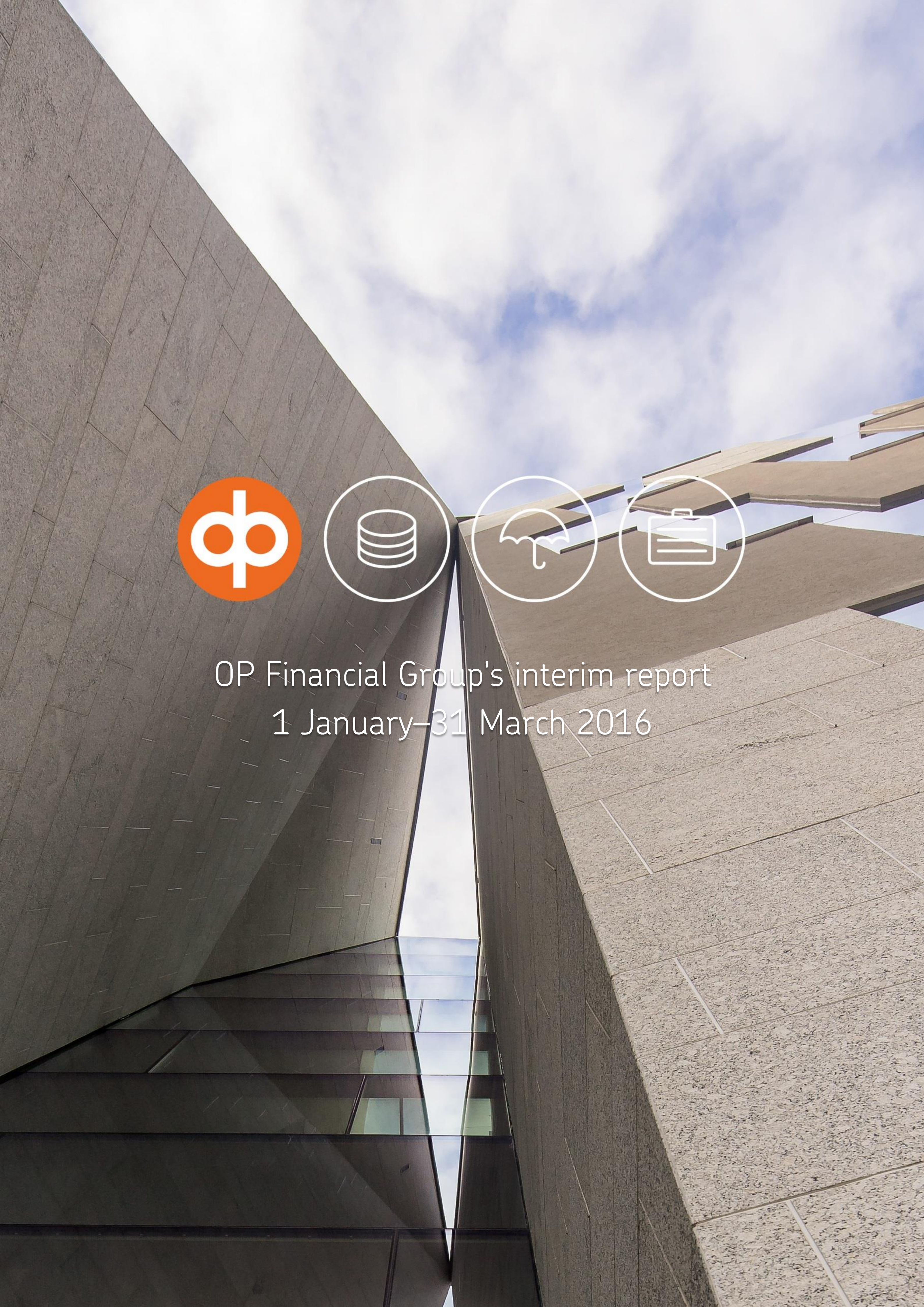


OP Financial Group's interim report 1 January–31 March 2016

OP Financial Group's Interim Report for 1 January–31 March 2016: Good performance in challenging circumstances, significant #Suominousuun (Putting Finland on a new growth path) initiatives

Strong start for business performance for the new year

- Earnings before tax were EUR 284 million (320), or the second best first-quarter figure ever recorded.
- Overall profitability remained solid. Earnings were mostly reduced by lower investment income and market valuations.
- Total income decreased by 8% and expenses by 6%, year on year.
- The CET1 ratio remained unchanged at 19.5% (19.5) on 31 March 2016.
- The home loan portfolio increased by 4%, the corporate loan portfolio by 7% and deposits by 10% in the year to March.
- Non-life Insurance recorded an operating combined ratio of 88.6% (87.2). Insurance premium revenue rose by 3%.
- Assets managed by Wealth Management were at the same level as a year ago.
- Full-year earnings for 2016 are expected to be about the same as in 2015.

Several significant #Suominousuun (Putting Finland on a new growth path) initiatives in the social role

- With the Invest in Finland opening as part of the initiative, Finnish public companies received about 25,000 new shareholders from OP's customers.
- On 27 April 2016, OP Financial Group announced a new, significant #Suominousuun initiative targeted at families with children.
- In another initiative, OP Financial Group together with the European Investment Fund will provide EUR 150 million in financing to spur SME innovations and growth.
- An OP member cooperative bank arrived in the Helsinki Metropolitan Area after a 20-year break. The new OP Helsinki has already over 150,000 owner-customers.
- New customer bonuses totalled EUR 50 million, up 4% year on year.

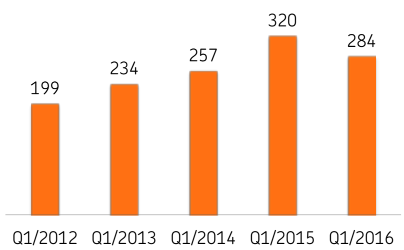
OP Financial Group's key indicators

	Q1/2016	Q1/2015	Change, %	Q1-4/2015
Earnings before tax, € million	284	320	-11.3	1,101
Banking	151	192	-21.1	642
Non-life Insurance	59	66	-11.3	259
Wealth Management	75	93	-19.4	213
New accrued customer bonuses	50	48	4.3	197
	31 March 2016	31 March 2015	Change, %	31 Dec. 2015
Common Equity Tier 1 (CET1) ratio, %	19.5	16,7	2.8*	19.5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % **	160	138	22*	191
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.05	0.12	-0.1*	0.10
Joint banking and insurance customers (1,000)	1,668	1,604	4.0	1,656

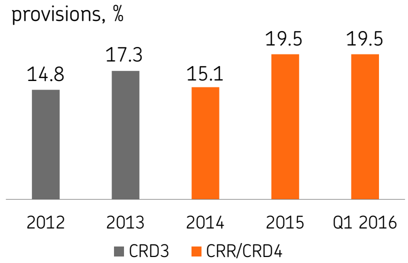
Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2015. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2015 are used as comparatives.

* Change in ratio
** The FiCo ratio has been calculated under Solvency II transitional provisions and the comparatives have been adjusted

Earnings before Tax, € million



Common Equity Tier1 ratio (CET1), Core Tier 1 before transitional provisions, %



Comments by Reijo Karhinen, President and Group Executive Chairman

The first quarter was a period of dichotomy for OP Financial Group: customer business profitability continued to make good progress but unstable financial markets reduced capital gains from investment. This reduction substantially explains a decrease in other income and, as a result, a slight slip in our earnings. On the positive side, we posted an increase in net interest income, a marked decrease in expenses and low loan losses.

We have a strong will to put the Finnish economy on a new growth path, which was reflected in our new tangible actions during the reporting period. Our loan portfolio growth figures are still substantial that support economic growth, especially in corporate financing. Our #Suominousuun (Putting Finland on a growth path) initiatives proceeded as targeted. With excellent results, we managed to encourage our customers to invest in Finnish ownership. Together with the European Investment Bank, we were the first in Finland to launch a new financing solution for innovative and growth-seeking companies. On the basis of the initial fervour, I am expecting this to become a new success story. We will target our next #Suominousuun initiative at unborn children and their families.

Our sound financial position enables us to carry out our social role described above. In addition to that, we will rely on our strong set of values, mission and customer promise. We exist to serve our customers. Our stakeholders, not least our customers, expect us to perform in line with our core values and to be transparent and open in our communications, among other things. This requirement is a clearly strengthening trend. It is also challenging us.

During the winter, we have assessed options for future visions in our strategy update work. These options will provide the basis for OP Financial Group's revised strategy to be approved in June. In a digital world, the speed of change is quickening and only actors willing to reinvent themselves can succeed and create added value in their operating region and to their customers. We need unconventional strategic approaches explained through the future.

The highly slow reform of our society that has continued for years now or even non-reform throttles the creation of new Finnish success stories. In the longer run, the atmosphere encouraging reinvention would create a society that is substantially more prosperous, supports wellbeing more and is more stable, in addition to new success stories. Thanks to its really remarkable strengths, Finland would have every chance of being a greater global achiever than what its size suggests.

OP Financial Group's Interim Report for 1 January–31 March 2016

Contents

Operating environment

World economic growth remained slow in the first quarter of 2016 and economic confidence was feeble. Uncertainty in financial markets weighed on sentiments and equity and commodity prices fell.

In March, the ECB decided on new quantitative easing measures due to weaker economic and inflation outlook. It reduced the main refinancing rate to zero and the deposit facility rate to -0.4%. The ECB expanded its asset purchase programme. It will now be possible for it to purchase non-bank investment-grade bonds too. In June, the ECB is to launch new, longer-term refinancing operations. The Euribor rates turned negative across the board.

The Finnish economy took a minor turn for the better last year. The slight growth continued in early 2016 led by domestic demand. Both consumer and industrial confidence showed a slight improvement.

In the first quarter, development of construction remained favourable. Housing starts increased in January. According to surveys, fixed industrial investments should increase during the current year. Housing markets picked up slightly in the first quarter.

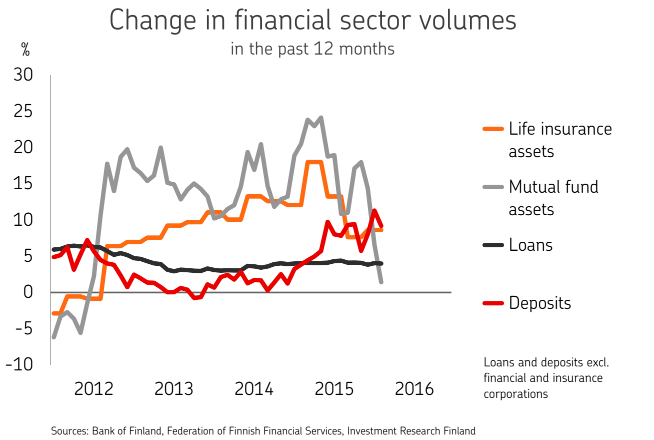
The world economy is expected to continue to grow slowly and outlook is characterised by risks. The euro-area economy should continue to grow at just about the same rate as in the previous year. The Euribor rates are expected to remain negative. The Finnish economy is showing signs of a slight recovery but the outlook is still fragile.

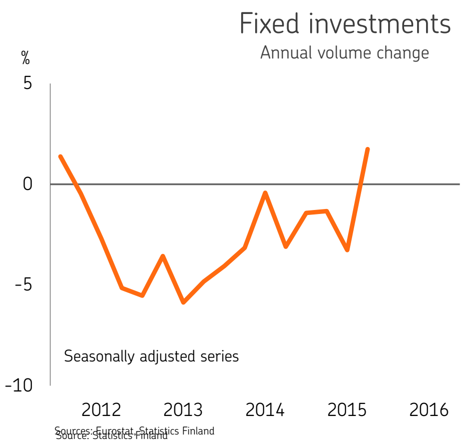
Consumer loan volumes increased at the same rate of around 3% in the first quarter than at the end of last year. The rate of growth in total home loans remained at about 2.5%. Because of a reduction in market interest rates, the average borrowing rate of new home loans drawn down decreased to approximately 1.2% during the first quarter. Corporate loans increased further by around 6% in the year to March. According to a survey, companies' willingness to borrow is picking up.

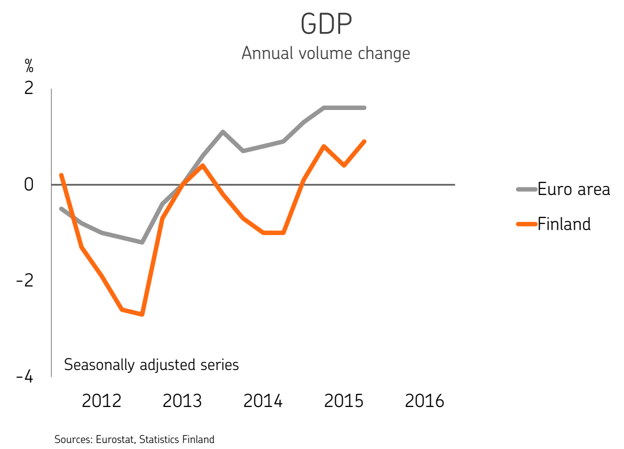
The annual growth rate of total deposits increased to almost 10%. The reason behind this swift growth is an exceptionally strong increase in deposits by public-sector entities and corporations. Growth in total household deposits remained subdued, at a rate of around one per cent.

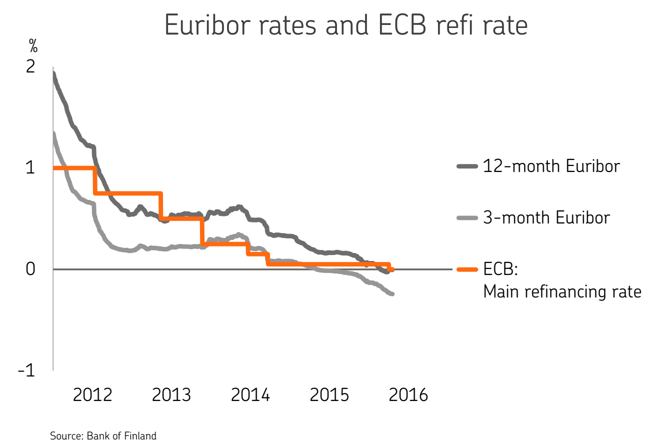
The value of domestic mutual fund assets decreased by 1.7% in the first quarter. The majority of this decrease was due to the funds' fair value changes and approximately one-fifth to redemptions. During the first quarter, life insurance premiums written fell by 41.8% year on year.

Growth in non-life insurance premiums written slowed down in the first quarter. Claims paid out were 5.0% higher than a year ago. The weak economic situation is reflected in premiums written from corporate customers, in particular.









OP Financial Group's earnings analysis and balance sheet

Earnings analysis, € million	Q1/2016	Q1/2015	Change, %	Q4/2015	Change, %	Q1-4/2015
Banking	151	192	-21.1	112	34.8	642
Non-life Insurance	59	66	-11.3	41	45.1	259
Wealth Management	75	93	-19.4	45	64.1	213
Earnings before tax	**284**	**320**	**-11.3**	**175**	**62.0**	**1,101**
Gross change in fair value reserve	72	159	-55.0	10		-219
Earnings before tax at fair value	**355**	**479**	**-25.8**	**185**	**91.5**	**883**
Return on economic capital, % *)	21.1	17.1	3.9*			21.5
Return on economic capital at fair value, % *)	15.8	22.4	-6.6*			17.7
Income						
Net interest income	267	256	4.6	259	3.3	1,026
Net income from Non-life Insurance	142	169	-16.0	142	-0.4	639
Net income from Life Insurance	91	104	-12.2	68	33.5	278
Net commissions and fees	183	199	-8.3	161	13.9	704
Net trading and investment income	24	42	-44.0	24	-2.1	193
Other operating income	12	15	-19.4	15	-19,5	54
Other income, total	**452**	**530**	**-14.7**	**411**	**10.0**	**1,868**
Total income	**719**	**785**	**-8.4**	**669**	**7.4**	**2,894**
Expenses						
Personnel costs	201	214	-6.4	208	-3.4	781
Other administrative expenses	106	102	4.2	126	-16.2	420
Other operating expenses	70	82	-15.2	81	-13.5	319
Total expenses	**377**	**399**	**-5.5**	**415**	**-9.3**	**1,520**
Impairment loss on receivables	**11**	**21**	**-50.3**	**31**	**-65.6**	**78**
New accrued customer bonuses	**50**	**48**	**4.3**	**50**	**0.4**	**197**

*) 12-month rolling, change in percentage

Key balance sheet figures, € million	31 March 2016	31 March 2015	Change, %	31 Dec. 2015
Receivables from customers	75,825	71,357	6.3	75,192
Life Insurance assets	13,533	12,502	8.2	13,858
Non-life Insurance assets	4,302	4,129	4.2	4,067
Liabilities to customers	58,436	51,429	13.6	58,220
Debt securities issued to the public	26,703	26,054	2.5	27,706
Equity capital	9,381	7,711	21.6	9,324
Total assets	124,296	116,389	6.8	125,145

January–March

OP Financial Group's earnings before tax for the first quarter were EUR 284 million (320), or the second best first-quarter figure ever recorded. Earnings before tax a year ago were the Group's all-time high first-quarter figure.

Net interest income increased by 4.6% to EUR 267 million. Other income, however, decreased by 14.7% to EUR 452 million. This decrease was mainly due to lower investment income and reduced market valuations in the unstable market situation.

Net income from Non-life and Life Insurance was lower than a year ago as a result of reduced net investment income. Net commissions and fees were reduced by lower brokerage fees due to the Invest in Finland initiative as part of the #Suominousuun (Putting Finland on a new growth path) initiative, lower asset management and non-life insurance fees and higher commission expenses. Net trading income was reduced by net income from securities trading and increased by net income from foreign exchange trading. Lower gains on equity trading, reduced dividend income and lower property values decreased net investment income.

Total expenses decreased by 5.5%, being EUR 22 million lower than a year ago. Lower personnel costs were explained by a decrease of EUR 9 million in wages and salaries. A non-recurring provision recognised in the first quarter a year ago for personnel costs totalled EUR 9 million, related to the reorganisation of the central cooperative consolidated. ICT costs increased by 5.5%, being EUR 3 million higher than in the previous year.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 30 million (23), of which EUR 11 million (21) concerned loans and receivables. Net impairment loss on loans and receivables were low, at 0.05% (0.12) of the loan and guarantee portfolio.

The Group's income tax before change in deferred tax amounted to EUR 51 million (72). The effective tax rate was 19.1% (19.6).

Earnings before tax at fair value amounted to EUR 355 million (479). OP Financial Group's fair value reserve before tax totalled EUR 353 million (302) on 31 March 2016.

Equity capital amounted to EUR 9.4 billion (9.3) on 31 March 2016. This increase came from Group earnings. On March 31 2016, EUR 2.5 billion (2.5) in Profit Shares were included in equity, terminated Profit Shares accounting for EUR 0.2 billion.

OP Financial Group's financial targets

OP Financial Group achieved all of its key financial targets at the end of the reporting period, except for growth difference between Banking income and expenses.

OP Financial Group's financial targets	31 March 2016	31 March 2015	Target
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, %	160	138*	160%
CET1 ratio, %	19.5	16.7	18%
Return on economic capital, % (12-month rolling)	21.1	17.1	20%
Growth differential between income and expenses, Group level, pps (for 3 years)	18.0	19.6	> 0
Growth differential between income and expenses, Banking, pps (12-month rolling)	-1.2	8.4	> 0
Growth differential between income and expenses, Wealth Management, pps (12-month rolling)	2.9	26.0	> 0
Operating combined ratio by Non-life Insurance, %	88.6	87.2	< 92%

* The comparative has been changed under Solvency II

January–March highlights

OP 2016 strategy

Started in December 2015, OP has continued to reformulate its strategy. The central cooperative's Supervisory Board will finally adopt the updated strategy in June.

Definitive agreement of Visa Inc. to acquire Visa Europe Ltd

In January, OP Cooperative's Executive Board, for its part, approved this bid submitted by Visa Inc. in November 2015 to acquire Visa Europe Ltd. The transaction is expected to be completed in the first half of 2016 but it is subject to regulatory approval. If completed, the transaction will, based on preliminary and unconfirmed estimates, bring OP Financial Group approximately EUR 70 million in non-recurring gains in 2016.

Transfer of Suomi Mutual's individual pension insurance portfolio

On 17 March 2016, OP Financial Group and Suomi Mutual Life Insurance Company agreed on transferring the latter's individual life insurance portfolio to OP Life Assurance Company Ltd. The planned transfer date is 31 December 2016 The transfer is subject to approval from the Finnish Financial Supervisory Authority. On 26 April 2016, the companies' general meetings of shareholder approved the transfer and the Finnish Competition and Consumer Authority gave its approval to the transfer. Suomi Mutual's individual pension insurance portfolio comprises slightly less than 38,000 insurance contracts, totalling approximately EUR 3.2 billion.

Request for clarification from the Finnish Competition and Consumer Authority

OP Financial Group has provided its reply to the request for clarification received from the Finnish Competition and Consumer Authority in 2015. The authorities are investigating OP Financial Group's market position in retail banking services and the pricing of non-life insurance products. The issue is still being investigated by the Authority.

Promotion of the prosperity and wellbeing of owner-customers and in the operating region

OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. OP Financial Group's core values are a People-first Approach, Responsibility, and Prospering Together. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency.

As a cooperative business, OP Financial Group's operations are guided by a double role. In its business role, the Group provides its customers with competitive products and services while ensuring its profitability. Then again, in our social role we aim to promote our customers' prosperity and security on a broader basis too and in our operating region on a longer-term basis. Succeeding in both roles is a measure of the Group's success.

January–March

The current year is the second full operating year after OP went back to its roots as a financial services group wholly owned by its customers. This return to the cooperative basis has also involved the Group's more well-defined operating principles. During the reporting period, OP Financial Group continued building a Group wholly owned by customers, for example, by converting the limited liability company OP Helsinki (formerly Helsinki OP Bank Ltd) to a cooperative bank. As a result of a cooperative share issue to owner-customers launched in January 2016, OP Helsinki received over 150,000 new owner-customers by the release date of this interim report.

During the reporting period, OP Financial Group continued with the #Suominousuun initiatives previously decided and launched new ones. With the Invest in Finland opening published in December, OP wanted to attract attention to Finnish ownership and encourage Finns to become involved in investment. OP stopped charging transaction costs related to Finnish equities listed on the NASDAQ Helsinki and provided free access to equity research information between 7 December 2015 and 31 March 2016. Moreover, OP also permanently quit charging subscription fees for OP mutual funds investing in Finland. That increased trading activity and investments in Finnish public companies. With the Invest in Finland opening, Finnish public companies received about 25,000 new shareholders from OP's customers. Moreover, people have expressed a significantly greater interest in OP's equity research. This opening was followed by a reduction in OP's electronic equity trading charges as of 1 April 2016. In addition, OP will provide all its equity investment clients with Finland's most extensive equity research service as part of its overall range of services.

In March, OP Financial Group signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. Under the agreement, OP may grant innovative SMEs new loans that will have a 50% risk-sharing guarantee provided by the EIF. By providing financing to SMEs with growth potential, OP Financial Groups wants to be involved in supporting future economic growth and employment.

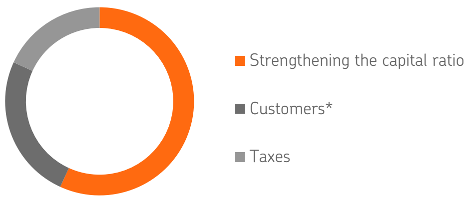
In late April, OP Financial Group launched a new #Suominousuun initiative targeted at families with children, under which OP will offer health and living allowance insurance for an unborn child for 12 months free of charge. The initiative also offers the opportunity for a maximum of 12-month home loan grace period without service charges to families who have fulfilled their loan obligations as per agreement and whose baby will be born before the end of 2017. OP will offer a NewLife life insurance for one year to parents with children under the age of one until the end of 2017.

The Invest in Finland opening, the EUR 150-million financing agreement and the initiative targeted at families with children form part of the #Suominousuun initiative aimed at giving more leeway and economic activity among our broad customer base and in the entire Finland. The home loan grace period offered to home loan borrowers in spring 2015 and a single financing process model for SMEs, among other things, counted among the #Suominousuun initiatives announced previously.

Allocation of earnings

OP Financial Group with a cooperative foundation aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. The shared success will be used for the benefit of owner-customers in the form of loyalty benefits and other financial benefits as well as the maintenance and further development of service capabilities.

OP Financial Group's estimated earnings allocation for the reporting period that is to be confirmed after the reporting period:



Estimate of the allocation of period earnings, which is confirmed after the end of the reporting period
*) Customers = customer bonuses, discounts on insurance policies and interest on contributions made by owner-customers

Implementing OP's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. OP Financial Group uses a significant part of its earnings to enhance its capital base. That will require efficiency and earnings power of the Group in the years to come too.

A large amount of earnings also returns to owner-customers. According to the fundamental cooperative business principle, benefits are allocated on the basis of the extent to which each member uses the cooperative's services. OP rewards its customers with discounts on non-life insurance premiums and with OP bonuses that customers earn from almost all our services, based on the amount of transactions. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be annually paid on Profit Shares as the banks' profit distribution.

OP is one the largest tax payers in Finland through tax on its profits. All of the 177 independent OP cooperative banks pay their corporate tax locally in their operating region. By paying taxes in Finland, we are contributing to prosperity in the whole of Finland.

Corporate social responsibility

Corporate social responsibility (CSR) is an integral part of OP Financial Group's business and strategy. CSR activities take economic, social and environmental responsibility into consideration. OP Financial Group's aim is to be a pioneer in CSR within its sector in Finland. OP Financial Group undertakes to comply with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. In addition, OP has followed the UN Principles for Responsible Investment since 2009. The Group is continuously developing its responsible investment practices while seeking to foster a more responsible investment sector.

In February, OP Financial Group published its CSR Report. It was the first time when the CSR Report was assured with KPMG, a firm of authorised public accountants, performing the assurance. The CSR Report was integrated with the Group's Annual Report for the second year in a row.

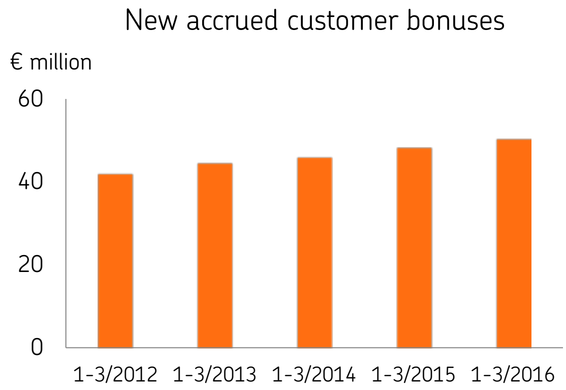
Customer relationships and customer benefits

In January–March, the number of OP Financial Group's owner-customers increased by 16,000 to over 1.5 million. A new OP cooperative bank, OP Helsinki, was born on 1 April 2016. As a result of the new bank, the Helsinki Metropolitan Area received a cooperative bank after a 20-year break. Over 150,000 new owner-customers had become members of OP Helsinki by the release date of this interim report.

Contributions made by member cooperative banks' owner-customers to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.7 billion (2.8) on 31 March 2016.

On 31 March 2016, OP Financial Group had 4,278,000 customers (excluding the customers of POP Group banks that joined the Group in 2015) in Finland. The number of private customers totalled 3,845,000 and that of corporate customers 433,000. In the first quarter, the number of joint banking and non-life insurance customers increased by 12,000 to 1,668,000. The POP Group banks that joined the Group have approximately 90,000 customers.

Owner-customers earn OP bonuses through banking, non-life insurance and wealth management transactions. The combined amount of new bonuses earned by OP bonus customers in the first quarter for using OP as their main bank and insurer was worth EUR 50 million (48). A total of EUR 28 million (26) of bonuses were used to pay for banking and wealth management services and EUR 25 (25) million to pay non-life insurance premiums. Bonuses were used to pay 528,000 insurance bills (500,000), with 68,000 (63,500) of them paid in full using bonuses. At the end of 2015, the Group updated its OP bonus scheme by abandoning the minimum transactions of EUR 5,000. This change enables a larger number of owner-customers to benefit from bonuses.



Non-life Insurance premier customer households were provided with EUR 20 million (18) in loyalty discounts during the reporting period.

Interest payable on the Profit Shares and supplementary cooperative capital contributions accrued during the reporting period is estimated to total EUR 20 million (15). The 2016 return target for Profit Shares is 3.25%, calculated from the date the investment was made.

OP continuously monitors the number of customers who would be prepared to recommend the Group as a service provider. Net Promoter Score (NPS) is used to measure recommendations. Recommendations are requested from OP's private customers, corporate customers and insurance and claims service customers. Service encounters are measured in such a way that, soon after the performance of the service, the customer receives a questionnaire either by email or via SMS. The customer can also respond to the survey at a bank branch using iPad.

The Group aims to raise the NPS figures to 60 points down the line during 2016.

NPS	Private customers			Corporate customers		
	Q1/2016	2015	2014	Q1/2016	2015	2014
Banking	64	50	40	60	40	25
Non-life Insurance	32	32	29	29	27	19
Savings and investments	45	43	36		–	

The Omasairaala hospital collects feedback during patient visits. Omasairaala's NPS was 95 for the first quarter (95 in 2015 and 94 in 2014).

Multichannel services

The Group has a multichannel service network comprising branch, online, telephone and mobile services. The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the sector by creating ongoing and relevant encounters in all channels.

The number of OP-mobile visits exceeded that of op.fi visits for the first time in March by some 200,000 visits. During March, the number of visits to both services totalled over 10 million. OP-mobile launched in 2012 is now the main channel for daily transactions among our customers. The number of visits to our Pivo mobile application totalled around 1.5 million in March.

Mobile services were at the core of development during the reporting period. The new OP-mobile version now enables users to also view loan details and make extra repayments. Moreover, the new version provides extended non-life insurance loss reporting and enables the trading in equities on the Stockholm and Copenhagen stock exchanges. Contactless payment with a phone became possible in April when OP launched a Pivo contactless payment option. OP was the first bank in Finland to enable mobile contactless payment and among the first banks in Europe.

Despite the expansion of online and mobile services, the Group still has Finland's most extensive branch network with some 450 branches across the country. The Group's own branch network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

The Group also has extensive presence in the most common social media channels where it has more than 200,000 followers. In addition to the Group's national social media accounts, many member cooperative banks have their own Facebook pages where they share publications destined for local customers. During the reporting period, the number of OP Financial Group's Facebook followers reached 100,000. OP also reaches customers and other stakeholders at OP's blog and content platform taloudessa.fi that was redesigned at the start of the year. Since the redesign, the site has had an average of 100,000 visitors a month.

The Group will open its second private hospital in Tampere in August 2016. Establishing the hospital forms part of the health and wellbeing development programme adopted at the end of 2014 whereby the Group will expand its hospital network nationwide and branch out from orthopaedics into other medical specialties. During 2017, the Group will open new hospitals in Kuopio and Oulu.

Solvency

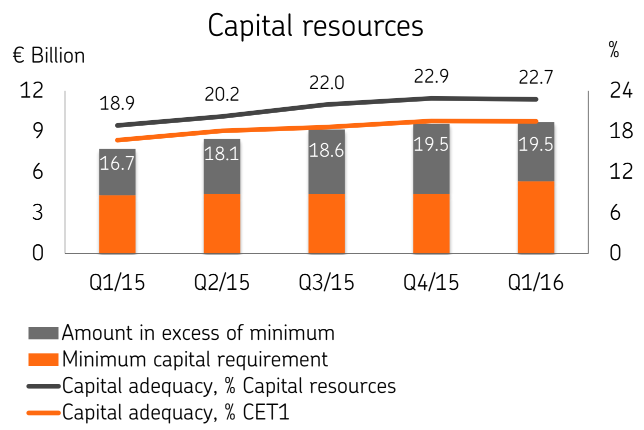
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

On 31 March 2016, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.6 billion (4.7). The buffer was decreased by the 2% capital conservation buffer of the Other Systemically Important Institution (O-SII) adopted at the beginning of 2016 and a decline in insurance business valuation differences. Since the beginning of 2016, insurance-sector solvency has been calculated in compliance with Solvency II and the figures have been presented in view of the transitional provisions. Comparatives are also presented under the new regulation. The O-SII buffer requirement increased the consolidated capital adequacy requirement from 10.5% to 12.5%, calculated as percentage of risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 160% (191), with the O-SII buffer requirement reducing the ratio by 22 percentage points. As a result of the buffer requirements and Solvency II, the FiCo solvency does no longer reflect the minimum level of capital base of the FiCo group but the level within which the group can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

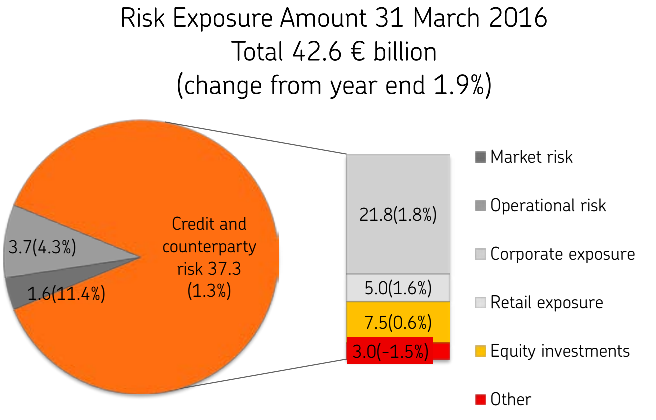
The Group's CET1 ratio was 19.5% (19.5) on 31 March 2016. An increase in CET1 capital covered an increase in total risk exposure amount resulting from growth in the loan portfolio. Calculated losses arising from reduced market interest rates for defined benefit pension plans (IAS 19) decreased the Group's CET1 ratio by around 0.3 percentage points in the reporting period.

OP Financial Group's banking capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions and the O-SII buffer of 2% increase in practice the minimum capital adequacy ratio to 12.5% and the CET1 ratio to 9%.



The Group's CET1 capital was EUR 8.3 billion (8.2) on 31 March 2016. CET1 capital was increased by Banking performance and dividends from the Group's insurance institutions. Losses under IAS 19 reduced CET1 capital. Profit Shares accounted for EUR 2.5 billion of CET1 capital at the end of March.

On 31 March 2016, the risk exposure amount (REA) totalled EUR 42.6 billion (41.8), or 1.9% higher than on 31 December 2015. The average risk weights of corporate and retail exposures remained virtually unchanged.



Equity investments include EUR 6.5 billion in risk-weighted assets of the Group's internal insurance holdings.

In October 2015, OP Financial Group received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets according to the previous practice. The method applied to insurance holdings leads to a risk weight of approximately 280%.

In March 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks, but continued preparations for setting higher risk weights on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis.

The upcoming regulations include a ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 7.4% based on the existing interpretations, calculated using the March-end figures, with the minimum level in the draft regulations being 3%.

Non-life and Life Insurance

The solvency regulations of the insurance sector changed in early 2016. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe.

Solvency II	Non-life Insurance*		Life Insurance	
	31 March 2016	31 Dec. 2015	31 March 2016	31 Dec. 2015
Capital base, € million **	1,184	1,177	1,360	1,419
Capital requirement, € million**	712	714	748	692
Solvency ratio, % (excluding transitional provision)	144	146	132	149
Solvency ratio, % (including transitional provision)	166	165	182	205

* Non-life Insurance includes OVY Insurance Ltd
** including transitional provisions.

ECB banking supervision

OP Financial Group is supervised by the ECB. The ECB has imposed on OP Financial Group a discretionary capital buffer requirement as part of the supervisory review and evaluation process (SREP). When taking account of the requirement for CET1 capital, the discretionary capital requirement buffer is 9.75% and 11.75% taking the O-SII buffer requirement also into account. In view of OP Financial Group's strong capital base and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for the Group's capital adequacy position or business. To OP Financial Group's knowledge, the ECB has imposed on all banks under its supervision a comparable discretionary capital buffer requirement based on the comprehensive assessment uniformly applied to banks.

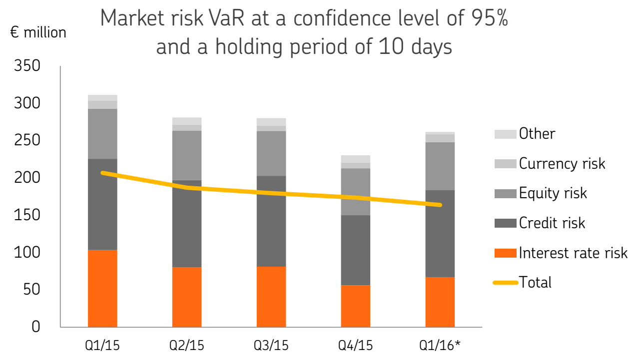
Risk exposure

OP Financial Group's risk exposure has remained stable. The Group has a strong risk-bearing capacity that secures business continuity.

The strong risk-bearing capacity and moderate target risk exposure level helped to maintain the Group's credit risk exposure stable.

OP Financial Group's funding and liquidity position is good. The Group had good access to funding. During the reporting period, the Group issued long-term bonds worth EUR 0.9 billion. The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk exposure was stable during the reporting period. The Group's VaR, a measure of market risk, was EUR 164 million (174) on 31 March 2016. The Group's VaR includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



Risk is still associated with the performance of outsourced services. Recent terrorist incidents highlight the requirements within OP Financial Group too for the effectiveness of combatting terrorist financing and for the supervision of operations.

Risks associated with defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The increase in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period weakened comprehensive income before tax by EUR 193 million.

Banking

Major risks within Banking include credit risk and market risk.

Banking's credit risk exposure remained stable, at a moderate risk level. Doubtful receivables totalled EUR 2.3 billion (2.1). Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Member cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties. Impairment losses remained low, accounting for 0.05% (0.12) of the loan and guarantee portfolio.

During the reporting period, the loan and guarantee portfolio increased by EUR 0.5 billion to EUR 78.3 billion. Private customers accounted for 60% (60) of the loan and guarantee portfolio. Of the six main categories for private customer exposure, 83% (83%) of the exposures belonged to the top two categories, and 3% (3) in the two lowest. Corporate exposures (incl. housing corporations) represented 37% (36) of the loan and guarantee portfolio. Of corporate exposure, the highest borrower grade 1–5.5 exposure represented 58% (59) and the exposure of the two lowest borrower grades amounted to EUR 444 million (441), accounting for 1.2% (1.2) of the total corporate exposure.

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The Banking capital base covering customer exposure amounted to EUR 9.5 billion (9.4).

In the Companies and housing associations sector, the most significant industries measured by exposure were Renting and Operating of Residential Real Estate representing 21.4% (21.9), Renting and Operating of Other Real Estate representing 11.5% (11.7) and Trade representing 9.5% (9.6). A total of 92% of exposures within Renting and Operating of Residential Real Estate were those by housing associations and 16% those guaranteed by general government.

Banking's interest rate risk measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR 209 million (215) at the end of March.

Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates.

No significant changes took place in Non-life Insurance's underwriting risks. Non-life Insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates. The solvency position under Solvency II at the end of March 2016 was slightly lower than at the end of December 2015. The investment risk level (VaR with 95% confidence, 1-month time period) was slightly higher on 31 March 2016 than on 31 December 2015. No major change took place in the investment portfolio allocation. OP has moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. OP has also used interest rate derivatives to hedge against interest rate risk associated with insurance liability.

Wealth Management

The key risks associated with Wealth Management are the market risks of Life Insurance's investment assets, the interest rate used for the valuation of insurance liabilities and a faster-than-expected life expectancy increase.

No major changes took place in Life Insurance's underwriting risks. The Life Insurance solvency position under Solvency II was weaker on 31 March 2016 than on 31 December 2015, due to a reduction in long-term interest rates. The investment risk level (VaR with 95% confidence, 1-month time period) was slightly higher on 31 March 2016 than on 31 December 2015. No major change took place in the investment portfolio allocation during the reporting period. OP has enhanced hedging against interest rate risk associated with the total balance sheet by increasing the hedge ratio of the insurance liability that came from Suomi Mutual. On the whole, interest rate risk exposure is higher than on 31 December 2015.

Other Operations

Major risks exposed by Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The market risk is highest in notes and bonds included in the liquidity buffer.

Despite an increase in investments in the liquidity buffer, market risks (VaR with 95% confidence) decreased slightly during the reporting period as a result of allocation changes.

OP Financial Group secures its liquidity through a liquidity buffer which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

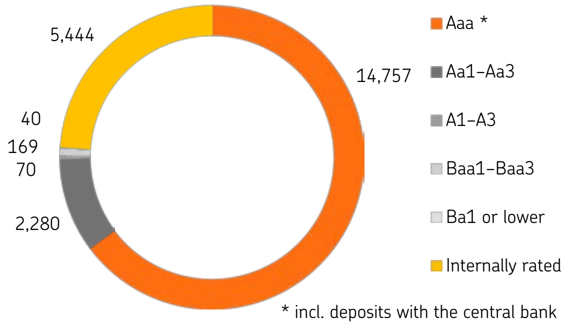
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. On 31 March 2016, OP Financial Group's LCR was 108%.

Liquidity buffer

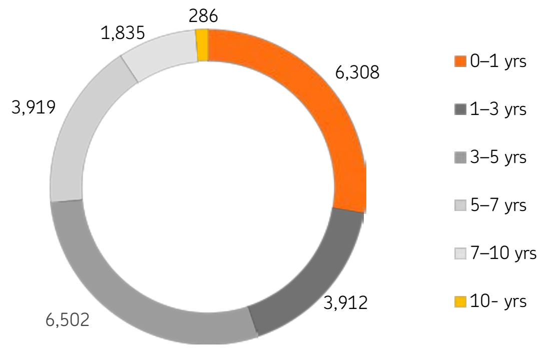
€ billion	31 March 2016	31 Dec. 2015	Change, %
Deposits with central banks	5.1	8.5	-41
Notes and bonds eligible as collateral	12.1	10.6	14
Corporate loans eligible as collateral	4.5	4.3	4
Total	**21.5**	**23.4**	**-8**
Receivables ineligible as collateral	1.2	0.8	51
Liquidity buffer at market value	**22.8**	**24.2**	**-6**
Collateral haircut	-1.4	-1.2	11
Liquidity buffer at collateral value	**21.4**	**23.0**	**-7**

The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral. The notes and bonds included in the liquidity buffer are based on mark-to-market valuations.

Financial assets included in the liquidity buffer by credit rating on 31 March 2016, € million



Financial assets included in the liquidity buffer by maturity on 31 March 2016, € million



Credit ratings

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	Negative	AA-	Negative
Moody's	P-1	Stable	Aa3	Stable

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd. When assessing OP Corporate Bank's credit rating, credit rating agencies take account of the entire OP Financial Group's financial position.

The credit ratings of OP Financial Group or OP Corporate Bank plc did not change in the reporting period.

Outlook towards the year end

World and euro-area economic growth is not expected to significantly speed up Finnish economic growth during the current year. The anticipated fragile Finnish economic growth is largely based on a minor recovery in the domestic market.

Despite growth, the overall outlook of the Finnish economy and the Finnish financial-sector operating environment is weak. The probability of a deceleration in economic growth is greater than its acceleration. A historically low interest rate environment, a possible British exit from the EU and other threats challenging the EU's structures and policies as well as the slow progress of structural reforms in the Finnish economy create uncertainty for Finnish economic development.

The continued reduction in market interest rates that have in part turned negative places a further burden on the net interest income of banks and erodes the investment income of insurance institutions. Then again, low interest rates support customers' loan repayment capacity, which has kept impairment loss low despite the prolonged period of slow economic growth. Weak economic growth, industry transformation resulting from the digitising financial sector and change in customer behaviour as well as tightening regulation will highlight the role of operational efficiency, profitability and a strong capital base.

OP Financial Group expects its earnings before tax for 2016 to be at about the same level as in 2015. The most significant uncertainties associated with the earnings estimate are related to unfavourable changes in the interest rate and investment environment. Uncertainty is also associated with developments in impairment loss on receivables.

All forward-looking statements in this interim report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

Events after the balance sheet date

The business names of OP Financial Group companies have been changed to begin with OP, effective as of 4 April 2016:

- Pohjola Bank plc became OP Corporate Bank plc
- Pohjola Insurance Ltd became OP Insurance Ltd
- Pohjola Asset Management Ltd became OP Asset Management Ltd
- Pohjola Property Management Ltd became OP Property Management Ltd
- Pohjola Asset Management Execution Services Ltd became OP Asset Management Execution Services Ltd

Moreover, the companies in Baltic Banking will be renamed during the spring of 2016 to begin with OP.

Omasairaala Oy will be renamed Pohjola Health Ltd in August 2016 when the Tampere hospital unit is opened

Operations and earnings by business segment

OP Financial Group's business segments are Banking, Non-life Insurance, and Wealth Management. Non-segment operations are presented under Other Operations. OP Financial Group's segment reporting is based on accounting policies applied in its financial statements.

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax Q1/2016	Earnings before tax Q1/2015	Change, %
Banking	473	269	-53	151	192	-21.1
Non-life Insurance	136	77	0	59	66	-11.3
Wealth Management	102	28	0	75	93	-19.4
Other Operations	120	121	0	-1	-28	-95.9
Eliminations	-111	-118	-6	0	-3	
Total	**719**	**377**	**-59**	**284**	**320**	**-11.3**

*) Other items contain returns to owner-customers and OP bonus customers, and impairment loss on receivables.

Banking

- Earnings before tax amounted to EUR 151 million (192). Income decreased by 8.6% as a result of lower net trading income. Expenses increased by 2.0%.
- The loan portfolio grew by 6.3% and the deposit portfolio by 10.3% in the year to March. Year on year, the volume of new home loans drawn down increased by 7.5% and that of corporate loans by 26.6%.
- Impairment losses of EUR 10 million (22) accounted for 0.05% (0.12) of the loan and guarantee portfolio.

Banking: key figures and ratios

€ million	Q1/2016	Q1/2015	Change, %	Q1-4/2015
Income				
Net interest income	279	272	2.5	1,108
Net commissions and fees	202	184	10.1	663
Net trading and investment income	-15	51		120
Other operating income	7	11	-31.0	36
Total income	473	517	-8.6	1,927
Expenses				
Personnel costs	120	123	-2.9	472
Other administrative expenses	98	90	8.1	370
Other operating expenses	52	50	3.3	194
Total expenses	269	264	2.0	1,037
Impairment loss on receivables	10	22	-51.7	77
Returns to owner-customers and accrued customer bonuses	42	40	5.3	171
Earnings before tax	151	192	-21.1	642
Cost/income ratio, %	56.9	51.0		53.8
€ million				
Home loans drawn down	1,488	1,385	7.5	6,577
Corporate loans drawn down	1,655	1,308	26.6	6,631
No. of brokered property transactions	2,622	2,646	-0.9	12,149
€ billion				
Loan portfolio				
Home loans	35.5	34.1	4.2	35.3
Corporate loans	18.5	17.3	7.3	18.5
Other loans	21.8	20.0	8.9	21.5
Total	75.8	71.3	6.3	75.2
Guarantee portfolio	2.5	2.8	-11.2	2.6
Deposits				
Current and payment transfer	36.2	30.3	19.5	34.7
Investment deposits	17.4	18.3	-4.9	17.2
Total deposits	53.6	48.6	10.3	51.9

Market share, %**	29 Feb. 2016	31 March 2015	Change, %	31 Dec. 2015
Loans	34.8	34.4	0.4*	34.9
Deposits	37.1	36.2	0.9*	37.1

* Change in ratio
** Excluding financial and insurance institutions' loans and deposits

Despite weak economic growth in Finland, demand for loans continued to increase. The loan portfolio grew by 6.3% in the year to March and by 0.8% in January–March. Year on year, the

volume of new home loans drawn down increased by 7.5% and that of corporate loans by 26.6%.

The deposit portfolio increased by 10.3% in the year to March and by 3.2% in the first quarter. The volume of investment deposits continued to decline due to low interest rates and lower term deposit margins. The volume of deposits in payment transaction accounts increased by 19.5% in the year to March.

The Group's market share of home loans increased in the year to March by 0.6 percentage points, being 38.7% at the end of February. The market share of corporate loans increased during the same period by 1.3 percentage points to 37.2% (35.9). The Group's market share of the total euro-denominated deposits, excluding financial and insurance institutions, was 37.1% (36.2).

The volume of homes sold and bought through the OP Kiinteistökeskus real estate agents decreased by 0.9% over the previous year.

Earnings

Earnings before tax amounted to EUR 151 million (192). Income decreased by 8.6% and expenses increased by 2.0%. The segment's reduced income was affected by a change in the Group's internal operating model and an increase in the negative CVA fair values of derivatives. The reduced income also affected the cost/income ratio of 56.9% (51.0). Impairment losses of EUR 10 million (22) accounted for 0.05% (0.12) of the loan and guarantee portfolio.

As from the beginning of the reporting period, the Group's internal operating model was changed by transferring the Markets division's derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The change affects Banking net interest income, net commissions and fees and net trading income. Comparatives have not been changed.

Net interest income rose to EUR 279 million (272) as a result of an increase in the loan portfolio, a higher average loan portfolio margin and lower deposit funding costs.

Net commissions and fees increased by EUR 18 million to EUR 202 million (184). This increase was affected by the change in the Group's internal operating model, as a result of which EUR 21 million were recognised in commissions and fees. Commissions and fees related to financing decreased by EUR 3 million and those to Wealth Management by EUR 2 million. Commissions and fees related to Non-life Insurance remained at the same level as a year ago.

Net trading and investment income decreased by a total of EUR 66 million. Net trading income was EUR 61 million lower than a year ago, reduced by a negative 20-million euro CVA valuation arising from interest rate changes (–5). Income from equities and participations decreased by EUR 7 million year on year. As a result of the change in the Group's internal operating model, the fair value changes of balance-sheet and derivative items measured at fair value are partly allocated to the Other Operations segment instead of Banking. These fair value changes recognised in Banking for the reporting period totalled EUR 35 million.

Expenses increased by 2.0% to EUR 269 million (264). ICT costs increased by EUR 7 million, or by 16.7%, as a result of heavy investments in development and growth in volumes.

Personnel costs decreased by EUR 3 million to EUR 120 million (123).

Non-life Insurance

- Earnings before tax amounted to EUR 59 million (66). Earnings before tax at fair value were EUR 76 million (105).
- Insurance premium revenue increased by 3.2% (5.1).
- The operating combined ratio was 88.6% (87.2) and operating expense ratio 18.1% (17.9). The combined ratio was 90.2% (88.8).
- Return on investments at fair value was 1.7% (2.6).

Non-life Insurance: key figures and ratios

€ million	Q1/2016	Q1/2015	Change, %	Q1-4/2015
Insurance premium revenue	347	336	3.2	1,396
Claims incurred	-245	-233	5.0	-972
Operating expenses	-63	-60	4.5	-247
Amortisation adjustment of intangible assets	-5	-5	-0.3	-21
Balance on technical account	**34**	**38**	**-9.1**	**156**
Net investment income	39	49	-20.4	164
Other income and expenses	-14	-20	-29.5	-61
Earnings before tax	**59**	**66**	**-11.3**	**259**
Gross change in fair value reserve	17	38	-54.4	-87
Earnings before tax at fair value	**76**	**105**	**-27.0**	**171**
Combined ratio, %	90.2	88.8		88.8
Operating combined ratio, %	88.6	87.2		87.3
Operating loss ratio, %	70.5	69.3		69.6
Operating expense ratio, %	18.1	17.9		17.7
Operating risk ratio, %	65.0	63.8		64.2
Operating cost ratio, %	23.6	23.4		23.1
Return on investments at fair value, %	1.7	2.6		2.3
Solvency ratio (Solvency II), %*	160			158
Large claims incurred retained for own account	-15	-9		-60
Changes in claims for provisions of previous years (run-off result)	20	18		32

* including transitional provisions.

Insurance premium revenue from Private Customers continued to grow. Insurance premiums revenue from Corporate Customers were lower than a year ago as the economic situation remained challenging. Insurance sales increased slightly year on year.

Measured by the market share in terms of premiums written, OP Financial Group is clearly Finland's largest non-life insurer.

The number of premier customer households increased by 6,000 to 683,000 in the reporting period, of which up to 76% also use OP Financial Group member cooperative banks as their main bank.

Developing online and mobile services in both insurance and claims ranks among key Non-life Insurance priorities. The vahinkoapu.op.fi site (claims assistance) and the new loss report service on OP-mobile have been in frequent use since their launch late last year. Almost up to 70% of loss reports of private customers are filed through electronic channels.

Extending health and wellbeing services nationwide is making good progress. Alongside the Omasairaala hospital based in Helsinki, OP will open a new hospital in Tampere in August 2016. During 2017, the Group will open new hospitals in Kuopio and Oulu.

Earnings

Earnings before tax amounted to EUR 59 million (66). Net investment income recognised in the income statement decreased by EUR 10 million. Earnings before tax at fair value amounted to EUR 76 million (105).

The operating combined ratio was 88.6% (87.2). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue € million	Q1/2016	Q1/2015	Change, %
Private Customers	186	174	7.1
Corporate Customers	147	149	-1.2
Baltics	14	14	2.5
Total	347	336	3.2

Claims incurred increased by 5%. Claims incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 24 (17) in January–March, with their claims incurred retained for own account totalling EUR 15 million (9). The change in provisions for unpaid claims under statutory pension decreased year on year, being EUR 5 million (6) between January and March.
On 31 March 2016, the average discount rate was 2.15%. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 13 million (17). The changed discount rate weakened the operating combined ratio by 3.9 percentage points (4.9).

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 20 million (18). The operating loss ratio was 70.5% (69.3). The operating risk ratio excluding indirect loss adjustment expenses was 65.0% (63.8).

Operating expenses grew by 4.5%, being EUR 3 million higher than a year ago, due to higher sales commissions and portfolio management fees. The operating expense ratio was 18.1% (17.9). The operating cost ratio (including indirect loss adjustment expenses) was 23.6% (23.4).

Operating balance on technical account and combined ratio (CR)

	Q1/16		Q1/15	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	29	84.4	29	83.3
Corporate Customers	11	92.3	14	90.5
Baltics	-1	106	0	101.7
Total	40	88.6	43	87.2

Investment

Return on investments at fair value totalled EUR 56 million (91), or 1.7% (2.6). The first-quarter return on investments was positive because of lower interest rates and corporate bond risk premiums. Net investment income recognised in the income statement amounted to EUR 39 million (49).

Investment portfolio by asset class

%	31 March 2016	31 Dec. 2015
Bonds and bond funds	75.7	76.6
Alternative investments	0.8	0.8
Equities	6.8	6.7
Private equity	3.2	3.4
Real property	9.9	9.9
Money markets	3.6	2.5
Total	100	100

On 31 March 2016, Non-life Insurance's investment portfolio totalled EUR 3,775 million (3,687). The fixed-income portfolio by credit rating remained healthy, considering that investments within the investment-grade category accounted for 92% (93), and 64% (63) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.9 years (5.7) and the duration 5.5 years (5.2).

The running yield for direct bond investments averaged 1.79% (1.77) at the end of March.

Wealth Management

- Earnings before tax amounted to EUR 75 million (93). Earnings before tax at fair value decreased by 28% to EUR 98 million (136).
- Life Insurance net investment income and the segments net commissions and fees decreased year on year.
- Return on investments at fair value was 1.7% (2.4).
- The gross amount of assets under management remained at the previous year's level but decreased by 1.9% from its December-end level, totalling EUR 67.2 billion on 31 March 2016.

Wealth Management: key figures and ratios

€ million	Q1/2016	Q1/2015	Change, %	Q1-4/2015
Net commissions and fees				
Funds and asset management	46	50	-9.0	188
Life insurance	51	48	5.5	171
Expenses	47	43	8.5	163
of which accrued customer bonuses	6	5	10.9	23
Total net commissions and fees	**50**	**55**	**-10.0**	**196**
Life Insurance's net risk results	6	6	-7.6	21
Net investment income from Life Insurance	42	59	-28.7	98
Other income	5	0		5
Personnel costs	8	9	-5.6	32
Other expenses	19	19	0.0	76
Earnings before tax	**75**	**93**	**-19.4**	**213**
Gross change in fair value reserve	24	44		-54
Earnings before tax at fair value	**98**	**136**	**-27.9**	**159**
€ billion	31 March 2016	31 March 2015	Change, %	31 Dec. 2015
Assets under management (gross)				
Mutual funds	20.7	19.4	7.0	21.7
Institutional clients	23.2	24.7	-5.9	23.5
Private Banking	15.0	14.4	4.5	14.6
Unit-linked insurance savings	8.3	8.6	-3.1	8.7
Total assets under management (gross)	**67.2**	**67.0**	**0.3**	**68.5**
€ million				
Net inflows				
Investor and saver customers	-81	289	-127.9	666
Private Banking clients	39	121	-68.1	469
Institutional clients	-115	-150	-23.4	-187
Total net inflows	**-157**	**260**	**-160.4**	**948**
Market share, %	31 March 2016	31 March 2015	Change, %	31 Dec. 2015
Mutual funds	21.6	20.2	1.4*	22.2

* Change in ratio

Greater uncertainty in capital markets weakened demand for Wealth Management products during the reporting period. Year on year, net inflows declined, amounting to EUR –157 million (260).

During the reporting period, the gross amount of assets under management decreased by 1.9% due to lower net inflows and negative value performance in stock markets. Assets under management totalled EUR 67.2 billion (68.5), this amount including EUR 11 billion in assets of the companies belonging to OP Financial Group.

The number of investor and saver customers fell by 6,300 (increased by 11,000) in the reporting period, totalling 748,000 on 31 March 2016. This fall was mainly due to the effect of the general economic outlook and capital market uncertainty on customer behaviour.

The risk-adjusted return of OP Mutual Funds remained good in the reporting period. The Morningstar rating for OP Mutual Funds was 3.1 (3.2).

During the reporting period, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 39% (38) of mutual fund subscriptions.

Earnings

Earnings before tax decreased to EUR 75 million (93). Earnings before tax at fair value were EUR 98 million (136).

Net commissions and fees decreased by 10.0% year on year, amounting to EUR 50 million (55). Net commissions and fees accounted for 0.28% (0.36) of the gross amount of the assets under management.

Life Insurance's return on investments (excluding the separated balance sheet transferred from Suomi Mutual) at fair value was 1.7% (2.4). Life Insurance's net investment income, excluding the performance of derivatives that hedge the interest rate risk of insurance liabilities and the technical rate of interest, totalled EUR 44 million (58).

Expenses were EUR 1 million lower than a year ago. Wealth Management's operating cost/income ratio weakened to 46.5% (42.5), due to reduced income. Expenses accounted for 0.16% (0.15) of the gross amount of the assets under management.

Interest-rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheet) totalled EUR 483 million (404) on 31 March 2016. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 39 million (52) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, derivatives covering insurance liability and the separated balance sheet, amounted to EUR 4,089 million (4,032). Investments within the investment-grade category accounted for 94% (96) of the fixed-income portfolio. On 31 March 2016, the portfolio's modified duration was 5.0 (4.7).

Investment portfolio by asset class

%	31 March 2016	31 Dec. 2015
Bonds and bond funds	77.2	76.2
Alternative investments	5.2	5.7
Equities and equity funds	4.6	5.1
Real property	6.5	6.6
Money markets	6.5	6.4
Total	**100**	**100**

Return on investments on the separated Life Insurance balance sheet

Suomi Mutual's individual life insurance portfolio transferred to OP Life Assurance Company Ltd on 31 December 2015. In connection with the portfolio transfer, a separated balance sheet was created out of the portfolio with a profit distribution policy differing from other life insurance operations.

On 31 March, investments assets covering the separated portfolio amounted to EUR 1,275 million. Of the investments, bonds and bond funds accounted for 77%, alternative investments for 4%, equities and equity funds for 5%, real property for 6% and money market investments for 8%. Return on investments at fair value was 1.1%.

Other Operations

Other Operations: key figures and ratios

€ million	Q1/2016	Q1/2015	Change, %	Q1-4/2015
Net interest income	-8	-9	-18.5	-52
Net trading income	25	-4		0
Net investment income	6	9	-30.5	89
Other income	96	124	-22.5	501
Expenses	121	147	-17.7	551
Earnings before tax	**-1**	**-28**	**-95.9**	**-13**
€ billion	**31 March 2016**	**31 March 2015**	**Change, %**	**31 Dec. 2015**
Receivables from credit institutions	11	10	8.8	11
Investment assets	18	14	33.3	16
Liabilities to credit institutions	6	5	20.3	4
Debt securities issued to the public	18	17	2.4	18

Earnings

Earnings before tax reported by Other Operations amounted to EUR –1 million (–28). The earnings improvement came from higher net trading income and lower expenses. Net commissions and fees and net investment income decreased year on year.

Net interest income was EUR –8 million (–9). On 31 March 2016, the average margin of OP Financial Group's senior wholesale funding was 38 basis points (39).

As from the beginning of the reporting period, the Group's internal operating model was changed by transferring the Markets division's derivates and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. This change added to net trading income reported by the Other Operations segment as a result of an increase in net income from securities trading and foreign exchange trading.

Other income decreased to EUR 96 million due to higher commission expenses, being EUR 28 million lower than a year ago.

Expenses declined by EUR 26 million to EUR 121 million. Personnel costs decreased by EUR 6 million to EUR 47 million. Non-recurring expenses, totalling EUR 5 million, related to the reorganisation of the central cooperative consolidated, added to the expenses for the reporting period a year ago. ICT costs decreased by EUR 12 million to EUR 34 million. A year ago, higher other expenses were explained by non-recurring expenses related to the reconstruction of the Vallila premises.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period include the accounts of 177 member cooperative banks (178) including Group companies, OP Cooperative Consolidated and OVY Insurance Ltd. During the reporting period, the merger of Östra Korsholms Andelsbank into Vasa Andelsbank reduced the number of member cooperative banks. The merger was registered on 29 February 2016.

Enon Osuuspankki, Ilomantsin Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki have prepared a merger plan, according to which Enon Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki will merge into Ilomantsin Osuuspankki. In connection with the merger, Ilomantsin Osuuspankki would be renamed Vaara-Karjalan Osuuspankki. The representative assembly of each member cooperative bank involved in the merger accepted the merger plan on 12 April 2016. The planned date for registration of the merger is 31 December 2016.

Puolangan Osuuspankki and Suomussalmen Osuuspankki have prepared a merger plan, according to which the former will merge into the latter. In connection with the merger, Suomussalmen Osuuspankki would be renamed Ylä-Kainuun Osuuspankki. The representative assembly of both member cooperative banks involved in the merger accepted the merger plan on 13 April 2016. The planned date for registration of the merger is 31 December 2016.

Keiteleen Osuuspankki and Pielaveden Osuuspankki had previously accepted a merger plan, according to which the former will merge into latter. The merged banks will be renamed Nilakan Seudun Osuuspankki. The merger is planned to be registered during 2016.

Helsinki OP Bank Ltd converted its legal form to a cooperative bank with the amended legal form effective since 1 April 2016. The bank's new business name is Helsinki Area Cooperative Bank (OP Helsinki). The changed legal form has made customer ownership within OP Financial Group possible across Finland. OP Helsinki as subsidiary is part of OP Financial Group central cooperative consolidated. The central cooperative will continue to have a major role in capitalising the new bank, which is why OP Cooperative exercises control over OP Helsinki, according to OP Helsinki's Bylaws.

Personnel and remuneration

On 31 March 2016, OP Financial Group had 12,207 employees (12,130). The number of employees averaged 12,150 (12,174). OP Financial Group continued to invest in the development of digital business and customer experience and increased personnel in these activities during the first quarter.

During the reporting period, 66 OP Financial Group employees (54) retired, at an average age of 61.8 years (61.4).

OP Financial Group's scheme for variable remuneration comprises short-term company-specific incentives and long-term Group-wide incentives.

The long-term scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff.

The long-term management incentive scheme has been confirmed for 2014–2016. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the Group's incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2014–2016 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance indicators: OP Financial Group's EBT, the Group's CET1 ratio and the growth rate of the number of customers using OP as their main bank and insurer. The Group-level targets are the same both in the management incentive scheme and OP Financial Group's Personnel Fund.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 15 March 2016. The Meeting re-elected for the term of three years ending in 2019 the following members to the Supervisory Board who were due to resign: Product Group Director Ola Eklund, entrepreneur Leif Enberg and senior lecturer Mervi Väisänen.

New members elected to the Supervisory Board for a three-year term ending in 2019 were Deputy Director Taija Jurmu, senior lecturer Marja-Liisa Kaakko and dean Petri Sahlström.

In addition, the Meeting elected the following Supervisory Board members replacing those who had requested resignation from the Supervisory Board during their mid-term: Managing Director Anne Harju (2016-2018), Health Centre Physician Terttu Hällförs (2016-2017), APA Katja Kuosa-Kaartti (2016-2018), Managing Director Timo Laine (2016-2017) and CEO Olli Näsi (2016-2018). The Supervisory Board comprises 34 members.

At its first meeting after the Annual Cooperative Meeting, the Supervisory Board elected Professor Jaakko Pehkonen to act as Chair and Senior Lecturer Mervi Väisänen and Managing Director Olli Tarkkanen to act as Vice Chairs.

Upon decision made by the Annual Cooperative Meeting to alter the Cooperative Bylaws, the maximum number of Executive Board members increased from eight to nine, in addition to the Executive Board Chair and Vice Chair. As a result, Outi Taivainen, Executive Vice President of Human Resources, becomes an ordinary Executive Board member (previously deputy member).

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Raija-Leena Hankonen, APA, acting as the Auditor-in-charge, appointed by KPMG Oy Ab.

Capital expenditure and service development

OP Cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT investments and related specifications make up a significant portion of the costs of developing these services.

OP Financial Group's development expenditure for January–March totalled EUR 59 million (30). These include licence fees, purchased services, other external costs related to projects and inhouse work. The capitalised development expenditure totalled EUR 36 million.

OP Financial Group income statement

EUR million	Note	Q1/ 2016	Q1/ 2015
Interest income		587	644
Interest expenses		319	388
Net interest income before impairment losses	3	**267**	**256**
Impairments of receivables	4	11	21
Net interest income after impairments		**257**	**234**
Net income from Non-life Insurance	5	142	169
Net income from Life Insurance operations	6	91	104
Net commissions and fees	7	183	199
Net trading income	8	15	24
Net investment income	9	9	19
Other operating income	10	10	12
Total net income		**707**	**760**
Personnel costs		201	214
Other administrative expenses		106	102
Other operating expenses		70	82
Total expenses		**377**	**399**
Returns to owner-customers and accrued customer bonuses		48	46
Share of associates' profits/losses accounted for using the equity method		2	4
Earnings before tax for the period		**284**	**320**
Income tax expense		54	63
Profit for the period		**229**	**257**

Attributable to, EUR million		
Profit for the period attributable to owners	229	256
Profit for the period attributable to non-controlling interest	0	1
Total	**229**	**257**

OP Financial Group statement of comprehensive income

EUR million	Q1/ 2016	Q1/ 2015
Profit for the period	**229**	**257**
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	-193	-175
Items that may be reclassified to profit or loss		
Change in fair value reserve		
Measurement at fair value	55	152
Cash flow hedge	16	7
Translation differences	0	0
Income tax on other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	39	35
Items that may be reclassified to profit or loss		
Measurement at fair value	-11	-30
Cash flow hedge	-3	-1
Total comprehensive income for the period	**132**	**245**

Attributable to, EUR million		
Profit for the period attributable to owners	115	237
Profit for the period attributable to non-controlling interest	17	7
Total	**132**	**245**

OP Financial Group balance sheet

EUR million	Note	31 March 2016	31 Dec. 2015
Cash and cash equivalents		5,042	8,581
Receivables from credit institutions		344	425
Financial assets at fair value through profit or loss		1,006	928
Derivative contracts	13	5,979	5,696
Receivables from customers	15	75,825	75,192
Non-life Insurance assets	16	4,302	4,067
Life Insurance assets	17	13,533	13,858
Investment assets		14,360	12,423
Investment accounted for using the equity method		93	93
Intangible assets		1,410	1,395
Property, plant and equipment (PPE)		838	843
Other assets		1,395	1,526
Tax assets		170	118
Total assets		**124,296**	**125,145**
Liabilities to credit institutions		1,298	1,673
Financial liabilities at fair value through profit or loss		1	0
Derivative contracts		5,514	5,345
Liabilities to customers		58,436	58,220
Non-life Insurance liabilities	18	3,569	3,159
Life Insurance liabilities	19	13,318	13,532
Debt securities issued to the public	20	26,703	27,706
Provisions and other liabilities		3,527	3,625
Tax liabilities		899	866
Supplementary cooperative capital		104	106
Subordinated liabilities		1,545	1,590
Total liabilities		**114,915**	**115,822**
Equity capital			
Share of OP Financial Group's owners			
Share and cooperative capital		2,621	2,656
Share capital		0	0
Membership capital contributions		153	154
Profit shares		2,468	2,502
Fair value reserve	21	282	242
Other reserves		2,108	2,085
Retained earnings		4,284	4,271
Non-controlling interests		86	70
Total equity capital		**9,381**	**9,324**
Total liabilities and equity capital		**124,296**	**125,145**

OP Financial Group statement of changes in equity

EUR million	Cooperative capital	Fair value reserve**	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2015	**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**
Total comprehensive income for the period	-	121	-	116	**237**	7	**245**
Profit for the period				256	**256**	1	**257**
Other comprehensive income	-	121	-	-140	**-18**	6	**-12**
Increase in cooperative capital	285		-	-	**285**	-	**285**
Transfer of reserves	-	-	220	-220	**-**	-	-
Profit distribution	-	-	-	-19	**-19**	-	**-19**
Other	-	-	-	-2	**-2**	-10	**-12**
Balance at 31 March 2015	**1,993**	**546**	**2,216**	**2,889**	**7,645**	**66**	**7,711**

EUR million	Cooperative capital	Fair value reserve**	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2016	**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**
Total comprehensive income for the period	-	40	-	75	**115**	17	**132**
Profit for the period				229	**229**	0	**229**
Other comprehensive income	-	40	-	-154	**-114**	17	**-97**
Increase in cooperative capital	-35		-	-	**-35**	-	**-35**
Transfer of reserves	-	-	23	-23	**-**	-	-
Profit distribution	-	-	-	-38	**-38**	-	**-38**
Other	-	-	-	-2	**-2**	-1	**-3**
Balance at 31 March 2016	**2,621**	**282**	**2,107**	**4,284**	**9,295**	**86**	**9,381**

** Note 21.

OP Financial Group cash flow statement

EUR million	Q1/ 2016	Q1/ 2015
Cash flow from operating activities		
Profit for the period	229	257
Adjustments to profit for the period	1,349	298
Increase (-) or decrease (+) in operating assets	**-2,560**	**-2,762**
Receivables from credit institutions	89	83
Financial assets at fair value through profit or loss	-278	166
Derivative contracts	2	-35
Receivables from customers	-630	-710
Non-life Insurance assets	-220	-319
Life Insurance assets	211	-382
Investment assets	-1,783	-1,078
Other assets	49	-487
Increase (+) or decrease (-) in operating liabilities	**-1,564**	**1,817**
Liabilities to credit institutions	-374	331
Financial liabilities at fair value through profit or loss	1	-3
Derivative contracts	-7	46
Liabilities to customers	216	265
Non-life Insurance liabilities	142	104
Life Insurance liabilities	-1,148	303
Provisions and other liabilities	-393	770
Income tax paid	-48	-36
Dividends received	29	33
A. Net cash from operating activities	**-2,563**	**-392**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-1	-
Decreases in held-to-maturity financial assets	3	52
Disposal of subsidiaries, net of cash disposed	0	-
Purchase of PPE and intangible assets	-57	-55
Proceeds from sale of PPE and intangible assets	10	1
B. Net cash used in investing activities	**-45**	**-3**
Cash flow from financing activities		
Decreases in subordinated liabilities	-57	0
Increases in debt securities issued to the public	6,295	9,284
Decreases in debt securities issued to the public	-7,153	-8,840
Increases in cooperative and share capital	403	2,278
Decreases in cooperative and share capital	-440	-2,016
Dividends paid and interest on cooperative capital	0	-2
C. Net cash from financing activities	**-951**	**704**
Net change in cash and cash equivalents (A+B+C)	**-3,559**	**309**
Total change in cash and cash equivalents	**-3,559**	**309**
Cash and cash equivalents at period-start	**8,708**	**4,176**
Cash and cash equivalents at period-end	**5,148**	**4,485**
Interest received	**608**	**638**
Interest paid	**-463**	**-498**
Cash and cash equivalents		
Liquid assets*	5,051	4,373
Receivables from credit institutions payable on demand	97	111
Total	**5,148**	**4,485**

***Of which Non-life Insurance liquid assets amount to 9 million euros (6) and Life Insurance liquid assets 0 million euros (12).

OP Financial Group segment reporting

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to Banking in such a way that the CET1 ratio is 18% (11%). Capital has been allocated to Non-life Insurance in such a way that the Solvency ratio (SII) is 120% and 130% in life insurance. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Income statement and balance sheet by segment 1 Jan–31 March 2016

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	330	0	1	341	-86	587
Interest expenses	52	5	0	349	-86	319
Net interest income before impairment losses	**279**	**-5**	**1**	**-8**	**0**	**267**
- of which internal net income before tax	-6	-4	1	9	0	**0**
Impairment losses on receivables	10	0	-	0	0	11
Net interest income after impairment losses	**268**	**-5**	**1**	**-8**	**0**	**257**
Net income from Non-life Insurance	-	152	-	0	-10	142
Net income from Life Insurance	-	-	-	-	91	91
Life Insurance’s net interest and risk result	-	-	48	-	-48	0
Net commissions and fees	202	-14	-	-21	15	183
Commissions and fees from fund and asset management	-	-	43	-	-43	0
Commissions and fees from life insurance	-	-	51	-	-51	0
Commission expenses	-	-	-47	-	47	0
Net trading income	-22	0	0	25	11	15
Net investment income	6	0	0	6	-4	9
Other operating income	6	2	3	117	-118	10
Personnel costs	120	26	8	47	0	201
Other administrative expenses	98	31	12	54	-89	106
Other operating expenses	52	19	7	20	-29	70
Returns to owner-customers and accrued customer bonuses	42	-	0	-	6	48
Share of associates' profits/losses	1	0	0	0	0	2
Earning before tax	**151**	**59**	**75**	**-1**	**0**	**284**
Income tax expense						54
Profit for the period						**229**

Balance sheet 31 March 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	108	0	-	4,935	-	5,042
Receivables from credit institutions	5,488	6	33	11,275	-16,457	344
Financial assets at fair value through profit or loss	89	-	0	923	-6	1,006
Derivative contracts	574	-	-	5,868	-463	5,979
Receivables from customers	76,052	0	0	869	-1,097	75,825
Non-life Insurance assets	-	4,664	0	-	-363	4,302
Life Insurance assets	-	-	14,135	-	-603	13,533
Investment assets	6,366	16	1	18,309	-10,332	14,360
Investment in associates	42	2	28	0	21	93
Intangible assets	63	693	375	282	-3	1,410
Property, plant and equipment	489	46	17	299	-13	838
Other assets	255	9	30	1,576	-476	1,395
Tax assets	66	7	13	57	28	170
Total assets	**89,591**	**5,444**	**14,632**	**44,392**	**-29,763**	**124,296**

Balance sheet 31 March 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	10,474	-	-	6,106	-15,282	1,298
Financial liabilities at fair value through profit or loss	-	-	0	1	-	1
Derivative contracts	255	-	-	5,765	-505	5,514
Liabilities to customers	53,634	-	0	6,401	-1,599	58,436
Non-life Insurance liabilities	-	3,578	-	-	-9	3,569
Life Insurance liabilities	-	-	13,367	-	-48	13,318
Debt securities issued to the public	10,291	-	-	17,504	-1,092	26,703
Provisions and other liabilities	1,838	80	36	2,063	-492	3,527
Tax liabilities	416	87	84	299	14	899
Cooperative capital	254	-	-	5,857	-6,007	104
Subordinated liabilities	82	135	271	1,554	-497	1,545
Total liabilities	**77,244**	**3,880**	**13,758**	**45,549**	**-25,517**	**114,915**
Equity capital						**9,381**

Income statement and balance sheet by segment 1 Jan–31 March 2015

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	700	0	0	99	-156	644
Interest expenses	428	6	1	108	-155	388
Net interest income before impairment losses	**272**	**-6**	**-1**	**-9**	**-1**	**256**
- of which internal net income before tax	-6	-5	0	10	**0**	**0**
Impairment losses on receivables	22	-	-	0	0	21
Net interest income after impairment losses	**250**	**-6**	**-1**	**-9**	**0**	**234**
Net income from Non-life Insurance	-	162	-	-1	8	169
Net income from Life Insurance	-	-	0	-	104	104
Life Insurance’s net interest and risk result	-	-	65	-	-65	-
Net commissions and fees	184	-12	-	4	24	199
Commissions and fees from fund and asset management	-	-	43	-	-43	-
Commissions and fees from life insurance	-	-	48	-	-48	-
Commission expenses	-	-	-43	-	43	-
Net trading income	39	-	0	-4	-12	24
Net investment income	11	-	0	9	-1	19
Other operating income	8	1	0	120	-117	12
Personnel costs	123	30	9	52	0	214
Other administrative expenses	90	30	11	63	-93	102
Other operating expenses	50	18	9	31	-26	82
Returns to owner-customers and accrued customer bonuses	40	-	0	-	5	46
Share of associates' profits/losses	3	0	0 -		0	4
Earning before tax	**192**	**66**	**93**	**-28**	**-3**	**320**
Income tax expense						63
Profit for the period						**257**

Balance sheet 31 March 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	121	0	-	4,234	-	4,355
Receivables from credit institutions	4,478	5	30	10,366	-14,399	480
Financial assets at fair value through profit or loss	546	-	-	-132	-11	403
Derivative contracts	7,905	-	-	320	-495	7,731
Receivables from customers	71,984	-	0	533	-1,160	71,357
Non-life Insurance assets	-	4,493	-	0	-364	4,129
Life Insurance assets	-	-	13,146	-	-644	12,502
Investment assets	5,223	16	0	13,731	-8,454	10,516
Investment in associates	38	2	28	-	0	68
Intangible assets	64	702	366	203	-3	1,331
Property, plant and equipment	486	50	9	263	-13	795
Other assets	1,225	8	45	1,532	-287	2,523
Tax assets	114	7	7	41	29	198
Total assets	**92,184**	**5,283**	**13,631**	**31,093**	**-25,802**	**116,389**

Balance sheet 31 March 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	11,210	-	-	5,080	-14,184	2,106
Financial liabilities at fair value through profit or loss	1	-	-	-	-	1
Derivative contracts	6,866	-	-	337	-517	6,685
Liabilities to customers	49,439	-	8	2,954	-972	51,429
Non-life Insurance liabilities	-	3,381	-	-	-21	3,360
Life Insurance liabilities	-	-	12,375	-	-37	12,338
Debt securities issued to the public	9,954	-	-	17,088	-987	26,054
Provisions and other liabilities	2,562	82	51	2,081	-302	4,474
Tax liabilities	449	120	95	346	6	1,016
Cooperative capital	313	-	-	4,606	-4,750	169
Subordinated liabilities	69	50	91	1,058	-222	1,046
Total liabilities	**80,862**	**3,633**	**12,619**	**33,551**	**-21,987**	**108,678**
Equity capital						**7,711**

Note 1. Accounting policies

The Interim Report for 1 January–31 March 2016 has been prepared in accordance with the accounting policies of IAS 34 (Interim Financial Reporting) and with those presented in the Consolidated Financial Statements 2015.

The Interim Report is based on unaudited information. Since all figures in this Interim Report have been rounded off, the sum of single figures may differ from the presented sum total.

Note 2. OP Financial Group's formulas for key figures and ratios

	Q1/ 2016	Q1/ 2015
Return on equity, %	9.9	14.0
Return on equity at fair value, %	5.7	13.3
Return on assets, %	0.74	0.92
Cost/income ratio, %	52	51
Average personnel	12,150	12,220
Full-time	11,362	11,318
Part-time	788	902

Return on equity (ROE), %

$$\frac{\text{Profit for the period}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$$

Return on equity at fair value, %

$$\frac{\text{Total comprehensive income for the period}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$$

Return on assets (ROA), %

$$\frac{\text{Profit for the period}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$$

Equity ratio, %

$$\frac{\text{Equity capital}}{\text{Total assets}} \times 100$$

Cost/income ratio, %

$$\frac{\text{Personnel costs + other administrative expenses + other operating expenses}}{\text{Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses}} \times 100$$

Common Equity Tier 1 ratio, % (CET1)*

$$\frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk exposure amount}} \times 100$$

*Common Equity Tier 1 capital (CET1) as defined in Article 26 of EU Regulation 575/2013 and total risk exposure amount as defined in Article 92.

Tier 1 ratio, %

$$\frac{\text{Total Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$$

Capital adequacy ratio, %

$$\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$$

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates

$$\frac{\text{Conglomerate's total capital}}{\text{Conglomerate's total minimum capital requirement}} \times 100$$

Return on economic capital, %

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

Non-life Insurance:

Combined ratio (excl. unwinding of discount), %	Loss ratio + expense ratio Risk ratio + cost ratio
Loss ratio (excl. unwinding of discount)	$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Expense ratio	$\frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \times 100$
Risk ratio (excl. unwinding of discount), %	$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Operating combined ratio, %	Operating loss ratio + Operating expense ratio Operating risk ratio + Operating cost ratio
Operating risk ratio (excl. unwinding of discount)	$\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$
Operating loss ratio, %	$\frac{\text{Claims incurred, excl. changes in reserving bases}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$
Operating expense ratio	$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$
Cost ratio, %	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Operating cost ratio	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$
Solvency ratio, %	$\frac{\text{Solvency capital}}{\text{Insurance premium revenue}} \times 100$
Solvency ratio, %*)	$\frac{\text{Capital base}}{\text{Capital requirement (SCR)}} \times 100$

*) According to the proposed Solvency II framework

Life Insurance:

Operating cost ratio, %	$\frac{\text{Operating expenses before change in deferred acquisitions costs + loss adjustment expenses}}{\text{Expense loading}} \times 100$

Note 3. Net interest income

EUR million	Q1/ 2016	Q1/ 2015
Loans and other receivables	304	322
Receivables from credit institutions and central banks	1	-1
Notes and bonds	37	44
Derivatives (net)		
Derivatives held for trading	32	21
Derivatives under hedge accounting	17	15
Ineffective portion of cash flow hedge	1	1
Negative net interest	-5	-
Liabilities to credit institutions	-1	-1
Liabilities to customers	-28	-40
Debt securities issued to the public	-77	-90
Subordinated debt	-11	-9
Hybrid capital	-2	-2
Financial liabilities held for trading	0	0
Other (net)	0	-3
Net interest income before fair value adjustment under hedge accounting	**267**	**256**
Hedging derivatives	-8	-4
Value change of hedged items	8	3
Total net interest income	**267**	**256**

Note 4. Impairments of receivables

EUR million	Q1/ 2016	Q1/ 2015
Receivables eliminated as loan or guarantee losses	11	17
Recoveries of receivables written off	-3	-3
Increase in impairment losses on individually assessed receivables	19	24
Decrease in impairment losses on individually assessed receivables	-13	-17
Collectively assessed impairment losses	-3	1
Total	**11**	**21**

Note 5. Net income from Non-life Insurance

EUR million	Q1/ 2016	Q1/ 2015
Net insurance premium revenue		
Premiums written	628	629
Insurance premiums ceded to reinsurers	-21	-22
Change in provision for unearned premiums	-269	-281
Reinsurers' share	9	10
Total	**347**	**336**
Net Non-life Insurance claims		
Claims paid	214	209
Insurance claims recovered from reinsurers	-3	-9
Change in provision for unpaid claims	16	-3
Reinsurers' share	-5	15
Total	**222**	**212**
Net investment income, Non-life Insurance		
Interest income	11	11
Dividend income	11	10
Property	1	1
Capital gains and losses		
Notes and bonds	15	8
Shares and participations	1	31
Loans and receivables	-	-
Property	0	-
Derivatives	3	-1
Fair value gains and losses		
Notes and bonds	-2	2
Shares and participations	-1	-1
Loans and receivables	0	1
Property	1	-1
Derivatives	-8	-6
Impairments	-4	0
Other	0	0
Total	**28**	**56**
Unwinding of discount	-9	-10
Other	-2	-2
Net income from Non-life Insurance	**142**	**169**

Note 6. Net income from Life Insurance

EUR million	Q1/ 2016	Q1/ 2015
Premiums written	245	376
Reinsurers' share	-5	-5
Total	**241**	**371**
Claims incurred		
Benefits paid	-387	-207
Change in provision for unpaid claims	-3	-1
Reinsurers' share	2	3
Change in insurance liabilities		
Change in life insurance provision	-917	-806
Reinsurers' share	0	4
Total	**-1,306**	**-1,009**
Other	1,209	-168
Total	**144**	**-805**
Net investment income, Life Insurance		
Interest income	15	11
Dividend income	15	16
Property	0	1
Capital gains and losses		
Notes and bonds	10	10
Shares and participations	2	45
Loans and receivables	-	1
Derivatives	36	-25
Fair value gains and losses		
Notes and bonds	11	2
Loans and receivables	-1	0
Property	1	0
Derivatives	115	85
Impairments	-8	-4
Other	0	0
Assets serving as cover for unit-linked policies		
Shares and participations		
Capital gains and losses	-29	31
Fair value gains and losses	-234	721
Other	15	14
Total	**-53**	**909**
Net income from Life Insurance	**91**	**104**

Note 7. Net commissions and fees

EUR million	Q1/ 2016	Q1/ 2015
Commission income		
Lending	52	52
Deposits	1	1
Payment transfers	62	60
Securities brokerage	3	7
Securities issuance	2	3
Mutual funds brokerage	35	34
Asset management and legal services	21	24
Insurance brokerage	27	31
Guarantees	5	5
Other	20	22
Total commission income	**227**	**239**
Commission expenses		
Payment transfers	17	14
Securities brokerage	5	3
Securities issuance	0	0
Asset management and legal services	4	5
Insurance operations	10	10
Other	8	7
Total commission expenses	**44**	**39**
Total net commissions and fees	**183**	**199**

Note 8. Net trading income

EUR million	Q1/ 2016	Q1/ 2015
Capital gains and losses		
Notes and bonds	-2	1
Shares and participations	0	2
Derivatives	10	44
Changes in fair value		
Notes and bonds	4	0
Shares and participations	-1	4
Derivatives	-5	-25
Dividend income	0	0
Net income from foreign exchange operations	9	-3
Total	**15**	**24**

Note 9. Net investment income

EUR million	Q1/ 2016	Q1/ 2015
Available-for-sale financial assets		
Capital gains and losses		
Notes and bonds	4	4
Shares and participations	2	7
Dividend income	2	7
Impairment losses	0	0
Carried at amortised cost		
Capital gains and losses	0	-2
Total	**8**	**16**
Investment property		
Rental income	11	11
Maintenance charges and expenses	-9	-7
Changes in fair value, capital gains and losses	-1	0
Other	0	0
Total	**0**	**3**
Net investment income	**9**	**19**

Note 10. Other operating income

EUR million	Q1/ 2016	Q1/ 2015
Income from property and business premises in own use	3	4
Rental income from assets rented under operating lease	1	1
Other	6	6
Total	**10**	**12**

Note 11. Classification of financial assets and liabilities

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and cash equivalents	5,042	-	-	-	-	5,042
Receivables from credit institutions	344	-	-	-	-	344
Derivative contracts	-	-	5,317	-	662	5,979
Receivables from customers	75,825	-	-	-	-	75,825
Non-life Insurance assets	899	-	196	3,207	-	4,302
Life Insurance assets	201	-	9,587	3,745	-	13,533
Notes and bonds	-	105	937	13,168	-	14,210
Shares and participations	-	-	69	572	-	641
Other financial assets	1,395	-	-	-	-	1,395
Financial assets	**83,706**	**105**	**16,105**	**20,691**	**662**	**121,271**
Other than financial instruments						3,025
Total 31 March 2016	**83,706**	**105**	**16,105**	**20,691**	**662**	**124,296**
Total 31 Dec. 2015	**89,632**	**108**	**15,110**	**19,760**	**536**	**125,145**

EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities				
Liabilities to credit institutions	-	1,298	-	1,298
Financial liabilities held for trading (excl. derivatives)	1	-	-	1
Derivative contracts	5,151	-	363	5,514
Liabilities to customers	-	58,436	-	58,436
Non-life Insurance liabilities	0	3,569	-	3,569
Life Insurance liabilities	8,287	5,031	-	13,318
Debt securities issued to the public	-	26,703	-	26,703
Subordinated loans	-	1,545	-	1,545
Other financial liabilities	-	2,724	-	2,724
Financial liabilities	**13,440**	**99,307**	**363**	**113,109**
Other than financial liabilities				1,806
Total 31 March 2016	**13,440**	**99,307**	**363**	**114,915**
Total 31 Dec. 2015	**13,683**	**101,786**	**352**	**115,822**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March, the fair value of these debt instruments was EUR 595 million (441) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 12. Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	495	498	14	1,006
Non-life Insurance	-	-	-	-
Life Insurance*	6,614	2,681	22	9,318
Derivative financial instruments				
Banking	11	5,790	178	5,979
Non-life Insurance	-	27	-	27
Life Insurance	-	121	-	121
Available-for-sale				
Banking	12,069	1,382	288	13,739
Non-life Insurance	1,582	1,386	239	3,207
Life Insurance	1,825	1,477	443	3,745
Total	**22,596**	**13,362**	**1,184**	**37,142**

*Includes 8,257 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,040 million and Level 2 for 2,217 million euros.

Fair value of assets on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	616	291	21	928
Non-life Insurance	-	0	-	0
Life Insurance*	6,425	2,215	-	8,640
Derivative financial instruments				
Banking	2	5,518	176	5,696
Non-life Insurance	0	9	-	9
Life Insurance	0	57	-	58
Available-for-sale				
Banking	9,757	1,746	294	11,796
Non-life Insurance	1,563	1,397	252	3,212
Life Insurance	2,401	1,891	460	4,751
Total	**20,763**	**13,124**	**1,203**	**35,090**

*Includes 8,640 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,425 million and Level 2 for 2,215 million euros.

Fair value of liabilities on 31 March 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	-	1	-	1
Life Insurance*	5,902	2,385	-	8,287
Derivative financial instruments				
Banking	31	5,347	136	5,514
Non-life Insurance	-	0	-	0
Life Insurance	0	0	-	0
Total	**5,934**	**7,733**	**136**	**13,802**

Fair value of liabilities on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Life Insurance*	6,444	2,222	-	8,666
Derivative financial instruments				
Banking	35	5,175	135	5,345
Non-life Insurance	0	4	-	4
Life Insurance	-	20	-	20
Total	**6,480**	**7,421**	**135**	**14,035**

*Includes the fair value of liabilities of unit-linked policies and unit-linked investment contracts.

Level 1: Quoted prices in active markets

This level includes equities listed on stock exchanges, quoted debt instruments issued by companies, governments and financial institutions as well as exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank Group's OTC derivatives and quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve uncertainty. The fair value determination of the instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity on the valuation date. This level includes the most complex OTC derivatives and derivatives with a long maturity for which the Group had to extrapolate the market data used in their value measurement, as well as certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		Available-for-sale financial assets		
	Banking	Insurance*	Banking	Insurance	Banking	Insurance*	Total assets
Opening balance 1 Jan 2016	21	22	176	-	294	686	1,199
Total gains/losses in profit or loss	-7	-	2	-	0	-6	-12
Total gains/losses in other comprehensive income	-	-	-	-	0	-7	-8
Purchases	-	-	-	-		29	29
Sales		-	-	-	0	-19	-19
Transfers into Level 3	-	-	-	-	9	-	9
Transfers out of Level 3	-	-	-	-	-14	-	-14
Closing balance 31 March 2016	**14**	**22**	**178**	**-**	**288**	**682**	**1,184**

*The opening balance sheets have been changed due to portfolio classification and the consolidation of Otso Infrastruktuuri I Ky into the Group.

Financial liabilities, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		
	Banking	Insurance	Banking	Insurance	Total assets
Opening balance 1 Jan 2016	-	-	135	-	135
Total gains/losses in profit or loss	-	-	1	-	1
Closing balance 31 March 2016	**-**	**-**	**136**	**-**	**136**

Total gains/losses included in profit or loss by item on 31 March 2016

EUR Million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Net income from Life Insurance	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 31 March
Realised net gains (losses)	-7	-	0	-6	-	**-14**
Unrealised net gains (losses)	1	0	-1	-6	-8	**-14**
Total net gains (losses)	**-7**	**0**	**-2**	**-12**	**-8**	**-28**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by OP Corporate Bank, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 for which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2016.

Note 13. Derivative contracts

31 March 2016, EUR million	Nominal values / remaining term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	44,643	75,986	55,011	175,641	5,233	4,618
Cleared by the central counterparty	7,469	28,368	23,930	59,768	1,238	1,395
Currency derivatives	26,935	10,511	5,712	43,157	1,403	1,493
Equity and index derivatives	193	6	-	199	12	0
Credit derivatives	19	188	66	274	11	9
Other derivatives	374	471	2	847	78	54
Total derivatives	**72,164**	**87,163**	**60,791**	**220,118**	**6,738**	**6,174**

31 Dec. 2015, EUR million	Nominal values / remaining term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	38,498	83,365	58,255	180,119	4,408	3,977
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863
Currency derivatives	30,956	9,766	6,706	47,428	1,528	1,479
Equity and index-linked derivatives	282	6	-	288	15	-
Credit derivatives	15	126	82	223	10	13
Other derivatives	185	722	14	921	83	61
Total derivatives	**69,936**	**93,985**	**65,057**	**228,979**	**6,043**	**5,530**

*Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Note 14. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

31 March 2016, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Banking derivatives	7,193	-1,214	5,979	-3,536	-897	1,546
Life Insurance derivatives	121	-	121	0	-	120
Non-life Insurance derivatives	27	-	27	-	-	27
Total derivatives	**7,340**	**-1,214**	**6,126**	**-3,536**	**-897**	**1,693**

Financial liabilities

31 March 2016, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Banking derivatives	6,891	-1,377	5,514	-3,536	-1,174	803
Life Insurance derivatives	0	-	0	-20	-	-20
Non-life Insurance derivatives	0	-	0	-3	-	-2
Total derivatives	**6,892**	**-1,377**	**5,515**	**-3,559**	**-1,174**	**782**

Financial assets

31 Dec. 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Collateral received	Net amount
Banking derivatives	6,567	-870	5,696	-3,389	-1,030	1,277
Life Insurance derivatives	58	-	58	-20	-	37
Non-life Insurance derivatives	9	-	9	-3	-	6
Total derivatives	**6,633**	**-870**	**5,763**	**-3,412**	**-1,030**	**1,321**

Financial liabilities

31 Dec. 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Collateral given	Net amount
Banking derivatives	6,185	-840	5,345	-3,389	-1,061	895
Life Insurance derivatives	20	-	20	-20	-	0
Non-life Insurance derivatives	4	-	4	-3	-	1
Total derivatives	**6,209**	**-840**	**5,369**	**-3,412**	**-1,061**	**896**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -151 (22) million euros.

**Fair values excluding accrued interest.

***It is OP Financial Group's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

In February 2013, OP Financial Group adopted central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or OP Financial Group or the Master Agreement of the Federation of Finnish Financial Services will apply to derivative transactions between OP Financial Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Note 15. Receivables from credit institutions and customers, and doubtful receivables

	Receivable base					
31 March 2016	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables						
Receivables from credit institutions	346	-	346	-	1	344
Receivables from customers	74,562	619	75,181	446	53	74,682
Bank guarantee receivables	6	16	22	17	1	4
Finance leases	1,143	-	1,143	-	-	1,143
Total	**76,050**	**619**	**76,669**	**446**	**54**	**76,169**
Receivables by sector						
Non-banking corporate sector	25,936	465	26,401	364	31	26,006
Financial institutions and insurance companies	991	0	991	0	2	990
Households	47,776	147	47,924	78	21	47,825
Non-profit organisations	671	7	677	4	1	673
Public corporations	675	-	675	-	0	675
Total	**76,050**	**619**	**76,669**	**446**	**54**	**76,169**

	Receivable base					
31 Dec. 2015	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables						
Receivables from credit institutions	426	-	426	-	1	426
Receivables from customers	73,903	620	74,523	441	56	74,082
Bank guarantee receivables	6	17	23	18	0	5
Finance leases	1,166	-	1,166	-	-	1,166
Total	**75,495**	**620**	**76,115**	**441**	**57**	**75,674**
Receivables by sector						
Non-banking corporate sector	25,491	471	25,961	358	32	25,603
Financial institutions and insurance companies	1,124	0	1,124	0	2	1,124
Households	47,528	143	47,671	79	22	47,592
Non-profit organisations	665	6	671	4	1	668
Public corporations	688	-	688	-	0	688
Total	**75,495**	**620**	**76,115**	**441**	**57**	**75,674**

Doubtful receivables 31 March 2016, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed	Receivables from credit institutions and customers (net)
More than 90 days past due		615	615	240	375
Unlikely to be paid		468	468	159	309
Forborne receivables	1,410	228	1,638	47	1,591
Total	**1,410**	**1,311**	**2,721**	**446**	**2,275**

Doubtful receivables 31 Dec. 2015, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed	Receivables from credit institutions and customers (net)
More than 90 days past due		543	543	223	319
Unlikely to be paid		499	499	175	325
Forborne receivables	1,310	191	1,501	43	1,458
Total	**1,310**	**1,233**	**2,543**	**441**	**2,102**

Key ratio, %	31 March 2016	31 Dec 2015
Exposures individually assessed for impairment, % of doubtful receivables	16.4 %	17.3 %

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest credit ratings (F for private customers and 11-12 for others) are reported as unlikely to be paid. Forborne receivables include receivables that have been renegotiated due to the customer's financial difficulties. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6-12 months.

Note 16. Non-life Insurance assets

EUR million	31 March 2016	31 Dec. 2015
Investments		
Loan and other receivables	32	23
Shares and participations	411	480
Property	169	170
Notes and bonds	2,599	2,548
Derivatives	27	9
Other participations	197	185
Total	**3,435**	**3,414**
Other assets		
Prepayments and accrued income	31	33
Other		
Arising from direct insurance operations	606	436
Arising from reinsurance operations	126	106
Cash in hand and at bank	9	5
Other receivables	95	73
Total	**867**	**653**
Non-life Insurance assets	**4,302**	**4,067**

Note 17. Life Insurance assets

EUR million	31 March 2016	31 Dec. 2015
Investments		
Loan and other receivables	54	78
Shares and participations	1,043	1,222
Property	148	146
Notes and bonds	3,764	3,529
Derivatives	121	58
Total	**5,129**	**5,033**
Assets covering unit-linked insurance contracts		
Shares, participations and other investments	8,257	8,640
Other assets		
Prepayments and accrued income	63	66
Other		
Arising from direct insurance operations	4	5
Arising from reinsurance operations	81	81
Cash in hand and at bank	-	33
Total	**147**	**185**
Life Insurance assets	**13,533**	**13,858**

Note 18. Non-life Insurance liabilities

EUR million	31 March 2016	31 Dec. 2015
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,402	1,386
Other provision for unpaid claims	980	970
Reserve for decreased discount rate*	30	0
Total	2,412	2,357
Provisions for unearned premiums	830	560
Other liabilities	328	242
Total	**3,569**	**3,159**

*Value of hedges of insurance liability.

Note 19. Life Insurance liabilities

EUR million	31 March 2016	31 Dec. 2015
Liabilities for unit-linked insurance	8,029	7,194
Investment contracts	258	1,473
Insurance liabilities	4,879	4,788
Other liabilities	153	79
Total	**13,318**	**13,532**

Supplementary interest rate provisions related to insurance liabilities totalled EUR 397 million (401) on 31 March 2016. A one percentage-point increase in interest rates reduces insurance liabilities by EUR 334 million (280). The previous figures do not include insurance liabilities transferred from Suomi Mutual Life Assurance Company Ltd on 31 December 2015 that are included in OP Life Assurance Ltd's balance sheet separated from the other balance sheet.

Note 20. Debt securities issued to the public

EUR million	31 March 2016	31 Dec. 2015
Bonds	11,767	12,164
Covered bonds	9,092	9,003
Certificates of deposit, commercial papers and ECPs	5,845	6,539
Total	**26,703**	**27,706**

Note 21. Fair value reserve after income tax

	Available-for-sale financial assets			
EUR million	Notes and bonds	Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2015	**139**	**206**	**80**	**425**
Fair value changes	98	109	16	223
Capital gains transferred to income statement	-10	-55	-	-64
Impairment loss transferred to income statement	-	2	-	2
Transfers to net interest income	-	-	-9	-9
Deferred tax	-18	-11	-1	-30
Closing balance 31 March 2015	**210**	**251**	**86**	**546**

	Available-for-sale financial assets			
EUR million	Notes and bonds	Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2016	**31**	**142**	**69**	**242**
Fair value changes	83	-27	26	82
Capital gains transferred to income statement	-13	-16	-	-29
Impairment loss transferred to income statement	-	8	-	8
Transfers to net interest income	-	-	-10	-10
Deferred tax	-14	7	-3	-10
Closing balance 31 March 2016	**87**	**114**	**82**	**282**

The fair value reserve before tax amounted to EUR 353 million (302) and the related deferred tax liability amounted to EUR 70 million (60). On 31 March 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 237 million (245) million and negative mark-to-market valuations EUR 46 million (21).

A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

Note 22. Capital adequacy for credit institutions

OP Financial Group presents the amalgamation's capital adequacy for credit institutions in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

Capital base, EUR million	31 March 2016	31 Dec. 2015	Change, EUR
OP Financial Group's equity capital	9,381	9,324	57
The effect of insurance companies on the Group’s shareholders’ equity is excluded	-113	-200	87
Fair value reserve, cash flow hedging	-82	-69	-13
Supplementary cooperative capital to which transition provision applies, and cooperative capital not included in equity	104	143	-39
Common Equity Tier 1 (CET1) before deductions	**9,290**	**9,197**	**92**
Intangible assets	-535	-518	-18
Excess funding of pension liability and valuation adjustments	-88	-131	44
Planned profit distribution and profit distribution unpaid for the previous period	-48	-66	18
Shortfall of impairments – expected losses	-309	-306	-3
Common Equity Tier 1 (CET1)	**8,309**	**8,176**	**134**
Subordinated loans to which transitional provision applies	121	141	-20
Additional Tier 1 capital (AT1)	**121**	**141**	**-20**
Tier 1 capital (T1)	**8,430**	**8,316**	**114**
Debenture loans	1,252	1,253	0
Tier 2 Capital (T2)	**1,252**	**1,253**	**0**
Total capital base	**9,682**	**9,569**	**113**

A prudent valuation adjustment of EUR 62 (69) million has been deducted from CET1 capital.

OP Financial Group has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans. A total of 60% of the amounts outstanding on 31 December 2012 are included in the capital base.

Risk exposure amount, EUR million	31 March 2016	31 Dec. 2015	Change, %
Credit and counterparty risk	**36,975**	**36,445**	**1**
Standardised Approach (SA)	**3,017**	**3,026**	**0**
Central government and central banks exposure	32	27	16
Credit institution exposure	18	29	-39
Corporate exposure	1,732	1,838	-6
Retail exposure	902	910	-1
Equity investments*)	76	72	6
Other**)	257	151	70
Internal Ratings-based Approach (IRB)	**33,958**	**33,418**	**2**
Credit institution exposure	1,083	1,149	-6
Corporate exposure	20,084	19,587	3
Retail exposure	4,061	3,976	2
Equity investments*)	7,453	7,412	1
Other	1,277	1,294	-1
Market and settlement risk (Standardised Approach)	**1,631**	**1,464**	**11**
Operational risk (Standardised Approach)	**3,674**	**3,521**	**4**
Other risks*)**	**332**	**394**	**-16**
Total	**42,612**	**41,824**	**2**

*) The risk weight of equity investments includes EUR 6.5 billion in insurance holdings within OP Financial Group.

**) EUR 201 million (100) of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

***) Valuation adjustment (CVA)

Ratios, %	31 March 2016	31 Dec. 2015	Change, percentage point
CET1 capital ratio	19.5	19.5	0.0
Tier 1 ratio	19.8	19.9	-0.1
Capital adequacy ratio	22.7	22.9	-0.2

Ratios, fully loaded, %	31 March 2016	31 Dec. 2015	Change, percentage point
CET1 capital ratio	19.3	19.2	0.0
Tier 1 ratio	19.3	19.2	0.0
Capital adequacy ratio	22.2	22.2	0.0

Capital requirement, EUR million	31 March 2016	31 Dec. 2015	Change, %
Capital base	9,682	9,569	1
Capital requirement	5,331	4,394	21
Buffer for capital requirements	4,351	5,175	-16

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer of 2.0% and the institution-specific capital conservation buffer for foreign exposures. The O-SII capital buffer has been in force since 1 January 2016.

Leverage ratio

EUR million	31 March 2016	31 Dec. 2015	Change, %
Tier 1 capital (T1)	8,430	8,316	1.4
Total exposure	114,442	114,780	-0.3
Leverage ratio, %	7.4	7.2	0.1

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with the new draft rules. According to these rules, the minimum ratio is three per cent. The minimum leverage ratio is based on March-end figures. Change in the minimum leverage ratio is presented as percentage points.

Capital base and total risk exposure amount include the capital adequacy ratios of the new banks becoming members of the Amalgamation on 19 May 2015. The effect of the new member banks on the capital base was EUR 134 million (127) and on risk-weighted assets EUR 488 million (481). Exposures under the leverage ratio include EUR 889 million (885) in exposures of the new member banks.

Retail exposures by rating category (AIRB)

All retail exposures **31 March 2016**

Rating category	Exposure value (EAD), EUR million	Average CF, %	*Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**47,942**	**85.8**	**0.8**	**15.0**	**3,609**	**7.5**	**139**
A	30,258	85.9	0.0	13.5	456	1.5	1
B	10,155	85.6	0.1	15.9	477	4.7	2
C	3,765	84.7	0.5	19.0	557	14.8	4
D	2,076	81.4	2.3	19.9	713	34.4	9
E	1,326	78.4	20.9	20.1	1,046	78.9	54
F	362	-	100.0	24.3	360	99.2	68
Corporate customers, total	**1,546**	**71.4**	**3.6**	**23.2**	**452**	**29.3**	**25**
2,5−5,5	514	70.9	0.3	14.8	36	7.0	0
6,0−7,0	620	70.4	1.2	26.3	147	23.7	2
7,5−8,5	240	74.2	4.9	28.6	98	40.8	3
9,0−10,0	118	74.0	28.3	27.7	80	67.4	9
11,0−12,0	53	-	100.0	33.5	91	173.2	11
Total	**49,488**	**84.7**	**0.9**	**15.2**	**4,062**	**8.2**	**164**

All retail exposures **31 Dec. 2015**

Rating category	Exposure value (EAD), EUR million	Average CF, %	*Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**47,420**	**85.6**	**0.8**	**14.7**	**3,519**	**7.4**	**136**
A	30,327	85.2	0.0	13.2	446	1.5	1
B	9,697	86.7	0.1	15.6	449	4.6	2
C	3,685	89.4	0.5	18.9	540	14.7	3
D	2,033	84.0	2.3	19.9	697	34.3	9
E	1,346	78.1	21.1	19.9	1,053	78.3	55
F	333	-	100.0	25.0	334	100.5	65
Corporate customers, total	**1,543**	**70.8**	**3.9**	**23.0**	**457**	**29.6**	**26**
2,5−5,5	507	71.1	0.3	14.6	35	6.9	0
6,0−7,0	603	69.5	1.2	25.9	141	23.3	2
7,5−8,5	249	72.7	4.9	28.7	102	41.0	4
9,0−10,0	130	72.8	28.2	27.4	87	66.8	10
11,0−12,0	54	-	100.0	32.9	92	172.2	11
Total	**48,963**	**84.4**	**0.9**	**14.9**	**3,976**	**8.1**	**162**

* The defaults, or rating categories 11.0 and 12.0, are not included in the average PD and risk weight.

Corporate exposures (FIRB) by rating category

	31 March 2016						
Rating category	Exposure value (EAD), EUR million	Average CF, %	*Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1,0−2,0	1,051	92.2	0.0	43.9	151	14.4	0
2,5−5,5	17,449	74.7	0.2	44.5	7,156	41.0	17
6,0−7,0	6,543	72.2	1.3	44.2	5,712	87.3	36
7,5−8,5	4,424	71.6	4.5	44.3	5,531	125.0	88
9,0−10,0	812	56.9	22.3	43.9	1,534	188.9	80
11,0−12,0	736	57.3	100.0	45.2	0	0.0	333
Total	**31,014**	**74.0**	**1.7**	**44.4**	**20,084**	**64.8**	**553**

	31 Dec. 2015						
Rating category	Exposure value (EAD), EUR million	Average CF, %	*Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1,0−2,0	1,042	91.6	0.0	44.7	152	14.6	0
2,5−5,5	16,922	70.8	0.2	44.5	7,035	41.6	17
6,0−7,0	6,269	71.3	1.3	44.3	5,491	87.6	35
7,5−8,5	4,299	70.3	4.5	44.4	5,369	124.9	86
9,0−10,0	819	58.9	22.8	44.0	1,541	188.0	82
11,0−12,0	745	58.5	100.0	45.2	0	0.0	337
Total	**30,096**	**71.1**	**1.7**	**44.5**	**19,587**	**65.1**	**557**

* The defaults, or rating categories 11.0 and 12.0, are not included in the average PD and risk weight.

Note 23. Insurance company solvency

	31 March 2016		31 Dec. 2015	
EUR million	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,360**	**1,184**	**1,419**	**1,177**
Solvency capital requirement (SCR)				
Market risk	679	431	665	472
Insurance risk	479	303	432	300
Counterparty risk	27	27	27	27
Operational risk	20	44	20	45
Diversification benefits and loss absorbency	-457	-93	-452	-129
Total	748	712	692	714
Buffer for SCR	**611**	**471**	**727**	**463**
SCR ratio, %	**182 %**	**166 %**	**205 %**	**165 %**

Transitional provisions have been taken into account in figures under Solvency II. Equalisation provisions affecting capital are based on an estimate in compliance with the new regulation. Non-life Insurance figures also include those of OVY Insurance.

Note 24. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 March 2016	31 Dec. 2015	Change, EUR
OP Financial Group's equity capital	9,381	9,324	57
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,488	1,547	-59
Other sector-specific items excluded from capital base	-134	-70	-65
Goodwill and intangible assets	-1,372	-1,356	-16
Insurance business valuation differences	550	728	-178
Proposed profit distribution	-48	-66	18
Items under IFRS deducted from capital base*	-24	-57	32
Shortfall of impairments – expected losses	-283	-280	-3
Conglomerate's capital base, total	**9,557**	**9,769**	**-213**
Regulatory capital requirement for credit institutions**	4,516	3,707	808
Regulatory capital requirement for insurance operations***	1,461	1,406	55
Conglomerate's total minimum capital requirement	**5,976**	**5,113**	**863**
Conglomerate's capital adequacy	**3,580**	**4,656**	**-1,076**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**160**	**191**	**-31**

* Excess funding of pension liability, Fair value measurement of investment property, Portion of cash flow hedge of fair value reserve.

** Risk-weighted assets x 12.5%.

*** Estimate of SCR under Solvency II.

Year-on-year figures are presented under Solvency II. Transitional provisions have been taken into account in the figures. Change in the capital adequacy ratio is presented as percentage points.

Note 25. Collateral given

EUR million	31 March 2016	31 Dec. 2015
Collateral given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	1	5
Loans (as collateral for covered bonds)	10,006	10,053
Other	778	671
Other collateral given		
Pledges*	3,555	3,969
Total	**14,341**	**14,699**
Other secured liabilities	481	507
Covered bonds	9,092	9,003
Total secured liabilities	**9,573**	**9,510**

*) of which EUR 2,000 million in intraday settlement collateral.

Note 26. Off-balance-sheet items

EUR million	31 March 2016	31 Dec. 2015
Guarantees	808	764
Other guarantee liabilities	1,675	1,848
Pledges	0	1
Loan commitments	11,177	10,042
Commitments related to short-term trade transactions	266	194
Other	426	587
Total off-balance-sheet items	**14,352**	**13,436**

Note 27. Related-party transactions

The related parties of OP Financial Group include companies consolidated into OP Financial Group's financial statements, associates, administrative personnel and other related party companies. The administrative personnel comprise OP Financial Group's President and Group Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members and deputy members of the Executive Board and Supervisory Board members and their close relatives. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2015.

OP Financial Group's financial performance will be presented to the media by President and Group Executive Chairman Reijo Karhinen in a press conference on 27 April 2016 at 11 am at Gebhardinaukio 1, Vallila, Helsinki.

OP Corporate Bank plc will publish its own Financial Statements Bulletin.

Financial reporting in 2016

Schedule for Interim Reports in 2016:

Interim Report H1/2016	3 August 2016
Interim Report Q1−3/2016	2 November 2016

Helsinki, 27 April 2016

OP Cooperative
Executive Board

Additional information:
Reijo Karhinen, President and Group Executive Chairman, tel. +358 (0)10 252 4500
Harri Luhtala, CFO, tel. +358 (0)10 252 2433
Carina Geber-Teir, Executive Vice President, Corporate Communications, tel. +358 (0)10 252 8394

op.fi and pohjola.fi