

# Debt Investor Presentation

Q4/11 & FY2011



Q4

OP-Pohjola Group and issuing entities  
Pohjola Bank plc and OP Mortgage Bank  
[www.pohjola.com](http://www.pohjola.com) > Investor Relations > Debt Investors

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# OP-Pohjola Group in Brief

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## Issuing entities Pohjola Bank plc and OP Mortgage Bank

- Leading financial services provider in Finland
- Pohjola Bank plc is rated double A by S&P and Moody's
- Strong capital position and deposit funding base
- Liquidity buffer to cover 24 months of maturing wholesale funding
- Finnish risk exposure due to domestic franchise



## Interim Reports of OP-Pohjola Group, Pohjola Bank plc and OP Mortgage Bank available online:

### OP-Pohjola Group

<https://www.op.fi/op/op-pohjola-group/media/material-service/op-pohjola-group-publications?id=86002&kielikoodi=en>

### Pohjola Bank plc

<https://www.pohjola.fi/pohjola/media/material-service?id=342000&kielikoodi=en>

### OP Mortgage Bank

<https://www.op.fi/op/op-pohjola-group/media/material-service/subsidiaries'-publications?id=86004&kielikoodi=en>

# Finnish Economy



# Forecasts for the Finnish Economy\*

31 January 2012

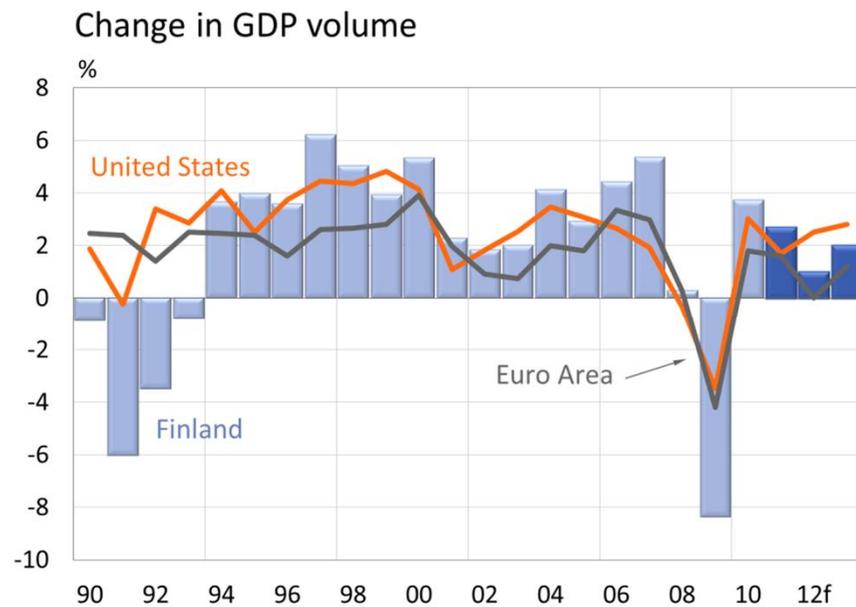
	2010 EUR bn	2010 Volume, % change on previous year	2011f	2012f	2013f
GDP	179.7	3.7	2.7	1.0	2.0
Imports	70.5	7.7	-0.7	2.3	3.7
Exports	72.1	7.8	-1.1	3.0	4.5
Consumption	143.1	2.1	2.6	1.6	1.7
Private consumption	98.9	3.0	3.6	2.1	2.3
Public consumption	44.2	0.2	0.4	0.4	0.3
Fixed investment	33.9	2.6	4.7	-1.8	1.5

## Other key indicators

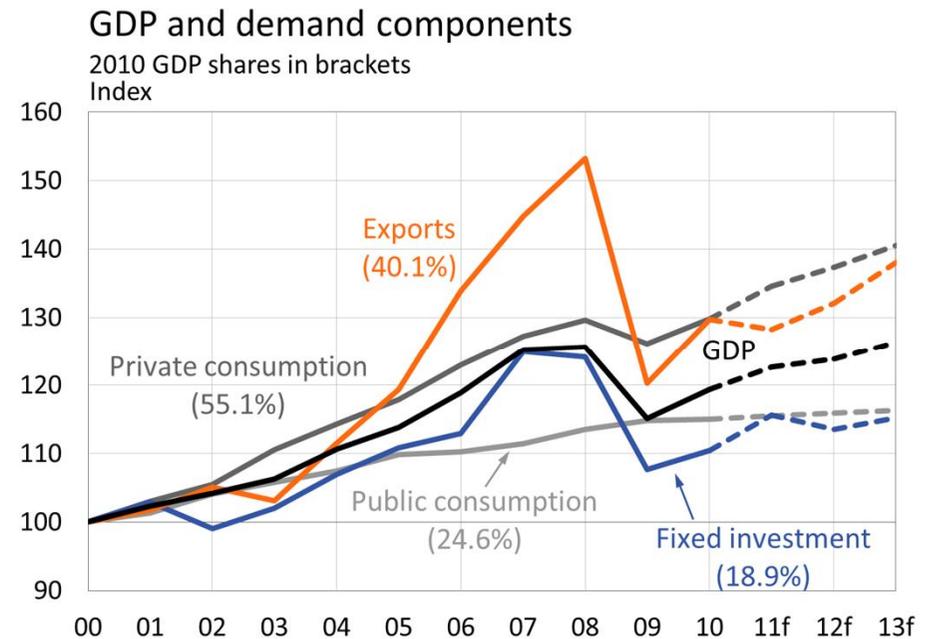
	2010	2011f	2012f	2013f
Consumer price index, % change y/y	1.2	3.4	2.4	2.0
Unemployment rate, %	8.4	7.8	7.8	7.6
Current account balance, % of GDP	1.8	-0.3	-0.2	-0.2
General government debt, % of GDP	48.3	48.5	50.4	51.4
General government net lending, % of GDP	-2.5	-0.7	-1.0	-0.5

\* Source: OP-Pohjola Group / Strategic Planning

# GDP and Demand Components



Sources: Reuters EcoWin, forecasts OP-Pohjola Group (January 2012)

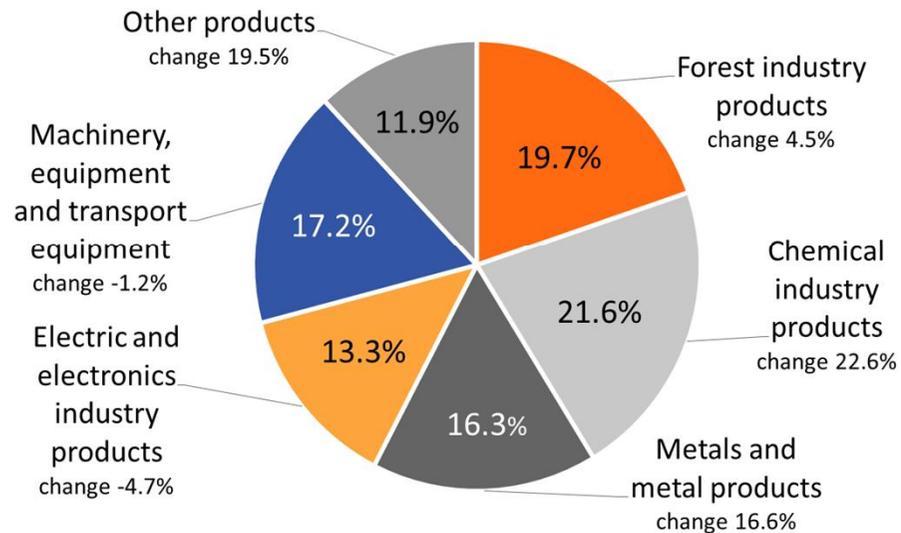


Sources: Statistics Finland, forecasts OP-Pohjola Group (January 2012)

# Goods Exports by Product Group and by Country

## Goods exports by product group

Share of total exports and annual change  
1-11/2011

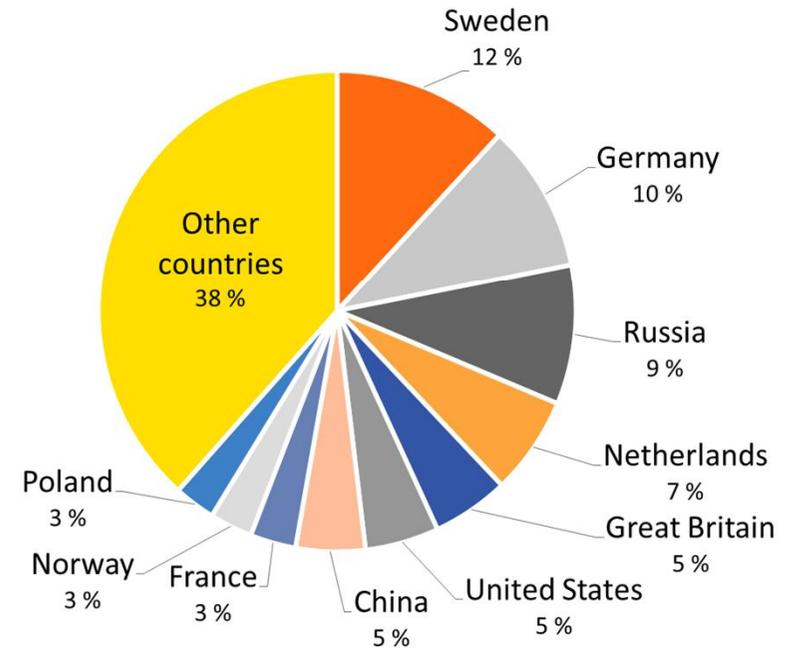


Total exports €51.9 billion in 1-11/2011  
(change vs. 1-11/2010: 8.9%)

Source: National Board of Customs

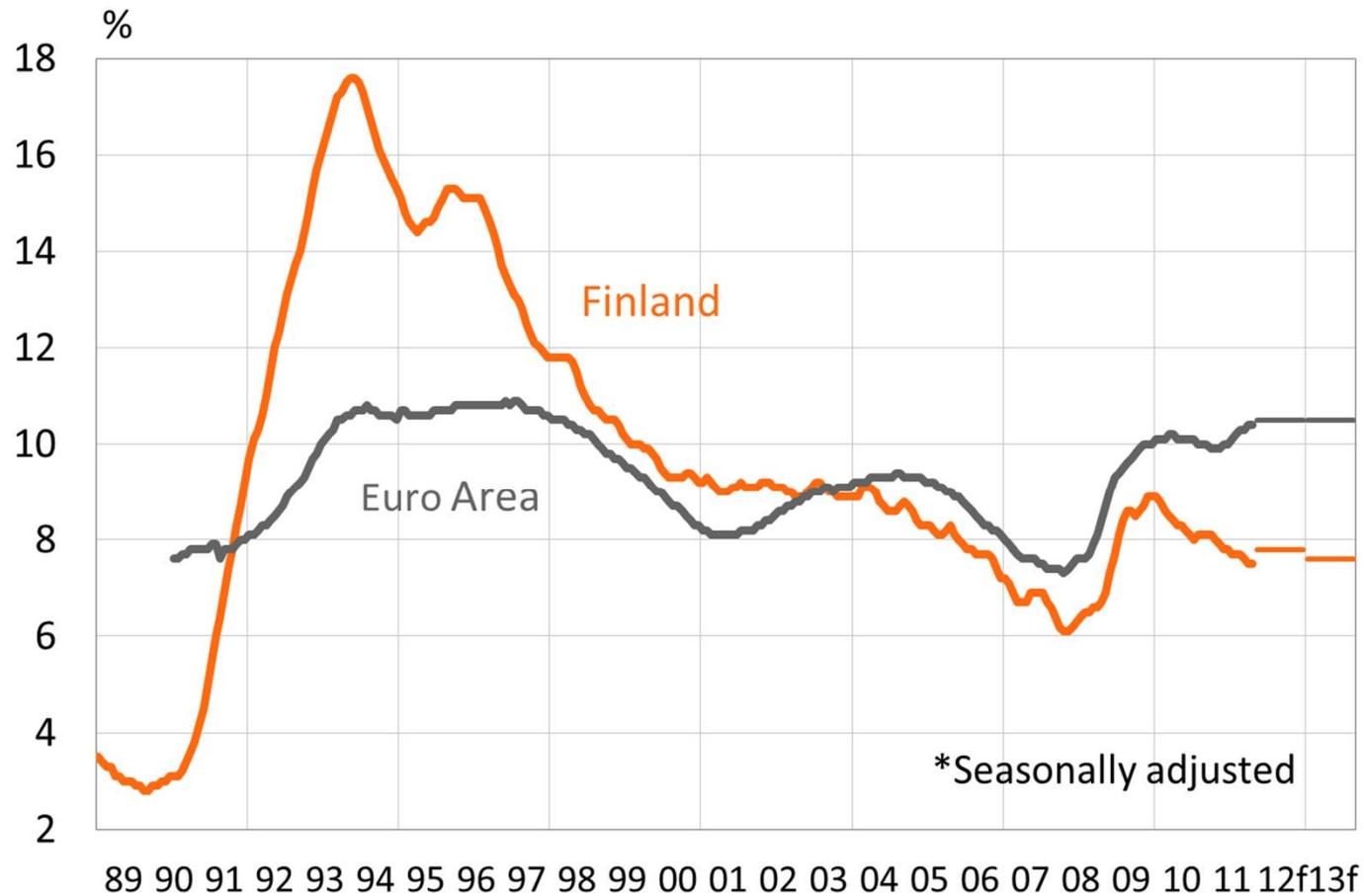
## Goods exports by countries

1-11/2011



Source: National Board of Customs

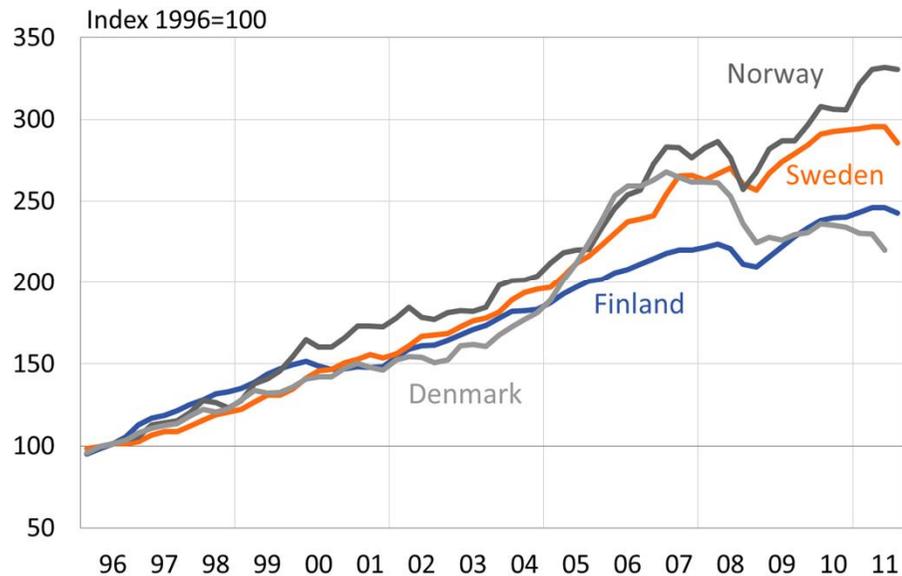
# Unemployment Rate\* in Finland and Euro Area



Sources: Statistics Finland, Eurostat, forecasts OP-Pohjola Group, January 2012

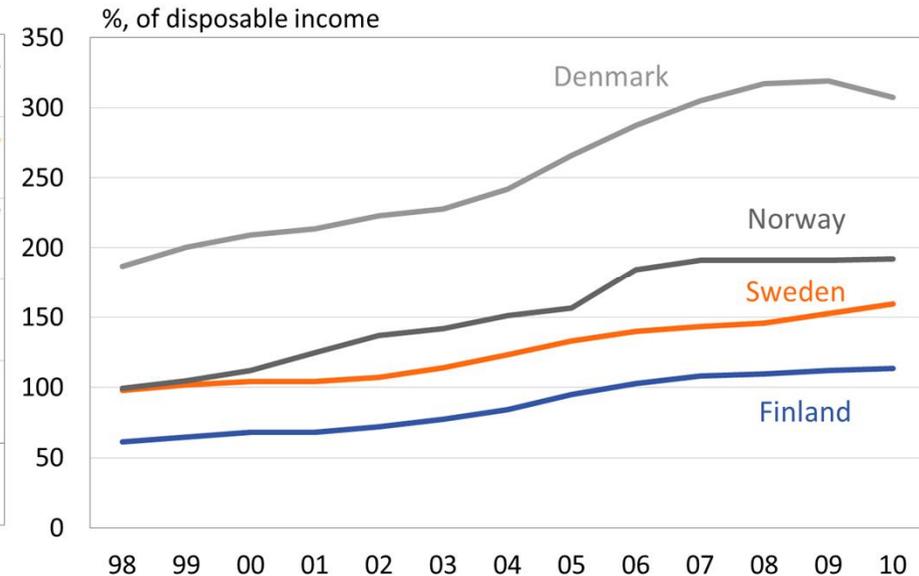
# Average House Prices and Households' Debt

## Average house prices



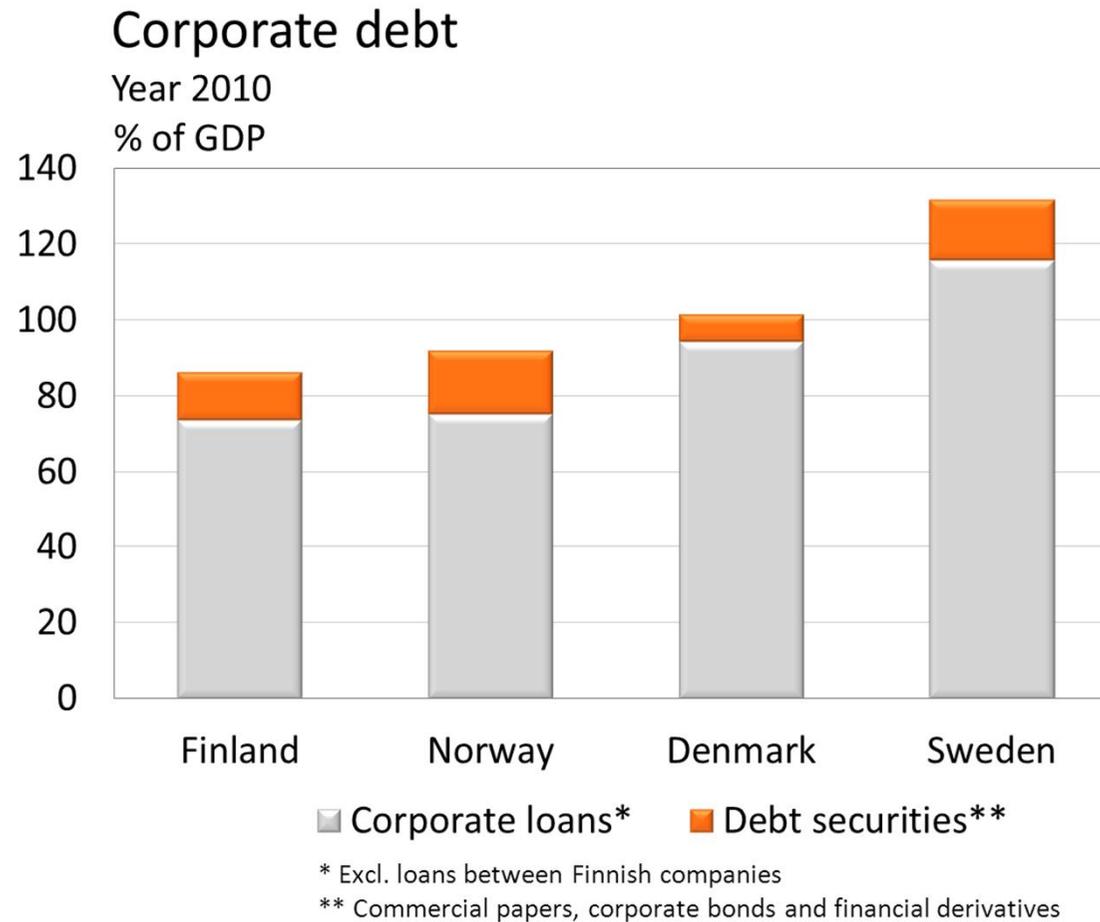
Sources: Reuters EcoWin, Statistics Sweden

## Households' debt ratio



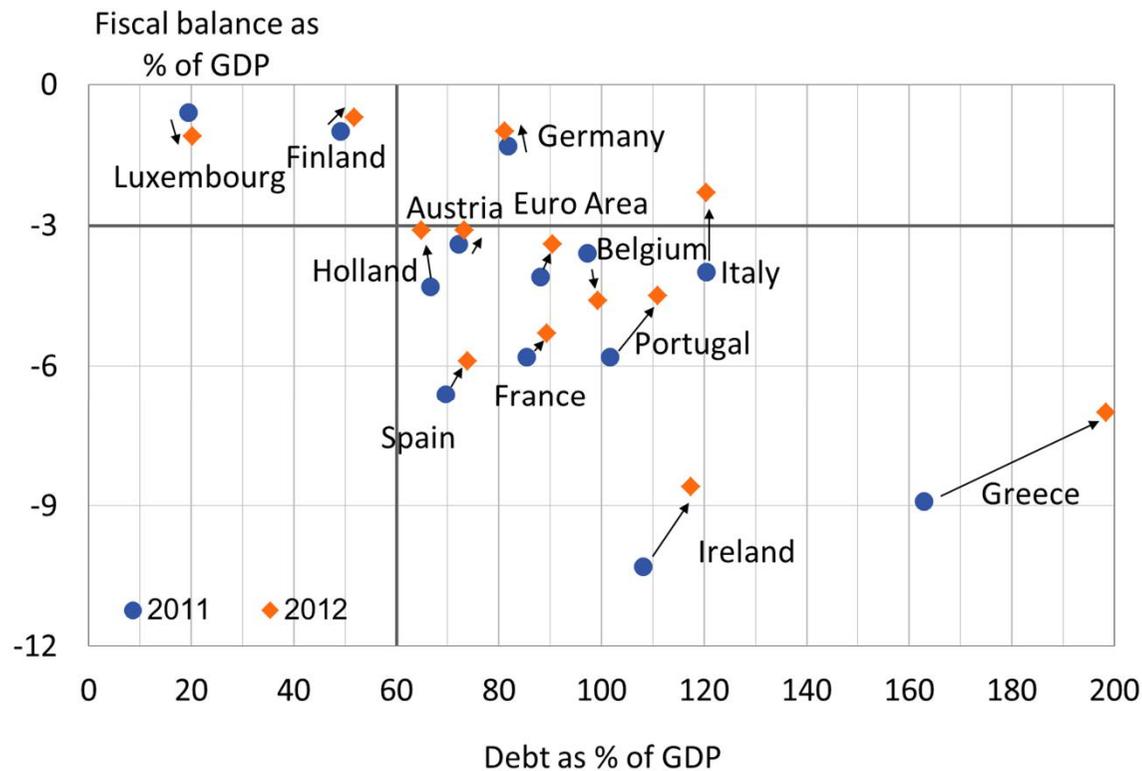
Sources: Central Banks, Statistics Finland

# Corporate Debt 2010



Source: Eurostat, Consolidated Financial Accounts

# Fiscal Balance and Sovereign Ratings for Euro Area



Source: European Commission, November 2011

Country S&P rating\*

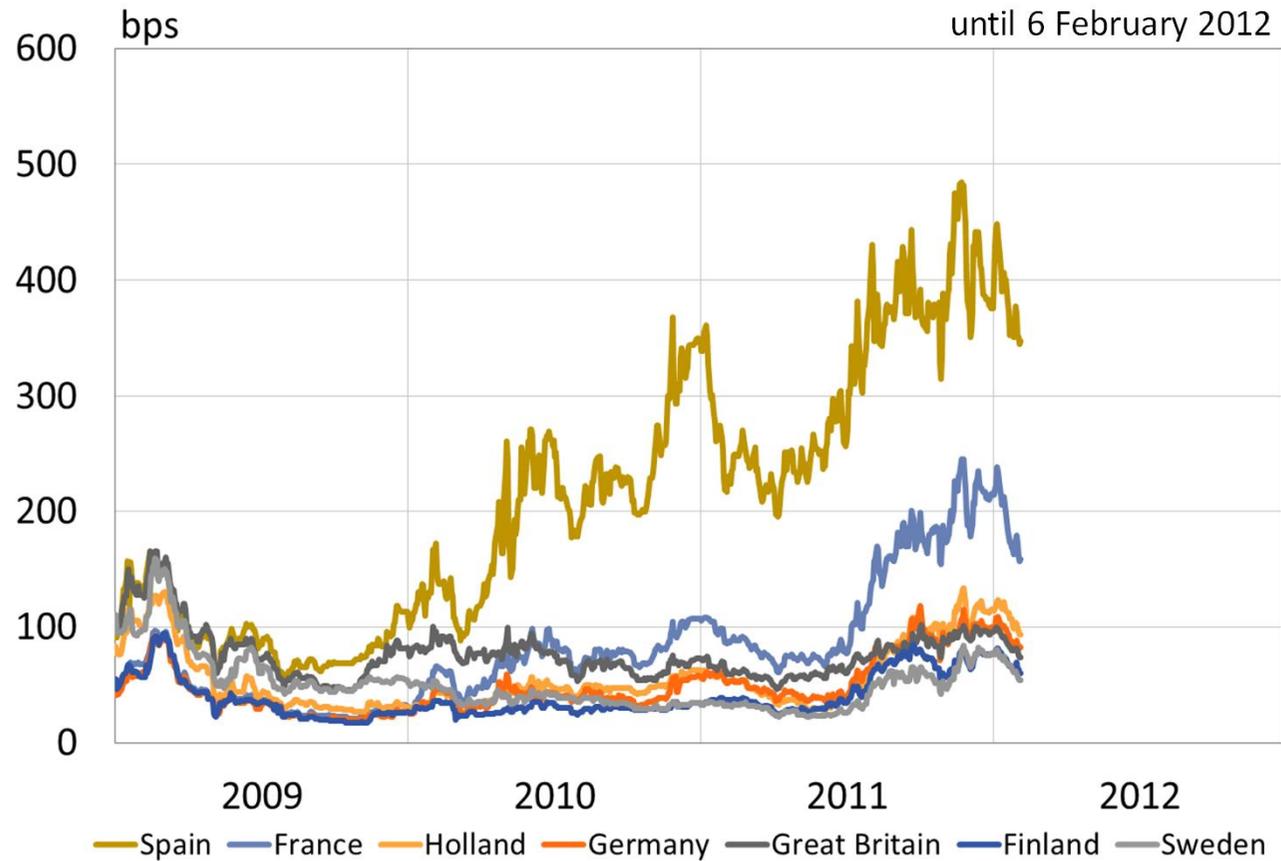
Finland	AAA
Germany	AAA
Luxembourg	AAA
Netherlands	AAA
Austria	AA+
France	AA+
Belgium	AA
Estonia	AA-
Slovenia	A+
Slovakia	A
Spain	A
Malta	A-
Ireland	BBB+
Italy	BBB+
Cyprus	BB+
Portugal	BB
Greece	CC

\* as of 31 January 2012

Source: Standard & Poor's website

# 5-year CDS 2009-2012 by Country

## 5yr CDS 2009-2012 by country



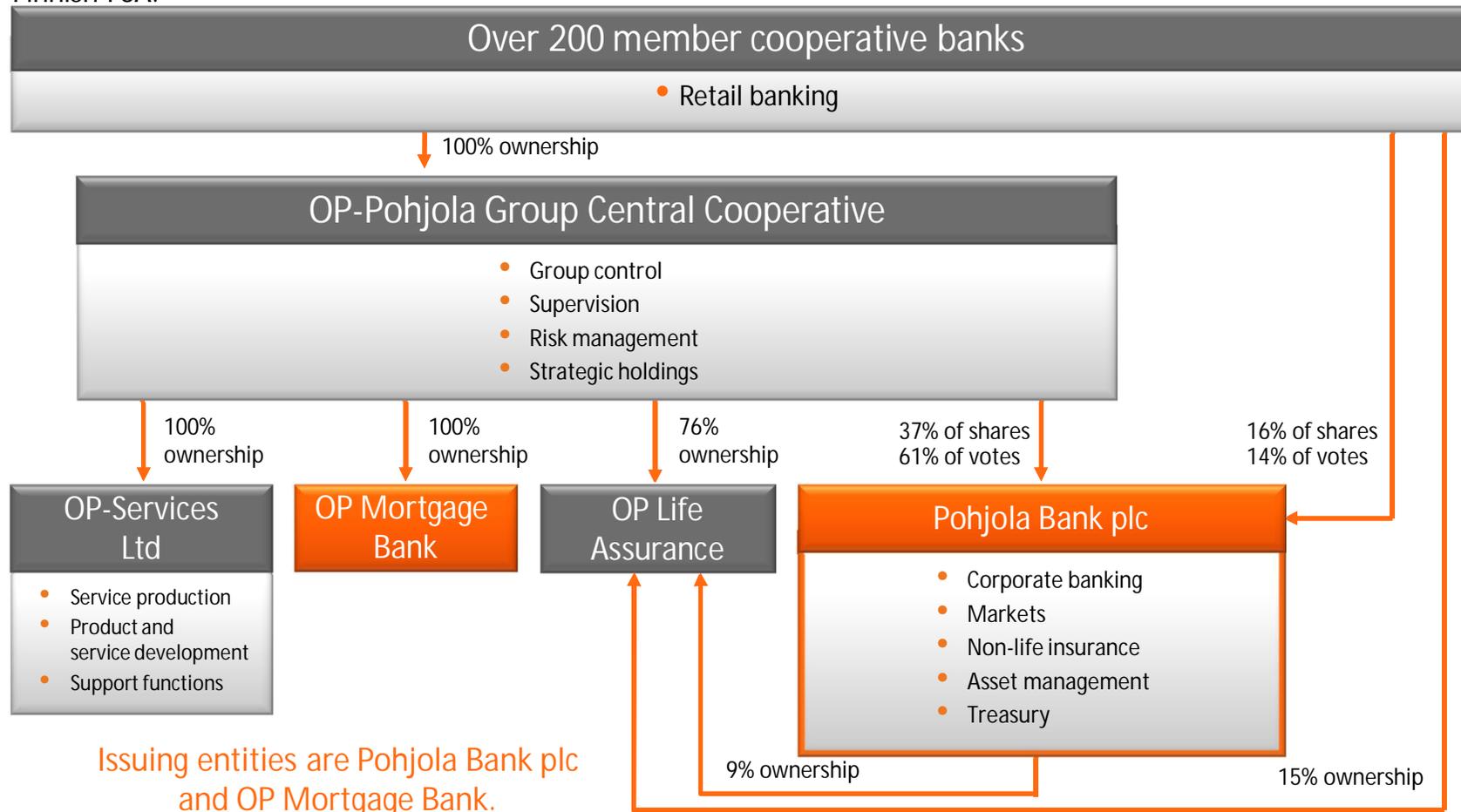
Source: Reuters EcoWin

# OP-Pohjola Group



# OP-Pohjola Group's Ownership Structure and the Roles of Group Entities

OP-Pohjola Group Central Cooperative and the member banks are liable for each other's debts and commitments. Insurance companies do not fall within the scope of joint liability. OP-Pohjola Group is monitored on a consolidated basis by Finnish FSA.



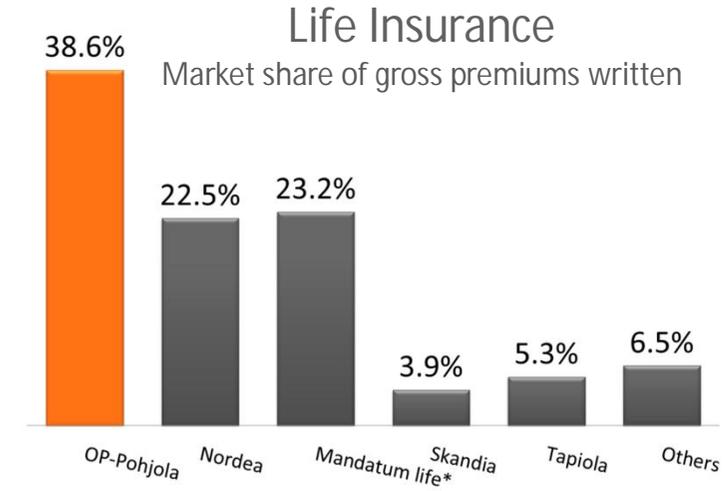
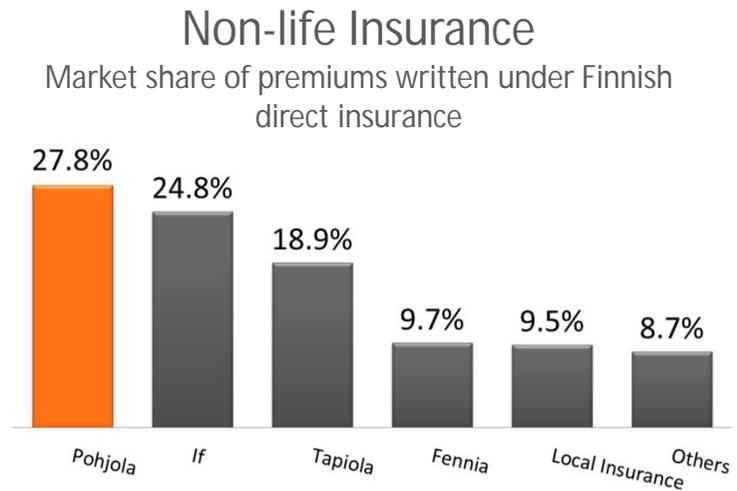
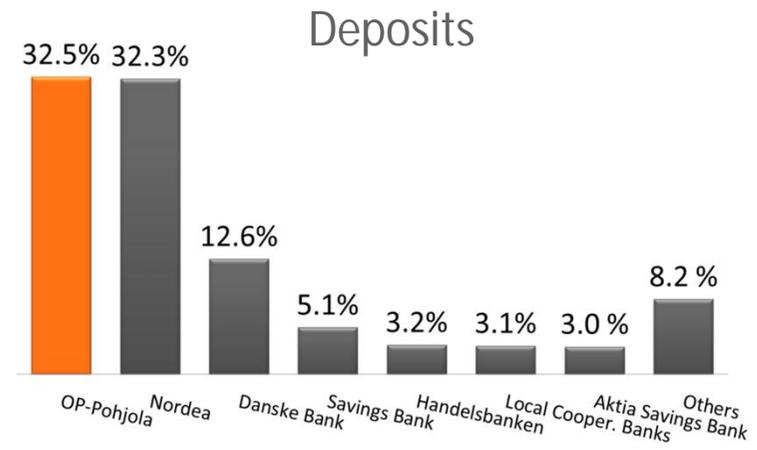
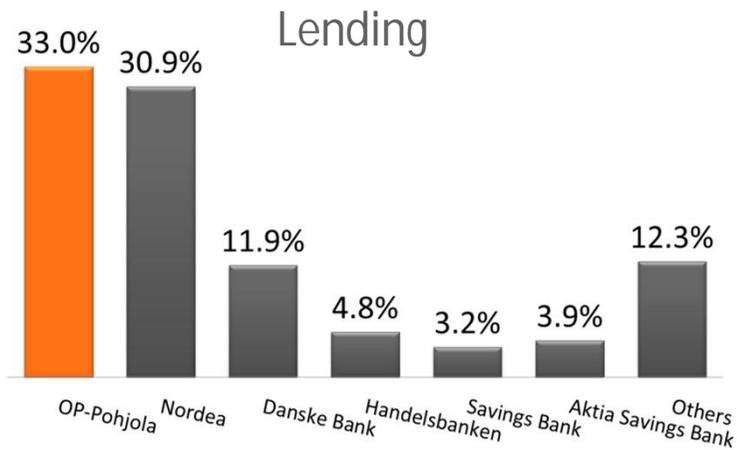
# Joint Liability

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- 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-Kotipankki Oyj, OP Mortgage Bank and the member cooperative banks
- Further information on the joint liability is available in the EMTN Base Prospectus.

# OP-Pohjola Group – Market Leader in Finland

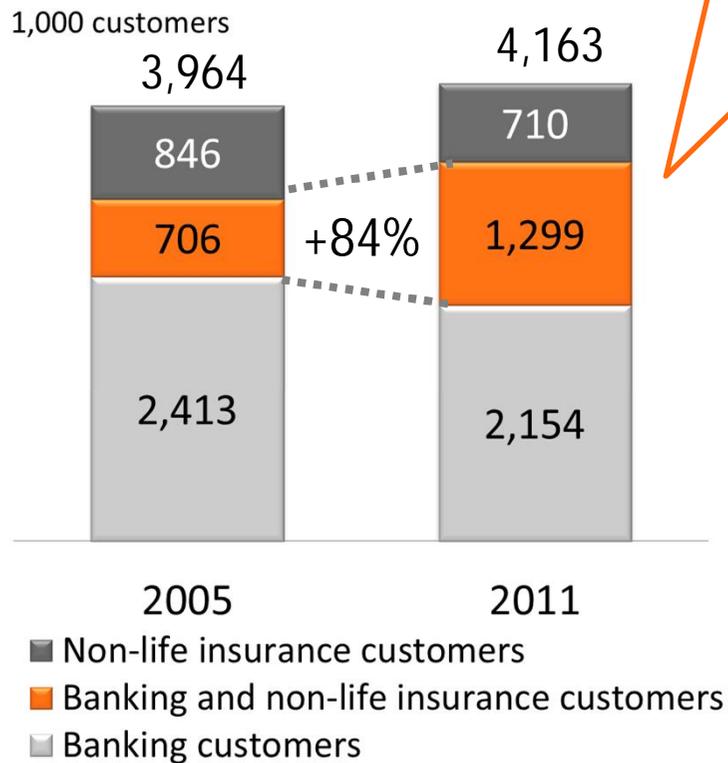
## Market shares in 2010



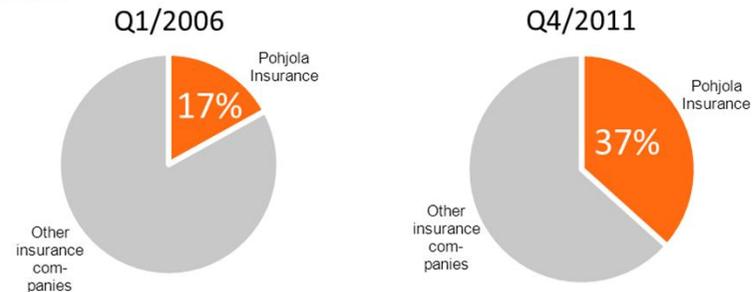
# OP-Pohjola Group's Huge Customer Potential

Cross-selling between OP-Pohjola Group member banks and Pohjola Insurance works well

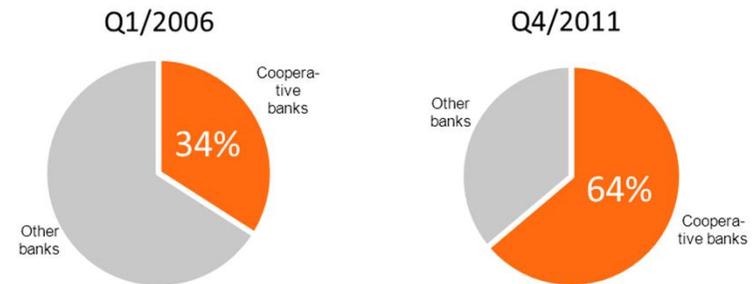
The number of customers shared by Banking and Non-life Insurance increased by 102,000 in 2011.



OP-Pohjola Group member bank customers and their main insurer



Pohjola Insurance customers and their main bank

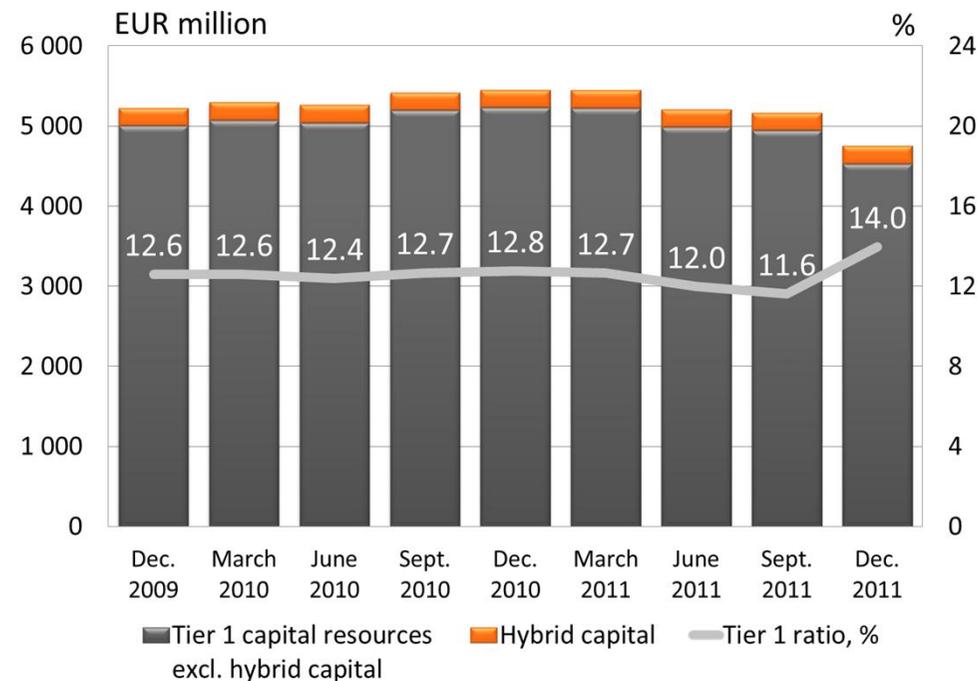


Source: Consumer survey on bank and insurance company switch by TNS Gallup; main customer relationship

# OP-Pohjola Group

OP-Pohjola Group's target for Core Tier 1 is 15% (31 Dec. 2011: 14.0%)

## Capital resources and Tier 1 capital adequacy

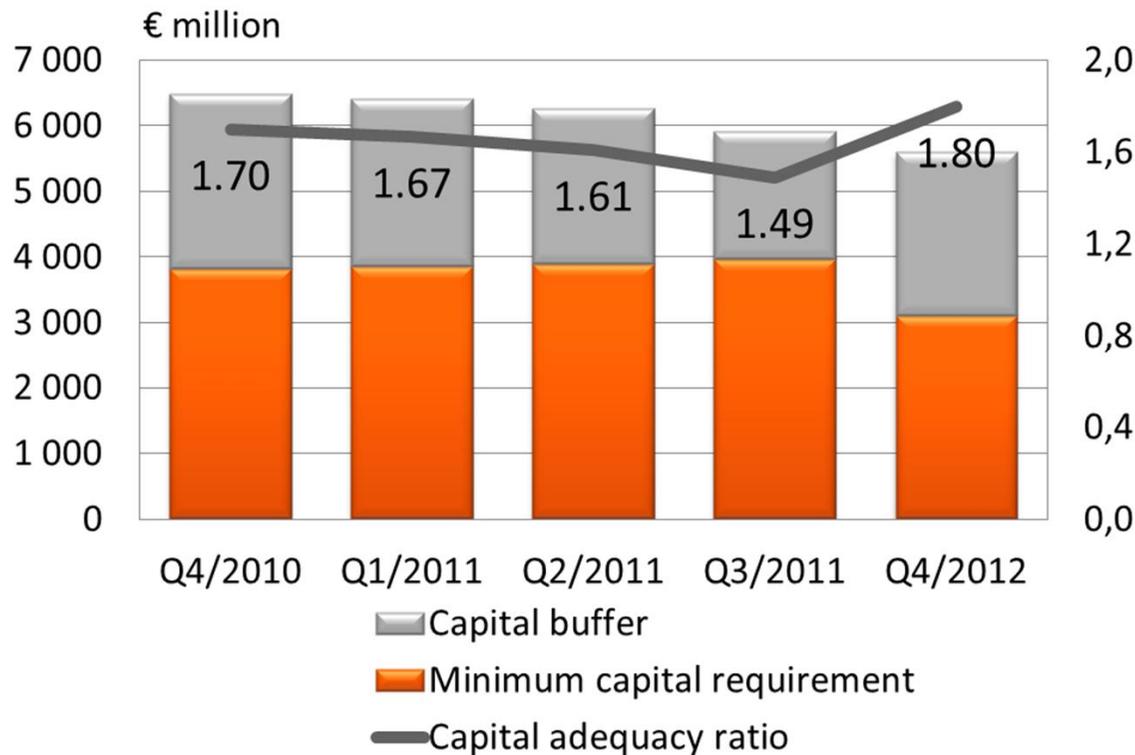


IRBA (Internal Ratings-based Approach to credit risk in capital adequacy measurement) adoption for retail and banking exposures as of 31 December 2011 has improved capital adequacy.

According to EBA's estimate in October 2011, OP-Pohjola Group is not required to take any action to improve its capital adequacy because the Group's Core Tier 1 ratio is high and the sovereign bond risks are low. OP-Pohjola Group's Core Tier 1 ratio was 14.0% on 31 December 2011, which is clearly above the minimum level of 9% set by the EBA.

# OP-Pohjola Group

## Capital adequacy under the Act on the supervision of Financial and Insurance Conglomerates



IRBA (Internal Ratings-based Approach to credit risk in capital adequacy measurement) adoption for retail and banking exposures as of 31 December 2011 has improved conglomerate's capital adequacy.

Statutory minimum requirement is 1.0

# Direct Exposures to Sovereign Debt in GIIPS Countries

OP-Pohjola Group's exposures to sovereign debt in GIIPS countries as of 31 December 2011

€ million	Life Assurance	Non-life Insurance	Banking and other operations	Total
Greece	3	12	0	16
Italy	27	29	0	56
Ireland	0	5	0	5
Portugal	0	17	0	17
Spain	31	17	0	47
Total	61	79	0	141

# Pohjola's Credit Ratings

Rating target: Rating AA issued by at least 2 credit rating agencies

	Moody's	S & P	Fitch
Pohjola Bank plc	Aa2*	AA-	A+
Handelsbanken	Aa2	AA-	AA-
Nordea	Aa2	AA-	AA-
DnB NOR	Aa3	A+	A+
Danske Bank	A2**	A**	A**
SEB	A1	A+	A+
Swedbank	A2	A+	A
OP Mortgage Bank***	Aaa	AAA	-
Pohjola Insurance Ltd	A2*	AA-	-
If	A2	A	-
Finnish government	Aaa	AAA**	AAA

\* Credit rating under review for a possible downgrade

\*\* Credit rating outlook is negative

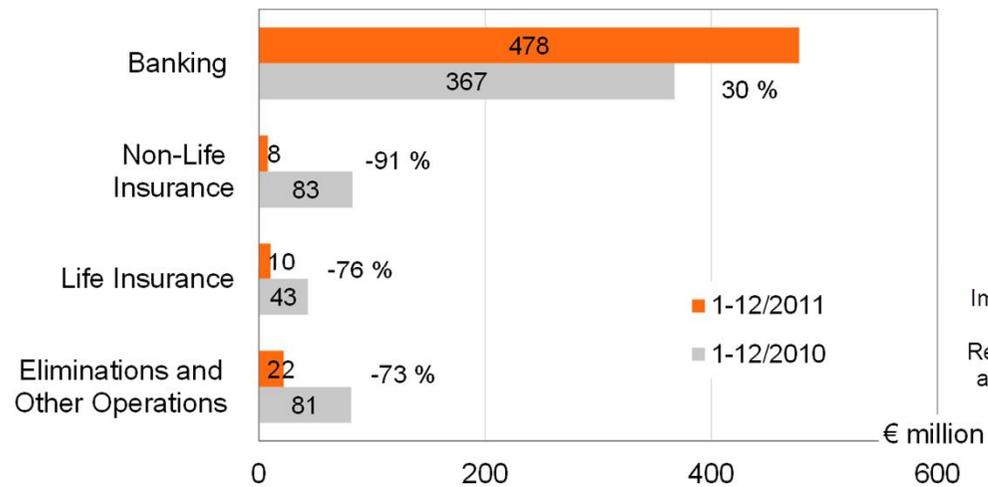
\*\*\* Covered bond rating

6 February 2012

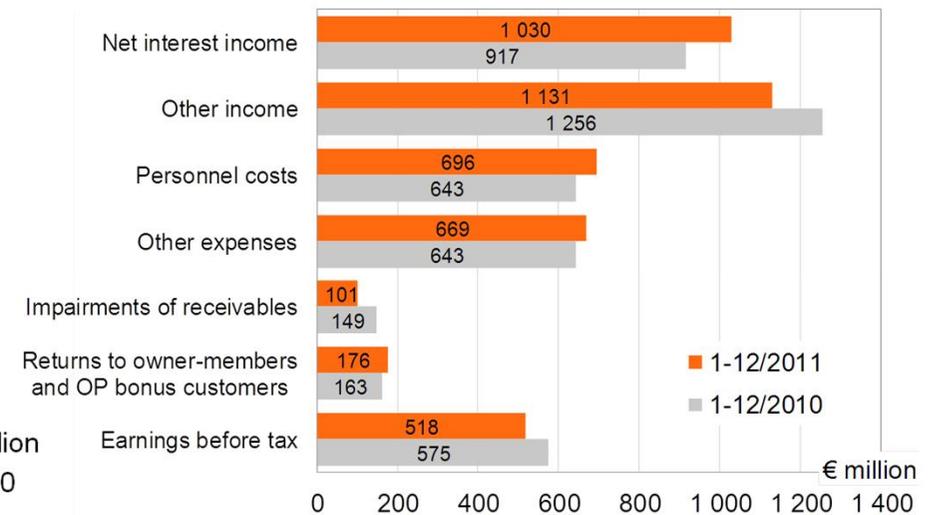
# OP-Pohjola Group

Earnings before tax for 2011 €518 million (575)

Earnings before tax by business segment, € million



Income statement, € million



# OP-Pohjola Group and Pohjola Bank plc

## Income statement, € million

	OP-Pohjola Group 2011	Pohjola Bank plc 2011	OP-Pohjola Group 2010	Pohjola Bank plc 2010
Net interest income	1 030	276	917	258
Net income from Non-Life insurance	312	318	382	388
Net income from Life Insurance	72		100	
Net commissions and fees	574	161	563	164
Other income	173	90	210	116
Total income	2 160	843	2 172	926
Total expenses	1 365	528	1 286	514
Earnings before impairments of receivables	796	316	887	412
Impairments of receivables	101	60	149	104
Returns to owner-members and OP-bonus customers	176		163	
Earnings before tax	518	258	575	308
Change in fair value reserve	-400	-180	225	-17
Earnings before tax at fair value	117	78	800	291

# OP-Pohjola Group and Pohjola Bank plc

## Key figures

	OP-Pohjola Group 2011	Pohjola Bank plc 2011	OP-Pohjola Group 2010	Pohjola Bank plc 2010
Total assets, € million	92 287	41 142	83 969	36 184
Receivables from customers, € million	60 331	12 701	56 834	12 433
Deposits, € million	41 304	8 025	36 443	4 231
Equity capital, € million	6 531	2 331	6 726	2 377
Tier 1 ratio, %	14.0	10.6	12.8	12.5
Doubtful receivables, € million	296	62	204	43
Doubtful receivables and zero-interest bearing receivables of loans and guarantees, %	0.47	0.41	0.34	0.30
Loan and guarantee portfolio, € billion	62.8	15.0	59.4	14.3
Impairments of receivables, € million	101	60	149	104
Impairments of receivables / loan and guarantee portfolio, %	0.16	0.40	0.25	0.73
Personnel	13 229	3 380	12 504	3 016

# OP-Pohjola Group and Pohjola Bank plc

## Key figures

	OP-Pohjola Group 2011	Pohjola Bank plc 2011	OP-Pohjola Group 2010	Pohjola Bank plc 2010
Net interest margin, %	1.2*	1.34**	1.1*	1.36**
Cost / Income ratio, %	63	35***	59	35***
Return on equity (ROE) at fair value, %	2.0	3.4	9.4	9.3
Return on assets, (ROA) at fair value, %	0.1		0.7	
Non-Life Insurance, solvency ratio, %		77		86
Life Insurance, solvency ratio, %	12.9****		15.9****	
Operating combined ratio, %		89.8		89.7

\* Net interest income as a percentage of average total assets

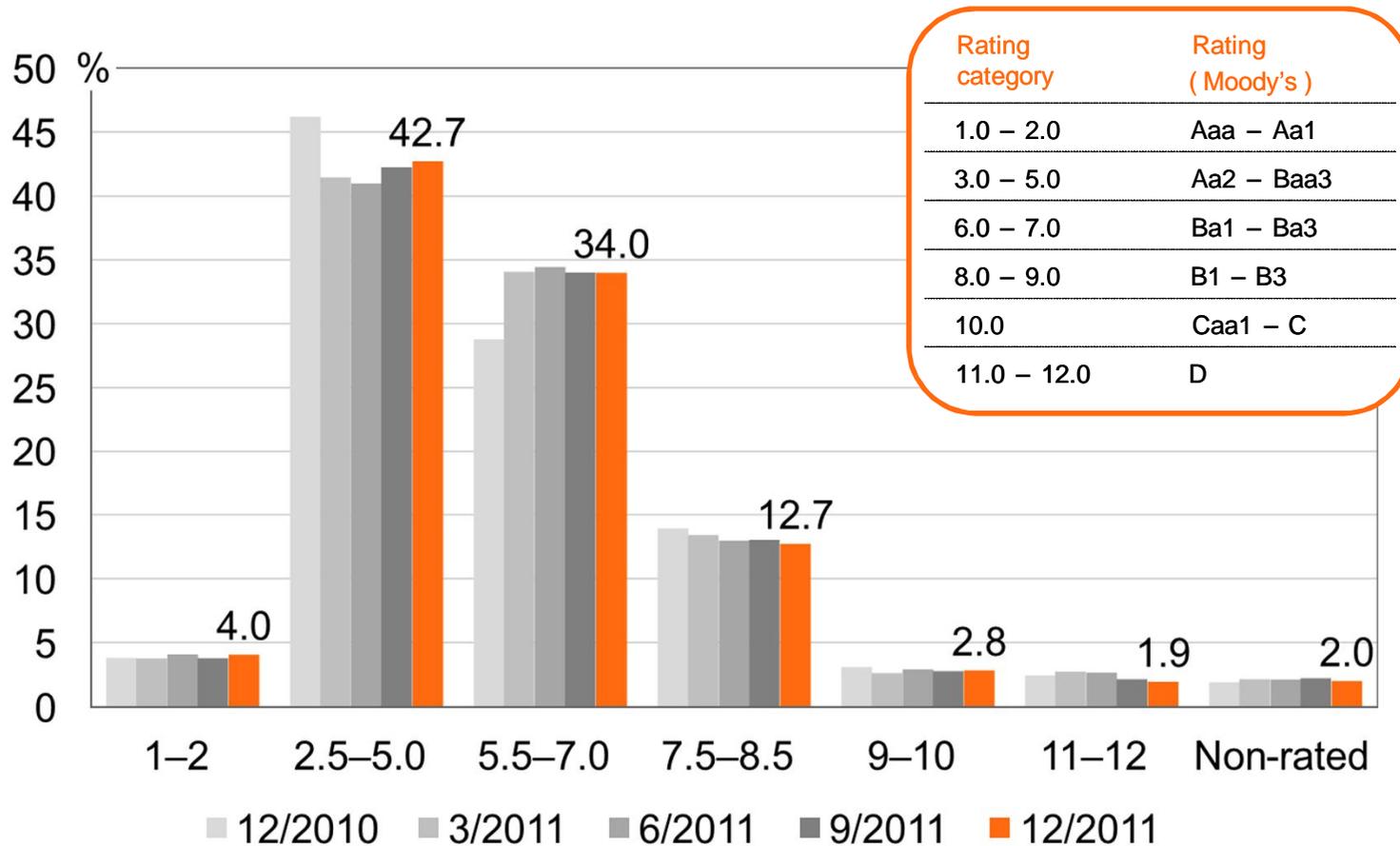
\*\* Average margin for corporate lending

\*\*\* Cost / Income ratio in Banking

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

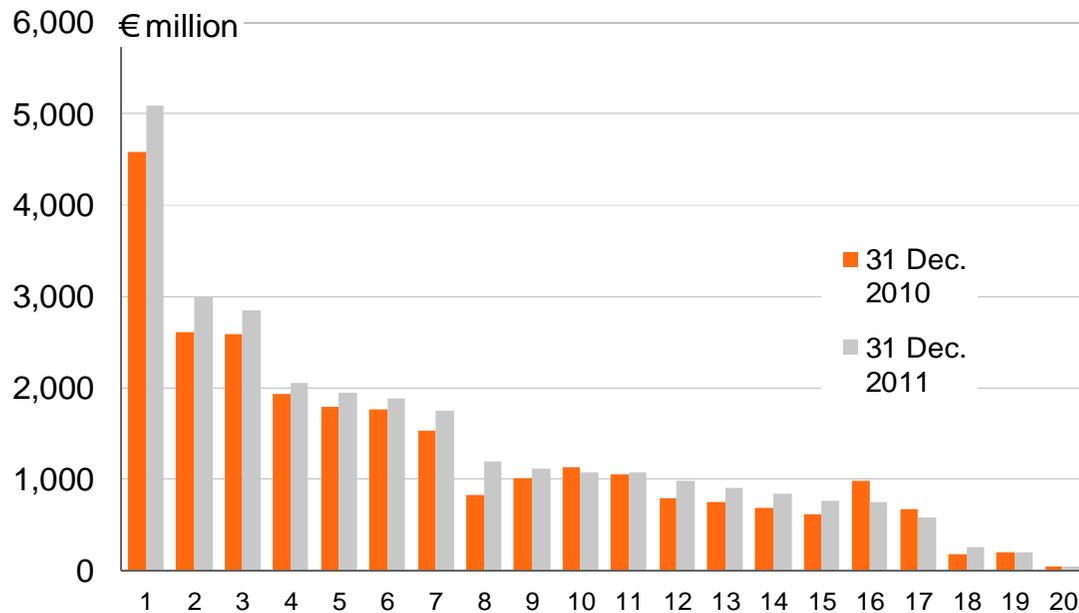
# OP-Pohjola Group

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



# OP-Pohjola Group

Exposures from the Non-financial Corporations and Housing Corporations Sector by industry totaled €28.4 billion as of 31 December 2011

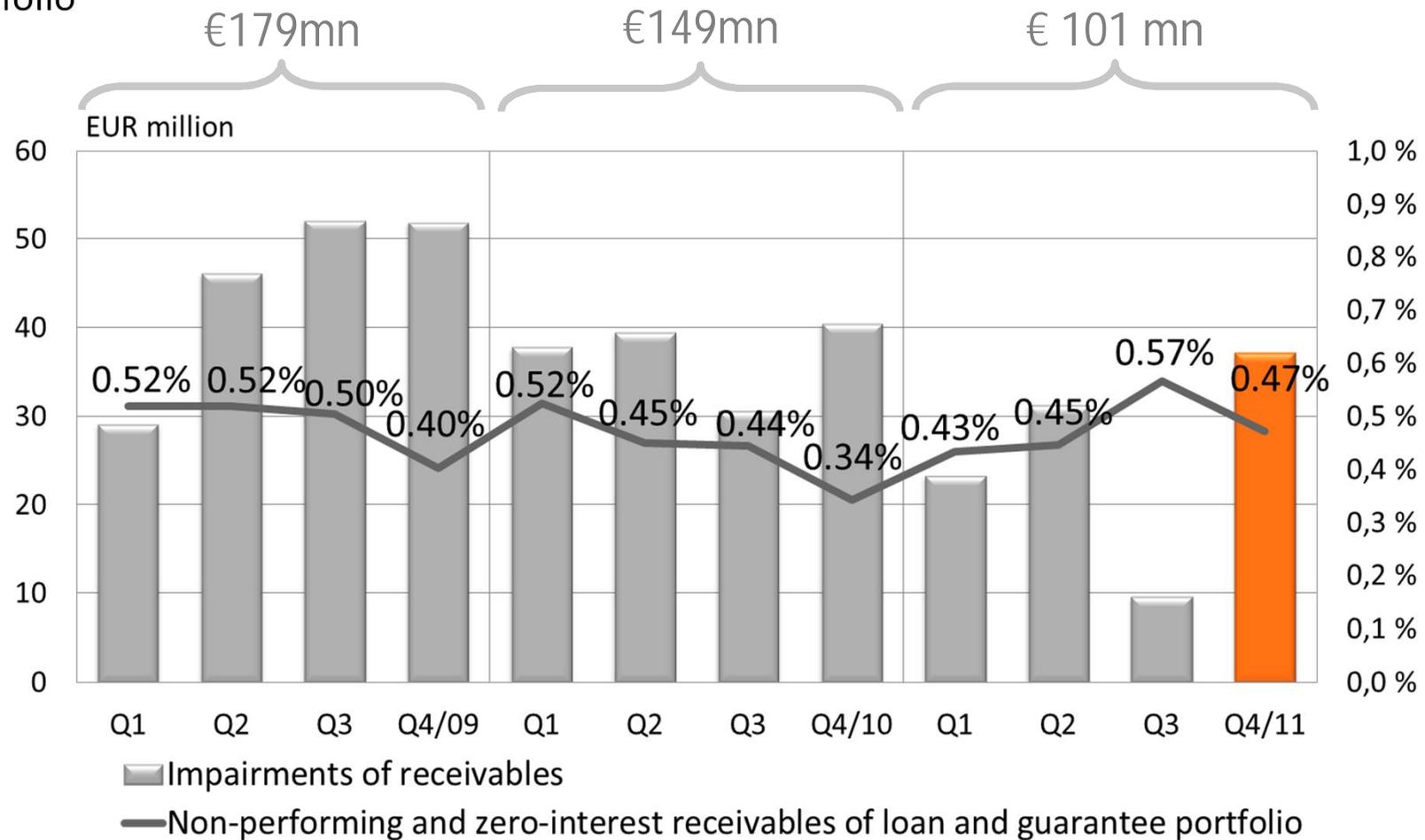


\*) 23% of the exposure in the renting and operating of residential real estate sector is guaranteed by government, cities or municipalities (12/2011)

1	Renting and operating of residential real estate *	17.9 %
2	Renting and operating of other real estate	10.5 %
3	Wholesale and retail trade	10.0 %
4	Construction	7.2 %
5	Services	6.9 %
6	Manufacture of machinery and and equipment (incl. services)	6.6 %
7	Transportation and storage	6.2 %
8	Energy	4.2 %
9	Buying and selling of own real estate	3.9 %
10	Forest Industry	3.8 %
11	Metal Industry	3.8 %
12	Financial and insurance activities	3.5 %
13	Food Industry	3.2 %
14	Agriculture, forestry and fishing	3.0 %
15	Information and communication	2.7 %
16	Chemical Industry	2.7 %
17	Other manufacturing	2.1 %
18	Mining and quarrying	0.9 %
19	Water supply, sewerage and waste management	0.7 %
20	Other industries	0.2 %

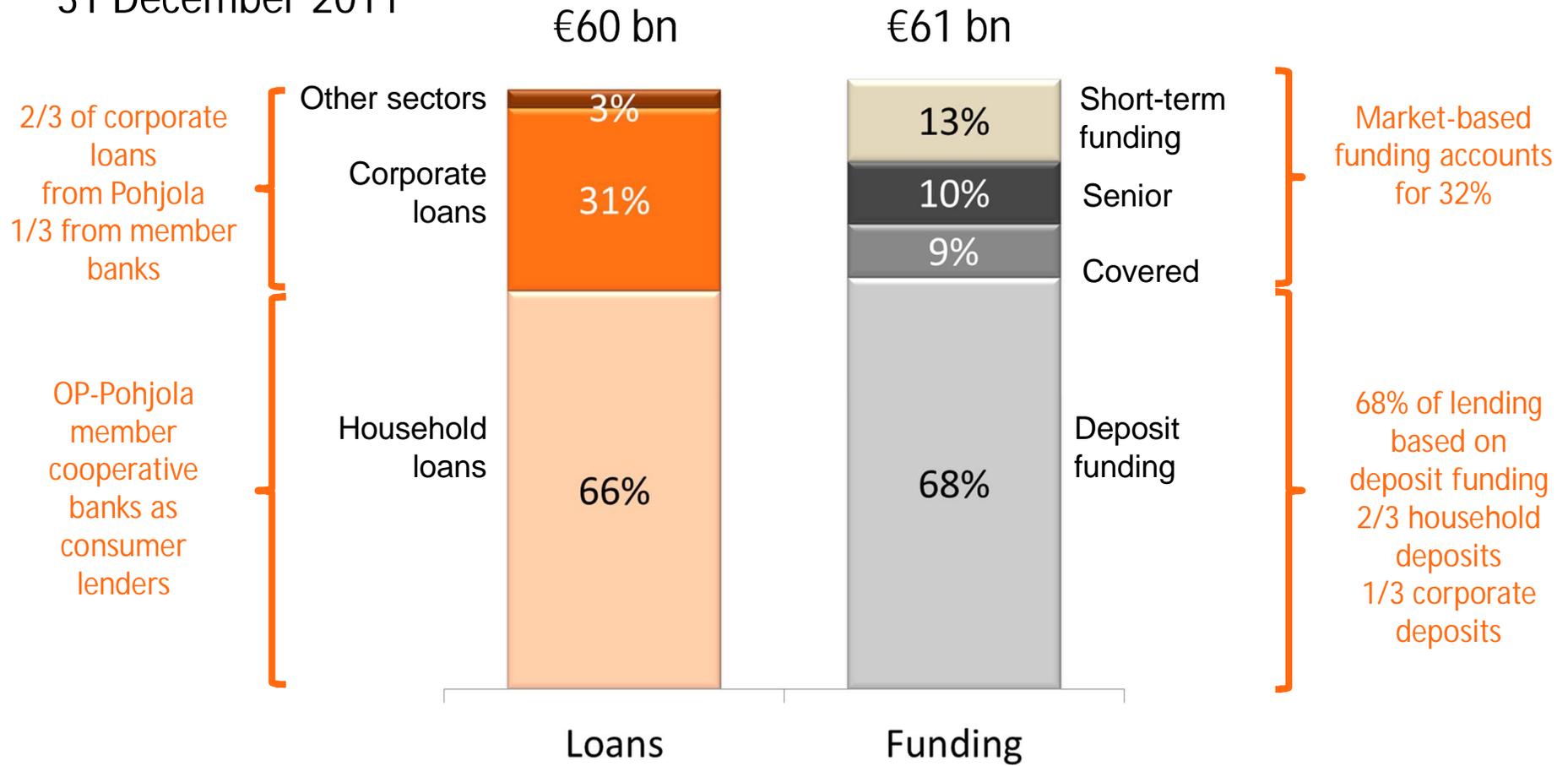
# OP-Pohjola Group

Ratio of impairments of receivables and doubtful receivables to loan and guarantee portfolio



# OP-Pohjola Group

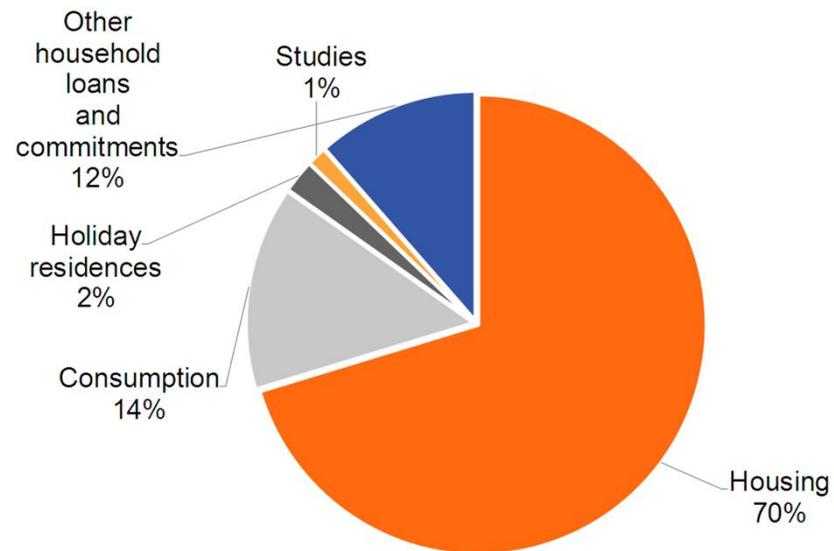
## Loans and funding structure 31 December 2011



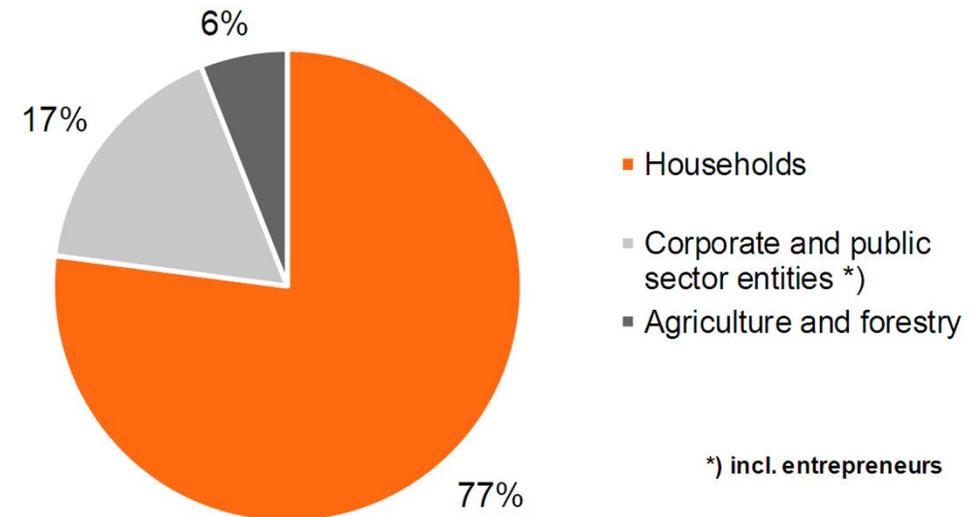
# OP-Pohjola Group

## Households' loans and deposits by customer sector 31 December 2011

Households' loans and other commitments, €43.6 bn

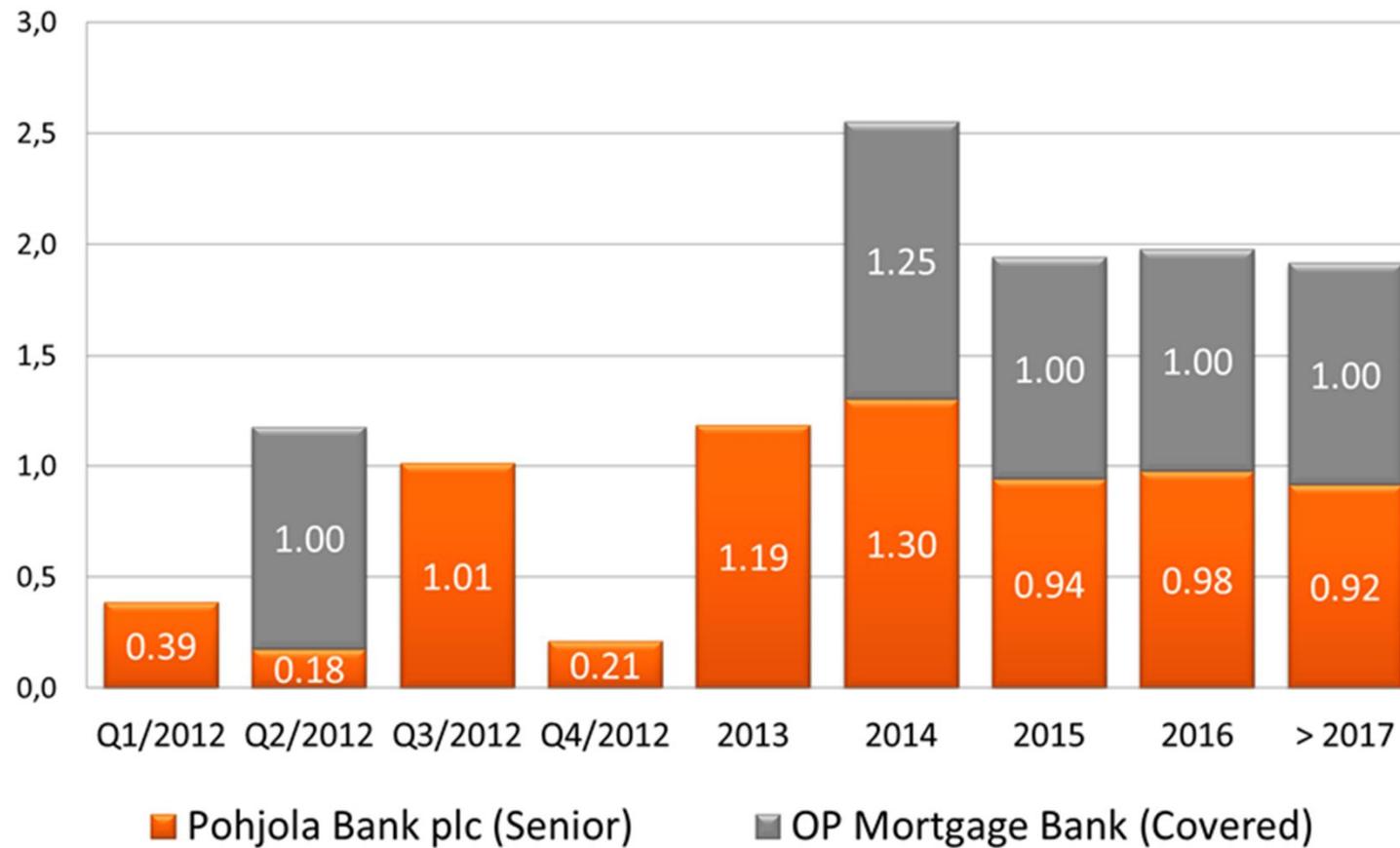


Deposits by customer sector



# OP-Pohjola Group

Issued senior debt and covered bonds by maturity, € billion  
31 December 2011



# OP-Pohjola Group

## Issued senior debt and covered bonds in 2010–11

### Pohjola Bank plc Senior issues

Year	Month	Amount	Maturity	Interest rate
2011	January	€500 mn	5 yrs	m/s+80bp
2010	September	€750 mn	7 yrs	m/s +88bp
2010	March	€750 mn	5 yrs	m/s+78bp
2010	February	€750 mn	3 yrs	3mEuribor +53bp

### OP Mortgage Bank Covered bond issues

Year	Month	Amount	Maturity	Interest rate
2011	July	€1 bn	7 yrs	m/s+48bp
2011	April	€1 bn	5 yrs	m/s+35bp
2010	June	€1 bn	5 yrs	m/s+40bp

OP Mortgage Bank



# Overview: Finnish Housing Market

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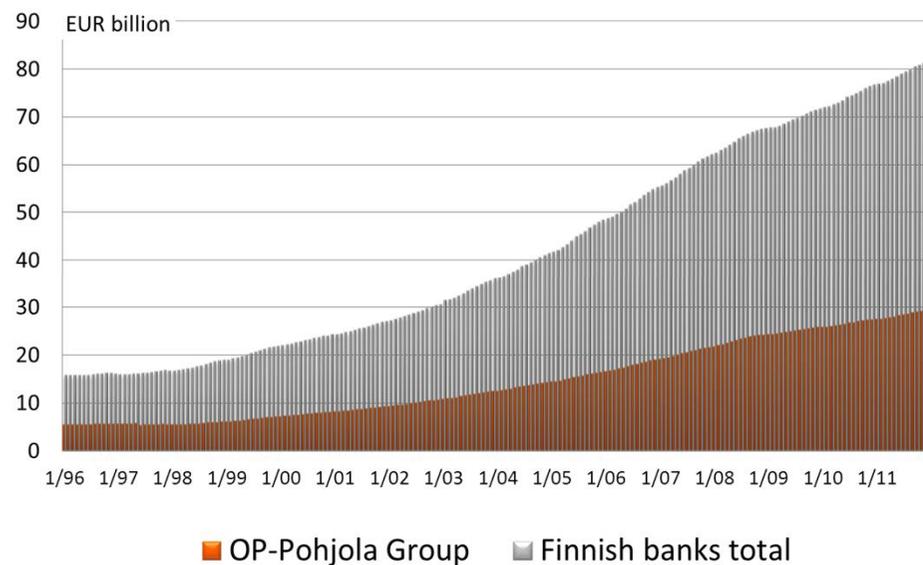
- Ownership ratio of households around 66%
- Average size of homes 79.5 m<sup>2</sup>
- Floor space per occupant 39.1 m<sup>2</sup>
- Typical maturity in new loans 20 years
- Variable interest rates: over 95% of all loans
- Average annual housing starts around 28,000
- Interest relief in taxation (max. 3,600 € / household)
- Capital gains tax-exempt after 2 years

Updated: February 2012

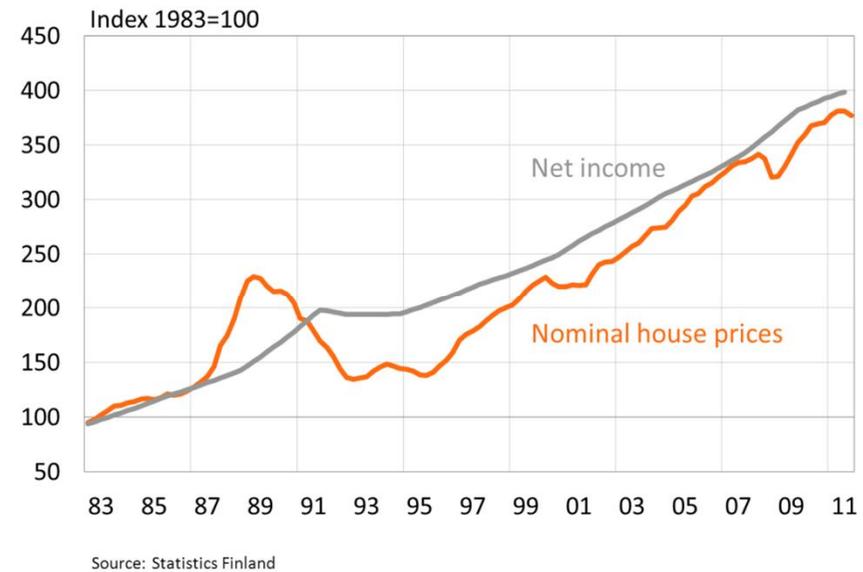
# Mortgage Market and House Price Growth

- 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

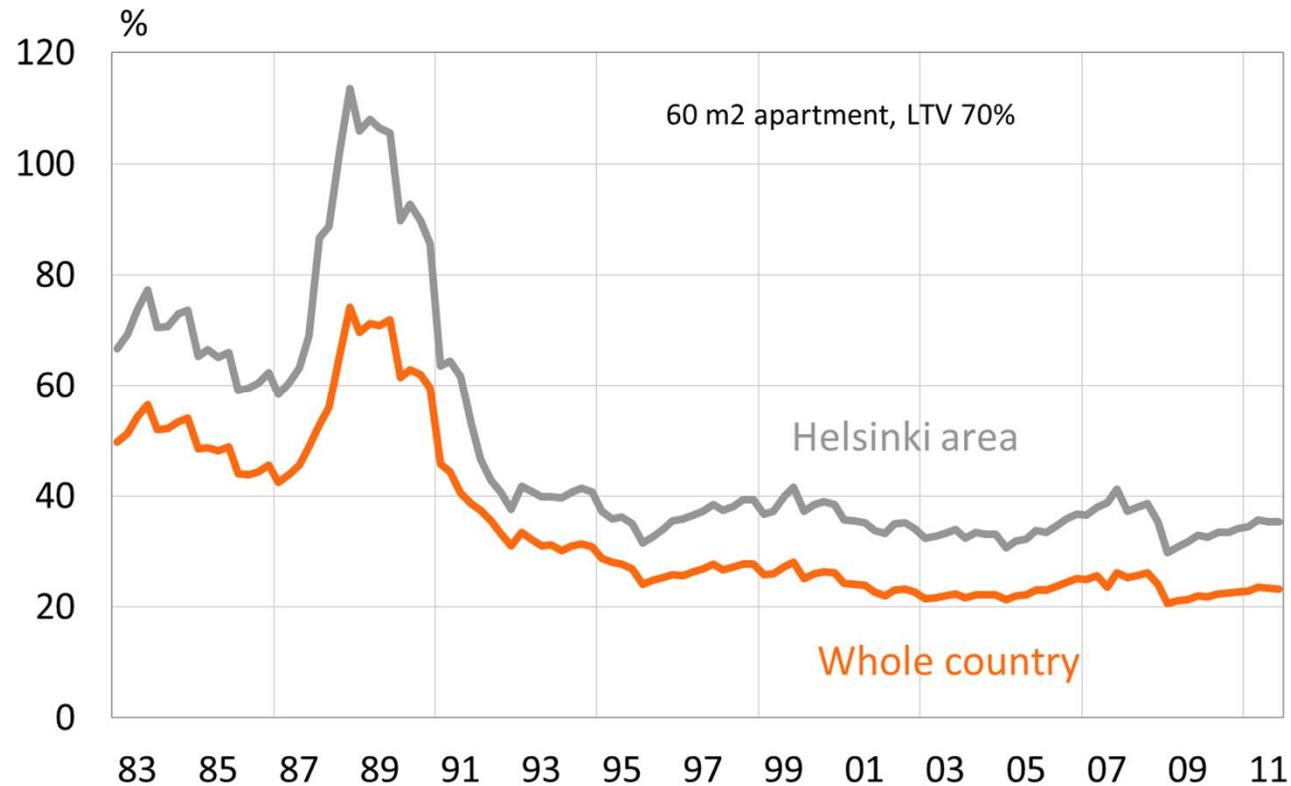


Changes in house prices and net income



# 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

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- 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

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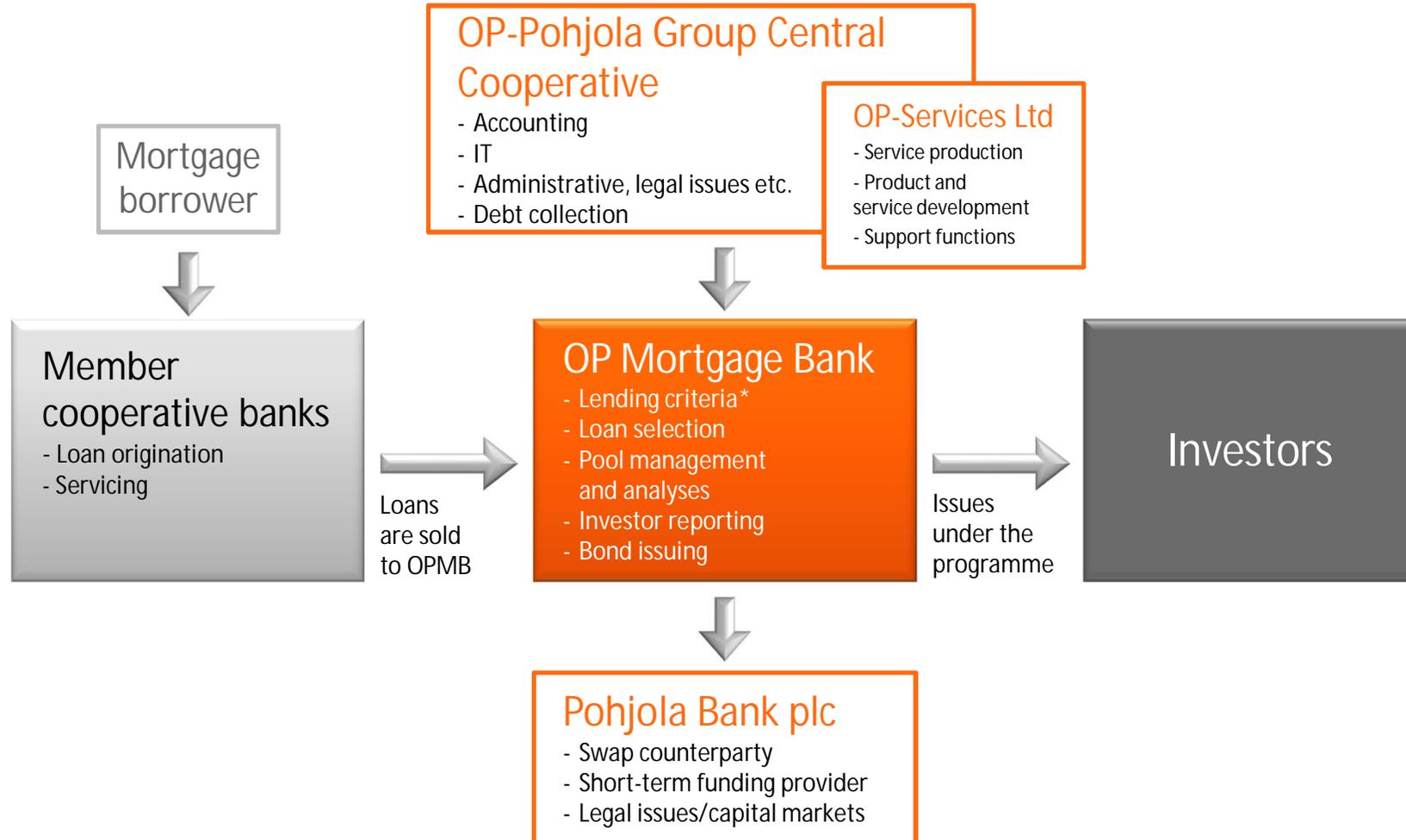
- OP Mortgage Bank is a special-purpose bank operating under the Act on Mortgage Credit Bank Operations.
- Its sole purpose is to raise funds for OP-Pohjola Group member banks by issuing covered bonds with mortgage collateral.
- The outstanding covered bonds of OP Mortgage Bank are rated AAA by S&P and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

# OPMB Operating Model

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- 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 done 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 the 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 A

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



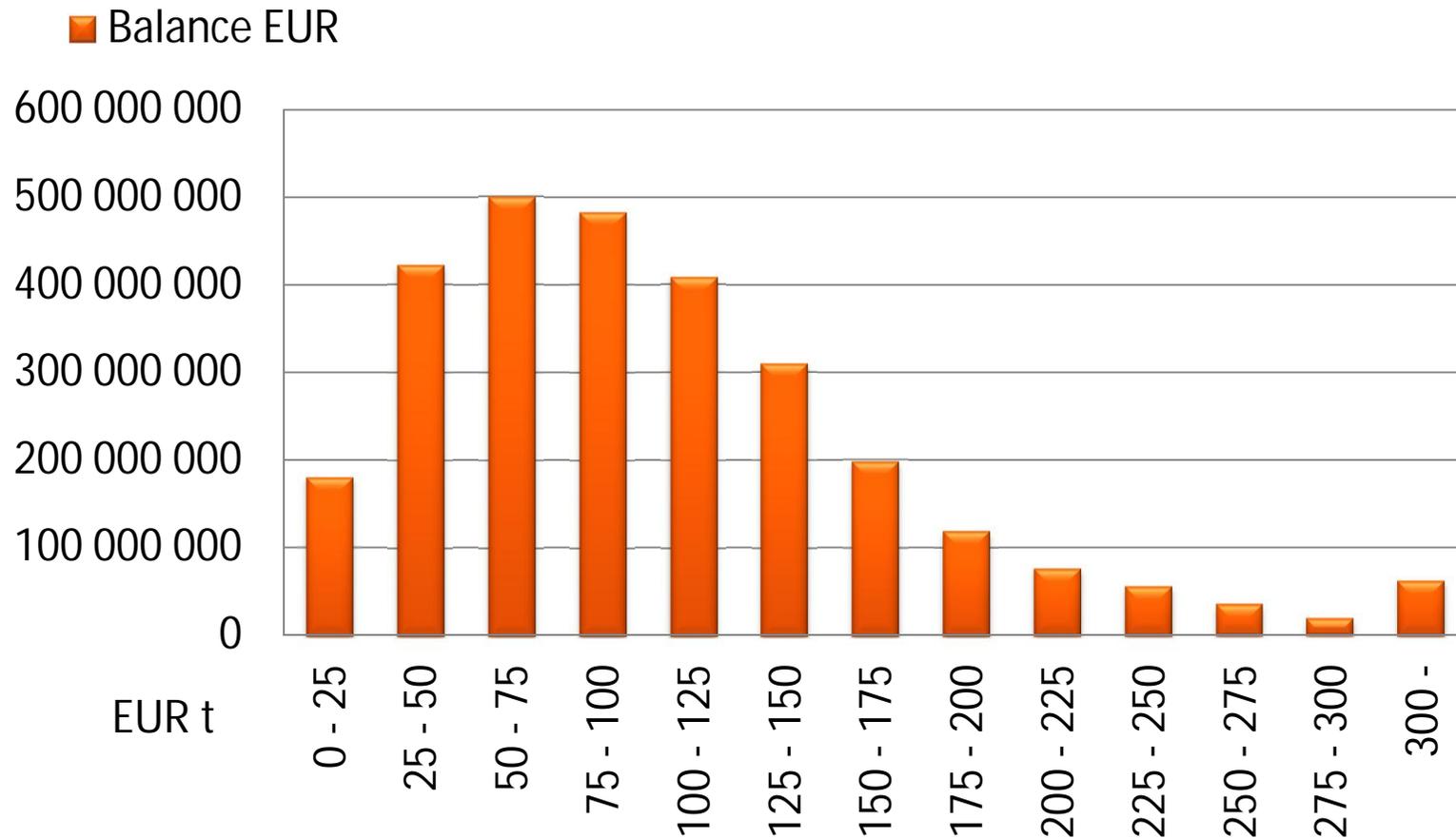
# Main Features of OP Mortgage Bank Cover Asset Pool A as of December 2011

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- Collateralized by first ranking Finnish mortgages.
- Current balance EUR 4.2 billion.
- Weighted Average indexed LTV of 45 %
- Average loan size of approximately EUR 48,000
- 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 3.25 billion.

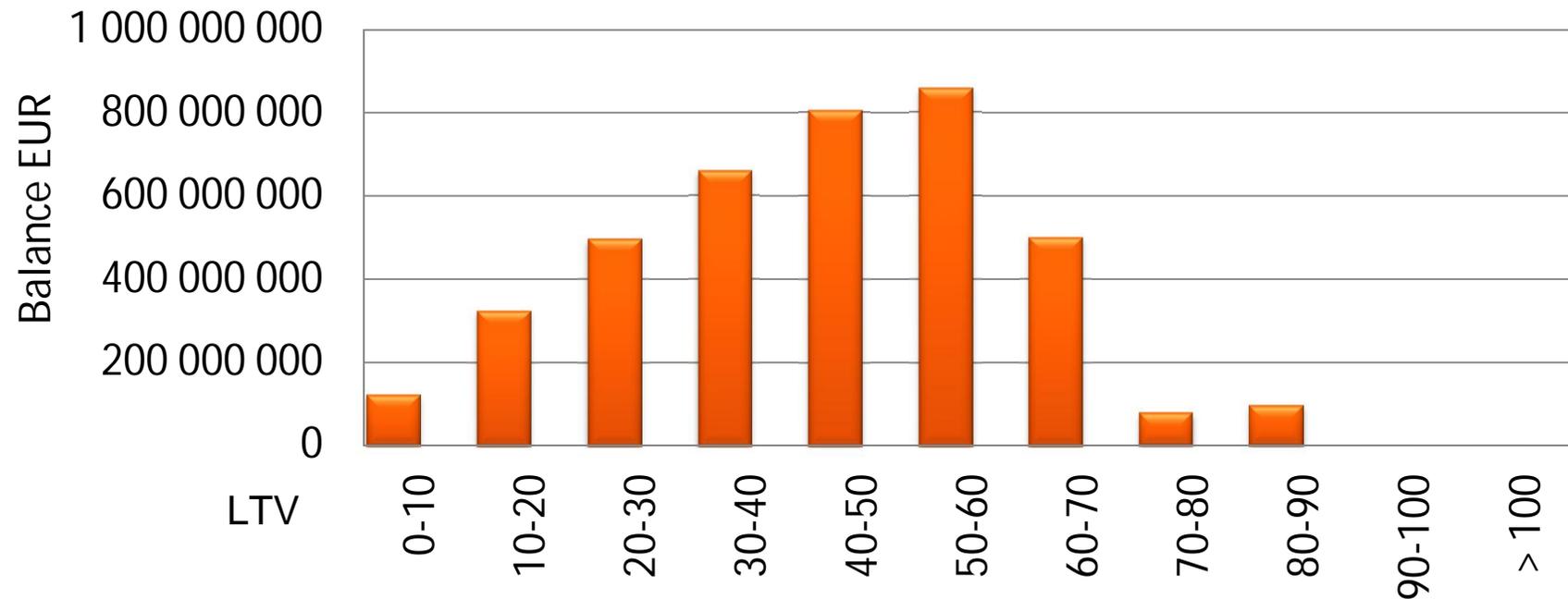
# OPMB Asset Pool A Characteristics

## Loans by size



# OPMB Asset Pool A Characteristics

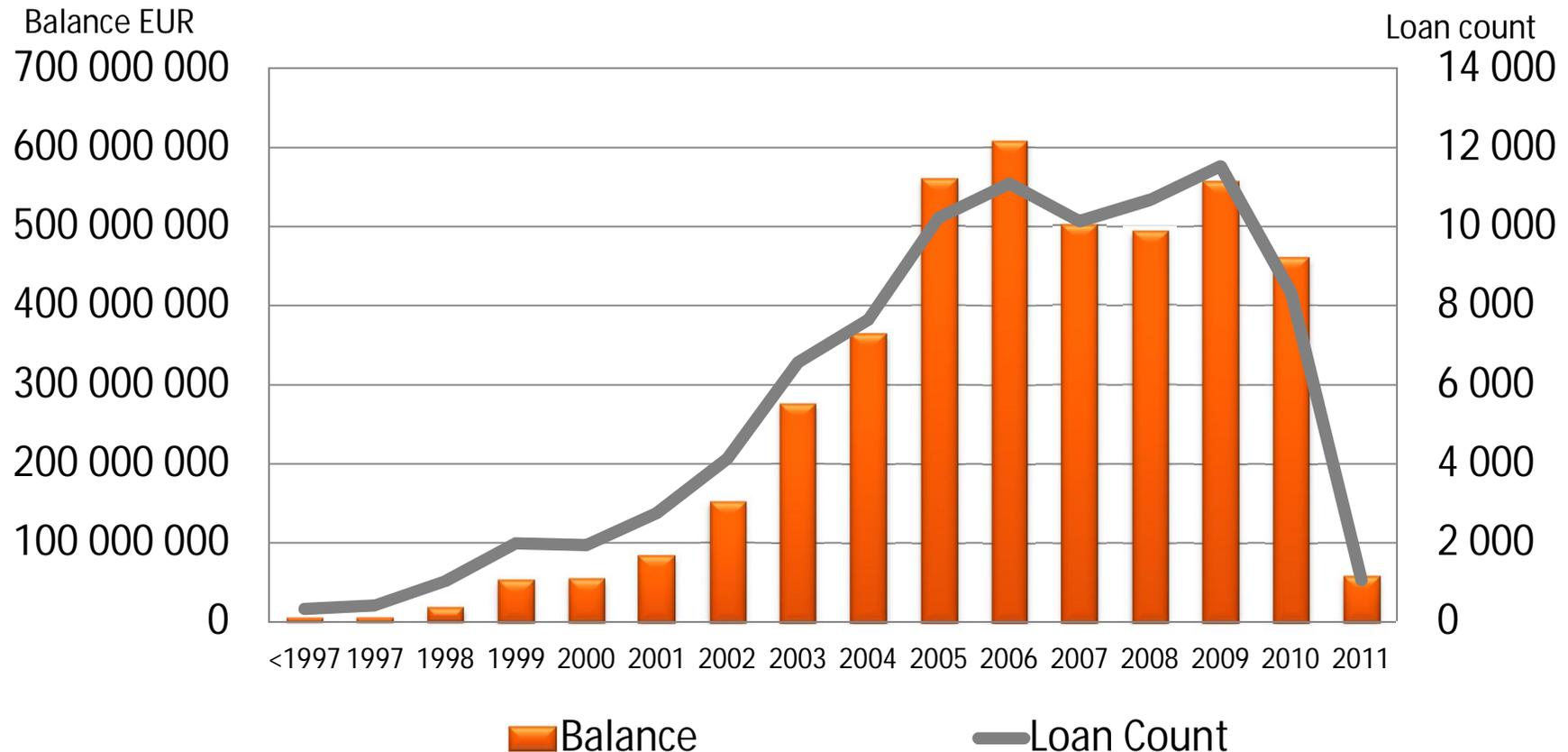
## Loans by LTV



- Total assets EUR 4.2 billion
- Eligible Cover Pool assets EUR 4.2 billion
- Weighted Average indexed LTV of 45 %
- Over collateralization 29.2 %

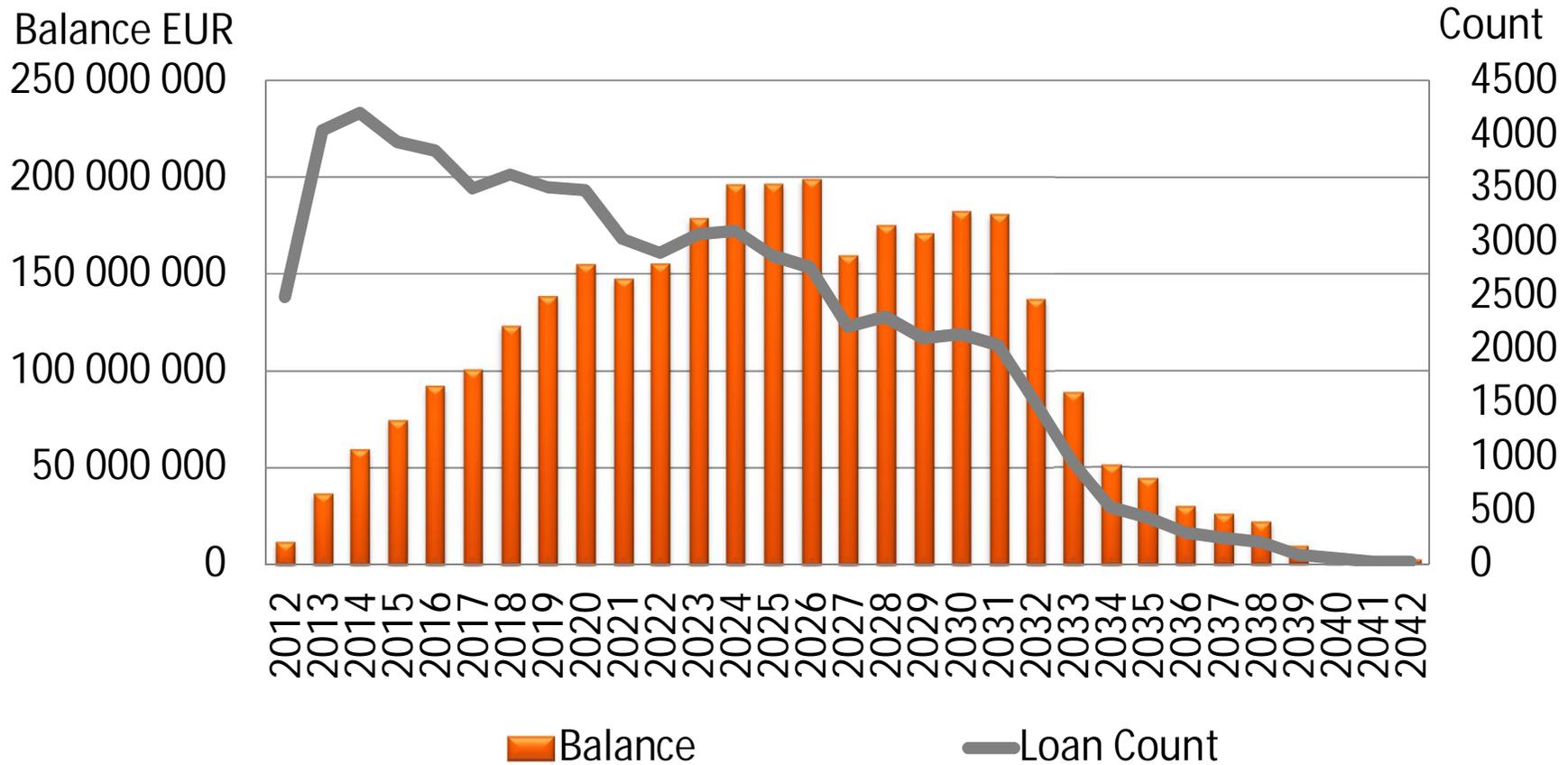
# OPMB Asset Pool A Characteristics

## Loans by origination year



# OPMB Asset Pool A Characteristics

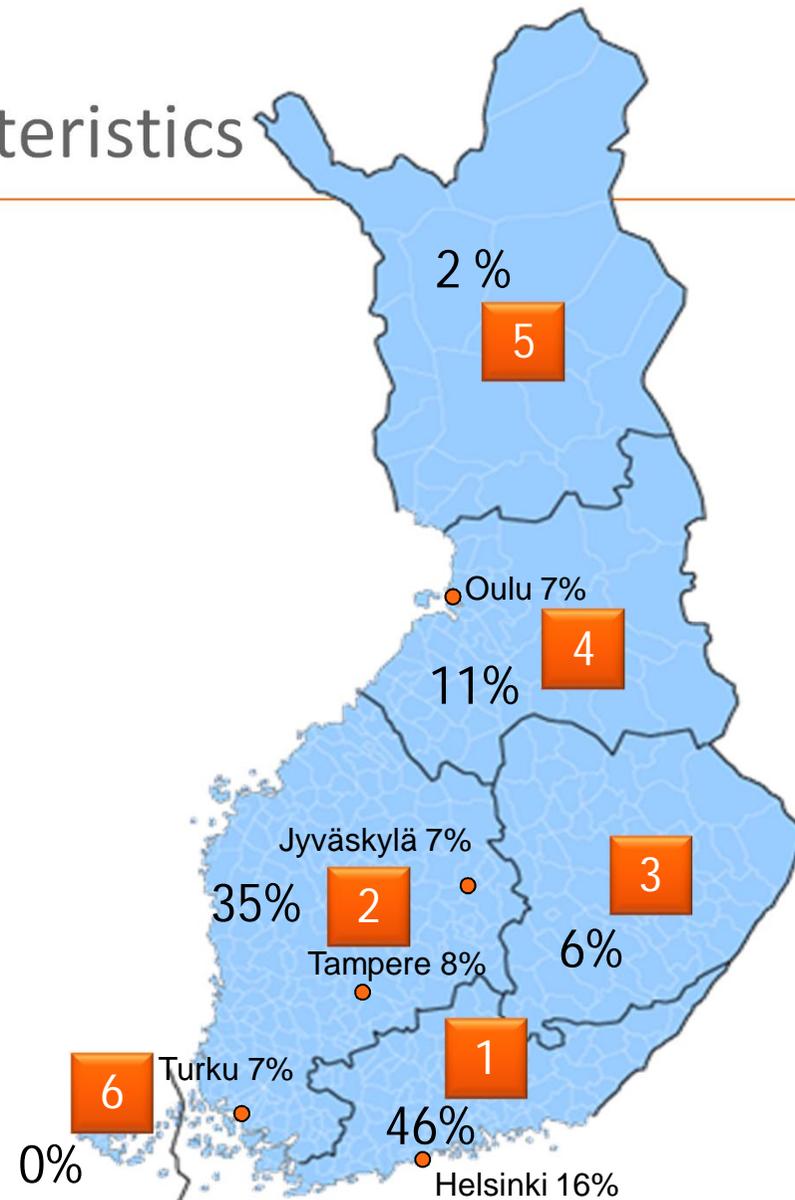
## Loans by maturity



# OPMB Asset Pool A Characteristics

## Geographical distributions

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



## OPMB Asset Pool Characteristics; Pool B

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



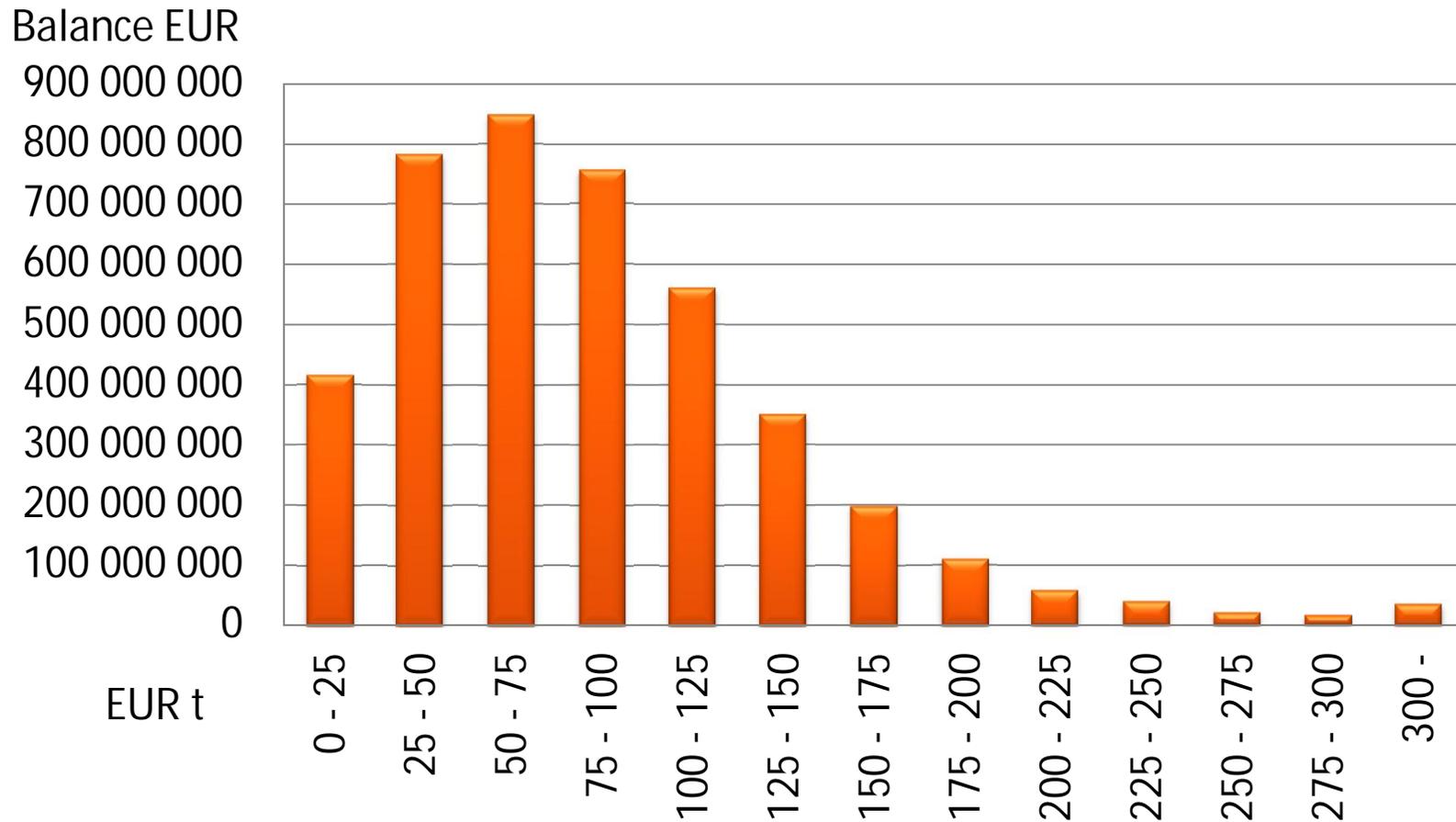
# Main Features of OP Mortgage Bank Cover Asset Pool B as of December 2011

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- Collateralized by first ranking Finnish mortgages
- Current balance EUR 2.9 billion
- Weighted Average indexed LTV of 54 %
- Average loan size of approximately EUR 64,000
- 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 2.0 billion

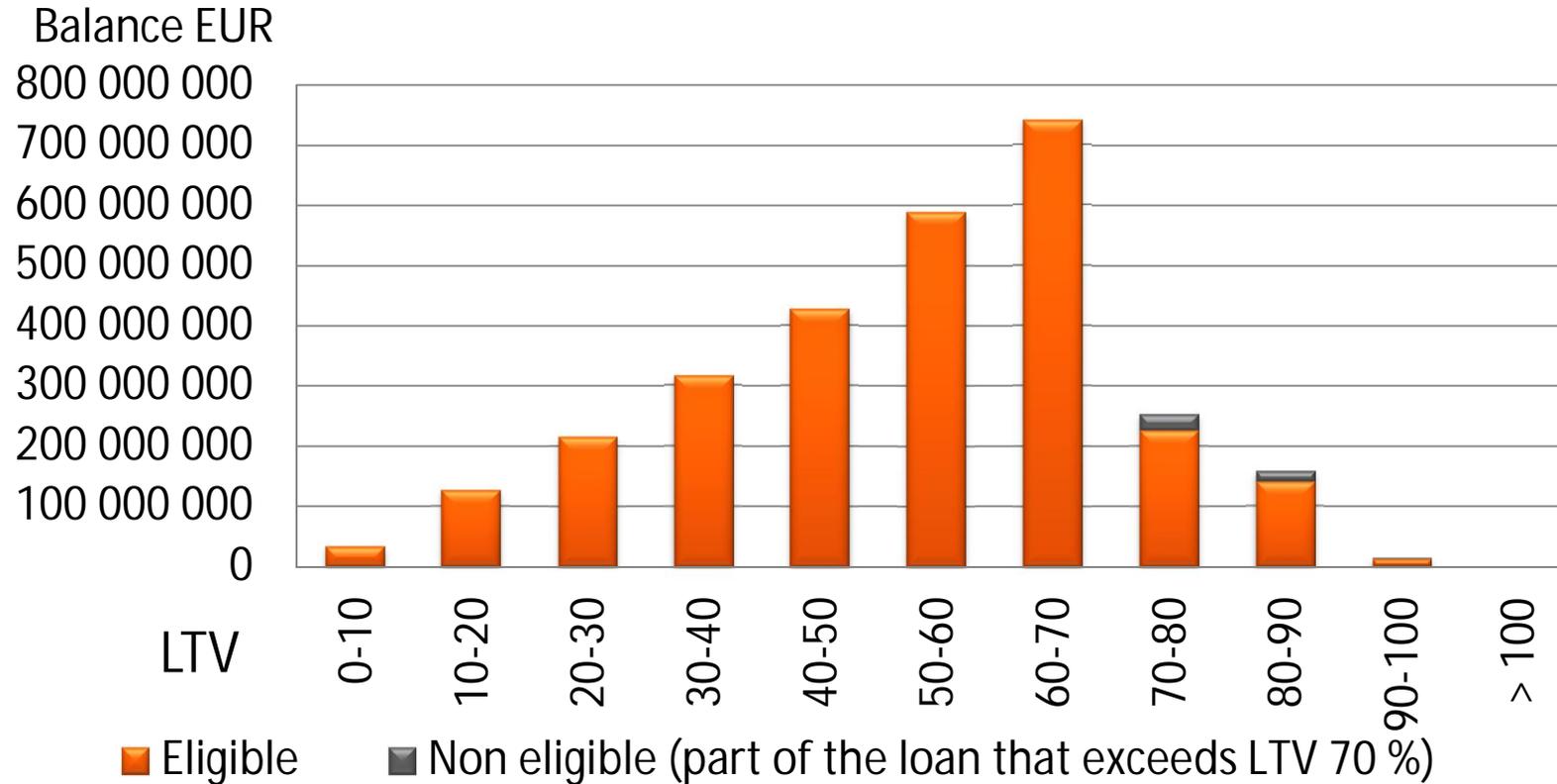
# OPMB Asset Pool B Characteristics

## Loans by size



# OPMB Asset Pool B Characteristics

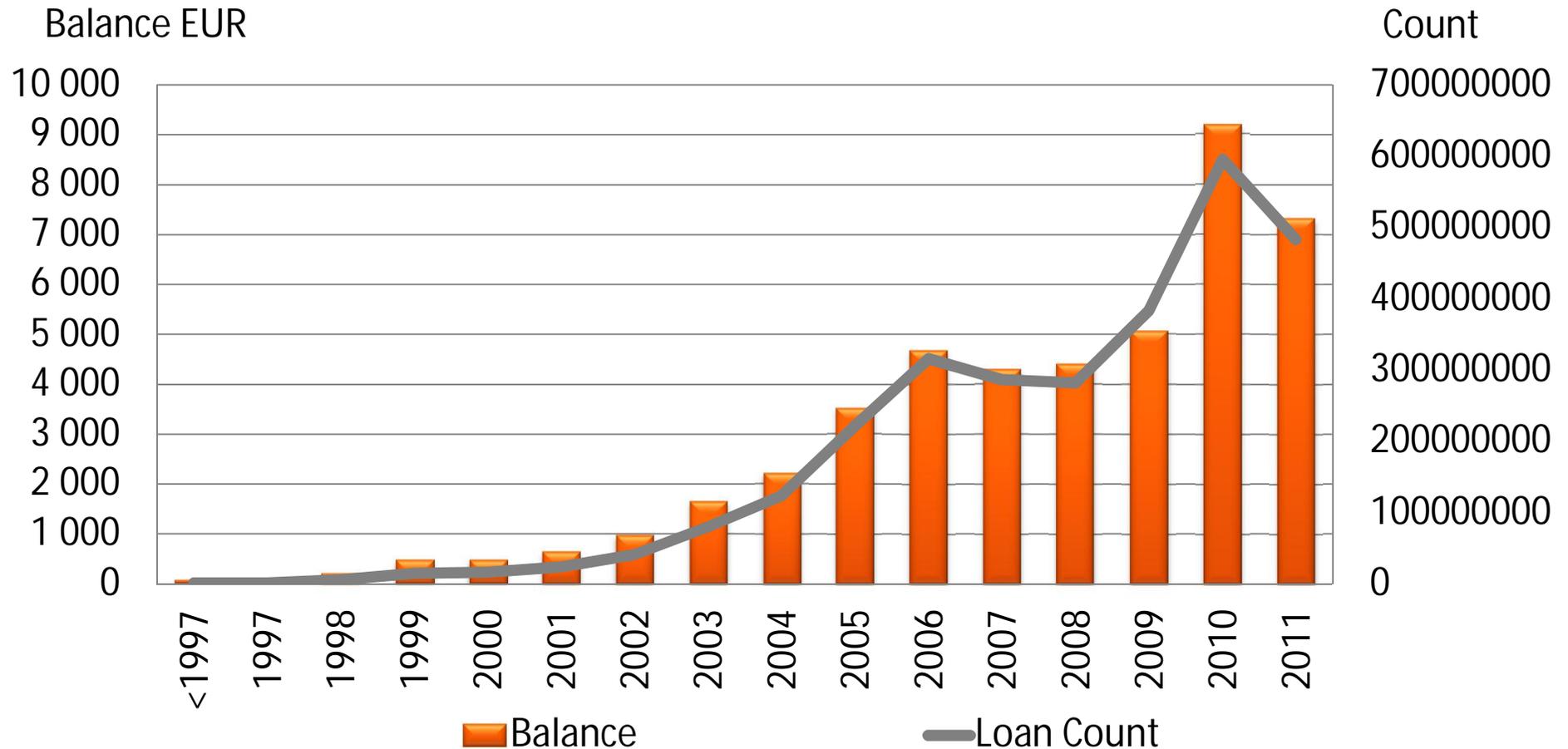
## Loans by LTV



- Total assets EUR 2.9 billion
- Eligible Cover Pool assets EUR 2.8 billion
- Weighted Average indexed LTV of 54%
- Over collateralisation 43,9 %

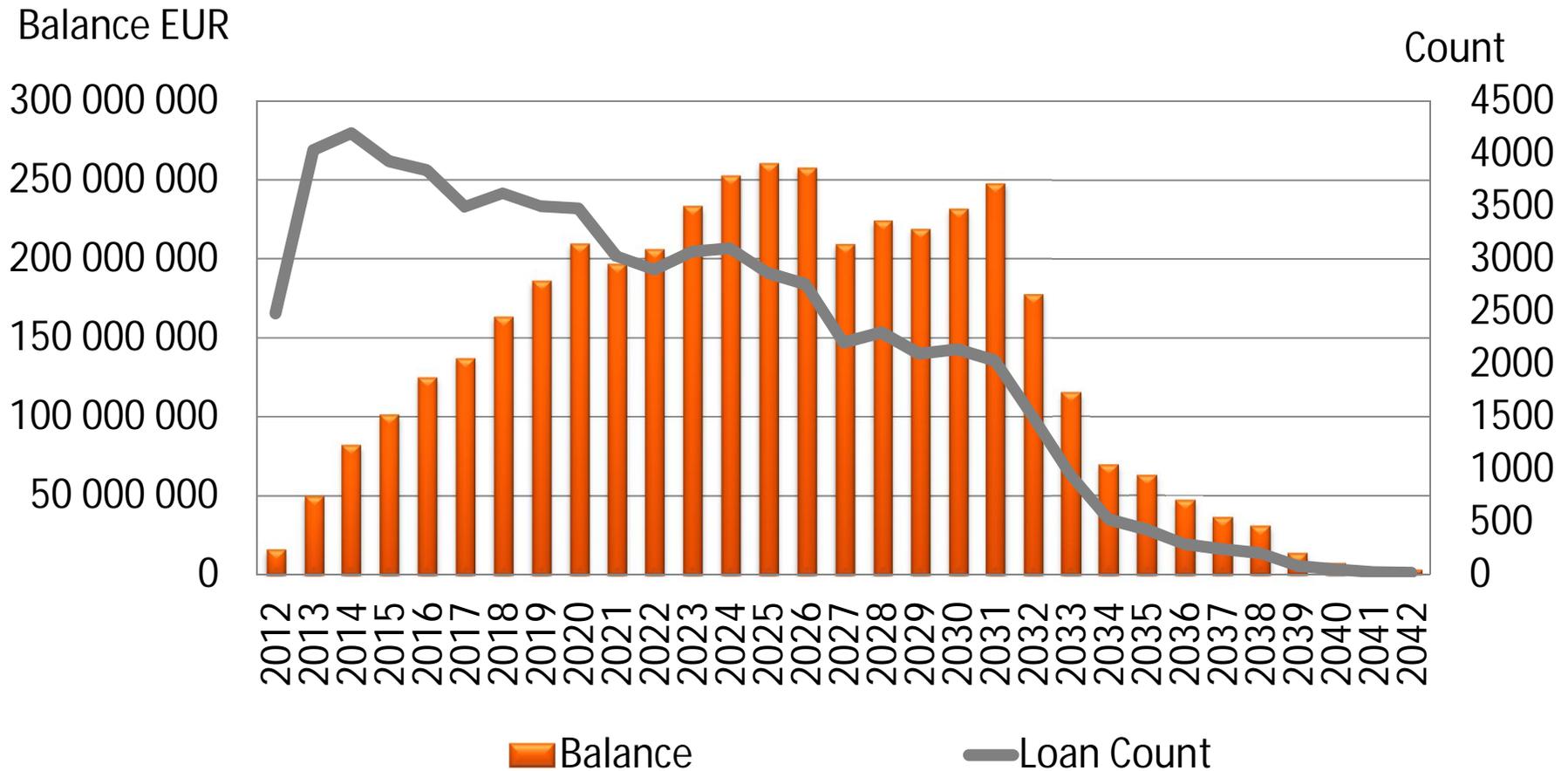
# OPMB Asset Pool B Characteristics

## Loans by origination year



# OPMB Asset Pool B Characteristics

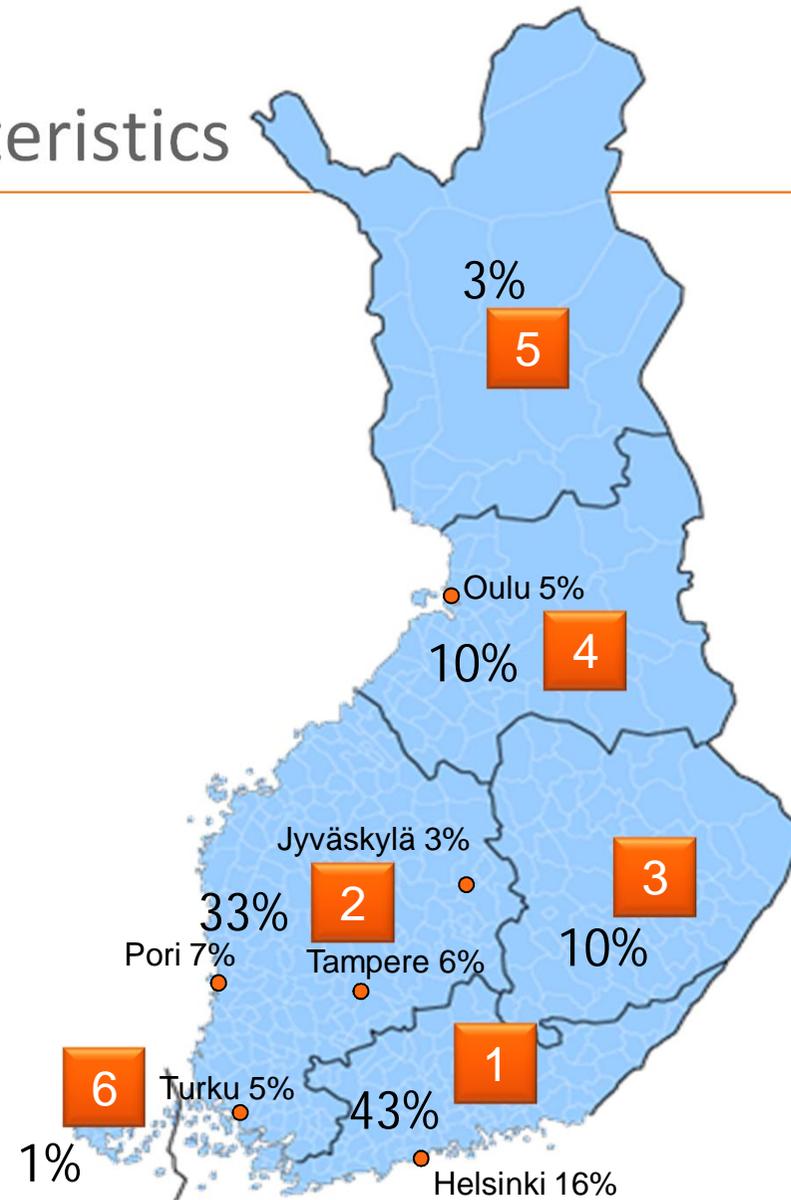
## Loans by maturity



# OPMB Asset Pool B Characteristics

## Geographical distribution

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



# Debt Investor Contacts



# Investor Relations Contacts

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