

ISSUER PROFILE

30 October 2017

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OP Financial Group

Key Facts and Statistics - H1 2017

Company overview

OP Financial Group is Finland's largest financial and insurance conglomerate that provides banking, non-life insurance and wealth management services to private individuals and corporate and institutional customers. The products and services offered by the group include retail banking, corporate and investment banking, asset management, and insurance products.

As of 31 December 2016, OP Financial Group held Finnish market shares of 35.3% in terms of loans and 37.5% in terms of deposits. As of 30 June 2017, it operated mainly in Finland through a nationwide service network of 400 branches. As of the same date, the group reported a consolidated asset base of €134.3 billion.

The group originated in 1902 as the Central Lending Fund of the Cooperative Credit Societies Limited Company. In 1970, cooperative societies became cooperative banks. As of 30 June 2017, the OP Financial Group comprised 168 independent cooperative banks, their central management body (OP Cooperative, or "the Central Cooperative") and its subsidiaries. As of that date, the cooperative member banks reported 1.8 million owner-members. Each member is entitled to one vote.

On 6 February 2014, OP Cooperative announced a public tender offer for all those shares in its subsidiary Pohjola Bank Plc (now, OP Corporate Bank Plc) that it did not directly own already. The tender offer took place from 24 February until 1 April 2014. By the end of the public tender, OP Cooperative held a 94.1% ownership stake in Pohjola Bank. The offer for the remaining 6% was extended from 7 April 2014 until 22 April 2014. The shares tendered during the extra offer period increased OP Cooperative's ownership to 98.4% of Pohjola Bank. Since OP Cooperative held more than nine tenths (9/10) of all shares and votes in Pohjola, it had a right, under the Limited Liability Companies Act, to redeem (right of squeeze-out) all Series A shares held by Pohjola Bank's remaining shareholders at the then current market price. OP Cooperative initiated a compulsory squeeze-out procedure for the remaining shares under the Finnish Limited Liability Companies Act.

As of 7 October 2014, OP Cooperative owned all the shares of OP Corporate Bank Plc.

Source: Company reports (interim report June 2017, OP Financial annual report Dec 2016, Dec 2014 and Dec 2010, report by the executive board and financial statements Dec 2016 and Dec 2014, financial statements bulletin presentation Dec 2016 and Dec 2014), Moody's Investors Service research, Company data

Financial highlights

Overview

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on OP Financial Group, please see <[OP Financial Group](#) page on moodys.com>.

Exhibit 1

Latest Full-Year Results

OP Financial Group

| (in € million) | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | % Change 16/15 | % Change 15/14 |
|--------------------------------------------------|-----------|-----------|-----------|----------------|----------------|
| Total Assets | 133,747 | 124,455 | 110,427 | 7.47 | 12.70 |
| Total Shareholders' Equity | 10,237 | 9,324 | 7,213 | 9.79 | 29.27 |
| Shareholders' Equity excluding Minority Interest | 10,135 | 9,254 | 7,144 | 9.52 | 29.54 |
| Total Regulatory Capital | 10,192 | 9,569 | 7,316 | 6.51 | 30.80 |
| Tier 1 Capital Ratio (%) | 20.3 | 19.9 | 15.5 | 40 bps | 440 bps |
| Net Income | 915 | 853 | 607 | 7.27 | 40.53 |
| Net Income Attributable to Equity Holders | 913 | 845 | 599 | 8.05 | 41.07 |

Notes 1) Based on consolidated financial data

2) "Shareholders' Equity excluding Minority Interest" is calculated by subtracting "Non-controlling Interests" from "Total Shareholders' Equity"

Source: Moody's Investors Service research

Exhibit 2

Latest First-Half Results

OP Financial Group

| (in € million) | 30-Jun-17 | 30-Jun-16 | % Change 17/16 |
|--------------------------------------------------|-----------|-----------|----------------|
| Total Assets | 134,287 | 127,055 | 5.69 |
| Total Shareholders' Equity | 10,734 | 9,637 | 11.38 |
| Shareholders' Equity excluding Minority Interest | 10,612 | 9,549 | 11.13 |
| Total Regulatory Capital | 10,753 | 9,649 | 11.44 |
| Tier 1 Capital Ratio (%) | 19.30 | 19.60 | (30) bps |
| Net Income | 477 | 493 | (3.25) |
| Net Income Attributable to Equity Holders | 476 | 491 | (3.05) |

Notes 1) Based on consolidated financial data

2) "Shareholders' Equity excluding Minority Interest" is calculated by subtracting "Non-controlling Interests" from "Total Shareholders' Equity"

Source: Company reports (interim report June 2017 and June 2016)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Business description

OP Financial Group is the largest Finnish financial services group that provides private individuals and corporate and institutional customers with banking, investment and insurance services. As part of its new strategy to evolve into a diversified services company, OP is expanding into new areas, such as Health and Wellbeing Services, Housing-related Services and Mobility Services.

The group operates through the following three main business segments: Banking, Non-life Insurance and Wealth Management. For the financial year ended 31 December 2016 (2016), the largest contributor to the group's total income was the Banking segment (67.6%).

As of 1 January 2016, the operating model of Group Treasury was revised, whereby the division of responsibilities was changed between Banking and Other Operations.

Banking: This segment provides a range of financing and financial management solutions for corporate and institutional customers, both in Finland and internationally. The member cooperative banks of the OP Financial Group are independent local deposit banks that are mainly engaged in retail banking. Retail banking operations in the Greater Helsinki area are executed by Helsinki Area Cooperative Bank. The banks offer banking and insurance services to households, small and medium-size corporates, agricultural and forestry companies, and public sector customers.

OP Cooperative's wholly owned subsidiary, OP Corporate Bank Plc together with OP Insurance Ltd, provides banking services to corporate customers, insurance services to both private and corporate customers. OP Corporate Bank Plc Banking segment comprises one division:

- » Corporate Banking: This division offers financing, investment solutions, payment transfer facilities, cash management, loans, guarantees, leasing, factoring and financing services for foreign trade, as well as fixed income, derivatives and FX trading.

The Banking segment also conducts operations through the following entities: Helsinki Area Cooperative Bank (formerly Helsinki OP Bank plc), OP Card Company Plc and OP Mortgage Bank, as well as several smaller companies that support banking services. In 2016, this segment accounted for 67.6% of the group's total income.

Non-life Insurance: This segment provides private and corporate customers with non-life insurance solutions. It consists of the following four major divisions:

- » Private Customers: This division primarily offers household liability, motor liability, and accident, medical expense and travel policies to private customers.
- » Corporate Customers: This division offers statutory and voluntary policies and extensive risk-management services to corporate customers. It also offers them loss-prevention and safety consultancy services.
- » Baltic States: This division offers various insurance services in Estonia, Latvia and Lithuania through the group's subsidiary Seesam Insurance AS.
- » Health and Wellbeing: This division includes activities of treatment, diagnostics and occupational healthcare services

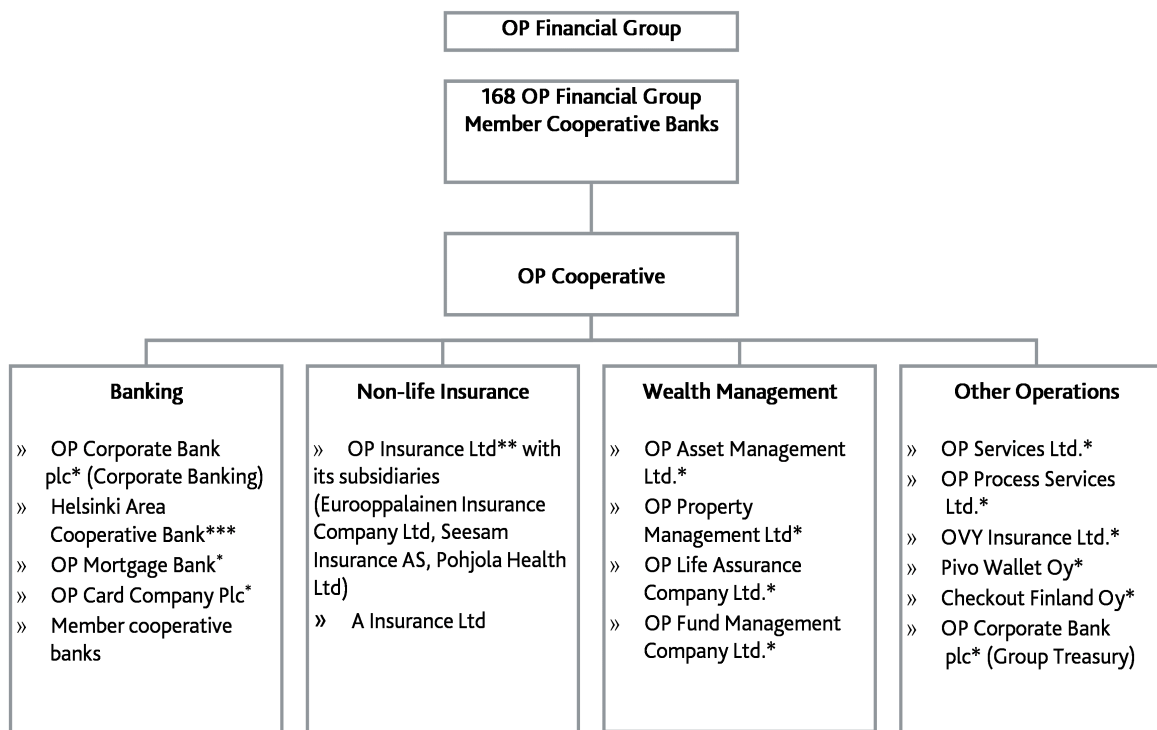
OP Financial Group's member entities operating in this business area comprise OP Insurance Ltd (formerly Pohjola Insurance Ltd), Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, Seesam Insurance AS, and Pohjola Health Ltd. (formerly Omasairaala Oy). In 2016, the segment accounted for 19.6% of the group's total income.

Wealth Management: This segment comprises the group's life insurance, asset management and mutual fund business operations. Member entities of OP Financial Group operating in this segment include OP Life Assurance Company Ltd, which conducts the group's life and pension insurance business, OP Fund Management Company Ltd, and OP Asset Management Ltd. In 2016, the segment accounted for 12.8% of the group's total income.

Source: Company reports (OP Financial annual report Dec 2016, Company data, Moody's Investors Service research)

Exhibit 3

Business Lines for OP Financial Group as of 30 June 2017



*OP Cooperative's ownership 100%

**Planned to be transferred with its subsidiaries from OP Corporate Bank plc to OP Cooperative's direct ownership in the future

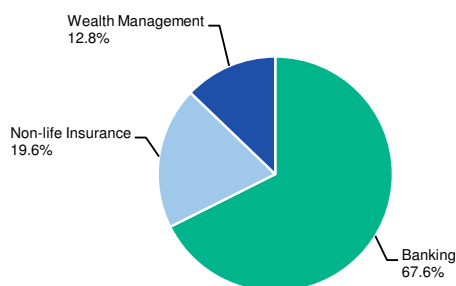
***OP Cooperative's control 2/3

Source: Company report (debt investor presentation June 2017)

Exhibit 4

Business Segment

(% Total Income, consolidated, for 2016)

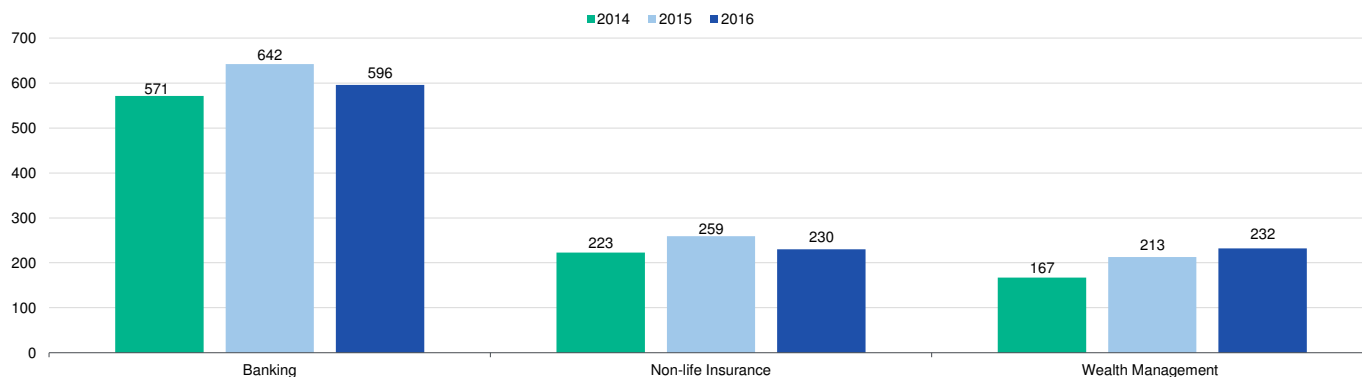


Note: Excluding "Eliminations" and noncore Other Operations segment

Source: Company report (financial statements bulletin Dec 2016, Pg:11)

Exhibit 5

Earnings Before Tax per Business Segment (consolidated, in € Million)



Note: Excluding "Eliminations" and noncore Other Operations segment

Source: Company reports (report by the executive board and financial statements Dec 2016, Pg: 35 & Dec 2015, Pg: 1)

Distribution channels

As of 30 June 2017, OP Financial Group operated primarily in Finland through a network of 168 member cooperative banks. As of 30 June 2017, the group conducted business through a network of 428 branches, of which 336 offered both banking and non-life insurance services. The bank also maintained 39 private banking branches.

Internationally, the bank has a representative office in St. Petersburg (Russia), branches in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania), and subsidiaries in Estonia, Latvia and Lithuania. In addition, through its Seesam Insurance brand subsidiaries, OP Corporate Bank provides a range of insurance products and services in Estonia, Latvia and Lithuania. The group also delivers its products and services through alternative distribution channels, including ATMs, internet banking, mobile banking and telephone banking services.

As of 30 June 2017, the group held Finnish market shares of 39.4% in terms of housing loans, 37.8% in terms of corporate loans, and 37.5% in terms of deposits. In addition, OP Financial Group is also Finland's largest nonlife insurer, and is also currently building its mutual fund business, reporting a 22.0% market share as of December 2016 and targeting a better market position.

Source: Company reports (interim report June 2017, OP Financial annual report Dec 2016, report by the executive board and financial statements Dec 2016, financial statements bulletin presentation Dec 2016), Moody's Investors Service research, Company data

Ownership structure

As of 30 June 2017, the cooperative OP Financial Group comprised 168 independent cooperative banks, their central management body (OP Cooperative) and its subsidiaries. As of that date, cooperative member banks included 1.8 million owner-members. Each member holds one vote. While cooperative member banks are responsible for the group's retail business within their own geographical areas and for local small and medium-size enterprise customers, the OP Cooperative acts as strategic owner for the entire OP Financial Group, and as the central operating unit responsible for group control and supervision.

On 6 February 2014, OP Cooperative announced a public tender offer for all the shares in its subsidiary Pohjola Bank that it did not already directly own. The tender offer took place from 24 February until 1 April 2014. By the end of the public tender, OP Cooperative held a 94.1% ownership stake of Pohjola Bank. The offer for the remaining 6% was extended from 7 April 2014 until 22 April 2014. The shares tendered in the extra offer period increased OP Cooperative's ownership to 98.4% of Pohjola Bank. Since OP Cooperative has more than nine tenths (9/10) of all shares and votes in Pohjola, it had a right, under the Limited Liability Companies Act, to redeem (right of squeeze-out) all Series A shares held by Pohjola bank's remaining shareholders at the current market price. OP Cooperative initiated a compulsory squeeze-out procedure for the remaining shares under the Finnish Limited Liability Companies Act. As of 7 October 2014, OP Cooperative owned all the shares of Pohjola Bank plc (OP Corporate Bank Plc).

Under the Cooperative Banks and Other Cooperative Credit Institutions Act (2007) and the Act on the Amalgamation of Deposit Banks (2010), the Central Cooperative and its member credit institutions, including OP Corporate Bank and OP Mortgage Bank are required to share joint responsibility for their liabilities. While not representing a direct payment guarantee, this requirement imposes an obligation to help prevent members' liquidation. For legal reasons, insurance companies are not subject to this joint liability.

In 2011, OP Financial Group reorganised its central structure. The Central Cooperative was split into two entities: the first entity, which retained the name OP-Pohjola Group Central Cooperative (currently OP Cooperative), is the central institution in charge of controlling and supervising group business; the second entity, OP-Services Ltd (established in January 2011), which is a service company separate from the central institution, operates the centralised services of OP Financial Group and its member cooperative banks.

Subsidiaries

As of 31 December 2016, the group's subsidiaries were as follows:

Exhibit 6

OP financial Group

| Subsidiary | Location | Interest |
|--------------------------------------|-----------|----------|
| OP Cooperative | Helsinki | 100 |
| Helsinki Area Cooperative Bank | Helsinki | |
| OP Mortgage Bank | Helsinki | 100 |
| OP Life Assurance Company Ltd | Helsinki | 100 |
| OP Card Company Plc | Helsinki | 100 |
| OP-Services Ltd*) | Helsinki | 100 |
| OP Process Services Ltd | Helsinki | 100 |
| OP Fund Management Company Ltd | Helsinki | 100 |
| OVY Insurance Ltd | Helsinki | 100 |
| Pivo Wallet Oy | Helsinki | 100 |
| OP Corporate Bank plc | Helsinki | 100 |
| Checkout Finland Oy | Tampere | 100 |
| OP Property Management Ltd | Helsinki | 100 |
| OP Asset Management Limited | Helsinki | 100 |
| A-Insurance Ltd | Helsinki | 100 |
| Pohjola Health Ltd | Helsinki | 100 |
| OP Finance AS | Estonia | 100 |
| OP Finance SIA | Latvia | 100 |
| OP Insurance Ltd | Helsinki | 100 |
| Seesam Insurance AS | Estonia | 100 |
| UAB OP Finance | Lithuania | 100 |
| Eurooppalainen Insurance Company Ltd | Helsinki | 100 |

Source: Company reports (annual report Dec 2016)

Company management

Exhibit 7

OP Financial Group

| Executive Board | Affiliation | Age |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Reijo Karhinen | OP Financial Group: Chair of the Executive Board, President and Group Executive Chairman; Savonlinna Opera Festival Patrons' Association, Maanpuolustuksen Tuki ry and Foundation for Economic Education: Chair of the Board of Directors; New Children's Hospital Foundation: Vice Chair of the Board of Trustees; HelsinkiMissio: Chair of the Delegation; Unico Banking Group: Member of the Board; Service Sector Employers Palta: Member of the Board and its Executive Committee | 61 |
| Tony Vepsäläinen | OP Financial Group: Executive Vice President, Operations, and Deputy to the President and Group Executive Chairman, Vice Chairman and Member of the Executive Board; Housing Fair Finland Co-op: Member of the Supervisory Board; Automatia Pankkiautomaatit Oy: Vice Chair of the Board of Directors | 57 |

| | | |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Karri Alameri | OP Financial Group: Member of the Executive Board, Executive Vice President, Wealth Management; OP Cooperative: Executive Vice President, Wealth Management, Investment; Access Capital Partners Group SA: Board Member; Cinia Group Ltd: Member of the Board of Directors | 53 |
| Carina Geber-Teir | OP Financial Group: Member of the Executive Board and Executive Vice President, Customer Experience and Communications Yle: Member of the Board of Directors; Unico Banking Group: Member of the Communication Committee | 44 |
| Jari Himanen | OP Financial Group: Member of the Executive Board, Executive Vice President, Group Steering and Customer Relationships | 54 |
| Olli Lehtilä, | OP Financial Group: Member of the Executive Board, Executive Vice President, Non-Life Insurance; Helsinki Region Chamber of Commerce: Member of the Delegation; Pellervo Economic Research PTT and Ilmarinen Mutual Pension Insurance Company: Member of the Board of Directors; Unico Banking Group: Member of the Bancassurance Committee | 54 |
| Harri Luhtala | OP Financial Group: Member of the Executive Board and Chief Financial Officer; VTS Fund: Chair of the Board of Directors; Financial Stability Fund: Member of the Board of Directors | 51 |
| Harri Nummela | OP Financial Group: Member of the Executive Board, Executive Vice President, Digital Business and New Businesses; Service Sector Employers Palta: Member of the Economic Policy Committee; Finnish Ice Hockey Association: Chair; | 48 |
| Erik Palmén | OP Financial Group: Member of the Executive Board and Chief Risk Officer; VTS Fund: Chairman of the Delegation; Investors' Compensation Fund: Vice Chairman; Unico Banking Group: Member of the Country Risks Managers Committee | 57 |
| Jouko Pölönen | OP Financial Group: Member of the Executive Board and Executive Vice President, Banking; Unico Banking Group: Member of the Board of Directors; | 46 |
| Outi Taivainen | OP Financial Group: Member of the Executive Board, Executive Vice President, Human Resources; Confederation of Finnish Industries EK: Member of the Skilled Workforce Committee; Service Sector Employers Palta: Member of the Labour Market Committee | 48 |
| Leena Kallasvuori | OP Financial Group: Member of the Board of Directors and Chief Audit Officer | 60 |

As of 28 July 2017
Age as of 31 Dec 2016
Source: Company data

Company history

OP-Pohjola Group was established in 1902 as the Central Lending Fund of the Cooperative Credit Societies Limited Company (Osuuskassojen Keskuslainarahasto-Osakeyhtiö – OKO Bank Plc). It was the predecessor of Pohjola Bank.

In 1928, The Central Association of Cooperative Funds (Osuuskassojen Keskusliitto) was created to represent members' interests and promote the cooperative fund movement. In 1970, cooperative credit societies assumed the role of cooperative banks.

In 1975, Palovakuutus-Osakeyhtiö Pohjola began to operate as a group offering customers all forms of insurance services, providing group services, but through companies operating as independent legal entities.

In 1989, OKO Bank Plc became a public limited company by listing on the Helsinki Stock Exchange.

In 1997, the Central Association of Cooperative Banks was converted into a cooperative, operating as the central institution of the amalgamated cooperative banks. Since 1997, OKO Bank Plc has been a subsidiary of the group's Central Cooperative.

In 2005, OKO Bank Plc acquired a majority stake in the insurance company Pohjola Group plc and sold the bank's retail banking operations to OP Bank Group Central Cooperative. Following the acquisition, Pohjola Group plc became OKO Bank's subsidiary. OKO Bank expanded its operations to include non-life insurance.

In 2006, Pohjola Group plc was delisted from the Helsinki Stock Exchange and Pohjola Group Ltd merged with its parent, OKO Bank plc. In 2007, the OP Bank Group was renamed OP-Pohjola Group. In March 2008, OKO Bank Plc became Pohjola Bank plc.

In 2011, OP-Pohjola Group reorganised its central structure, with OP-Pohjola Group Central Cooperative split into two entities: the first entity retained the name OP-Pohjola Group Central Cooperative, and is in charge of the control and supervision of group business; the second entity, OP-Services Ltd (established in January 2011), is a service company separate from the central institution, tasked with development and production of centralised services of OP-Pohjola Group and its member cooperative banks. In December of the same year, OP-Pohjola Group Central Cooperative announced its intention to acquire Skandia Life Finland (Aurum Investment Insurance Ltd) from Skandia Life Assurance Company Ltd. The acquisition was completed in August 2012, making OP-Pohjola Group the then market leader in terms of unit-linked insurance assets.

On 6 February 2014, OP-Pohjola Group Central Cooperative announced a public tender offer for all the shares in its subsidiary Pohjola Bank that it did not already directly own. The tender offer took place from 24 February until 1 April 2014. By the end of the public tender, OP Pohjola Central Cooperative held a 94.1% ownership stake of Pohjola Bank. The offer for the remaining 6% was extended from 7 April 2014 until 22 April 2014. The shares tendered in the extra offer period increased OP-Pohjola Group Central Cooperative's ownership to 98.4% of Pohjola Bank. Since OP-Pohjola Group Central Cooperative has more than nine tenths (9/10) of all shares and votes in Pohjola, it has the right, under the Limited Liability Companies Act, to redeem (right of squeeze-out) all Series A shares held by Pohjola bank's remaining shareholders at the then current market price. OP-Pohjola Group Central Cooperative initiated a compulsory squeeze-out procedure for the remaining shares under the Finnish Limited Liability Companies Act. As of 7 October 2014, OP Cooperative owned all the shares of Pohjola Bank plc. In September 2014 Pohjola Bank was delisted from the Helsinki Stock Exchange.

In January 2015, OP-Pohjola Group was renamed OP Financial Group, while OP-Pohjola Group Central Cooperative became OP Cooperative. In April 2016, Pohjola Bank was renamed OP Corporate Bank plc, while Helsinki OP Bank Ltd. was renamed as Helsinki Area Cooperative Bank and Pohjola Asset Management to OP Asset Management Ltd. Following the completion of OP Cooperative's public voluntary bid for all Pohjola Bank shares, OP Insurance Ltd. and its subsidiaries are planned to be transferred to OP Cooperative's direct ownership.

Source: Company reports (annual report Dec 2016, interim report June 2015, report by the executive board and financial statements Dec 2014, quarterly report Sep 2013, OP-Pohjola Group annual review Dec 2011 and Dec 2010, annual report Dec 2010, OP-Pohjola Group Report by the executive board and financial statements Dec 2011), Company data, Moody's Investors Service research

Subsidiaries rated by Moody's

[OP Insurance Ltd.](#)

[OP Corporate Bank plc](#)

Peer group

- » [Danske Bank Plc \(formerly Sampo Bank\)](#)
- » [Nordea Bank AB](#)
- » [Svenska Handelsbanken AB](#)
- » [DZ Bank AG](#)

Related websites and information sources

For additional information, please see:

The company's website

- » [OP Financial Group](#)

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» [Banking, October 2017 \(1091491\)](#)

Rating Methodology

» [Banks, September 2017 \(1065675\)](#)

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