OP MORTGAGE BANK
Stock exchange release 5 February 2014, 10 am
Interim Report

OP Mortgage Bank plc: Financial Statements Bulletin for 2014

This is a correction of the announcement from 10:00 05.02.2015 EET. Reason for the correction: The two sentences below under the heading "OP-Pohjola Group to renew brand: OP-Pohjola will become simply OP" contained errors: As already announced, Pohjola Bank Plc and Helsinki OP Bank will come together to form a new bank for the Helsinki region: OP Bank Plc. Pohjola Insurance will become OP Insurance."

The paragraph is corrected as follows:

OP Cooperative completed its public voluntary bid announced in February 2014 and gained ownership of all Pohjola Bank plc shares by decision of the Arbitral Tribunal in accordance with Chapter 18, Section 6 of the Finnish Limited Liability Companies Act. Following the realisation of a public voluntary bid by OP Financial Group Central Cooperative Consolidated, structural changes are in progress, meaning, for example, that the Non-life Insurance segment and the Asset Management segment would be transferred from Pohjola Group to be directly owned by OP Cooperative. As to asset management, the transfer has been scheduled to take place during 2015. In addition, some business operations of Helsinki OP Bank Plc and Pohjola Bank plc will be combined under joint management. The process of planning and examination of different options regarding the restructuring of OP Financial Group Central Cooperative and the implementation of legal structures of the organisation is still underway. In the context of further planning of the restructuring, the separation of OP Financial Group's central banking operations, being presently part of Pohjola Bank plc, as a detached subsidiary fully owned by OP Financial Group Central Cooperative, is also under consideration. OP Financial Group's banking operations in their entirety will continue to fall within the scope of joint liability as laid down in the applicable law. The specific manner to implement these changes or schedule have not yet been decided.

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Financial Statements

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OP Mortgage Bank (OPA) is part of OP Financial Group. Together with Pohjola Bank plc, it is in charge of OP's funding from the money and capital markets. OP Mortgage Bank is responsible for the Group's funding based on mortgage-backed securities by issuing covered bonds.

Financial standing

The loan portfolio of OP Mortgage Bank (OPA) increased to EUR 9,329 million (7,930)*. The company increased its loan portfolio by buying mortgage-backed loans from OP Financial Group's member banks worth a total of EUR 2,989 million. Between January and December, OPA issued three covered bonds in the international capital market. The maturity of the bond issued in March is seven years, that of the bond issued in June five years, and that of the bond issued in November ten years. These bonds are fixed-rate bonds, each having a nominal value of EUR 1,000 million. The bonds got the highest credit ratings from credit rating agencies.

The company's financial standing remained stable throughout the reporting period. Operating profit for January–December amounted to EUR 18.3 (11.8) million.

OPA has used interest rate swaps to hedge against its interest rate risk. Interest rate swaps have been used to swap housing loan interest and interest on issued bonds into the same basis rate. OPA has entered into all derivative contracts for hedging purposes, with Pohjola Bank plc being their counterparty.

* The comparatives for 2013 are given in brackets. For income-statement and other aggregated figures, January–December 2013 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures at the end of the previous reporting period (31 December 2013) serve as a comparative.

Collateralisation of bonds issued to the public

Mortgages collateralising covered bonds issued before 1 August 2010, under the Finnish Act on Mortgage Credit Banks (1240/1999), are included in Cover Asset Pool A. The balance of Pool A was EUR 1,200 million at the end of December.

Mortgages collateralising covered bonds issued after 1 August 2010, under the Finnish Covered Bonds Act (688/2010), are included in Cover Asset Pool B. The balance of Pool B was EUR 7,737 million at the end of December.

Capital adequacy

OPA has presented its December -end capital base and capital adequacy in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR/CRD IV) entered into force on 1 January 2014.
In May, OP Cooperative increased OPA's equity capital by making an additional investment of EUR 10 million.

OPA's Common Equity Tier 1 (CET1) ratio stood at 133 **%** on 31 December. The Core Tier 1 capital includes the profit for the financial year. The profit for the period is unaudited at the time of publishing. OPA has presented the profit's impact on Core Tier 1 in the appendix Capital base and capital adequacy.

Joint liability of amalgamation

Under the Laki talletuspankkien yhteenliittymästä Act (the Act on the Amalgamation of Deposit Banks), the amalgamation of the cooperative banks comprises the organisation's central institution (OP Cooperative), the central institution's member credit institutions and the companies belonging to their consolidation groups as well as credit and financial institutions and service companies in which the above together hold more than half of the total votes. This amalgamation is supervised on a consolidated basis. On 31 December 2014, OP Cooperative's members comprised 181 cooperative banks as well as Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank plc, OP Card Company Plc and OP Process Services Ltd. The central institution is responsible for issuing instructions to its member credit institutions concerning their internal control and risk management, their procedures for securing liquidity and capital adequacy as well as for compliance with harmonised accounting policies in the preparation of the amalgamation's consolidated financial statements.

Companies belonging to the amalgamation are legally responsible for each other's debts. OP Financial Group's insurance companies do not fall within the scope of joint liability. The amalgamation's central institution OP Cooperative is obliged, if necessary, to assist member banks with a sum that prevents them from going into liquidation. The central cooperative is liable for the debts of a member bank which cannot be paid using the member bank's capital.

Each member bank is liable to pay a proportion of the amount which the central cooperative has paid to either another member bank as part of support action or to a creditor of such member bank in payment of an amount overdue which the creditor has not received from the member bank. Furthermore, in the case of the central cooperative's default, a member bank has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act.

Each member bank’s liability for the amount the central cooperative has paid to the creditor on behalf of a member bank is divided between the member bank in proportion to their last adopted balance sheets.
According to the Covered Bonds Act, section 25, the holder of a covered bond has the right to receive a payment for the entire loan term of the bond from the assets entered as collateral without other receivables without this being prevented by OP Mortgage Bank's liquidation or bankruptcy.

Personnel

On 31 December, OPA had six employees. The Bank purchases all the most important support services from OP Cooperative and its Group members, reducing the Bank's need for its own personnel.

Administration

As part of the OP Financial Group management system reorganisation, the composition of OPA's Board of Directors was changed by turning it into an intra-group board of directors. The practice is the same for all subsidiaries.

Board of Directors until 1 October 2014:

Chairman	Harri Luhtala	Chief Financial Officer, OP Cooperative, Financial Group
Vice Chairman	Elina Ronkanen-Minogue	Senior Vice President, OP Cooperative, Financial Group
Members	Lars Björklöf	Managing Director, Osuuspankki Raasepori
	Sakari Haapakoski	Bank Manager, Oulun Osuuspankki
	Mika Helin	Executive Vice President, Etelä-Hämeen Osuuspankki
	Hanno Hirvinen	Group Treasurer, Pohjola Bank plc
	Jari Tirkkonen	Senior Vice President, OP Cooperative, Financial Group

Board of Directors as of 1 October 2014:

Chairman	Harri Luhtala	Chief Financial Officer, OP Cooperative, Financial Group
Members	Elina Ronkanen-Minogue	Senior Vice President, OP Cooperative, Financial Group
	Hanno Hirvinen	Group Treasurer, Pohjola Bank plc

OPA’s Managing Director is Lauri Iloniemi and Hanno Hirvinen is his deputy.

OP-Pohjola Group to renew brand: OP-Pohjola will become simply OP

On 6 October 2014, OP-Pohjola announced the renewal of its brand: OP-Pohjola will be shortened to OP. The change under way forms part of the creation of a new financial services group fully owned by its customers. In the future, the banking, non-life insurance and asset management businesses will all come under the OP brand. The Group recommends cooperative banks also adopt names beginning with OP.

OP Cooperative completed its public voluntary bid announced in February 2014 and gained ownership of all Pohjola Bank plc shares by decision of the Arbitral Tribunal in accordance with

Chapter 18, Section 6 of the Finnish Limited Liability Companies Act. Following the realisation of a public voluntary bid by OP Financial Group Central Cooperative Consolidated, structural changes are in progress, meaning, for example, that the Non-life Insurance segment and the Asset Management segment would be transferred from Pohjola Group to be directly owned by OP Cooperative. As to asset management, the transfer has been scheduled to take place during 2015. In addition, some business operations of Helsinki OP Bank Plc and Pohjola Bank plc will be combined under joint management. The process of planning and examination of different options regarding the restructuring of OP Financial Group Central Cooperative and the implementation of legal structures of the organisation is still underway. In the context of further planning of the restructuring, the separation of OP Financial Group's central banking operations, being presently part of Pohjola Bank plc, as a detached subsidiary fully owned by OP Financial Group Central Cooperative, is also under consideration. OP Financial Group's banking operations in their entirety will continue to fall within the scope of joint liability as laid down in the applicable law. The specific manner to implement these changes or schedule have not yet been decided.

Furthermore, OP has decided to open four new private hospitals in Finland. It will also expand to new fields of specialised medicine and occupational health. The nationwide hospital network is built under the Pohjola brand. Omasairaala will change its name to Pohjola Health Ltd in the autumn of 2015.

The new name of the OP-Pohjola Group, OP Financial Group, was adopted on 1 January 2015.

Risk exposure

The most significant types of risk related to OPA are credit risk, structural funding risk, liquidity risk and interest-rate risk. The key indicators in use shows that OPA's credit risk exposure is stable and the limit for liquidity risk set by the Board of Directors has not been exceeded. The liquidity buffer for OP Financial Group, managed by Pohjola Bank Plc, is exploitable by OPA. OPA has hedged against the interest-rate risk associated with its housing loan portfolio through interest-rate swaps, i.e. base rate cash flows from housing loans to be hedged are swapped to short-term Euribor cash flows. The interest rate risk may be considered to be low.

Outlook

The existing issuance programme will make it possible to issue new covered bonds in 2015. It is expected that the Company's capital adequacy will remain strong, risk exposure will be favourable and the overall quality of the credit portfolio will remain good.

Accounting Policies

Financial Statements Bulletin for 2014 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

This Financial Statements Bulletin is based on unaudited figures. Given that all of the figures have been rounded off, the sum total of individual figures may deviate from the presented sums.

OP Mortgage Bank adopted the following IFRS standards, interpretations and options in 2014: IAS 32 – Financial Instruments: Presentation change, reduction of Financial Instruments and Debts from each other. The change specified the regulations concerning the presentation of financial assets and liabilities and added application guidelines concerning the subject. The standard change did not have an impact on the financial statement of OP Mortgage Bank.

The cash flow statement presents the cash flows for the period on a cash basis, divided into cash flows from operating activities, investing activities and financing activities. Cash flows from operating activities include the cash flows generated from day-to-day operations. Cash flow from investing activities includes payments related to PPE and intangible assets, investments held to maturity and shares that are not considered as belonging to cash flow from operating activities. Cash flow from financing activities includes cash flows originating in the financing of operations either on equity or liability terms from the money or capital market. Cash and cash equivalents include liquid assets and receivables from credit institutions payable on demand. The statement has been prepared using the indirect method.

OPA has calculated its capital base and capital adequacy in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR/CRD IV). OPA uses the Internal Ratings Based Approach (IRBA) to measure its capital adequacy requirement for credit risk. OPA uses the Standardised Approach to measure its capital adequacy for operational risk.

OPA's related parties include the parent company OP Cooperative and its subsidiaries, the OP Financial Group pension insurance organisation OP Bank Group Pension Fund and OP Bank Group Pension Foundation, and the company's administrative personnel. Standard loan terms and conditions apply to loans granted to the related parties. Loans are tied to generally used reference rates. Related-party transactions did not undergo any substantial changes during the reporting period.

Debt securities issued to the public are carried at amortised cost. The fair value of these debt instruments has been measured using information available in markets and employing commonly used valuation techniques. The difference between the fair value and carrying amount is presented as valuation difference in the Classification of financial assets and liabilities table. The carrying amounts of other balance-sheet items substantially correspond to their fair values.

Calculation of key ratios

Return on equity, % = Annualised profit for the period / Equity capital (average equity capital at the beginning and end of the period) × 100

Cost/income ratio, % = (Personnel costs + Other administrative expenses + Other operating expenses) / (Net interest income + Net commissions and fees + Net trading income + Total net investment income+ Other operating income) × 100

Income statement TEUR	**Q4/2014**	**Q4/2013**	**2014**	**2013**
Interest income	28,086	20,244	117,550	81,047
Interest expenses	13,161	13,229	62,539	49,855
Net interest income	**14,925**	**7,014**	**55,011**	**31,192**
Impairment loss on receivables	-2	-29	-150	19
Net commissions and fees	-9,989	-4,115	-32,394	-16,070
Net trading income	0	0	-1	0
Net investment income	0	0	1	1
Other operating income	0	0	1	0
Personnel costs	103	124	385	449
Other administrative expenses	564	380	2,300	1,570
Other operating expenses	406	371	1,506	1,302
Earnings before tax	**3,861**	**1,996**	**18,277**	**11,821**
Income tax expense	775	482	3,657	2,887
Profit for the period	**3,086**	**1,514**	**14,619**	**8,934**

Statement of comprehensive income	**Q4/2014**	**Q4/2013**	**2014**	**2013**
TEUR				
Profit for the period	3,086	1,514	14,619	8,934
Items that will not be reclassified to profit				

or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	-17	-38	-17	-38
Income tax on gains/(losses) on arising from remeasurement of defined benefit plans	3	-6	3	-6
Total comprehensive income	**3,073**	**1,469**	**14,606**	**8,889**

Key ratios	**Q4/2014**	**Q4/2013**	**2014**	**2013**
Return on equity (ROE), %	3.5	1.8	4.2	2.7
Cost/income ratio, %	22	30	19	22

Cash flow statement TEUR	**Q1-Q4/2014**	**Q1-Q4/2013**
Cash and cash equivalents 1 Jan.	**110,550**	**53,300**
Total comprehensive income for the period	14,606	8,889
Adjustments to profit for the period	3,819	3,141
Increase (-) or decrease (+) in operating assets	-1,486,421	869,905
Increase (+) or decrease (-) in operating liabilities	-293,699	-828,177
A. Cash flow from operating activities	**-1,761,695**	**53,759**
Purchase of intangible assets	-1,087	-776
B. Cash flow from investing activities	**-1,087**	**-776**
Increases in debt securities issued to the public	1,751,278	6,268
Decreases in debt securities issued to the public	0	0
Reserve for invested unrestricted equity	10,000	0
Dividends paid	0	-2,001
C. Cash flow from financing activities	**1,761,278**	**4,267**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-1,504**	**57,250**
Cash and cash equivalents 31 Dec.	**109,046**	**110,550**

Balance sheet TEUR	**31 Dec 2014**	**30 Sep 2014**	**30 June 2014**	**31 March 2014**	**31 Dec 2013**
Receivables from credit institutions	119,046	599,325	652,971	546,404	110,550
Derivative contracts	261,346	252,120	230,912	199,126	198,086
Receivables from customers	9,329,077	9,521,936	9,929,237	9,749,343	7,929,630
Investments assets	40	40	40	40	17
Intangible assets	2,610	2,266	2,096	1,819	1,668
Other assets	90,047	92,283	82,515	117,719	76,362
Tax assets	380	61	60	39	630
Total assets	**9,802,546**	**10,468,031**	**10,897,832**	**10,614,491**	**8,316,944**
Liabilities to credit institutions	1,505,000	1,935,372	2,400,892	3,136,149	1,885,000
Derivative contracts	8,298	9,295	7,761	7,778	8,767
Debt securities issued to the public	7,810,673	8,043,326	8,019,417	6,988,802	5,991,695
Provisions and other liabilities	122,116	125,890	118,876	145,316	99,628
Tax liabilities	0	762	667	321	0
Total liabilities	**9,446,086**	**10,114,644**	**10,547,613**	**10,278,366**	**7,985,090**
Shareholders' equity					
Share capital	60,000	60,000	60,000	60,000	60,000
Reserve for invested unrestricted . equity	245,000	245,000	245,000	235,000	235,000

Retained earnings	51,459	48,387	45,218	41,125	36,853
Total equity	356,459	353,387	350,218	336,125	331,853
Total liabilities and shareholders' equity	**9,802,546**	**10,468,031**	**10,897,832**	**10,614,491**	**8,316,944**

Off-balance-sheet commitments TEUR	**31 Dec 2014**	**30 Sep 2014**	**30 June 2014**	**31 March 2014**	**31 Dec 2013**
Irrevocable commitments given on behalf of customers	3,252	3,467	3,924	5,463	4,568

Statement of changes in equity TEUR	**Share capital**	**Other reserves**	**Retained earnings**	**Total equity**
Shareholders' equity 1 Jan 2013	**60,000**	**235,000**	**29,964**	**324,964**
Reserve for invested unrestricted equity	-	-	-	-
Profit for the period	-	-	8,934	8,934
Total comprehensive income			-44	-44
Other changes	-	-	-2,001	-2,001
Shareholders' equity 31 Dec 2013	**60,000**	**235,000**	**36,853**	**331,853**
Shareholders' equity 1 Jan 2014	**60,000**	**235,000**	**36,853**	**331,853**
Reserve for invested unrestricted equity	-	10,000	-	-
Profit for the period	-	-	14,619	14,619
Total comprehensive income			-13	-13
Other changes	-	-	-	-
Shareholders' equity 31 Dec 2014	**60,000**	**245,000**	**51,459**	**356,459**

OPA has presented its capital base and capital adequacy of 31 December 2014 in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR/CRD IV) entered into force on 1 January 2014. Comparatives for 2013 are presented according to CRD III in force on 31 December 2013. In addition, an estimate of the figures a year ago under CRR is presented in column CRR 1 Jan. 2014.

Capital base and capital adequacy TEUR	**CRD IV 31 Dec 2014**	**CRD IV 1 Jan 2014**	**CRD III 31 Dec 2013**
Shareholders' equity	356,459	331,853	331,853
Common Equity Tier 1 (CET1) before deductions	**356,459**	**331,853**	**331,853**
Intangible assets	-2,610	-1,668	-1,668
Excess funding of pension liability, indirect holdings and deferred tax assets for losses	-55	0	0
Planned profit distribution / profit distribution as proposed by the Board	-5,000	0	0
Unrealised gains under transitional provisions	0	0	0
Impairment loss – shortfall of expected	-1,898	-2,155	-1,077

losses			
Shortfall of Additional Tier 1 (AT1)	0	0	-1,077
Common Equity Tier 1 (CET1)*)	**346,897**	**328,031**	**328,031**
Instruments included in other Tier 1 capital	0	0	0
Shortfall of Tier 2 capital	0	0	-1,077
Reclassification into CET1	0	0	1,077
Additional Tier 1 capital (AT1)	0	0	0
Tier 1 capital (T1)	**346,897**	**328,031**	**328,031**
Debenture loans	0	0	0
Unrealised gains under transitional provisions	0	0	0
Impairment loss – shortfall of expected losses	0	0	-1,077
Reclassification into AT1	0	0	1,077
Tier 2 Capital (T2)	**0**	**0**	**0**
Total Capital base	**346,897**	**328,031**	**328,031**
Risk-weighted assets			
Credit and counterparty risk	237,258	263,887	263,881
Market risk	0	0	0
Operational risk	23,527	19,941	19,941
Basel I floor	0	0	2,908,024
Total	**260,785**	**283,827**	**3,191,845**
Key ratios	**346,897**	**328,031**	**328,031**
CET1 capital ratio	133	115.6	10.3
Tier 1 capital ratio	133	115.6	10.3
Capital adequacy ratio	133	115.6	10.3
Basel I floor			
Capital base	346,897	328,031	
Basel I capital requirements floor	304,995	255,348	
Capital buffer for Basel I floor	41,901	72,683	

*) The row of CET1 based on CRD III figures shows Core Tier as defined by the EBA

Under CRR, the Basel I floor no longer applies to RWAs but has become a minimum capital requirement.
The table above shows capital resources that exceed the Basel I floor.

Shortfall of difference between impairment losses and expected losses totals EUR 2 million.

The Q4 earnings are unaudited. CET1 excluding Q4 earnings is EUR 346,561,000 and the CET1 capital ratio is 132.9%.

Classification of financial assets and liabilities TEUR				
Financial assets	**Loans and other receivables**	**Recognised at fair value through profit or loss**	**Available for sale**	**Total**
Receivables from credit institutions	119,046	-	-	119,046

Derivative contracts	-	261,346	-	261,346
Receivables from customers	9,329,077	-	-	9,329,077
Shares and participations	-	-	40	40
Other receivables	90,047	-	-	90,047
Other assets	2,990	-	-	2,990
Balance at 31 December 2014	**9,541,160**	**261,346**	**40**	**9,802,546**
Balance at 31 December 2013	**8,118,840**	**198,086**	**17**	**8,316,944**

Financial liabilities		**Recognised at fair value through profit or loss**	**Other liabilities**	**Total**
Liabilities to credit institutions	-	-	1,505,000	1,505,000
Derivative contracts	-	8,298	-	8,298
Debt securities issued to the public	-	-	7,810,673	7,810,673
Subordinated liabilities	-	-	-	-
Other liabilities	-	-	122,116	122,116
Balance at 31 December 2014	-	**8,298**	**9,437,789**	**9,446,086**
Balance at 31 December 2013	**-**	**8,767**	**7,976,323**	**7,985,090**
Valuation difference of debt securities issued to the public (difference between fair value and carrying amount) 31 December 2014			327,389	**327,389**

Derivative contracts 31 Dec 2014 TEUR	Nominal values/residual term to maturity			
	Less than 1 year	1−5 years	More than 5 years	Total
Interest rate derivatives				
Hedging	4,496,752	9,141,000	4,396,000	18,033,752
Trading	-	-	-	-
Total	**4,496,752**	**9,141,000**	**4,396,000**	**18,033,752**

	Fair values		Credit equivalent
	Assets	Liabilities	
Interest rate derivatives			
Hedging	261,346	8,298	449,799
Trading	-	-	-
Total	**261,346**	**8,298**	**449,799**

Derivative contracts 31 Dec 2013 TEUR	Nominal values/residual term to maturity			
	Less than 1 year	1−5 years	More than 5 years	Total
Interest rate derivatives				
Hedging	2,936,007	11,644,865	396,000	14,976,872
Trading	-	-	-	-
Total	**2,936,007**	**11,644,865**	**396,000**	**14,976,872**

	Fair values		Credit equivalent
	Assets	Liabilities	
Interest rate derivatives			
Hedging	198,086	8,767	325,316

Trading	-	-	-
Total	**198,086**	**8,767**	**325,316**

Grouping of the balance sheet according to the valuation method, TEUR

31 Dec 2014	**Valuation of fair value at the end of the period**			
	Balance sheet value	**Level 1**	**Level 2**	**Level 3**
Assets recognised at fair value				
Derivate contracts	261,346	-	261,346	**-**
Total	**261,346**	**-**	**261,346**	**-**
Liabilities recognised at fair value				
Derivate contracts	8,298	-	8,298	-
Total	**8,298**	**-**	**8,298**	**-**
Financial liabilities not recognised at fair value				
Debt securities issued to the public	7,810,673	7,995,455	142,607	-
Total	**7,810,673**	**7,995,455**	**142,607**	**-**

31 Dec 2013	**Valuation of fair value at the end of the period**			
	Balance sheet value	**Level 1**	**Level 2**	**Level 3**
Assets recognised at fair value				
Derivate contracts	198,086	-	198,086	**-**
Total	**198,086**	**-**	**198,086**	**-**
Liabilities recognised at fair value				
Derivate contracts	8,767	-	8,767	-
Total	**8,767**	-	**8,767**	**-**
Financial liabilities not recognised at fair value				
Debt securities issued to the public	5,991,695	6,139,724	107,822	-
Total	**5,991,695**	**6,139,724**	**107,822**	**-**

OPA does not hold any transfers between the levels of fair value valuation.

Helsinki, 5 February 2015

OP Mortgage Bank
Board of Directors

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