



# OP Financial Group's Interim Report for 1 January–31 March 2015

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## OP Financial Group

# OP Financial Group

1.4 MILLION OWNER-MEMBERS

SOME 180 GROUP MEMBER BANKS



BANKING

NON-LIFE INSURANCE

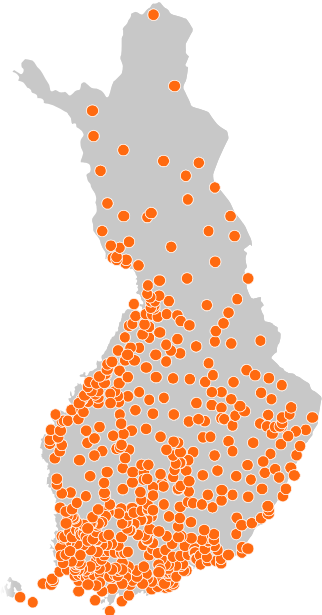
WEALTH MANAGEMENT



# OP in a Nutshell



1.4 million  
customer-owners



About 180  
Group member cooperative banks



Hyperlocal digital  
financial services group

# OP Financial Group Key Indicators

	Q1/2015	Q1/2014	Change, %	Q1-Q4/2014
Earnings before tax, EUR million	320	257	24,3	915
Banking	192	158	21,3	570
Non-life Insurance	66	62	6,5	223
Wealth Management	93	69	34,0	167
New accrued customer bonuses	48	46	5,1	189

	31 March 2015	31 March 2014	Change, %	31 Dec 2014
Common Equity Tier 1 (CET1) ratio, %	16,7	15,5	1,2 *	15,1 *
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates) %	167	200	-33 *	189
Ratio of receivables more than 90 days overdue to loan and guarantee portfolio, %	0,42	0,42	0,00 *	0,37
Joint banking and insurance customers (1,000)	1 604	1 535	4,5	1590

\* Change in ratio

# Joint Liability, Deposit Insurance and Investors' Compensation

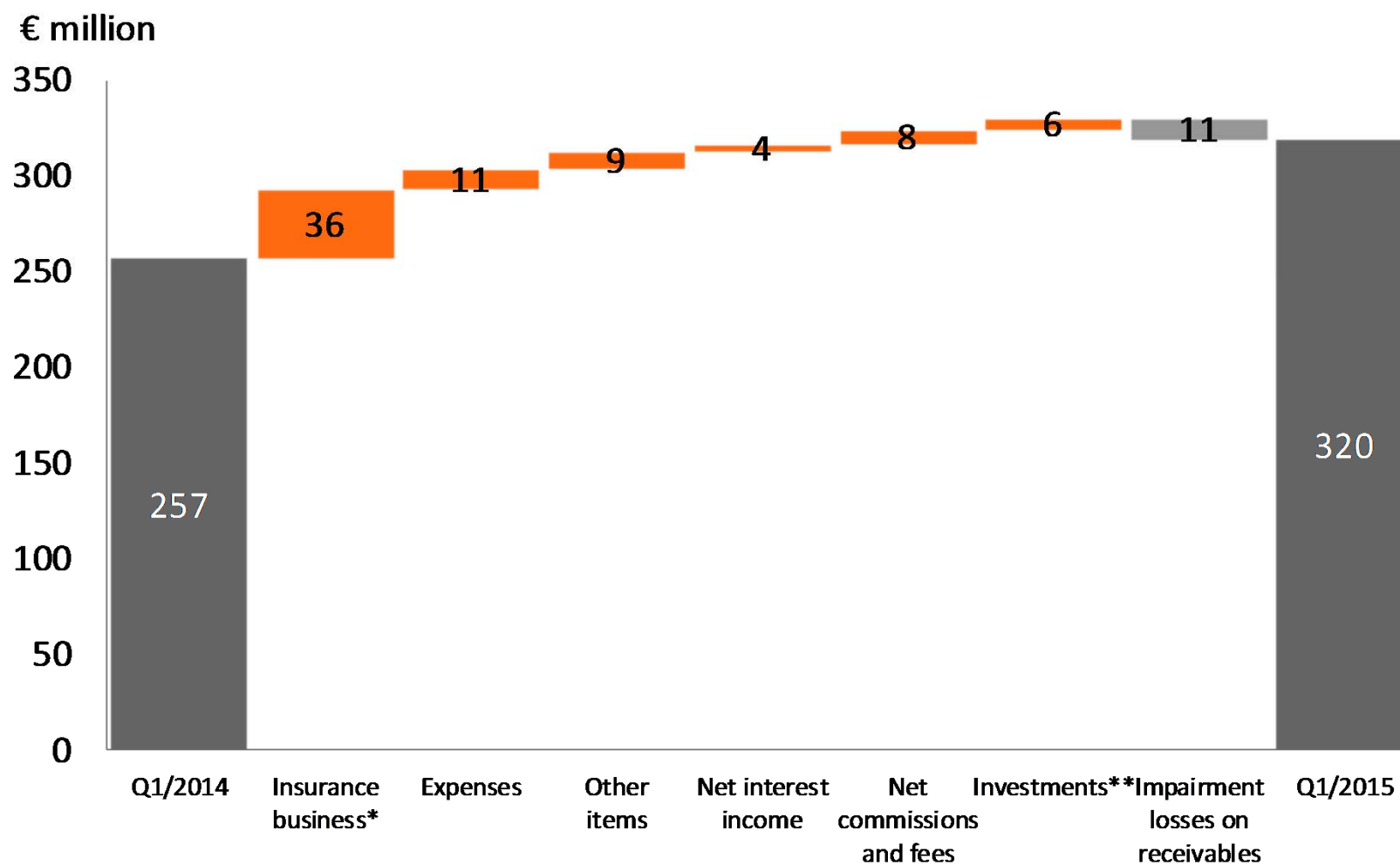
- Under the Laki talletuspankkien yhteenliittymästä Act (the Act on the Amalgamation of Deposit Banks), the amalgamation of the cooperative banks comprises the organisation's central institution (OP Cooperative), its member credit institutions and the companies belonging to their consolidation groups as well as credit and financial institutions and service companies in which the above-mentioned entities together hold more than half of the total votes.
- The central institution's members at the end of the report period comprised OP Financial Group's member cooperative banks as well as Pohjola Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank , OP Card Company Plc and OP Process Services Ltd.
- By virtue of the Act on the Amalgamation of Deposit Banks, the central institution has both the right to control its credit institutions and the obligation to supervise their operations. The amalgamation of deposit banks is supervised on a consolidated basis. As laid down in applicable law, the member credit institutions and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. OP Financial Group's insurance companies, for example, do not therefore fall within the scope of joint liability.
- Deposit banks belonging to OP Financial Group, i.e. its member cooperative banks, Pohjola Bank plc and Helsinki OP Bank Plc , are regarded as a single bank with respect to deposit insurance. Under legislation governing the Investors' Compensation Fund, OP Financial Group is also considered a single entity in respect of investors' compensation.



## Year-on-year Results

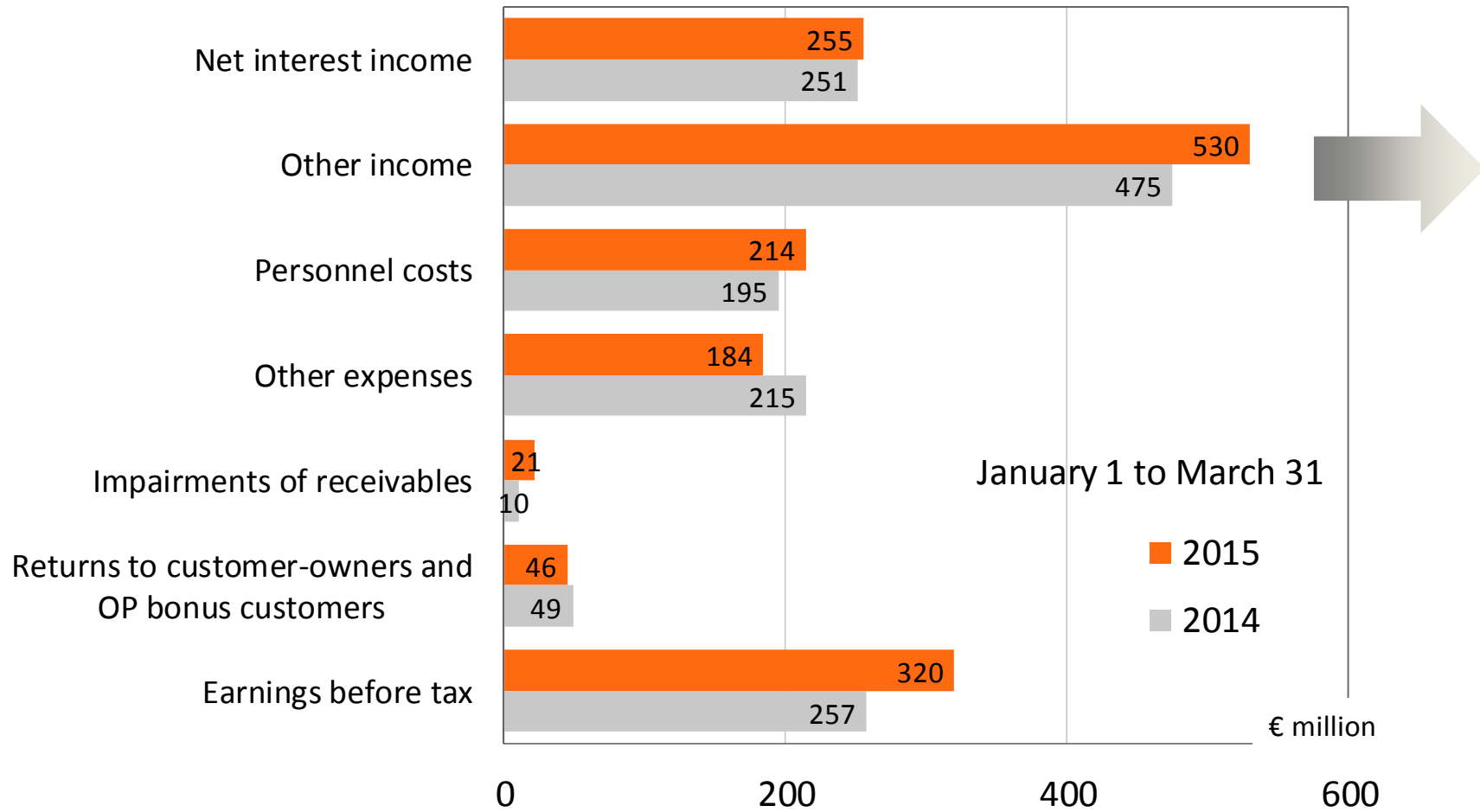


# OP Financial Group's Earnings before Tax



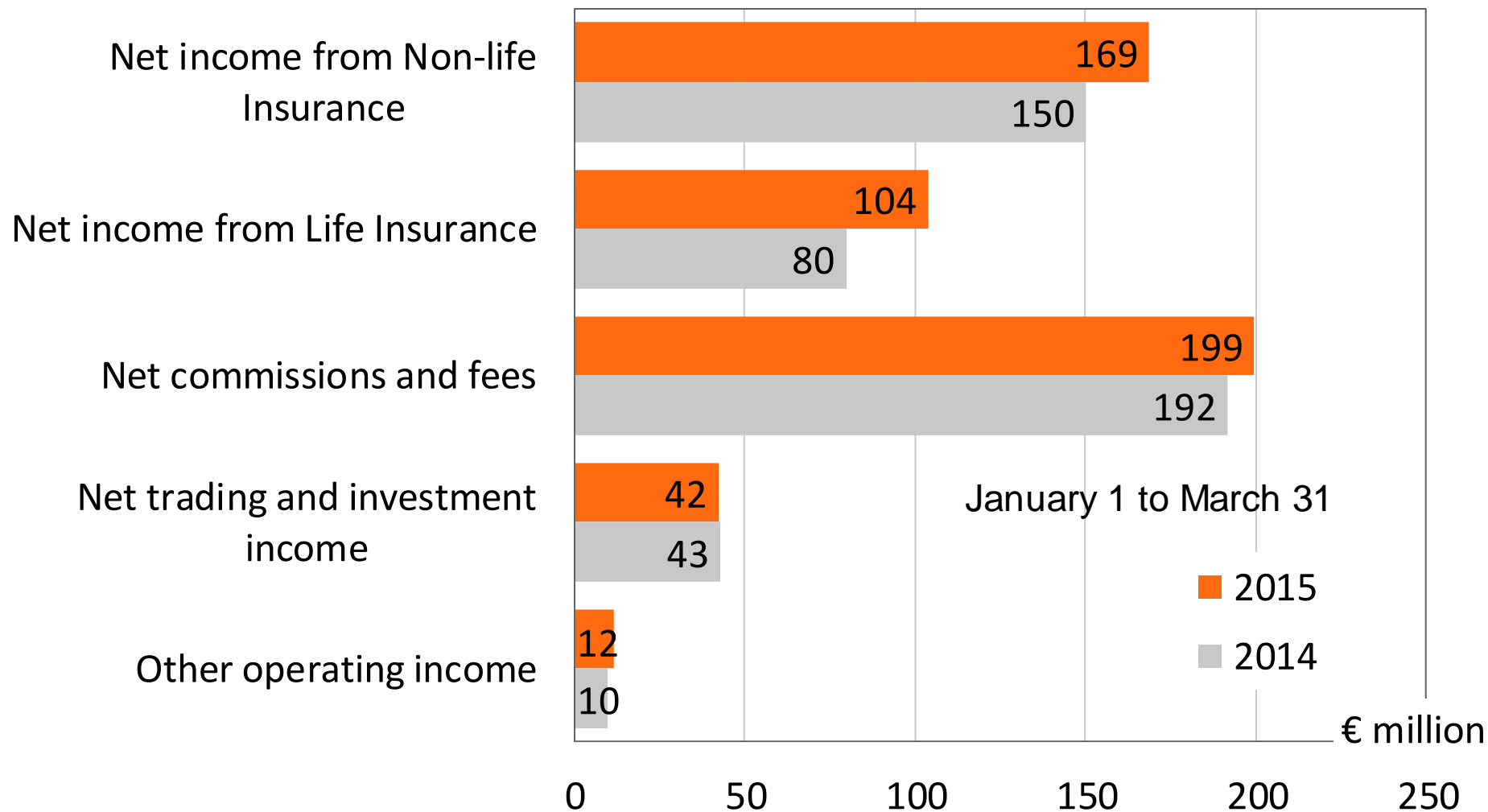
\*) Life and Non-life Insurance \*\*) Investments = Life insurance's investment income ((excl. derivatives hedging technical provisions) and Non-life insurance investment income + Net trading and investment income

# OP Financial Group's Income Statement





# OP Financial Group's Other Income

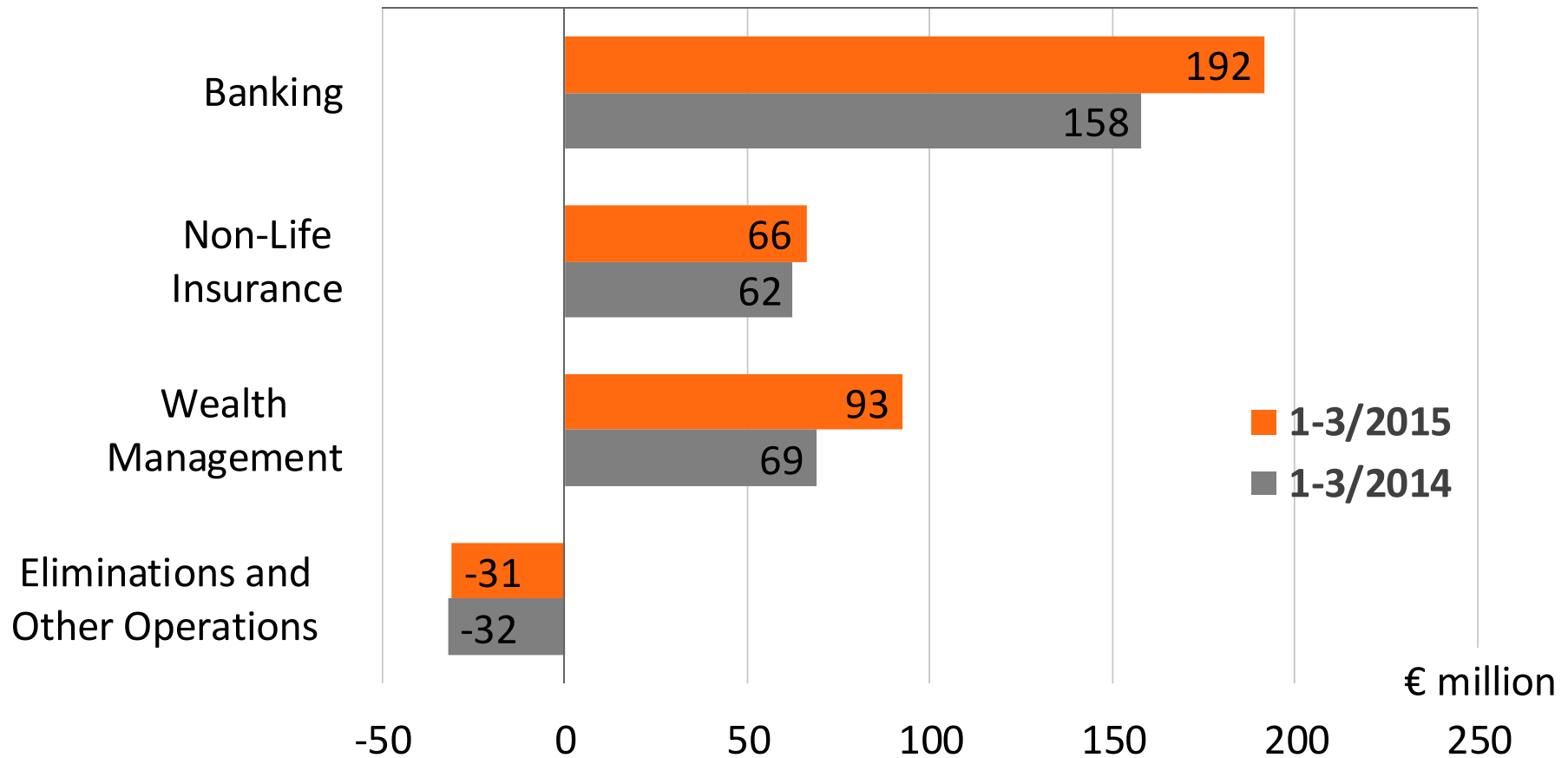


## OP Financial Group's Income Statement

January 1 to March 31			Change	
€ million	2015	2014	€ million	%
Interest income	644	651	-7	-1.1
Interest expenses	388	399	-11	-2.8
Net interest income	255	251	4	1.6
Impairments of receivables	21	10	11	
Net interest income after impairment losses	234	241	-7	-2.9
Net income from Non-life Insurance operations	169	150	19	12.4
Net income from Life Insurance operations	104	80	24	30.0
Net commissions and fees	199	192	8	4.1
Net trading income	24	27	-3	-12.1
Net investment income	19	16	3	16.4
Other operating income	12	10	2	18.6
Personnel costs	214	195	20	10.1
Other administrative expenses	102	112	-11	-9.5
Other operating expenses	82	102	-20	-19.4
Returns to customer-owners and OP bonus customers	46	49	-3	-7.0
Share of associates' profits/losses	4	0	3	
Earnings before tax	320	257	62	24.3

# OP Financial Group

## Earnings before tax by Business Segment





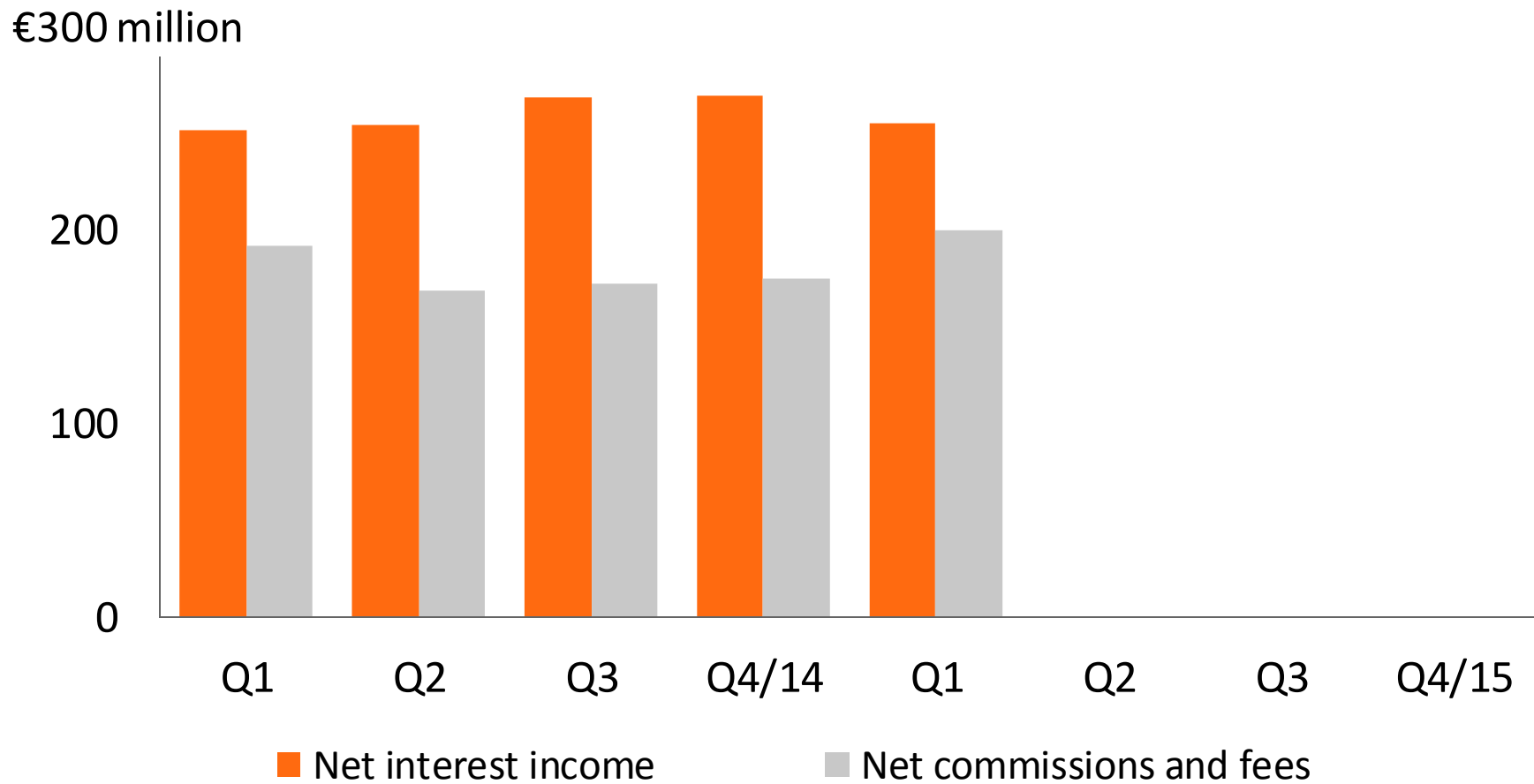


## Quarterly Figures

# OP Financial Group's Quarterly Performance

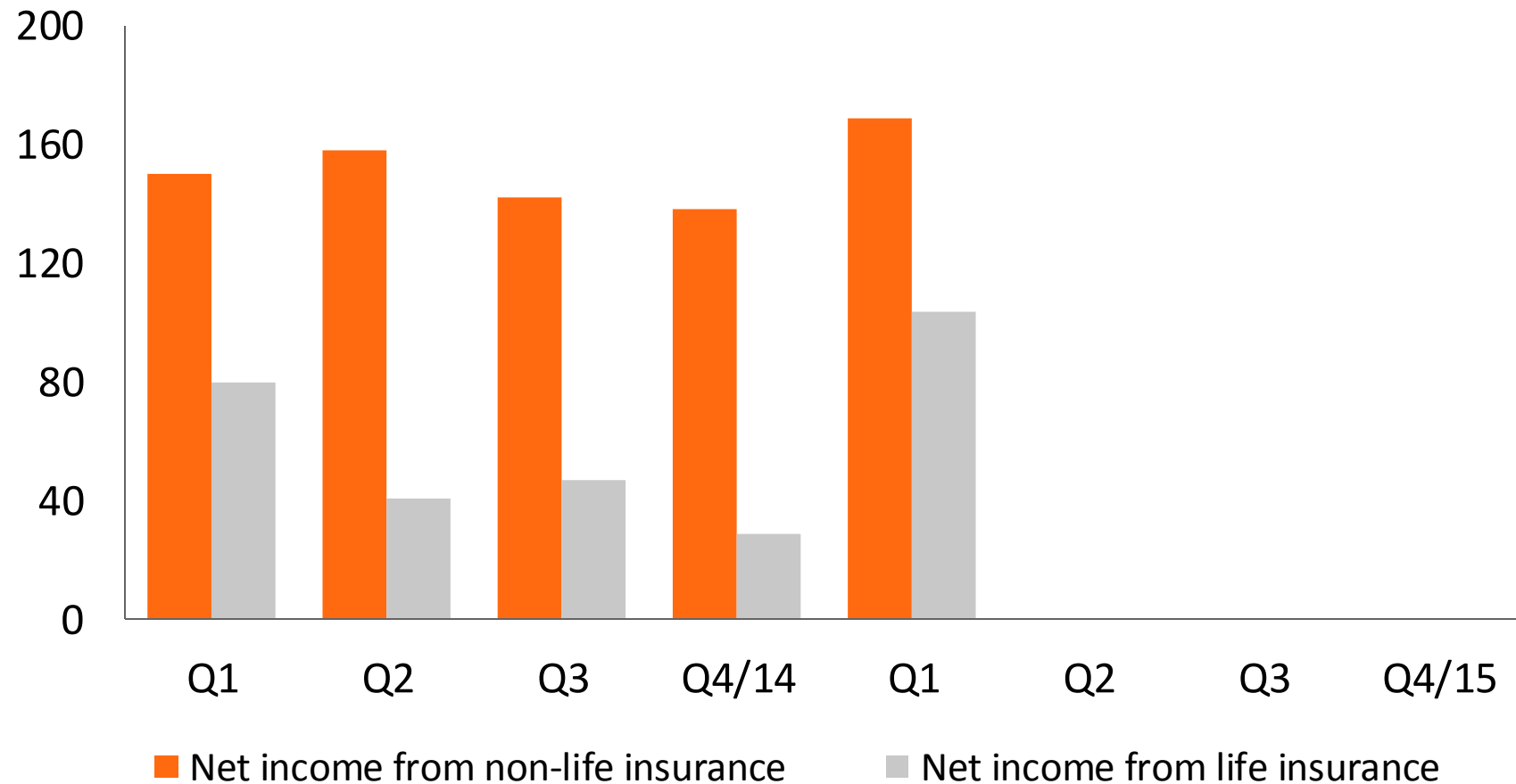
€ million	2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net interest income	251	254	269	269	255			
Net income from non-life insurance	150	158	142	138	169			
Net income from life insurance	80	41	47	29	104			
Net commissions and fees	192	169	172	175	199			
Net income from trading and investments	43	58	34	27	42			
Other income	10	14	14	17	15			
<b>Total income</b>	<b>726</b>	<b>694</b>	<b>679</b>	<b>654</b>	<b>785</b>			
Personnel costs	195	190	166	190	214			
Other expenses	215	201	195	203	184			
<b>Total expenses</b>	<b>410</b>	<b>391</b>	<b>361</b>	<b>393</b>	<b>399</b>			
Impairments of receivables	10	23	17	38	21			
Returns to owner-members and OP bonus customers	49	49	49	48	46			
<b>Earnings before tax</b>	<b>257</b>	<b>231</b>	<b>251</b>	<b>176</b>	<b>320</b>			

# OP Financial Group's Net Interest Income and Net Commissions and Fees

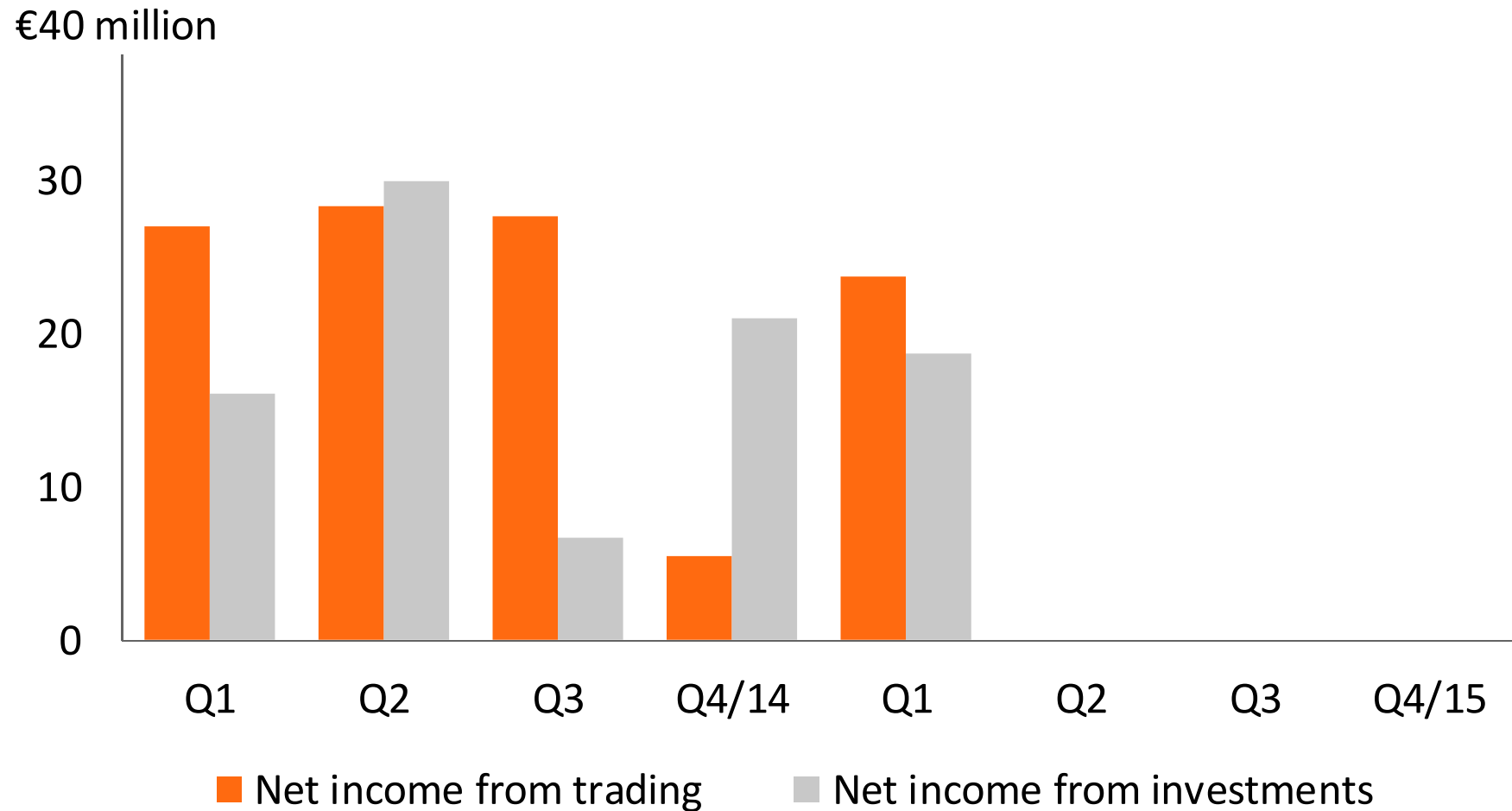


# OP Financial Group's Net Income from Non-life and Life Insurance

€ million

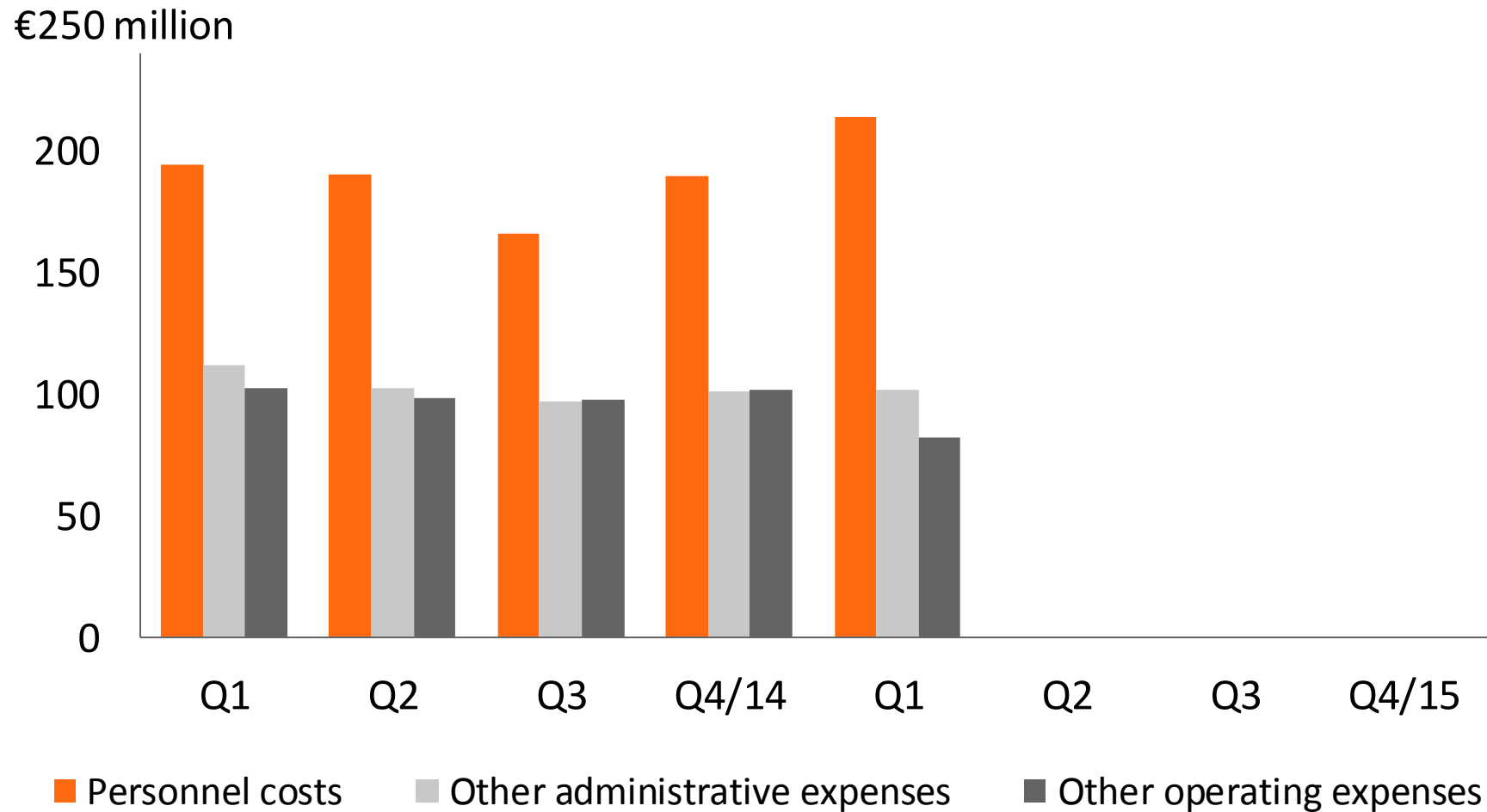


# OP Financial Group's Net Income from Trading and Investments



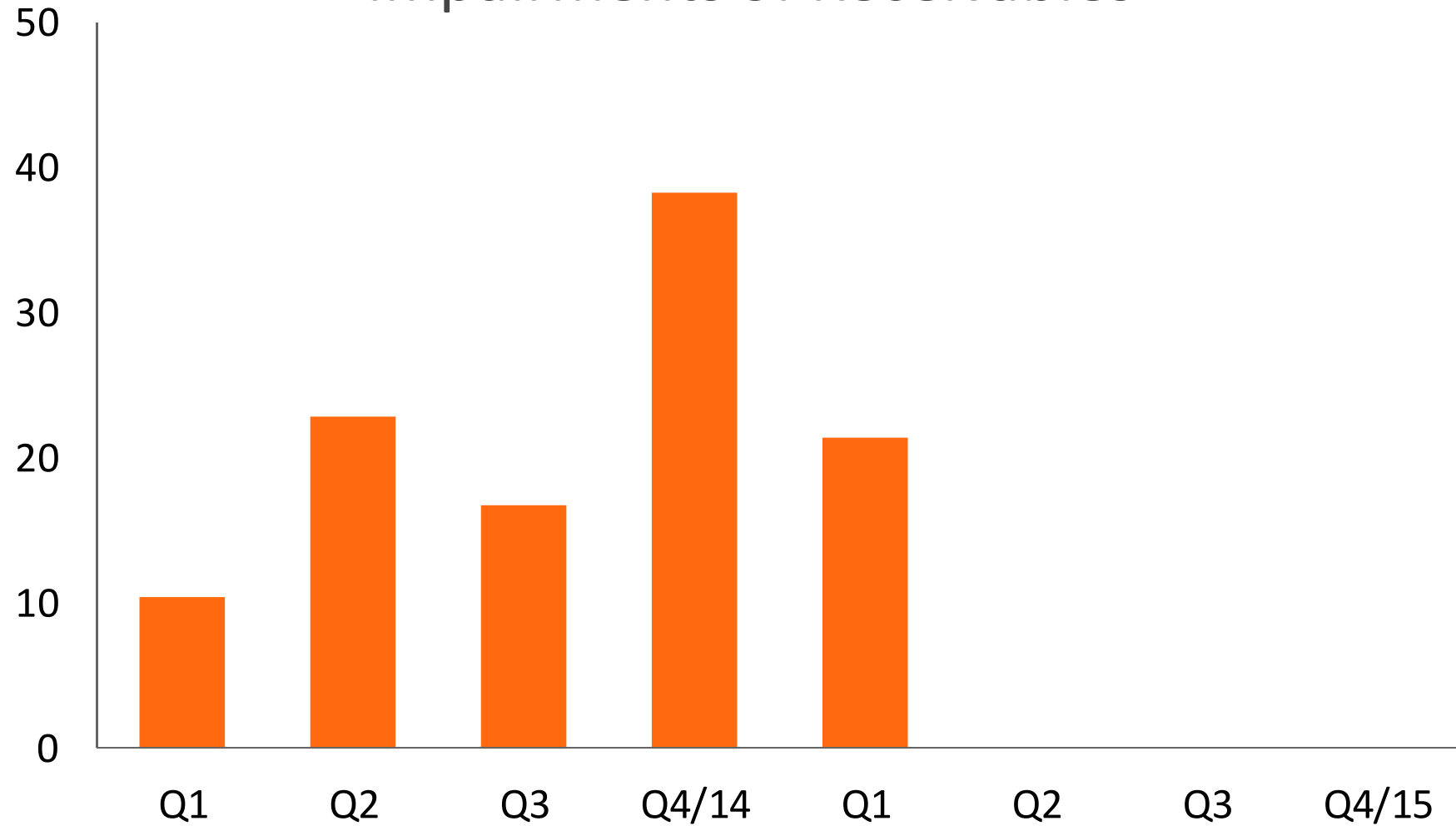


# OP Financial Group's expenses

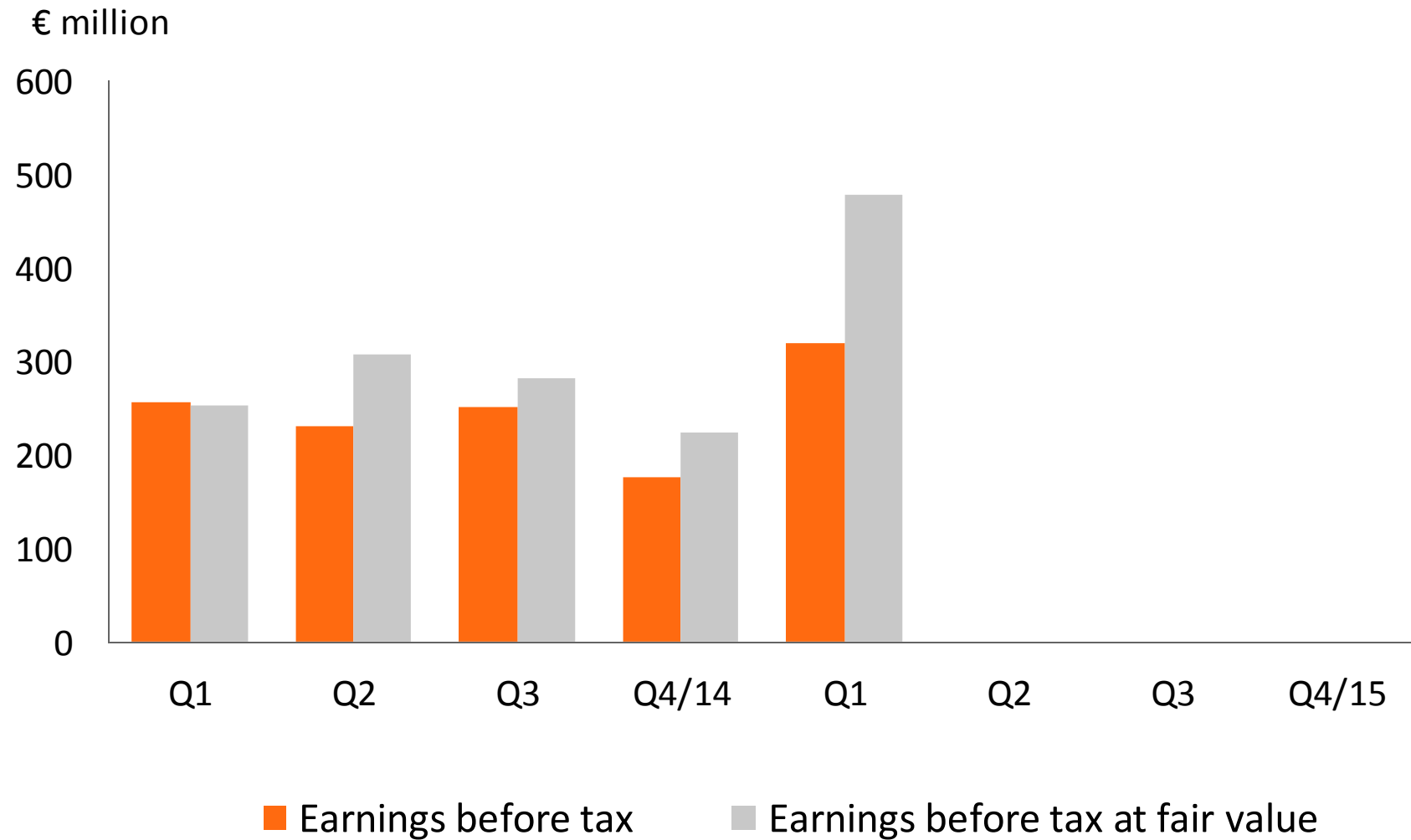


# OP Financial Group's Quarterly Impairments of Receivables

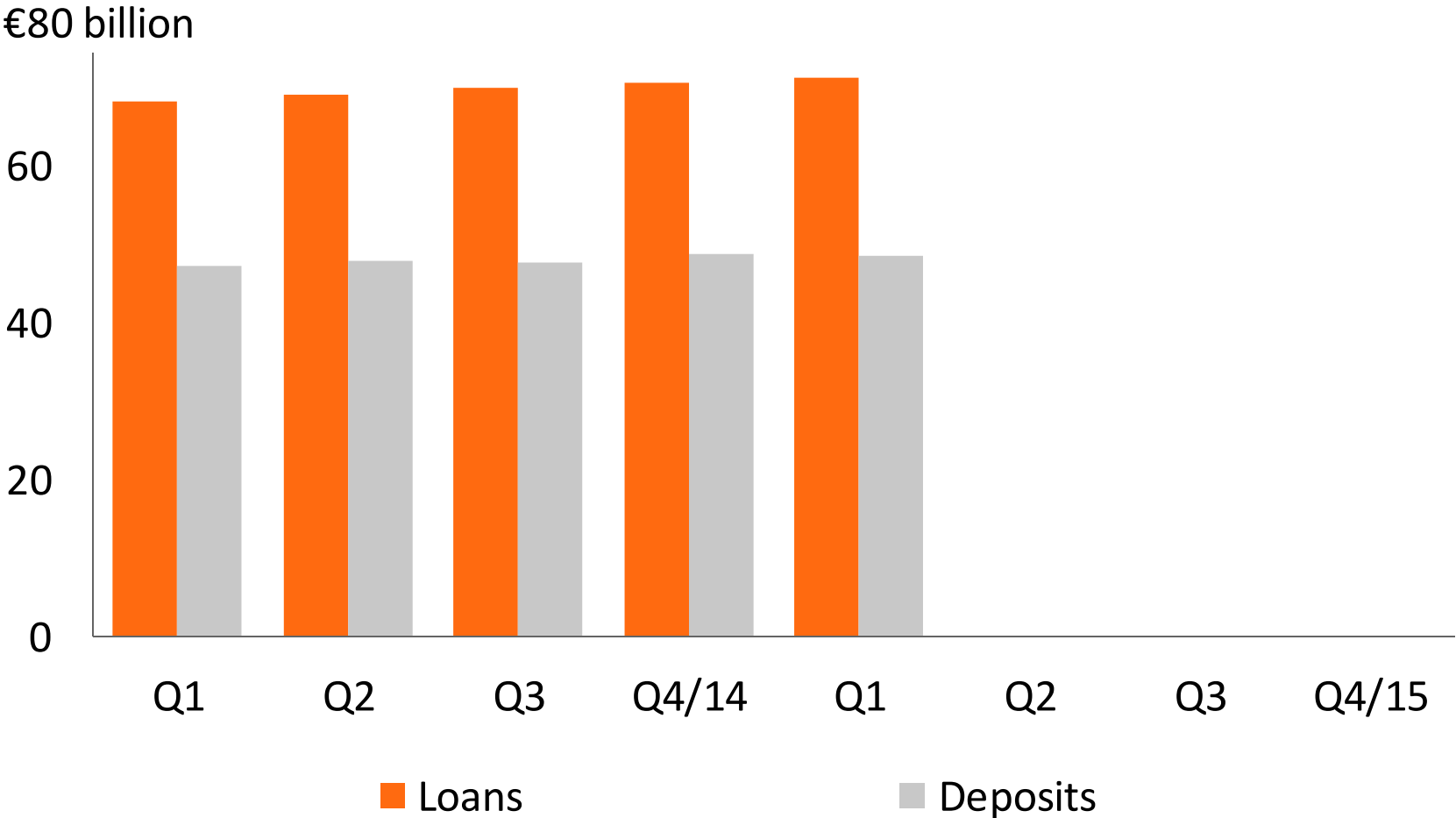
€ million



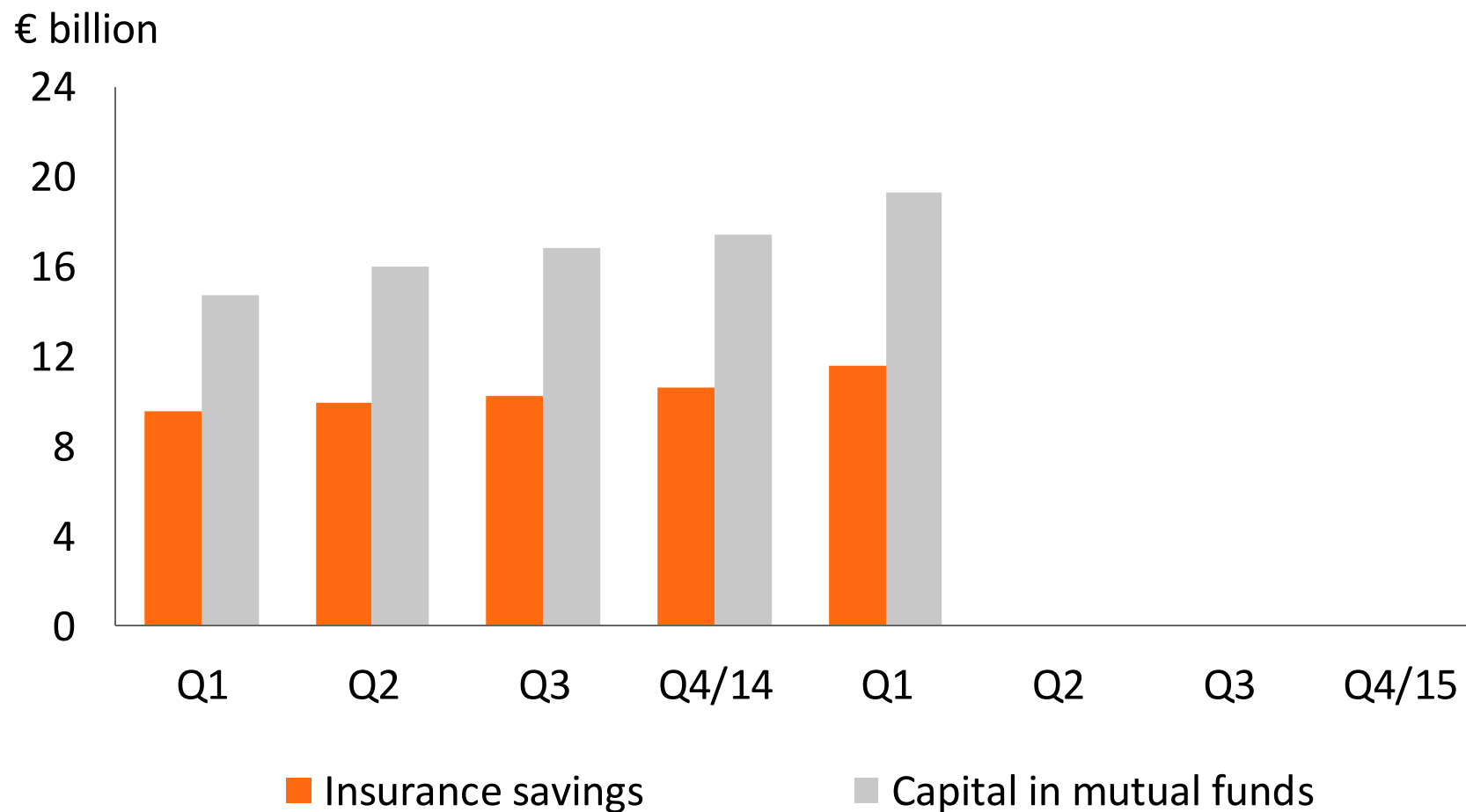
# OP Financial Group's Earnings before Tax



# OP Financial Group's Loans and Deposits

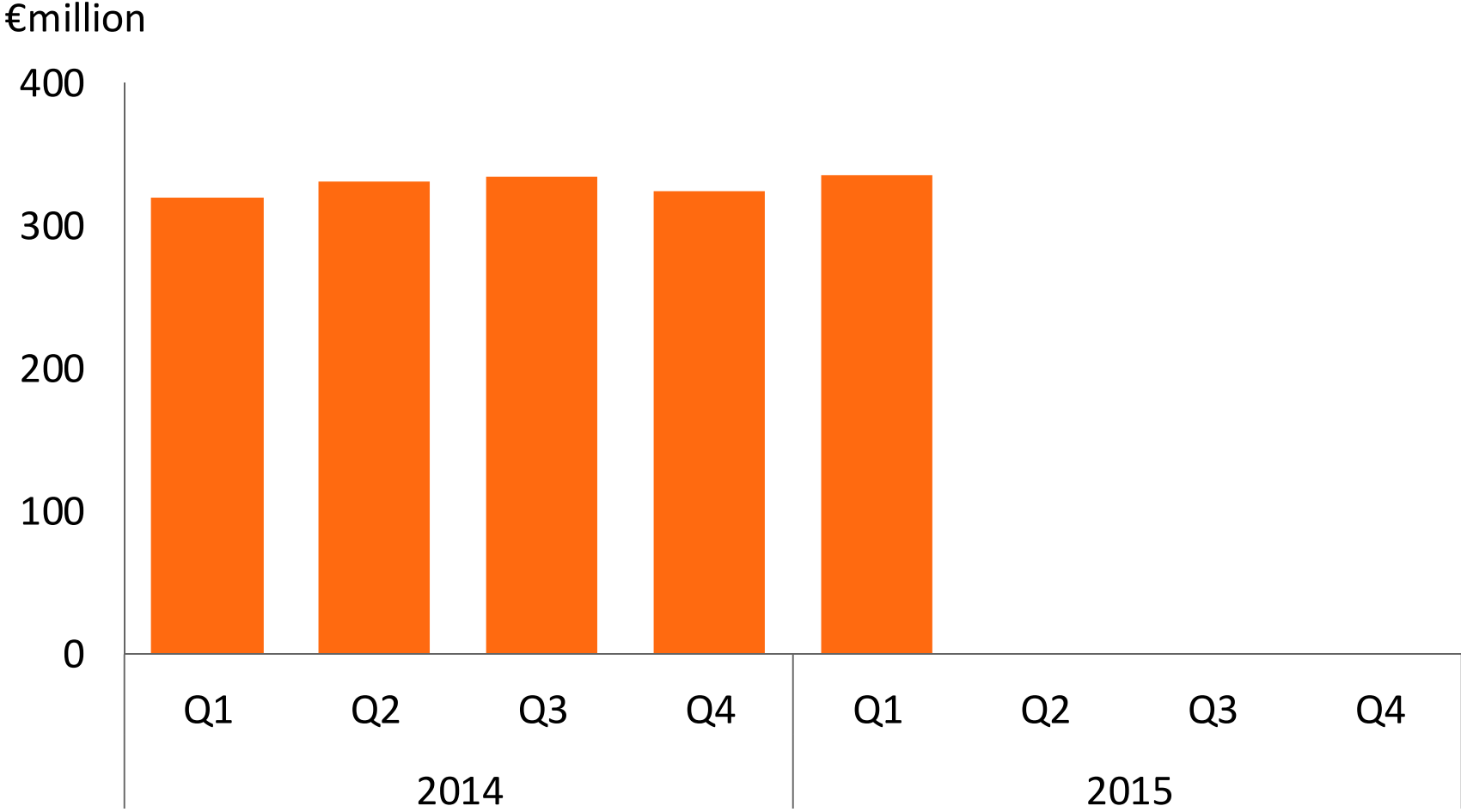


# OP Financial Group's Life Insurance Savings and Capital in Mutual Funds





# OP Financial Group's Non-life Insurance Premium Revenue (IFRS)





## Capital Adequacy

# Two Capital Adequacy Ratios

Consolidated capital adequacy = capital adequacy of the amalgamation of cooperative banks

- The Group's operations are based on the Act on the Amalgamation of Deposit Banks
- The Act on the Amalgamation of Deposit Banks sets the minimum capital for the amalgamation of cooperative banks, which is calculated according to the CRR rules and the Act on Credit Institutions.
- The amalgamation of cooperative banks consists of the amalgamation's central institution (OP Cooperative), its member credit institutions and the companies belonging to their consolidation groups. Although OP Financial Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions.

Capital adequacy ratio (under the Act on the Supervision of Financial and Insurance Conglomerates) = OP Financial Group's capital adequacy

- OP Financial Group is a financial conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is governed by specific provisions of the capital adequacy requirement.
- OP Financial Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated using the consolidation method, whereby assets included in capital resources but not included in equity capital, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet.
  - Capital resources may not include items not available for covering the losses of other companies belonging to the conglomerate.
- The financial conglomerate's minimum capital requirement consists of the credit institutions' consolidated minimum capital requirement including buffers and the insurance companies' joint minimum operating capital.

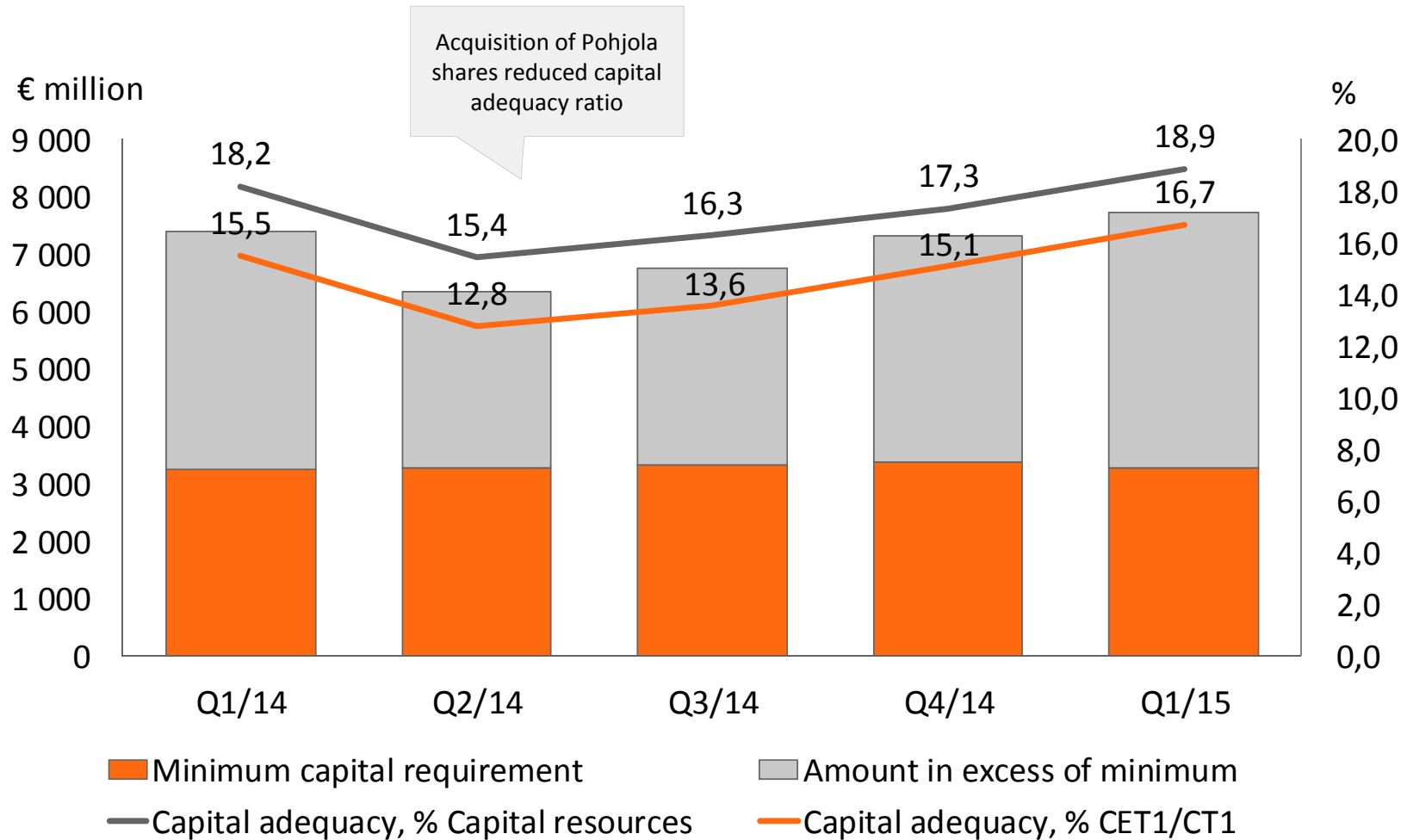
In view of both capital adequacy requirements,  
OP Financial Group's risk-bearing capacity is strong.

# The credit risk of the capital adequacy of the Amalgamation of the Cooperative Banks is calculated using the Internal Ratings Based Approach (IRBA)

- The Internal Ratings Based Approach (IRBA) is applied to the following types of exposure
  - Retail exposure
  - Corporate exposure (FIRB)
  - Credit institution exposure (FIRB)
- The Standardised Approach (SA) is applied to government exposure
- A simple and PD/LGD method are applied to equity investments

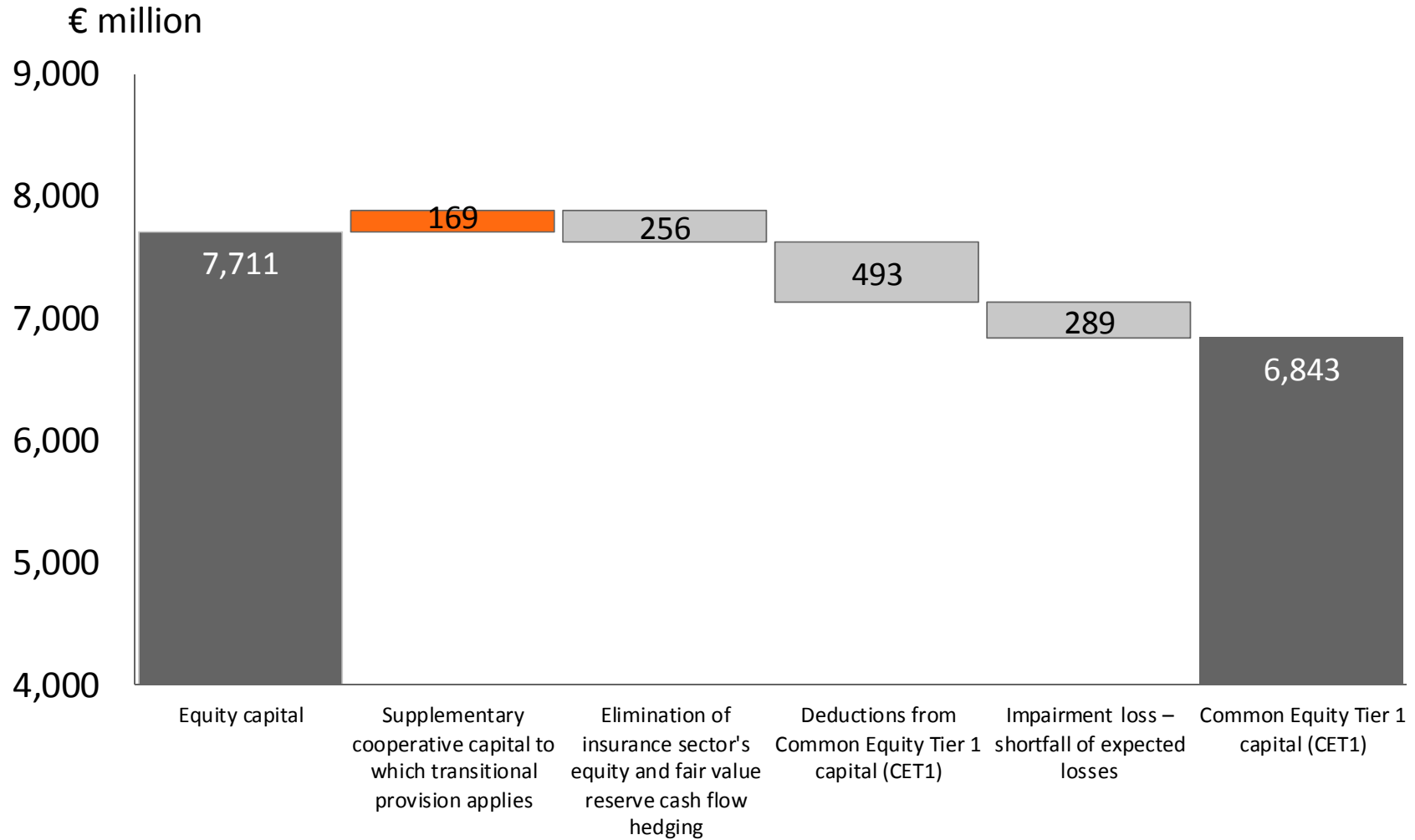
# The amalgamation of the cooperative banks

## Capital Resources and Capital Adequacy

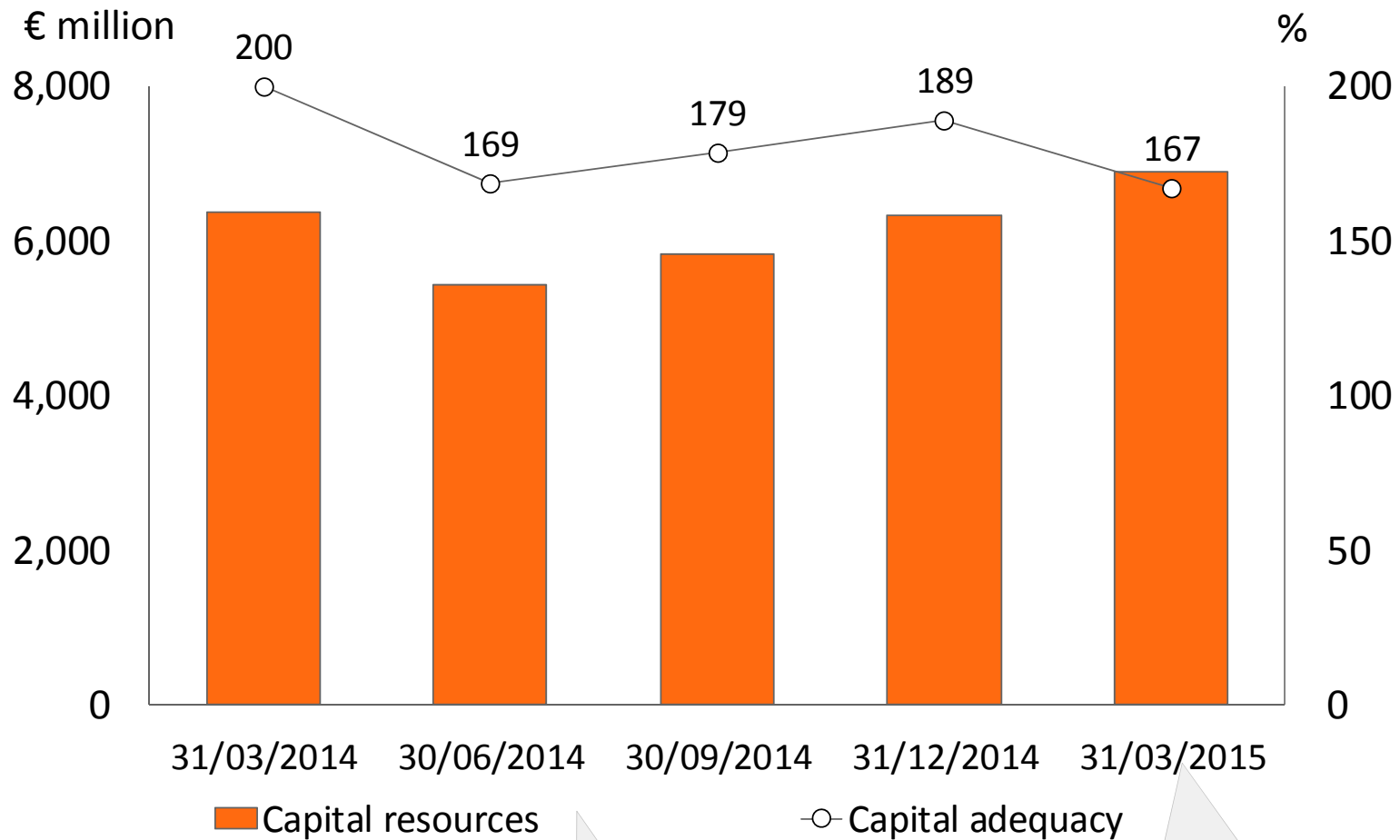


# Common Equity Tier 1 (CET1)

31 March 2015



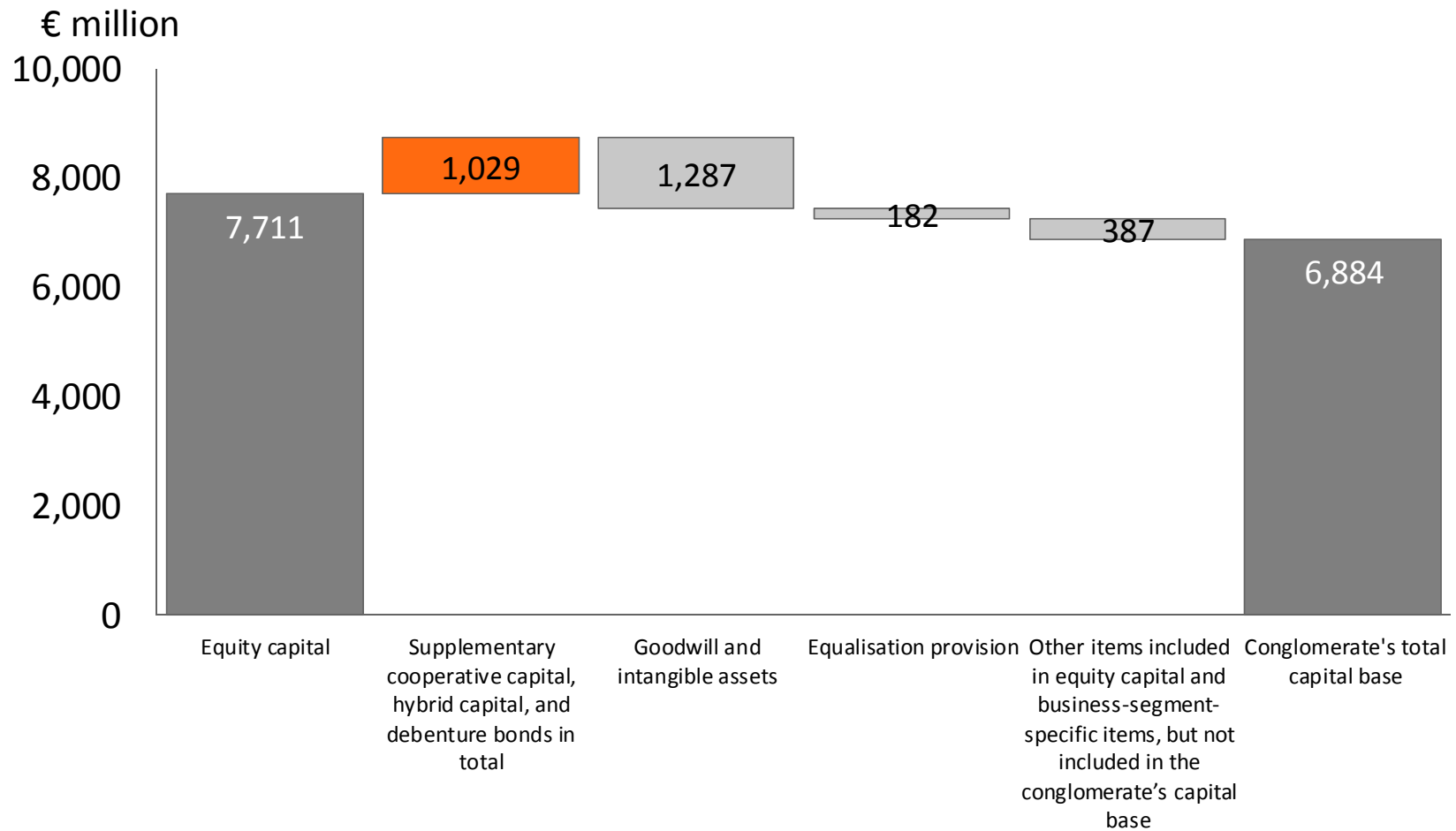
# OP Financial Group Conglomerate's Capital Adequacy



Acquisition of Pohjola shares reduced capital adequacy ratio

Requirement for the new capital conservation buffer under the Act on Credit Institutions reduced the capital adequacy ratio by 44 percentage points

# Total Capital Base under the Act on the Supervision of Financial and Insurance Conglomerates 31 March 2015

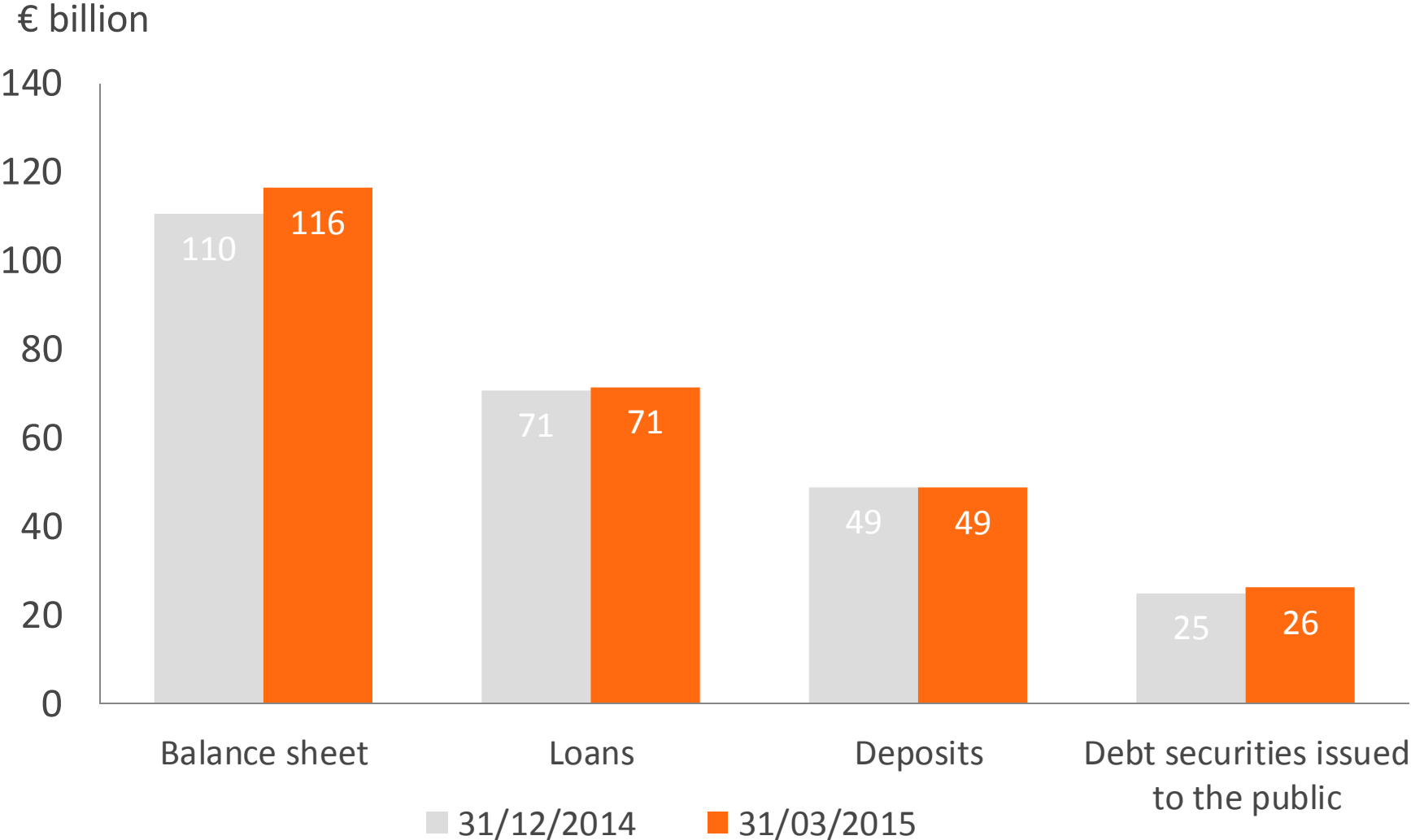






## Balance Sheet

# OP Financial Group's Key Balance Sheet Items



# OP Financial Group's Balance Sheet

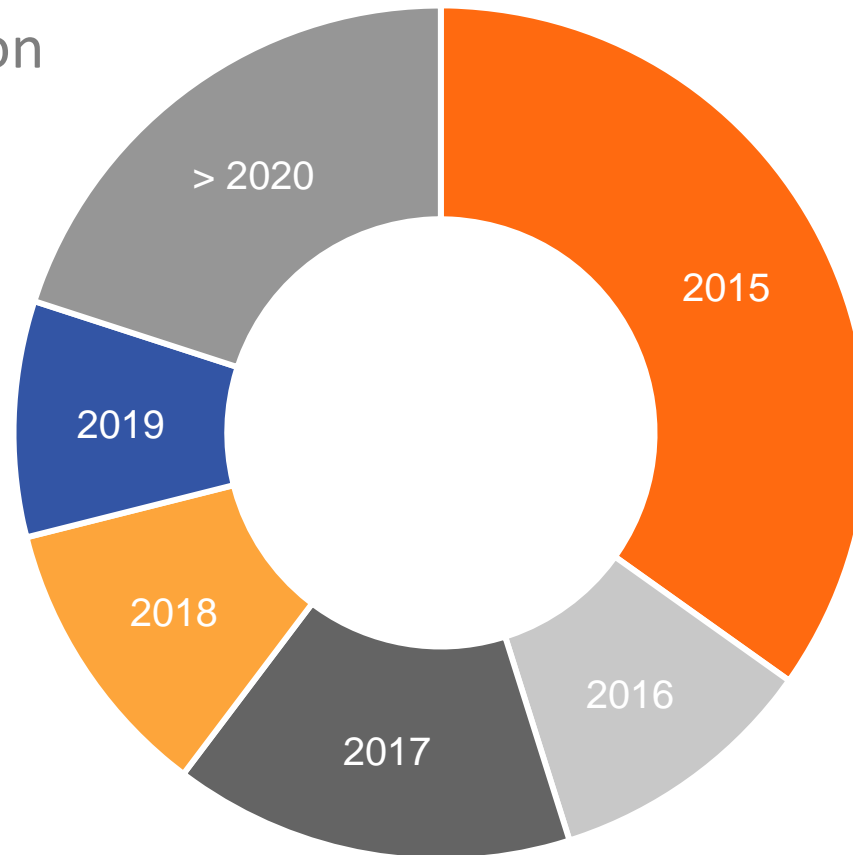
€ million	31/03/2015	31/12/2014	Change	
			€ mill.	%
Receivables from credit institutions	480	686	-206	-30.1
Financial assets at fair value through profit or loss	403	427	-24	-5.6
Receivables from customers	71,357	70,683	674	1.0
Non-life Insurance assets	4,129	3,797	332	8.8
Life Insurance assets	12,502	11,238	1,264	11.2
Investment assets	10,516	9,500	1,016	10.7
Other items	17,002	14,096	2,906	20.6
<b>Total assets</b>	<b>116,389</b>	<b>110,427</b>	<b>5,962</b>	<b>5.4</b>
Liabilities to credit institutions	2,106	1,776	330	18.6
Liabilities to customers	51,429	51,163	265	0.5
Non-life Insurance liabilities	3,360	2,972	388	13.0
Life Insurance liabilities	12,338	11,230	1,108	9.9
Debt securities issued to the public	26,054	24,956	1,099	4.4
Other liabilities	13,391	11,116	2,275	20.5
Equity capital	7,711	7,213	498	6.9
<b>Total liabilities and equity capital</b>	<b>116,389</b>	<b>110,427</b>	<b>5,962</b>	<b>5.4</b>

# OP Financial Group's Equity Capital and Cooperative Capital

<b>Share of OP Financial Group's owners</b>	<b>7 645</b>	<b>7 144</b>	<b>501</b>	<b>7,0</b>
Share and cooperative capital	1 993	1 709	285	16,7
Membership capital contributions	147	148	-1	-0,5
Profit shares	1 846	1 561	285	18,3
Fair value reserve	546	425	121	28,5
Other reserves	2 216	1 996	220	11,0
Retained earnings	2 889	3 014	-125	-4,2
<b>Non-controlling interests</b>	<b>66</b>	<b>69</b>	<b>-3</b>	<b>-4,0</b>
<b>Total equity capital</b>	<b>7 711</b>	<b>7 213</b>	<b>498</b>	<b>6,9</b>
<b>Supplementary cooperative capital</b>	<b>169</b>	<b>192</b>	<b>-23</b>	<b>-12,0</b>

# OP Financial Group's Debt Securities Issued to the Public Maturity 31 March 2015

Total of €26.1 billion



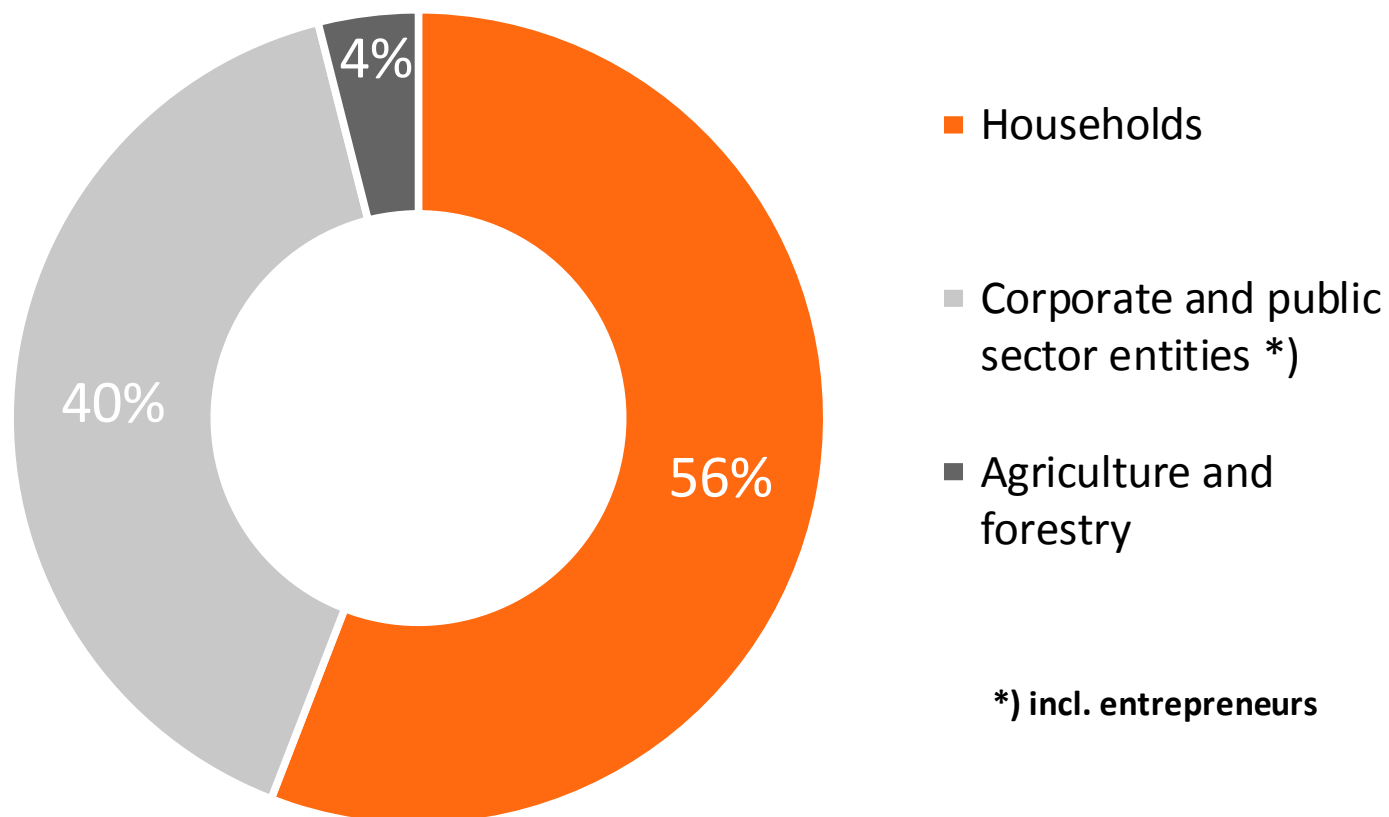


## Loans and Customer Funds

# OP Financial Group's Deposits

31 March 2015

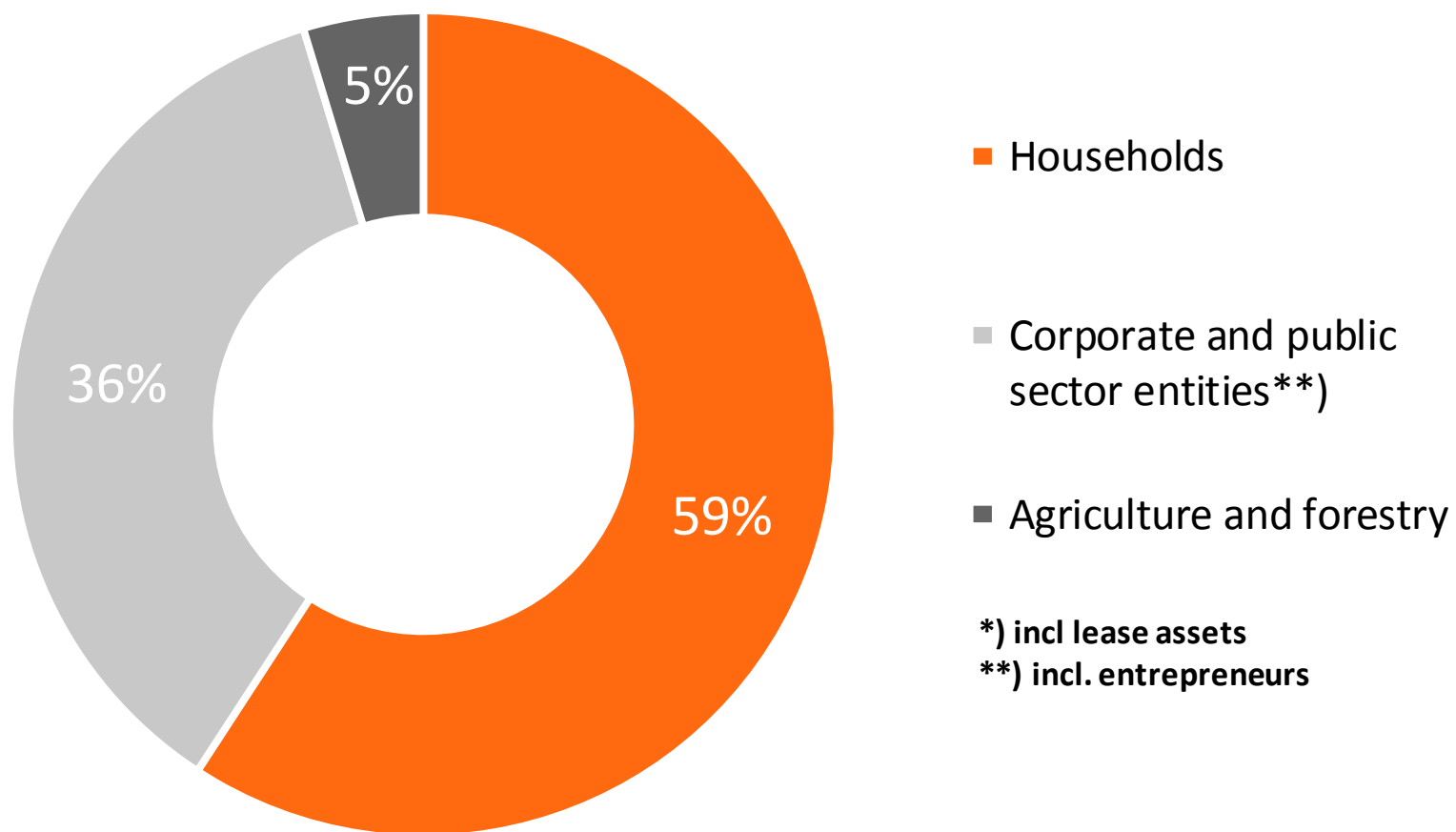
Total: €49 billion



# OP Financial Group's loans\*

31 March 2015

Total: €71 billion



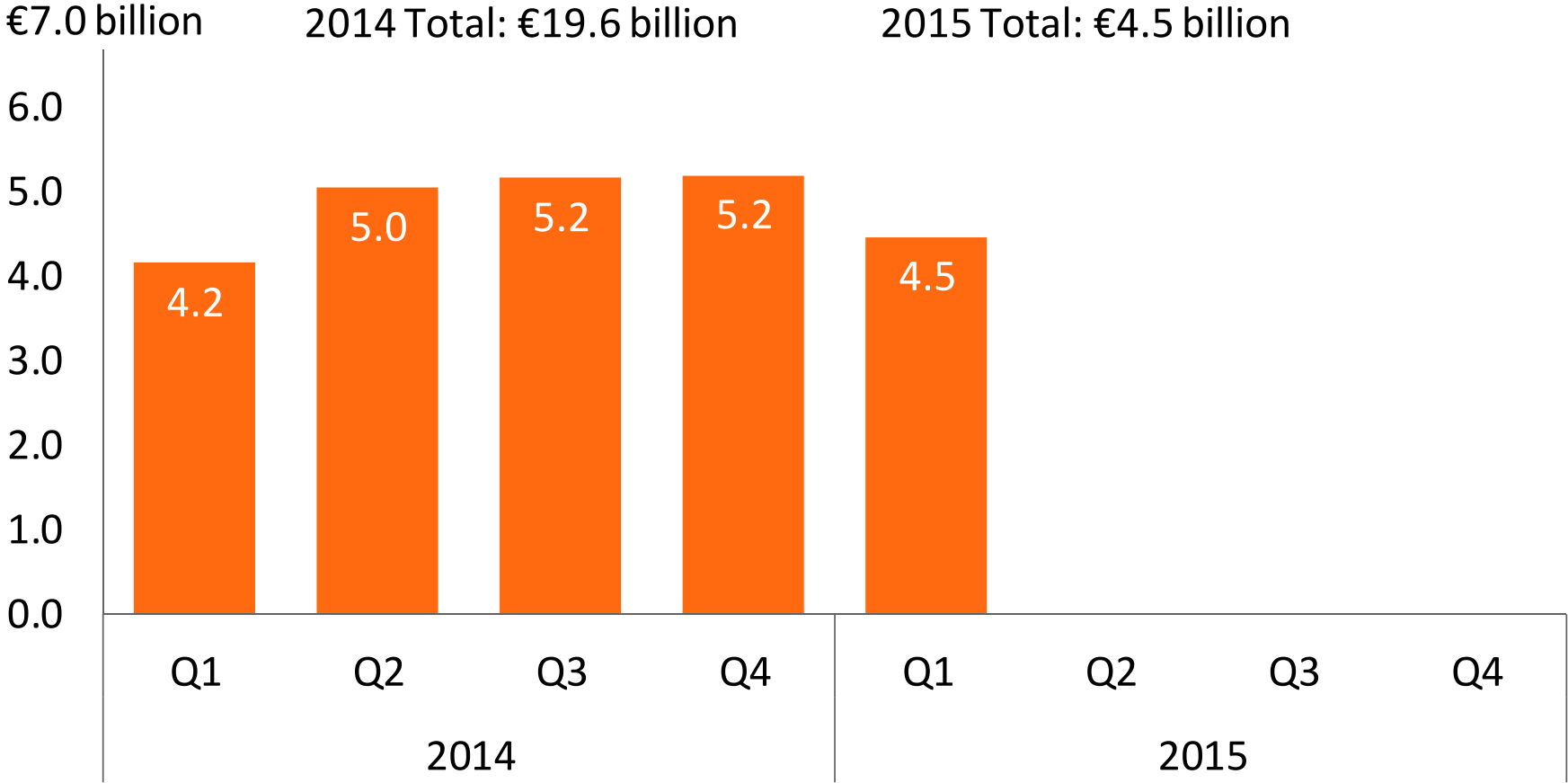


# OP Financial Group

## Loan and Guarantee Portfolio by Sector

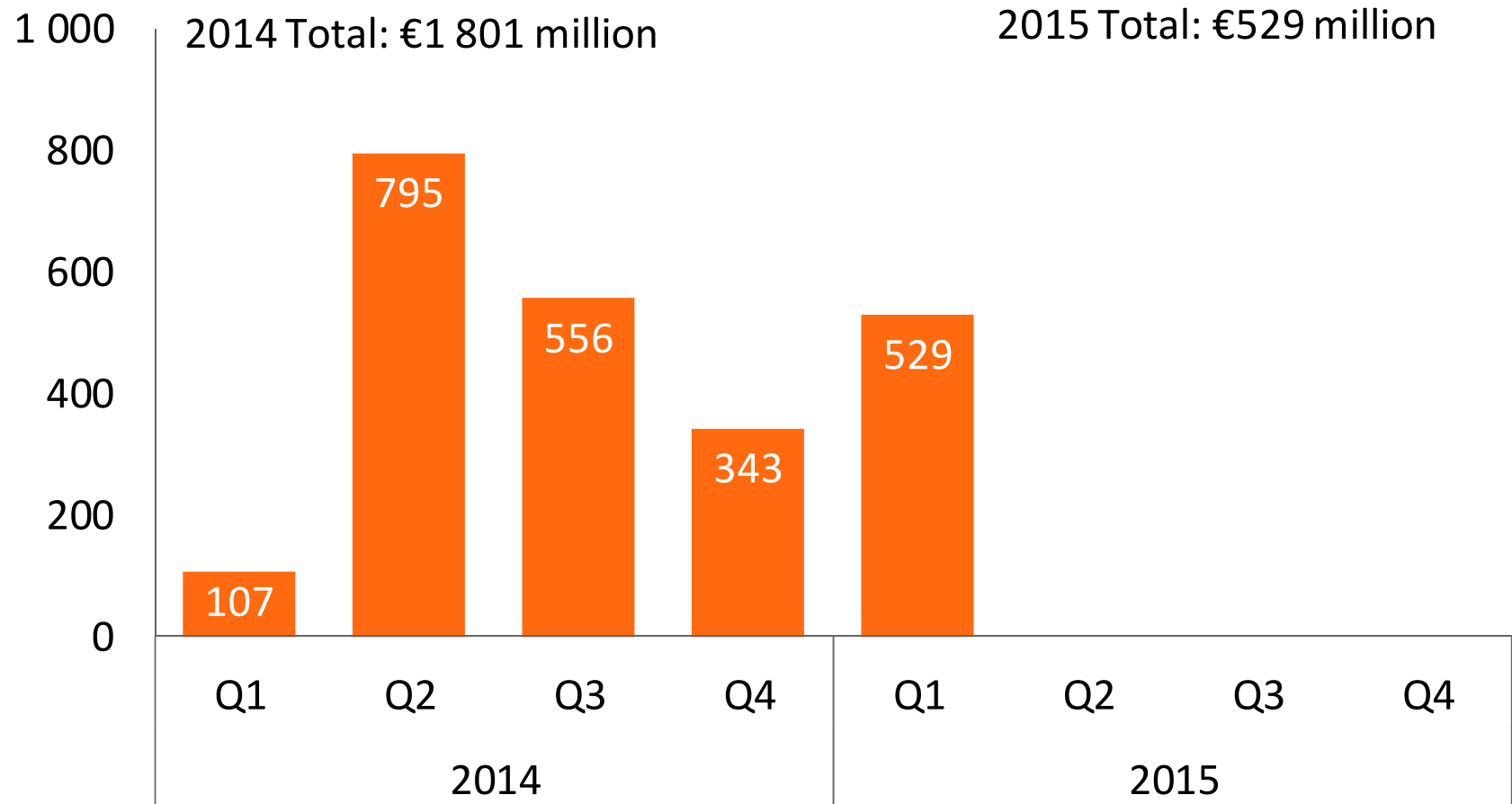
€ million	31 March 2015	31 March 2014	€ million	Change, %
<b>Enterprises and housing associations</b>	<b>26,596</b>	<b>24,787</b>	<b>1,809</b>	<b>7.3</b>
Renting and operating of residential real estate	5,849	5,804	45	0.8
Renting and operating of other real estate	3,515	3,173	342	10.8
Wholesale and retail trade	2,858	2,740	118	4.3
Services	1,942	1,844	99	5.3
Construction	1,904	1,578	326	20.6
Energy	1,884	1,302	582	44.7
Manufacture of machinery and equipment (incl. services)	1,410	1,445	-34	-2.4
Transportation and storage	1,409	1,466	-57	-3.9
Agriculture, forestry and fishing	961	813	148	18.2
Financial and insurance services	644	651	-7	-1.1
Forest Industry	824	660	164	24.9
Food Industry	645	534	111	20.8
Real estate investments	589	620	-31	-5.1
Metal Industry	509	553	-44	-7.9
Chemical Industry	334	370	-36	-9.7
Other manufacturing	174	212	-39	-18.2
Other industries	1,143	1,022	121	11.9
<b>Public corporations and non-profit organisations</b>	<b>1,355</b>	<b>1,241</b>	<b>114</b>	<b>9.2</b>
<b>Households</b>	<b>45,560</b>	<b>44,536</b>	<b>1,023</b>	<b>2.3</b>
<b>Adjustments</b>	<b>667</b>	<b>698</b>	<b>-31</b>	<b>0.0</b>
<b>Total</b>	<b>74,177</b>	<b>71,262</b>	<b>2,915</b>	<b>4.1</b>

# OP Financial Group's New Loans by Quarter

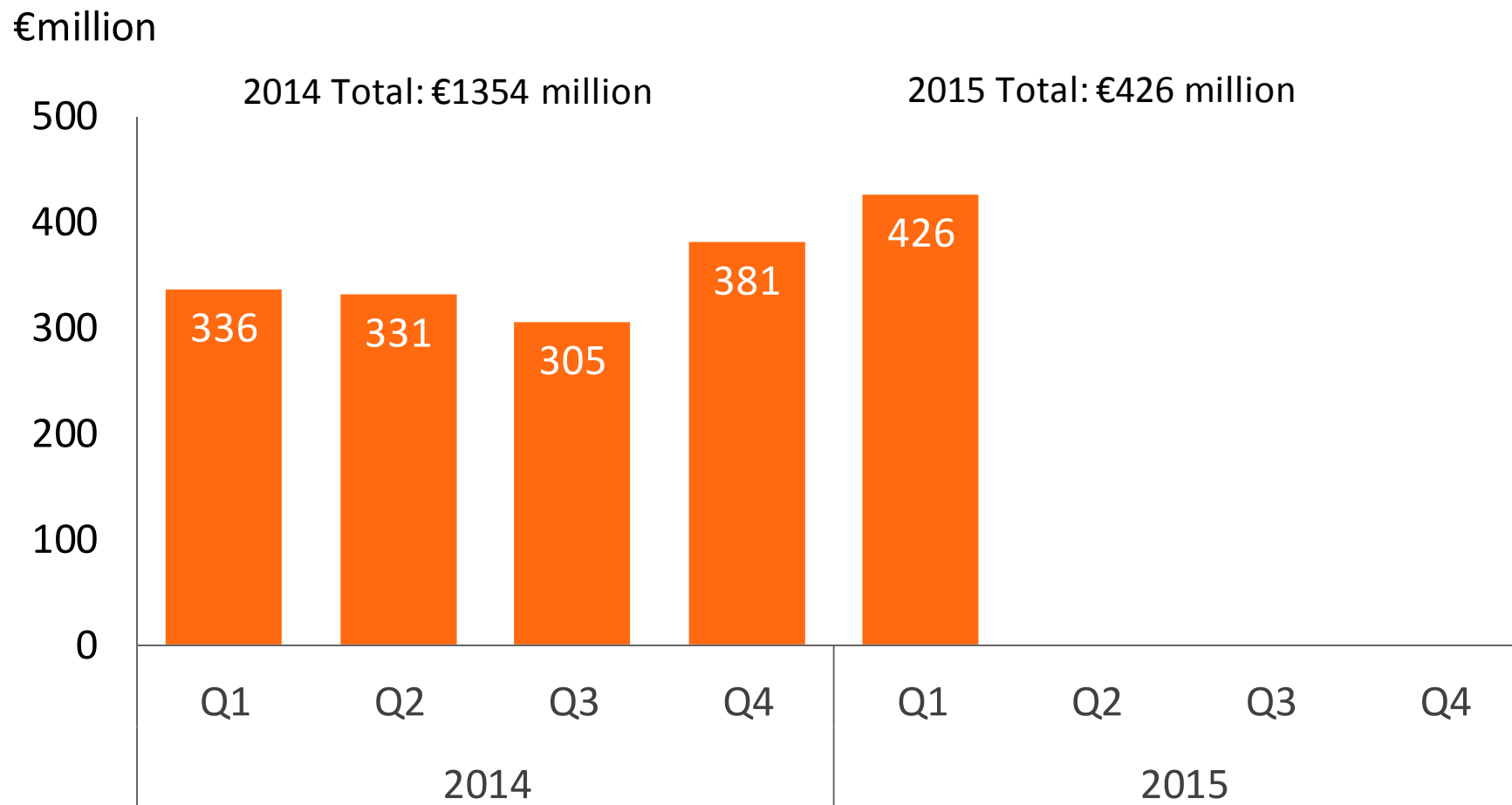


# OP Financial Group's Net Sales Inflow of Mutual Funds by Quarter

€million



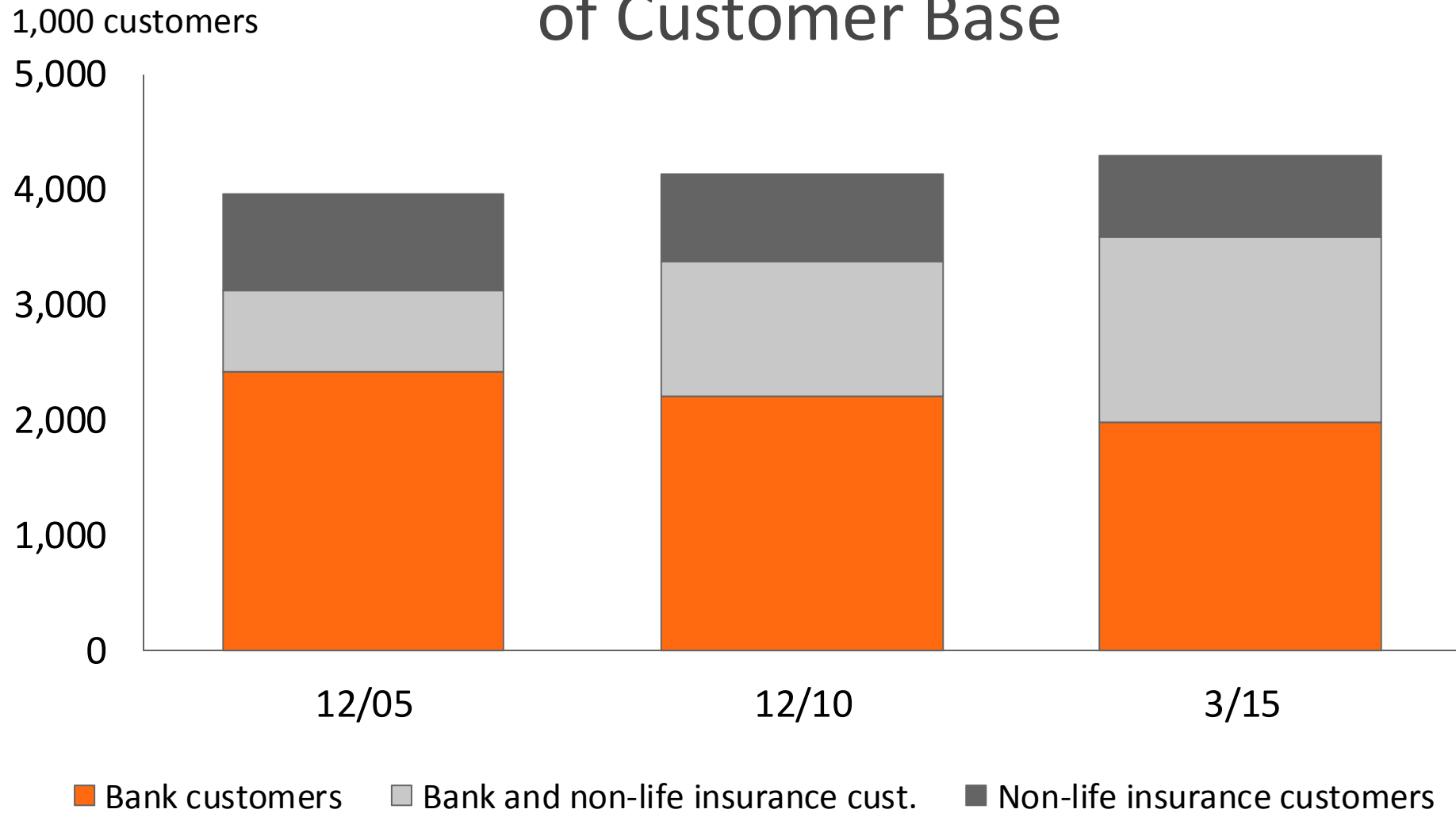
# OP Financial Group's Life and Pension Insurance Premiums Written by Quarter



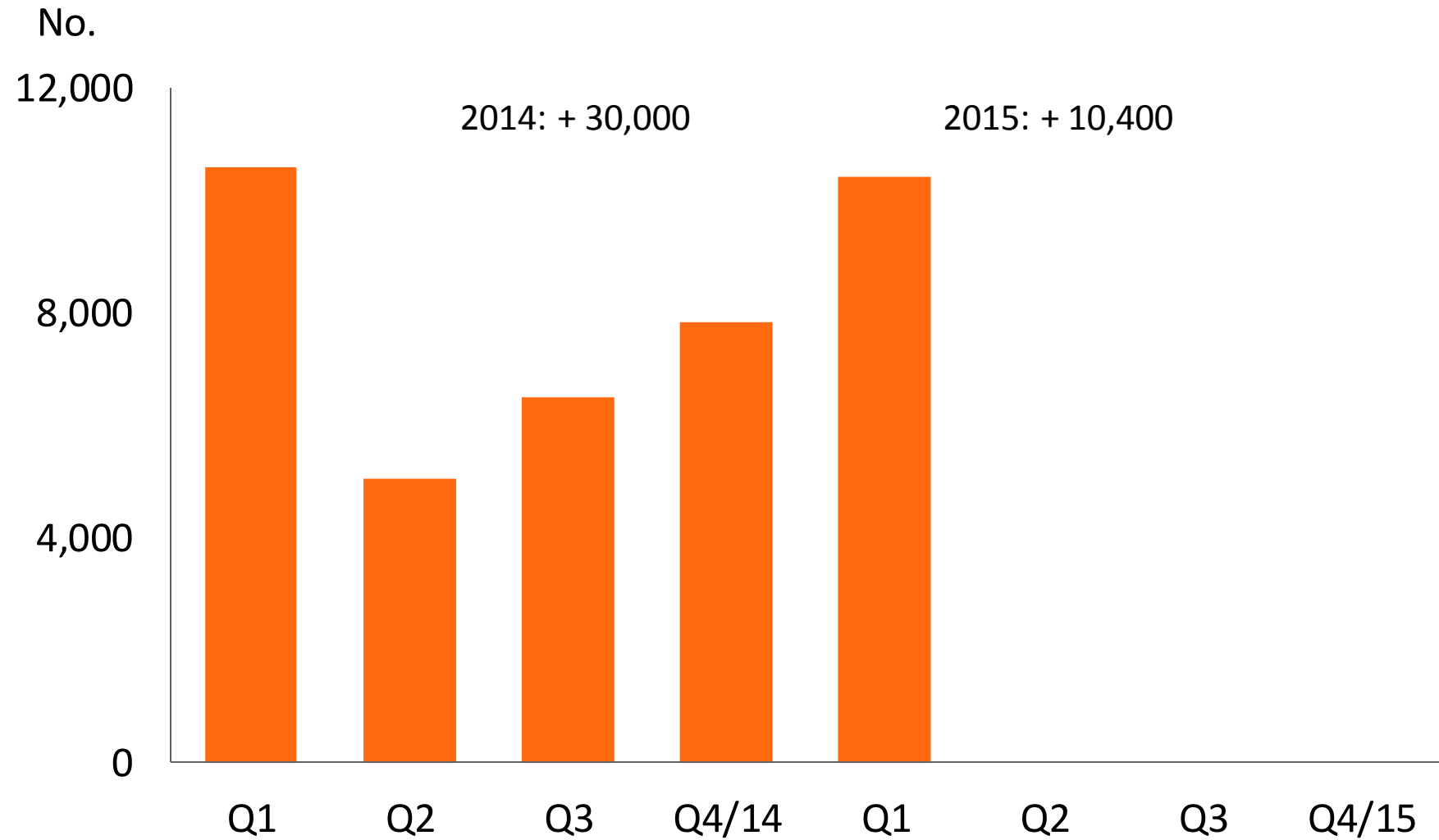


**Customers, Owner-members, etc.**

# OP Financial Group's Breakdown of Customer Base



# OP Financial Group's Net Increase in Customer-Owners by Quarter



# OP Financial Group's Service Network

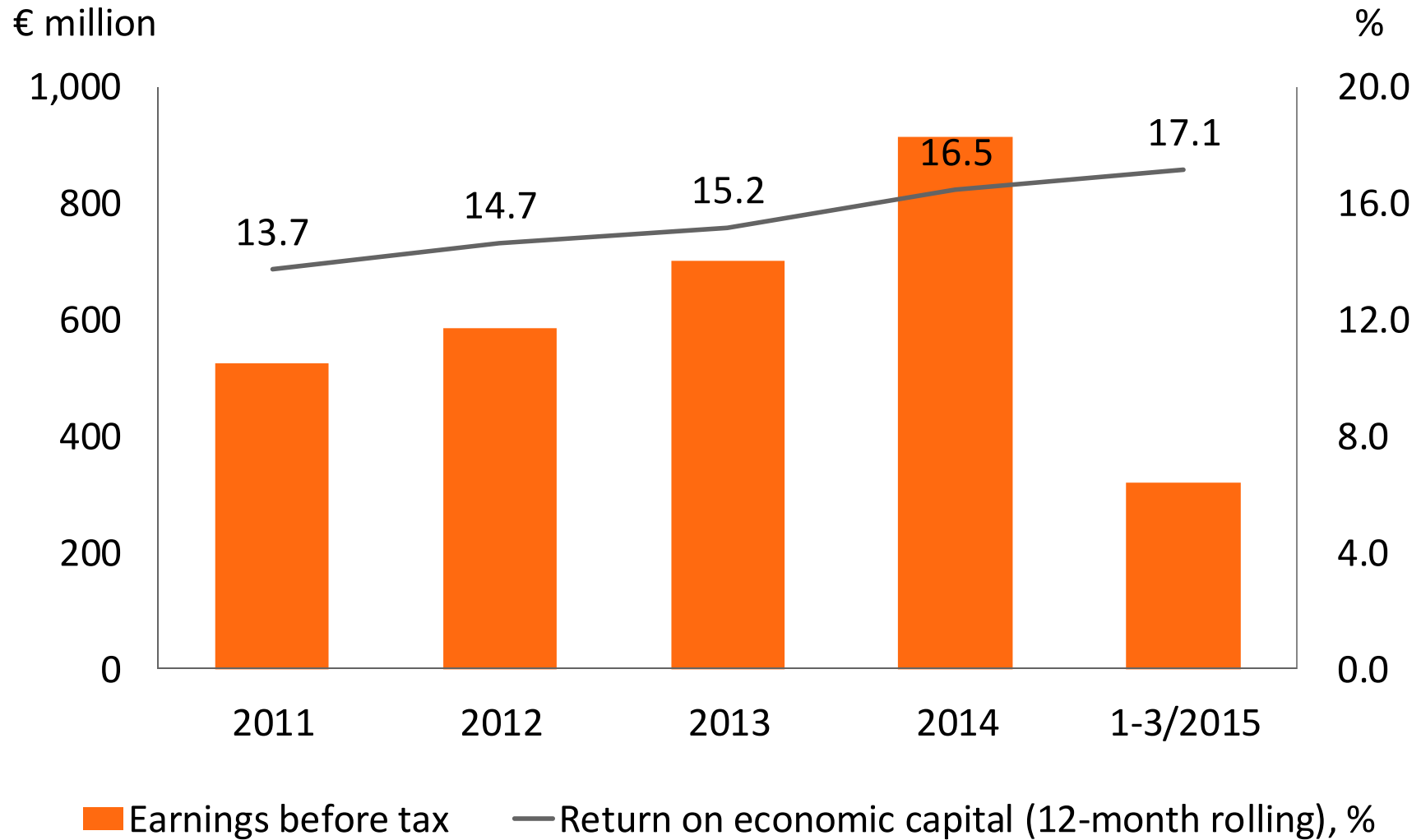
	March 2015	12-month change
Visits to op.fi	11,093,132	+0.5%
Visits to OP-mobile	6,601,494	+88%
Pivo application uploads (cum.)	over 500,000	+150%
eServices Agreements	1,621,391	18,076
Bank branches	454	-2
Providing both non-life insurance and banking services	348	+/-0
Private Banking branches	40	+/-0
OP-Kiinteistökeskus real estate agencies	162	+/-0
Followers of Facebook (OP Financial Group and OP Financial Group member cooperative bank)	167,311	+53,193
Followers on Twitter	15,670	+12,987
Followers on LinkedIn (OP Financial Group and Pohjola in total)	7,689	+2,638
Customer contacts in telephone service in March 2015	283,770	+32,810





## 5-year Trends

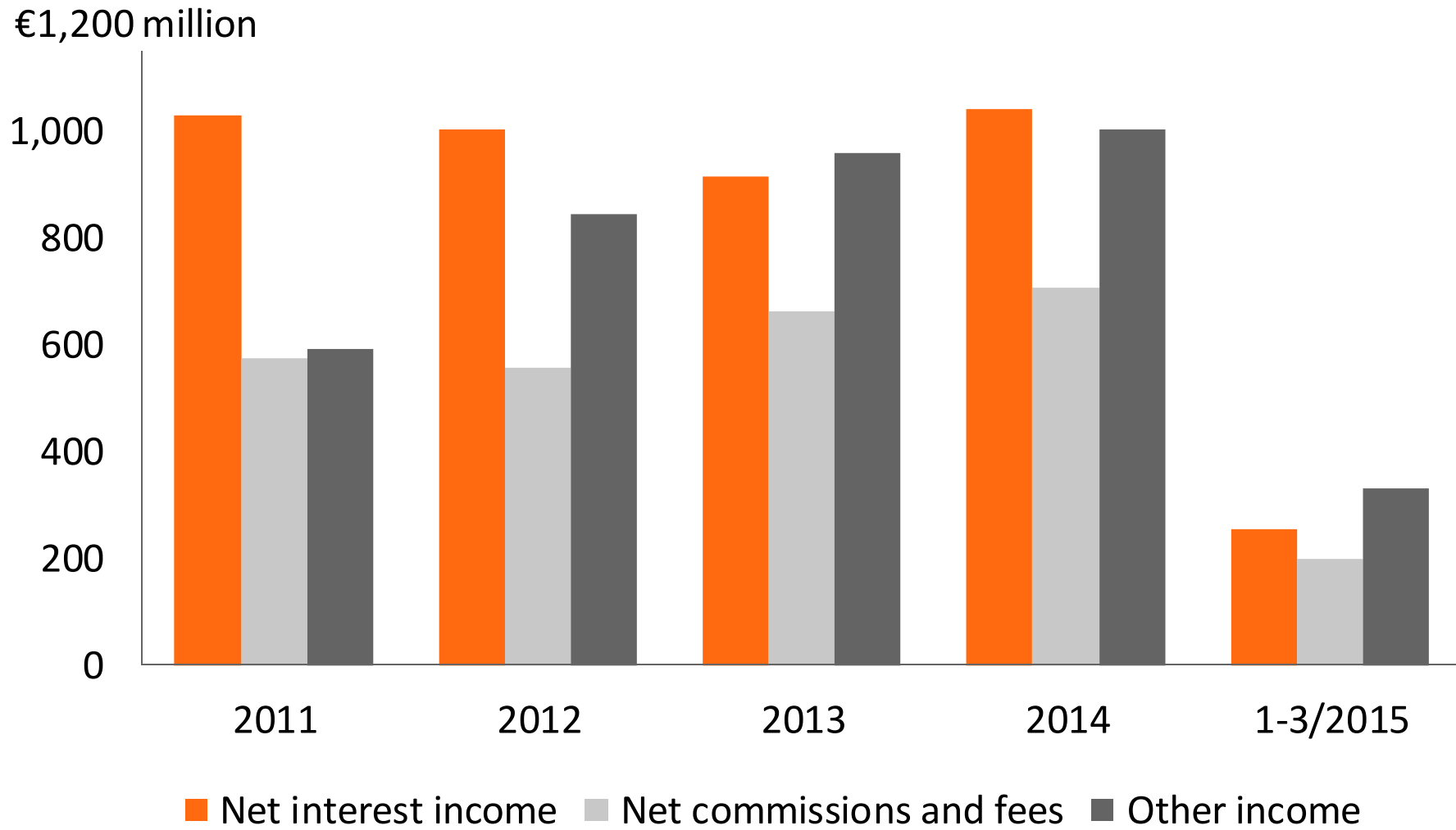
## OP Financial Group's Earnings before Tax and Return on Economic Capital



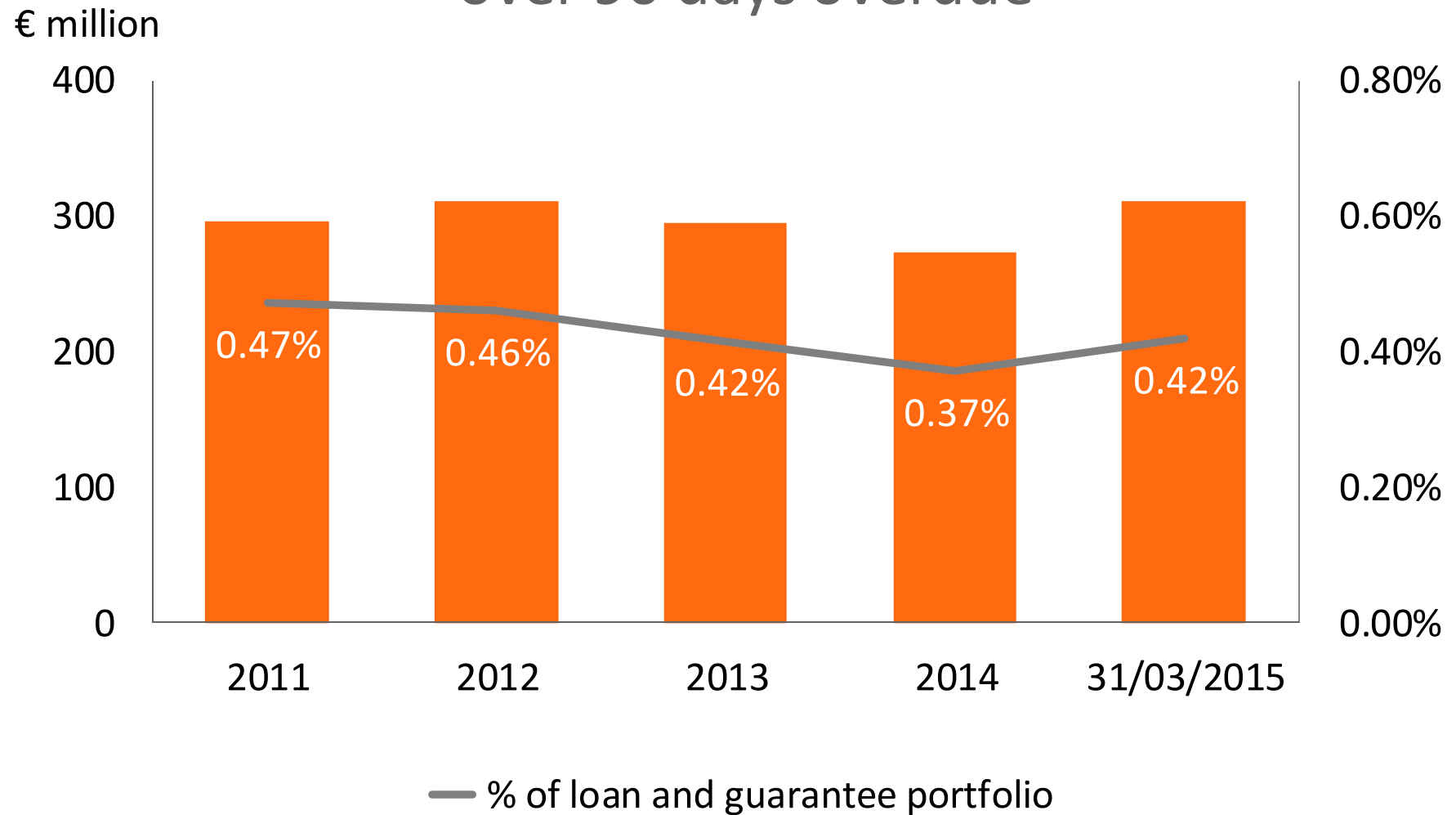
# OP Financial Group's Earnings before Tax



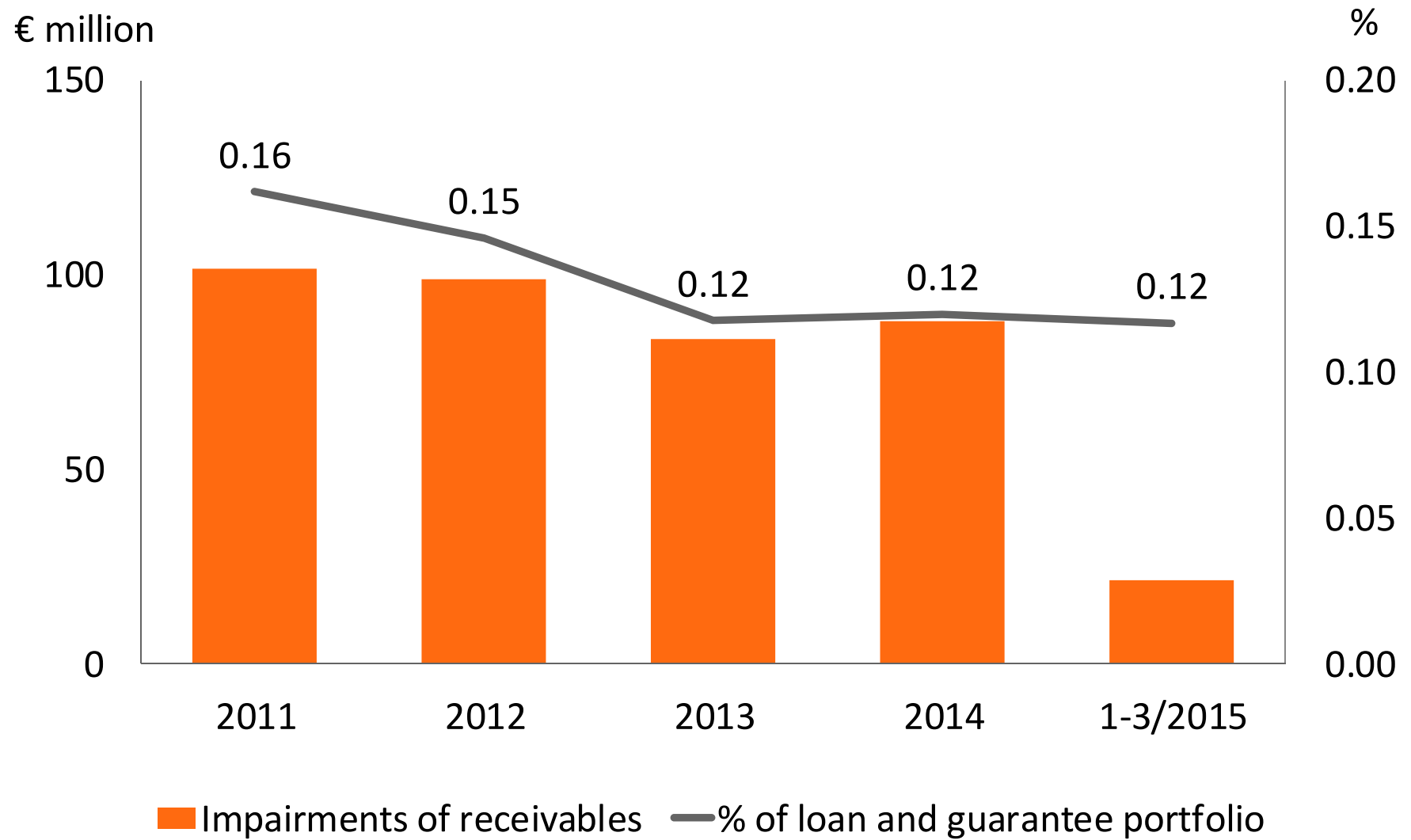
# OP Financial Group's Income



# OP Financial Group's receivables over 90 days overdue

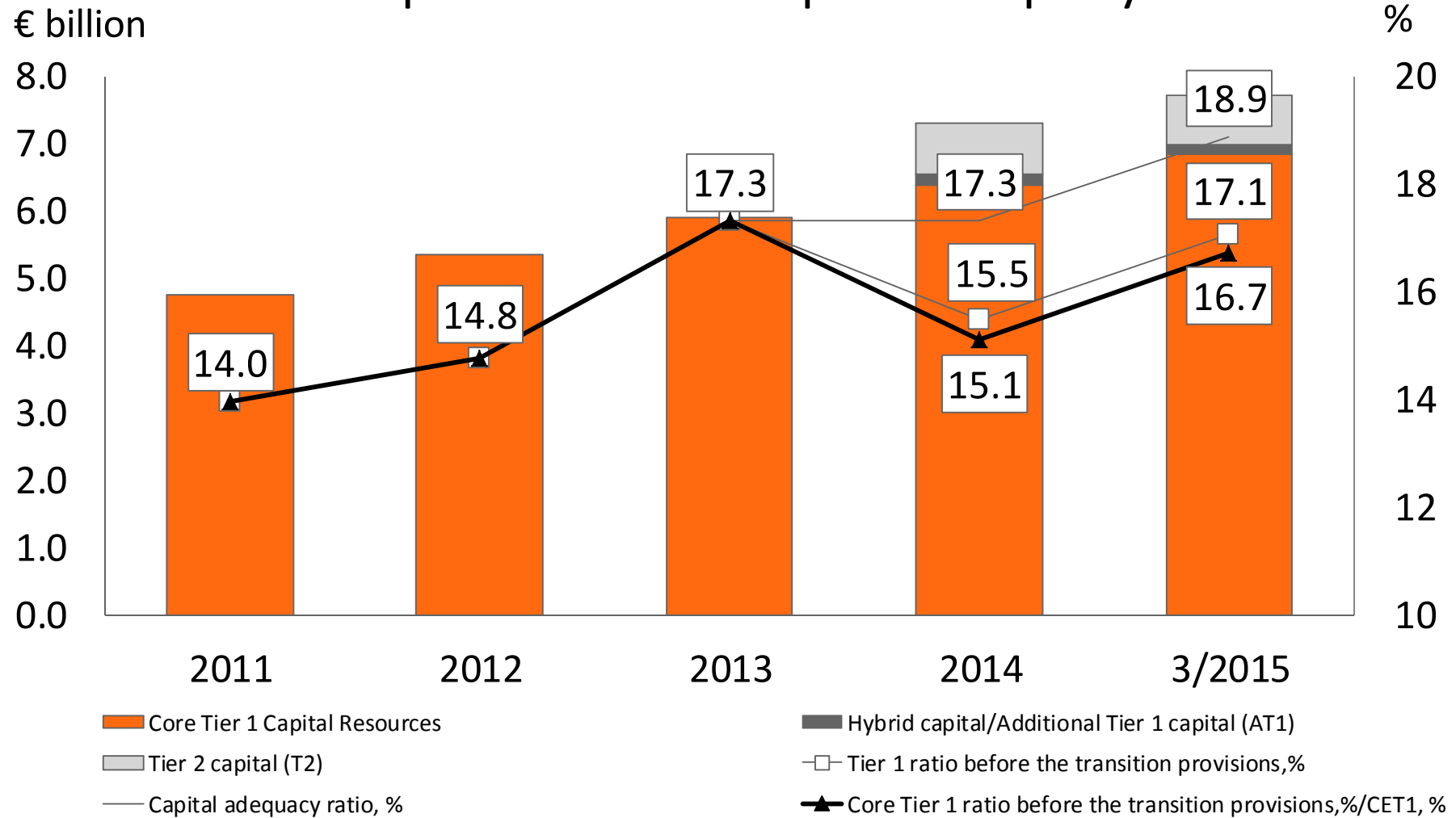


# OP Financial Group's Impairments of Receivables



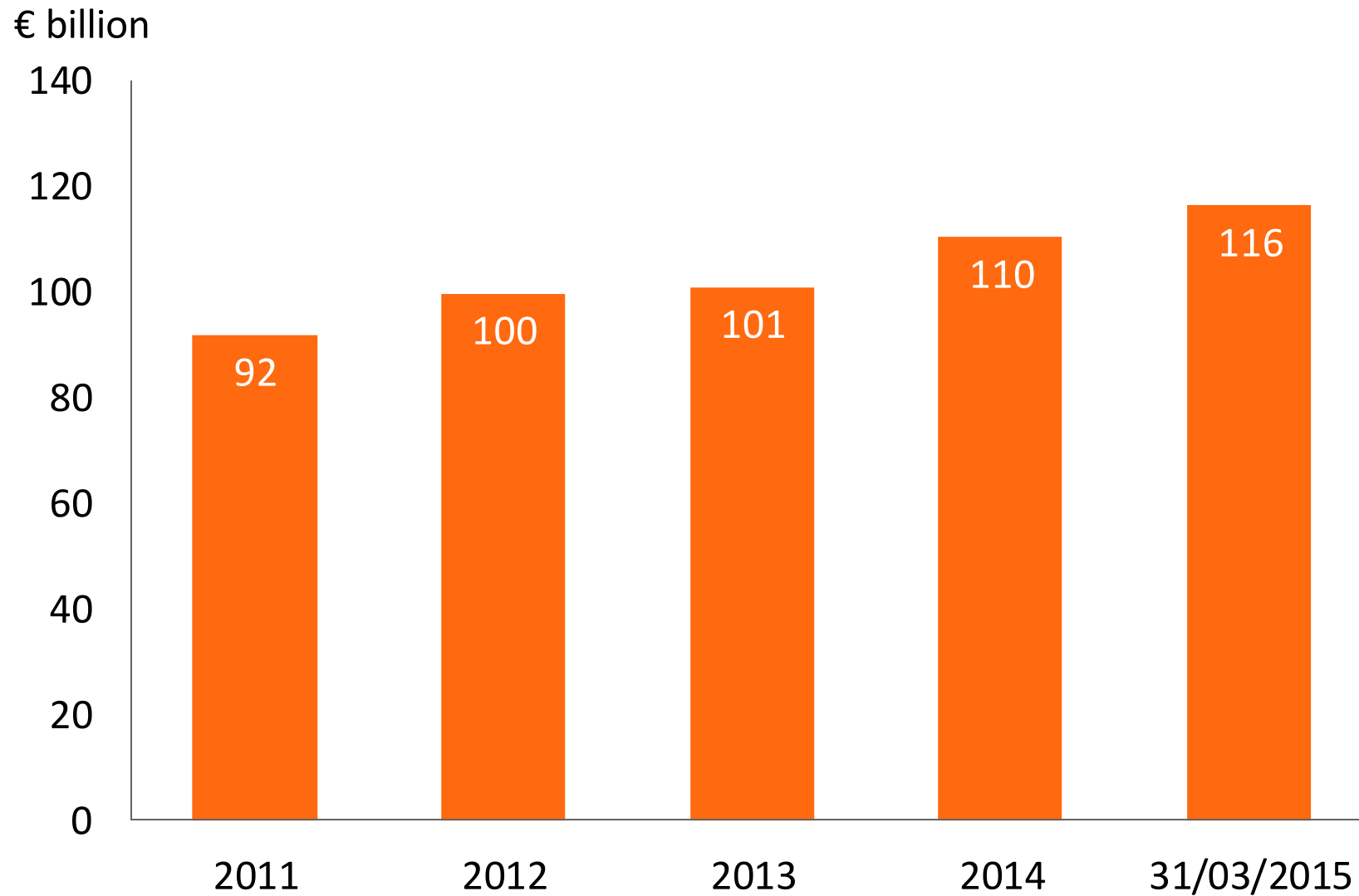
# The Amalgamation of the cooperative banks

## Capital base and Capital Adequacy Ratio



Until 2013 according to CRD3 before IRBA transitional provisions (Basel I floor)

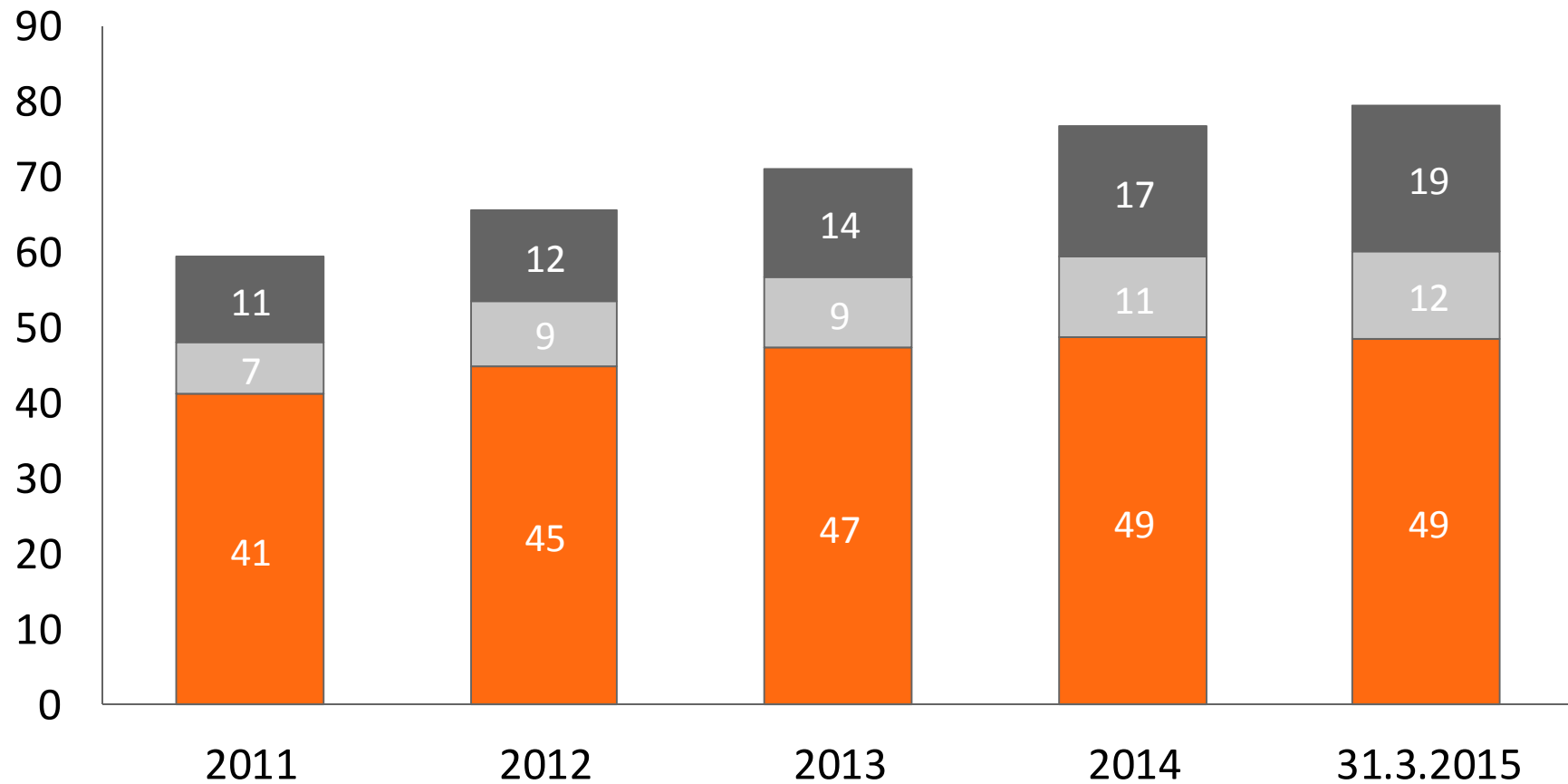
# OP Financial Group's Balance Sheet





# OP Financial Group's Customer Funds

€ billion

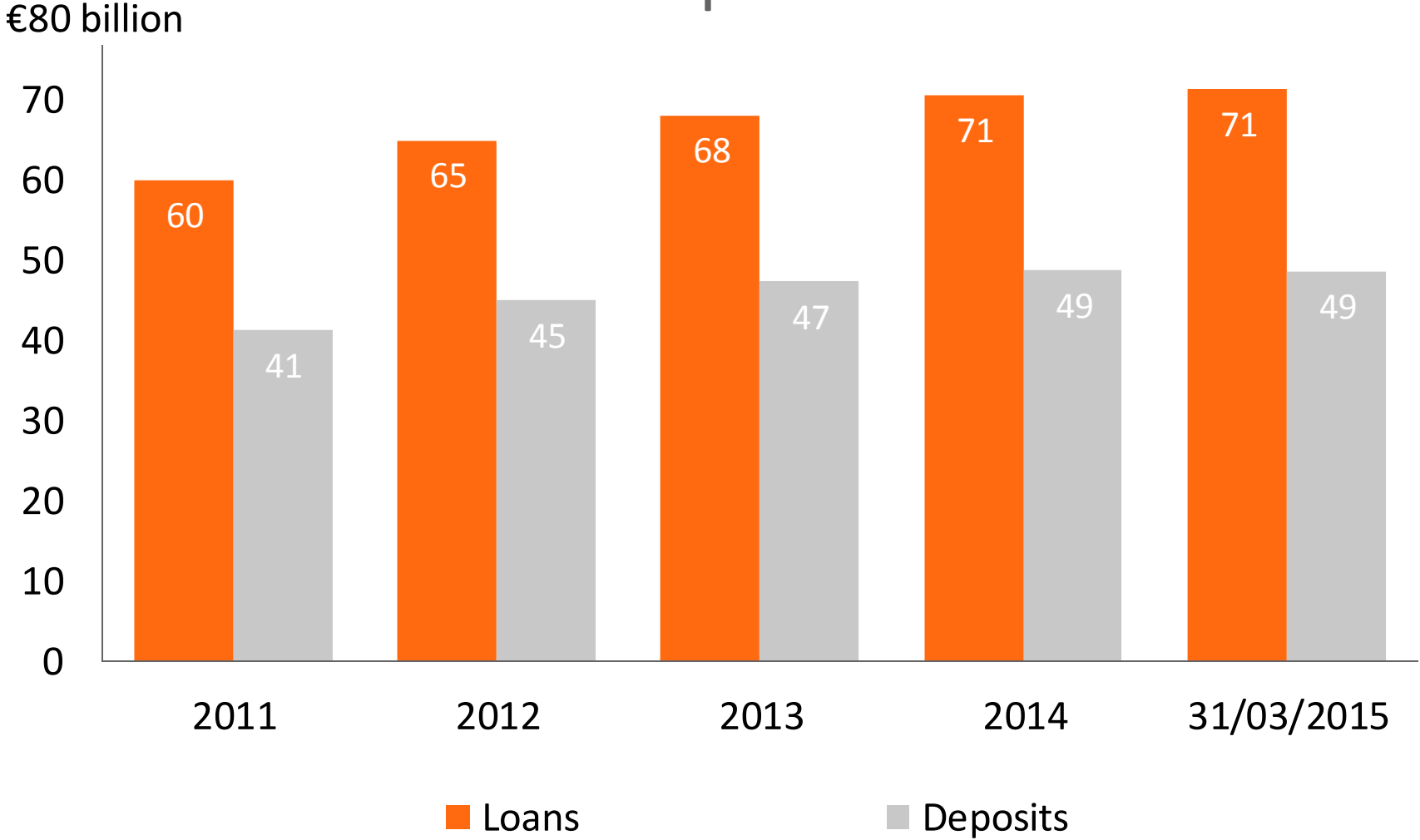


■ Deposits

■ Life insurance savings

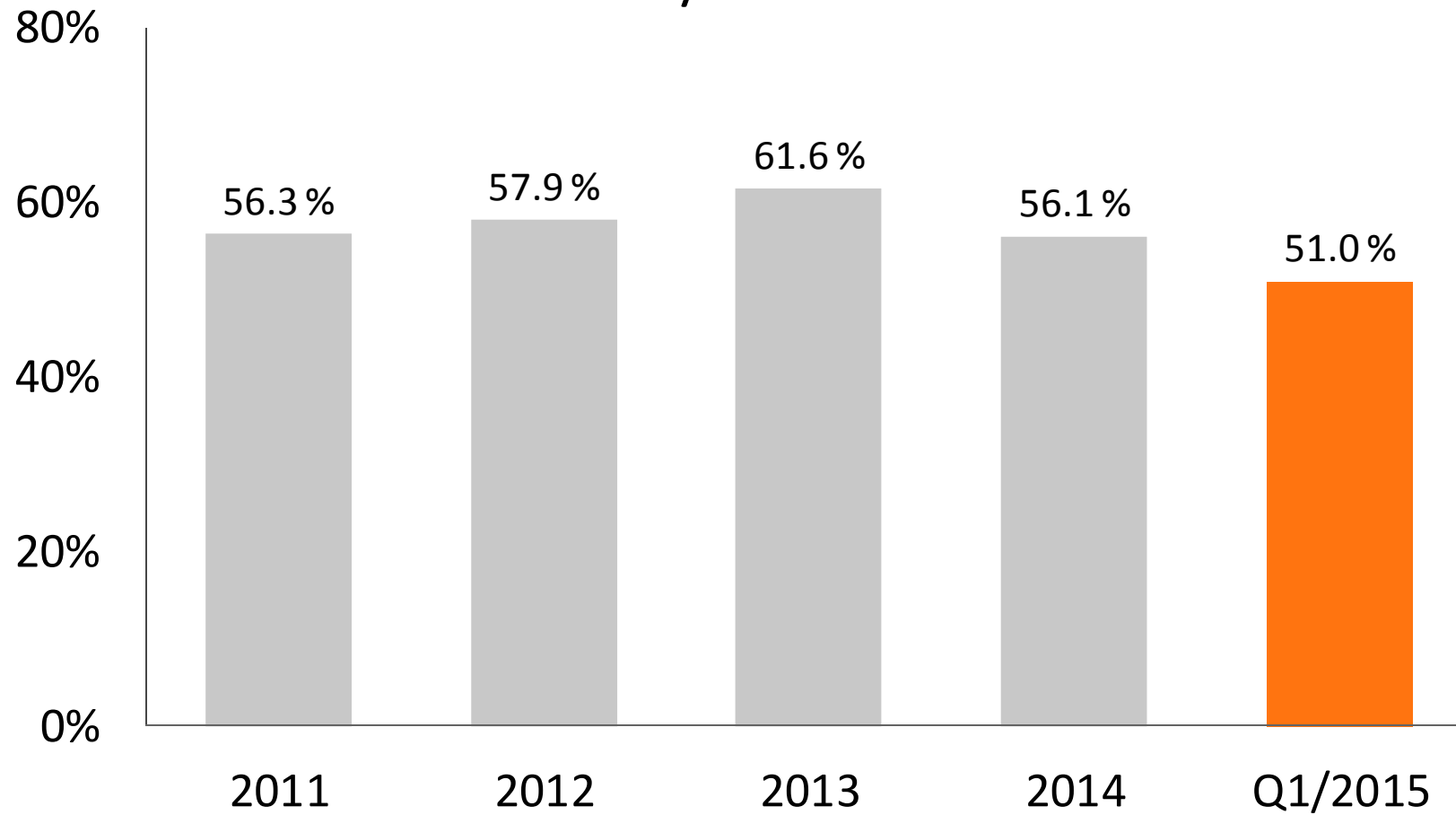
■ Mutual funds

# OP Financial Group's Loans and Deposits



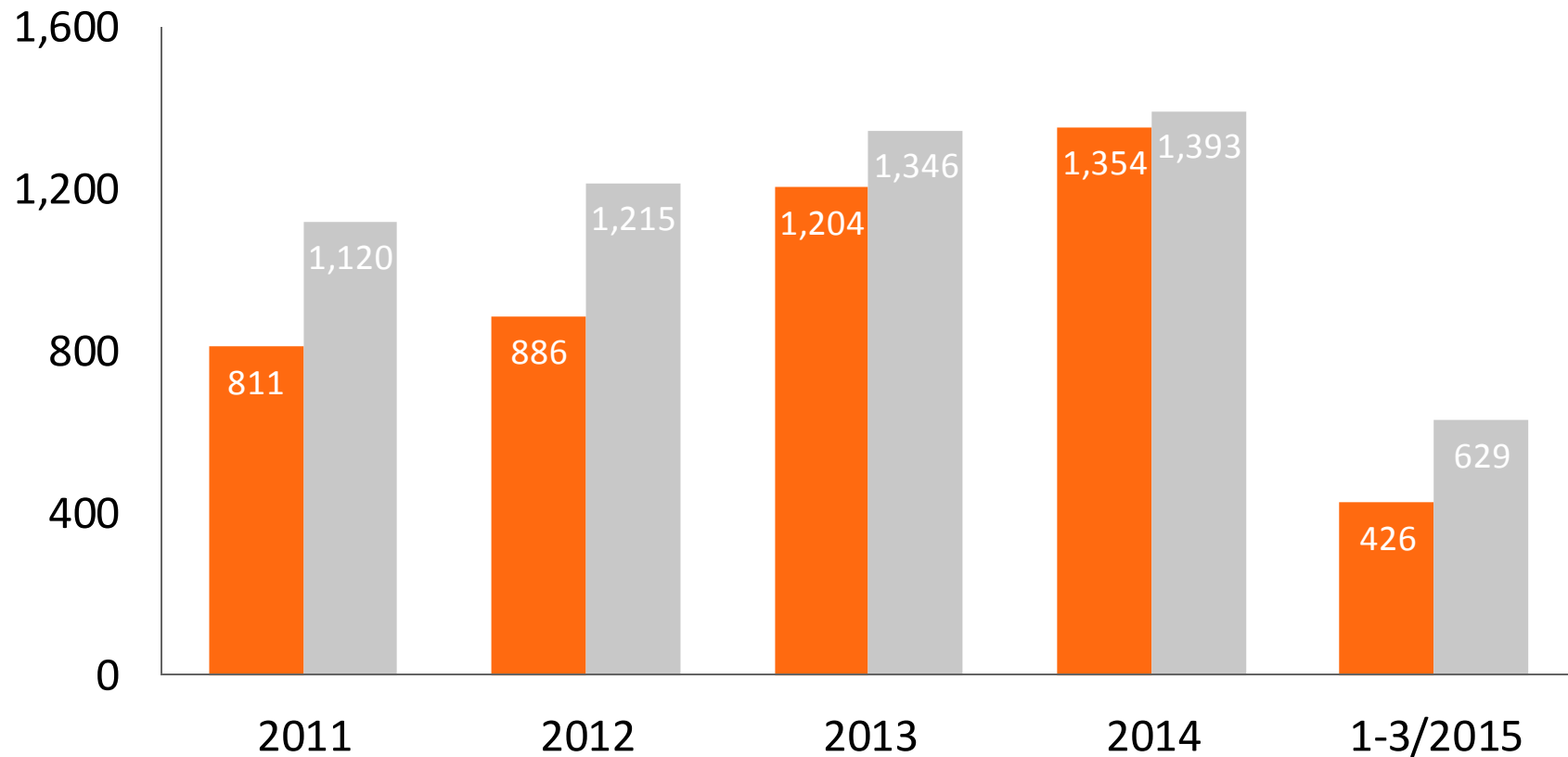
# OP Financial Group Banking

## Cost/income ratio



# OP Financial Group's Premiums Written in Life and Non-life Insurance

€ million

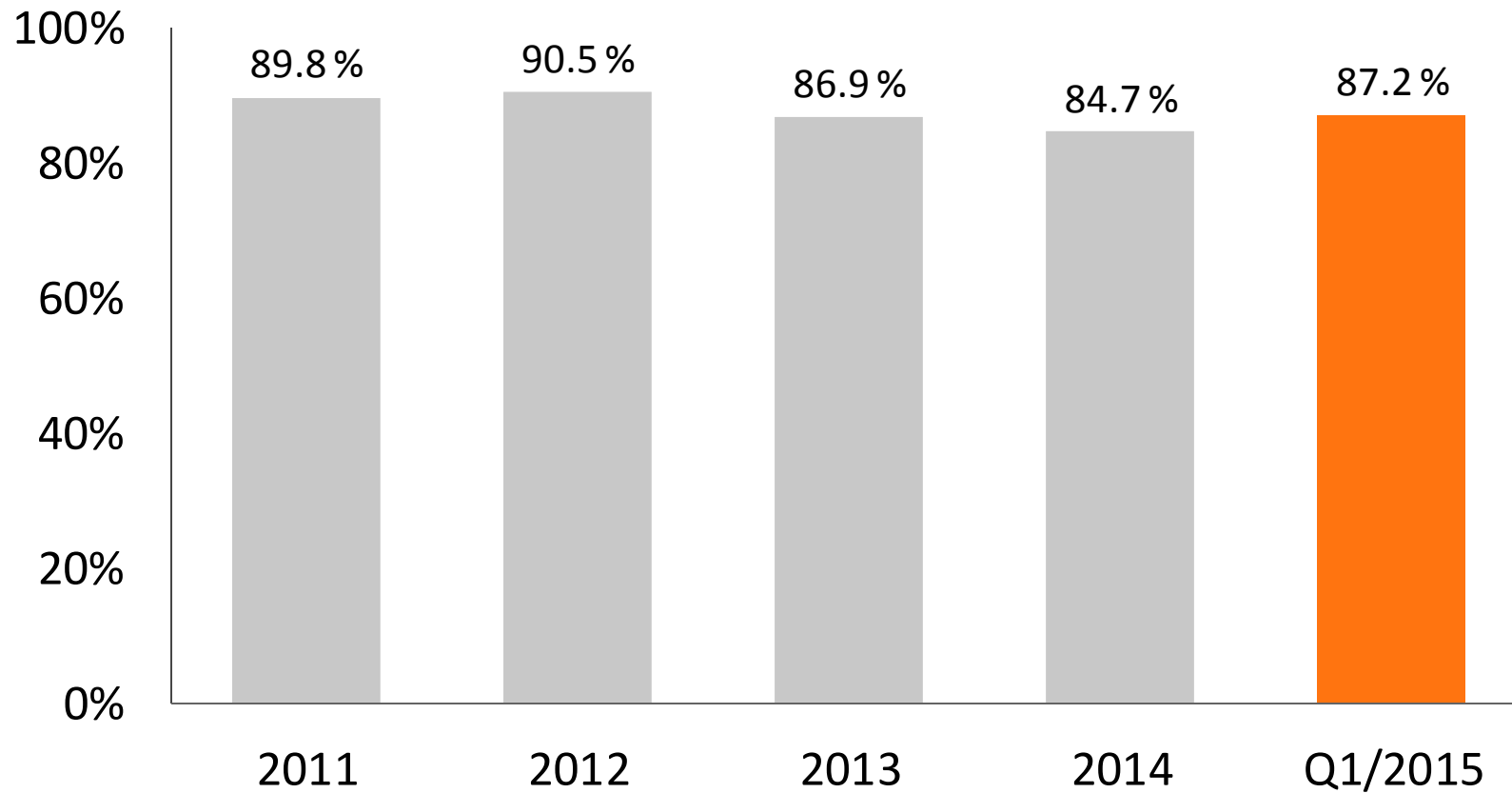


■ Premiums written in life insurance

■ Premiums written in non-life insurance

# OP Financial Group Non-Life Insurance

## Operating combined ratio





**Thank you**