OP Financial Group's interim report 1 January–30 June 2016

OP Financial Group's Interim Report for 1 January–30 June 2016: Excellent earnings, strong growth and updated strategy with a bold approach

Good half-year business performance: earnings at record levels and the lending growth rate above the market average

- Earnings before tax were EUR 614 million (627), or the second best half-year figure ever recorded.
- Banking and Non-life Insurance earnings decreased while those by Wealth Management and Other Operations improved.
- In the second quarter, OP Financial Group reported earnings before tax of EUR 331 million, including non-recurring items, which is an all-time quarterly high.
- Net interest income and net insurance income increased but net commissions and fees decreased. Expenses were at the previous year's levels.
- The CET1 ratio was 19.4% (19.5) on 30 June 2016.
- The home loan portfolio increased by 4%, the corporate loan portfolio by 5% and deposits by 5% in the year to June. Home and corporate loans drawn down increased by over 12%
- Non-life Insurance recorded an operating combined ratio of 88.2% (87.8). Insurance premium revenue rose by 3%.
- Assets managed by Wealth Management increased by 4% over the previous year.
- Full-year earnings for 2016 are expected to be of about the same size as the record earnings reported in 2015.

190,000 new OP Financial Group owner-customers and a new strategy leading the Group into the 2020s

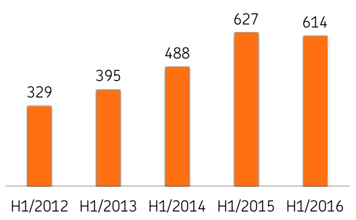
- 77,000 new banking customers, or 17% more than a year ago. The increase focused on the second quarter.
- The number of owner-customers increased by 190 thousand to almost 1.7 million.
- In April, the Group launched a new #Suominousuun (Putting Finland on a new growth path) initiative targeted at families with children, under which OP offers health and living allowance insurance for an unborn child for 12 months free of charge.
- New OP bonuses totalled over EUR 100 million, up by almost 5% year on year.
- OP Financial Group confirmed a new strategy that is to respond to the historically drastic transformation underway in the sector, on the basis of which OP will gradually change from a plain financial services provider to a diversified services company of the digital era.

OP Financial Group's key indicators

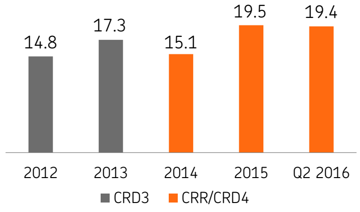
	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Earnings before tax, € million	614	627	-2.1	1 101
Banking	295	356	-17.3	642
Non-life Insurance	117	144	-18.8	259
Wealth Management	141	128	10.4	213
New OP bonuses accrued to owner-customers	102	97	4.8	197
	30 June 2016	30 June 2015	Change, %	31 Dec. 2015
Common Equity Tier 1 (CET1) ratio, %	19.4	18.1	1.3*	19.5
Return on economic capital, % **)	22.4	20.1	2.2*	21.5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % ***	163	158	4*	191
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.06	0.10	0.0*	0.10
Joint banking and insurance customers (1,000)	1,695	1,618	4.8	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
** 12-month rolling, change in percentage
*** 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

OP Financial Group posted an excellent first-half financial performance. Our strategic goal is to strengthen our capital base through good financial results. We did well in that respect. Our strong financial position was also witnessed by the results of the stress test conducted by the European Banking Authority. We rank among the strongest banks in Europe.

The favourable development in overall profitability was supported by an increase in net interest income and net insurance income, successful cost control and low loan losses. However, capital market uncertainty reduced income generation.

The stress test results prove that we will withstand instability. Enabled by our strong capital base, we have for several years now reported vigorous growth in customer lending despite the unstable operating environment. In the first half of 2016, the growth rate of our home loans and corporate financing was again above the market average. This development was supported by an exceptionally brisk growth in the number of owner-customers and banking customers.

The #Suominousuun (Putting Finland on a new growth path) initiatives with a broad impact that we have implemented in our social role represent concrete actions and true examples of our strength. At the same time, they show our will to commit ourselves to the success of our operating region and the promotion of our customers' prosperity.

The successful first-half was crowned by our forward-looking strategy published in June. We will have a long and profound transformation process ahead of us from a plain financial services provider to a diversified services company. Our basic assumption is that the actors with the courage to genuinely and boldly reinvent themselves by listening to their customers will be winners.

Like OP Financial Group, the whole of Finland is in the face of a new beginning. With an open-minded approach, we will need to build something completely new on the strong foundation. Meanwhile, it is necessary to have the courage to leave behind many patterns that have been adopted in a Finland that no longer exists. Norms in society and the structures of various actors must be updated swiftly so as to respond to changes arising from profound digital transformation and consumer behaviour while being sustainable for future generations. We have the world's best society in place. I believe that new unconventional initiatives and a forward-looking approach will form the key to success for Finland's journey into the next 100 years.

OP Financial Group's Interim Report for 1 January-30 June 2016

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Operating environment

World economic growth remained subdued but quite stable during the second quarter. Economic growth in the euro area slowed slightly from the first quarter and the inflation rate hovered around zero. At the end of the second quarter, the UK EU membership referendum added to market uncertainty, which intensified following the referendum vote in favour of Britain leaving the EU. However, the most violent market movements faded swiftly.

In March, the European Central Bank (ECB) initiated monetary policy measures it had announced earlier. In early June, the ECB began to buy euro-denominated investment-grade corporate bonds. At the end of the second quarter, the ECB launched the first targeted longer-term refinancing operations with a maturity of four years. Market interest rates continued to fall in the second quarter, especially after the UK referendum results came out.

The Finnish economy picked up, showing moderate growth in the first few months of the year. Growth remained slow in the spring, led by domestic markets. In particular, construction recovered nicely but exports continued to falter. The slight economic recovery decreased unemployment and stimulated housing markets. A negotiated settlement was reached on the Competitiveness Pact in June. As part of the package, the Government announced income tax cuts for 2017.

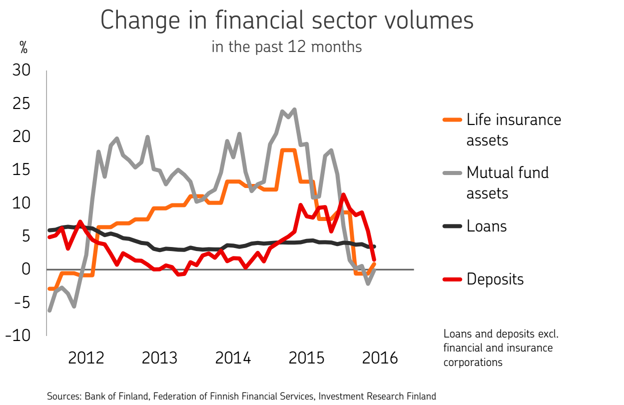
World economic growth is expected to remain slower than the longer-term average. Future prospects are characterised by uncertainty related, for example, to the Brexit and the situation in the Italian banking sector. The euro-area economy is expected to grow at a slightly slower rate towards the year end than in the first half. The Finnish economy should see a slow recovery. Interest rates are expected to remain low. The ECB has announced that it will closely monitor the situation and the impacts of its previous operations but has not suggested any new quantitative easing measures.

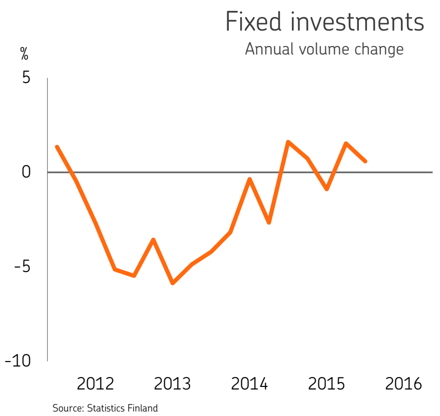
In the second quarter, consumer loans and home loans increased by 2.8% and 2.7%, respectively. The average borrowing rate of new home loans drawn down was about 1.2% but its downward trend showed signs of deceleration. The rate now consists almost solely of the loan margin. The growth rate of total corporate loans decreased to 4.5%.

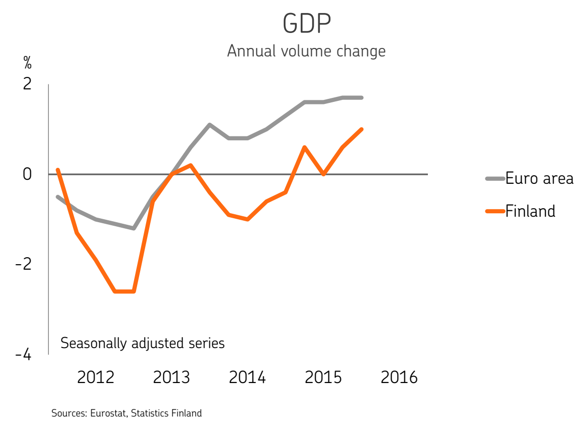
The annual growth rate of total deposits slowed down in the second quarter. Household deposits increased at an annual rate of around 3%. The growth rate of corporate deposits that has remained brisk slowed down markedly. Deposits by public-sector entities declined by almost 10% over the previous year.

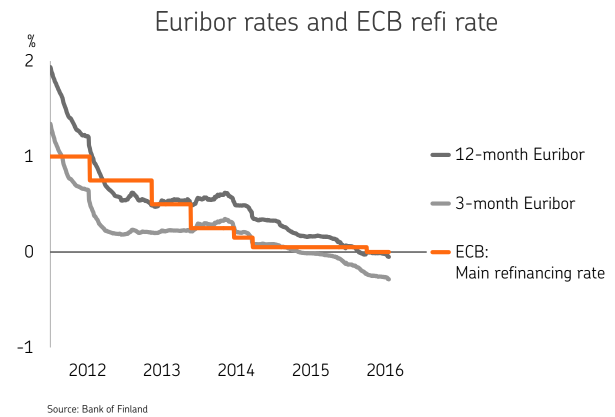
Non-life Insurance premiums written rebounded slightly in the second quarter. Private household non-life policies and other accident insurance policies have shown strongest growth. The weak economic situation continues to be reflected in premiums written from corporate customers.

The value of domestic mutual fund assets increased by 1.7% in the second quarter but the strong April–May growth, however, levelled off in June. The jittery investment environment and uncertainties over tax treatment will still cast a shadow on life policy sales.









Earnings analysis and balance sheet

Earnings analysis, € million	Q1–2/2016	Q1–2/2015	Change, %	Q2/2016	Q2/2015	Change, %	Q1–4/2015
Earnings before tax	**614**	**627**	**-2.1**	**331**	**308**	**7.5**	**1 101**
Banking	295	356	-17.3	143	164	-12.8	642
Non-life Insurance	117	144	-18.8	58	77	-25.4	259
Wealth Management	141	128	10.4	67	35	88.2	213
Other Operations	62	5		63	32	94.5	-13
Income							
Net interest income	528	511	3.3	261	256	2.1	1 026
Net insurance income	272	261	4.4	142	130	9.0	532
Net commissions and fees	437	447	-2.3	213	213	-0.2	855
Net investment income	182	288	-36.8	96	138	-30.3	432
Other operating income	94	25		83	13		46
Share of associates' profit/loss	4	4	-11.8	2	0	4.2	9
Total income	**1,517**	**1,537**	**-1.3**	**796**	**750**	**6.2**	**2,898**
Expenses							
Personnel costs	395	401	-1.5	195	187	4.2	781
Depreciation/amortisation and impairment loss	75	82	-8.9	38	43	-10.0	162
Other operating expenses	309	293	5.6	168	147	14.2	582
Total expenses	**779**	**776**	**0.4**	**401**	**376**	**6.5**	**1 524**
Impairment loss on receivables	**23**	**37**	**-36.9**	**13**	**15**	**-18.2**	**78**
New OP bonuses accrued to owner-customers	**102**	**97**	**4.8**	**52**	**49**	**5.3**	**197**

Key balance sheet figures, € million	30 June 2016	31 Dec. 2015	Change, %
Receivables from customers	76,978	75,192	2.4
Investment assets	23,705	20,784	14.1
Liabilities to customers	58,154	58,220	-0.1
Insurance liability	8,077	7,705	4.8
Debt securities issued to the public	27,751	27,706	0.2
Equity capital	9,637	9,324	3.4
Total assets	127,055	125,145	1.5

January–June

OP Financial Group's earnings before tax were EUR 614 million (627), or the second best half-year figure ever recorded. A year ago, the Group recorded its all-time high half-year EBT.

Net interest income increased by 3.3% to EUR 528 million and net insurance income rose by 4.4% to EUR 272 million. Net commissions and fees decreased by 2.3% to EUR 437 million. 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, and to higher commission expenses.

Net investment income decreased by 36.8% to EUR 182 million. This decline was affected by lower net investment income in Banking and Non-life Insurance and lower market valuations in the unstable market situation. Net income from securities trading was reduced by negative value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes. Lower returns on equity instruments and impairment losses had an effect on a reduced net income from available-for-sale assets.

Other operating income rose by EUR 69 million year on year to EUR 94 million. In January 2016, OP Cooperative's Executive Board, for its part, approved a bid submitted by Visa Inc. in November 2015 to acquire Visa Europe Ltd. In the second quarter, OP Financial Group recognised EUR 71 million in non-recurring gain as a result of the transaction.

Total expenses of EUR 779 were at the same level as a year ago (776). Purchased services increased by EUR 19 million to EUR 54 million and ICT costs by EUR 17 million to EUR 115 million. The Group has increased its development expenditure on services significantly.

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. In addition, other operating expenses a year ago included the non-recurring expenses totalling EUR 19 million related to the intra-Group ownership reorganisation and the reconstruction of the Vallila premises.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 62 million (52), of which EUR 23 million (37) concerned loans and receivables. Net impairment loss on loans and receivables were low, at 0.06% (0.10) of the loan and guarantee portfolio.

The Group's income tax before change in deferred tax amounted to EUR 122 million (156). The effective tax rate was 19.8% (24.9). A year ago, OP Financial Group's tax rate was increased by capital gains tax on OP Financial Group's internal transactions.

Equity capital amounted to EUR 9.6 billion (9.3) on 30 June 2016. Group earnings added to equity capital. On June 30 2016, EUR 2.5 billion (2.5) in Profit Shares were included in equity, terminated Profit Shares accounting for EUR 0.2 billion (0.3).

April–June

Earnings before tax for the second quarter came to EUR 331 million (308). Due to gains, the second-quarter earnings were the best quarterly earnings ever recorded by the Group. The second-quarter earnings performance was especially supported by improved net interest income and net insurance income as well as the EUR 71-million gain recognised as a result of the Visa Europe Ltd transaction. A year ago, non-recurring expenses of EUR 13 million were recognised in other operating expenses resulting from the reconstruction of the Vallila premises and OP Financial Group's restructuring.

Net investment income recorded by Banking and Non-life Insurance for the second quarter was lower than a year ago. Total expenses increased by 6.5% year on year to EUR 401 million as a result of higher personnel costs, purchased services and ICT costs.

OP Financial Group's strategy

In June, the Supervisory Board of OP Financial Group's central cooperative confirmed OP Financial Group's strategy and Group-level strategic goals. According to the new strategy, OP Financial Group aims to gradually change from a plain financial services provider to a diversified services company of the digital era with strong financial services expertise. The strategy highlights customer experience enhancement by digitising services and processes.

At the first stage, business diversification involves expanding, for example, the health and wellbeing business.
In the years to come, the Group intends to make health and wellbeing services its fourth business line alongside Banking, Non-life Insurance and Wealth Management.

The Group will initiate a large-scale development programme to speed up the digitisation of its services. In the next few years, the Group will increase its annual development expenditure to EUR 300–400 million. The investments required by upgrading and streamlining business will add to the Group's expenses and weaken Group profitability before the benefits from such investments are realised in terms of better financial indicators.

In its strategy, the Group has set numerical targets for its capital adequacy (CET1), profitability (return on economic capital), efficiency (expenses of present-day business) and growth in the number of owner-customers. The Group will specify targets for customer experience and customer benefits in the autumn of 2016.

OP Financial Group's numerical targets	30 June 2016	Target
CET1 ratio, %	19.4	22
Return on economic capital, % (12-month rolling)	22.4	22
Expenses of present-day business, € million (12-month rolling)	1,499	Expenses in 2019 lower than in 2015
Owner-customers, million	1.7	2.1 (2019)

OP Financial Group achieved all of its key financial targets set for the ended strategy period, except for growth difference between Banking income and expenses:

OP Financial Group's financial targets	30 June 2016	30 June 2015	Target
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, %	163	158*	160
CET1 ratio, %	19.4	18.1	18
Return on economic capital, % (12-month rolling)	22.4	20.1	20
Growth differential between income and expenses, Group level, pps (for 3 years)	16.7	25.7	> 0
Growth differential between income and expenses, Banking, pps (12-month rolling)	-4.8	8.1	> 0
Growth differential between income and expenses, Wealth Management, pps (12-month rolling)	12.6	21.6	> 0
Operating combined ratio by Non-life Insurance, %	88.2	87.8	< 92

*The comparative has been changed under Solvency II.

January–June highlights

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. As a result of the transaction, the Group recognised EUR 71 million in non-recurring gain in its second-quarter results.

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 companies' general meetings of shareholders of 26 April 2016 approved the transfer and the Finnish Competition and Consumer Authority and the Finnish Financial Supervisory Authority gave their approval to the transfer. Final clarifications are underway in respect of the transfer and the portfolio will be incorporated into OP Financial Group no later than 31 December 2016. The incorporation will not have any significant effect on the Group's 2016 earnings in the prevailing market situation. 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 replies 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.

ECB's targeted longer-term refinancing operations (TLTRO-II)

The ECB is offering euro-area credit institutions four targeted longer-term refinancing operations with a maturity of four years (TLTRO-II) with the primary aim of fostering growth.

Under TLTRO-II, the banks will be able to borrow up to 30% of their loan balance as at 31 January 2016 to be used for lending to non-financial corporations and households in the euro area, excluding loans to households for a home purchase. To contribute to strong growth, OP Financial Group participated in the first TLTRO-II of June with 1 billion euros.

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. The 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 its social role the Group aims to promote its customers' prosperity and security on a broader basis too and in its operating region on a longer-term basis. Succeeding in both roles is a measure of the Group's success.

January–June

The 2016 year is the second full operating year after OP Financial Group 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. OP Financial Group continued building a group wholly owned by customers during the reporting period by, for example, converting OP Helsinki (formerly Helsinki OP Bank Ltd), a limited liability company, into a cooperative bank. As a result of a cooperative share issue to owner-customers launched in January 2016, OP Helsinki received over 163,000 new owner-customers by the end of June.

During the reporting period, OP Financial Group continued with the #Suominousuun initiatives previously decided. The #Suominousuun initiatives are aimed at giving more leeway and economic activity among OP's broad customer base and in the entire Finland.

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 in new loans that will have a 50% risk-sharing guarantee provided by the EIF. By providing financing to SMEs with growth potential, OP Financial Group wants to be involved in supporting future economic growth and employment. SMEs have shown great interest in such financing.

In April, OP Financial Group launched a #Perheenlisä (Addition to the family) initiative targeted at families with children, under which OP offers health and living allowance insurance for an unborn child for 12 months free of charge. Moreover, 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 free of charge a NewLife life insurance for one year to parents with children under the age of one until the end of 2017.

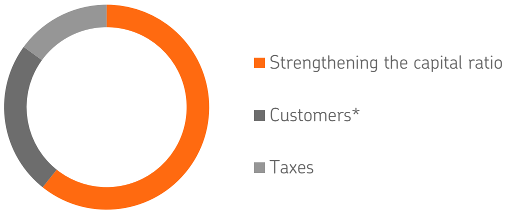
The Invest in Finland initiative, which ended in late March, was followed by a reduction in OP's electronic equity trading charges as of 1 April 2016. OP Financial Group also provides all its equity investment clients with Finland's most extensive equity research service as part of its overall range of services. At the beginning of June, OP Financial Group stopped permanently charging its owner-customers transaction costs related to mutual funds. Owner-customers can buy, sell and switch the majority of OP funds' units with no transaction costs.

OP Financial Group is continuing the series of its #Suominousuun initiatives through a major volunteer work project in honour of the centenary of Finland's independence. OP will donate one volunteer work day for each of its almost 12,000 employees and build an open network platform open to all to match volunteers and those in need.

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:



*) Customers = OP 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 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 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 Financial Group is one the largest tax payers in Finland measured by tax on profits. All of the 178 OP cooperative banks pay their corporate tax locally in their operating region. By paying taxes in Finland, the Group is 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.

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 April, OP established an ESG unit for sustainable investing. The unit aims to deepen and broaden ESG activity and utilise more ESG information in investment decision-making and to engage actively with OP's investee companies. In late 2015, OP announced that it would exclude high-carbon companies from active investments. As a result of its analysis of high-carbon companies completed in July, OP will exclude 60 companies from its investment universe.

OP orchestrated jobs for young people in the second summer in a row through the "Kesäduuni OPn piikkiin" campaign in which OP would pay a two-week wage to a person aged 15–17 years employed by a non-profit association. This year over 900 adolescents were employed through the campaign.

Customer relationships and customer benefits

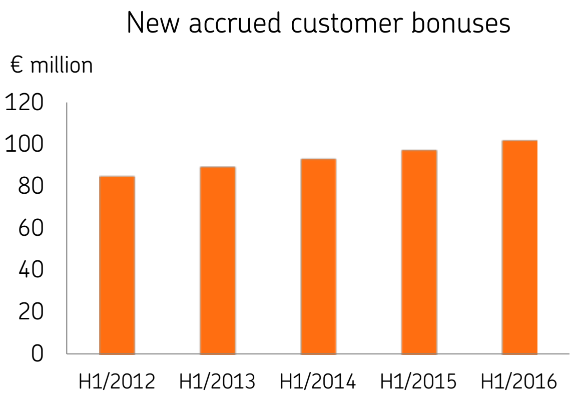
In January–June, the number of OP Financial Group's owner-customers increased by 191,000 to almost 1.7 million. A new OP cooperative bank, OP Helsinki, was born on 1 April 2016. The new bank's creation meant that the Helsinki Metropolitan Area received a cooperative bank after a 20-year break. OP Helsinki accounted for over 163,000 of the January–June growth in the number of owner-customers.

Contributions made by member cooperative banks' owner-customers to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.8 billion (2.8) on 30 June 2016.

OP Financial Group got 77,000 new banking customers, or 17% more than a year ago. In the second quarter, the growth rate was 21% higher than a year ago.

The number of OP Financial Group customers increased in net terms by 20,000 in January–June, totalling 4,324,000 on 30 June 2016. The number of private customers totalled 3,886,000 and that of corporate customers 438,000. Services of the customers of six POP Group banks transferred to the Group will gradually change from POP services to OP services. In January–June, the number of joint banking and non-life insurance customers increased by 39,000 to almost 1.7 million.

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 half for using OP as their main bank and insurer was worth EUR 102 million (97). A total of EUR 52 million (54) of bonuses were used to pay for banking and wealth management services and EUR 52 (49) million to pay non-life insurance premiums. Bonuses were used to pay 1 080,000 insurance bills (994,000), with 142,000 (129,000) of them paid in full using bonuses.



Non-life Insurance premier customer households were provided with EUR 43 million (40) 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 40 million (32). 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.

The Group aims to raise the NPS figures to 60 points down the line during 2016. During the first half, the NPS figures have improved across the board.

NPS	Private customers			Corporate customers		
	Q2/ 2016	2015	2014	Q2/ 2016	2015	2014
Banking	66	50	40	62	40	25
Non-life Insurance	37	32	29	37	27	19
Savings and investments	49	43	36			

Pohjola Health Ltd (formerly Omasairaala) collects feedback during patient visits. Its NPS for the first half was 96 (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.

In June, OP-mobile was the main channel for customers' daily banking, with visits totalling about 11 million. The number of visits to op.fi amounted to around 10 million. The number of visits to OP-mobile launched in 2012 exceeded that of op.fi visits for the first time in March 2016. The number of visits to the Pivo mobile application totalled around 1.6 million in June.

Mobile services were at the core of development during the reporting period. 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. In May, OP launched two services designed for corporate customers: Pivo Cashier and OP Business mobile. Pivo Cashier is a cashier service for small businesses, providing all that is necessary for payment transactions and sales by both a brick-and-mortar shop and webshop. OP Business mobile enables an entrepreneur to manage not only basic banking services but also, for example, monitor invoicing and receivables.

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 some 250,000 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. 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 opened its second private hospital in 1 August 2016 in Tampere. The first hospital was established in Helsinki in 2013 under the name of Omasairaala. Omasairaala Ltd was renamed Pohjola Health Ltd when the Tampere hospital unit was opened. During 2017–2018, the Group will open new Pohjola Hospitals in Oulu, Turku and Kuopio too. In June, the Group announced that it would establish Pohjola Medical Centres across Finland. The Medical Centres will supplement the Pohjola Hospitals based in university hospital cities and make the network of health and wellbeing services nationwide. Pohjola Medical Centres provide general practitioner and specialist services as well as diagnostics services.

Solvency

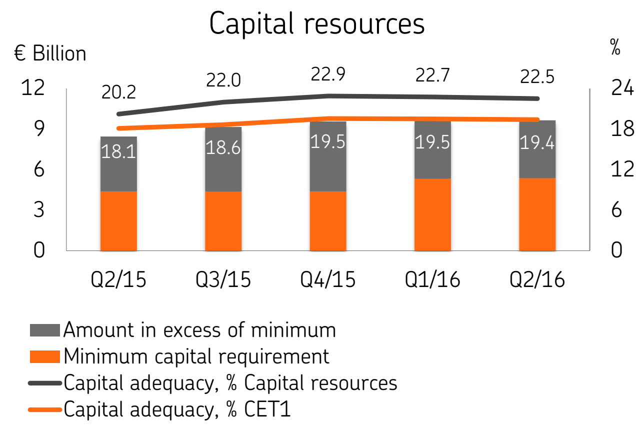
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

On 30 June 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 3.8 billion (4.7). The buffer was decreased by the 2 percentage point 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 163% (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

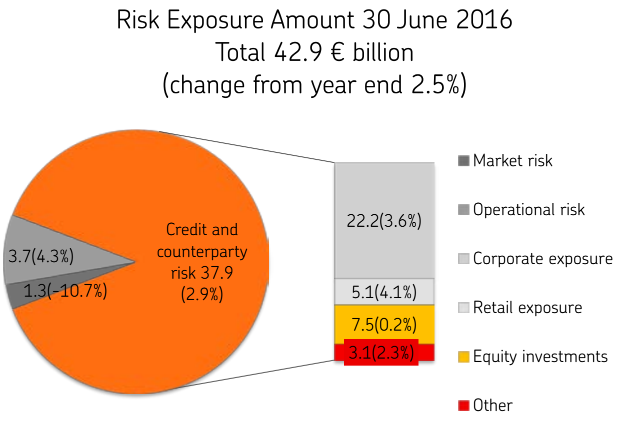
The Group's CET1 ratio was 19.4% (19.5) on 30 June 2016. An increase in total risk exposure amount resulting from growth in the loan portfolio exceeded and increase in CET1 capital. Calculated adjustments arising from reduced market interest rates for defined benefit pension plans (IAS 19) decreased the Group's CET1 ratio by around 0.5 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 30 June 2016. CET1 capital was increased by Banking performance and dividends from the Group's insurance institutions. Adjustments under IAS 19 reduced CET1 capital. The amount of Profit Shares in CET1 capital remained unchanged at EUR 2.5 billion.

On 30 June 2016, the risk exposure amount (REA) totalled EUR 42.9 billion (41.8), or 2.5% 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 (6.5) 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 June 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis.The Authority will, however, take measures to set a 10% minimum risk weight on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. This 10% minimum would decrease the CET1 ratio by an estimated 0.9 percentage points and the FiCo ratio by 7 percentage points.

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 7.2% based on the existing interpretations, calculated using the June-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* 30 June 2016	Non-life Insurance* 31 Dec. 2015	Life Insurance 30 June 2016	Life Insurance 31 Dec. 2015
Capital base, € million **	1,134	1,105	1,389	1,419
Capital requirement, € million**	694	698	784	692
Solvency ratio, % (including transitional provision)	163	158	177	205
Solvency ratio, % (excluding transitional provision)	145	139	134	149

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

ECB banking supervision

OP Financial Group is supervised by the ECB. In 2015, the ECB 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. The ECB's SREP process for 2016 is underway and results will be expected towards the end of the year.

The ECB has paid attention to shortcomings in OP Financial Group's credit risk validation process. The ECB may impose sanctions on the Group due to shortcomings it has discovered, such as raising the risk weights used in capital adequacy measurement for a fixed period. The ECB's handling is in progress, and the ECB's final decision on the matter can be expected during the third quarter.

OP Financial Group has started corrective measures to eliminate the shortcomings and completed all delayed validations by the end of June 2016. On the basis of the validation, it turned out that there are no needs to make changes to the credit risk models or risk weights used.

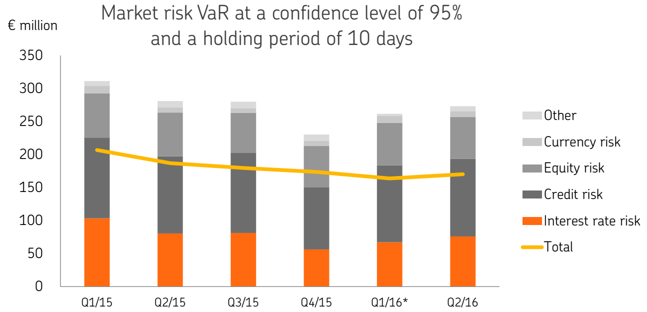
Risk exposure

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 maintained the credit risk exposure stable.

OP Financial Group's funding and liquidity position is good. The Group has good access to funding. During the reporting period, the Group issued long-term bonds worth EUR 2.1 billion. In addition, OP Financial Group participated in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with one billion euros. 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 170 million (174) on 30 June 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.



The Group expects its operational risks to be moderate. However, terrorist incidents that have occurred continue to highlight the requirements within OP Financial Group too for the effectiveness of counter-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 271 million. A year ago, a decrease in net liabilities related to defined benefit pension plans improved other comprehensive income before tax by EUR 284 million.

Banking

Within Banking, major risks are associated with credit risk arising from customer business, and market risk.

Banking's credit risk exposure remained stable, at a moderate risk level. Doubtful receivables totalled EUR 2.4 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. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Impairment losses remained low, accounting for 0.06% (0.10) of the loan and guarantee portfolio.

During the reporting period, the loan and guarantee portfolio increased by EUR 1.7 billion to EUR 79.5 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) to 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 59% (59) and the exposure of the two lowest borrower grades amounted to EUR 434 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 9.6 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 22.0% (21.9), Renting and Operating of Other Real Estate representing 11.5% (11.7) and Trade representing 9.3% (9,6). A total of 92% of exposures within Renting and Operating of Residential Real Estate were those by housing associations and 15% those guaranteed by general government.

Banking's interest rate risk measured as a one-percentage point decrease on 12-month net interest income was EUR 194 million (215) at the end of June.

Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance liability for annuities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates.

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 41 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 23 million.

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 June was at the December-end level.

The investment risk level (VaR with 95% confidence, 1-month time period) was slightly higher on 30 June 2016 than on 31 December 2015. No major change took place in the investment portfolio allocation. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. Interest rate risk associated with the total balance sheet has remained stable.

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.

A one-year increase in life expectancy would increase insurance liability by EUR 24 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 40 million. Risk associated with the separated life insurance portfolio transferred from Suomi Mutual has been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separate portfolio, after which OP Financial Group will bear the risks associated with the portfolio.

No major changes took place in Life Insurance's underwriting risks. The Life Insurance solvency position under Solvency II was weaker on 30 June 2016 than on 31 December 2015, due to a reduction in long-term interest rates, among other things.

The investment risk level (VaR with 95% confidence, 1-month time period) was slightly higher on 30 June 2016 than on 31 December 2015. No major change took place in the investment portfolio allocation during the reporting period. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. Interest rate risk associated with the total balance sheet has remained stable.

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.

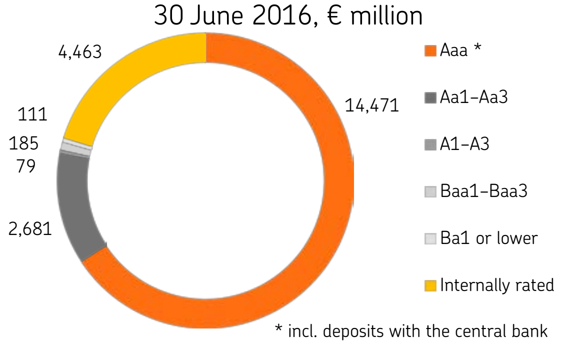
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. On 30 June 2016, OP Financial Group's LCR was 111%.

Liquidity buffer

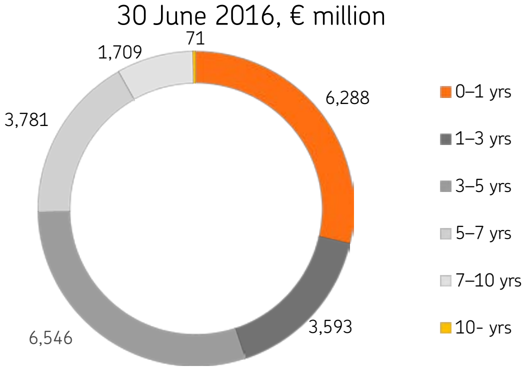
€ billion	30 June 2016	31 Dec. 2015	Change, %
Deposits with central banks	4.8	8.5	-43.7
Notes and bonds eligible as collateral	12.5	10.6	18.3
Corporate loans eligible as collateral	3.2	4.3	-26.3
Total	**20.5**	**23.4**	**-12.4**
Receivables ineligible as collateral	1.5	0.8	84.3
Liquidity buffer at market value	**22.0**	**24.2**	**-9.1**
Collateral haircut	-1.2	-1.2	-3.2
Liquidity buffer at collateral value	**20.8**	**23.0**	**-9.4**

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 market-to-market valuations.

Financial assets included in the liquidity buffer by credit rating on 30 June 2016, € million



Financial assets included in the liquidity buffer by maturity on 30 June 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 and OP Corporate Bank plc did not change in the reporting period.

In July 2016, Standard & Poor's affirmed OP Corporate Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ while keeping the outlook negative.

Financial performance 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.

Banking

- Earnings before tax amounted to EUR 295 million (356). Income decreased by 5.3% as a result of lower net investment income. Net investment income was considerably decreased by a change in the Group's internal operating model between Banking and Other Operations. Expenses increased by 3.8%.
- The loan portfolio increased by 5.0% and the deposit portfolio by 5.1% in the year to June. Year on year, the volume of new home loans drawn down increased by 12,8% and that of corporate loans by 11.4%.
- Impairment losses of EUR 23 million (37) accounted for 0.06% (0.10) of the loan and guarantee portfolio.

Banking: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Net interest income	561	541	3.6	1,108
Net commissions and fees	389	349	11.3	663
Net investment income	-24	85		120
Other income	15	19	-18.3	36
Total income	**941**	**994**	**-5.3**	**1,927**
Personnel costs	236	240	-1.8	472
Depreciation/amortisation and impairment loss	23	24	-1.7	52
Other operating expenses	277	253	9.6	512
Total expenses	**536**	**516**	**3.8**	**1,037**
Impairment loss on receivables	23	37	-37.3	77
OP bonuses to owner customers	87	85	3.2	171
Earnings before tax	**295**	**356**	**-17.3**	**642**
Cost/income ratio, %	**57.0**	**52.0**	**5.0**	**53.8**
€ million	**30 June 2016**	**30 June 2015**	**Change, %**	**31 Dec. 2015**
Home loans drawn down	3,565	3,162	12.8	6,577
Corporate loans drawn down	3,521	3,160	11.4	6,631
No. of brokered property transactions	6,115	5,851	4.5	12,149
€ billion				
Loan portfolio				
Home loans	35.9	34.5	4.2	35.3
Corporate loans	18.6	17.7	4.6	18.5
Other loans	22.5	21.1	6.7	21.5
Total	**77.0**	**73.3**	**5.0**	**75.2**
Guarantee portfolio	2.6	2.8	-8.3	2.6
Deposits				
Current and payment transfer	36.3	33.0	10.1	34.7
Investment deposits	17.5	18.3	-4.0	17.2
Total	**53.8**	**51.2**	**5.1**	**51.9**

Market share, %**	30 June 2016	30 June 2015	Change, %	31 Dec. 2015
Loans	34.9	34,6	0.3*	34.9
Deposits	37.5	36.6	0.9*	37.1

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

The loan portfolio continued to grow. It increased by 5.0% in the year to June and by 2.4% during the first half. Year on year, the volume of new home loans drawn down increased by 12.8% and that of corporate loans by 11.4%.

The deposit portfolio increased by 5.1% in the year to June. The volume of investment deposits declined over the previous year due to low interest rates and lower term deposit margins. The volume of deposits in payment transaction accounts increased by 10.1% in the year to June.

The Group's market share of home loans increased in the year to June by 0.6 percentage points, being 38.8% at the end of June. The market share of corporate loans increased during the same period by 1.0 percentage point to 37.4% (36.4). The Group's market share of the total euro-denominated deposits, excluding financial and insurance institutions, was 37.5% (36.6).

The volume of homes sold and bought through the OP Kiinteistökeskus real estate agents increased by 4.5% over the previous year.

Earnings

Earnings before tax amounted to EUR 295 million (356). Income decreased by 5.3% and expenses increased by 3.8%. 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, which was 57 percentage points (52). Impairment losses of EUR 23 million (37) accounted for 0.06% (0.10) 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 interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The change affects Banking and Other Operations net interest income, net commissions and fees and net investment income. This change together with other changes in internal operating models reduced Banking earnings before tax by roughly EUR 14 million. However, the change improved earnings by Other Operations. Comparatives have not been changed.

Net interest income rose to EUR 561 million (541) 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 40 million to EUR 389 million (349). This increase was affected by the change in the Group's internal operating model, as a result of which EUR 42 million were recognised in commissions and fees from derivatives and FX trading. Commissions and fees related to payment transactions increased by EUR 3 million, those to Wealth Management decreased by EUR 4 million and those to Non-life Insurance decreased by EUR 2 million.

Net investment income decreased by a total of EUR 109 million. The reduced net investment income was lowered by a negative 38-million euro (4) CVA valuation arising from interest rate changes and other market movements. 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 a year ago totalled EUR 62 million.

Expenses increased by 3.8% to EUR 536 million (516). Other operating expenses rose by 9.6%. ICT costs increased by EUR 16 million, or by 17.8%. Higher ICT costs were explained by heavy investments in development and growth in volumes.

Personnel costs decreased by EUR 4 million to EUR 236 million (240).

Non-life Insurance

- Earnings before tax amounted to EUR 117 million (144). Earnings before tax at fair value were EUR 154 million (78).
- Insurance premium revenue increased by 2.6% (4.6).
- The operating combined ratio was 88.2% (87.8) and operating expense ratio 18.4% (18.2). The combined ratio was 89.8% (89.4).
- Return on investments at fair value was 3.1% (1.3).

Non-life Insurance: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Insurance premium revenue	700	682	2.6	1,397
Claims incurred	440	432	2.0	885
Net insurance income	**260**	**250**	**3.8**	**512**
Net investment income	55	86	-36.9	125
Other net income	-33	-36	-9.3	-70
Total income	**281**	**301**	**-6.4**	**567**
Personnel costs	53	53	-0.4	101
Depreciation/amortisation and impairment loss	19	18	8.6	37
Other operating expenses	92	86	7.6	168
Total expenses	**164**	**156**	**5.0**	**306**
OP bonuses to owner customers	1	1	13.4	2
Earnings before tax	**117**	**144**	**-18.8**	**259**
Combined ratio, %	89.8	89.4		88.8
Operating combined ratio, %	88.2	87.8		87.3
Operating loss ratio, %	69.8	69.7		69.6
Operating expense ratio, %	18.4	18.2		17.7
Operating risk ratio, %	63.9	64.2		64.2
Operating cost ratio, %	24.4	23.7		23.1
Return on investments at fair value, %	3.1	1.3		2.3
Solvency ratio (Solvency II), %*	158			158
Large claims incurred retained for own account	29	26		60
Changes in claims for provisions of previous years (run-off result)	40	13		32

* including transitional provisions.

Insurance premium revenue from Private Customers continued to grow. Insurance premium revenue from Corporate Customers was 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 24,000 to 701,000 in the reporting period, of which up to 76% also use OP Financial Group member 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.

OP Financial Group's health and wellbeing business is included in the Non-life Insurance segment.

Earnings

Earnings before tax amounted to EUR 117 million (144). Net insurance income increased by 3.8% to EUR 260 million. Net investment income recognised in the income statement decreased by EUR 32 million. Earnings before tax at fair value were EUR 154 million (78).

The operating combined ratio was 88.2% (87.8). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue € million	Q1–2/2016	Q1–2/2015	Change, %
Private Customers	379	359	5.5
Corporate Customers	293	295	-0.8
Baltics	28	28	1.8
Total	700	682	2.6

Claims incurred increased by 2.0%. 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 38 (38) in January-June, with their claims incurred retained for own account totalling EUR 29 million (26). The change in provisions for unpaid claims under statutory pension increased year on year, being EUR 11 million (5) between January and June. On 30 June 2016, the average discount rate was 2.09%. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 27 million (32). The changed discount rate weakened the operating combined ratio by 3.9 percentage points (4.7).

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 40 million (13). The operating loss ratio was 69.8% (69.7). The operating risk ratio excluding indirect loss adjustment expenses was 63.9% (64.2).

Expenses rose by 5.0% due to an increase in ICT costs and the expansion of the health and wellbeing business, being EUR 8 million higher than a year ago. The operating expense ratio was 18.4% (18.2). The operating cost ratio (including indirect loss adjustment expenses) was 24.4% (23.7).

Operating balance on technical account and combined ratio (CR)

	Q1–2/2016		Q1–2/2015	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	62	83.5	72	79.8
Corporate Customers	18	93.7	9	96.8
Baltics	1	95.2	1	96.6
Total	82	88.2	83	87.8

Investment

Return on investments at fair value totalled EUR 92 million (41), or 3.1% (1.3). The first-half 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 55 million (86).

Investment portfolio by asset class

%	30 June 2016	31 Dec. 2015
Bonds and bond funds	77.6	76.6
Alternative investments	0.8	0.8
Equities	7.4	6.7
Private equity	3.1	3.4
Real property	9.4	9.9
Money markets	1.7	2.5
Total	100	100

On 30 June 2016, Non-life Insurance's investment portfolio totalled EUR 3,821 million (3,687). The fixed-income portfolio by credit rating remained healthy, considering that investments within the investment-grade category accounted for 91% (93), and 62% (63) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.7 years (5.7) and the duration 5.1 years (5.2).

The running yield for direct bond investments averaged 1.71% (1.71) on 30 June 2016.

Wealth Management

- Earnings before tax amounted to EUR 141 million (128). Earnings before tax at fair value were EUR 162 million (85).
- The gross amount of assets under management increased by EUR 0.3 billion from the 2015-end level.
- Net commissions and fees decreased by 6% and Life Insurance net investment income increased by 17% year on year.
- Return on investments at fair value was 3.1% (1.2).

Wealth Management: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Net commissions and fees				
Funds and asset management	94	98	-4.2	188
Life insurance	91	89	1.6	171
Expenses	74	70	6.6	139
Total net commissions and fees	**111**	**118**	**-6.2**	**220**
Life Insurance's net risk results	13	11	12.1	21
Net investment income from Life Insurance	76	65	16.8	98
Other income	8	0		5
Total income	**207**	**194**	**6.5**	**344**
Personnel costs	16	17	-4.9	32
Depreciation/amortisation and impairment loss	10	13	-25.1	24
Other operating expenses	28	25	10.6	52
Total expenses	**54**	**55**	**-2.6**	**108**
OP bonuses to owner customers	12	11	5.5	23
Earnings before tax	**141**	**128**	**10.4**	**213**
€ billion	30 June 2016	30 June 2015	Change, %	31 Dec. 2015
Assets under management (gross)				
Mutual funds	21.0	21.5	-2.4	21.7
Institutional clients	24.1	22.8	5.7	23.5
Private Banking	15.3	13.6	12.8	14.6
Unit-linked insurance savings	8.5	8.5	0.1	8.7
Total assets under management (gross)	**68.8**	**66.3**	**3.8**	**68.5**
€ million				
Net inflows				
Investor and saver customers	-28	398		666
Private Banking clients	115	146	-20.9	469
Institutional clients	-111	-513	-78.4	-187
Total net inflows	**-23**	**31**		**948**
Market share, %	30 June 2016	30 June 2015	Change, %	31 Dec. 2015
Mutual funds	21.5	22.0	-0.5	22.2

Uncertainties associated with the economic situation and capital markets kept demand for Wealth Management products low during the reporting period. Net inflows declined year on year, amounting to EUR –23 million (31).

The gross amount of assets under management increased by EUR 0.3 billion from the 2015-end level. Assets under management totalled EUR 68.8 billion, this amount including around EUR 11 billion in assets of the companies belonging to OP Financial Group.

The number of investor and saver customers fell by 5,000 (increased by 14,000) in the reporting period, totalling 749,000 on 30 June 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 3.2 (3.1).

During the reporting period, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 39% (40) of mutual fund subscriptions.

Earnings

Earnings before tax increased to EUR 141 million (128). This improvement was due to higher net investment income from Life Insurance. Earnings before tax at fair value were EUR 162 million (85).

Net commissions and fees decreased by 6.2% year on year, amounting to EUR 111 million (118). Net commissions and fees less OP bonuses to owner-customers accounted for 0.28% (0.32) of the gross amount of the assets under management.

Life Insurance's return on investments at fair value was 3.1% (1.2) and net investment income totalled EUR 106 million (98). The abovementioned investment return/income figures have been calculated excluding the performance of instruments that hedge against the interest rate risk of insurance liabilities and the technical rate of interest as well as excluding the so-called separated balance sheet that transferred from Suomi Mutual in 2015.

Expenses were at the same level as a year ago. Wealth Management's cost/income ratio deteriorated to 40.8% (38.8). Expenses accounted for 0.14% (0.14) 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. During the reporting period, the Group began to hedge insurance liability through direct fixed-income investments. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheet) totalled EUR 512 million (404) on 30 June 2016. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 47 million (52) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, interest rate derivatives hedging 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 30 June 2016, the portfolio's modified duration was 4.5 (4.5).

Investment portfolio by asset class

%	30 June 2016	31 Dec. 2015
Bonds and bond funds	78.6	76.2
Alternative investments	7.3	5.7
Equities and equity funds	5.7	5.1
Real property	7.0	6.6
Money markets	1.3	6.4
Total	**100**	**100.0**

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 30 June 2016, investments assets in the separated balance sheet, excluding interest rate derivatives hedging insurance liability, amounted to EUR 1,217 million (1,247). Of the investments, bonds and bond funds accounted for 84%, alternative investments for 6%, equities and equity funds for 3%, real property for 6% and money market investments for 1%. Return on investments at fair value was 3.0%.

Other Operations

Other Operations: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Net interest income	-22	-20	8.2	-52
Net commissions and fees	-37	10		20
Net investment income	74	59	25.8	86
Other operating income	306	240	27.6	484
Total income	**321**	**288**	**11.5**	**538**
Personnel costs	91	91	-0.6	176
Depreciation/amortisation and impairment loss	23	28	-18.6	48
Other operating expenses	145	164	-11.1	327
Total expenses	**259**	**283**	**-8.5**	**551**
Impairment loss on receivables	0	0		0
Earnings before tax	**62**	**5**		**-13**

Earnings

Earnings before tax reported by Other Operations amounted to EUR 62 million (5). This earnings improvement came from higher net investment income and other operating income as well as lower expenses. Net commissions and fees, however, decreased year on year. Total income increased by 11.5% to EUR 321 million.

Net interest income was EUR –22 million (–20). On 30 June 2016, the average margin of OP Financial Group's senior wholesale funding was 36 basis points (39).

During the reporting period, the Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading among other things, as well as bonds trading from the Banking segment to the Other Operations segment. This change added to net investment income reported by the Other Operations segment as a result of an increase in net income from securities trading and foreign exchange trading while decreasing net commissions and fees.

Other Operations recognised EUR 71 million in non-recurring gain under other operating income as a result of the acquisition of Visa Europe Ltd by Visa Inc.

Expenses declined by EUR 24 million to EUR 259 million. A year ago, personnel costs included non-recurring expenses, totalling EUR 5 million, related to the reorganisation of the central cooperative consolidated. Depreciation/amortisation and impairment loss decreased by EUR 5 million and ICT costs by EUR 15 million over the previous year. A year ago, higher other operating expenses were explained by non-recurring expenses of EUR 16 million 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 178 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. During the reporting period, the conversion of Helsinki OP Bank Ltd's legal form into a cooperative bank, which was registered on 1 April 2016, increased the number of member cooperative banks. The bank's new business name is Helsinki Area Cooperative Bank (OP Helsinki). 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.

Enon Osuuspankki, Ilomantsin Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki had previously accepted 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 will be renamed Vaara-Karjalan Osuuspankki. The planned date for registration of the merger is 31 December 2016.

Puolangan Osuuspankki and Suomussalmen Osuuspankki had previously accepted a merger plan, according to which the former will merge into the latter. In connection with the merger, Suomussalmen Osuuspankki will be renamed Ylä-Kainuun Osuuspankki. 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 later during 2016.

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

The business names of companies based in the Baltic countries have also been changed to begin with OP, as follows:
- Pohjola Bank plc Eesti filiaal became OP Corporate Bank plc Eesti filiaal
- Pohjola Bank plc filiāle Latvijā became OP Corporate Bank plc filiāle Latvijā
- Pohjola Bank Plc Lietuvos filialas became OP Corporate Bank plc Lietuvos filialas
- Pohjola Finance Estonia AS became OP Finance AS
- "Pohjola Finance" SIA became "OP Finance" SIA
- UAB "Pohjola Finance" became UAB "OP Finance"

Omasairaala Oy was renamed Pohjola Health Ltd when the Tampere hospital unit was opened at the beginning of August 2016.

Personnel and remuneration

On 30 June 2016, OP Financial Group had 12,423 employees (12,130). The number of employees averaged 12,258 (12,174). OP Financial Group continued to invest in the development of digital business and customer experience, which led to increasing personnel in these activities during the first half.

During the reporting period, 160 OP Financial Group employees (121) retired, at an average age of 61.7 years (61.6).

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, became 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–June totalled EUR 140 million (69). These include licence fees, purchased services, other external costs related to projects and inhouse work. The capitalised development expenditure totalled EUR 81 million.

Events after the balance sheet date

Stress test by the Committee of European Banking Supervisors

In the stress test conducted by the European banking supervisors, OP Financial Group's capital adequacy remains on a solid basis and is above the minimum capital adequacy requirement also in an operating environment of an extremely adverse scenario.

In the baseline scenario under which the operating environment remains unchanged, OP Financial Group's CET1 ratio would improve further and be 21.2% in 2018. In an adverse scenario, capital adequacy would be burdened by a decrease in net interest income and significant impairment losses, bringing the CET1 ratio down to 14.9% in 2018, which would still be well above the minimum capital adequacy requirements.

Outlook towards the year end

The Finnish economy has begun a slight rebound in the first half of the year. This has been based on a recovery in the domestic market, especially construction. Weak world economic growth has not been sufficient to stimulate Finnish exports. A number of major uncertainties are threatening the fragile economic growth in the euro area and Finland: Brexit, the situation in the Italian banking sector, economic slowdown in emerging countries and greater political instability. In addition, the slow progress of structural reforms in the Finnish economy will slow down Finnish economic recovery. On the whole, the Finnish economy is expected, however, to continue its recovery although risks of growth coming to a halt have mounted during the summer.

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 banking impairment loss low despite the prolonged period of slow economic growth. Digitisation in the financial sector, upgrading fragmented information system infrastructures and change in customer behaviour will require significant development investments in the sector in the next few years that will increase expenses and weaken profitability in the short term. Changes in the operating environment will highlight the role of operational efficiency and profitability as well as a strong capital base.

OP Financial Group's full-year 2016 earnings before tax are expected to be of about the same size as the record earnings reported in 2015. Greater uncertainty related to the operating environment has further increased short-term earnings volatility, which will also have an effect on the predictability of the entire OP Financial Group's full-year earnings performance. The most significant uncertainties are related to changes in the interest rate and investment environment.

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.

Consolidated income statement

EUR million	Note	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Net interest income	3	261	256	528	511
Net insurance income	4	142	130	272	261
Net commissions and fees	5	213	213	437	447
Net investment income	6	96	138	182	288
Other operating income		83	13	94	25
Share of associates' profits		2	0	4	4
Total income		**796**	**751**	**1,517**	**1,537**
Personnel costs		195	187	395	401
Depreciation/amortisation		38	43	75	82
Other expenses		168	147	309	293
Total expenses		**401**	**376**	**779**	**776**
Impairments of receivables	7	13	15	23	37
OP bonuses to owner-customers		52	51	100	97
Earnings before tax		**331**	**308**	**614**	**627**
Income tax expense		68	93	122	156
Profit for the period		**263**	**215**	**493**	**471**
Attributable to:					
Owners		262	214	491	470
Non-controlling interests		1	1	1	2
Profit for the period		**263**	**215**	**493**	**471**

Statement of comprehensive income

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Items that will not be reclassified to profit or loss				
Gains(/losses) arising from remeasurement of defined benefit plans	-78	458	-271	284
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	39	-253	95	-101
Cash flow hedge	9	-28	25	-21
Translation differences	0	0	0	0
Income tax expense				
Items that will not be reclassified to profit or loss				
Gains(/losses) arising from remeasurement of defined benefit plans	16	-92	54	-57
Items that may be reclassified to profit or loss				
Measurement at fair value	-8	51	-19	20
Cash flow hedge	-2	6	-5	4
Total comprehensive income for the period	**239**	**355**	**372**	**600**
Attributable to:				
Owners	228	349	344	586
Non-controlling interests	11	7	28	14
Total comprehensive income for the period	**239**	**355**	**372**	**600**

Balance sheet

EUR million	Note	30 June 2016	31 December 2015
Cash and cash equivalents		4,890	8,619
Receivables from credit institutions		428	425
Financial assets held for trading		978	928
Derivative contracts	10	6,327	5,763
Receivables from customers	12	76,978	75,192
Investment assets		23,705	20,784
Assets covering unit-linked contracts		8,429	8,640
Investments in associates		92	93
Intangible assets		1,430	1,395
Property, plant and equipment (PPE)		839	843
Other assets		2,795	2,347
Tax assets		162	118
Total assets		**127,055**	**125,145**
Liabilities to credit institutions		2,556	1,673
Derivative contracts		5,607	5,369
Liabilities to customers		58,154	58,220
Insurance liabilities		8,077	7,705
Liabilities from unit-linked insurance and investment contracts		8,455	8,666
Debt securities issued to the public	14	27,751	27,706
Provisions and other liabilities		4,394	3,921
Tax liabilities		848	866
Supplementary capital contributions		102	106
Subordinated liabilities		1,472	1,590
Total liabilities		**117,419**	**115,822**
Equity capital			
Share of OP Financial Group's owners			
Share and cooperative capital			
Membership capital contributions		156	154
Profit shares		2,518	2,502
Fair value reserve	15	311	242
Other reserves		2,159	2,085
Retained earnings		4,404	4,271
Non-controlling interests		88	70
Total equity capital		**9,637**	**9,324**
Total liabilities and equity capital		**127,055**	**125,145**

Statement of changes in equity

EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners						
Balance at 1 January 2015	**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**
Total comprehensive income for the period		-112		696	585	14	599
Profit for the period				470	470	2	471
Other comprehensive income		-112		227	115	12	127
Profit distribution				-21	-21		-21
Increase in cooperative capital	495				495		495
One-off effect of transfer of POP Group banks to OP Financial Group*	2	1	67	48	118		118
Transfer of reserves			245	-245			
Other				-1	-1	-8	-9
Balance at 30 June 2015	**2,206**	**315**	**2,308**	**3,491**	**8,319**	**75**	**8,394**

* On 19 May 2015, six former POP Group member banks joined OP Financial Group.

EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners						
Balance at 1 January 2016	**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**
Total comprehensive income for the period		69		275	344	28	372
Profit for the period				491	491	1	493
Other comprehensive income		69		-217	-148	27	-121
Profit distribution				-68	-68		-68
Increase in cooperative capital	19				19		19
Transfer of reserves			75	-75			
Other				1	1	-10	-9
Balance at 30 June 2016	**2,674**	**311**	**2,159**	**4,404**	**9,549**	**88**	**9,637**

Cash flow statement

EUR million	Q1–2/ 2016	Q1–2/ 2015
Cash flow from operating activities		
Profit for the period	493	471
Adjustments to profit for the period	1,323	935
Increase (-) or decrease (+) in operating assets	**-4,837**	**-4,356**
Receivables from credit institutions	105	159
Financial assets held for trading	-240	14
Derivative contracts	33	-33
Receivables from customers	-1,796	-2,063
Assets covering unit-linked contracts	125	-574
Investment assets	-2,537	-2,148
Other assets	-527	288
Increase (+) or decrease (-) in operating liabilities	**-254**	**3,138**
Liabilities to credit institutions	883	240
Financial liabilities at fair value through profit or loss	0	-3
Derivative contracts	-38	18
Liabilities to customers	-66	2,183
Insurance liabilities	-929	-793
Liabilities from unit-linked insurance and investments contracts	-211	907
Provisions and other liabilities	107	586
Income tax paid	-154	-242
Dividends received	55	58
A. Net cash from operating activities	**-3,375**	**4**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	0	-1
Decreases in held-to-maturity financial assets	5	66
Acquisition of subsidiaries and associates, netof cash acquired	0	-2
Disposal of subsidiaries and associates, net of cash disposed		0
Purchase of PPE and intangible assets	-119	-139
Proceeds from sale of PPE and intangible assets	10	3
B. Net cash used in investing activities	**-105**	**-73**
Cash flow from financing activities		
Increases in subordinated liabilities	0	0
Decreases in subordinated liabilities	-142	0
Increases in debt securities issued to the public	13,666	15,808
Decreases in debt securities issued to the public	-13,610	-15,957
Increases in cooperative and share capital	518	2,543
Decreases in cooperative and share capital	-503	-2,085
Dividends paid and interest on cooperative capital	-69	-30
C. Net cash used in financing activities	**-141**	**280**
Net increase/decrease in cash and cashequivalents (A+B+C)	**-3,620**	**212**
POP Group banks' cash and cash equivalents*		**47**
Total change in cash and cash equivalents	**-3,620**	**259**
Cash and cash equivalents at period-start	**8,708**	**4,176**
Cash and cash equivalents at period-end	**5,088**	**4,436**
Interest received	**1,216**	**1,286**
Interest paid	**-437**	**-829**
Cash and cash equivalents		
Liquid assets	4,890	4,242
Receivables from credit institutions payable on demand	198	194
Total	**5,088**	**4,436**

* On 19 May 2015, six former POP Group member banks joined OP Financial Group.

Segment information

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 19% (18%). 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.

Q1–2 earnings 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Net interest income	561	-10	3	-22	-3	528
-of which internal net income before tax	-11	-8	3	17		
Net insurance income		260	13			272
Net commissions and fees	389	-28	111	-37	2	437
Net investment income	-24	55	76	74	2	182
Other operating income	15	4	3	306	-234	94
Share of associates' profits	0	1	2	0	0	4
Total income	**941**	**281**	**207**	**321**	**-233**	**1,517**
Personnel costs	236	53	16	91	0	395
Depreciation/amortisation and impairment losses	23	19	10	23	0	75
Other operating expenses	277	92	28	145	-234	309
Total expenses	**536**	**164**	**54**	**259**	**-234**	**779**
Impairments of receivables	23	0		0	0	23
OP bonuses to owner-customers	87	1	12		0	100
Earnings before tax	**295**	**117**	**141**	**62**	**0**	**614**

Q1–2 earnings 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Net interest income	541	-11	-1	-20	3	511
-of which internal net income before tax	-13	-10	1	23		
Net insurance incomes		250	11		0	261
Net commissions and fees	349	-27	118	10	-2	447
Net investment income	85	86	65	59	-7	288
Other operating income	16	2	1	240	-233	25
Share of associates' profits	3	0	1		0	4
Total income	**994**	**301**	**194**	**288**	**-240**	**1,537**
Personnel costs	240	53	17	91	0	401
Depreciation/amortisation and impairment losses	24	18	13	28	0	82
Other operating expenses	253	86	25	164	-235	293
Total expenses	**516**	**156**	**55**	**283**	**-235**	**776**
Impairments of receivables	37	0		0	0	37
OP bonuses to owner-customers	85	1	11		0	97
Earnings before tax	**356**	**144**	**128**	**5**	**-5**	**627**

Balance sheet 30 June 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Cash and cash equivalents	110	146	266	4,775	-408	4,890
Receivables from credit institutions	5,146	6	29	10,053	-14,806	428
Financial assets held for trading	89			894	-5	978
Derivative contracts	589	57	193	6,110	-620	6,327
Receivables from customers	77,459			689	-1,170	76,978
Investment assets	6,342	3,760	5,293	18,949	-10,638	23,705
Assets covering unit-linked contracts			8,429			8,429
Investments in associates	40	2	28	0	21	92
Intangible assets	64	692	373	304	-3	1,430
Property, plant and equipment (PPE)	489	47	17	299	-13	839
Other assets	90	803	283	1,882	-263	2,795
Tax assets	87	12	10	36	16	162
Total assets	**90,505**	**5,525**	**14,922**	**43,992**	**-27,889**	**127,055**
Liabilities to credit institutions	9,433			7,010	-13,886	2,556
Derivative contracts	227	14	12	5,974	-620	5,607
Liabilities to customers	53,690		1	5,798	-1,335	58,154
Insurance liabilities		3,210	4,867			8,077
Liabilities from unit-linked insurance and investments contracts			8,455			8,455
Debt securities issued to the public	10,549			18,273	-1,070	27,751
Provisions and other liabilities	1,986	467	314	1,962	-335	4,394
Tax liabilities	364	82	80	305	16	848
Supplementary capital contributions	271			970	-1,139	102
Subordinated liabilities	63	135	245	1,482	-453	1,472
Total liabilities	**76,584**	**3,907**	**13,974**	**41,775**	**-18,821**	**117,419**
Equity capital						**9,637**

Balance sheet 31 December 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Cash and cash equivalents	130	107	230	8,451	-299	8,619
Receivables from credit institutions	4,415	6	39	10,506	-14,540	425
Financial assets at fair value through profit or loss	939			5	-17	928
Derivative contracts	5,735	14	75	337	-398	5,763
Receivables from customers	75,633			801	-1,242	75,192
Investment assets	6,425	3,570	5,125	16,446	-10,782	20,784
Assets covering unit-linked contracts			8,640			8,640
Investments in associates	42	2	-1	32	18	93
Intangible assets	67	695	280	261	92	1,395
Property, plant and equipment (PPE)	494	47	16	299	-13	843
Other assets	1,030	666	280	617	-247	2,347
Tax assets	47	4	10	40	16	118
Total assets	**94,958**	**5,111**	**14,694**	**37,795**	**-27,412**	**125,145**
Liabilities to credit institutions	10,712			4,374	-13,414	1,673
Derivative contracts	5,389	15	37	326	-398	5,369
Liabilities to customers	53,586		0	6,106	-1,472	58,220
Insurance liabilities		2,917	4,788		0	7,705
Liabilities from unit-linked insurance and investment contracts			8,666			8,666
Debt securities issued to the public	10,971			17,893	-1,158	27,706
Provisions and other liabilities	2,122	322	98	1,704	-325	3,921
Tax liabilities	406	84	69	299	8	866
Supplementary capital contributions	255			5,799	-5,947	106
Subordinated liabilities	80	135	281	1,591	-497	1,590
Total liabilities	**83,520**	**3,473**	**13,939**	**38,092**	**-23,203**	**115,822**
Equity capital						**9,324**

Notes

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Note 1 Accounting policies

The Interim Report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2015.

The Interim Report is based on unaudited data. Given that all figures in the Interim Report have been rounded off, the sum total of individual figures may deviate from the presented sums.

The Interim Report is available in Finnish, English and Swedish. The Finnish version is official that will apply if there is any discrepancy between the language versions.

The grouping of the income statement and balance sheet formats has been revised in the Interim Report for 1 January–30 June 2016. This has no effect on equity capital, balance sheet total or profit for the period. Segment reporting has been updated accordingly. Comparatives have been restated to correspond to the new grouping.

The largest changes caused by the new grouping are as follows:

Net interest income broken down into interest income and expenses is presented in the notes. Net interest income after impairment loss is not presented separately. Impairment loss on receivables is presented in its own line after expenses.

The previously presented line "Net income from Non-life Insurance" has been divided into net insurance income and net investment income that better describe the nature of the items. Unwinding of discount is presented under "Net investment income".

The previously presented line "Net income from Life Insurance" has been divided in such a way that fee-type life insurance total expense loadings and refunds of unit-linked management fees are presented under "Net commissions and fees" and risk results under "Insurance premium revenue". Other items previously presented in the line are allocated to "Net investment income".

"Net trading income" previously presented in its own line has been incorporated into "Net investment income". The line "Share of associates' profits/losses" is presented under income.

Expenses have been divided into personnel costs, amortisation/depreciation and other operating expenses. Expenses were previously divided into personnel costs, other administrative expenses and other operating expenses. OP bonuses to owner-customers are presented in their own lines in all segments after expenses.

The lines Non-life Insurance and Life Insurance assets previously presented in the balance sheet have been allocated to other lines that best describe their content. Assets covering unit-linked contracts are presented as a new line.

The lines Non-life Insurance and Life Insurance liabilities previously presented in the balance sheet have been allocated to lines that best describe their content. "Insurance liabilities" and "Liabilities from unit-linked insurance and investment contracts" are presented as new lines.

Comparatives based on new grouping:
Income statement

EUR million	Q1 / 2015	Q2/ 2015	Q3/ 2015	Q4/ 2015	Q1–4/ 2015	Q1 / 2016
Net interest income	256	256	256	259	1,026	267
Net insurance income	131	130	141	131	533	131
Net commissions and fees	234	213	205	202	855	224
Net investment income	151	138	80	64	432	86
Other operating income	12	13	8	12	46	10
Share of associates' profits	4	0	2	3	9	2
Total income	**787**	**751**	**691**	**671**	**2,900**	**721**
Personnel costs	214	187	172	208	781	201
Depreciation/amortisation and impairment losses	40	43	38	42	162	37
Other operating expenses	145	147	122	167	582	141
Total expenses	**400**	**376**	**331**	**417**	**1,524**	**379**
Impairments of receivables	21	15	10	31	78	11
OP bonuses to owner-customers	46	51	51	49	196	48
Earnings before tax	**320**	**308**	**299**	**175**	**1,101**	**284**
Income tax expense	63	93	59	34	249	54
Profit for the period	**257**	**215**	**240**	**141**	**853**	**229**
Attributable to:						
Owners	256	214	239	137	845	229
Non-controlling interests	1	1	2	4	8	0
Profit for the period	**257**	**215**	**240**	**141**	**853**	**229**

Comparatives based on new grouping:
Balance sheet

EUR million	31 March 2015	30 June 2015	30 September 2015	31 December 2015	31 March 2016
Cash and cash equivalents	4,373	4,242	4,989	8,619	5,051
Receivables from credit institutions	480	539	591	425	344
Financial assets held for trading	403	988	730	928	1,006
Derivative contracts	7,894	5,693	5,907	5,763	6,126
Receivables from customers	71,357	73,304	74,186	75,192	75,825
Investment assets	17,568	18,146	18,849	20,784	22,754
Assets covering unit-linked contracts	8,472	8,390	8,032	8,640	8,257
Investments in associates	68	69	88	93	93
Intangible assets	1,331	1,349	1,353	1,395	1,410
Property, plant and equipment (PPE)	795	829	839	843	838
Other assets	3,449	2,476	2,534	2,347	2,422
Tax assets	198	124	143	118	170
Total assets	**116,389**	**116,149**	**118,242**	**125,145**	**124,296**
Liabilities to credit institutions	2,106	2,037	1,525	1,673	1,298
Financial liabilities at fair value through profit or loss	1	1	0	0	1
Derivative contracts	6,692	5,219	5,630	5,369	5,515
Liabilities to customers	51,429	54,042	55,598	58,220	58,436
Insurance liabilities	6,716	6,543	6,498	7,705	8,120
Liabilities from unit-linked insurance and investment contracts	8,502	8,420	8,061	8,666	8,287
Debt securities issued to the public	26,054	25,300	25,877	27,706	26,703
Provisions and other liabilities	4,947	4,124	3,808	3,921	4,006
Tax liabilities	1,016	872	862	866	899
Supplementary capital contributions	169	173	114	106	104
Subordinated liabilities	1,046	1,026	1,577	1,590	1,545
Total liabilities	**108,678**	**107,755**	**109,551**	**115,822**	**114,915**
Equity capital					
Share of OP Financial Group's owners					
Share and cooperative capital					
Membership capital contributions	147	151	153	154	153
Profit shares	1,846	2,055	2,235	2,502	2,468
Fair value reserve	546	315	230	242	282
Other reserves	2,216	2,308	2,085	2,085	2,108
Retained earnings	2,889	3,491	3,911	4,271	4,284
Non-controlling interests	66	75	77	70	86
Total equity capital	**7,711**	**8,394**	**8,690**	**9,324**	**9,381**
Total liabilities and equity capital	**116,389**	**116,149**	**118,242**	**125,145**	**124,296**

Note 2 Formulas for key figures and ratios

	Q1–2/2016	Q1–2/2015
Return on equity (ROE), %	10.4	12.2
Return on equity (ROE) at fair value, %	7.9	15.5
Return on assets (ROA), %	0.79	0.84
Cost/income ratio, %	51	51
Average personnel	12,258	12,239

ALTERNATIVE PERFORMANCE MEASURES

The Alternative Performance Measures Guidelines issued by the European Securities and Markets Authority (ESMA) came into force on 3 July 2016. The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. They should not be considered to be replacements for the performance measures defined in IFRS governing financial reporting.

The formulas for the used Alternative Performance Measures are presented below and they correspond to the previously presented performance indicators in terms of content.

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 (ROE) 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), %

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

Cost/income ratio, %

$$\frac{\text{Total expenses}}{\text{Total income}} \times 100$$

Non-life Insurance indicators:

Loss ratio (excl. unwinding of discount)

$$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Expense ratio

$$\frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to}}{\text{Net insurance premium revenue}} \times 100$$

Risk ratio (excl. unwinding of discount), %

$$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Combined ratio (excl. unwinding of discount), %

Loss ratio + expense ratio

Risk ratio + cost ratio

Cost ratio, %

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

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

$$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$$

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 cost ratio

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$$

KEY FIGURES AND RATIOS BASED ON SEPARATE CALCULATION

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio

$$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$$

Solvency ratio, %

$$\frac{\text{Capital base}}{\text{Capital requirement (SCR)}} \times 100$$

Leverage ratio, %

$$\frac{\text{Tier 1 capital (AT1)}}{\text{On- and off-balance-sheet exposures}} \times 100$$

Liquidity coverage requirement (LCR), %

$$\frac{\text{Liquid assets}}{\text{Liquidity outflows - liquidity inflows under stressed conditions}} \times 100$$

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 OPERATING RESULTS

EUR million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Insurance premium revenue	699	681	2.6	1396
Claims incurred	-488	-475	2.8	-972
Operating expenses	-129	-124	4.2	-247
Amortisation adjustment of intangible assets	-11	-11	-0.3	-21
Balance on technical account	71	72	-0.9	156
Net investment income	55	86	-36.9	125
Other income and expenses	-9	-15	-36.4	-22
Earnings before tax	**117**	**144**	**-18.8**	**259**
Gross change in fair value reserve	38	-66		-87
Earnings before tax at fair value	**154**	**78**	**98.2**	**171**

The rations of Non-life Insurance are calculated using expenses by function applied by non-life insurance companies, which are not presented on the same principle as in the Consolidated Income Statement.

Note 3 Interest income and expenses

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Interest income				
Receivables from credit institutions	2	0	3	-1
Receivables from customers				
Loans	297	311	596	628
Finance lease receivables	3	4	7	8
Impaired loans and other commitments	1	1	2	1
Notes and bonds				
Held for trading	3	4	5	7
At fair value through profit or loss		0		0
Available for sale	32	38	65	77
Held to maturity	1	1	1	2
Loans and receivables	0	1	1	3
Derivative contracts				
Held for trading	235	285	500	587
Fair value hedge	-33	-30	-64	-62
Cash flow hedge	10	8	19	17
Ineffective portion of cash flow hedge	0	-2	1	-1
Other	2	1	3	1
Total	**551**	**620**	**1,138**	**1,265**
Interest expenses				
Liabilities to credit institutions	6	1	12	2
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	24	38	52	78
Debt securities issued to the public	67	93	144	183
Subordinated liabilities				
Subordinated loans	1	2	3	3
Other	11	9	22	19
Derivative contracts				
Held for trading	211	263	444	544
Cash flow hedge	-33	-40	-71	-79
Other				
Other	2	0	3	3
Total	**290**	**365**	**610**	**753**
Net interest income before fair value adjustment under hedge accounting	261	255	529	512
Hedging derivatives	-17	-26	-25	-30
Value changes of hedged items	17	26	25	29
Total net interest income	**261**	**256**	**528**	**511**

Note 4 Net insurance income

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Net insurance premium revenue				
Premiums written	299	290	915	908
Insurance premiums ceded to reinsurers	3	1	-6	-9
Change in provision for unearned premiums	49	47	-220	-234
Reinsurers' share	2	8	11	18
Total	**353**	**345**	**700**	**682**
Net Non-life Insurance claims				
Claims paid	231	191	445	399
Insurance claims recovered from reinsurers	-10	-3	-14	-12
Change in provision for unpaid claims	-17	42	-1	40
Reinsurers' share	14	-10	10	5
Total	**218**	**220**	**440**	**432**
Life Insurance risk premiums collected	7	5	13	11
Total net insurance income	**142**	**130**	**272**	**261**

Note 5 Net commissions and fees

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Comission income				
Lending	54	52	105	103
Deposits	1	1	3	3
Payment transfers	67	63	129	123
Securities brokerage	4	6	7	12
Securities issuance	3	3	5	6
Mutual funds	35	32	69	66
Asset management and legal services	18	19	39	43
Guarantees	5	5	10	11
Housing service	18	17	34	35
Insurance brokerage	10	10	36	41
Life insurance total expense loadings	24	23	50	43
Refund of unit-linked management fees	15	16	30	30
Other	5	7	10	11
Total	**260**	**254**	**528**	**528**
Comission expenses				
Payment transfers	19	16	36	30
Securities brokerage	4	1	9	4
Securities issuance	1	1	1	2
Asset management and legal services	4	5	8	10
Insurance operations	10	9	20	18
Other	9	9	17	16
Total	**47**	**41**	**91**	**80**
Total net commissions and fees	**213**	**213**	**437**	**447**

Note 6 Net investment income

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Net income from available-for-sale assets				
Notes and bonds	80	38	113	81
Equity instruments	27	71	45	168
Dividend income	12	14	25	31
Impairments	-17	-4	-25	-6
Total	**102**	**120**	**157**	**275**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	21	-2	46	0
Equity instruments	4		3	
Derivatives	27	-124	175	-69
Banking and Other operations				
Securities trading	11	24	17	50
Foreign exchange trading	15	15	24	13
Investment property	13	0	16	5
Other	1	0	1	1
Total	**91**	**-86**	**282**	**-1**
Net income carried at amortised cost				
Loans and other receivables	2	3	3	3
Impairments	0	0	0	0
Total	**2**	**3**	**3**	**3**
Life Insurance				
Interest credited on customers' insurance savings	-24	-24	-47	-49
Change in insurance liabilities	11	133	-48	94
Other technical items	-78	2	-146	-15
Total	**-90**	**111**	**-242**	**31**
Non-life Insurance				
Unwinding of discount	-9	-10	-18	-20
Total	**-9**	**-10**	**-18**	**-20**
Net investment income total	**96**	**138**	**182**	**288**

Note 7 Impairments of receivables

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Receivables written off as loan or guarantee losses	48	19	59	36
Recoveries of receivables written off	-6	-4	-9	-7
Increase in impairment losses on individually assessed receivables	17	23	35	47
Decrease in impairment losses on individually assessed receivables	-55	-18	-68	-35
Collectively assessed impairment losses	8	-4	5	-3
Total impairments of receivables	**13**	**15**	**23**	**37**

Note 8 Classification of financial assets and liabilities

Assets, 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
Cash and cash equivalents	4,890					4,890
Receivables from credit institutions	428					428
Derivative contracts			5,624		704	6,327
Receivables from customers	76,978					76,978
Assets covering unit-linked contracts			8,429			8,429
Notes and bonds		104	2,352	18,906		21,361
Equity instruments			228	2,066		2,294
Other financial assets	2,990					2,990
Financial assets	**85,286**	**104**	**16,633**	**20,972**	**704**	**123,698**
Other than financial instruments						3,357
Total 30 June 2016	**85,286**	**104**	**16,633**	**20,972**	**704**	**127,055**

Assets, 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
Cash and cash equivalents	8,619					8,619
Receivables from credit institutions	425					425
Derivative contracts			5,226		536	5,763
Receivables from customers	75,192					75,192
Assets covering unit-linked contracts			8,640			8,429
Notes and bonds		108	858	17,372		18,338
Equity instruments			70	2,387		2,457
Other financial assets	2,428					2,428
Financial assets	**86,664**	**108**	**14,794**	**19,760**	**536**	**121,862**
Other than financial instruments						3,283
Total 31 Dec. 2015	**86,664**	**108**	**14,794**	**19,760**	**536**	**125,145**

* Investment assets in the balance sheet include Non-life and Life Insurance notes and bonds recognised through profit or loss, and equity instruments.

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		2,556		2,556
Derivative contracts	5,252		355	5,607
Liabilities to customers		58,154		58,154
Liabilities from unit-linked insurance and investment contracts		8,455		8,455
Insurance liabilities		8,077		8,077
Debt securities issued to the public		27,751		27,751
Subordinated loans		1,472		1,472
Other financial liabilities		3,638		3,638
Financial liabilities	**5,252**	**110,105**	**355**	**115,712**
Other than financial liabilities				1,707
Total 30 June 2016	**5,252**	**110,105**	**355**	**117,419**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		1,673		1,673
Derivative contracts	5,017		352	5,369
Liabilities to customers		58,220		58,220
Liabilities from unit-linked insurance and investment contracts		8,666		8,666
Insurance liabilities		7,705		7,705
Debt securities issued to the public		27,706		27,706
Subordinated loans		1,590		1,590
Other financial liabilities		3,248		3,248
Financial liabilities	**5,017**	**108,807**	**352**	**114,176**
Other than financial liabilities				1,645
Total 31 Dec. 2015	**5,017**	**108,807**	**352**	**115,822**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June, the fair value of these debt instruments was EUR 745 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 9 Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	142	79	7	228
Debt instruments	1,167	1,154	31	2,352
Unit-linked contracts	6,131	2,299		8,429
Derivative financial instruments	15	6,144	169	6,327
Available-for-sale				
Equity instruments	842	548	676	2,066
Debt instruments	14,536	4,081	288	18,906
Total	**22,832**	**14,305**	**1,170**	**38,308**

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				
Equity instruments		70		70
Debt instruments	616	221	21	858
Unit-linked contracts	6,425	2,215		8,640
Derivative financial instruments	2	5,584	176	5,763
Available-for-sale				
Equity instruments	1,683	-9	712	2,387
Debt instruments	12,037	5,042	293	17,372
Total	**20,763**	**13,124**	**1,203**	**35,090**

Fair value of liabilities on 30 June 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,149	2,306		8,455
Other		0		0
Derivative financial instruments	20	5,470	118	5,607
Total	**6,169**	**7,776**	**118**	**14,063**

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				
Unit-linked contracts	6,444	2,222		8,666
Other		0		0
Derivative financial instruments	35	5,199	135	5,369
Total	**6,480**	**7,421**	**135**	**14,035**

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	Derivative contracts	Available-for-sale financial assets	Total assets
Opening balance 1 Jan 2016	43	176	979	1,199
Total gains/losses in profit or loss	-5	-8	-34	-46
Total gains/losses in other comprehensive income			-3	-3
Purchases			80	80
Sales			-49	-49
Settlements	0			0
Transfers into Level 3			16	16
Transfers out of Level 3			-27	-27
Closing balance 30 June 2016	**38**	**169**	**963**	**1,170**

Financial liabilities, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Total liabilities
Opening balance 1 Jan 2016		135	135
Total gains/losses in profit or loss		-17	-17
Closing balance 30 June 2016		**118**	**118**

Total gains/losses included in profit or loss by item on 30 June 2016

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 30 June
Realised net gains (losses)	-5			-5
Unrealised net gains (losses)	9	-34	-3	-28
Total net gains (losses)	**4**	**-34**	**-3**	**-33**

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 10 Derivative contracts

30 June 2016, EUR million	Nominal values / remaining term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	33,354	76,440	57,681	167,475	5,772	5,155
Cleared by the central counterparty	6,290	31,664	27,314	65,269	1,548	1,823
Currency derivatives	24,211	11,419	4,198	39,829	1,359	1,508
Equity and index derivatives	93	6		100	6	0
Credit derivatives	19	147	87	253	7	11
Other derivatives	372	571	7	951	68	41
Total derivatives	**58,051**	**88,584**	**61,973**	**208,608**	**7,211**	**6,716**

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

Financial assets

30 June 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		Net amount
				Derivative contracts***	Collateral received	
Derivatives	7,860	-1,532	6,327	-3,562	-896	1,869

31 December 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		Net amount
				Derivative contracts***	Collateral received	
Derivatives	6,633	-870	5,763	-3,412	-1,030	1,321

Financial liabilities

30 June 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		Net amount
				Derivative contracts***	Collateral given	
Derivatives	7,417	-1,810	5,607	-3,562	-1,285	761

31 December 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		Net amount
				Derivative contracts***	Collateral given	
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 -271 (22) million euros.
**Fair values excluding accrued interest.
***It is the practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

February 2013 saw the adoption of 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 the Master Agreement of the Federation of Finnish Financial Services or the Group will apply to derivative transactions between the 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 12 Receivables from credit institutions and customers, and doubtful receivables

30 June 2016, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	346		346		1	344
Receivables from customers, of which	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 from credit institutions and customers 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 sector entities	675		675		0	675
Total	**76,050**	**619**	**76,669**	**446**	**54**	**76,169**

31 December 2015, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	426		426		1	425
Receivables from customers, of which	73,903	620	74,523	441	56	74,026
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**	**75,617**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	25,491	471	25,961	358	32	25,571
Financial institutions and insurance companies	1,124	0	1,124	0	2	1,122
Households	47,528	143	47,671	79	22	47,570
Non-profit organisations	665	6	671	4	1	667
Public sector entities	688		688		0	688
Total	**75,495**	**620**	**76,115**	**441**	**57**	**75,617**

Doubtful receivables 30 June 2016, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Recei-vables from credit institutions and customers, total (gross)	Individually assessed impairment	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 December 2015, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Recei-vables from credit institutions and customers, total (gross)	Individually assessed impairment	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, %	30 June 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 13 Insurance liabilities

EUR million	30 June 2016	31 Dec. 2015
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,418	1,386
Other provision for unpaid claims	956	970
Reserve for decreased discount rate*	52	0
Total	2,426	2,357
Provisions for unearned premiums	783	560
Liabilities from unit-linked insurance and investment contracts	8,455	8,666
Life insurance insurance liabilities	4,867	4,788
Total	**16,532**	**16,371**

* Value of hedges of insurance liability.

Note 14 Debt securities issued to the public

EUR million	30 June 2016	31 Dec. 2015
Bonds	12,022	12,164
Covered bonds	9,065	9,003
Certificates of deposit, commercial papers and ECPs	6,665	6,539
Total	**27,751**	**27,706**

Note 15 Fair value reserve after income tax

EUR million	Available-for-sale financial assets: Notes and bonds	Equity instruments	Cash flow hedging	Total
Opening balance 1 Jan. 2016	**31**	**142**	**69**	**242**
Fair value changes	108	-18	44	**135**
Capital gains transferred to income statement	-12	-42		**-54**
Impairment loss transferred to income statement		25		**25**
Transfers to net interest income			-20	**-20**
Deferred tax	-19	7	-5	**-17**
Closing balance 30 June 2016	**108**	**114**	**89**	**311**

	Available-for-sale financial assets: Notes and bonds	Equity instruments	Cash flow hedging	Total
Opening balance 1 Jan. 2015	**139**	**206**	**80**	**425**
Fair value changes	-81	89	-6	**2**
Capital gains transferred to income statement	-18	-112		**-130**
Impairment loss transferred to income statement		5		**5**
Transfers to net interest income			-15	**-15**
Deferred tax	20	3	4	**28**
Closing balance 30 June 2015	**60**	**192**	**63**	**315**

The fair value reserve before tax amounted to EUR 388 million (302) and the related deferred tax liability amounted to EUR 77 million (60). On 30 June 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 217 million (245) million and negative mark-to-market valuations EUR 39 million (21).

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

Note 16 Collateral given

EUR million	30 June 2016	31 Dec. 2015
Collateral given on behalf of own liabilities and commitments		
Mortages	1	1
Pledges	1	5
Loans (as collateral for covered bonds)	10,512	10,053
Other	1,748	671
Other collateral given		
Pledges*	3,400	3,969
Total	**15,662**	**14,699**
Other secured liabilities	466	507
Covered bonds	9,065	9,003
Total secured liabilities	**9,531**	**9,510**

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

Note 17 Off-balance-sheet items

EUR million	30 June 2016	31 Dec. 2015
Guarantees	783	764
Other guarantee liabilities	1,777	1,848
Pledges		1
Loan commitments	11,166	10,043
Commitments related to short-term trade transactions	292	194
Other*	694	587
Total off-balance-sheet items	**14,713**	**13,437**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 139 million (121).

Note 18 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).

	30 June 2016	31 Dec. 2015
Capital base, EUR million		
OP Financial Group's equity capital	9,637	9,324
The effect of insurance companies on the Group's shareholders' equity is excluded	-292	-200
Fair value reserve, cash flow hedging	-89	-69
Supplementary cooperative capital to which transition provision applies, and cooperative capital not included in equity	82	143
Common Equity Tier 1 (CET1) before deductions	**9,338**	**9,197**
Intangible assets	-559	-518
Excess funding of pension liability and valuation adjustments	-123	-131
Planned profit distribution	-40	-66
Shortfall of impairments – expected losses	-302	-306
Common Equity Tier 1 (CET1)	**8,313**	**8,176**
Subordinated loans to which transitional provision applies	84	141
Additional Tier 1 capital (AT1)	**84**	**141**
Tier 1 capital (T1)	**8,397**	**8,316**
Debenture loans	1,252	1,253
Tier 2 Capital (T2)	**1,252**	**1,253**
Total capital base	**9,649**	**9,569**

A prudent valuation adjustment of EUR 99 (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. Supplementary capital contributions of EUR 20 million refunded to owner-customers on 1 July 2016 have been deducted from supplementary cooperative capital. In June, the Group redeemed a subordinated loan of JPY10 billion of which EUR 63 million were included in the capital base during the reporting period.

Risk exposure amount, EUR million	30 June 2016	31 Dec. 2015
Credit and counterparty risk	**37,592**	**36,445**
Standardised Approach (SA)	**3,297**	**3,026**
Central government and central banks exposure	38	27
Credit institution exposure	31	29
Corporate exposure	1,949	1,838
Retail exposure	928	910
Equity investments*)	72	72
Other**)	280	151
Internal Ratings-based Approach (IRB)	**34,294**	**33,418**
Credit institution exposure	1,171	1,149
Corporate exposure	20,253	19,587
Retail exposure	4,159	3,976
Equity investments*)	7,429	7,412
Other	1,282	1,294
Market and settlement risk (Standardised Approach)	**1,308**	**1,464**
Operational risk (Standardised Approach)	**3,674**	**3,521**
Other risks*)**	**312**	**394**
Total	**42,885**	**41,824**

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

**) EUR 223 million 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, %	30 June 2016	31 Dec. 2015
CET1 capital ratio	19.4	19.5
Tier 1 ratio	19.6	19.9
Capital adequacy ratio	22.5	22.9

Ratios, fully loaded, %	30 June 2016	31 Dec. 2015
CET1 capital ratio	19.2	19.2
Tier 1 ratio	19.2	19.2
Capital adequacy ratio	22.1	22.2

Capital requirement, EUR million	30 June 2016	31 Dec. 2015
Capital base	9,649	9,569
Capital requirement	5,367	4,394
Buffer for capital requirements	4,282	5,175

The capital requirement of 12.5% 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	30 June 2016	31 Dec. 2015
Tier 1 capital (T1)	8,397	8,316
Total exposure	116,570	114,780
Leverage ratio, %	7.2	7.2

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 June-end figures.

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 63 million (127) and on risk-weighted assets EUR 472 million (481). Exposures under the leverage ratio include EUR 901 million (885) in exposures of the new member banks.

Note 19 Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures 30 June 2016

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD*, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**48,774**	**85.8**	**0.8**	**15.1**	**3,710**	**7.6**	**144**
A	30,411	85.9	0.0	13.6	460	1.5	1
B	10,586	85.7	0.1	15.8	495	4.7	2
C	3,905	85.2	0.5	19.5	590	15.1	4
D	2,127	81.3	2.3	20.0	730	34.3	10
E	1,379	72.2	20.9	19.8	1,070	77.6	56
F	366		100.0	25.0	365	99.7	72
Corporate customers, total	**1,542**	**71.7**	**3.4**	**23.8**	**449**	**29.1**	**24**
2,5–5,5	537	71.8	0.3	15.3	39	7.2	0
6,0–7,0	599	70.5	1.2	27.3	147	24.6	2
7,5–8,5	245	74.3	4.9	29.9	103	42.0	4
9,0–10,0	110	73.9	27.7	28.4	74	67.4	8
11,0–12,0	50		100.0	33.7	85	171.5	10
Total	**50,316**	**84.8**	**0.9**	**15.3**	**4,159**	**8.3**	**169**

All retail exposures 31 December2015

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD*, %	Average LGD, %	RWA, EUR million	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

	30 June 2016						
Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD*, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1,0–2,0	880	93.1	0.0	44.6	127	14.5	0
2,5–5,5	18,135	75.1	0.2	44.5	7,353	40.6	17
6,0–7,0	6,482	71.9	1.3	44.3	5,699	87.9	37
7,5–8,5	4,542	70.5	4.5	44.4	5,711	125.7	91
9,0–10,0	725	56.2	22.4	44.1	1,362	188.0	72
11,0–12,0	687	55.4	100.0	45.3			311
Total	**31,451**	**74.1**	**1.6**	**44.4**	**20,253**	**64.4**	**527**

	31 December 2015						
Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD*, %	Average LGD, %	RWA, EUR million	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			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 20 Insurance company solvency

EUR million	Life Insurance 30 June 2016	Non-life Insurance 30 June 2016	Life Insurance 31 Dec. 2015	Non-life Insurance 31 Dec. 2015
Eligible capital	**1,389**	**1,134**	**1,419**	**1,177**
Solvency capital requirement (SCR)				
Market risk	691	457	665	472
Insurance risk	499	304	432	300
Counterparty risk	27	28	27	27
Operational risk	27	44	20	45
Diversification benefits and loss absorbency	-460	-139	-452	-129
Total	784	694	692	714
Buffer for SCR	**605**	**440**	**727**	**463**
SCR ratio, %	**177**	**163**	**205**	**165**

Transitional provisions have been taken into account in figures under Solvency II. Non-life Insurance figures also include those of OVY Insurance.

Note 21 Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	30 June 2016	31 Dec. 2015
OP Financial Group's equity capital	**9,637**	**9,324**
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,418	1,547
Other sector-specific items excluded from capital base	-172	-70
Goodwill and intangible assets	-1,394	-1,356
Insurance business valuation differences	669	728
Proposed profit distribution	-40	-66
Items under IFRS deducted from capital base*	-23	-57
Shortfall of impairments – expected losses	-276	-280
Conglomerate's capital base, total	**9,818**	**9,769**
Regulatory capital requirement for credit institutions**	4,560	3,707
Regulatory capital requirement for insurance operations***	1,477	1,406
Conglomerate's total minimum capital requirement	**6,038**	**5,113**
Conglomerate's capital adequacy	**3,780**	**4,656**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**163**	**191**

* 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.

Note 22 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.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

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

Financial reporting in 2016

Schedule for Interim Reports in 2016:

Interim Report Q1–3/2016	2 November 2016

Helsinki, 3 August 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