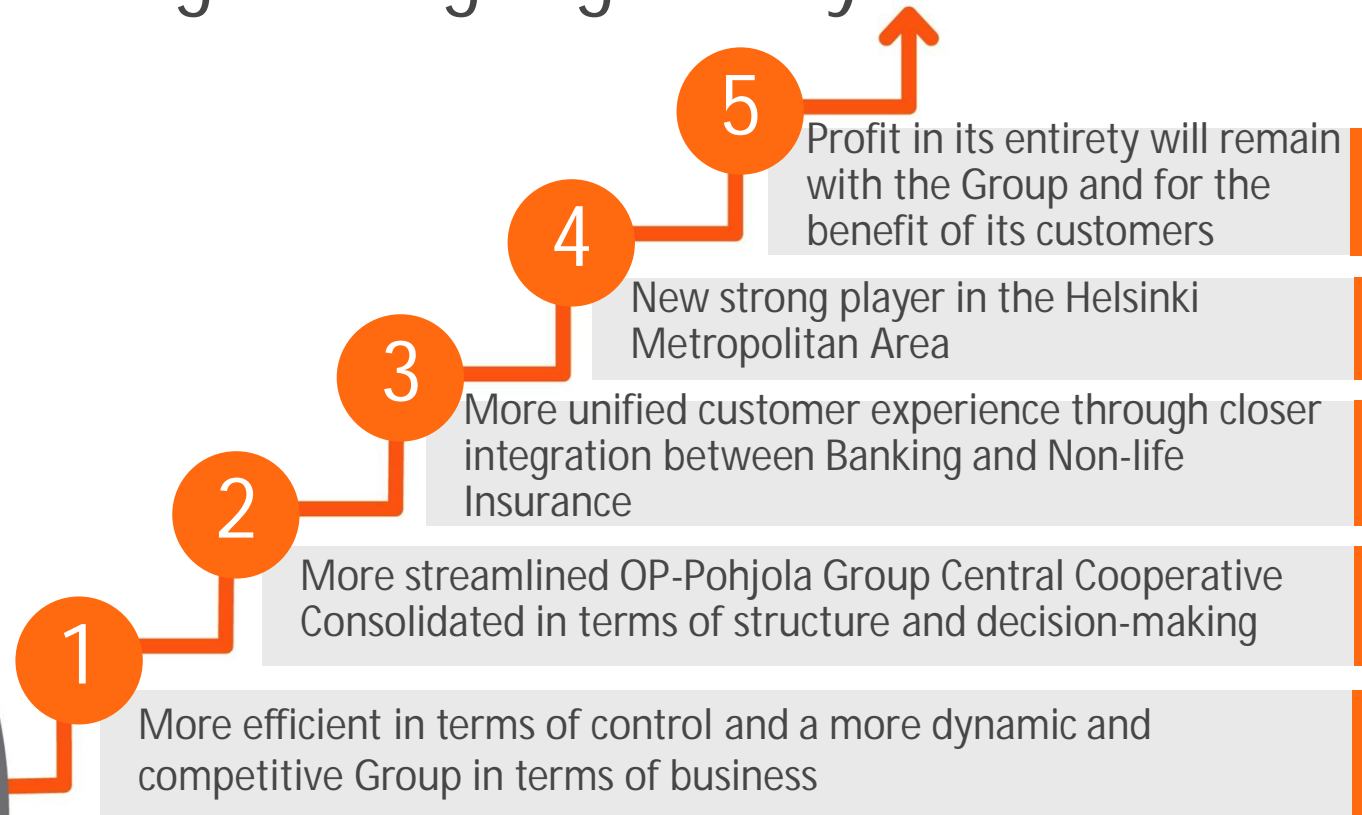


OP-Pohjola Group Central Cooperative's holding 98.41% of shares and 99.14% of votes\*

Arbitration proceedings under the Limited Liability Companies Act in order to redeem the Shares referred to in the notice of squeeze-out, ceasing the trading in the Pohjola Bank plc's A Shares on the official list of the Helsinki Stock Exchange and delisting the A Shares from the official list.

\* Final results of the public tender offer

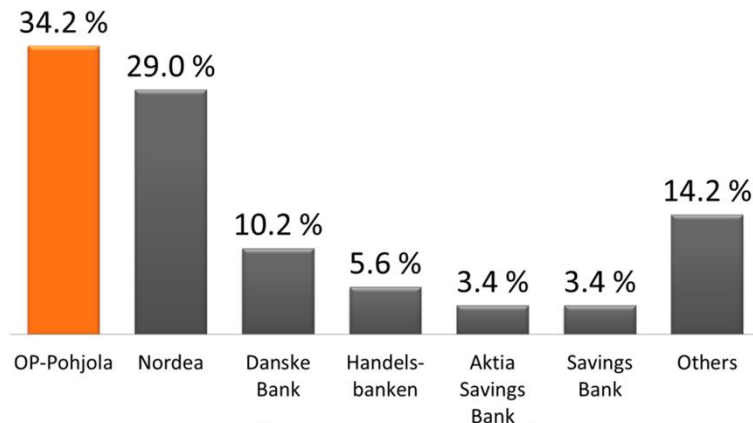
# Now we are continuing our success story in the face of the tightening regulatory framework



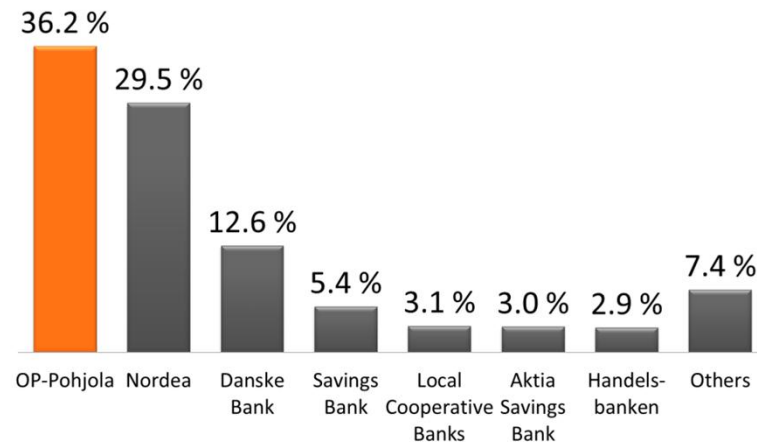
# Market Leader in Finland

## Market shares

### Loans 2013

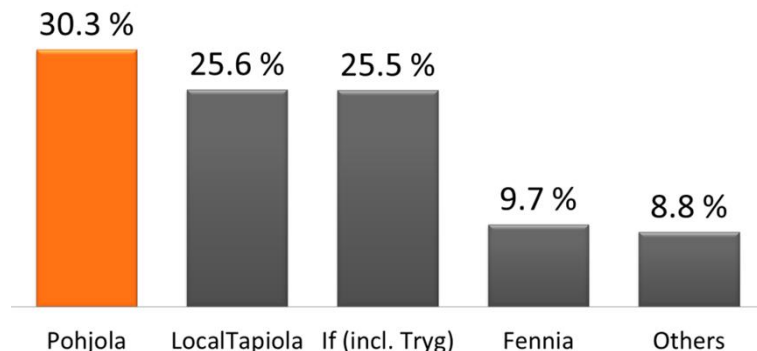


### Deposits 2013



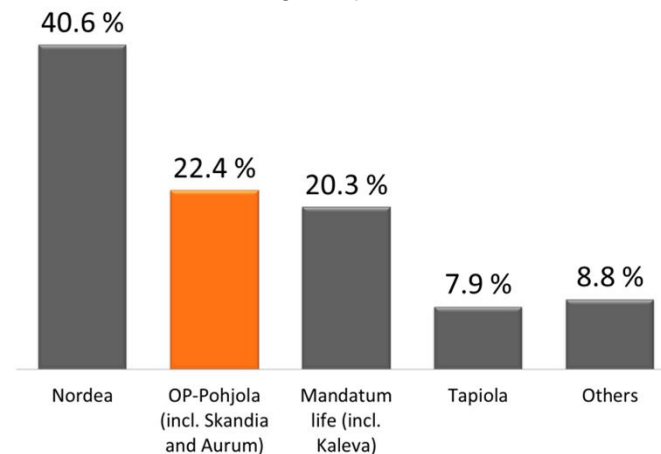
### Non-life Insurance 2013

Market share of premiums written under Finnish direct insurance



### Life Insurance 2013

Market share of gross premiums written



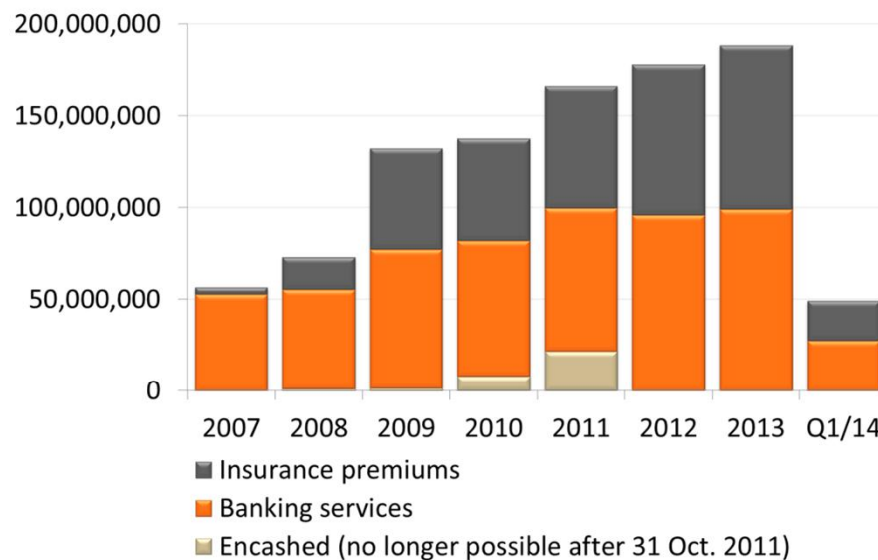
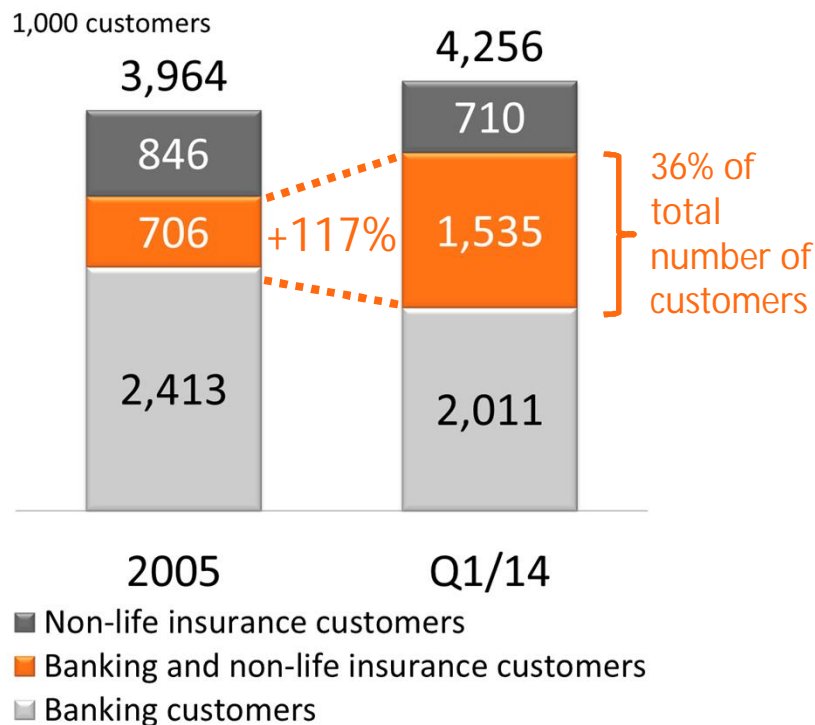
Source: Federation of Finnish Financial Services

# 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 17,000 in Q1/2014

OP bonuses to customers reached a new high in 2013, €182 mn (2005: €42 mn)  
Use of bonuses Q1/2014: €49 mn



Insurance premiums paid using bonuses totalled €22 million in Q1/14. In Q1/14, OP bonuses were used to pay 451,000 insurance premiums, with 59,000 paid in full using bonuses only.



# OP-Pohjola Group's EBT for Q1/14 Amounted to €257 mn (234)

Income up 7% and expenses by 6% (excluding a non-recurring expense of €8 million related to the tender offer for Pohjola Bank plc shares, the Group's expenses would have risen by 4%)

## 1 Banking earnings €160 million (98)

- Net interest income up by 27% thanks to higher margins and increase in loan portfolio
- Net commissions and fees increased by €5 million thanks to growth in commissions related to lending, payment transactions and wealth management
- Expenses down by 2%
- Loan portfolio up by 4% and deposits up by 4% y-on-y
- Impairment loss on receivables €10 million (9)
- Cost/income ratio 56% (65)

## 2 Non-life Insurance earnings €62 million (56)

- Insurance premium revenue increased by 8%
- Operating combined ratio 89.3% (92.4) and expense ratio 18.5% (19.9)
- Return on investments at fair value 1.4% (1.1)
- Solvency II ratio 134% as of 31 March 2014 (125% as of 31 Dec. 2013)\*

## 3 Wealth Management earnings €67 million (57)

- Net commissions and fees up by 10%
- Assets under management (gross) up by 13% y-on-y amounting to €53.9 billion
- Return on investments at fair value within Life insurance 1.4% (1.3)

## 4 Other operations €-32 million (24)

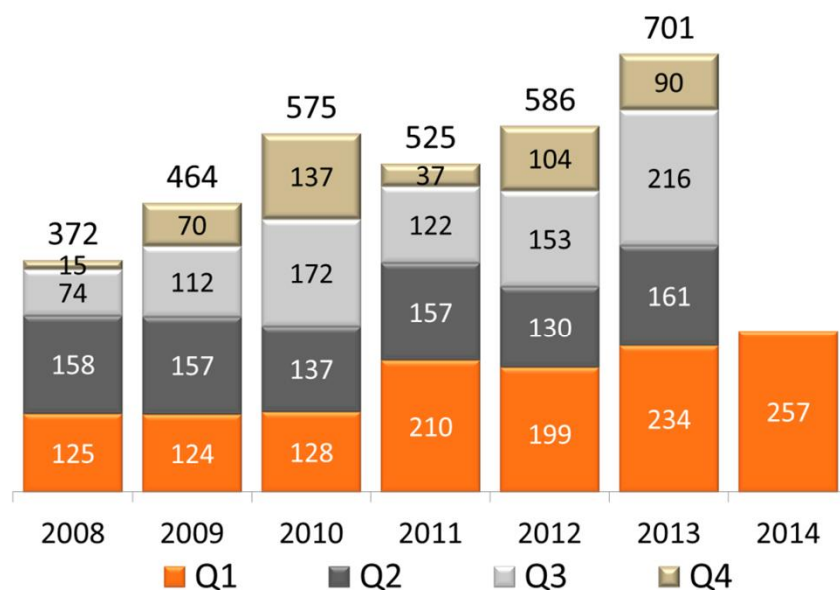
- Net interest income decreased to € -13 million (4) mainly due to preparation for tighter liquidity rules, which impacted net interest income arising from the liquidity buffer
- Net investment income decreased to €13 million (19).
- Impairment loss on receivables amounted to €0 million (0).

\* Estimate, Solvency II regulations are still partly unfinished

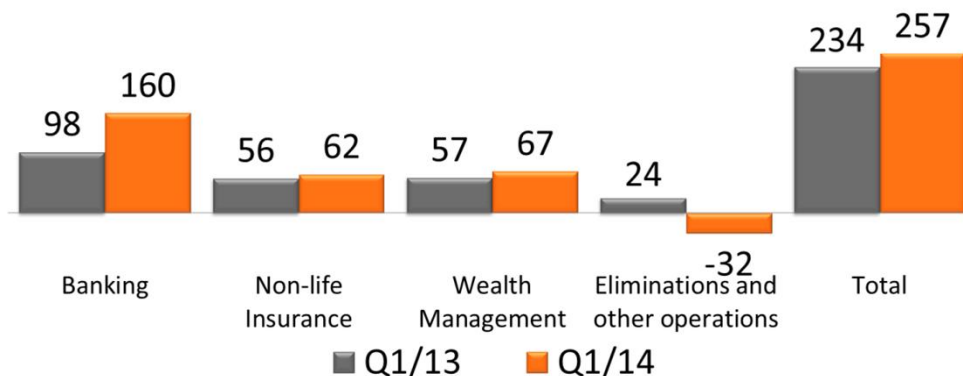
# Earnings Before Tax Increased by 10%

Unless the operating environment turns out to be considerably weaker than expected, OP-Pohjola Group's earnings before tax for 2014 are expected to be higher than in 2013.  
The full version of Outlook can be found in the Interim Report.

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

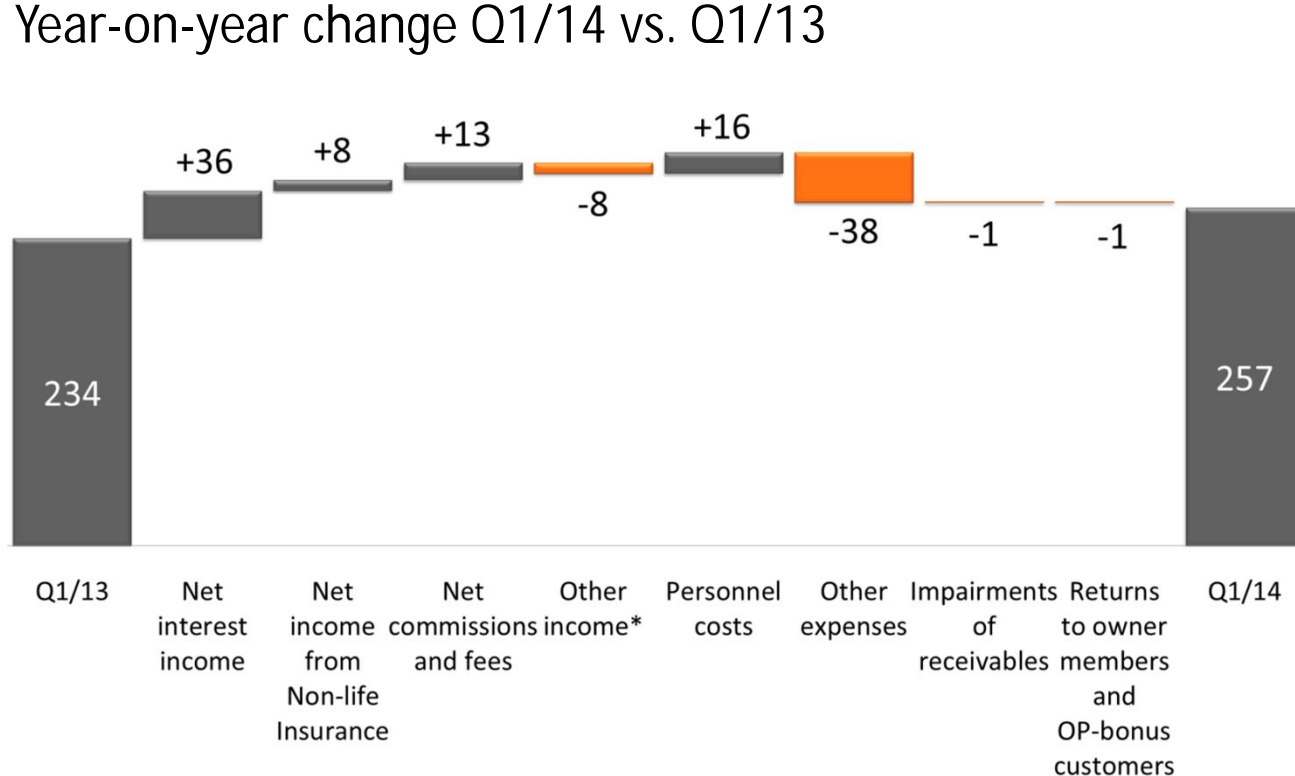


Earnings before tax by business segment,  
year-on-year Q1/14 vs. Q1/13, € mn



# Increase in net interest income, net commissions and fees and decrease in personnel costs contributed to good financial performance in Q1/14

Earnings before tax, € million  
Year-on-year change Q1/14 vs. Q1/13



A non-recurring EUR 8 million expense related to the tender offer for Pohjola Bank plc shares and increased ICT costs due to outsourcing and the reorganisation of related operating models contributed to higher other expenses in Q1/14.

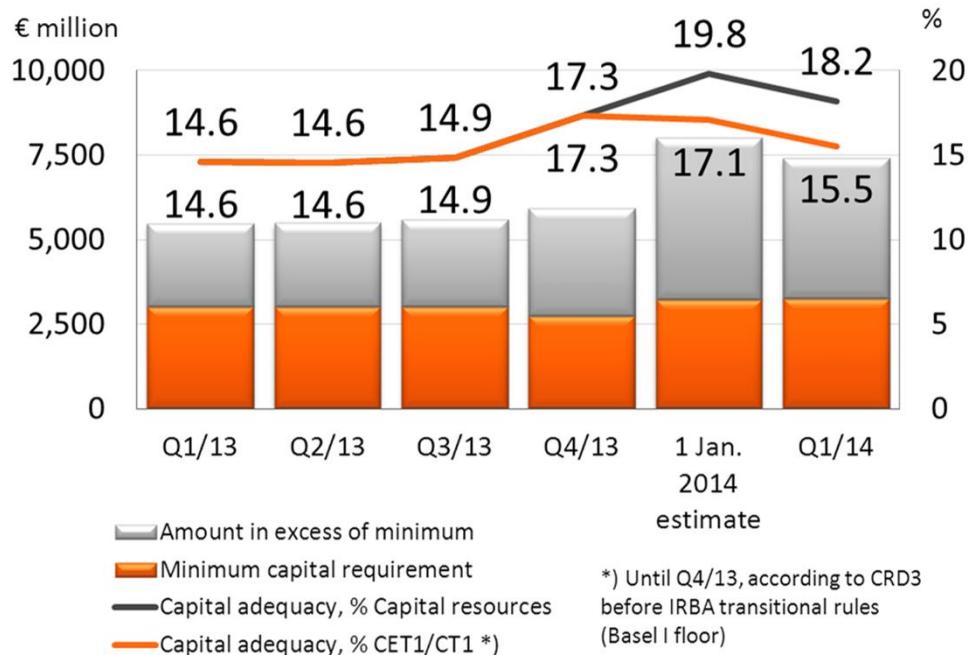
\* Other income includes net income from Life Insurance, net trading income, net investment income and other operating income

# Common Equity Tier 1 ratio 15.5%

(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.

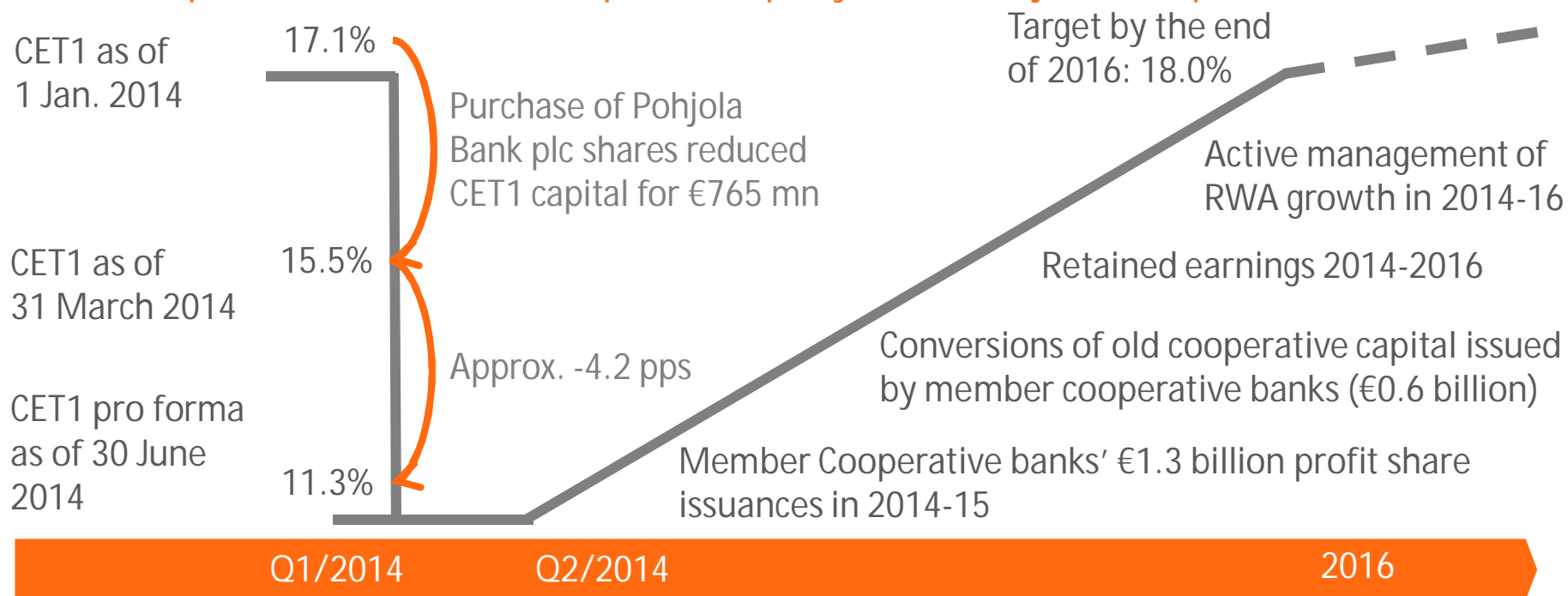
## Capital base and Common Equity Tier 1 ratio, CET1 (according to CRR/CRD4)



- 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 15.5% as of 31 March 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, 6.0% (6.8) which is double the 3% minimum.
- 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 of OP-Pohjola Group



## 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, %

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

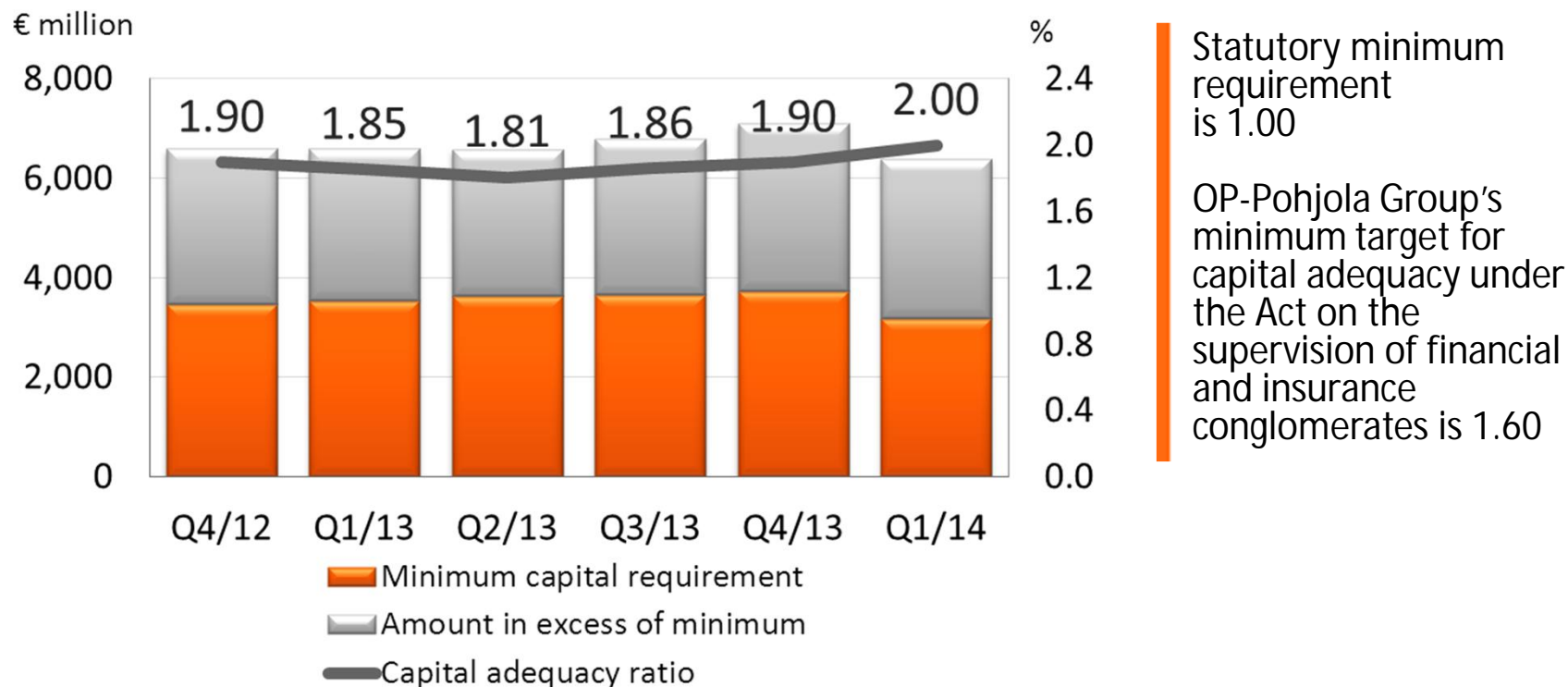
# Profit Share Issuances by OP-Pohjola Member Cooperative Banks

- 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 sales between 19 March and 30 May 2014 totalled EUR 500 million, which constitutes approximately 26% of total target set for 2014–15.
  - New sales accounted for EUR 325 million of the total, while exchanging the old supplementary cooperative capital contributions to profit shares represented EUR 175 million.
- **Issuance capacity**
  - The sales of profit shares had been started by 163 Group cooperative banks by 30 May 2014.



\*) A profit share is, as stated in the OP-Pohjola Group Bylaws, an owner-member's voluntary capital contribution to the Group cooperative bank's equity.

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

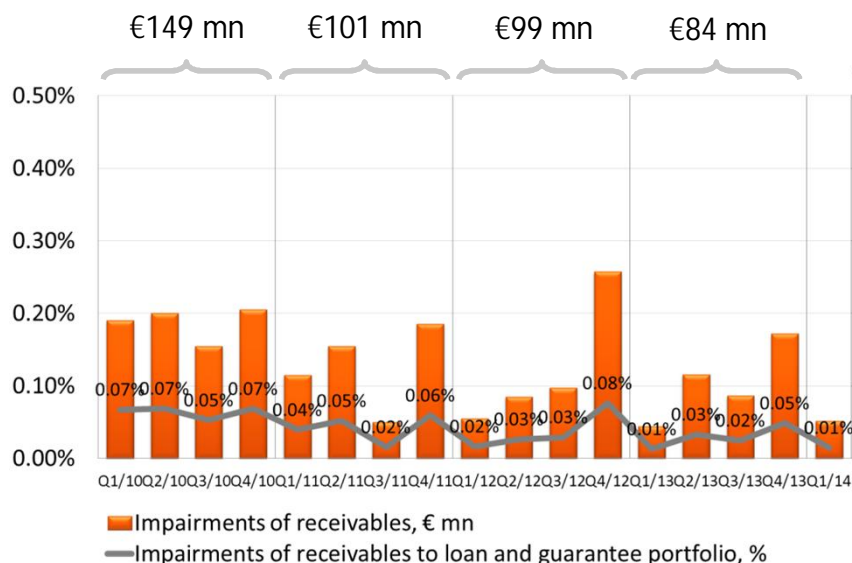




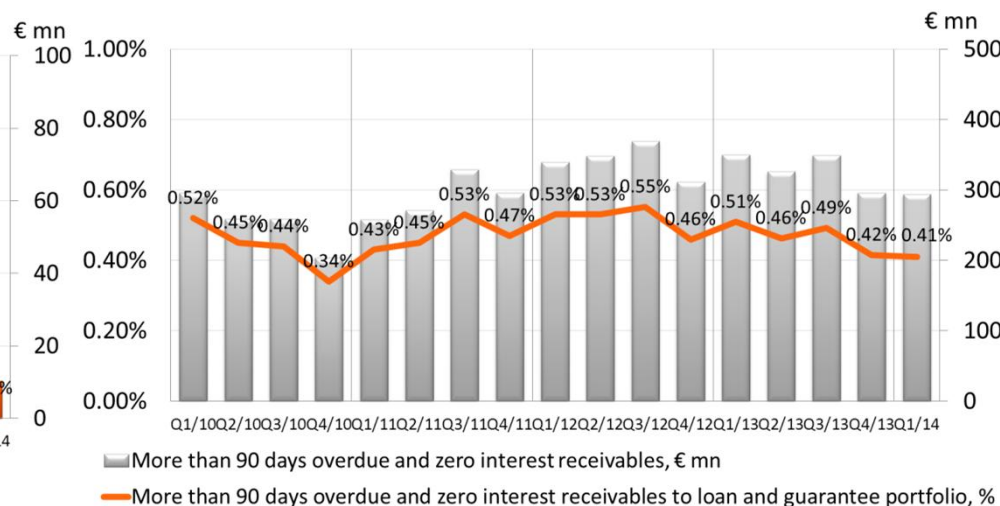
# Q1/14 Impairments of Receivables 0.06% to Loan and Guarantee Portfolio (0.05)

Ratio of more than 90 days overdue and zero-interest receivables to loan and guarantee portfolio improved

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



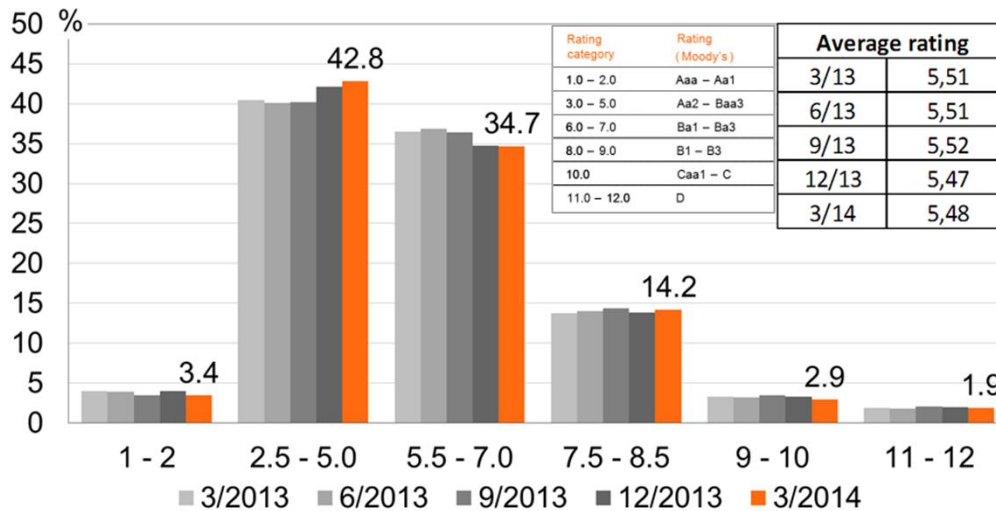
At year-end 2013, ratio of exposures individually assessed for impairment to doubtful receivables

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 46% as of 31 March 2014 (46)

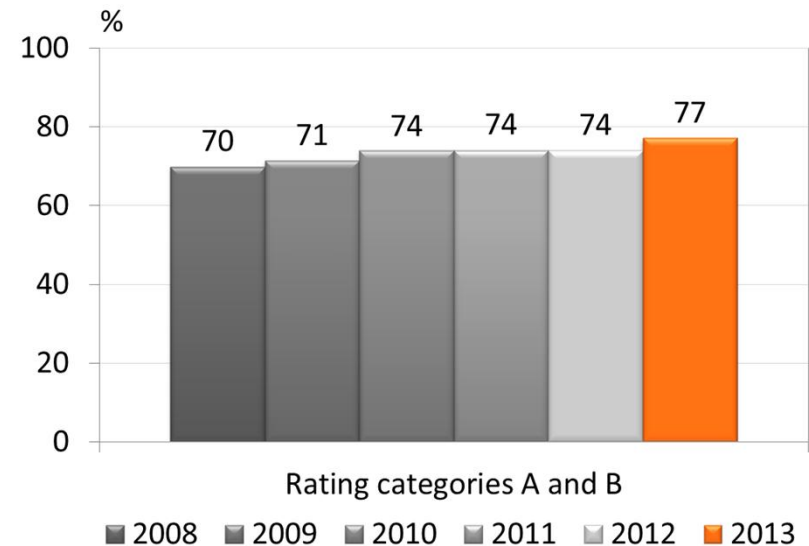
Exposures from the Non-financial Corporations and Housing Corporations Sector by credit rating category



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

**5.8% (6.9)**

Private Customer exposures of credit rating categories A and B



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

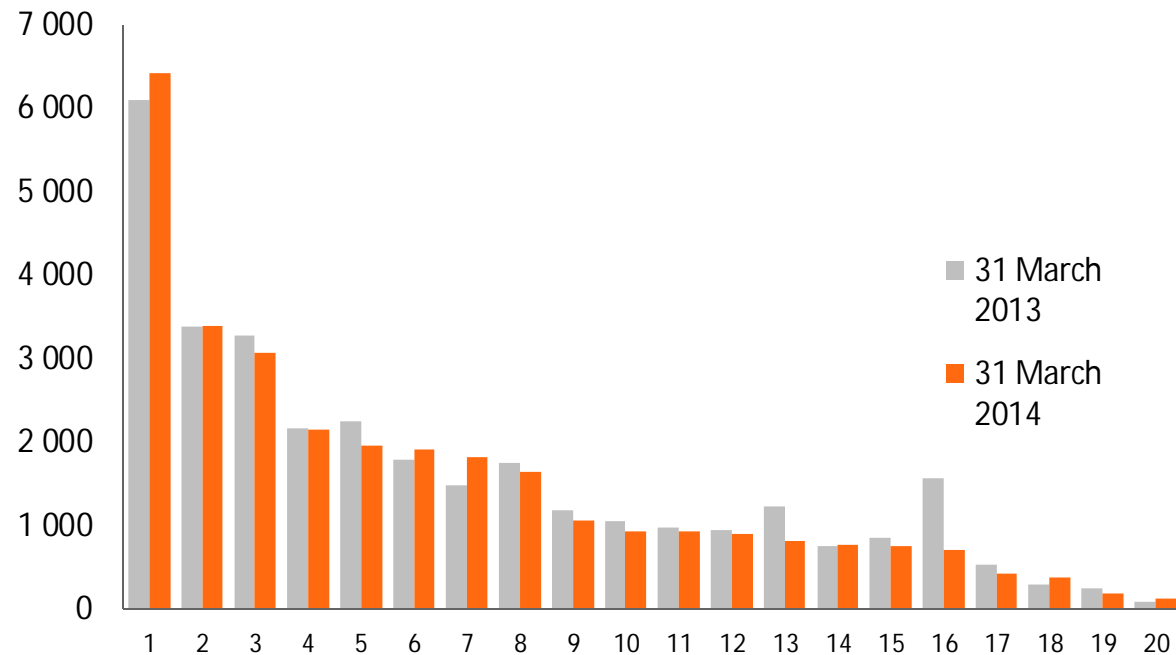
**0.1% (0.6)**

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

€30.3 billion as of 31 March 2014

	31 March 2013	31 March 2014
1 Renting and operating of residential real estate	19.2 %	21.2 %
2 Renting and operating of other real estate	10.6 %	11.2 %
3 Wholesale and retail trade	10.3 %	10.1 %
4 Services	6.8 %	7.1 %
5 Construction	7.1 %	6.5 %
6 Manufacture of machinery and equipment (incl. services)	5.6 %	6.3 %
7 Energy	4.6 %	6.0 %
8 Transportation and storage	5.5 %	5.4 %
9 Forest Industry	3.7 %	3.5 %
10 Metal Industry	3.3 %	3.0 %
11 Agriculture, forestry and fishing	3.1 %	3.0 %
12 Information and communication	2.9 %	3.0 %
13 Real estate investments	3.8 %	2.7 %
14 Chemical Industry	2.4 %	2.5 %
15 Food Industry	2.7 %	2.5 %
16 Financial and insurance services	4.9 %	2.3 %
17 Other manufacturing	1.6 %	1.4 %
18 Water supply, sewerage and waste management	0.9 %	1.2 %
19 Mining and quarrying	0.8 %	0.6 %
20 Other industries	0.2 %	0.4 %

€ million



Renting and operating of residential real estate sector (as of 31 March 2014)

- More than 80% of the exposure is housing association loans
- 20% 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	AAA*	AAA

\* Outlook is negative

\*\* Outlook is positive

\*\*\* Credit Watch Negative

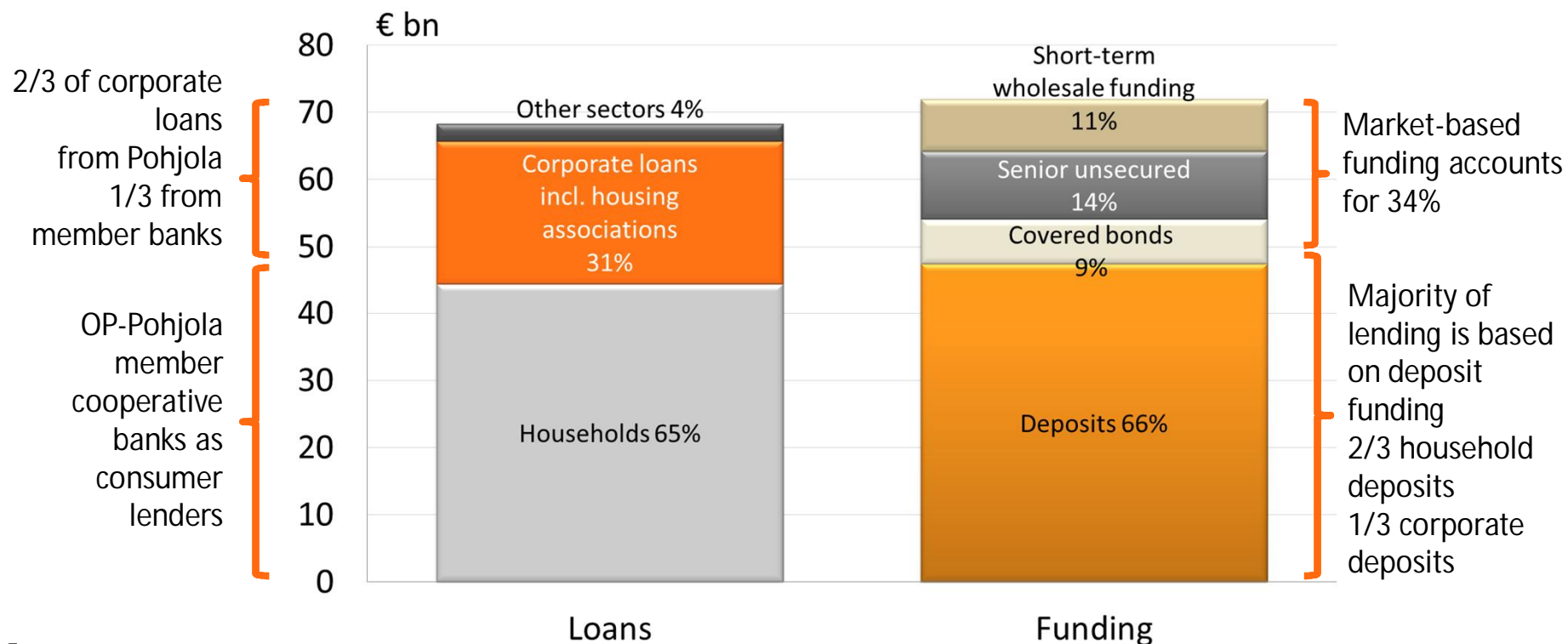
\*\*\*\* Covered bond rating

Updated: 21 April 2014

- Moody's affirmed Aa3 rating and stable outlook for Pohjola Bank plc on 7 February 2014
- Fitch affirmed A+ rating and stable outlook for OP-Pohjola Group and Pohjola Bank plc on 6 February 2014
- S&P placed Pohjola Bank plc's and Pohjola Insurance Ltd's AA- ratings on Credit Watch Negative on 6 February 2014

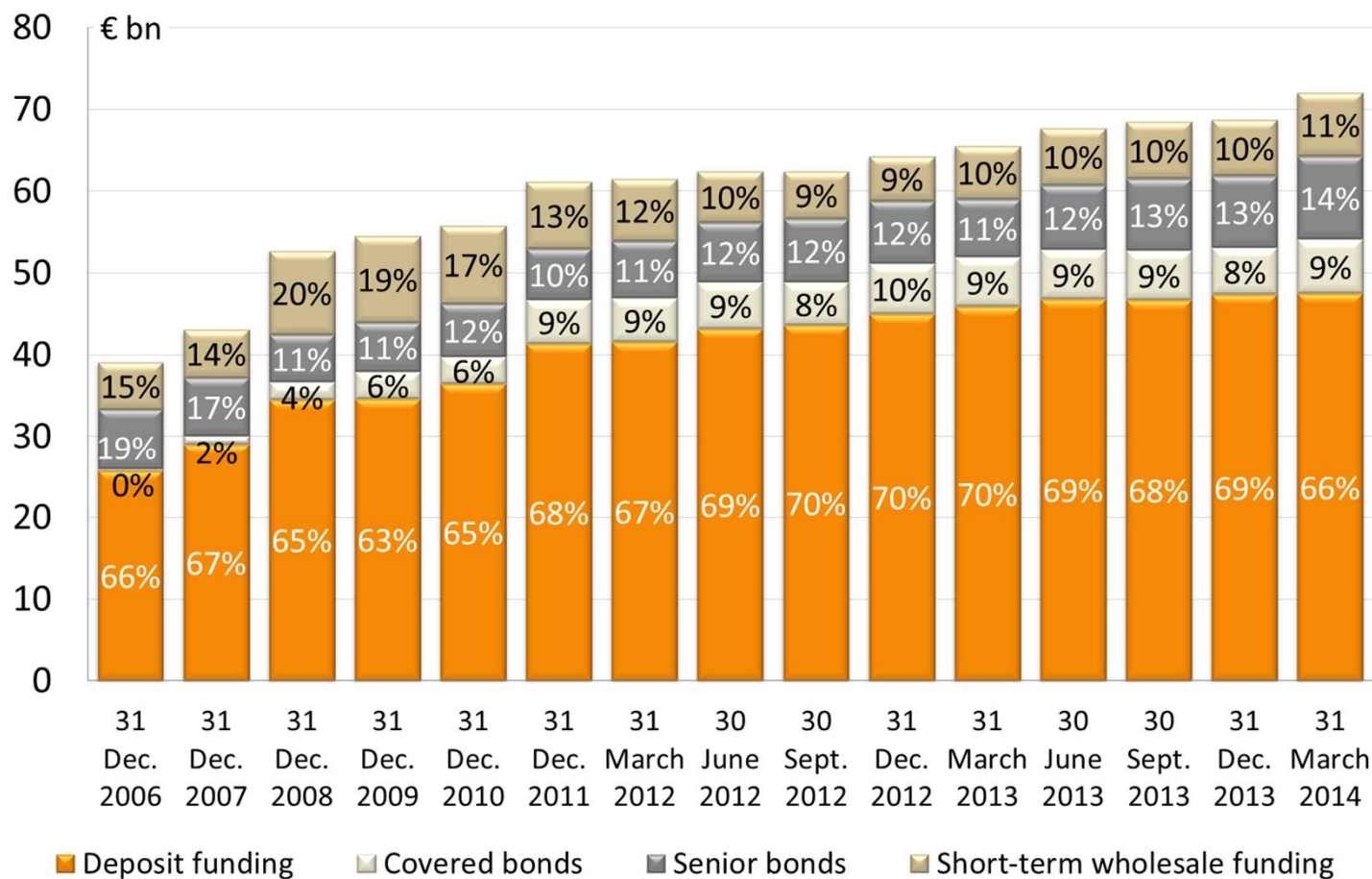
# Loans and Funding Structure

31 March 2014



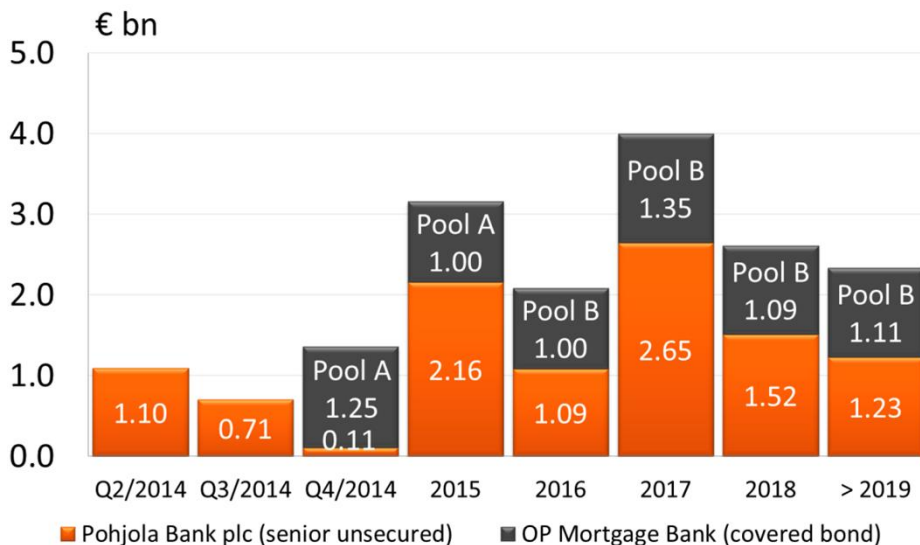
# Funding Structure Development

## 2006–31 March 2014



# Issued Senior Debt and Covered Bonds

Issued senior debt and covered bonds by maturity, 31 March 2014



Most recently issued senior debt and covered bonds (2014)

Pohjola Bank plc, Senior unsecured issues

Year	Month	Amount	Maturity	Interest rate
2014	March	€750 mn	7 yrs	m/s+67bps
2014	March	€750 mn	3 yrs	Eb3+36bps

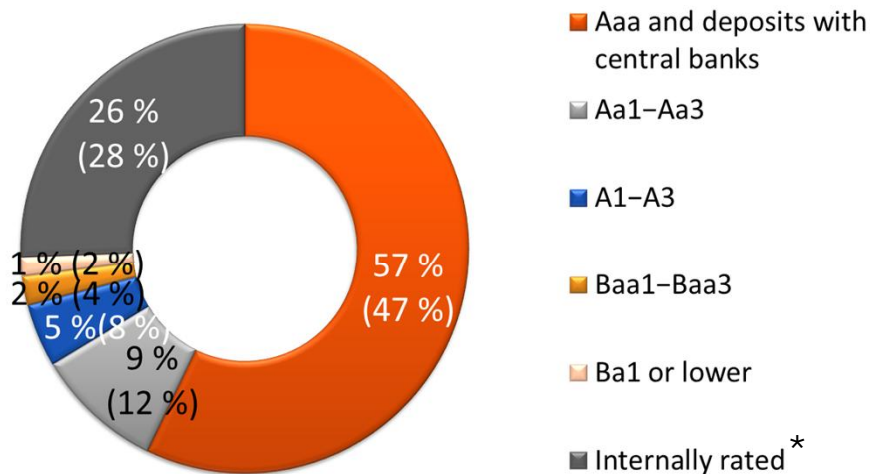
OP Mortgage Bank, Covered bond issues

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



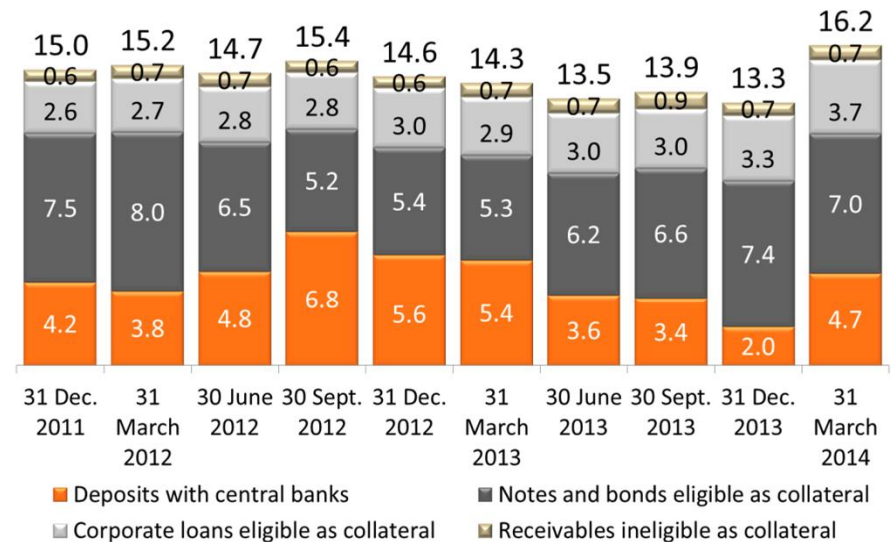
# Liquidity Buffer

Liquidity buffer (€16.2 bn) by credit rating as of 31 March 2014 (31. Dec. 2013)

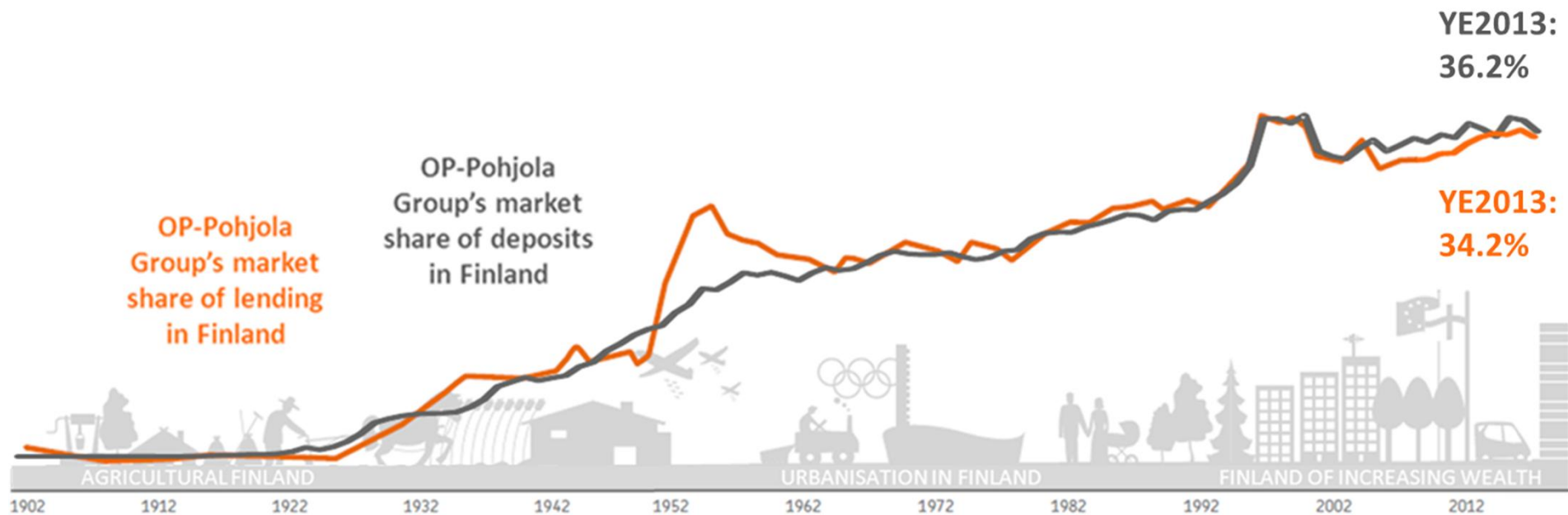


\*) Internally rated: corporate loans (90%) and the remainder externally non-rated notes and bonds issued by public-sector entities and companies, both eligible as ECB collateral.

Liquidity buffer by product, € bn



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

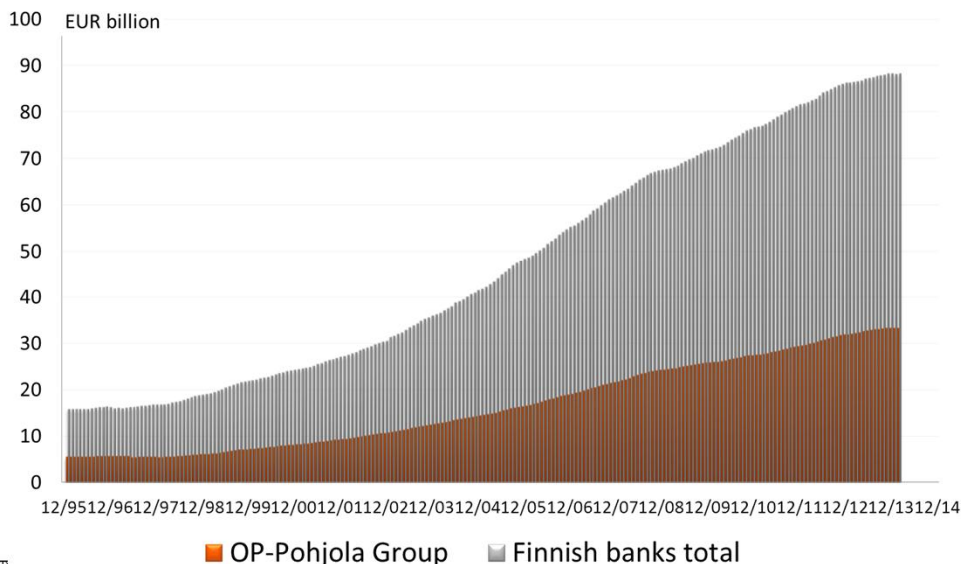
- Ownership ratio of households around 70%
- Average size of homes 79.9 m<sup>2</sup>
- Floor space per occupant 39.6 m<sup>2</sup>
- Typical maturity of new loans 20 years
- Variable interest rates: around 93% of loans to households
- Average annual housing starts around 26,000
- Interest relief in taxation (max. €3,600 / household)
- Capital gains tax-exempt after 2 years

As of April 2014

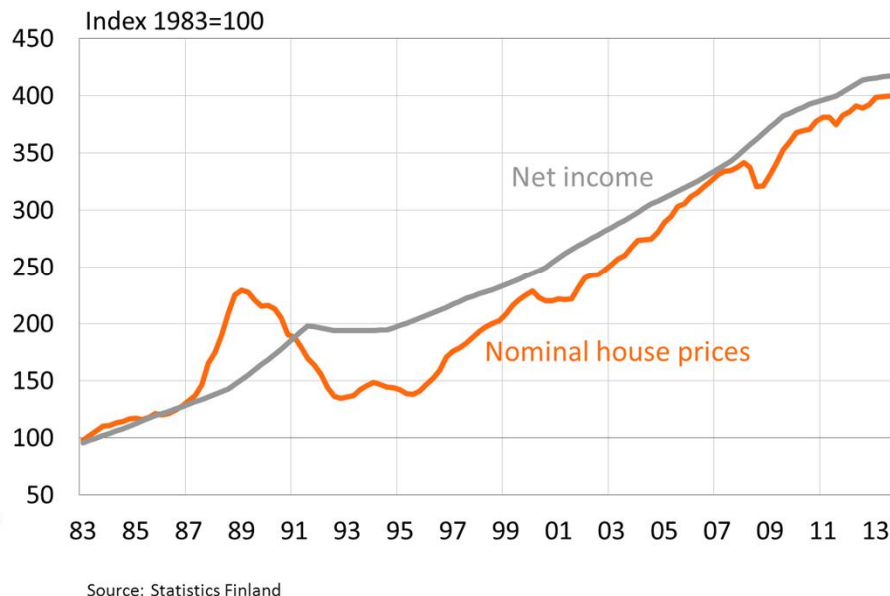
# Mortgage Market and House Price Growth

- 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

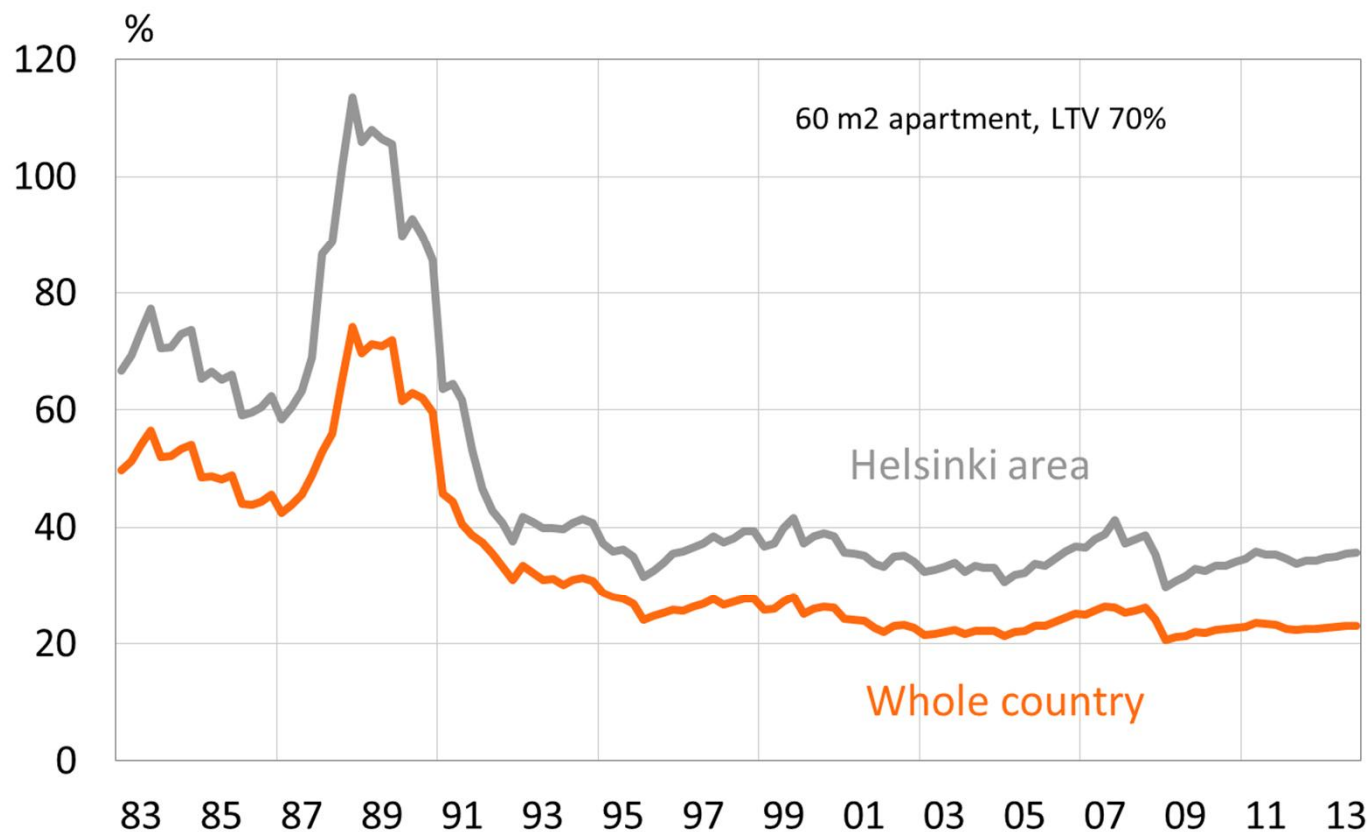


## Changes in house prices and net income



# 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

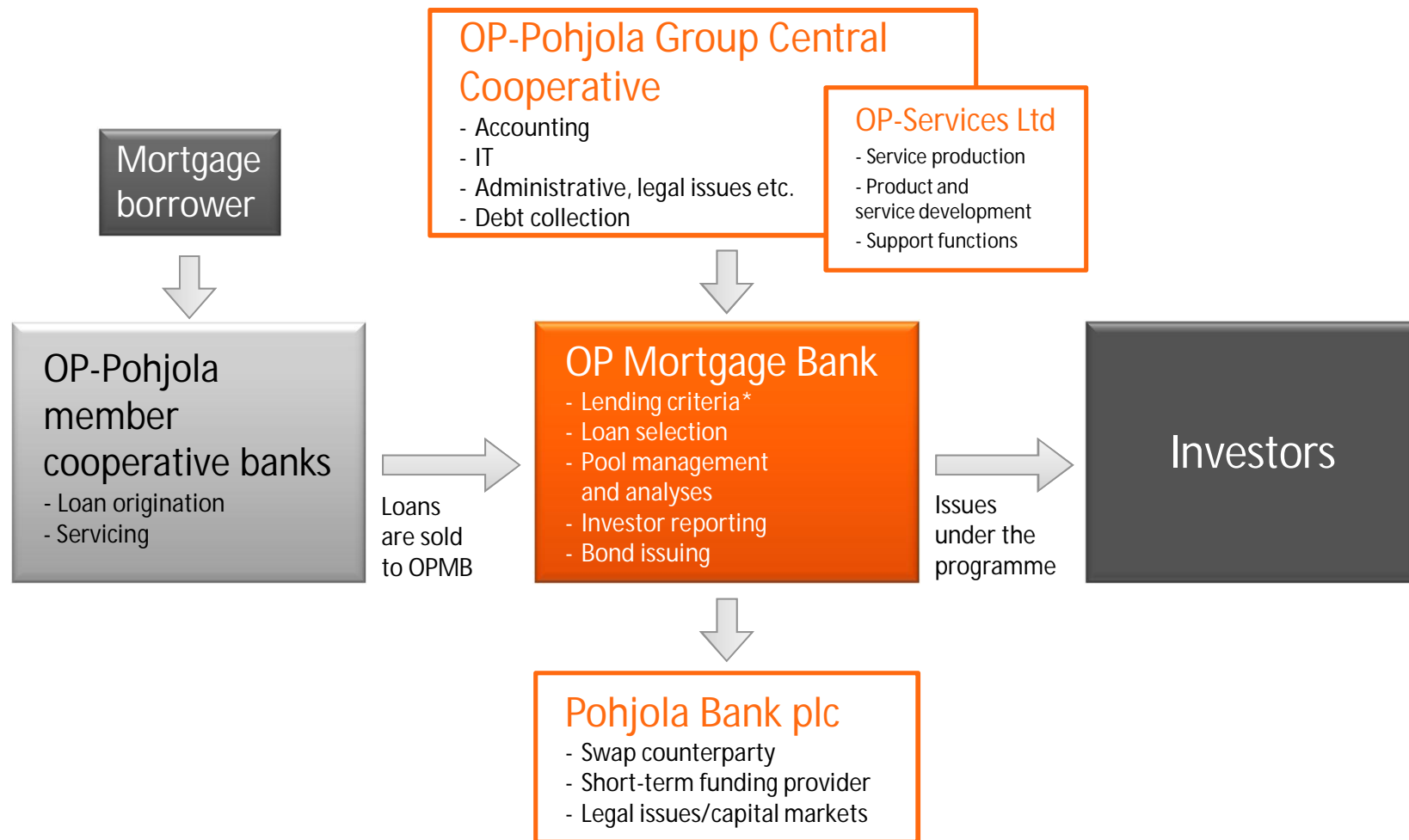
- OP Mortgage Bank is a special-purpose bank operating under the Act on Mortgage Credit Bank Operations.
- Its sole purpose is to raise funds for OP-Pohjola Group member banks by issuing covered bonds with mortgage collateral.
- The outstanding covered bonds of OP Mortgage Bank are rated AAA by S&P and 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.

# OPMB Operating Model

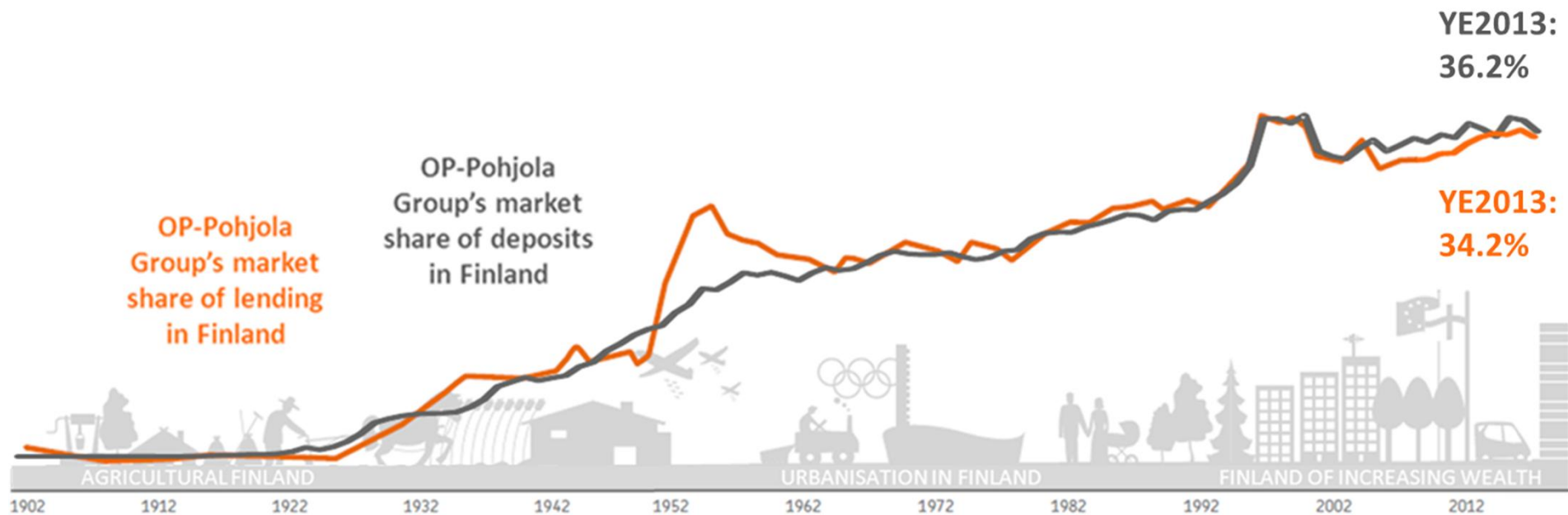
- OPMB is a funding vehicle for the member banks:
  - Subject to strict eligibility criteria:
    - Existing loans may be transferred from member banks to OPMB.
    - Origination can be performed directly into OPMB where the member cooperative bank will act as a broker agent.
- OPMB utilises the current 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.



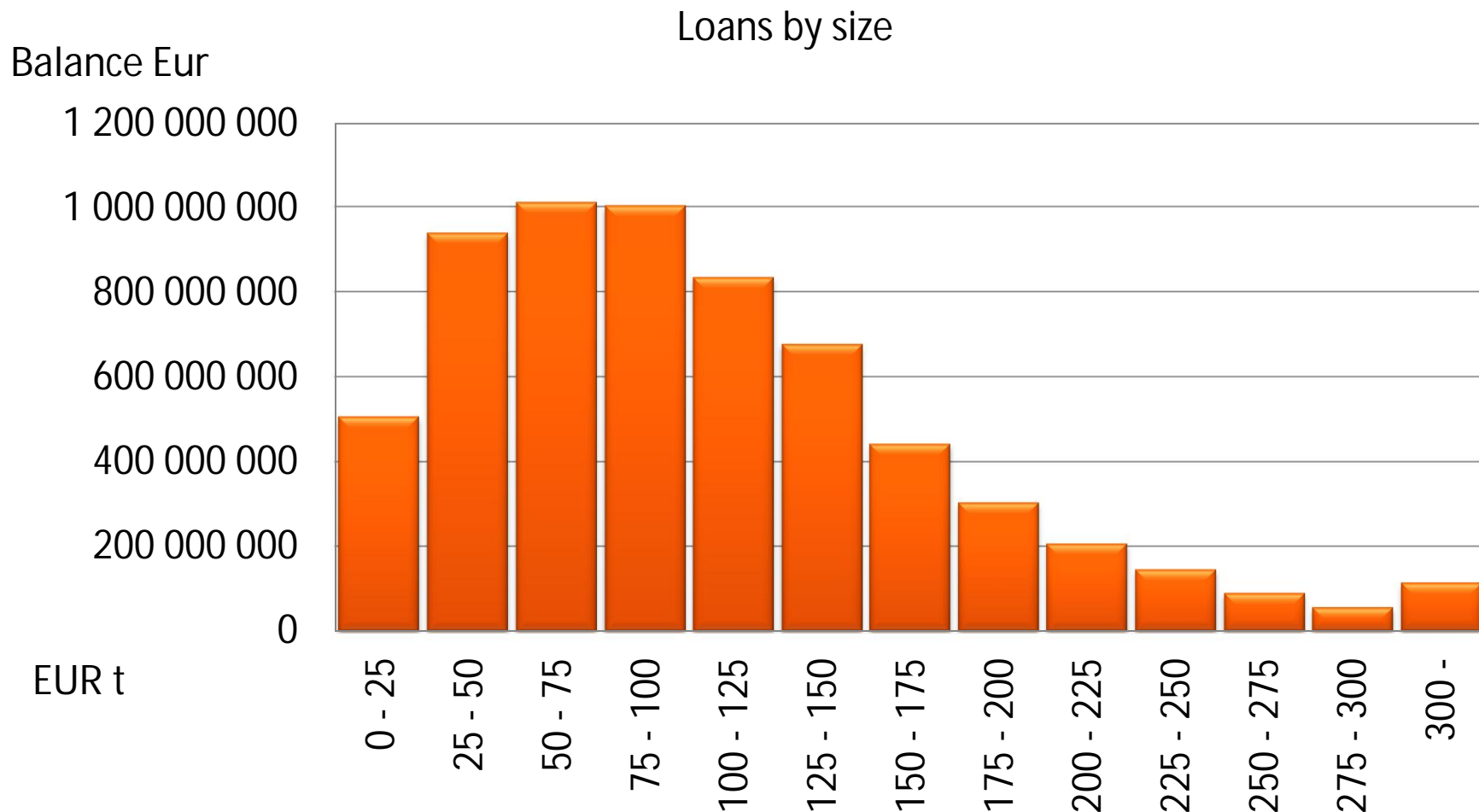
## OPMB Asset Pool Characteristics; Pool B

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 31 March 2014

- Collateralized by Finnish mortgages
- Current balance EUR 6.4 billion
- Weighted Average indexed LTV of 56%
- Average loan size of approximately EUR 59,000
- 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 4.565 billion

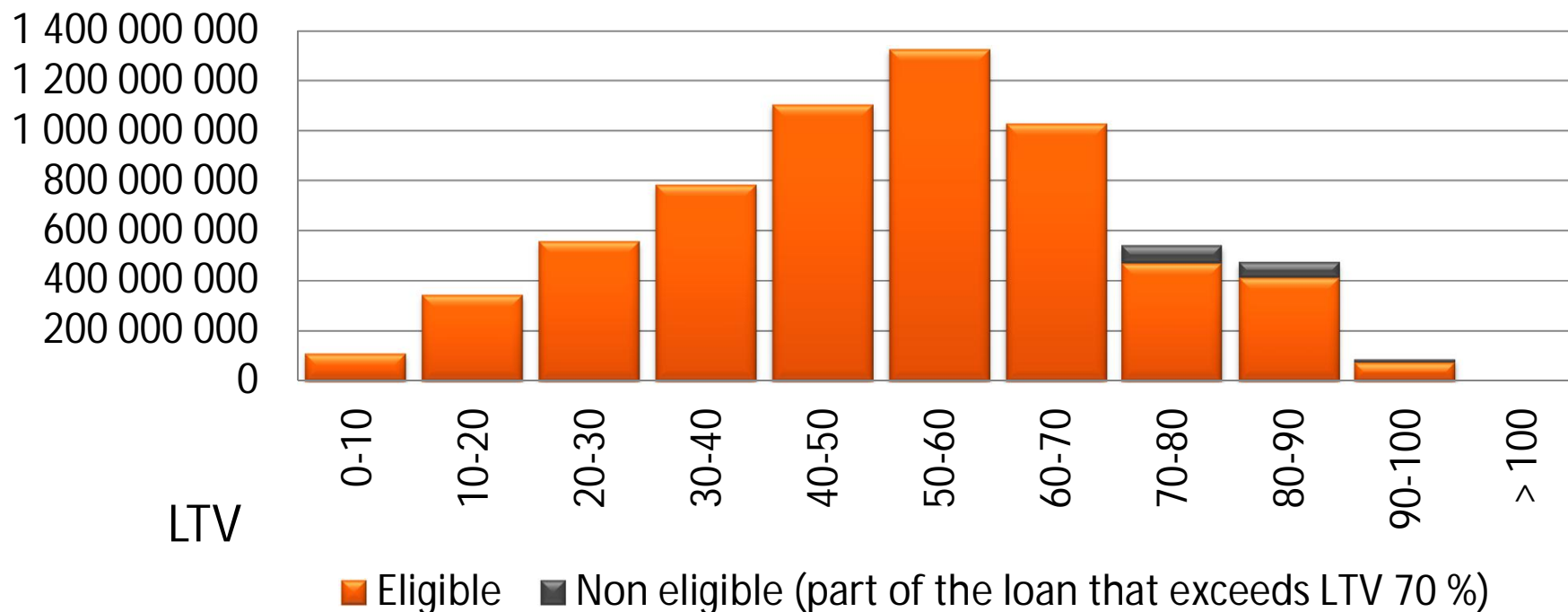
# OPMB Asset Pool B Characteristics



# OPMB Asset Pool B Characteristics

## Loans by LTV

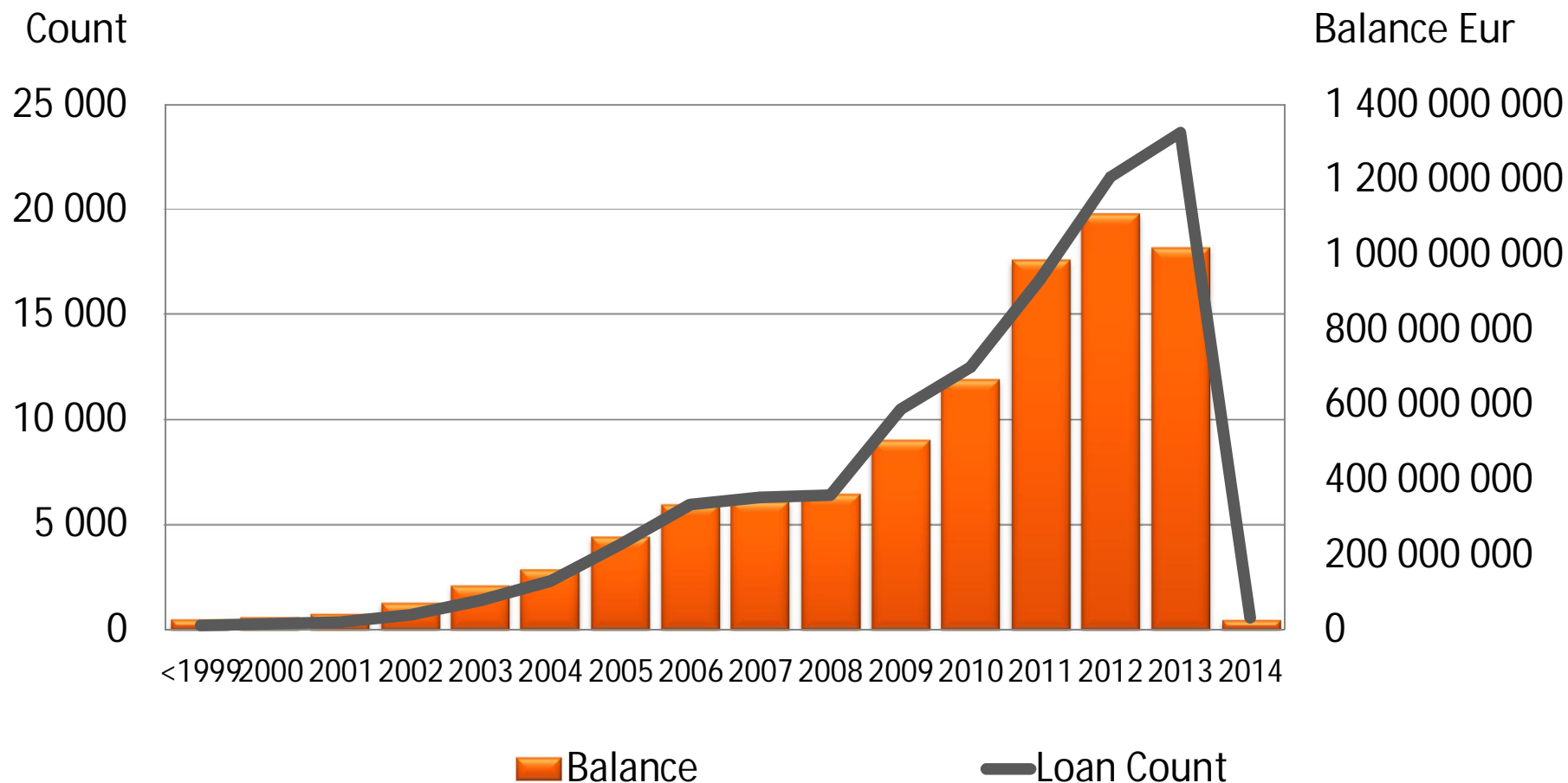
Balance Eur



- Total assets EUR 6.7 billion
- Eligible Cover Pool assets EUR 6.6 billion
- Weighted Average indexed LTV of 56%
- Over-collateralisation 46.9%

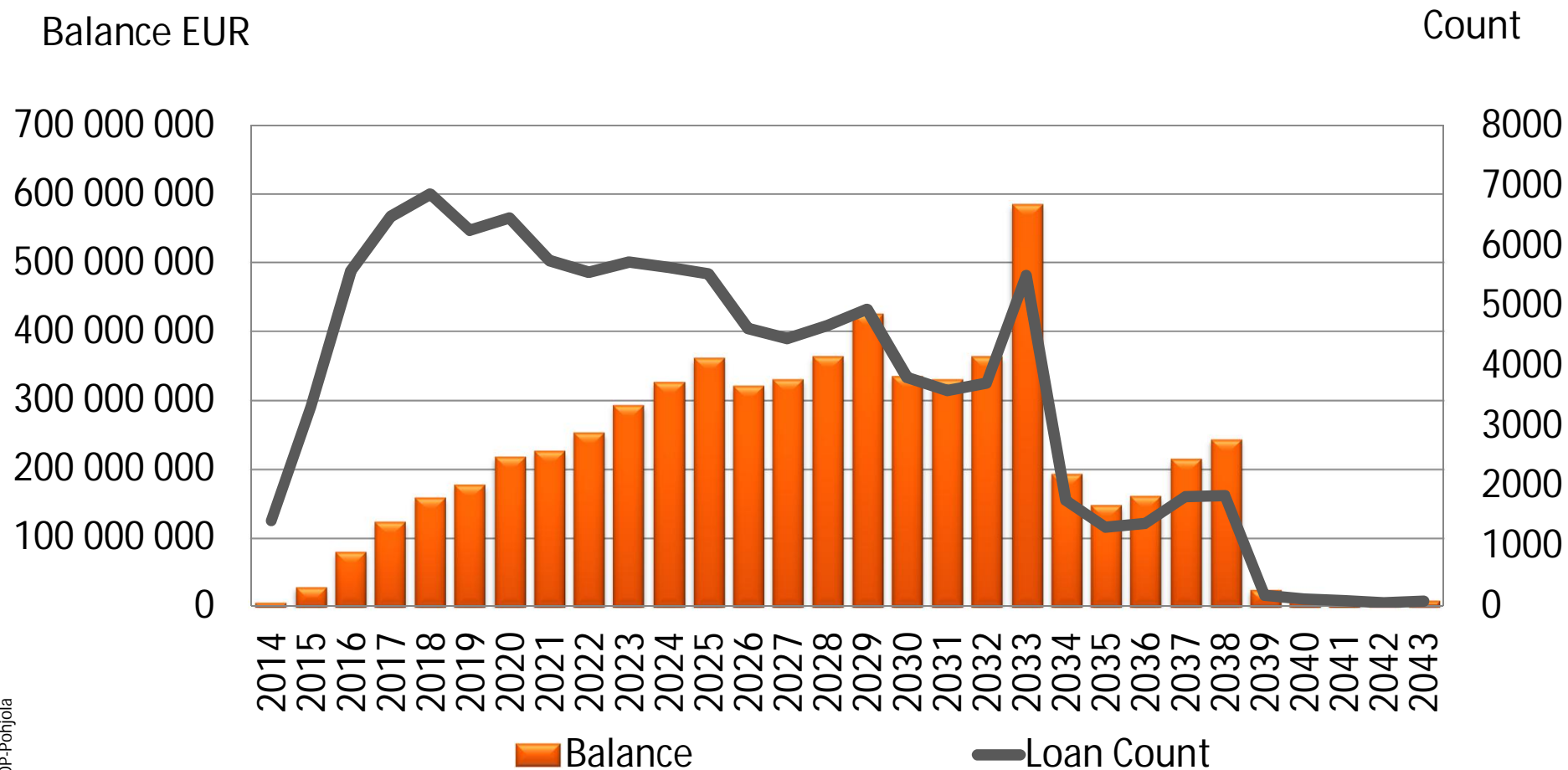
# OPMB Asset Pool B Characteristics

Loans by origination year



# OPMB Asset Pool B Characteristics

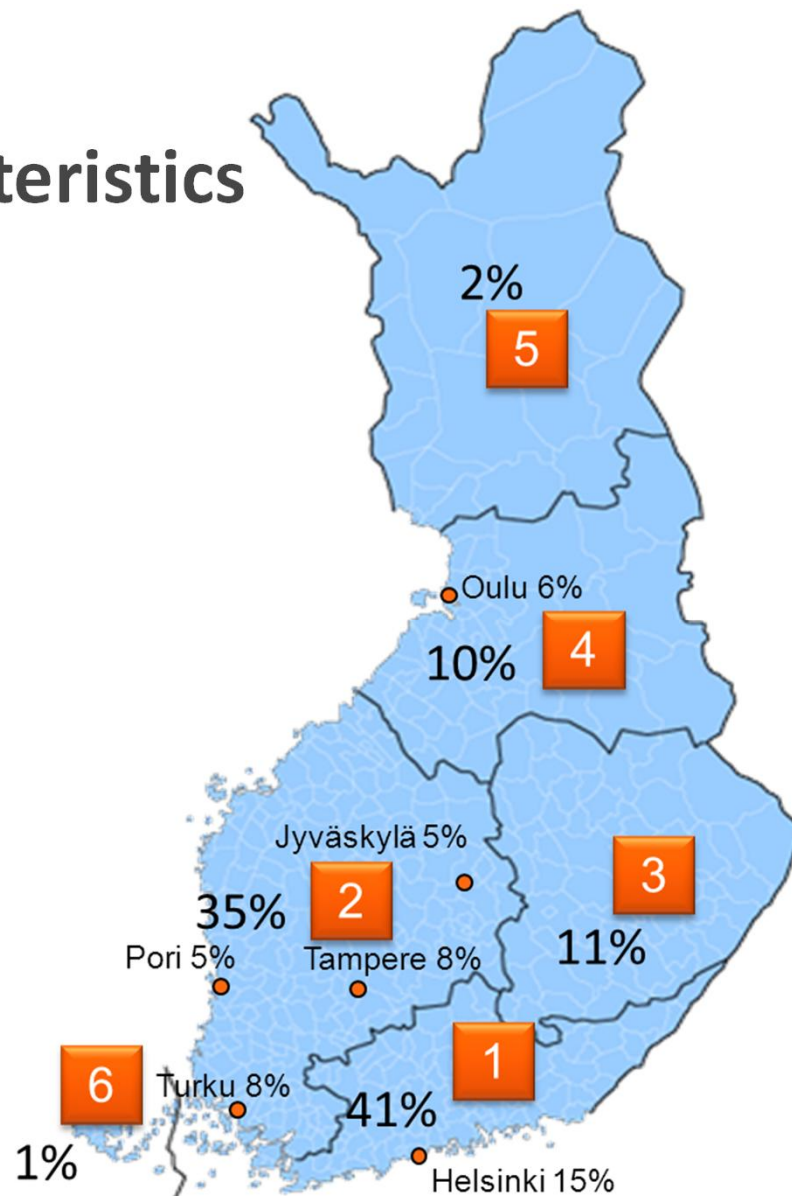
## Loans by maturity



# 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 31 March 2014

### Issuer and rating

Issuer:	OP Mortgage Bank
Owner:	[Name]
Pool ID:	OP Mortgage Bank, Pool B
Supervisory authority:	FFSA
Reporting date:	31 March 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	

	MEUR
Non-benchmark bonds	315
Total of outstanding bonds	4 250
of which repos	0

Bond redemptions (MEUR)	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-	Sum
Total					1000	3 450	115		4 565

Source: OP Mortgage Bank, Pool B, Finnish National Template as of 31 March 2014

# OP Mortgage Bank Cover Asset Pool B

## as of 31 March 2014

### Cover Pool

Cover pool assets (MEUR)	Volume	%
Loans (up to LTV limit)	6362	100%
Substitute assets		
Other		
Eligible assets (*)	6223	98 %
Other eligible assets		
Total assets	4559	100%

Cover pool items	
Number of loans	108 593
Number of clients	140 195
Number of properties	126 963
Average loan size (EUR)	58 582

Type of loan collateral (MEUR)	Volume	%
Single-family housing	3 207	50%
Flats	3 155	50%
Multi-family housing		
Commercial		
Forest & agricultural		
Public sector		
Sum	6 362	100%

\* calculated according to section 16 in MCBA

Interest rate type on loans, MEUR	Volume	%
Floating	6 319	99%
Fixed	43	1%
Sum	6 362	100%

Repayments, MEUR	Volume	%
Amortizing	6 323	99.4%
Interest only (*)	38	0.6%
Sum	6 362	100.0%

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

LTV distribution	<=10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	>70% up to 100%	Total loans
Loan volume, MEUR	1 542	1 392	1 131	904	662	408	200	122	6 362
Percentage	24%	22%	18%	14%	10%	6%	3%	2%	100%

Seasoning	0-12 M	12-24 M	24-36 M	36-60 M	> 60 M	Sum
Loan volume, MEUR	1 064	1 292	976	1 359	1 670	6 362
Percentage	17%	20%	15%	21%	26%	100%

Credit quality				
Past due	31-60 d	60-90 d	>90 d	Sum
Loan volume, MEUR	14	1.4	0	15
Percentage	0.21%	0.02%	0.00%	0.24%
Impaired loans, %	0.00%			

Source: OP Mortgage Bank, Pool B, Finnish  
National Template as of 31 March 2014

# OP Mortgage Bank Cover Asset Pool B

## as of 31 March 2014

### Key ratios

Key ratios	
OC, nominal	39%
OC, NPV	38%
WALTV total	56%
FX-risk	0%

*Calculated according to:*

*Total assets, including loan balances up to 100% LTV limit*

*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	8.1
Liabilities	4.2

*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*

Accrued interest cash flows, MEUR	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y
Interest income	90	77	95	101	104	106	106	105	103	101
Interest expense	32	22	44	55	45	31	27	31	3	4
Net	59	55	51	46	59	74	78	74	100	97

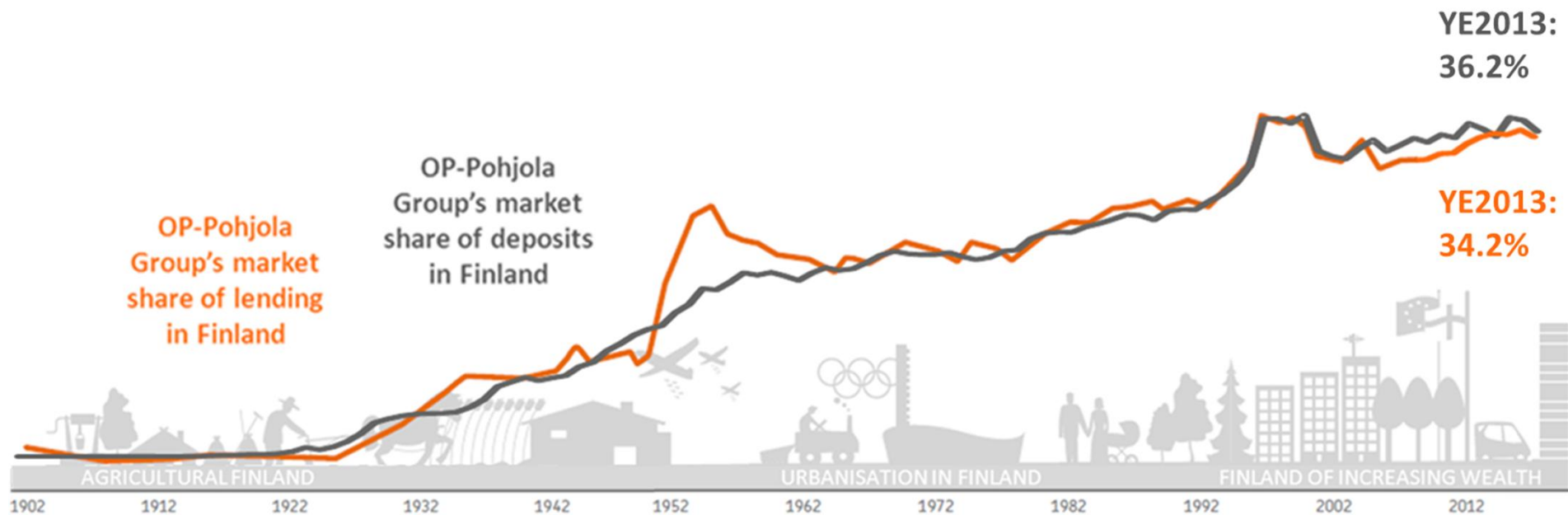
<i>Calculation method used:</i>	Contractual maturities / <del>going concern</del>
---------------------------------	--

*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*

Source: OP Mortgage Bank, Pool B, Finnish National Template as of 31 March 2014



# OPMB Asset Pool Characteristics; Pool A

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

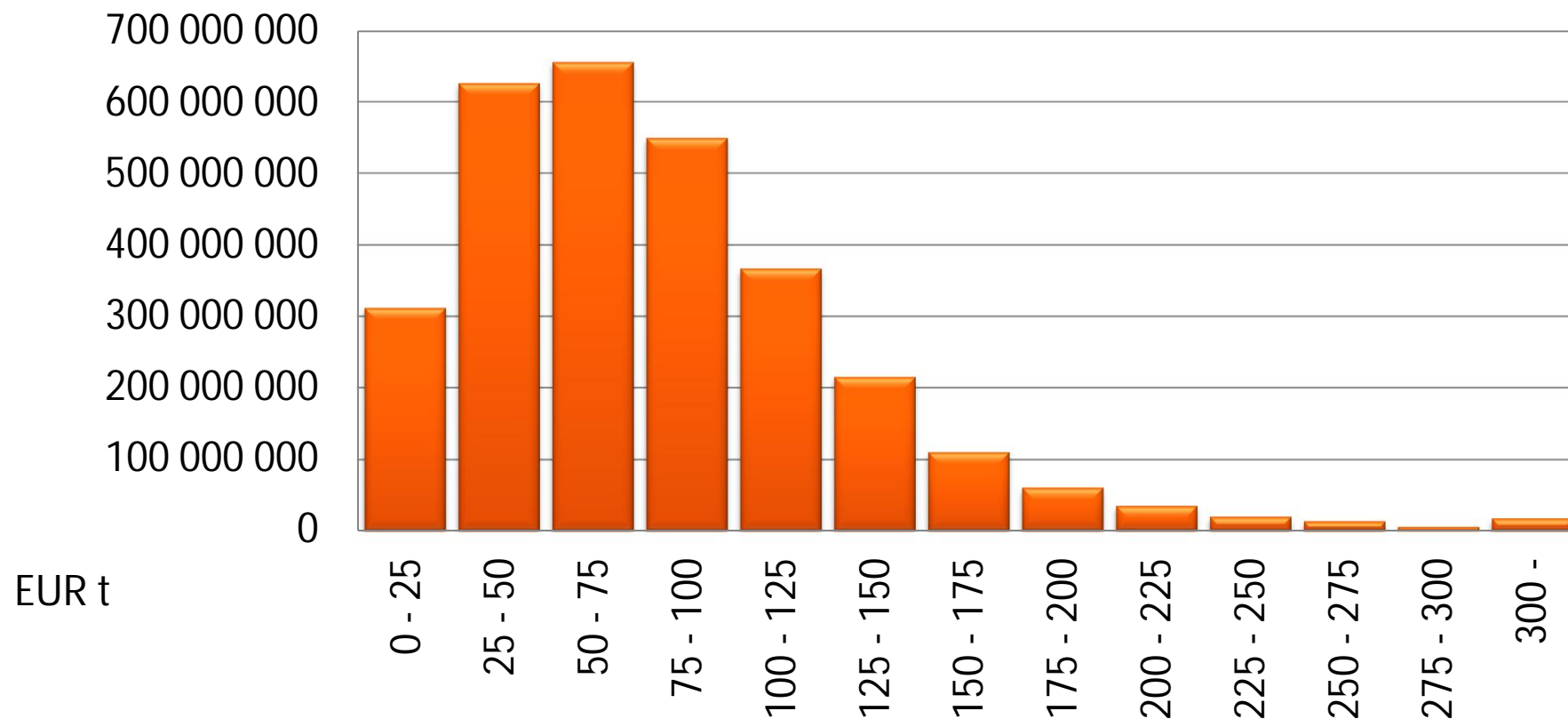
# Main Features of OP Mortgage Bank Cover Asset Pool A as of 31 March 2014

- Collateralized by Finnish mortgages.
- Current balance EUR 3.0 billion.
- Weighted Average indexed LTV of 43%
- Average loan size of approximately EUR 44,400
- 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

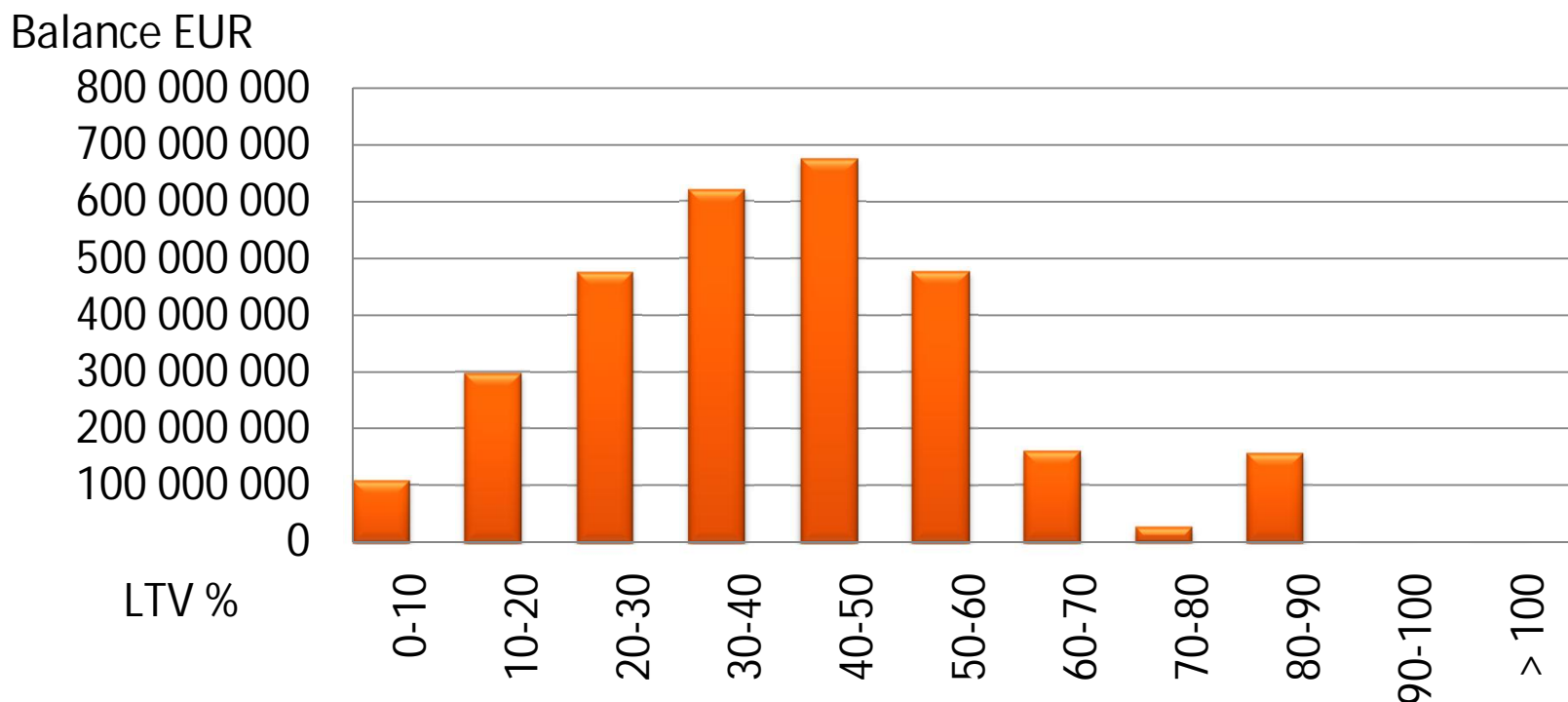
Loans by size

Balance EUR



# OPMB Asset Pool A Characteristics

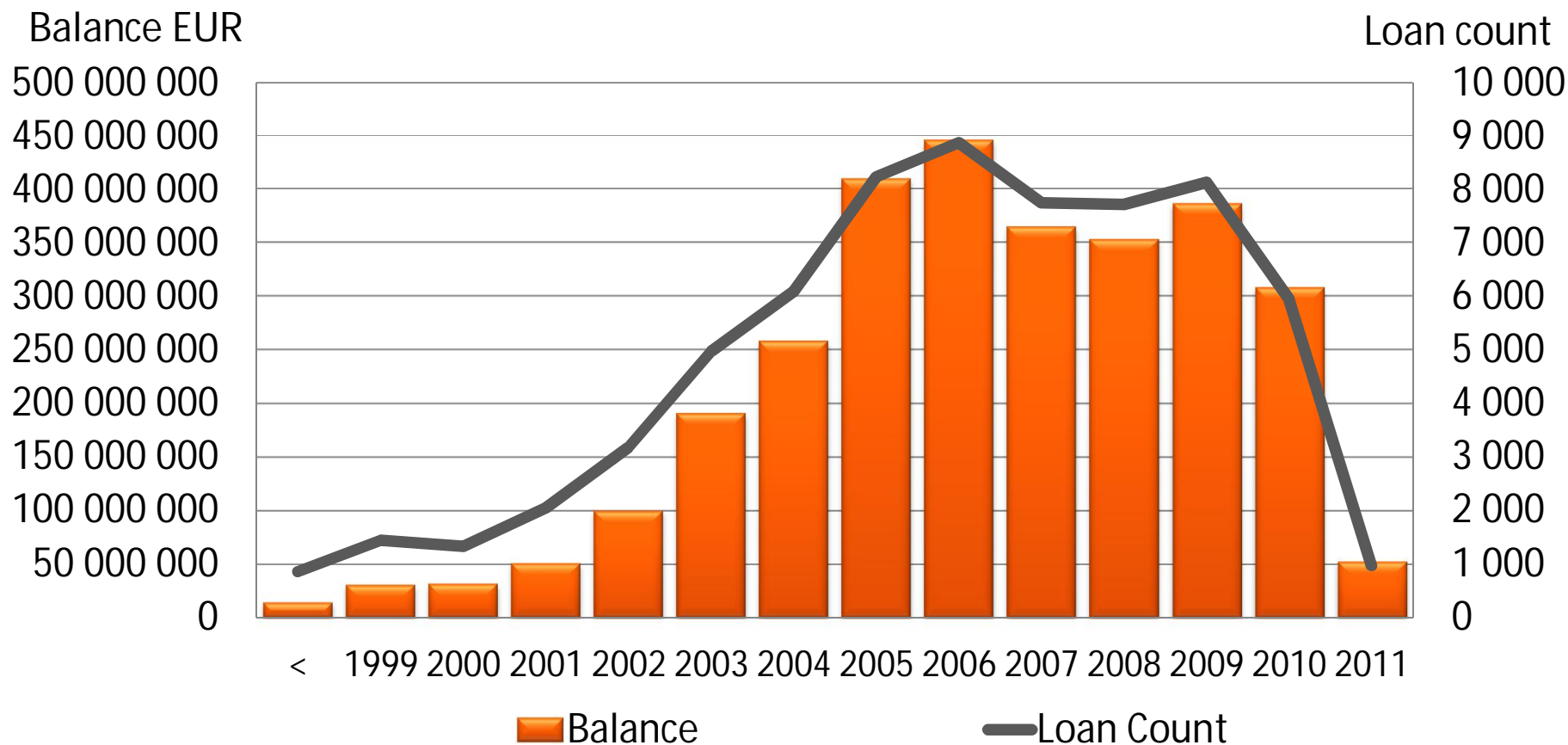
## Loans by LTV



- Total assets EUR 3.0 billion
- Eligible Cover Pool assets EUR 3.0 billion
- Weighted Average indexed LTV of 43.0%
- Over collateralization 33.3%

# OPMB Asset Pool A Characteristics

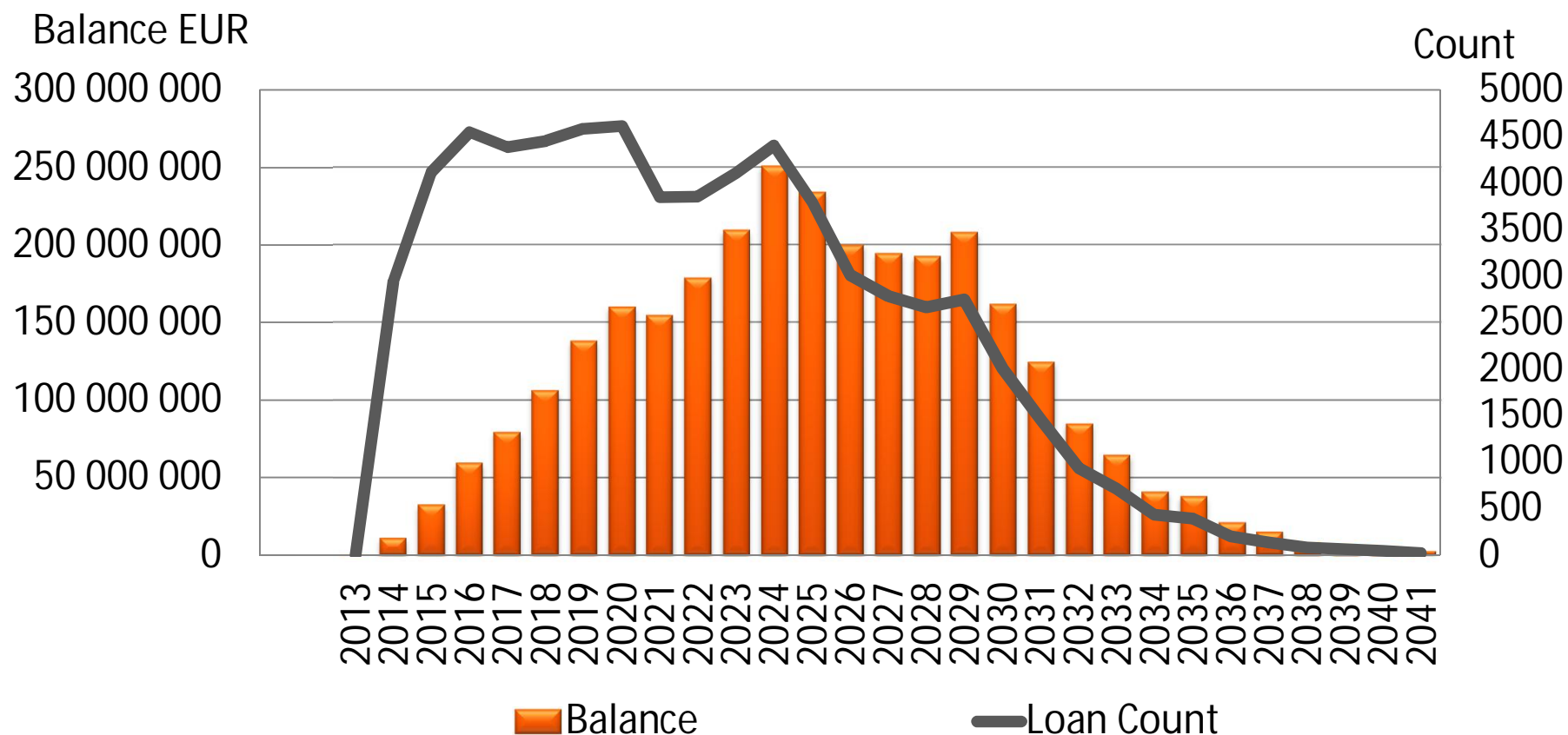
## Loans by origination year





# OPMB Asset Pool A Characteristics

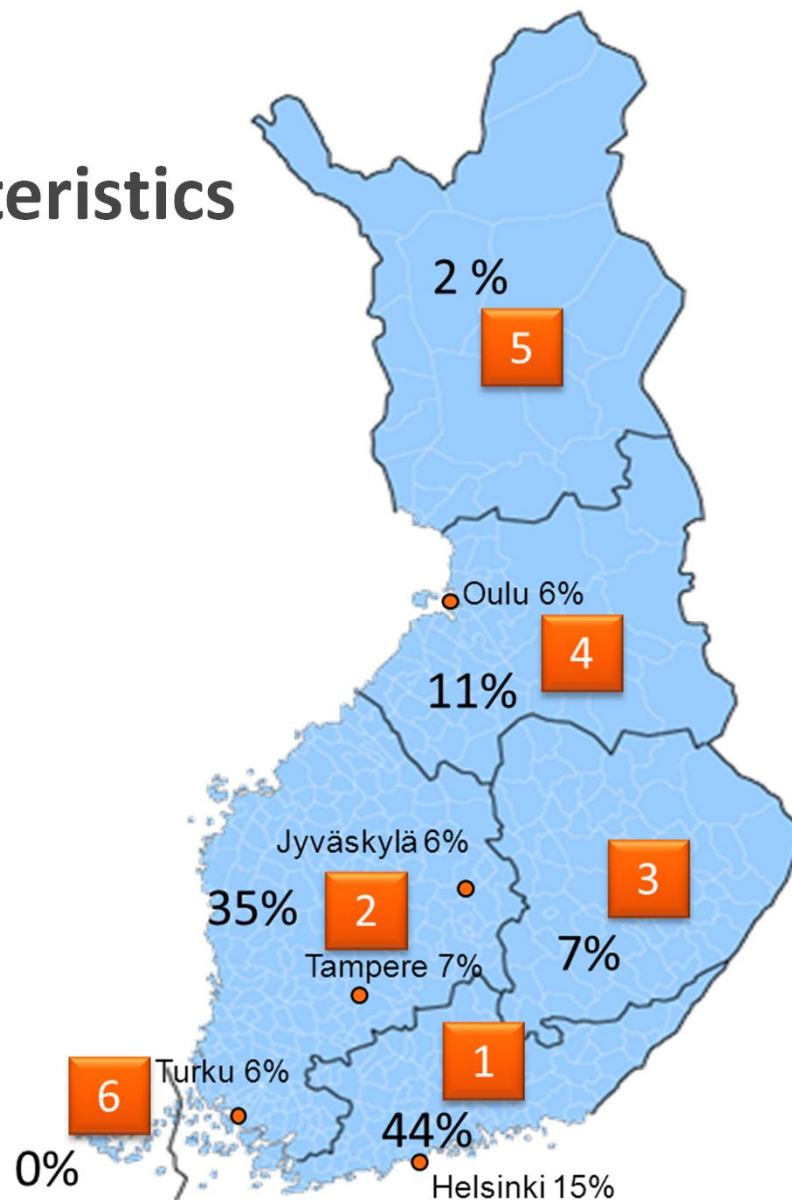
Loans by maturity

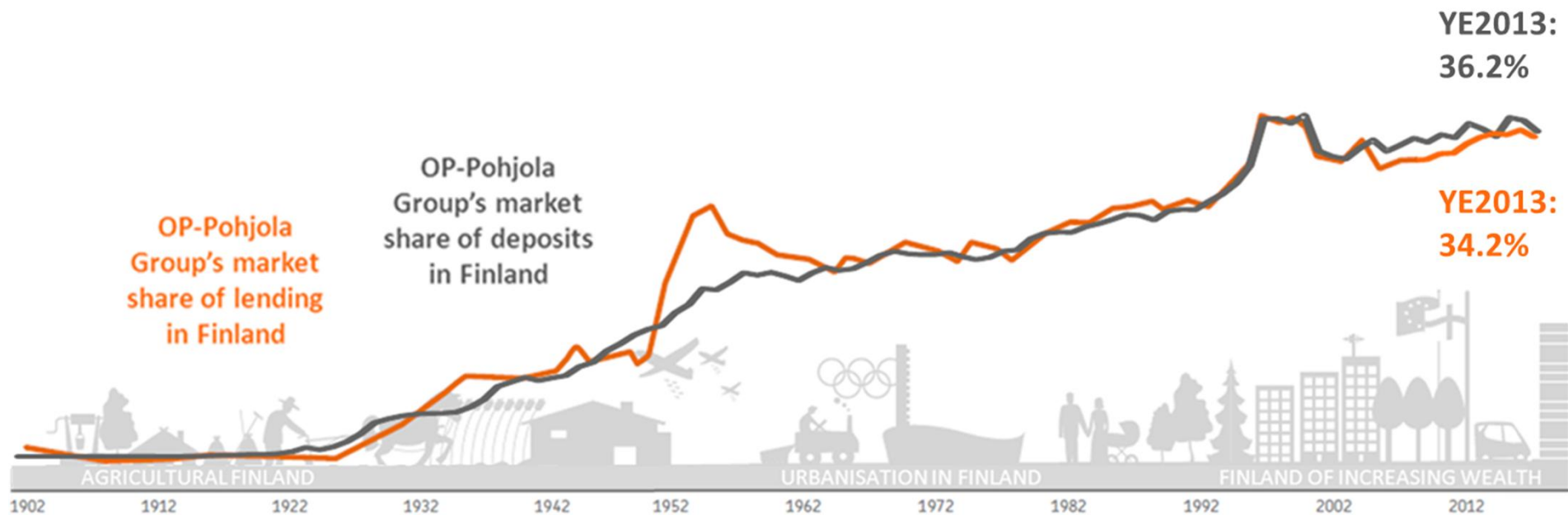


# OPMB Asset Pool A Characteristics

## 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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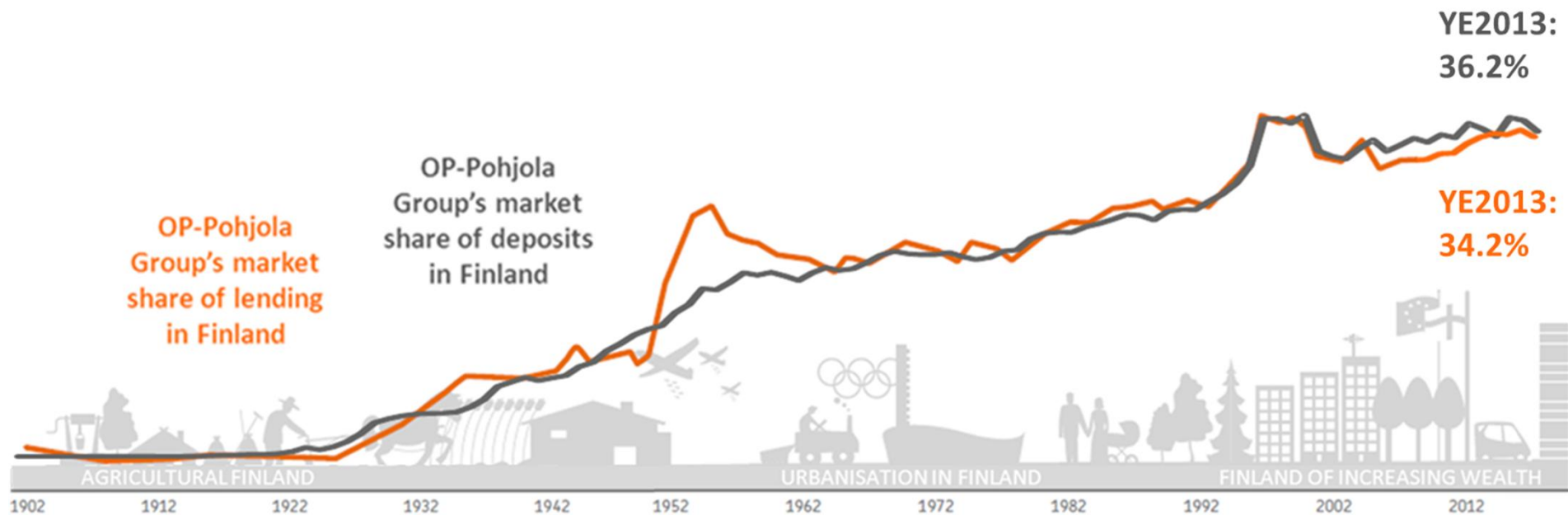
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## Financial reports and background material online

- 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 and Pohjola Bank plc

## Earnings analysis, € million

	OP-Pohjola Group Q1/2014	Pohjola Bank plc Q1/2014	OP-Pohjola Group 2013	Pohjola Bank plc 2013
Net interest income	251	64	915	230
Net income from Non-Life insurance	151	153	524	528
Net income from Life Insurance	80		175	
Net commissions and fees	198	49	694	162
Other income	56	48	267	177
Total income	737	314	2 575	1 097
Total expenses	420	151	1 598	581
Returns to owner-members and OP-bonus customers	49		193	
Earnings before impairment loss on receivables	268	163	784	516
Impairment loss on receivables	10	4	84	37
Earnings before tax	257	159	701	479
Change in fair value reserve	-7	4	-39	-16
Earnings before tax at fair value	251	163	662	463

# OP-Pohjola Group and Pohjola Bank plc

## Key figures and ratios

	OP-Pohjola Group 31 March 2014	Pohjola Bank plc 31 March 2014	OP-Pohjola Group 31 Dec. 2013	Pohjola Bank plc 31 Dec. 2013
Total assets, € million	104 584	48 941	100 991	43 824
Receivables from customers, € million	68 392	14 520	68 142	14 510
Liabilities to customers, € million	49 581	11 794	50 157	10 183
Equity capital, € million	7 078	3 056	7 724	3 150
Tier 1 ratio, %	15.9	13.0	14.3	12.7
Common Equity Tier 1 ratio, %	15.5	12.0	17.1 <sup>e</sup>	11.9 <sup>e</sup>
Doubtful receivables, € million	294 <sup>a</sup>	38 <sup>b</sup>	295 <sup>a</sup>	40 <sup>b</sup>
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.41	0.22	0.42	0.23
Loan and guarantee portfolio, € billion	71.3	17.1	71.0	17.2
Impairment loss on receivables, € million	10 <sup>d</sup>	4 <sup>d</sup>	84 <sup>c</sup>	37 <sup>c</sup>
Impairment loss on receivables / loan and guarantee portfolio, %	0.06 <sup>d</sup>	0.02 <sup>d</sup>	0.12 <sup>c</sup>	0.21 <sup>c</sup>
Personnel	12 647	2 587	12 856	2 620

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

b) More than 90 days overdue, zero-interest and under-priced receivables

c) Full year

d) January-March

e) As of 1 Jan. 2014

# OP-Pohjola Group and Pohjola Bank plc

## Key ratios

	OP-Pohjola Group Q1/2014	Pohjola Bank plc Q1/2014	OP-Pohjola Group 2013	Pohjola Bank plc 2013
Net interest margin, %	1.0 <sup>a</sup>	1.54 <sup>b</sup>	0.9 <sup>a</sup>	1.57 <sup>b</sup>
Cost/Income ratio, %	57	33 <sup>c</sup>	62	36 <sup>c</sup>
Return on equity (ROE), %	8.3 <sup>d</sup>	16.5	8.7 <sup>d</sup>	14.4
Return on assets, (ROA) at fair value, %	0.6		0.6	
Non-Life Insurance, solvency ratio (Solvency II), %		134 <sup>f</sup>		125 <sup>f</sup>
Life Insurance, solvency ratio, %	14.7 <sup>e</sup>		14.0 <sup>e</sup>	
Operating combined ratio, %		89.3		86.9

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

b) Average margin for corporate lending

c) Cost / Income ratio in Banking

d) At fair value

e) Solvency capital / (net technical provisions for own account - equalisation provision - 0.75 \* technical provisions on unit-linked insurance) \* 100

f) Estimate, Solvency II regulations are still partly unfinished