



OP Financial Group's Financial Statements Bulletin for  
1 January–31 December 2015

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- Non-Life Insurance
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# OP Financial Group's Financial Statement



# OP Financial Group key indicators

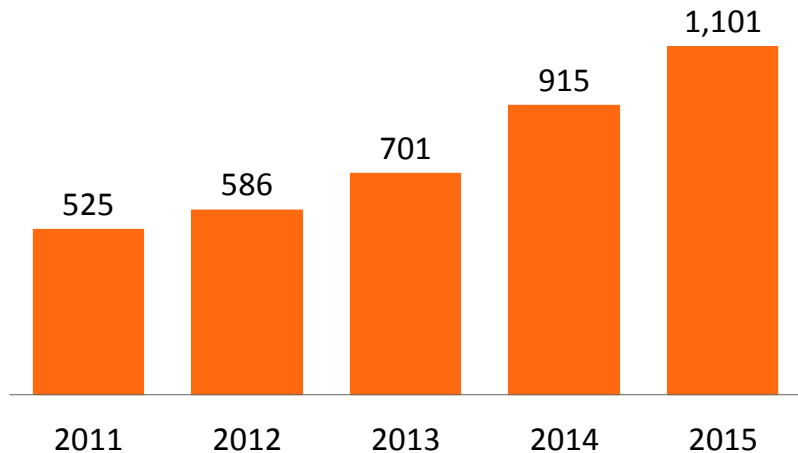
	Q1-4/2015	Q1-4/2014	Change, %
Earnings before tax, EUR million	1,101	915	20.4
Banking	642	571	12.5
Non-life Insurance	259	223	16.0
Wealth Management	213	167	27.6
New accrued customer bonuses	197	189	4.5
	31/12/2015	31/12/2014	Change, %
Common Equity Tier 1 (CET1) ratio, %	19.5	15.1	4.4 *
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates) %	207	189	18 *
Ratio of receivables more than 90 days overdue to loan and guarantee portfolio, %	0.42	0.37	0.05 *
Joint banking and insurance customers (1,000)	1,656	1,590	4.2

\* Change in ratio

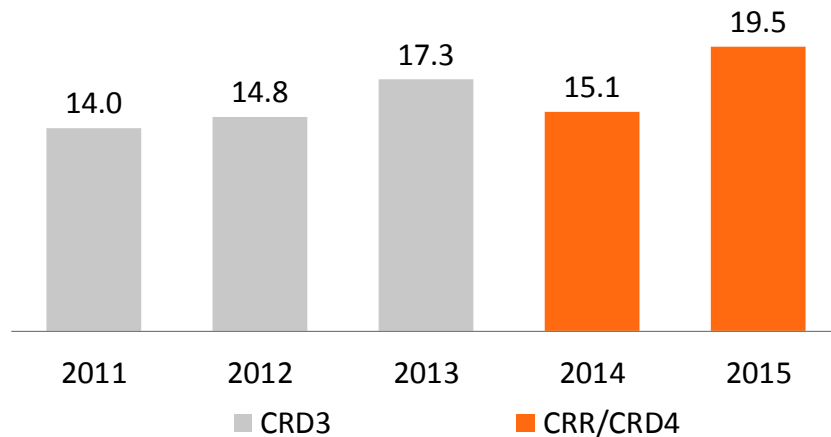
- The Group's earnings before tax increased by 20% to EUR 1,101 million (915). This figure is OP Financial Group's all-time high.
- Contributions made by owner-customers to cooperative capital increased to EUR 2.8 billion (1.9). OP Financial Group anticipates paying interest of 3.25% on Profit Shares for 2015. Interest payable totals about EUR 66 million.
- Full-year earnings for 2016 are expected to be about the same as in 2015.

# OP Financial Group's earnings performance supports capital base

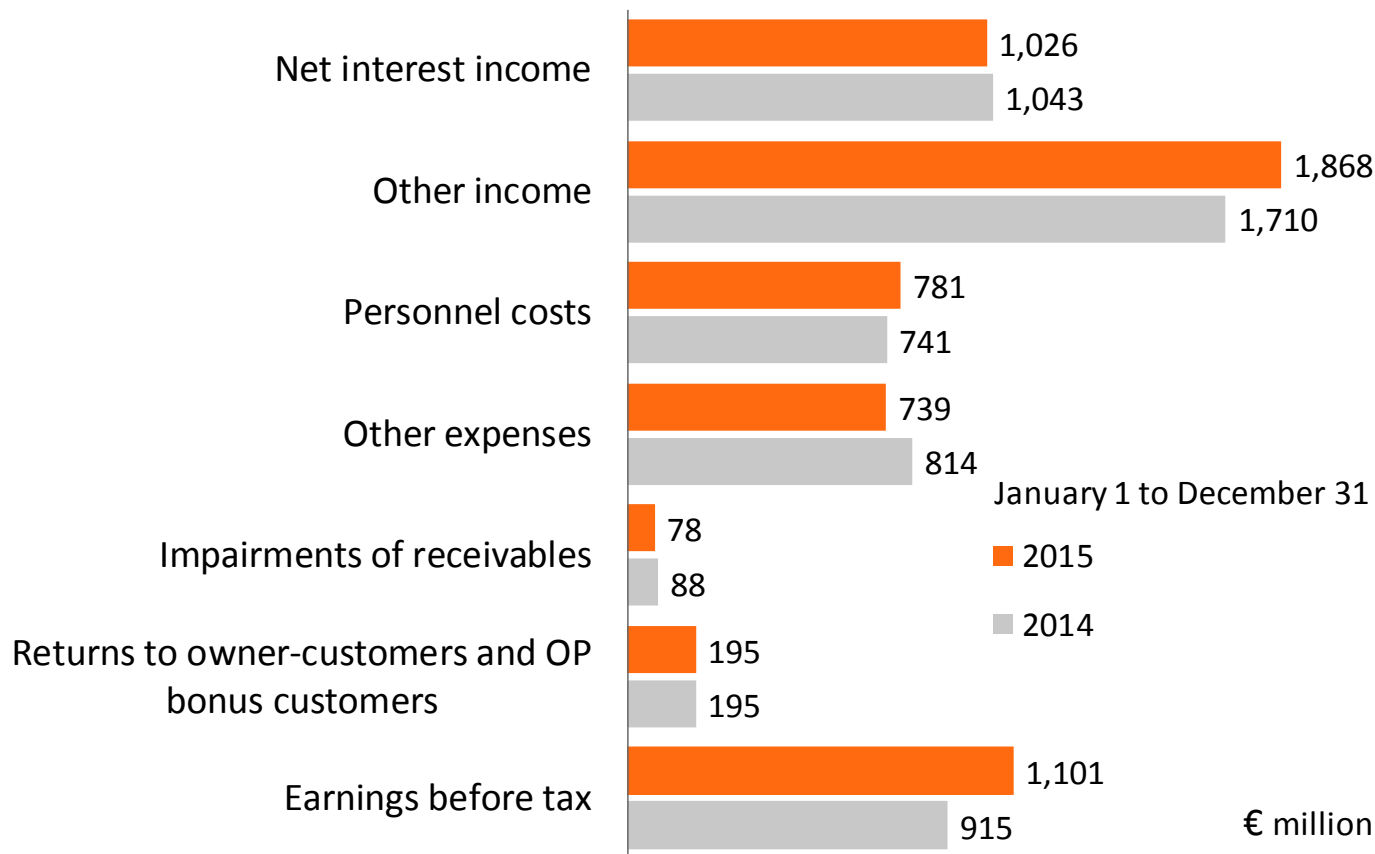
Earnings before tax, € million



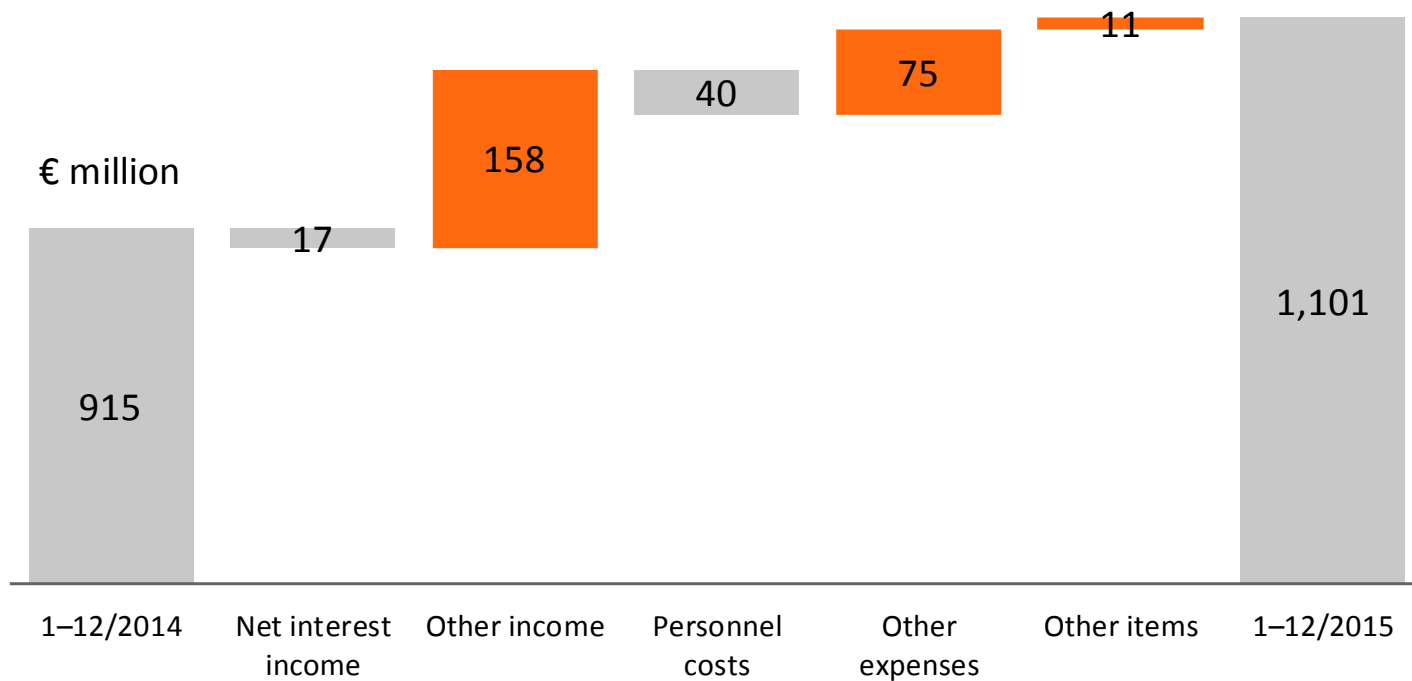
Common Equity Tier 1 ratio (CET1),  
Core tier 1 before transitional provisions, %



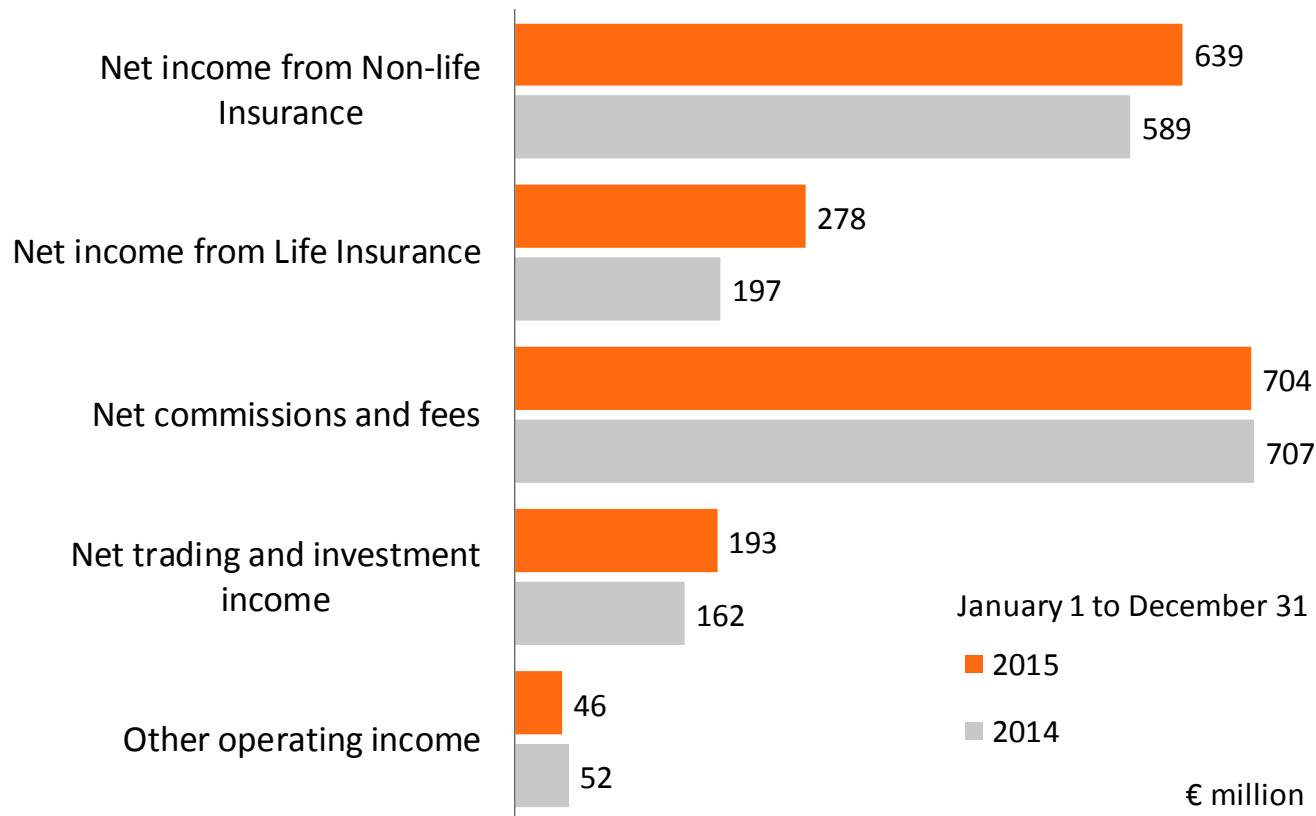
# OP Financial Group's income statement



# Change in OP Financial Group earnings

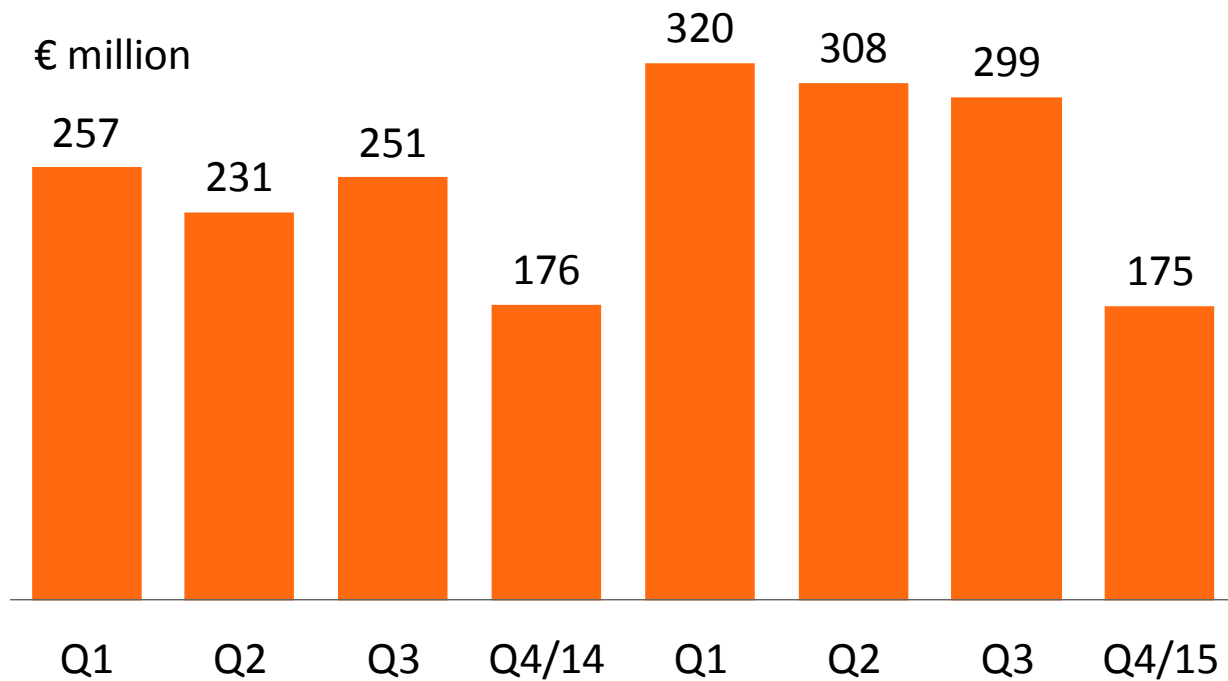


# OP Financial Group's other income

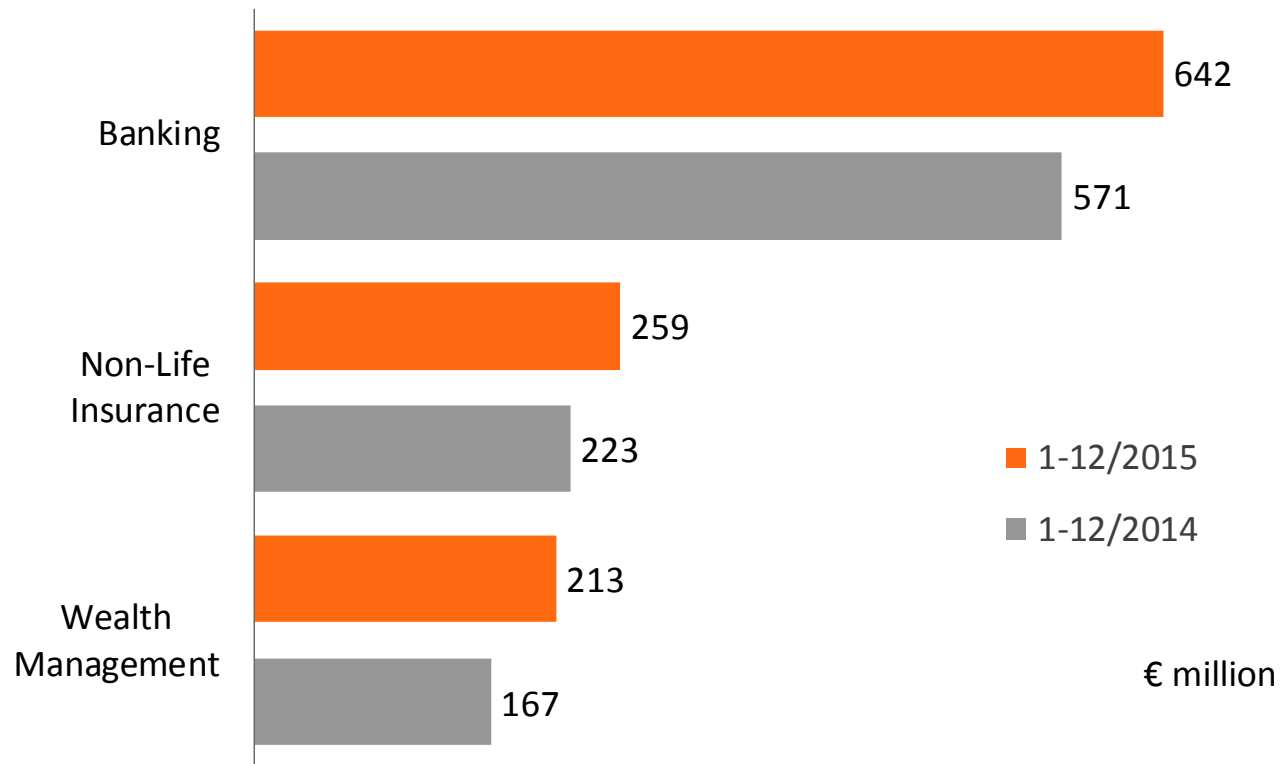




# OP Financial Group's EBT by quarter



# OP Financial Group's EBT by business segment



# OP Financial Group's income statement

January 1 to December 31	2015	2014	Change, €million	%	Q4/15	Q4/14	Change, %
Net interest income	1,026	1,043	-17	-1.7 %	259	269	-3.8 %
Net income from non-life insurance	639	589	50	8.5 %	142	138	2.7 %
Net income from life insurance	278	197	81	41.0 %	68	29	
Net commissions and fees	704	707	-3	-0.5 %	161	175	-8.1 %
Net trading income	107	88	18	20.4 %	21	5	
Net investment income	87	74	13	17.6 %	3	21	-86.4 %
Other income	54	55	-0	-0.7 %	15	17	-9.3 %
<b>Total income</b>	<b>2,894</b>	<b>2,753</b>	<b>141</b>	<b>5.1 %</b>	<b>669</b>	<b>654</b>	<b>2.3 %</b>
Personnel costs	781	741	40	5.4 %	208	190	9.6 %
Other expenses	739	814	-75	-9.2 %	207	203	2.1 %
<b>Total expenses</b>	<b>1,520</b>	<b>1,555</b>	<b>-35</b>	<b>-2.3 %</b>	<b>415</b>	<b>393</b>	<b>5.7 %</b>
Other	272	283	-11	-3.8 %	79	86	-8.1 %
<b>Earnings before tax</b>	<b>1,101</b>	<b>915</b>	<b>186</b>	<b>20.4 %</b>	<b>175</b>	<b>176</b>	<b>-0.3 %</b>
Gross change in fair value reserve	-219	152	-371		10	48	
<b>Earnings before tax at fair value</b>	<b>883</b>	<b>1,067</b>	<b>-184</b>	<b>-17.3 %</b>	<b>185</b>	<b>224</b>	<b>-17.2 %</b>

# OP Financial Group's quarterly performance

€ million	Q1	Q2	Q3	Q4/2014	Q1	Q2	Q3	Q4/2015
Net interest income	251	254	269	269	256	256	256	259
Net income from non-life insurance	150	158	142	138	169	174	154	142
Net income from life insurance	80	41	47	29	104	45	61	68
Net commissions and fees	192	169	172	175	199	175	169	161
Net income from trading and investments	43	58	34	27	42	87	40	24
Other income	10	14	14	17	15	14	10	15
<b>Total income</b>	<b>726</b>	<b>694</b>	<b>679</b>	<b>654</b>	<b>785</b>	<b>749</b>	<b>690</b>	<b>669</b>
Personnel costs	195	190	166	190	214	187	172	208
Other expenses	215	201	195	203	184	188	159	207
<b>Total expenses</b>	<b>410</b>	<b>391</b>	<b>361</b>	<b>393</b>	<b>399</b>	<b>375</b>	<b>331</b>	<b>415</b>
Impairments of receivables	10	23	17	38	21	15	10	31
Returns to owner-customers and OP bonus customers	49	49	49	48	46	51	50	48
<b>Earnings before tax</b>	<b>257</b>	<b>231</b>	<b>251</b>	<b>176</b>	<b>320</b>	<b>308</b>	<b>299</b>	<b>175</b>

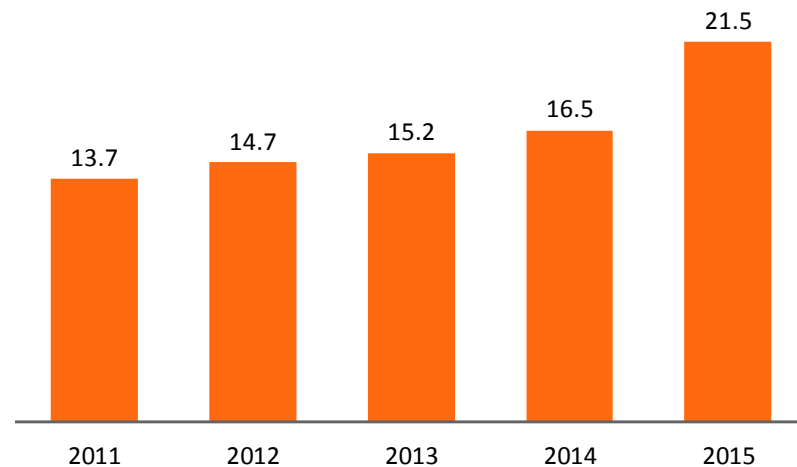


# Long-term 20% return target achieved

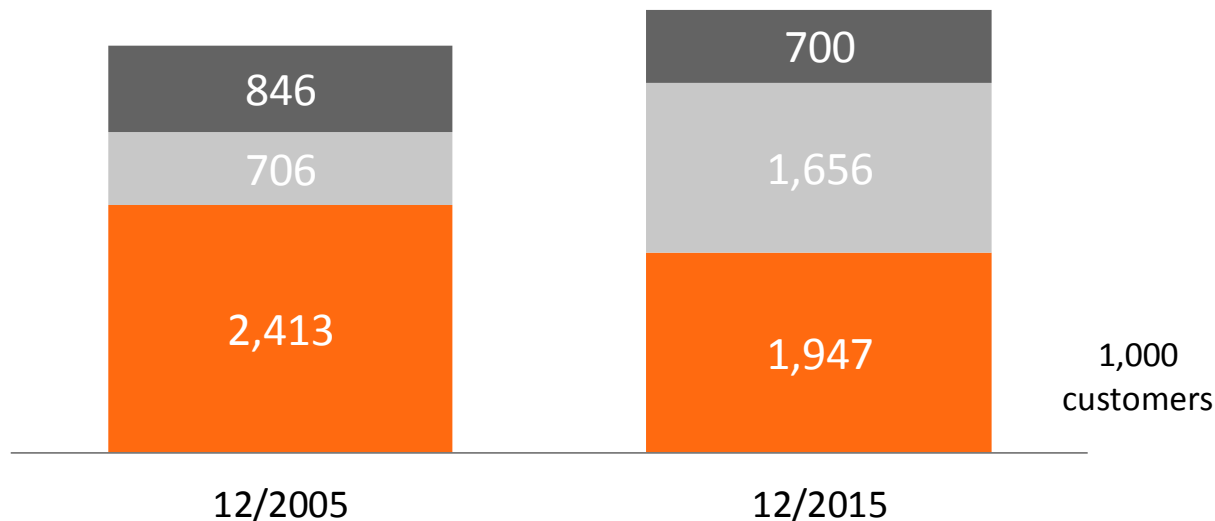
Earnings before tax, € million



Return on economic capital, %



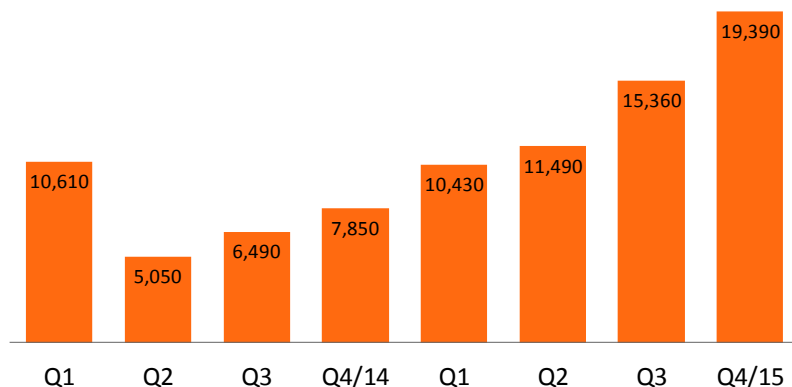
The number of customers using OP as their main bank and insurer has increased by 135% since 2005



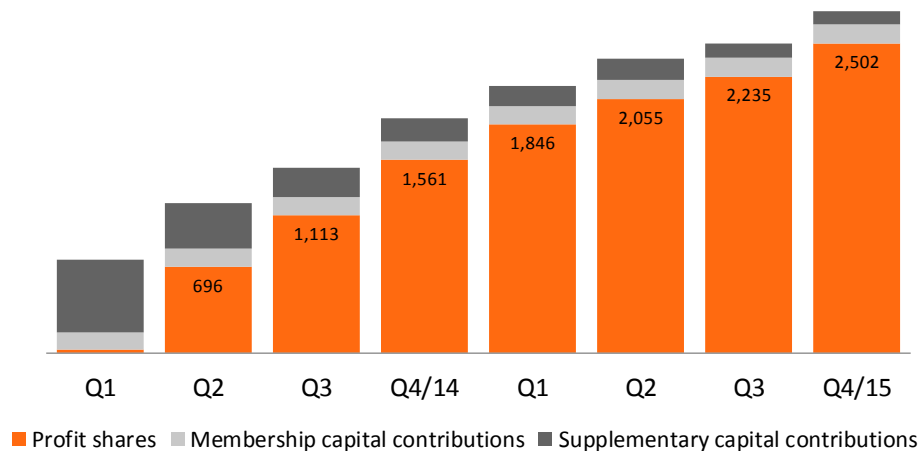
■ Bank customers ■ Joint bank and insurance cust. ■ Non-life insurance customers

# Number of owner-customers and profit shares on a marked increase

Net Increase in owner-customers



Profit shares, membership and supplementary capital contributions, € million



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# Banking





# Banking

OP is Finland's leading provider of home and corporate loans. OP's Banking is the Group's largest business segment providing customers with an extensive and comprehensive range of products and services. Banking is divided into the Private Customers, Corporate Customers, Markets and Baltics.

- For private customers, OP's Banking services and products for include daily banking, loans, savings and investments, and housing-related services.
- With respect to corporate customers, OP provides services to SMEs, major corporations, and organisations and associations. We provide our customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.

## Key figures Q1–4/2015

EBT

EUR **642** million

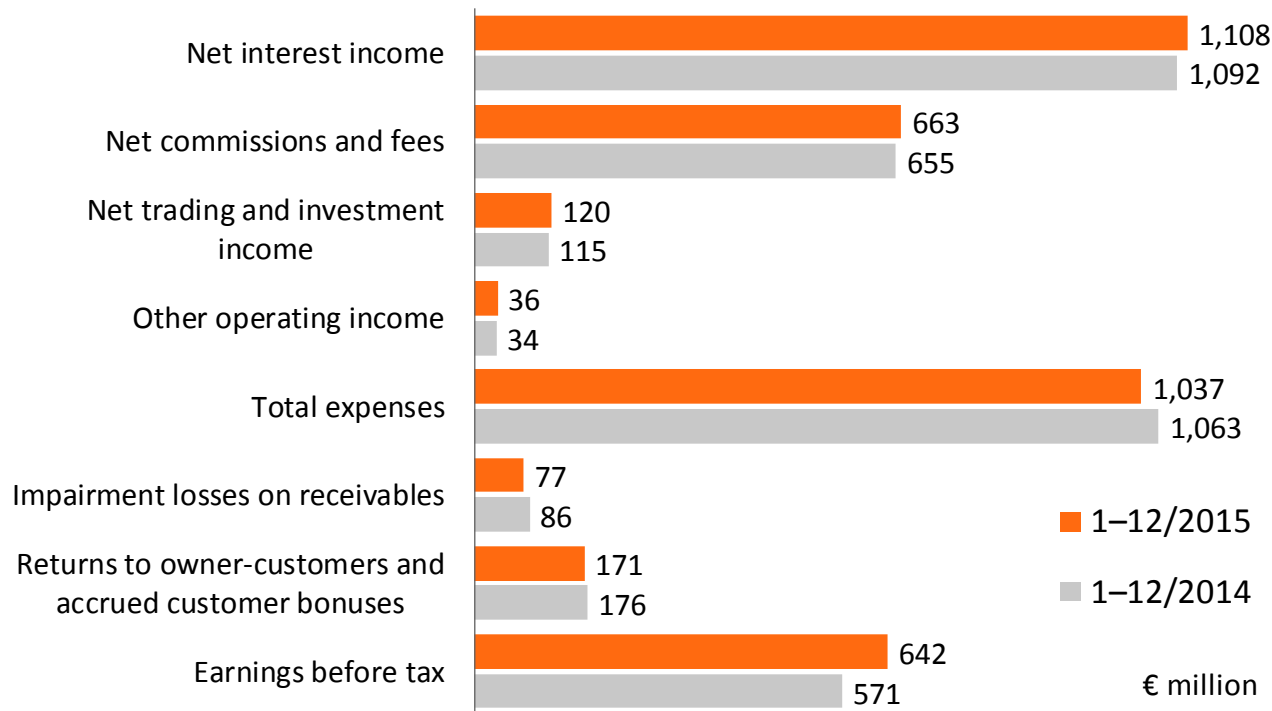
Loan portfolio

EUR **75.2** billion

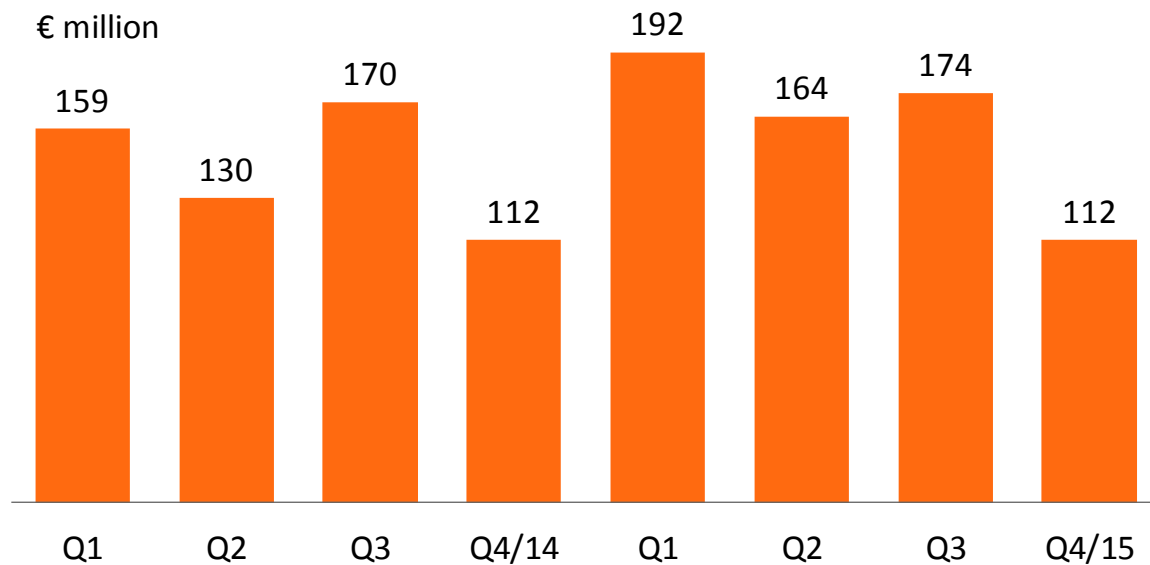
Total deposits

EUR **51.9** billion

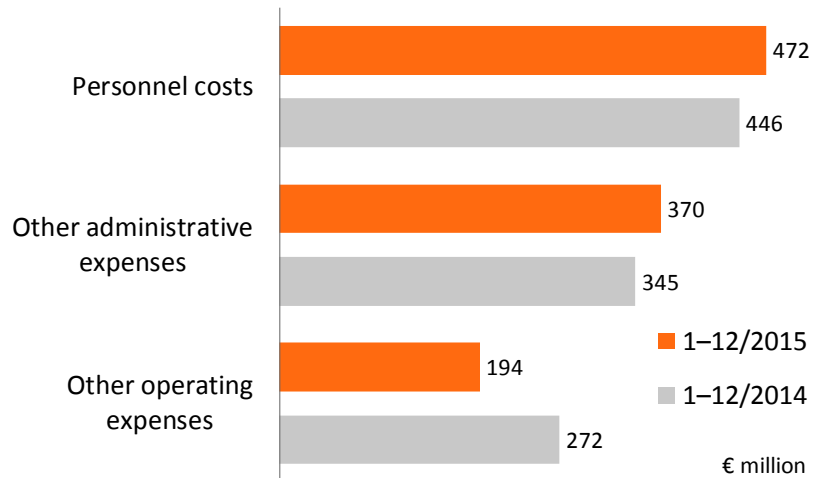
# Banking income statement



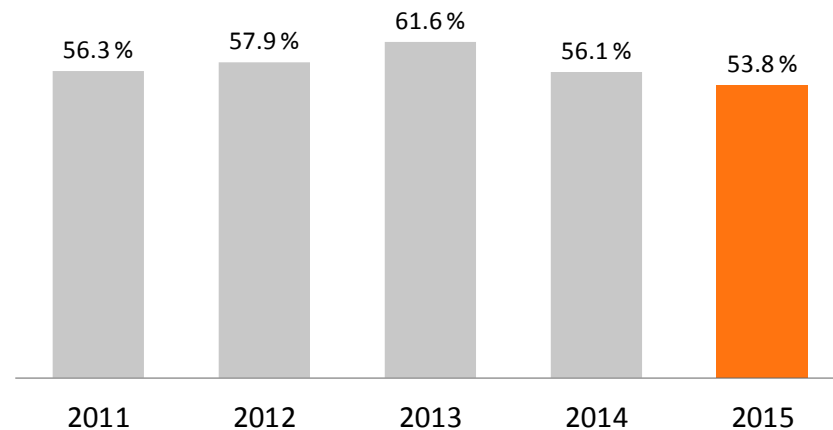
# Banking EBT by quarter



# Banking expense performance



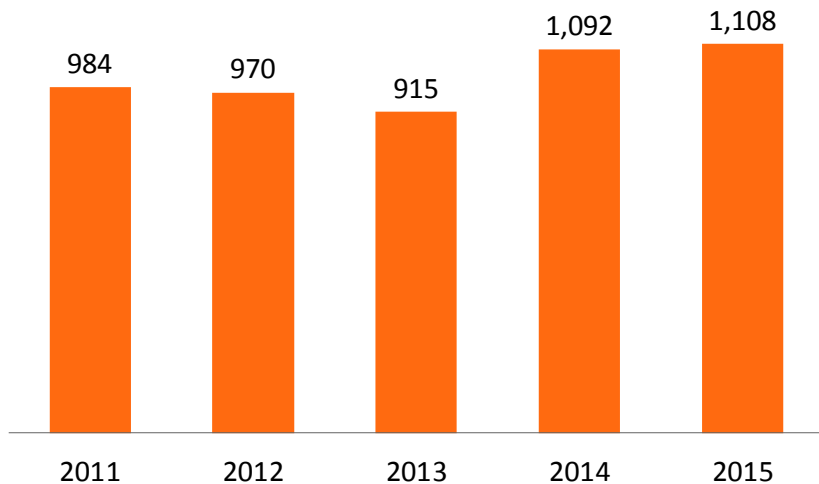
Cost/income ratio



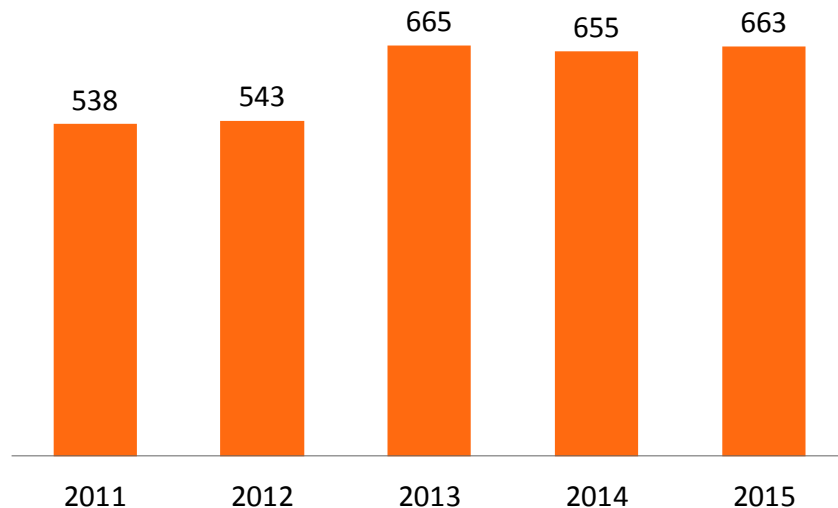


# Banking income performance

Net interest income, € million

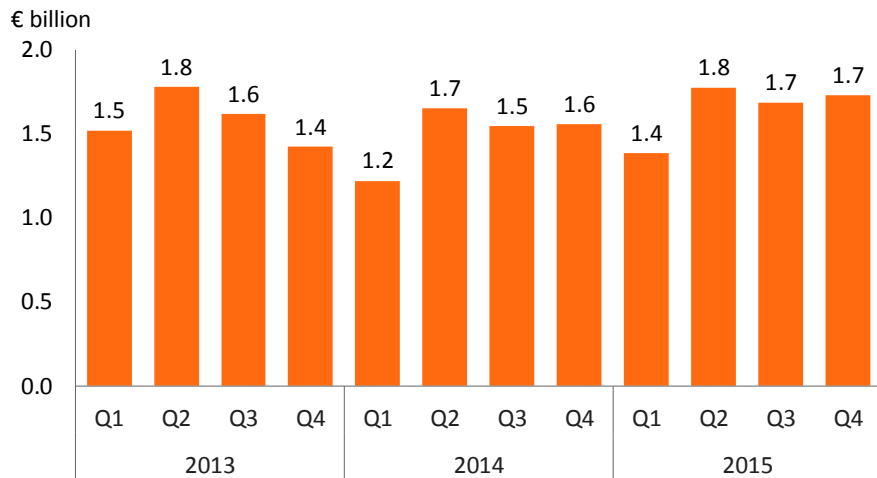


Net commissions and fees, € million

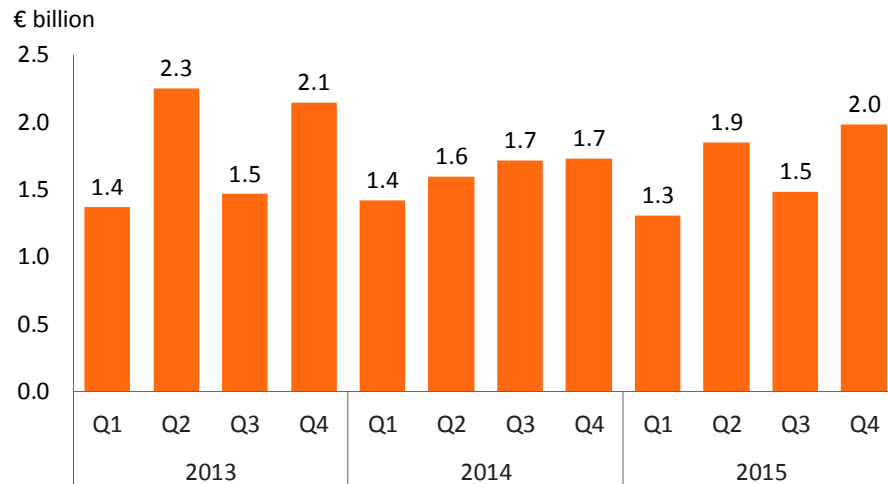


# Our customers draw down new loans at a steady pace

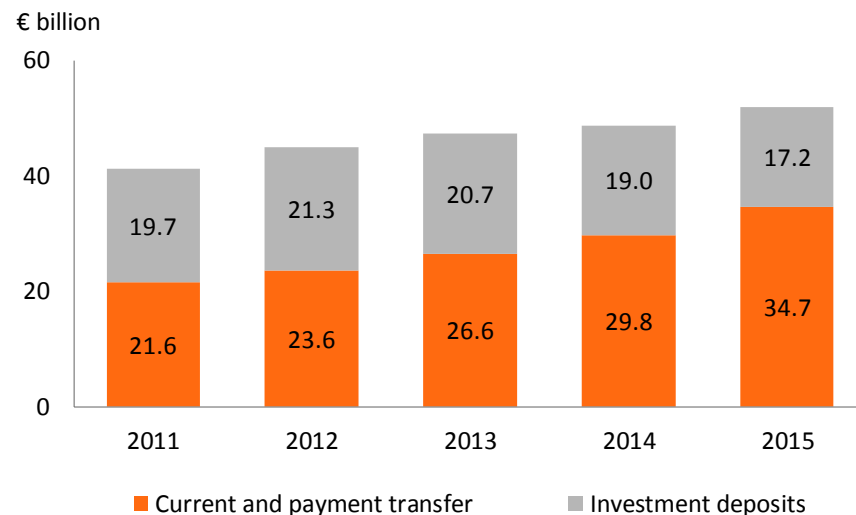
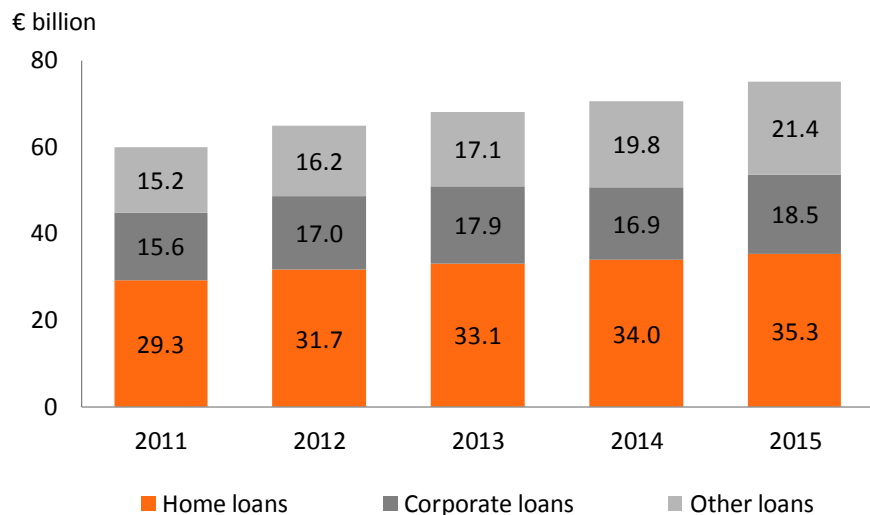
## Home loans drawn down



## Corporate loans drawn down



# Loan portfolio and deposits

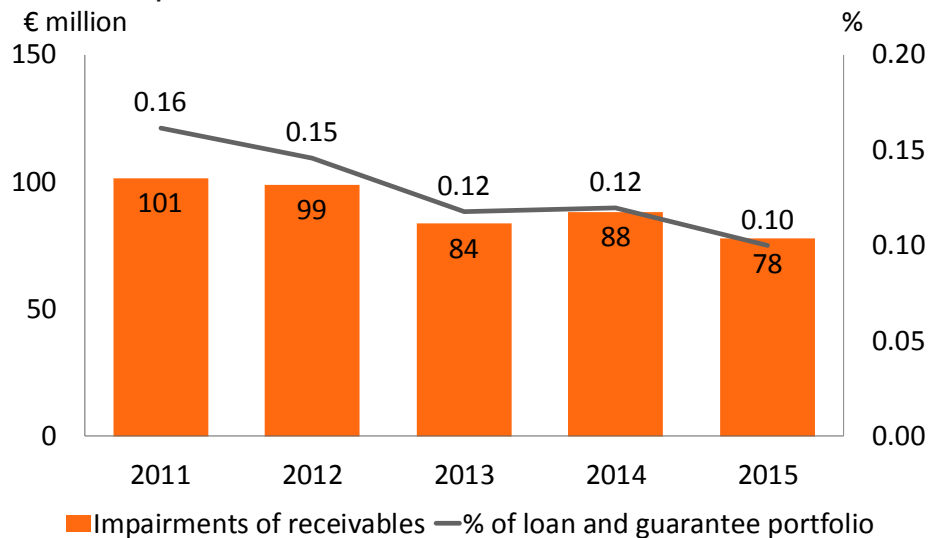


# OP Financial Group's loan and guarantee portfolio

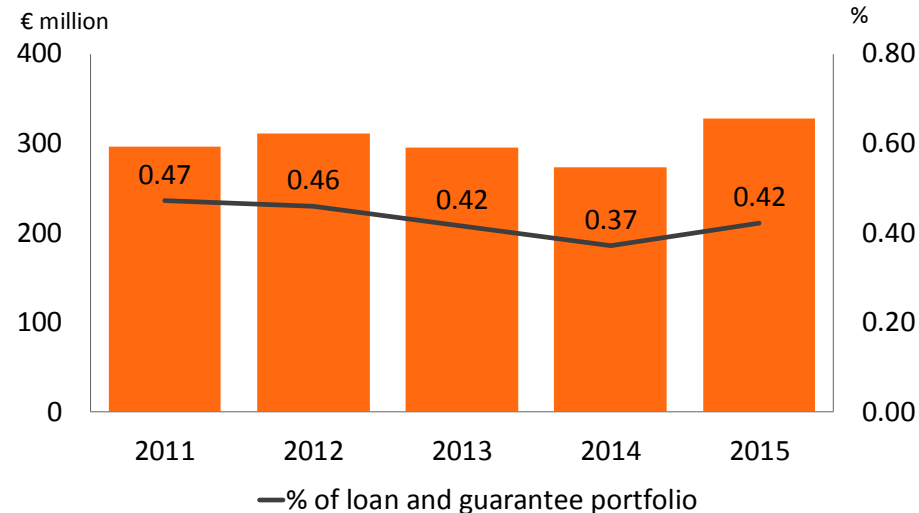
€ million	Change			
	31 December 2015	31 December 2014	€ million	%
<b>Enterprises and housing associations</b>	<b>28,248</b>	<b>26,171</b>	<b>2,077</b>	<b>7.9</b>
Renting and operating of residential real estate	6,124	6,158	-33	-0.5
Renting and operating of other real estate	4,080	3,221	859	26.7
Wholesale and retail trade	2,981	2,820	160	5.7
Energy	2,190	1,761	429	24.4
Services	1,902	1,818	84	4.6
Construction	1,807	1,686	120	7.1
Transportation and storage	1,467	1,445	22	1.5
Manufacture of machinery and equipment (incl. services)	1,421	1,368	52	3.8
Agriculture, forestry and fishing	1,028	993	35	3.5
Financial and insurance services	838	690	148	21.4
Forest Industry	815	805	10	1.3
Food Industry	657	628	29	4.6
Real estate investments	560	576	-16	-2.8
Metal Industry	554	556	-2	-0.3
Chemical Industry	388	341	46	13.6
Other manufacturing	162	242	-80	-33.0
Other industries	1,275	1,062	213	20.0
<b>Public corporations and non-profit organisations</b>	<b>1,378</b>	<b>1,335</b>	<b>43</b>	<b>3.2</b>
<b>Households</b>	<b>46,936</b>	<b>45,353</b>	<b>1,583</b>	<b>3.5</b>
<b>Adjustments</b>	<b>1,229</b>	<b>696</b>	<b>532</b>	<b>0.0</b>
<b>Total</b>	<b>77,791</b>	<b>73,555</b>	<b>4,236</b>	<b>5.8</b>

# Materialised credit risks at low level

## Impairments of receivables



## Receivables more than 90 days past due



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# Non-Life Insurance



# Non-life Insurance

OP is Finland's leading non-life insurer, providing its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. OP's Non-life Insurance divisions consist of Private Customers, Corporate Customers, Baltics and Health and Wellbeing.

- A household, its family members, home and other property related to it as well as motor vehicles are at the core of insurance for private customers.
- Extensive and diversified risk management services form the key corporate customer services.
- The strengths of our claims settlement service lie in its promptness and efficiency. OP's extensive partner network enables efficient claims settlement services.
- OP will develop health and wellbeing services into a major new business alongside its traditional business areas.

## Key figures Q1–4/2015

EBT

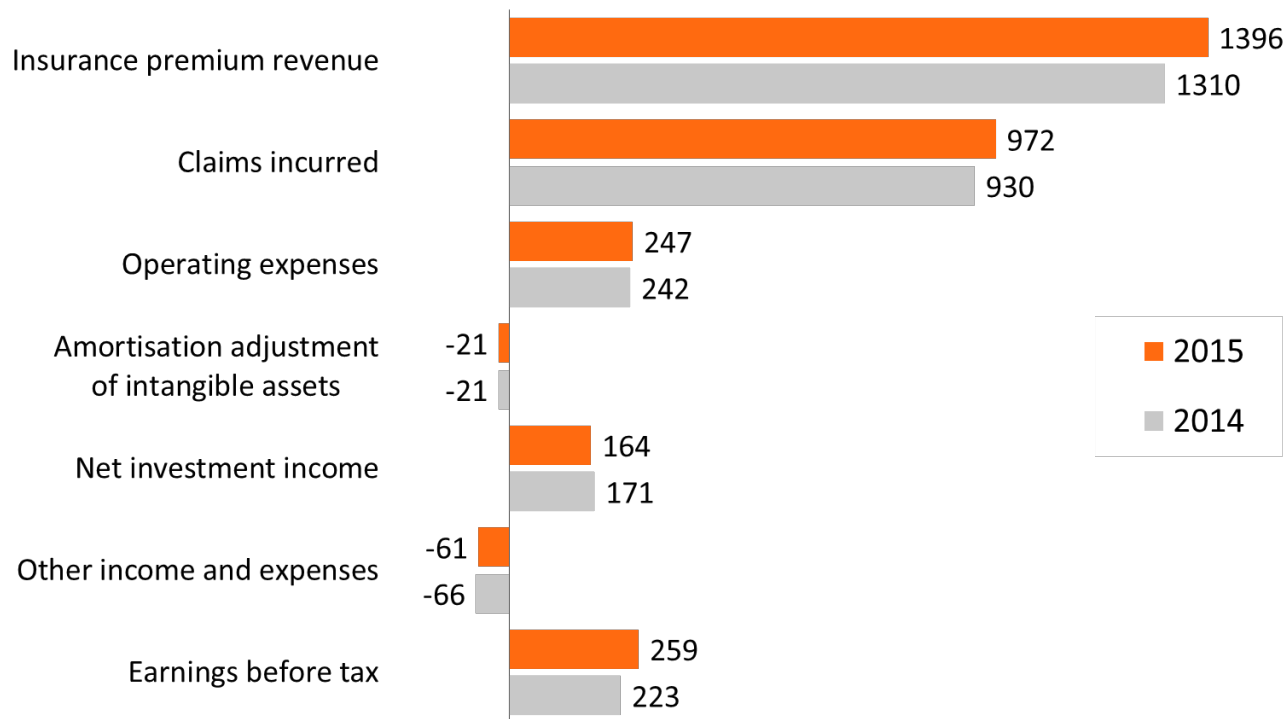
EUR **259** million

Insurance premium  
revenue

EUR **1,396** million

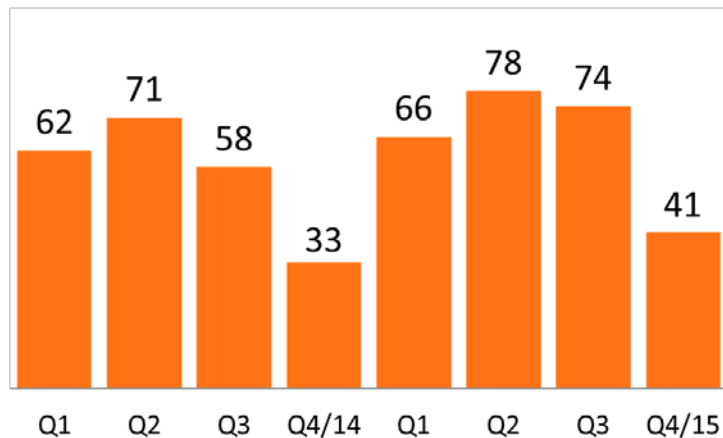


## EBT within Non-life Insurance

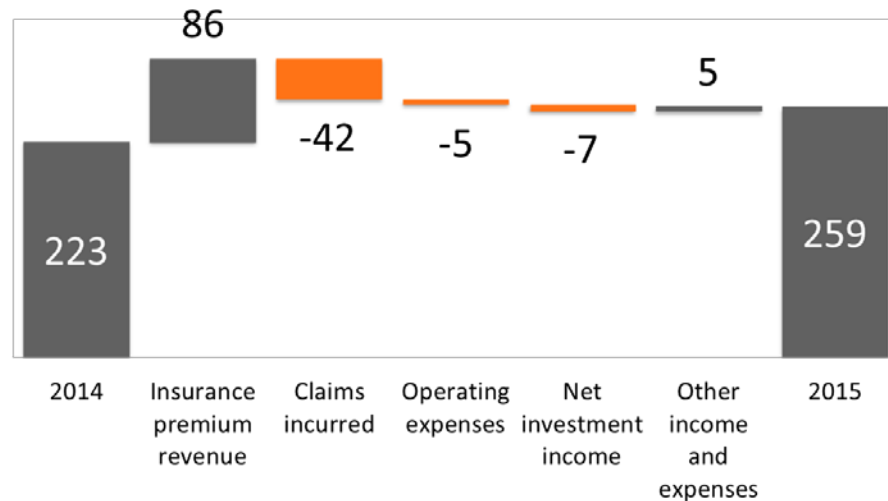


# EBT improved to €259 mn (223) thanks to growth in insurance premium revenue

Earnings before tax by quarter, € mn

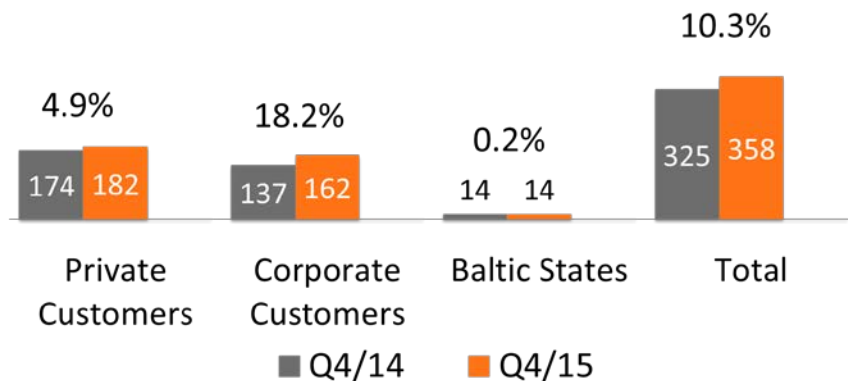


Earnings before tax, € mn  
change 2015 vs. 2014

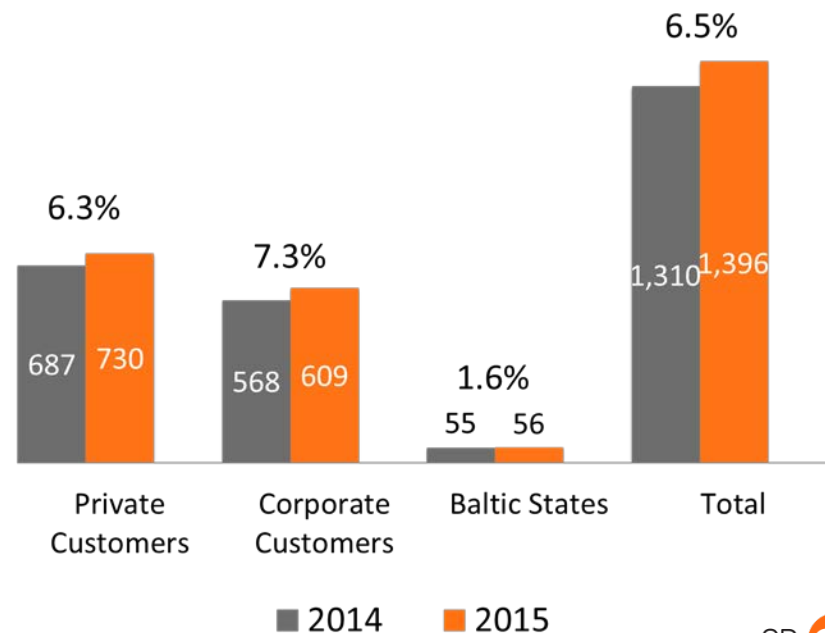


# Insurance premium revenue increased within all divisions

Insurance premium revenue, € mn and  
change by division Q4/15 vs. Q4/14

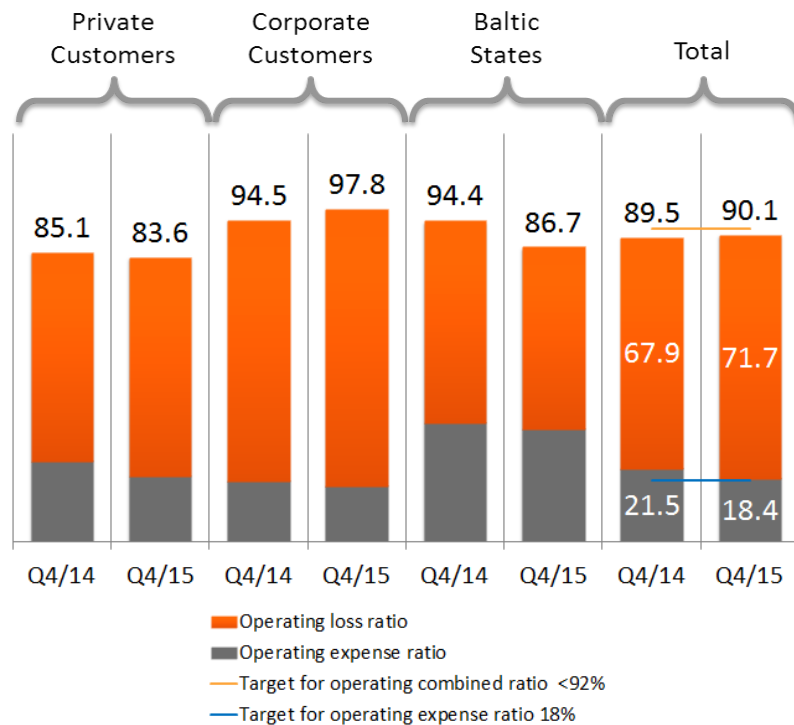


Insurance premium revenue, € mn and  
change by division 2015 vs. 2014

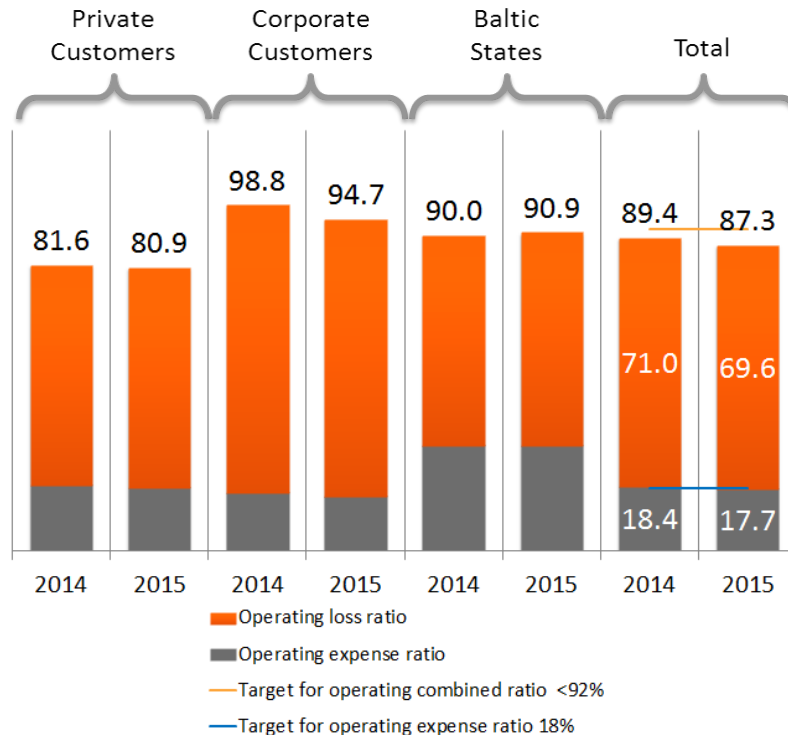


# Good operating combined ratio

Operating combined ratio by division  
Q4/15 vs. Q4/14, %

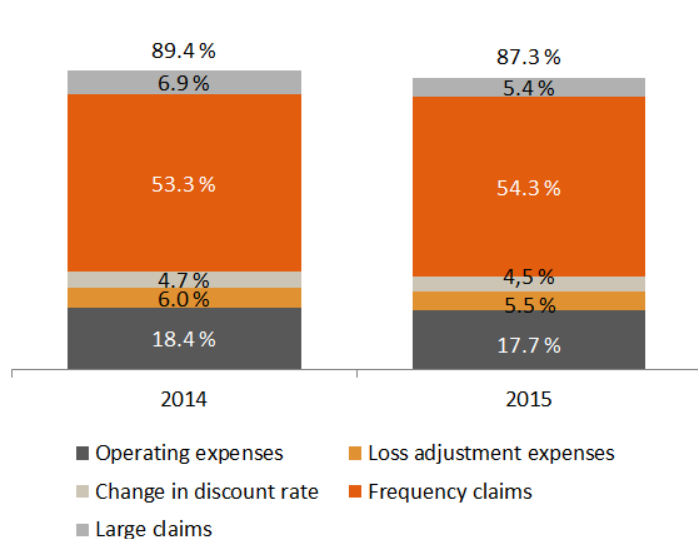


Operating combined ratio by division  
2015 vs. 2014, %

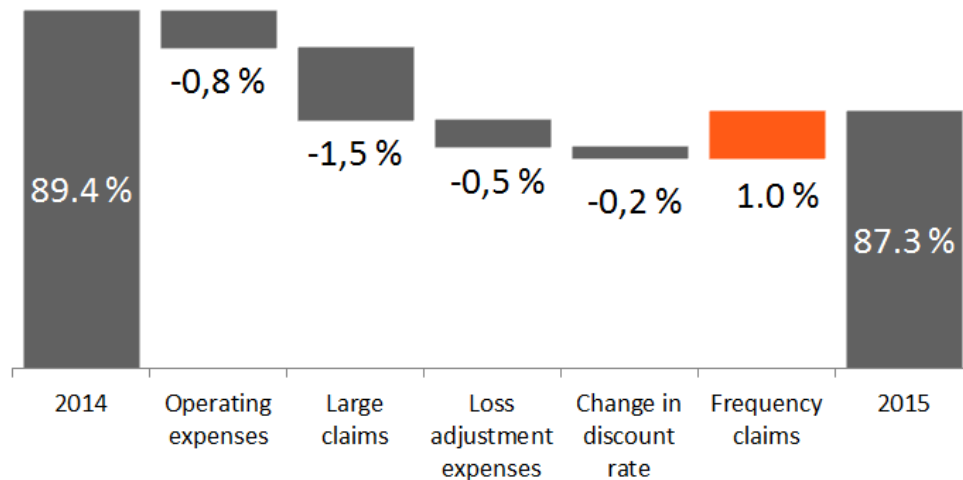


# Stronger operating profitability as a result of growth and favorable large claims development

Operating combined ratio  
by component, %

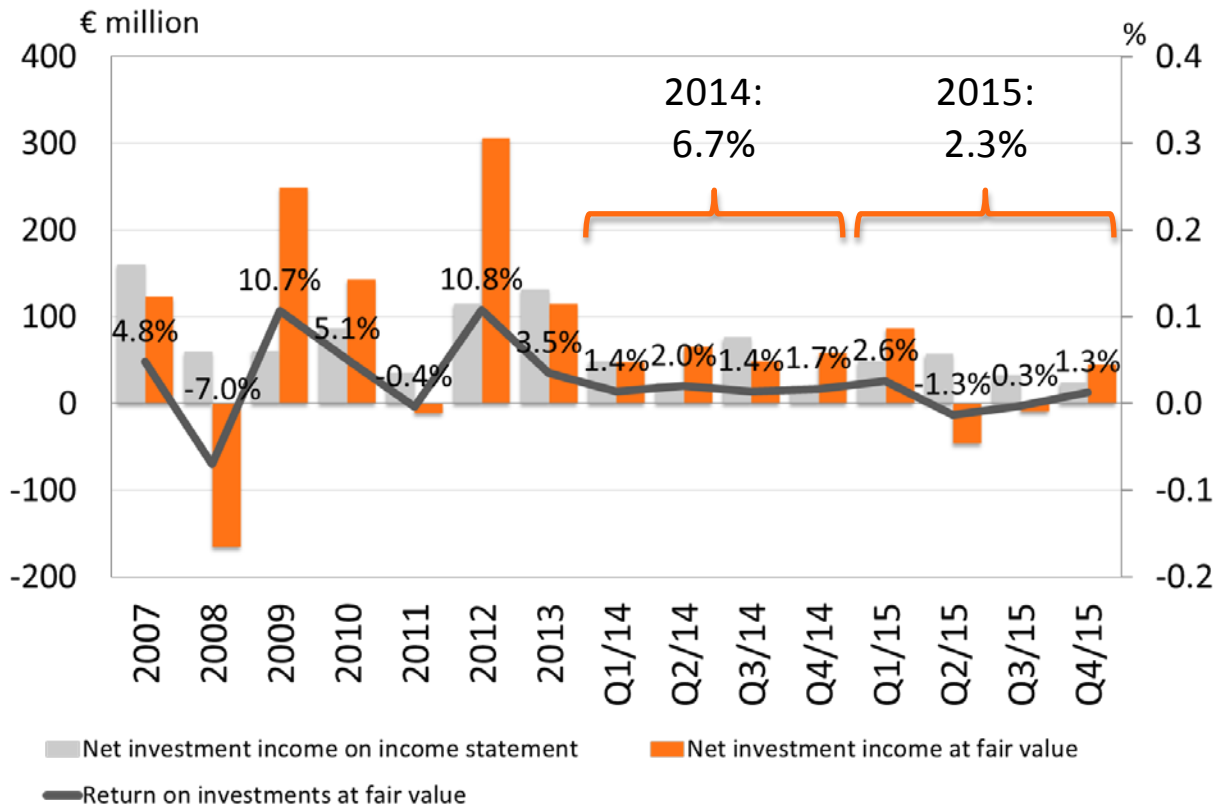


Change in operating combined ratio, %



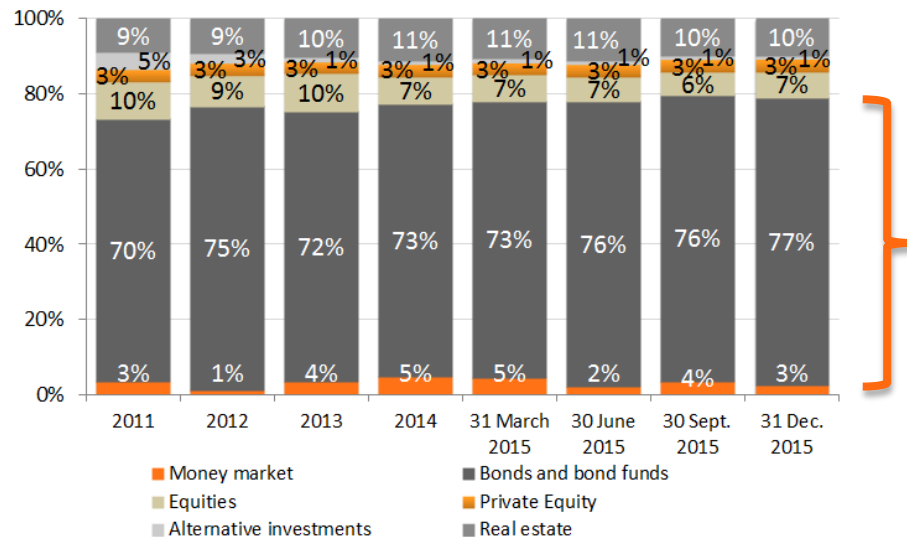
Changes in claims for previous years (run off result), excl. the effect of the reduction in the discount rate, improved the balance on technical account by €32 million (27) in 2015.

# Net investment income came in positive in Q4/15 thanks to higher equity prices

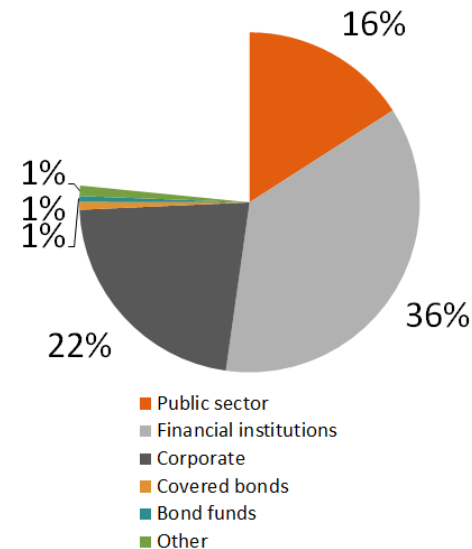


# In investment portfolio allocation, share of money market was decreased and that of equities as well as bonds and bond funds was increased

Investment portfolio (3,7 mrd. €) by asset class as of 31 December 2015



Bonds and bond funds (77%)



The average residual term to maturity of the fixed-income portfolio was 5.7 years (4.5) and the duration 5.2 years (4.3).

The running yield for direct bond investments averaged 1.76% (1.94) at end-December 2015.



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# Wealth Management



# Wealth Management

OP seeks to meet its private and corporate customers' savings and investment needs in a customer-focused and comprehensive way, with the best digital wealth management services and a unique Private Banking experience.

- For private customers, we provide an extensive range of savings and investment solutions. The mutual funds in our range invest in various asset classes and market areas, and are managed partly by OP's own investment organisation and partly by our international partners.
- The range of services for corporate customers consists of various investment solutions for not only cash management but also longer-term investment.
- OP boasts Finland's most extensive Private Banking network. The OP Private service models include discretionary investment management and advisory investment management.
- We provide our institutional clients with a full range of asset management services from investment decisions to modern risk reporting and portfolio analysis.
- In addition, OP provides both private and corporate/institutional clients with an extensive range of securities brokerage, custody and analysis services.

## Key figures Q1-4/2015

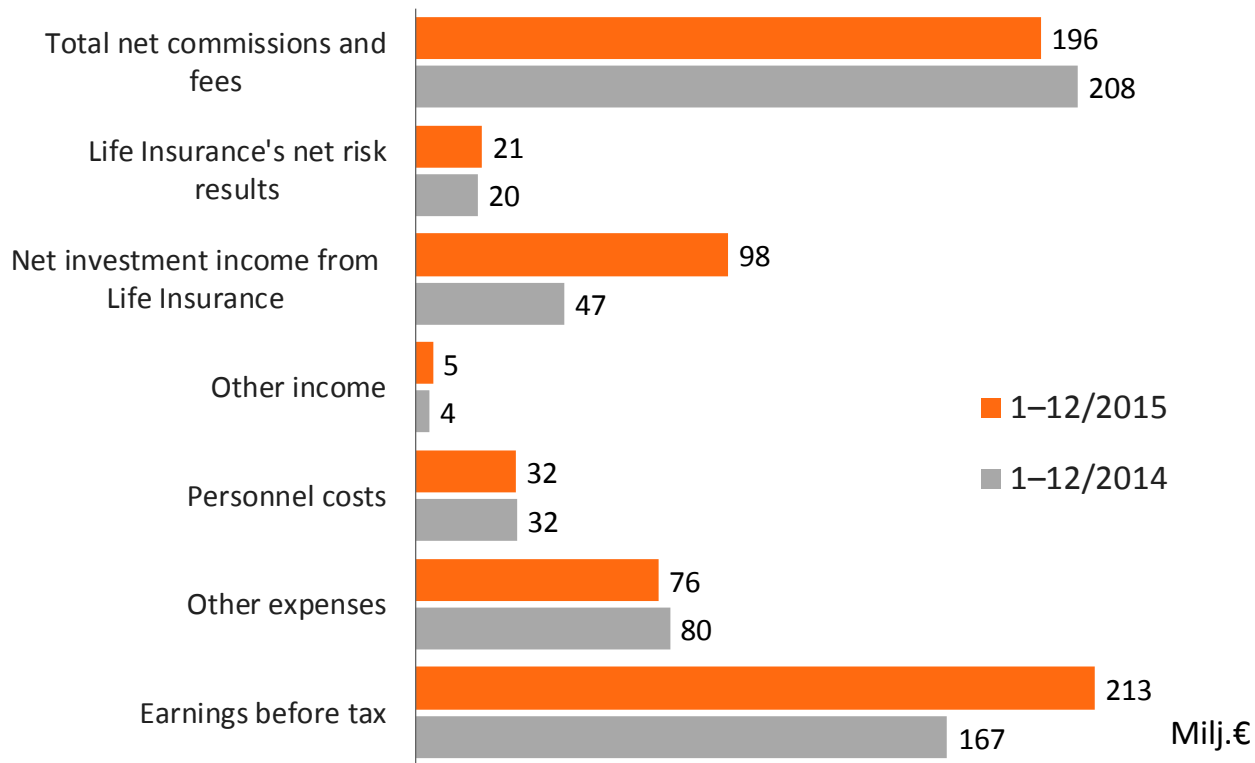
EBT

EUR **213** million

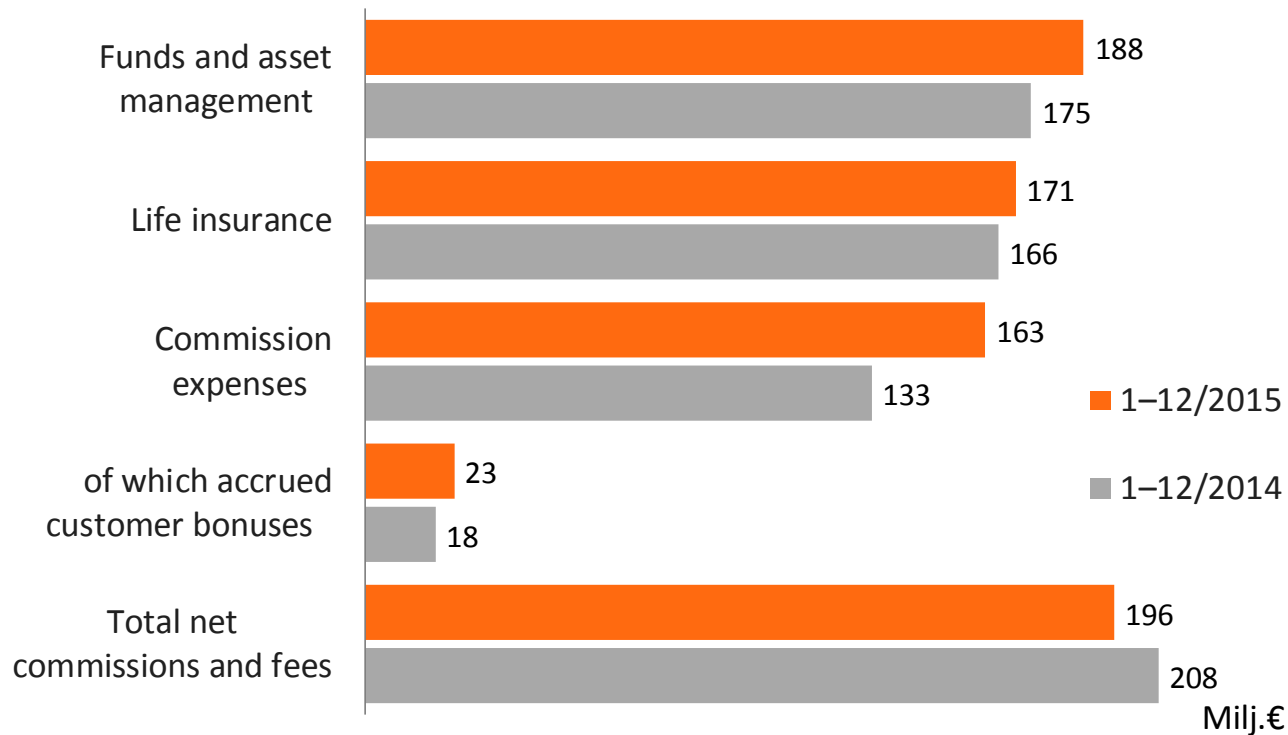
Assets under  
management

EUR **68.5** billion

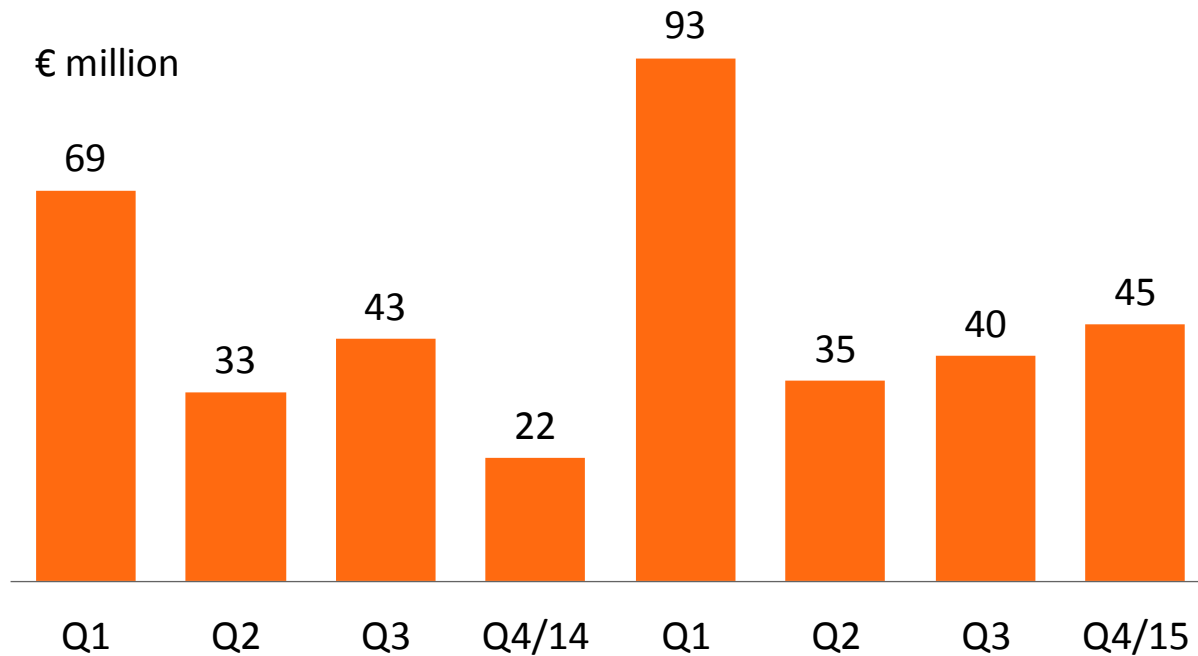
# Wealth Management income statement



# Wealth Management net commissions and fees

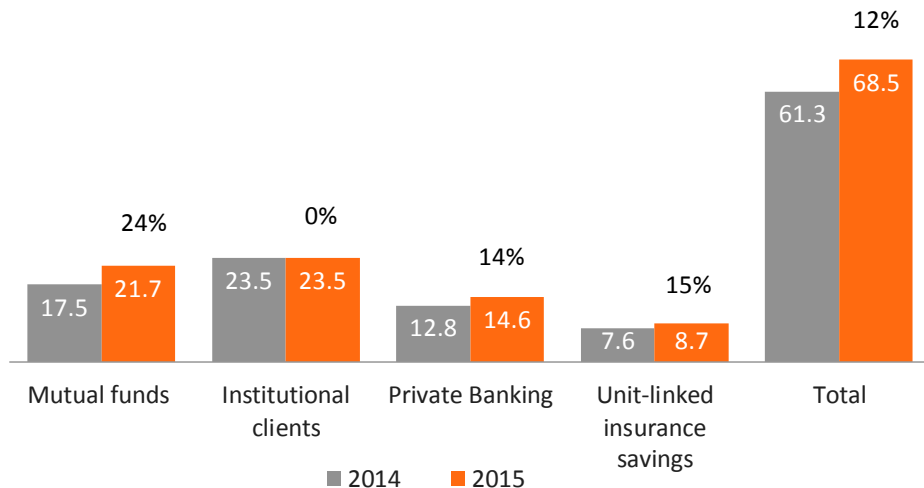


# Wealth Management EBT by quarter

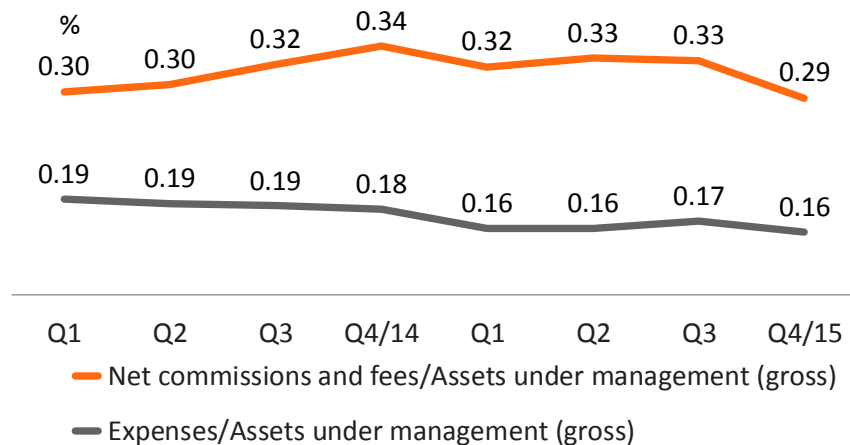


# Cost efficiency has been achieved through growth in assets under management

Assets under management (gross) €billion

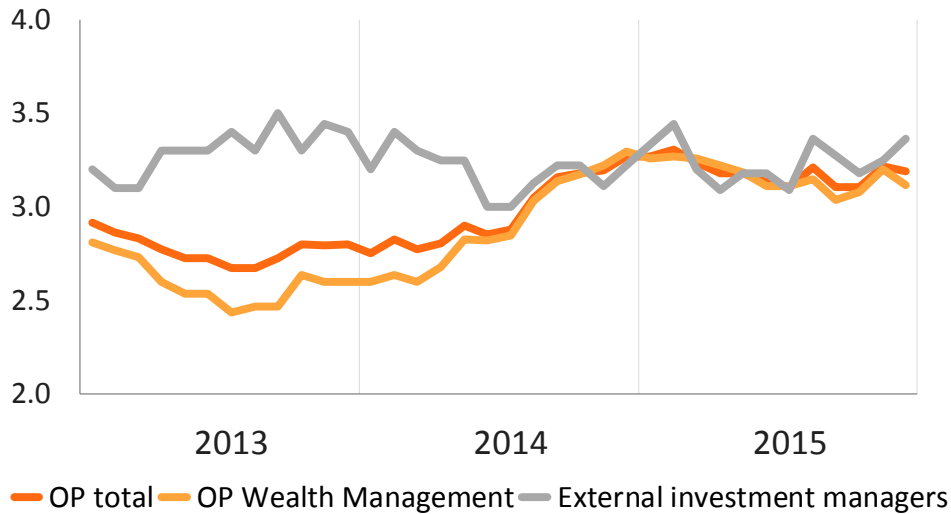


Income and expenses/Assets under management

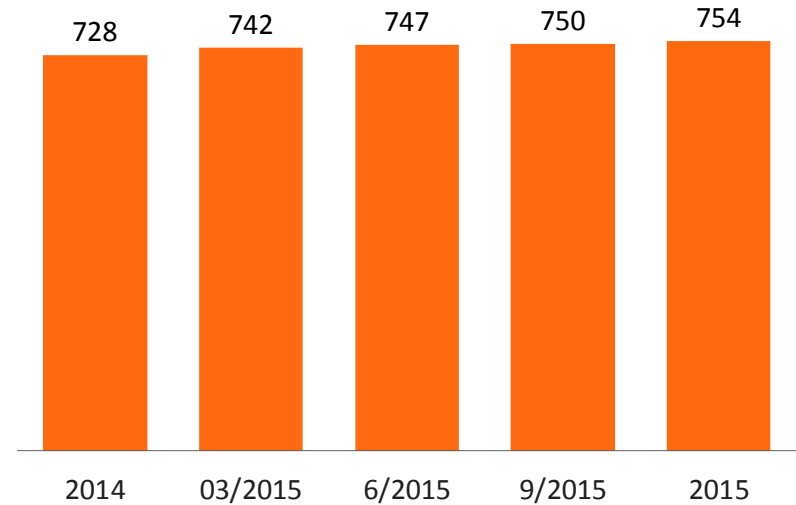


# Success of mutual funds supports growth in the number of customers

Performance of Morningstar stars



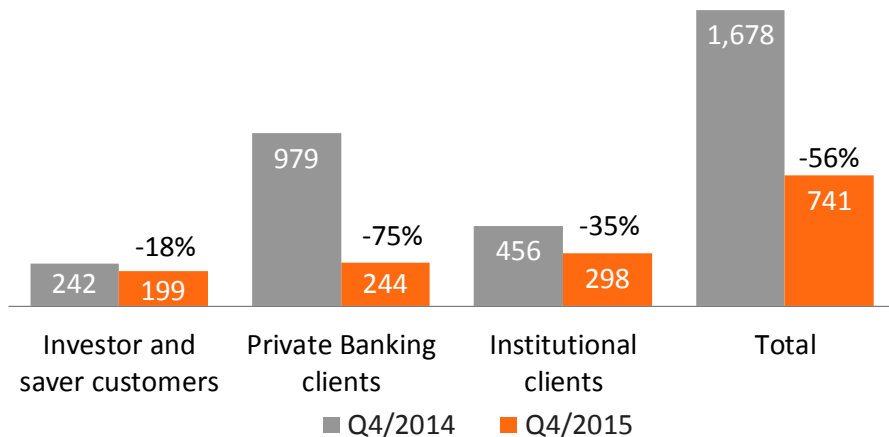
Investor and saver customers, 1000 pers.



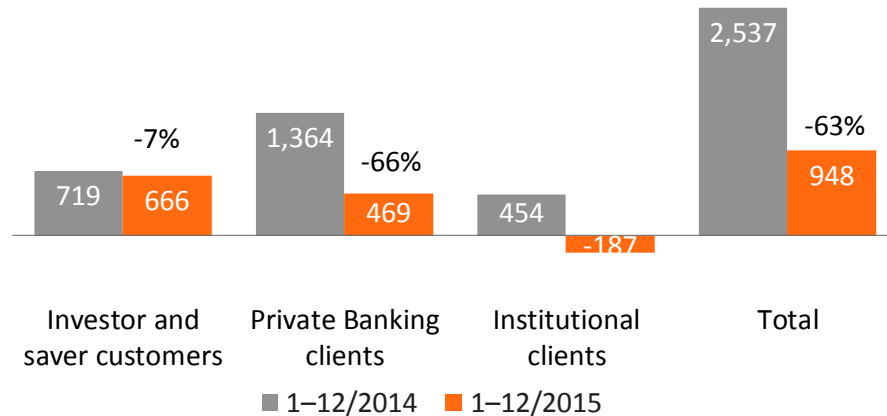


# Uncertain operating environment is reflected in caution among customers

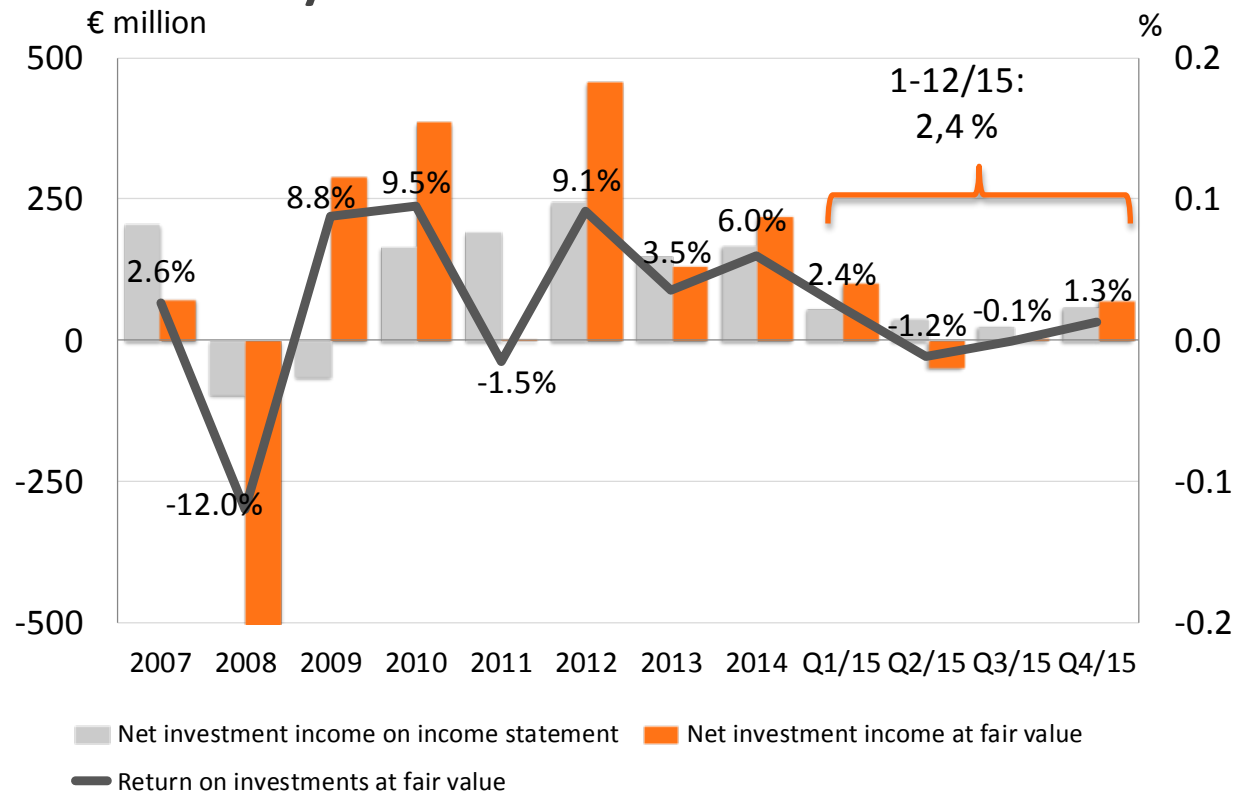
Net inflows by Quarter  
€ million and change %



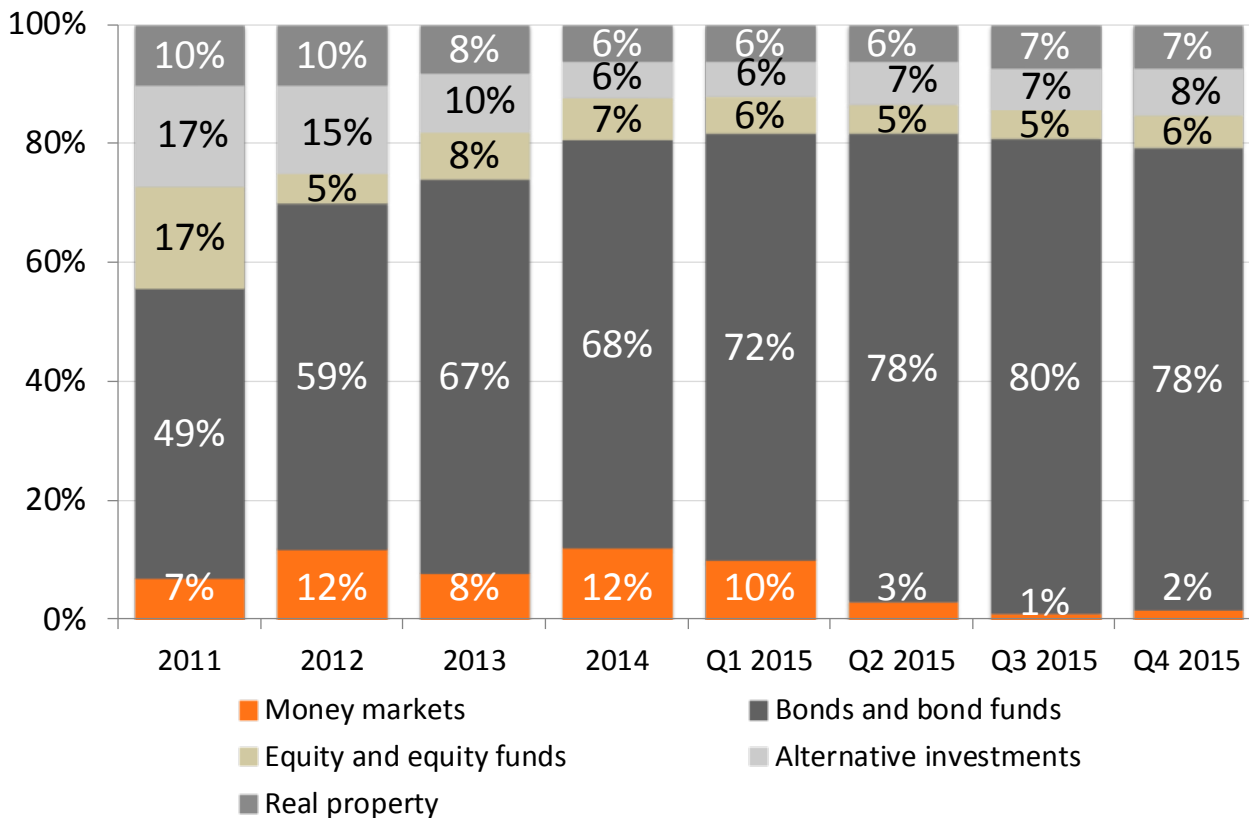
Net inflows beginning of year  
€ million and change %



# Life Insurance cumulative investment return, year-to-date 2.4%



# The risk level of Life Insurance investment assets (EUR 4.1 billion) has been lowered with determination



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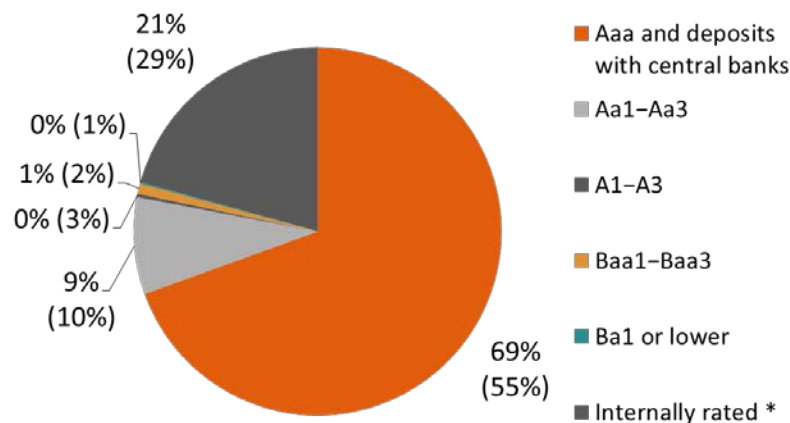
# Liquidity and Funding



# Liquidity buffer

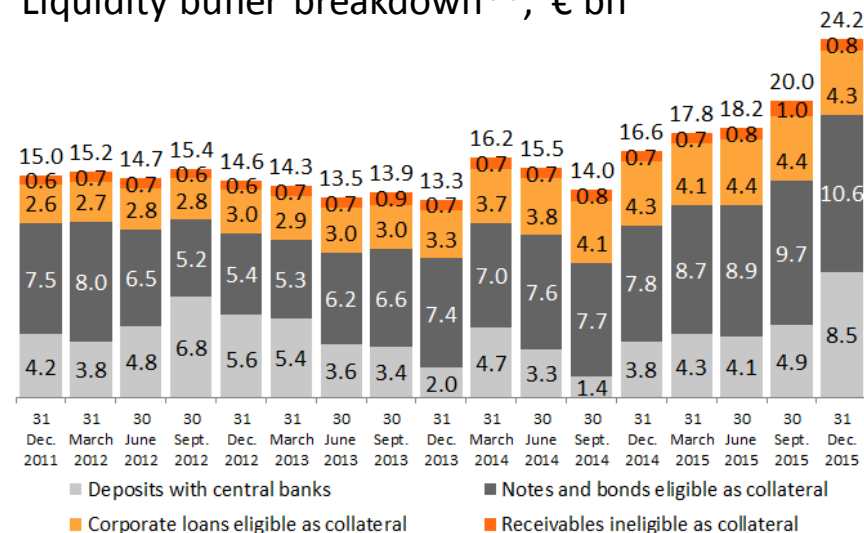
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 60% during the fourth quarter of 2015 and at least 100% from the beginning of 2018. Calculated in accordance with the European Commission Liquidity Delegated Act, OP Financial Group's LCR ratio was 116% at end-December 2015.

Liquidity buffer (€24.2 bn) by credit rating as of 31 Dec. 2015 (31 Dec. 2014)



\*) Internally rated: corporate loans (86%) and the remainder externally non-rated notes and bonds issued by public-sector entities and companies, both eligible as ECB collateral.

Liquidity buffer breakdown\*\*, € bn

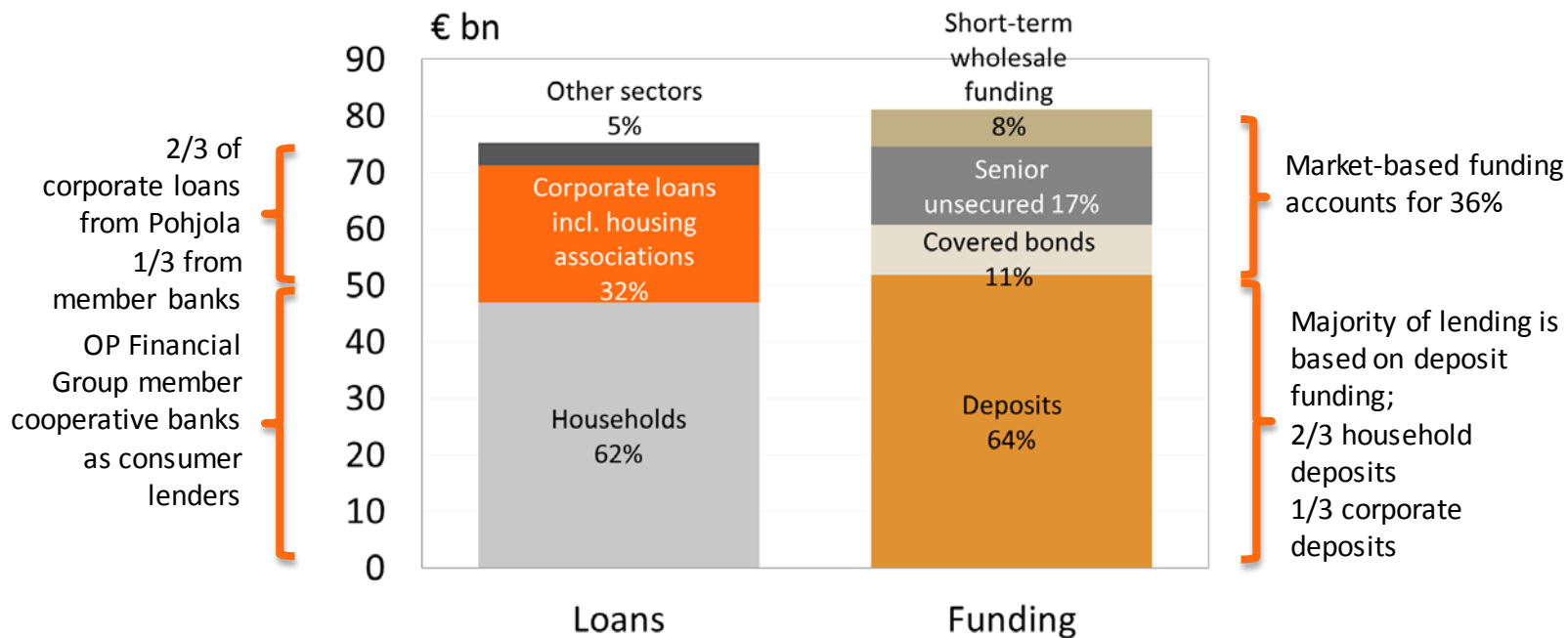


\*\*) The liquidity buffer plus other items based on OP Financial Group's contingency funding plan can be used to cover the Group's maturing wholesale funding for at least 24 months.

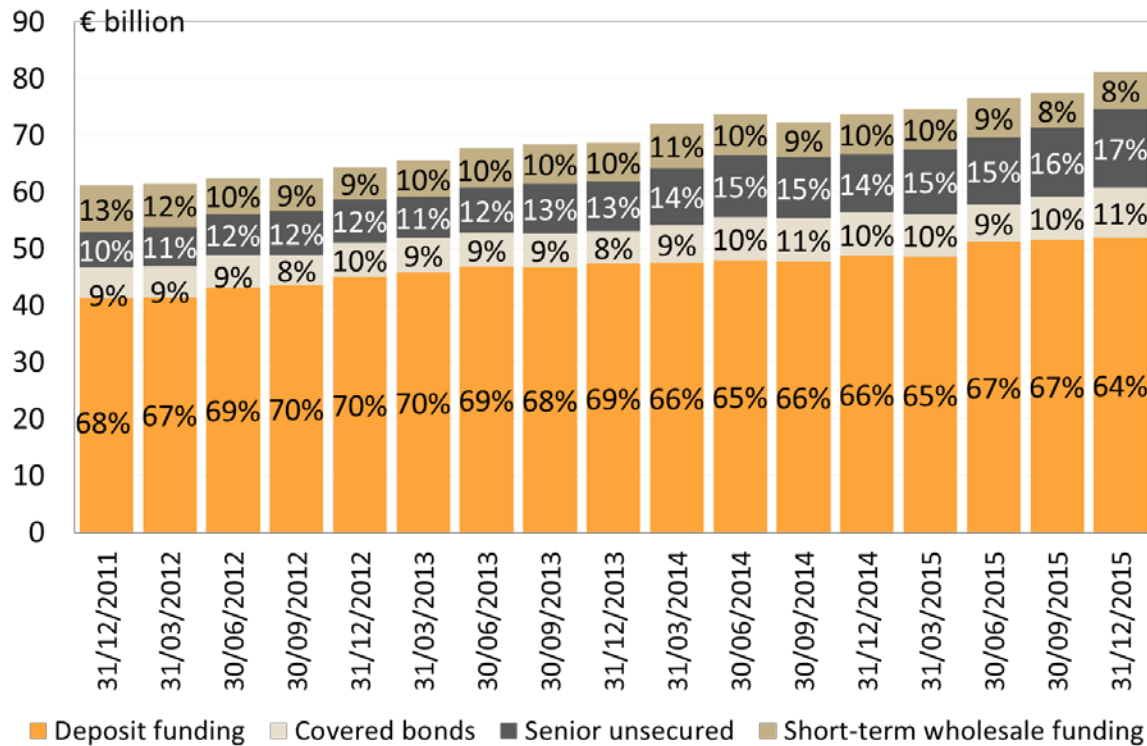


# OP Financial Group's loans and funding structure

## 31 December 2015



# OP Financial Group's funding structure development 2011–2015





# Issued long-term senior unsecured and covered bonds

## Pohjola Bank plc's senior unsecured benchmark bonds 2014–16

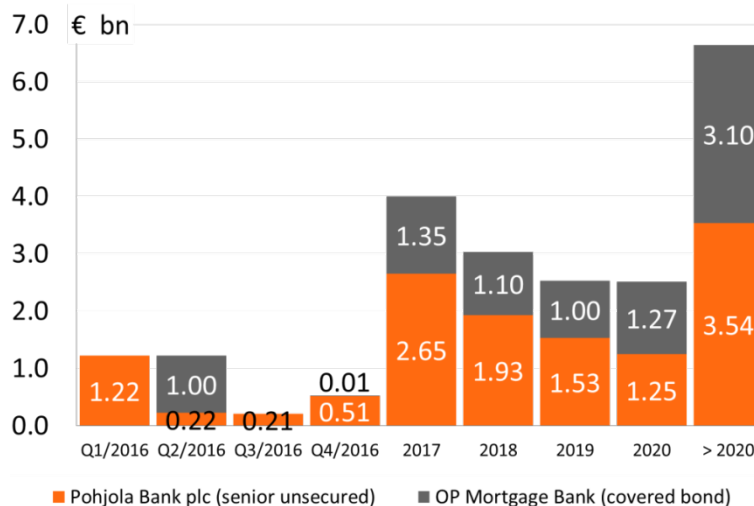
Year	Month	Amount	Maturity	Interest rate
2016	January	€500 mn	5 yrs	m/s + 65 bps
2015	November	Total ¥30 bn (€228 mn), 2 issues	5 yrs (floating) & 5 yrs (fixed)	m/s + 59.9 bps & m/s + 66.1 bps
2015	May	GBP300 mn	3 yrs	Eb3 + 16 bps
2015	May	GBP400 mn	7 yrs	Eb3 + 58 bps
2015	March	€1 bn	7 yrs	m/s + 33 bps
2014	June	CHF300 mn	7 yrs	CHFm/s + 30 bps
2014	June	Total ¥60 bn (€432 mn), 2 issues	3 yrs (fixed) & 5 yrs (fixed)	m/s + 28.6 bps & m/s + 48.4 bps
2014	June	€750 mn	5 yrs	m/s + 48 bps
2014	March	€750 mn	7 yrs	m/s + 67 bps
2014	March	€750 mn	3 yrs	Eb3 + 36 bps

## OP Mortgage Bank's covered bonds 2014–16

Year	Month	Amount	Maturity	Interest rate
2015	September	€1 bn	7 yrs	m/s - 1 bps
2014	November	€1 bn	10 yrs	m/s + 4 bps
2014	June	€1 bn	5 yrs	m/s + 5 bps
2014	March	€1 bn	7 yrs	m/s + 14 bps

- OP Financial Group issued long-term bonds worth €6.5 billion in 2015
- At end-December, the average margin of OP Financial Group's senior wholesale funding was 39 basis points (41)

## Issued senior unsecured and covered bonds by maturity, 31 December 2015



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# Capital Adequacy



# Two capital adequacy ratios

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

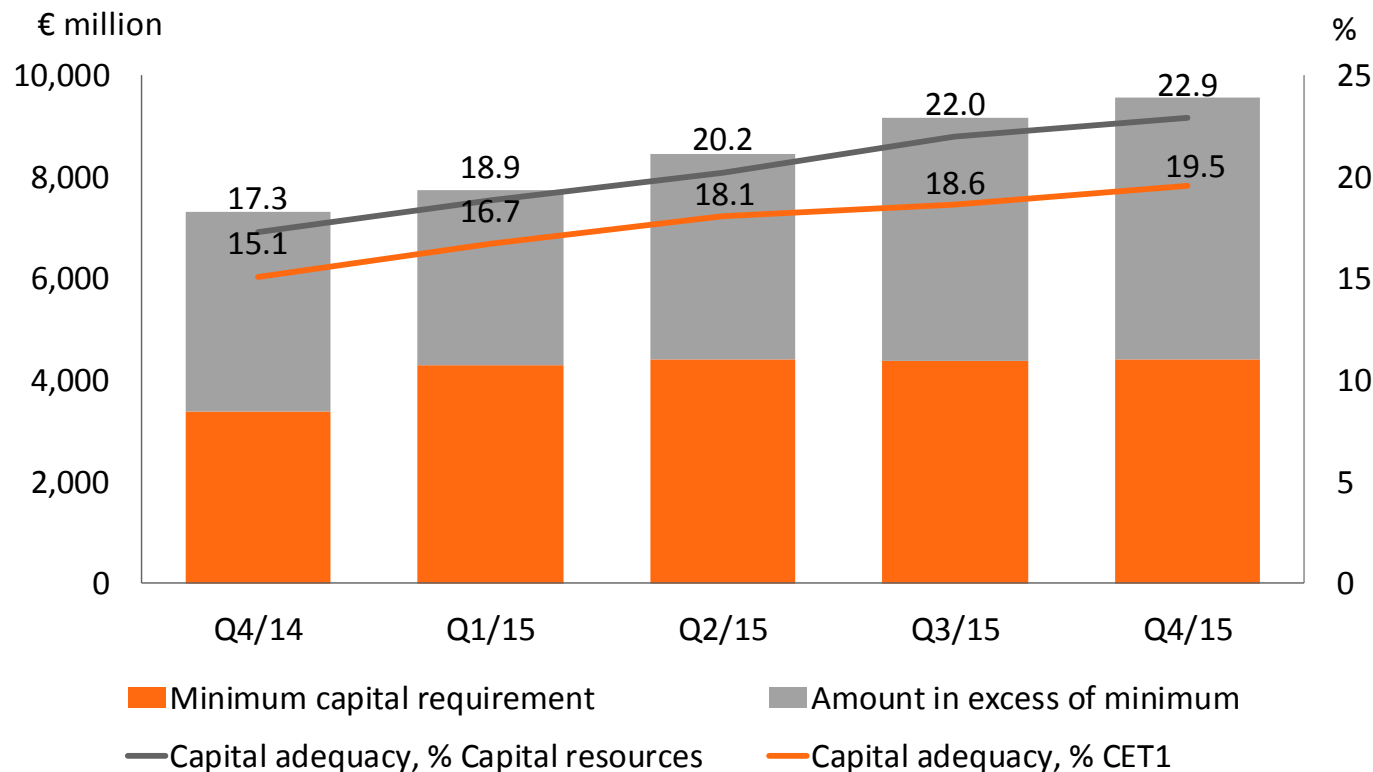
- The Group's operations are based on the Act on the Amalgamation of Deposit Banks
- The Act on the Amalgamation of Deposit Banks sets the minimum capital for the amalgamation of cooperative banks, which is calculated according to the CRR rules and the Act on Credit Institutions.
- The amalgamation of 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.

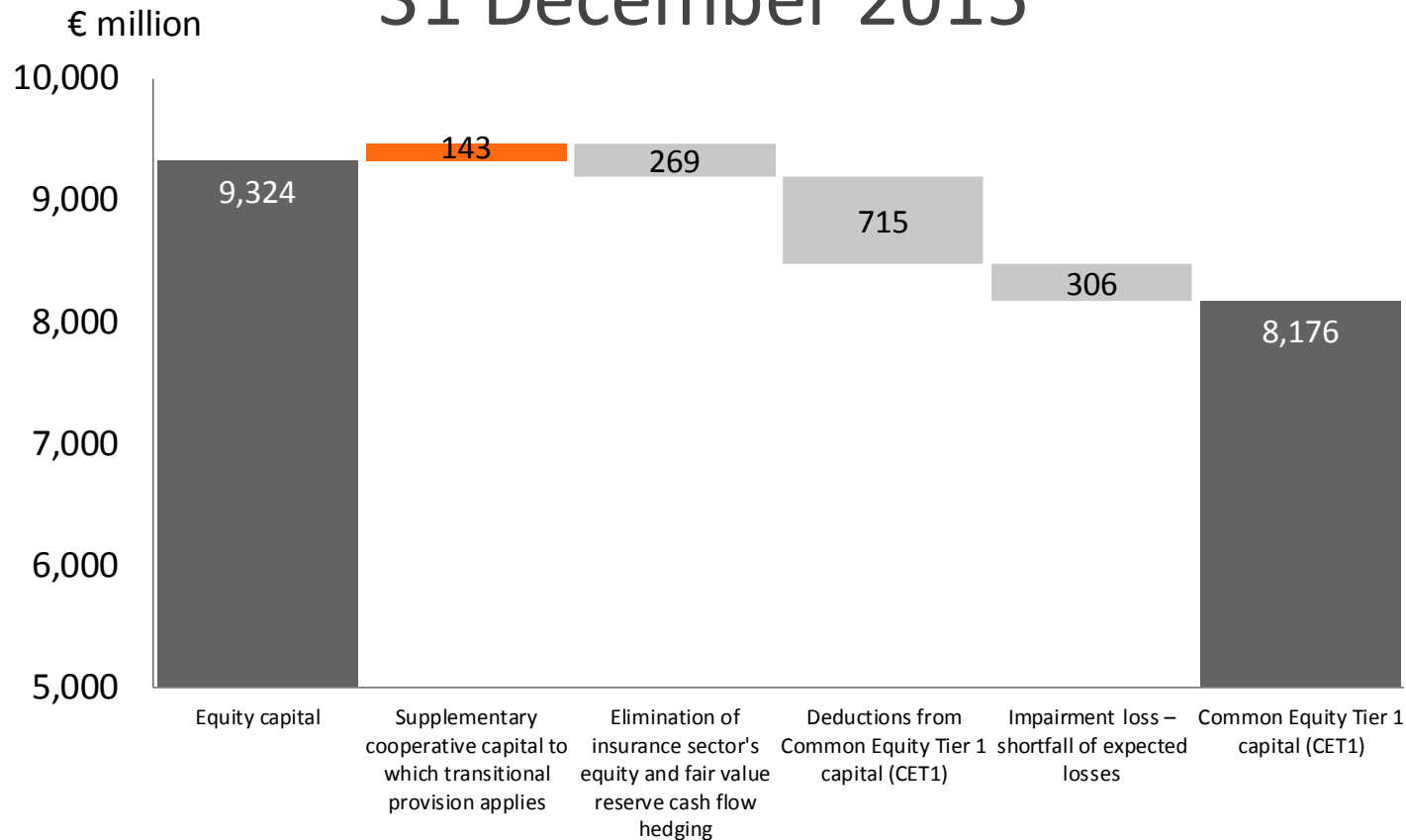
# The amalgamation of the cooperative banks

## Capital resources and capital adequacy



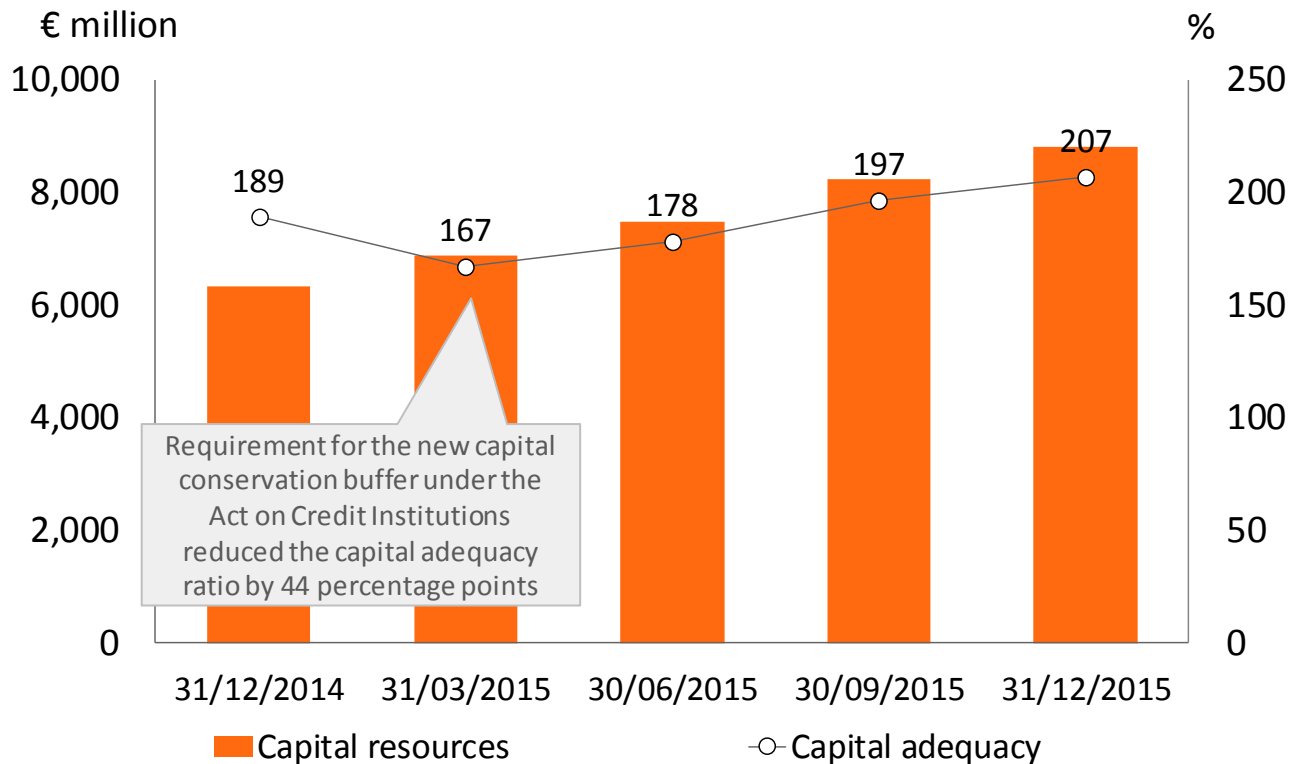
# Common Equity Tier 1 (CET1)

## 31 December 2015



# OP Financial Group

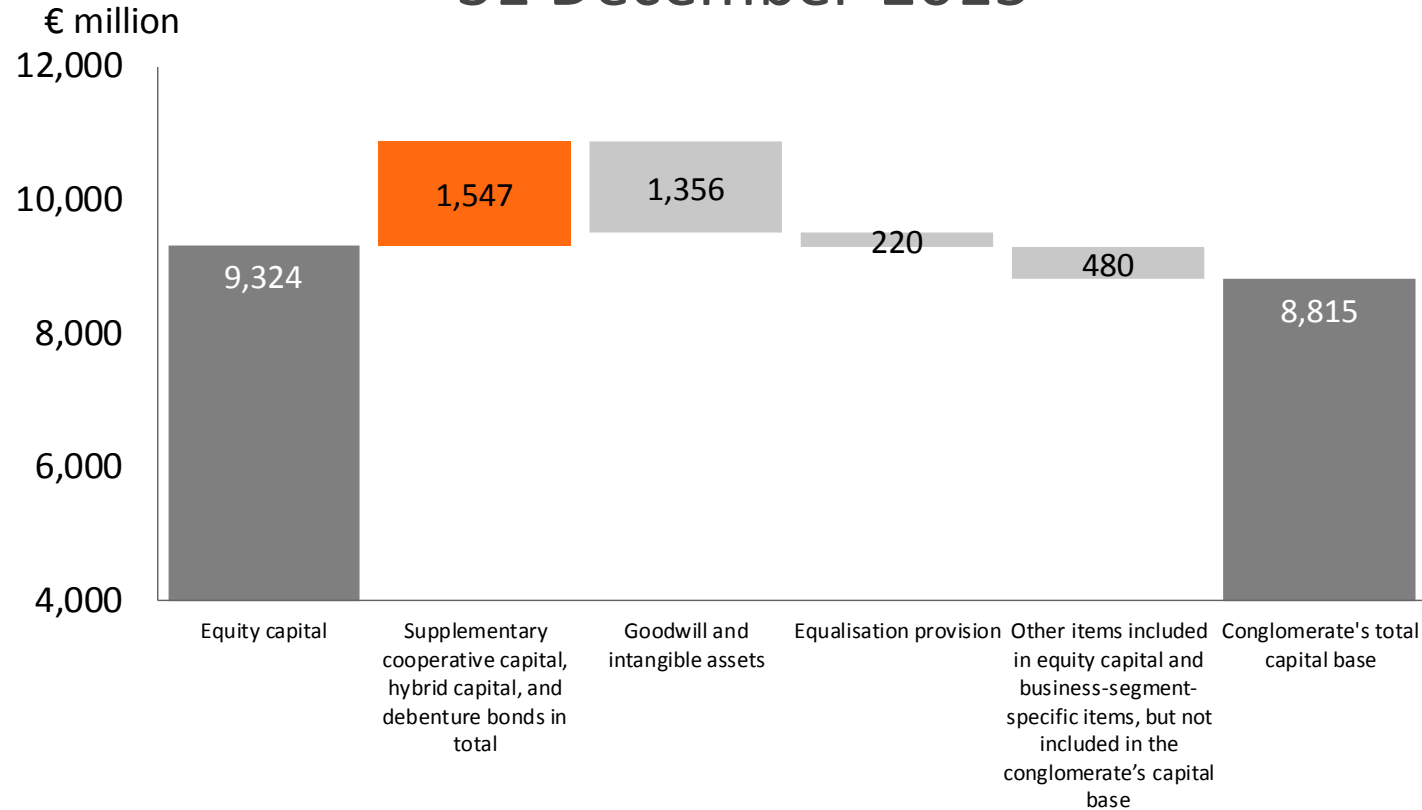
## Conglomerate's capital adequacy





# Total capital base under the Act on the Supervision of Financial and Insurance Conglomerates

## 31 December 2015



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# OP in a Nutshell





Our cooperative company form gives us a **dual role**, which is also the foundation for our unique identity

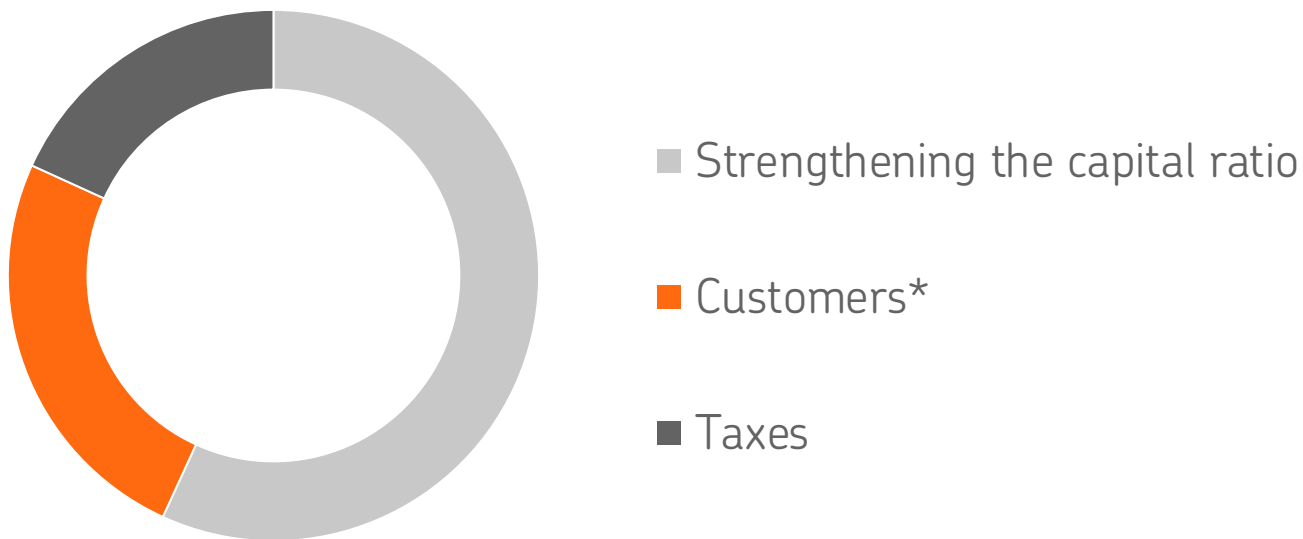


Business role



Social role

# OP Financial Group allocates a substantial amount of its earnings to fulfilling its social role



# OP Financial Group's targets

## Long-term financial targets

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, Group level	<b>160 %</b>
CET1 ratio, Banking	<b>18.0%*</b>
Return on economic capital, Group level	<b>20.0%</b>
Operational Combined ratio, Non-Life Insurance	<b>&lt; 92%</b>
Growth differential between income and expenses, Group level/ Banking/Wealth Management	<b>&gt; 0% pps</b>

## Long-term growth and market position targets

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

## Long-term qualitative targets

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

\*From 2016

# OP Financial Group's service channels

	1-31 Dec 2015	31 Dec 2015	12-month change
<b>Online and mobile services</b>			
Op.fi visits (private customers)	10,507,310	-	- 15%
OP-mobile visits, (private customers)	9,510,044	-	+ 66%
Pivo mobile wallet application visits *	1,753,725	-	+ 31%
eServices Agreements (private customers)	-	1,644,468	+ 29,213
<b>Branches and telephone services</b>			
Bank branches	-	443	- 12
Providing both non-life insurance and banking services	-	346	- 2
Private Banking branches	-	39	- 1
OP-Kiinteistökeskus real estate agencies	-	160	- 2
Customer contacts in telephone service **	311,409	-	+ 37,882
<b>Social media</b>			
Followers on Facebook (OP Financial Group and member cooperative banks)	-	192,629	+ 28,973
Followers on Twitter	-	18,151	+ 3,788
Followers on LinkedIn (OP Financial Group and Pohjola in total)	-	10,484	+ 3,637

\* Indicator changed Q3/2015 (previously no. of downloads).

\*\* Calculation basis changed in 2015.

# 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.

Born to be owned by customers.

