



OP Financial Group's Financial
Statements Bulletin for
1 January–31 December 2016

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OP Financial Group's Financial Statements Bulletin

OP Financial Group's key figures and ratios

Embracing industry transformation from a solid foundation

	Q1-4/2016	Q1-4/2015	Change, %
Earnings before tax, EUR million	1,138	1101	3.3
Banking	596	642	-7.3
Non-life Insurance	230	259	-11.1
Wealth Management	232	213	8.8
New OP bonuses accrued to owner-customers	208	197	5.3
	31-Dec-16	31-Dec-15	Change, %
Common Equity Tier 1 (CET1) ratio, %	20.1	19.5	0.6 *
Return on economic capital, % **	22.7	21.5	1.2 *
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates) % ***	170	191	-21 *
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.10	0.0 *
Owner customers (1,000)	1,747	1,491	17.2

* Change in ratio

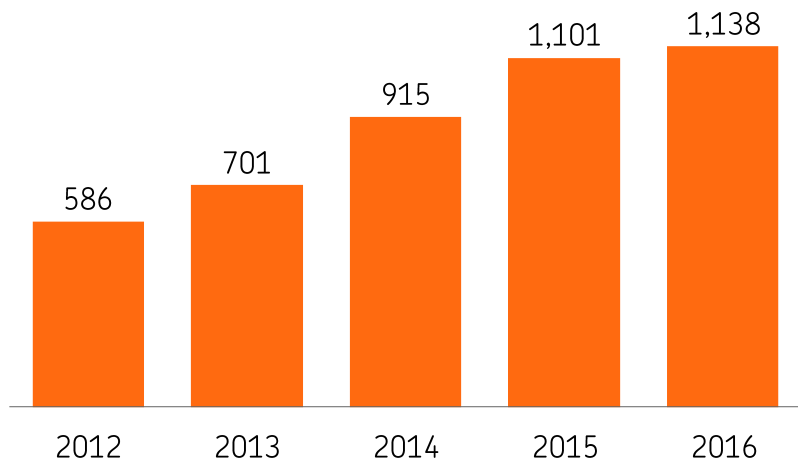
** 12-month rolling, change in percentage

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

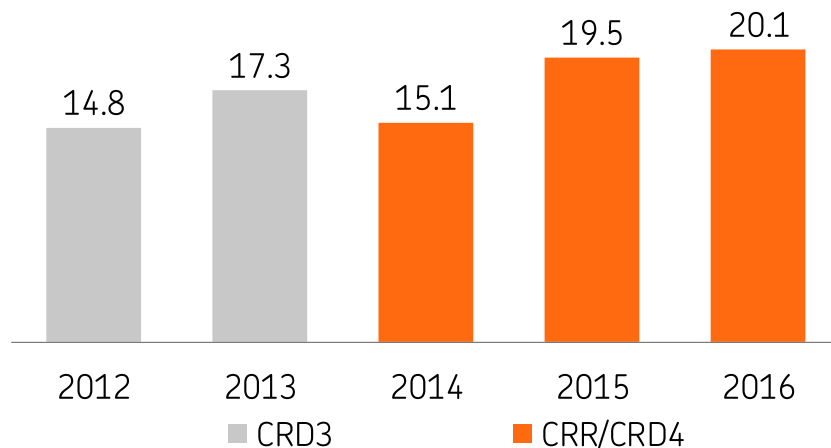
- Above-the-market average growth continued on a wide front.
- Net interest income increased by 3% and net insurance income by 6% and total income grew by 3% on a year earlier. Expenses rose by 3%, explained entirely by higher development costs.
- Full-year earnings for 2017 are expected to be about the same as or lower than those for 2016 due to increasing development costs and other expenses arising from strategy implementation.

OP Financial Group's steady earnings performance supports capital base

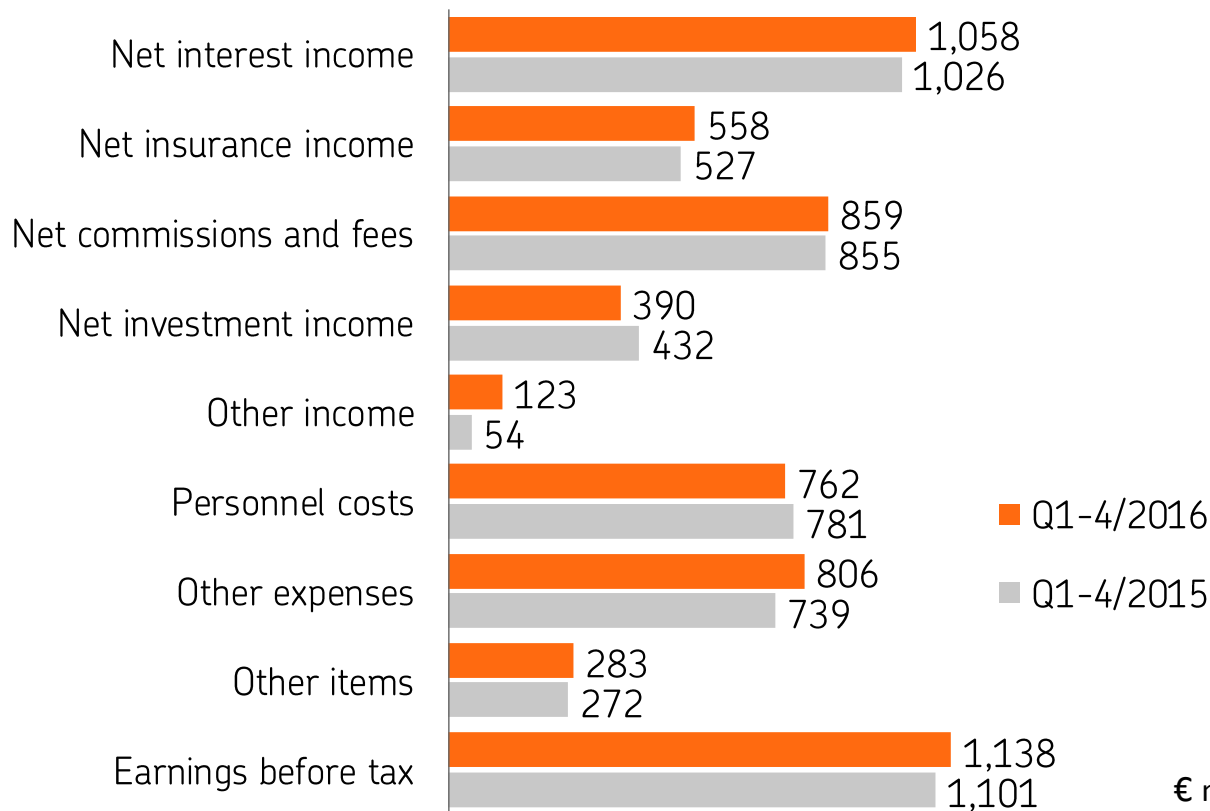
Earnings before tax, € million



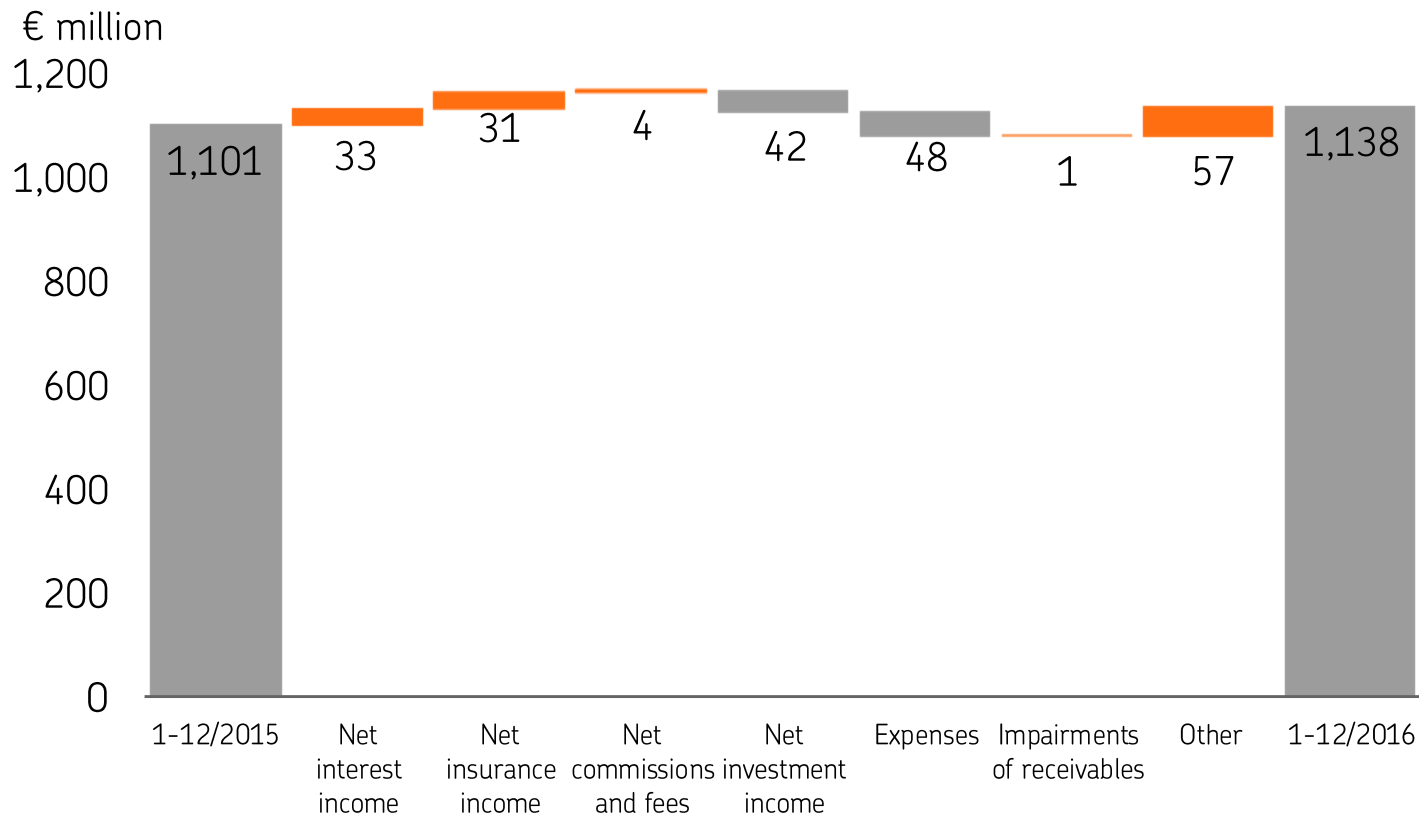
Common Equity Tier 1 ratio (CET1),
Core tier 1 before transitional provisions, %



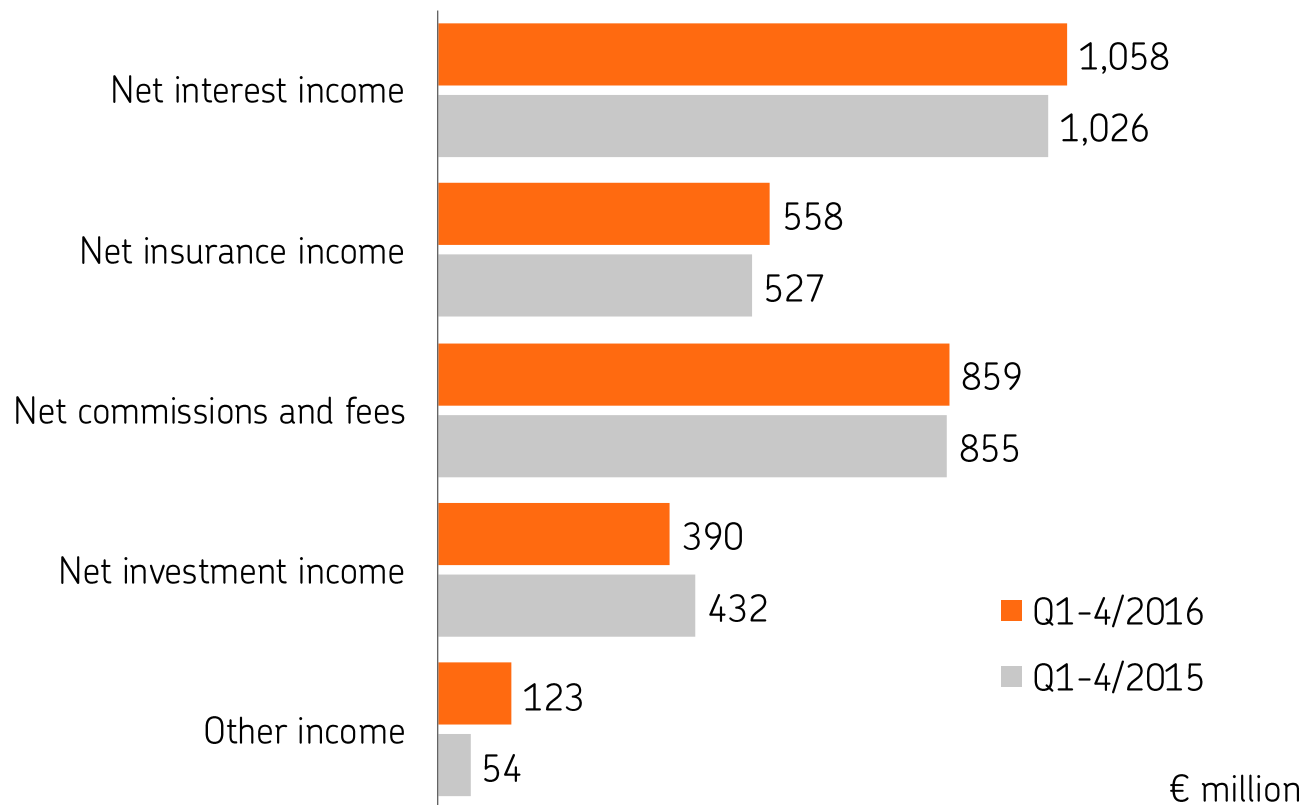
OP Financial Group's income and expenses increased



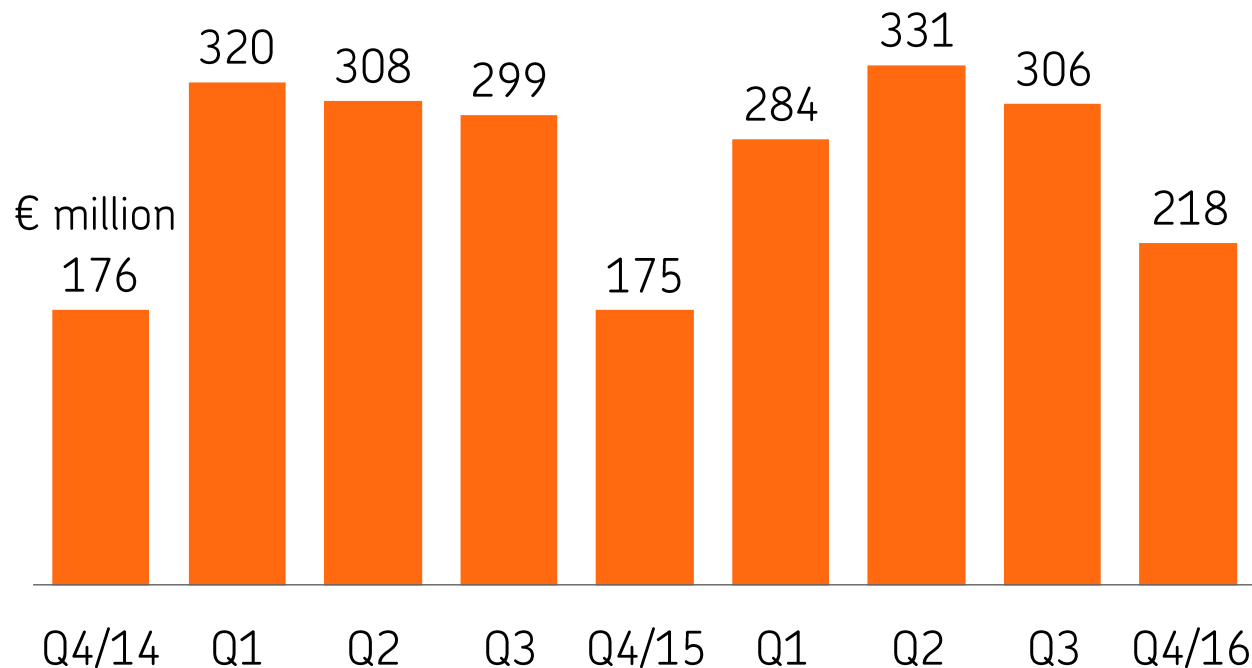
OP Financial Group's EBT improved further thanks to higher income



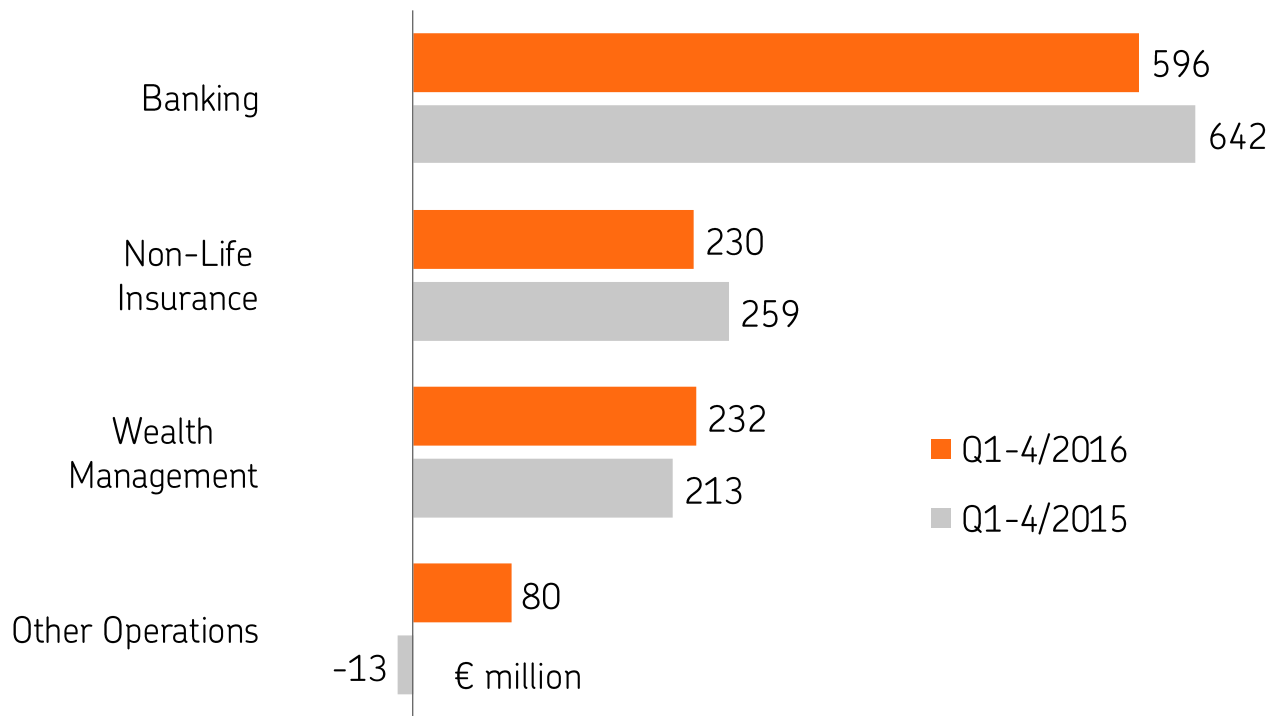
Only net investment income of OP Financial Group's income was down



OP Financial Group's EBT by quarter



OP Financial Group's EBT by business segment



OP Financial Group's income statement

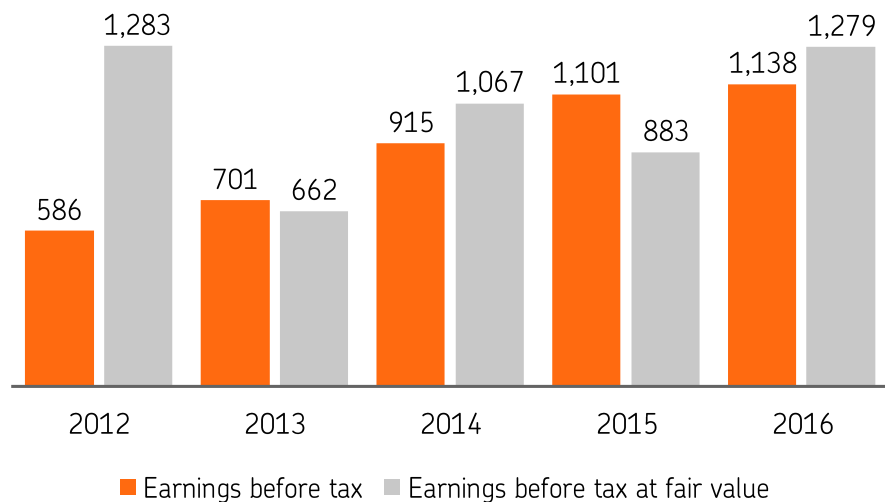
January-December	2016	2015	Change, €million	%	Q4/16	Q4/15	Change, %
Net interest income	1,058	1,026	33	3.2	260	259	0.3
Net insurance income	558	527	31	6.0	140	129	8.7
Net commissions and fees	859	855	4	0.5	222	202	9.5
Net investment income	390	432	-42	-9.7	108	64	69.8
Other income	123	54	69		14	15	-10.2
Total income	2,989	2,894	95	3.3	743	669	11.1
Personnel costs	762	781	-19	-2.4	199	208	-4.1
Other expenses	806	739	67	9.0	232	207	11.8
Total expenses	1,567	1,520	48	3.1	431	415	3.8
Other	283	272	11	4.0	95	79	19.6
Earnings before tax	1,138	1,101	37	3.3	218	175	24.4

OP Financial Group's quarterly performance

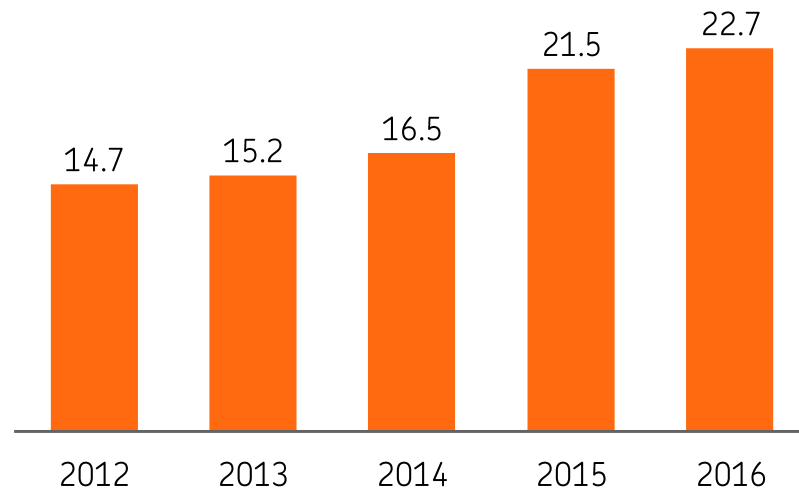
€ million	Q1	Q2	Q3	Q4/2015	Q1	Q2	Q3	Q4/2016
Net interest income	256	256	256	259	267	261	271	260
Net insurance income	129	129	140	129	129	140	149	140
Net commissions and fees	234	213	205	202	224	213	200	222
Net investment income	151	138	79	64	86	96	99	108
Other income	15	14	10	15	12	85	12	14
Total income	785	749	690	669	719	795	732	743
Personnel costs	214	187	172	208	201	195	167	199
Other expenses	184	188	159	207	176	204	193	232
Total expenses	399	375	331	415	377	399	361	431
Impairments of receivables	21	15	10	31	11	13	12	41
OP bonuses to owner-customers	46	51	50	48	48	52	53	53
Earnings before tax	320	308	299	175	284	331	306	218

Long-term 22% return target achieved

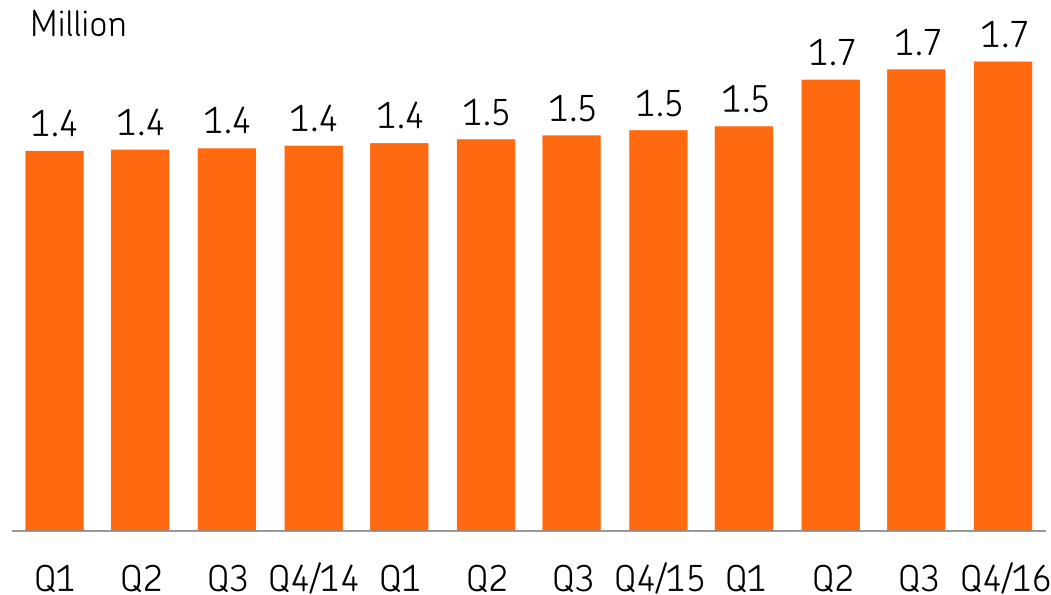
Earnings before tax, € million



Return on economic capital, %



Steady growth in the number of owner-customers



The figures include the owner-customers of Helsinki Area Cooperative Bank established on 1 April 2016 and the owner-customers of POP Group banks that transferred to OP's customer systems in September 2016

Banking

Banking

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

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

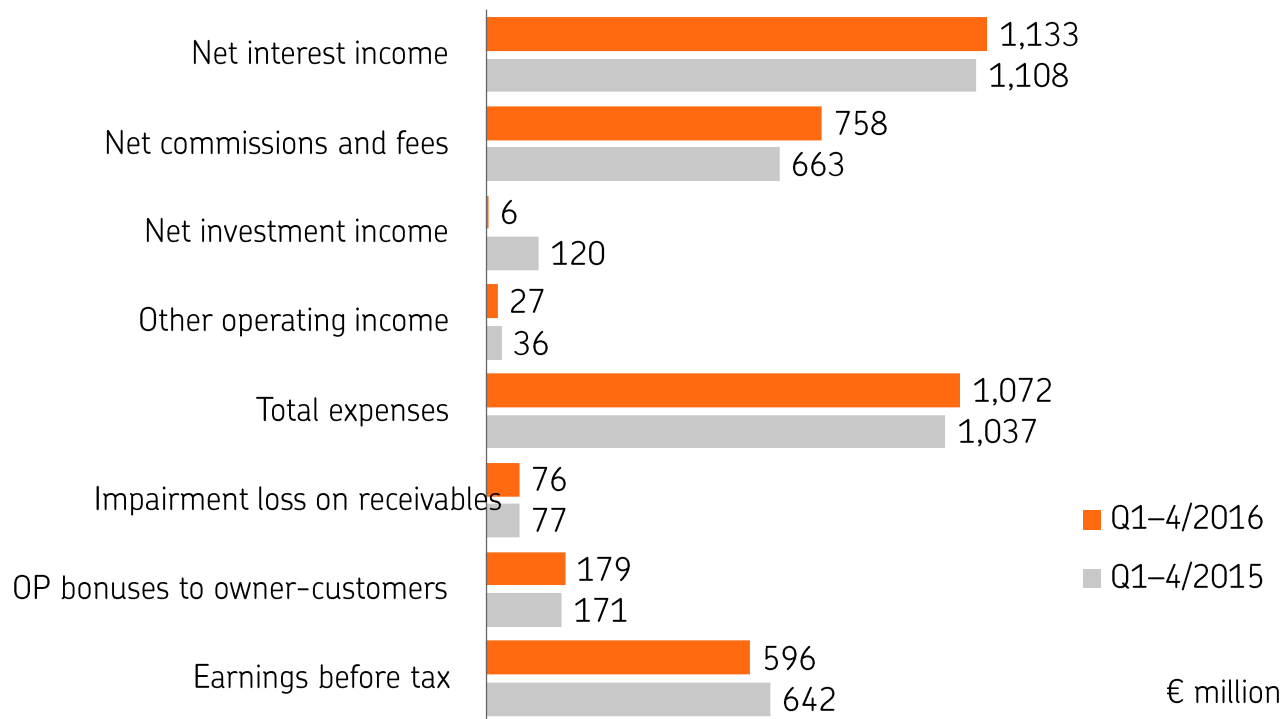
Key figures 2016

EBT
EUR **596** million

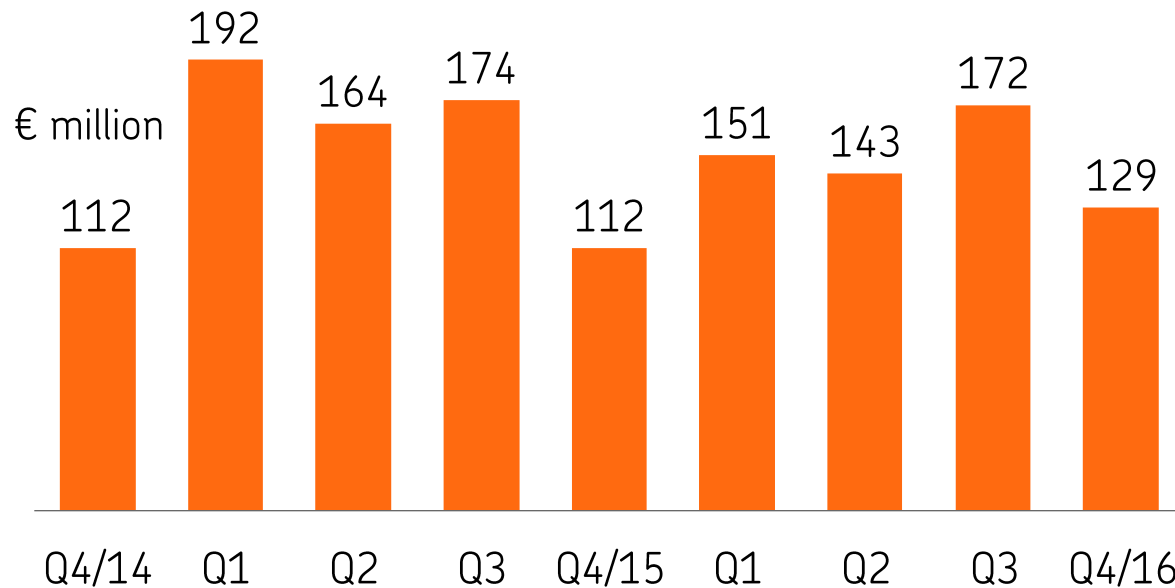
Loan portfolio
EUR **78.6** billion

Total deposits
EUR **54.8** billion

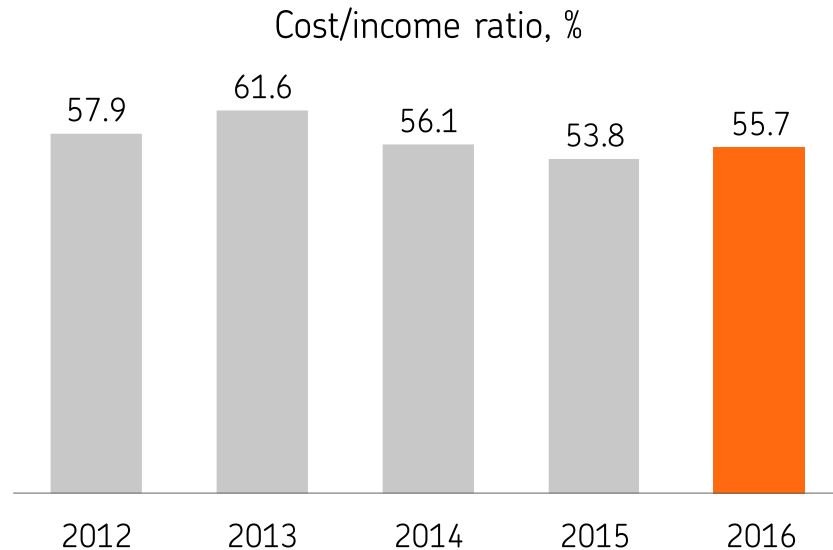
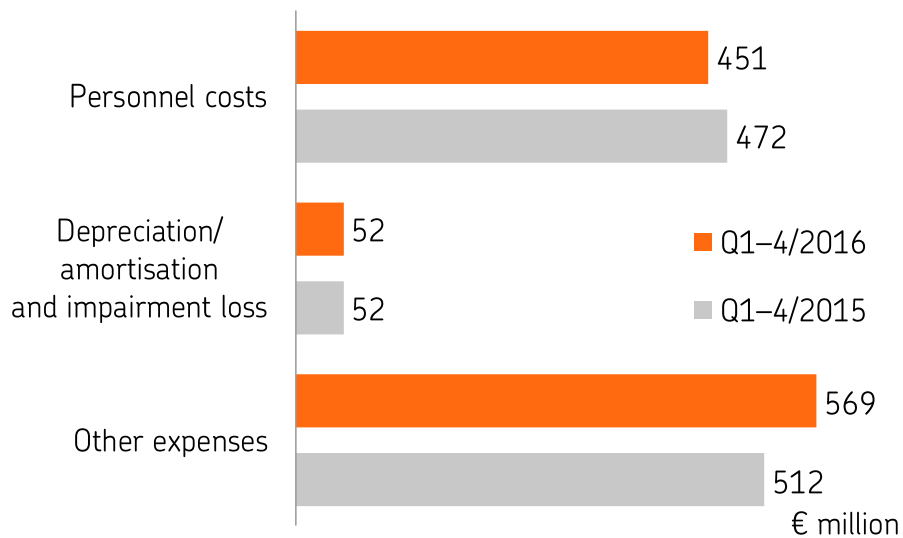
Banking income statement



Banking EBT by quarter

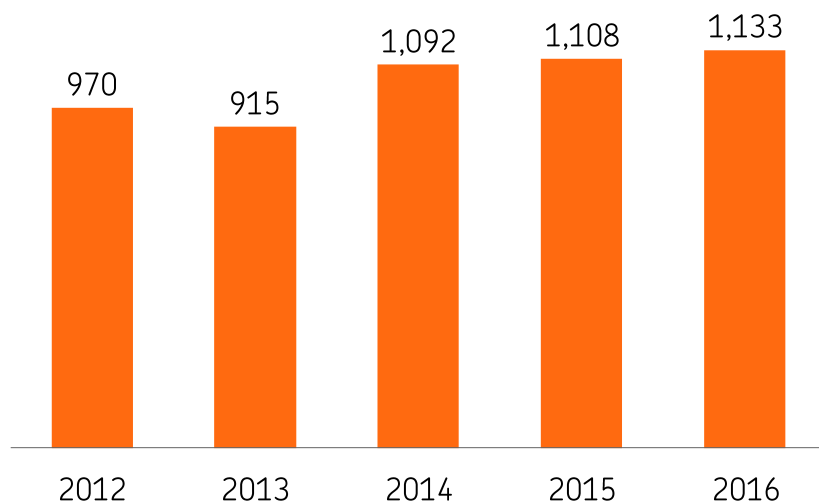


Higher expenses were explained by investments in development and growth in volumes

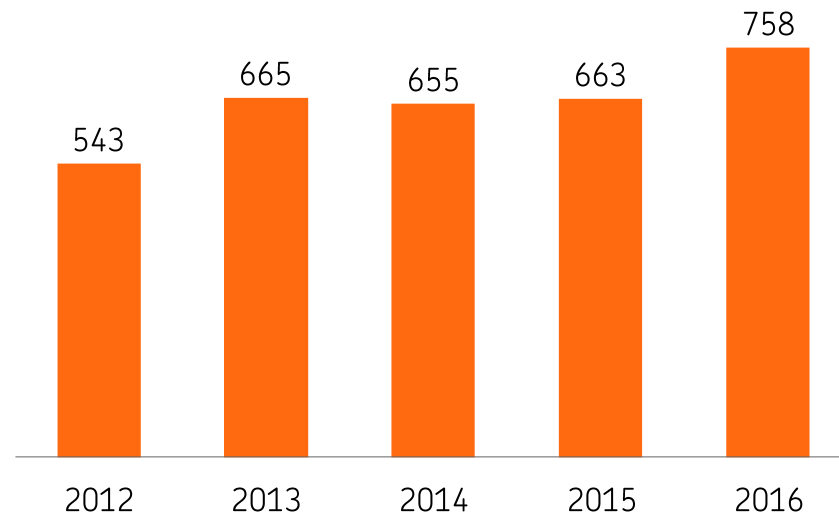


Banking income performance

Net interest income, € million

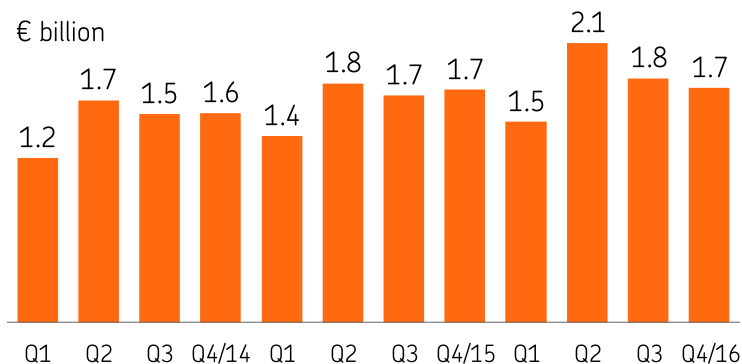


Net commissions and fees, € million

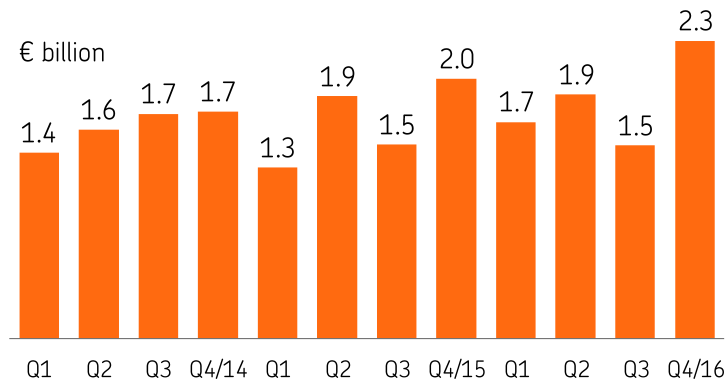


Our customers drew down new loans more than last year

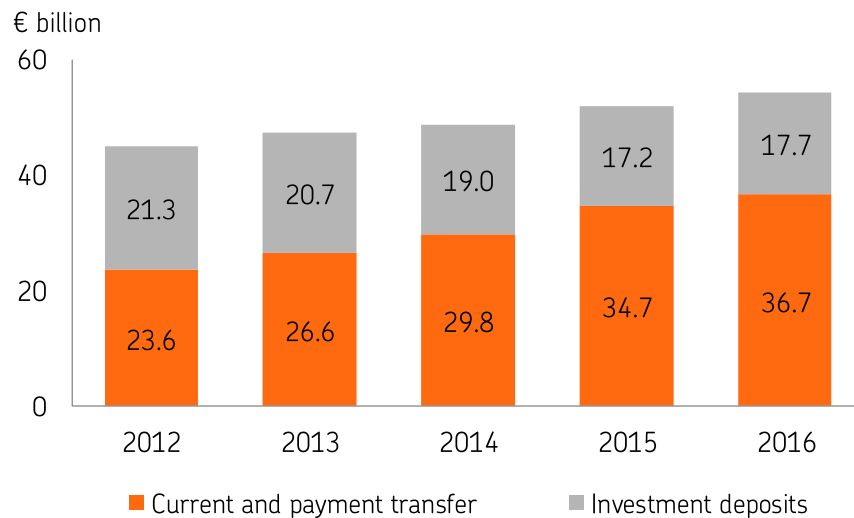
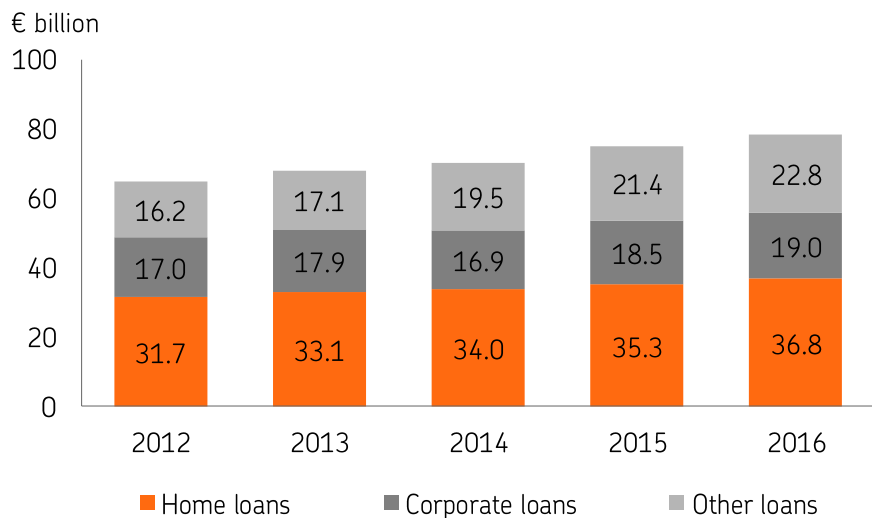
Home loans drawn down



Corporate loans



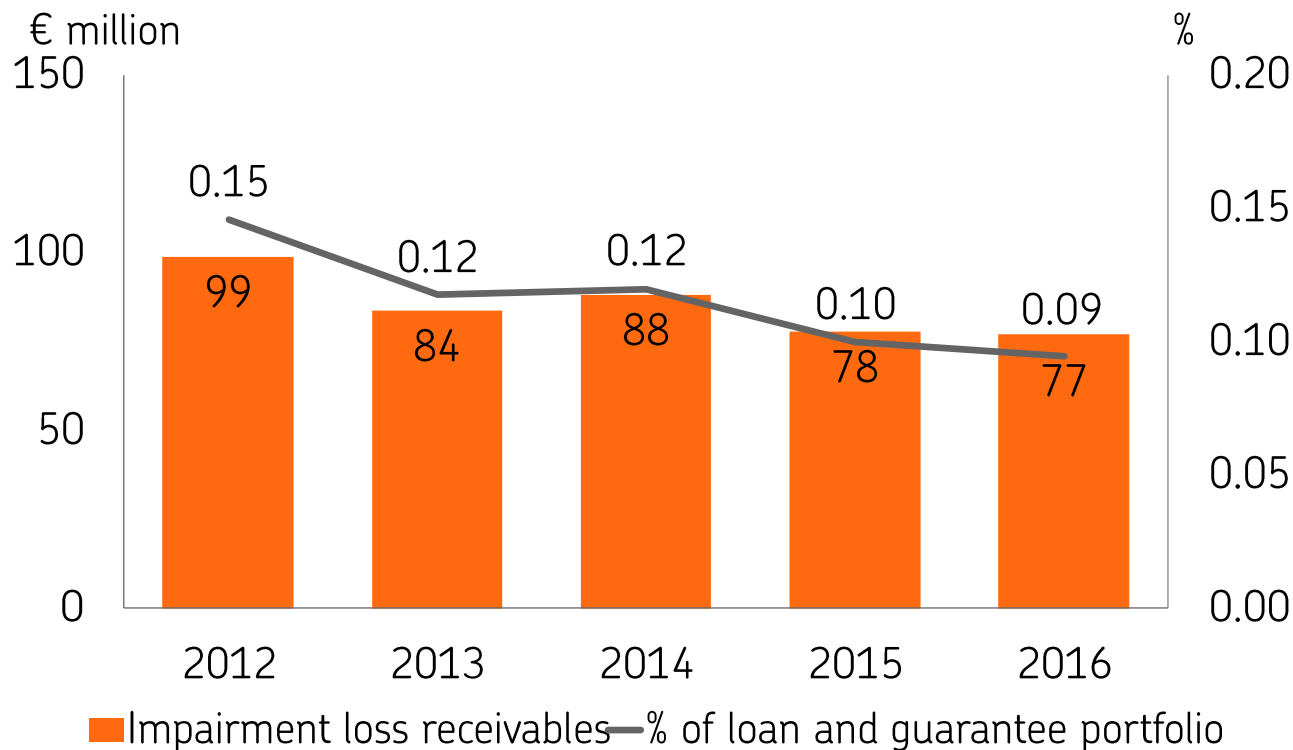
Loan and deposit portfolio continued to grow



OP Financial Group's loan and guarantee portfolio

€ million	31 December 2016	31 December 2015	Change	
			€ million	%
Enterprises and housing associations	30,537	28,248	2,289	8.1
Renting and operating of residential real estate	6,310	6,124	186	3.0
Renting and operating of other real estate	4,174	4,080	94	2.3
Wholesale and retail trade	3,276	2,981	296	9.9
Energy	2,576	2,190	386	17.6
Construction	2,330	1,807	524	29.0
Services	2,083	1,902	181	9.5
Transportation and storage	1,602	1,467	135	9.2
Manufacture of machinery and equipment (incl. services)	1,558	1,421	138	9.7
Agriculture, forestry and fishing	1,139	1,028	110	10.7
Financial and insurance services	986	838	148	17.7
Forest Industry	731	815	-83	-10.2
Metal Industry	694	554	140	25.3
Food Industry	640	657	-17	-2.6
Real estate investments	590	560	30	5.4
Chemical Industry	413	388	25	6.5
Other manufacturing	346	162	183	112.8
Other industries	1,089	1,275	-186	-14.6
Public corporations and non-profit organisations	1,639	1,378	261	18.9
Households	48,957	46,936	2,020	4.3
Adjustments	217	1,229	-1,011	0.0
Total	81,350	77,791	3,559	4.6

Impairment loss on receivables remained low



Non-Life Insurance

Non-life Insurance

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

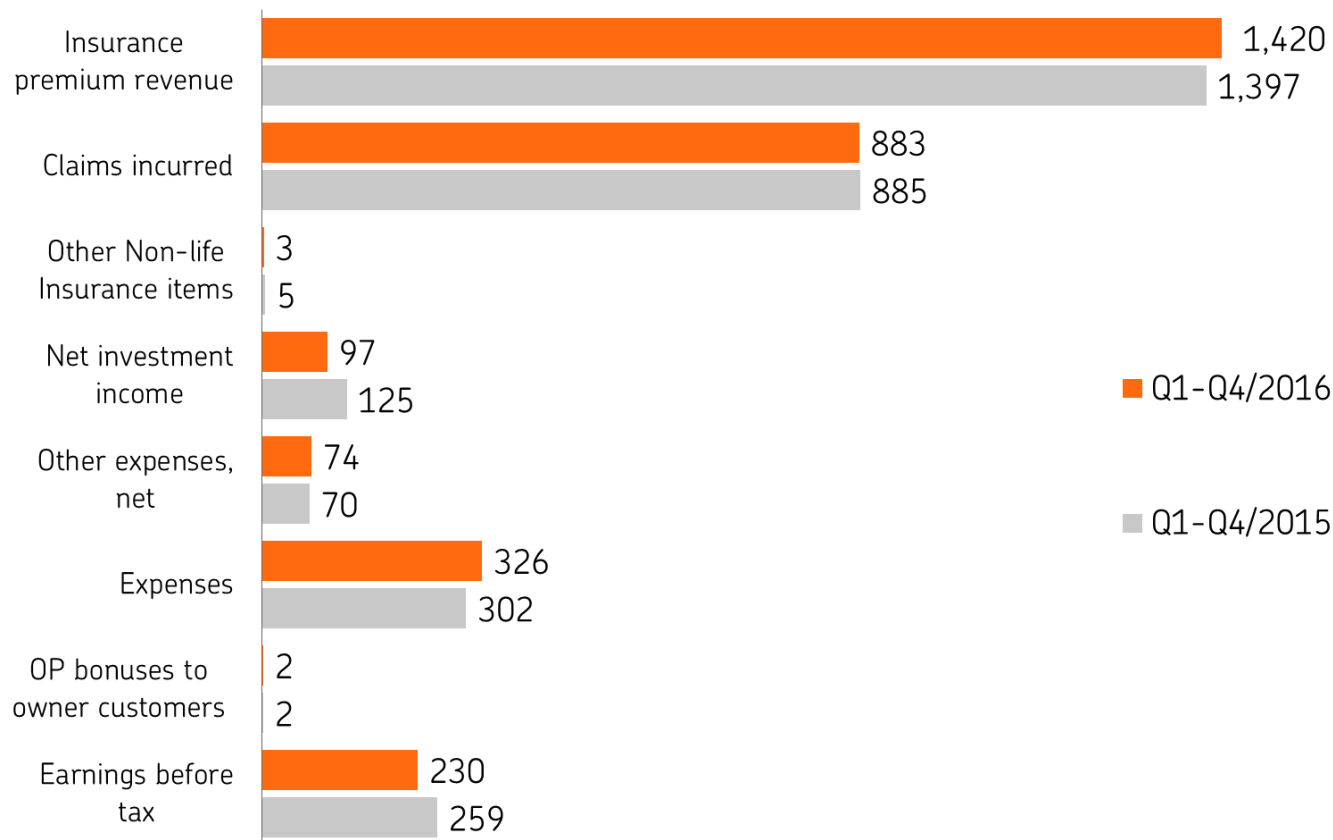
- A household, its family members, home and other property related to it as well as motor vehicles are at the core of insurance for private customers.
- Extensive and diversified risk management services form the key corporate customer services.
- The strengths of our claims settlement service lie in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

Key figures 2016

EBT
EUR **230** million

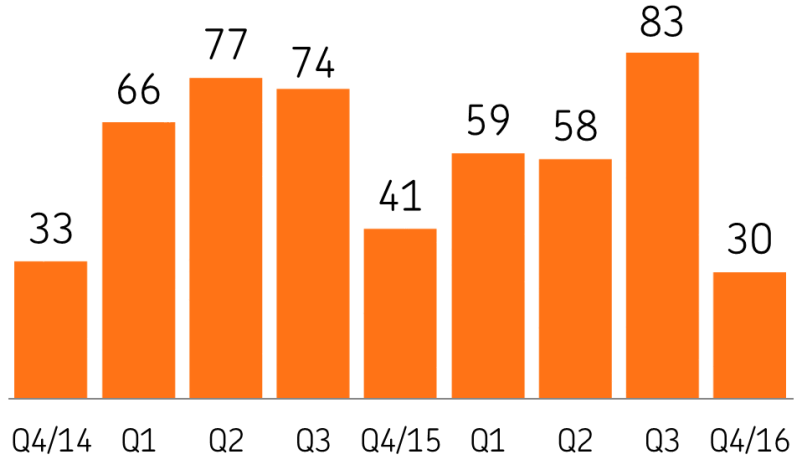
Insurance premium
revenue
EUR **1,420** million

Non-life Insurance EBT, € million

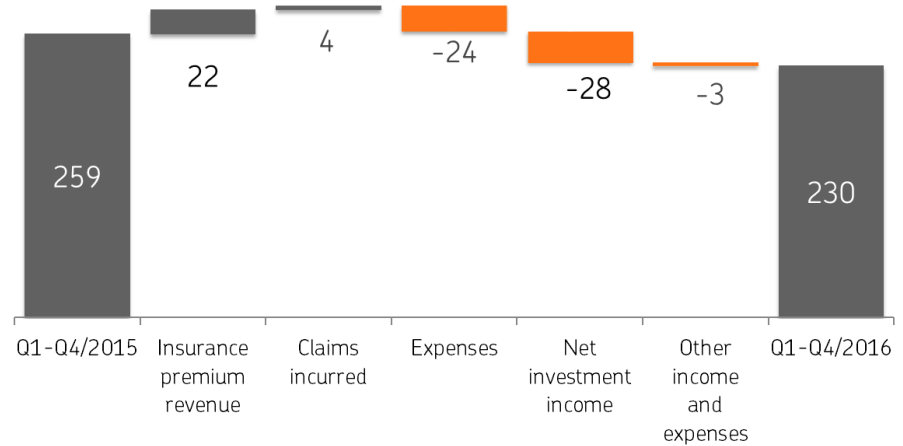


Lower investment income reduced EBT

Earnings before tax by quarter, € mn

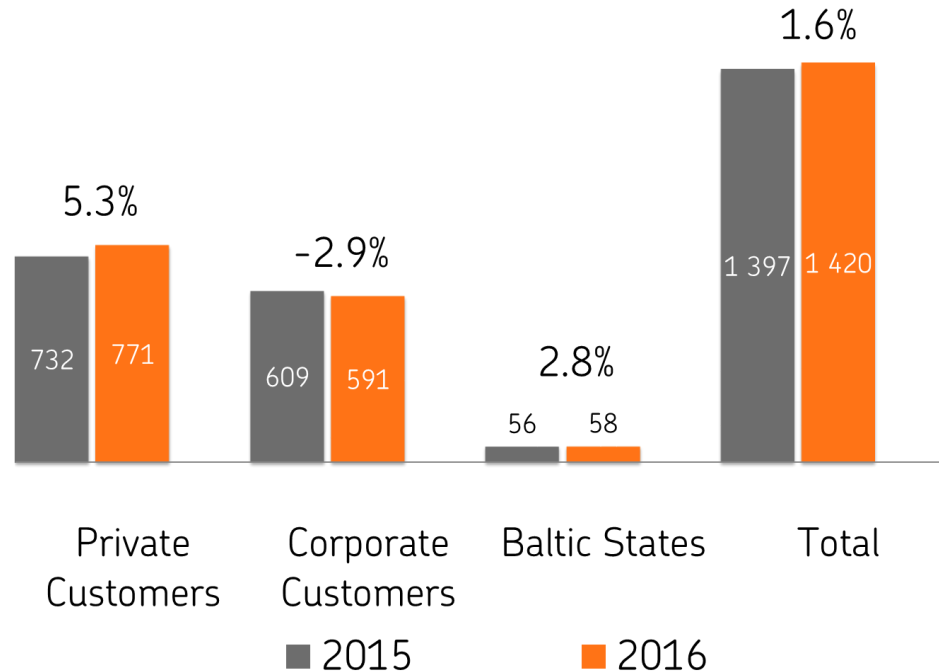


Earnings before tax, € mn
change Q1-4/16 vs. Q1-4/15



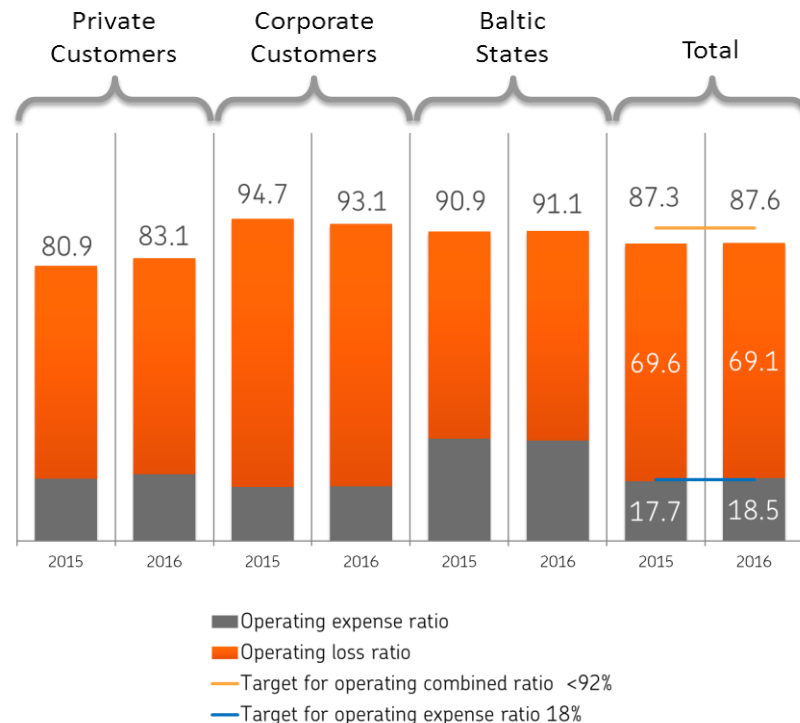
Growth in insurance premium revenue stemmed from Private Customers

Insurance premium revenue, € mn and change by division 2016 vs. 2015



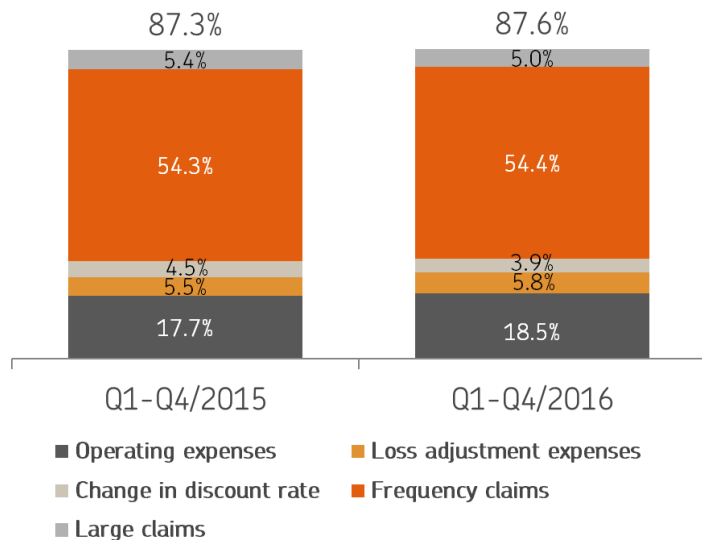
Balance on technical account

Operating combined ratio by division 2016 vs. 2015, %

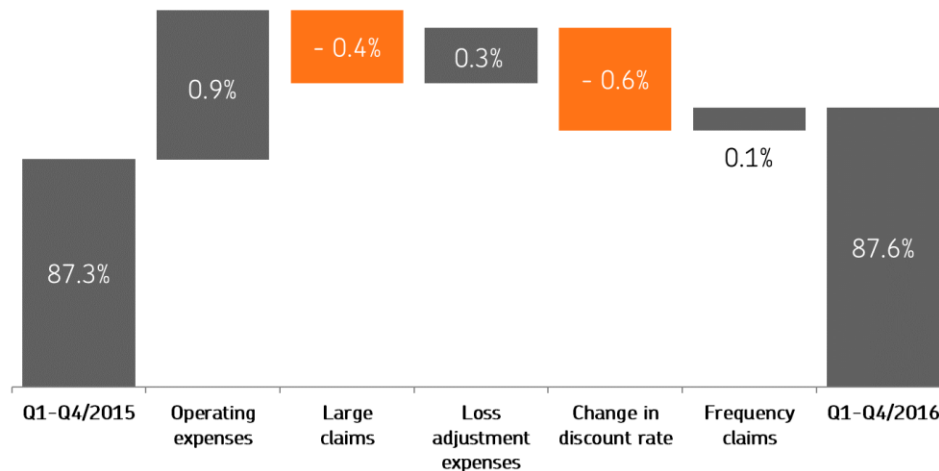


Balance on technical account

Operating combined ratio
by component, %

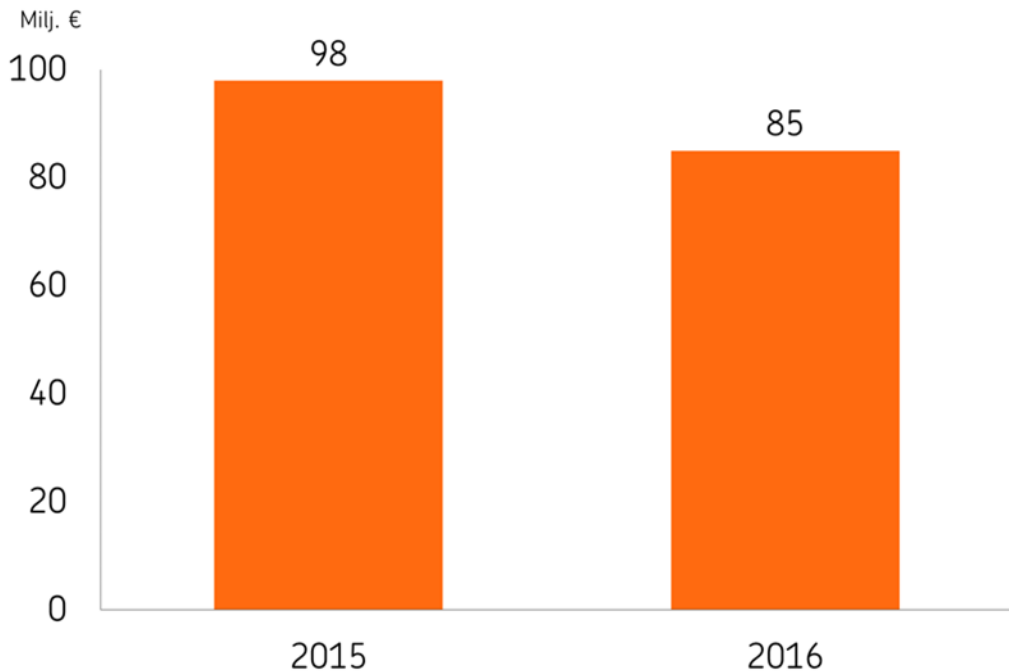


Change in operating combined ratio, %



Changes in claims for previous years (run off result), excl. the effect of the reduction in the discount rate, improved the balance on technical account by €60 million (32) in January-December 2016.

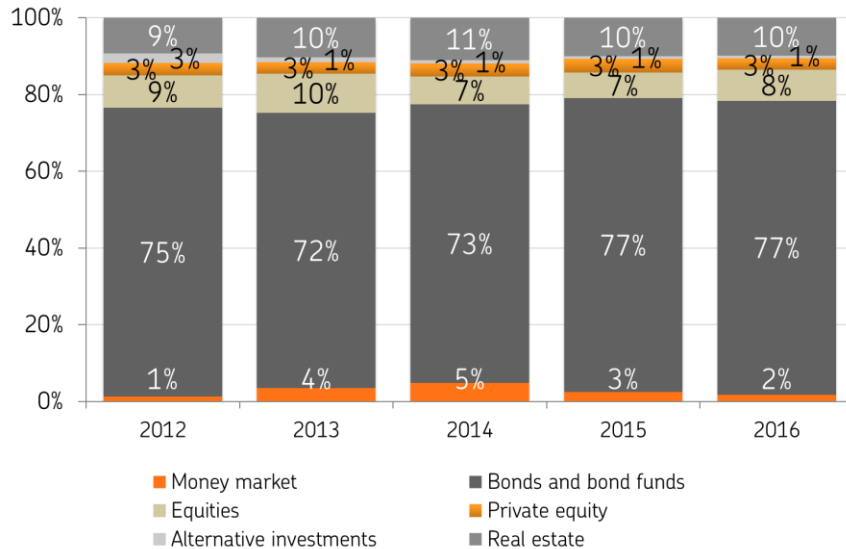
Net return on Non-life Insurance investments at fair value*, € million



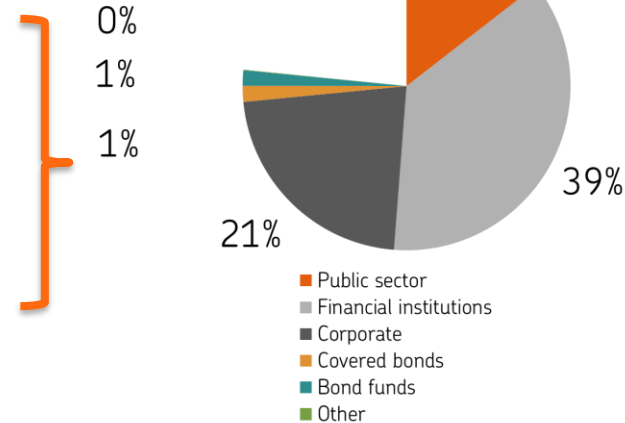
**Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Investment portfolio allocation

Investment portfolio (€3.9 bn) by asset class as of 30 December 2016



Bonds and bond funds (77 %)



The average residual term to maturity of the fixed-income portfolio was 5.9 years (5.7) and the duration 5.4 years (5.2).

The running yield for direct bond investments averaged 1.72 % (1.76) at end-December 2016.

Wealth Management

Wealth Management

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

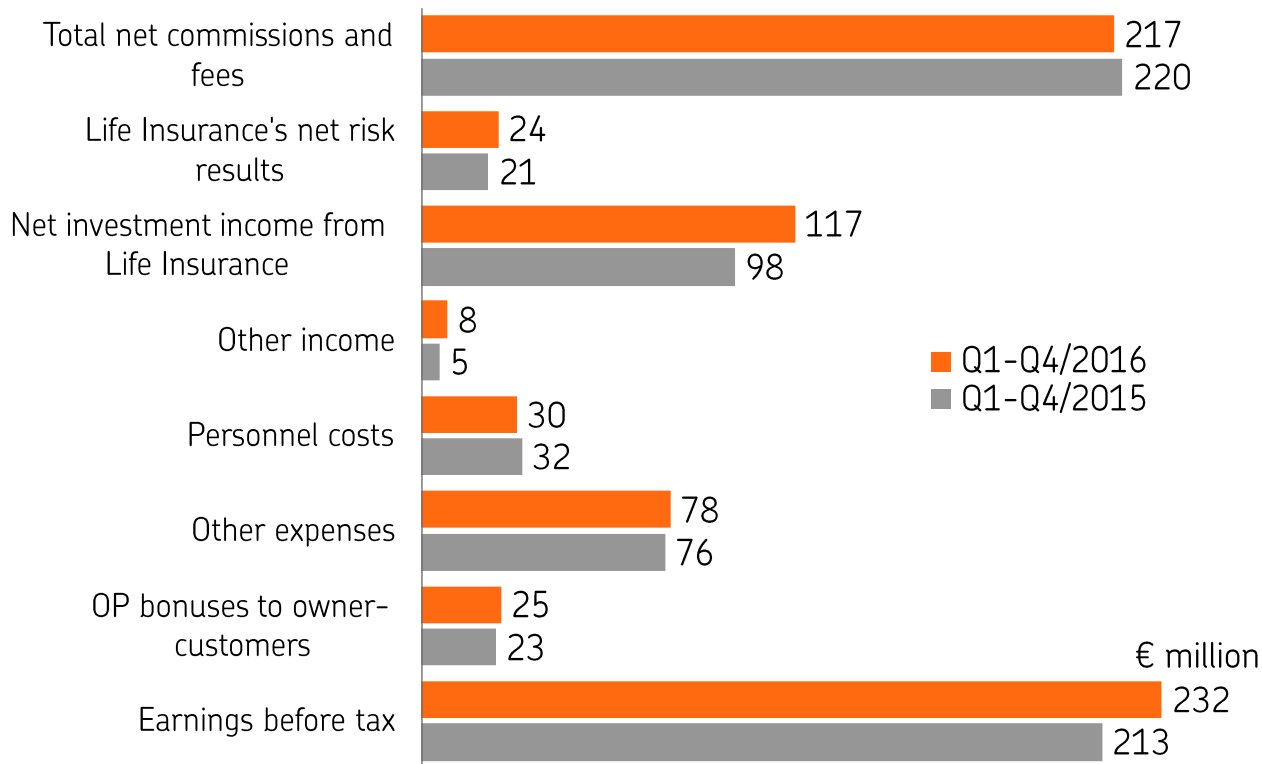
- For private customers, we provide an extensive range of savings and investment solutions. The mutual funds in our range invest in various asset classes and market areas, and are managed partly by OP's own investment organisation and partly by our international partners.
- The range of services for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

Key figures 2016

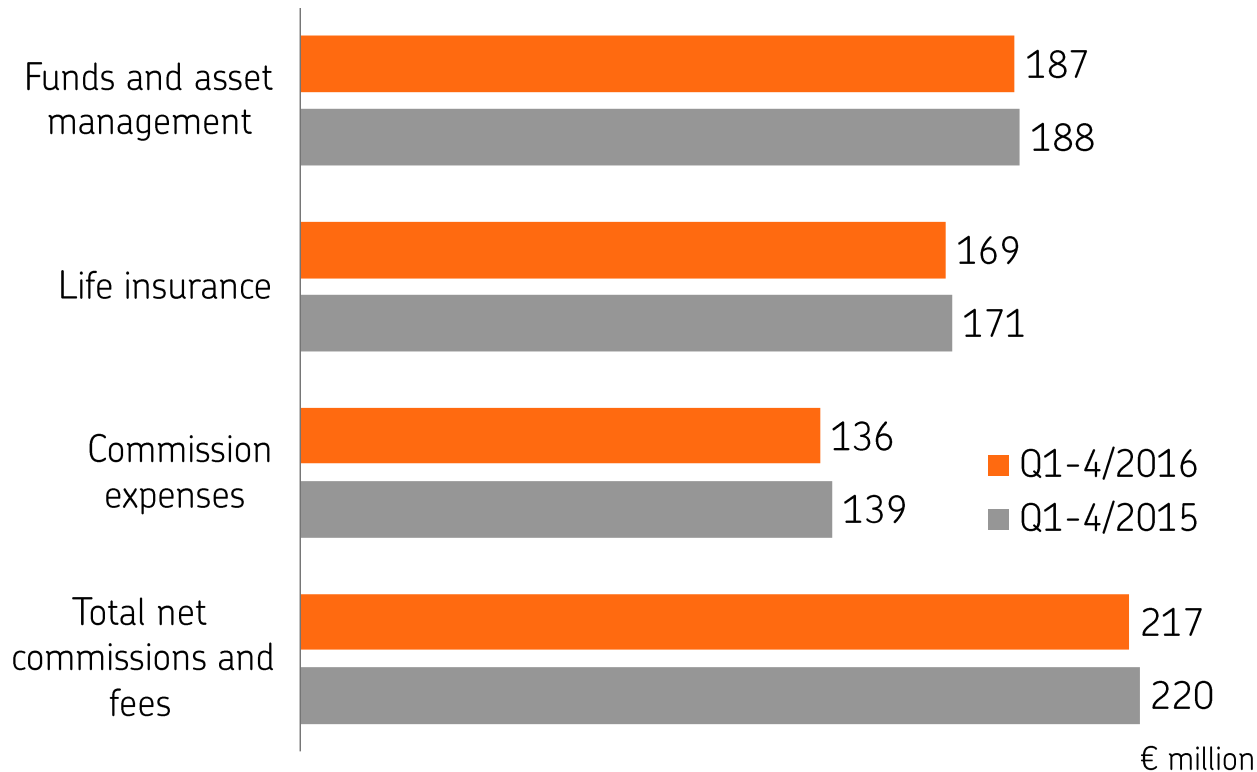
EBT
EUR 232 million

Assets under
management
EUR 74.5 billion

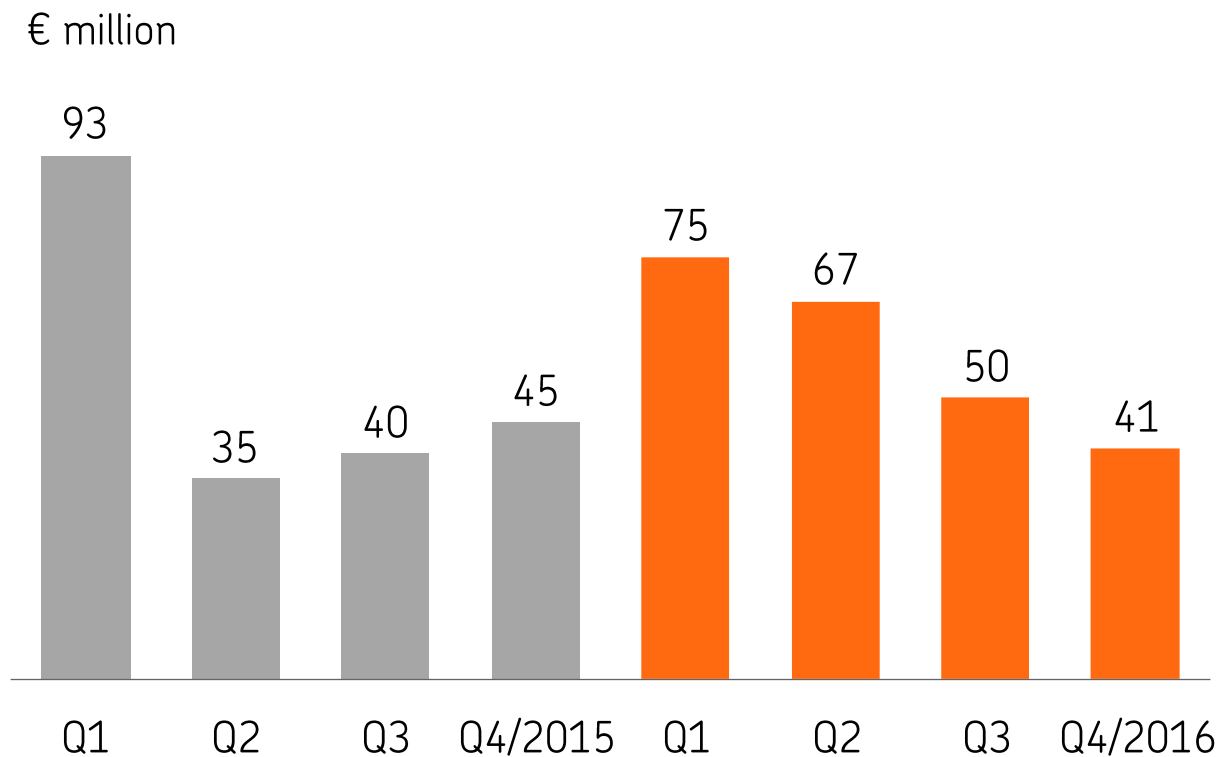
Wealth Management income statement



Wealth Management net commissions and fees

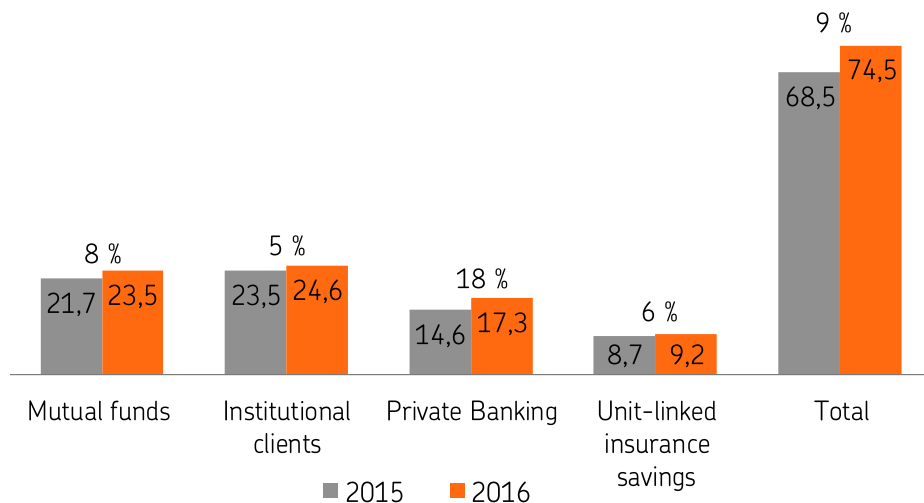


Wealth Management EBT by quarter

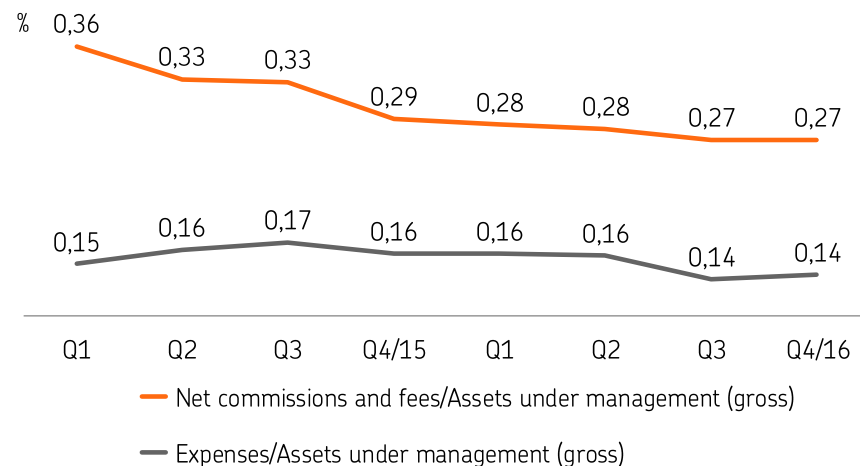


Assets under management on the increase

Assets under management (gross) €billion

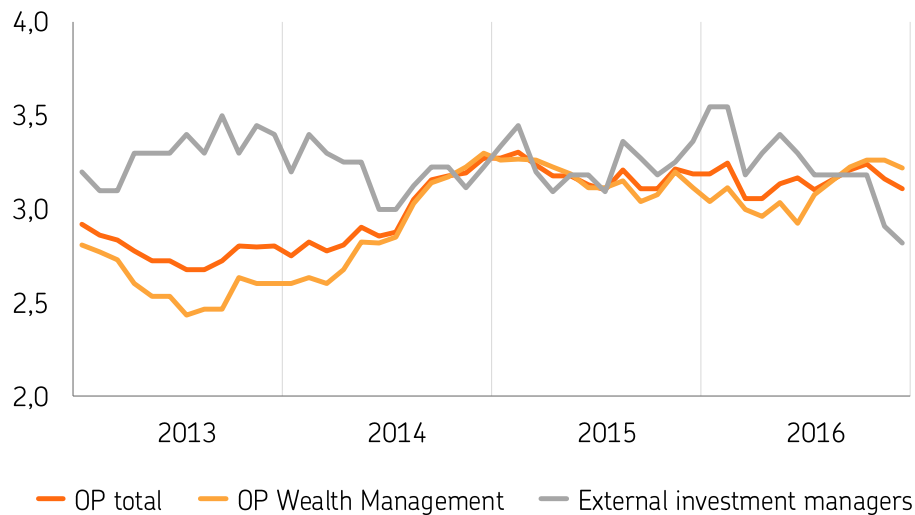


Income and expenses/Assets under management

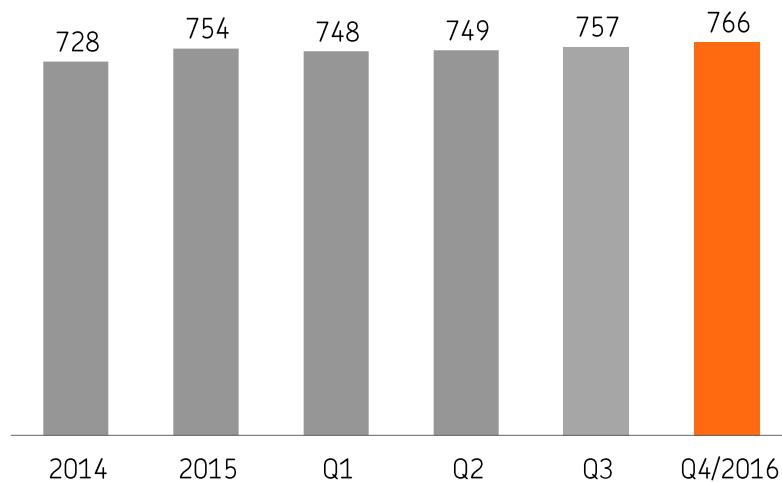


Number of clients and performance of mutual funds at good level

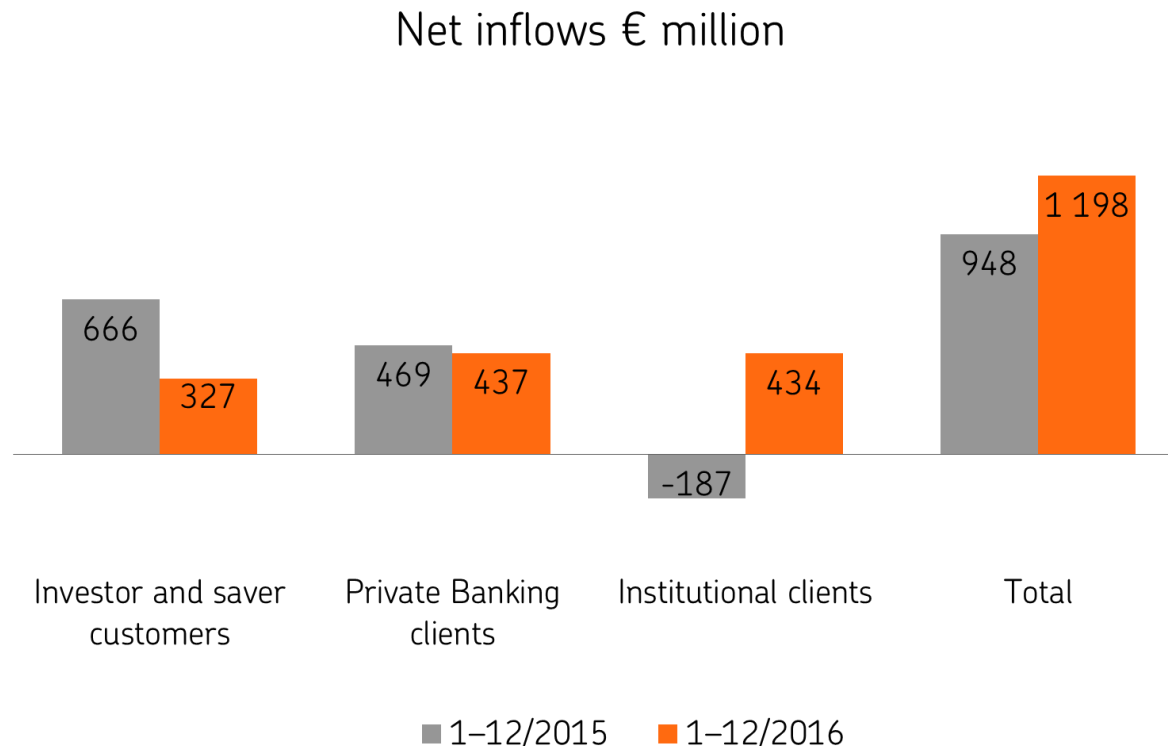
Performance of Morningstar stars



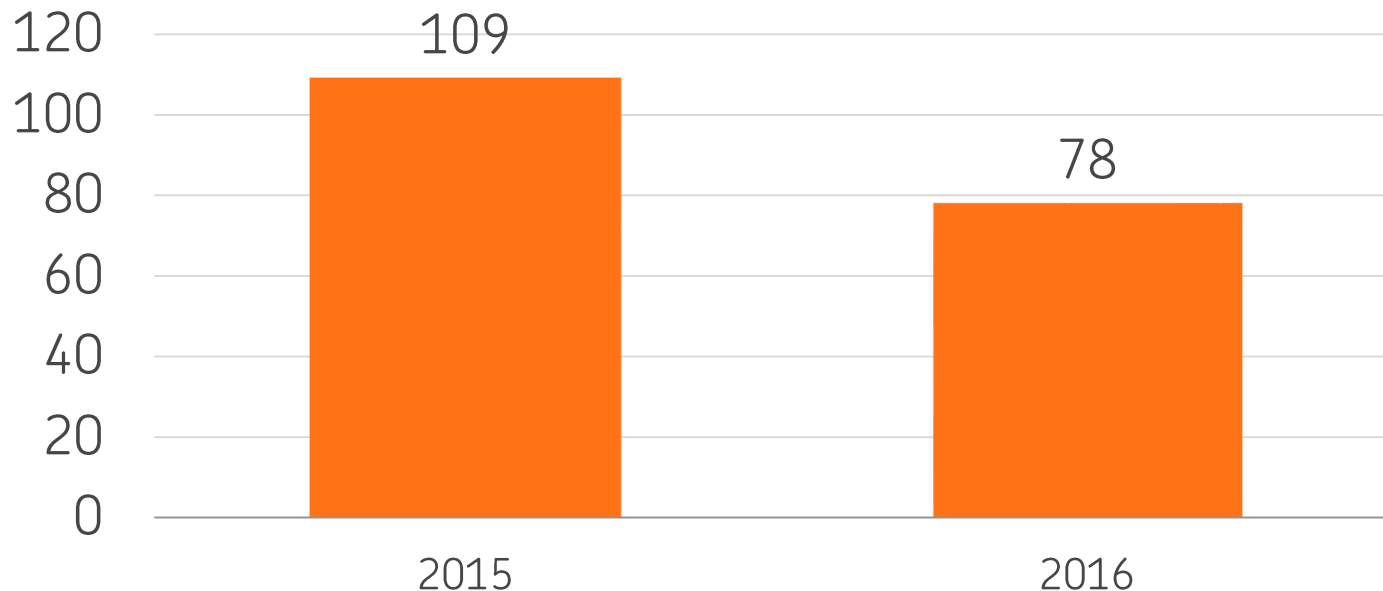
Investor and saver customers, 1,000



Successful sales to institutional clients

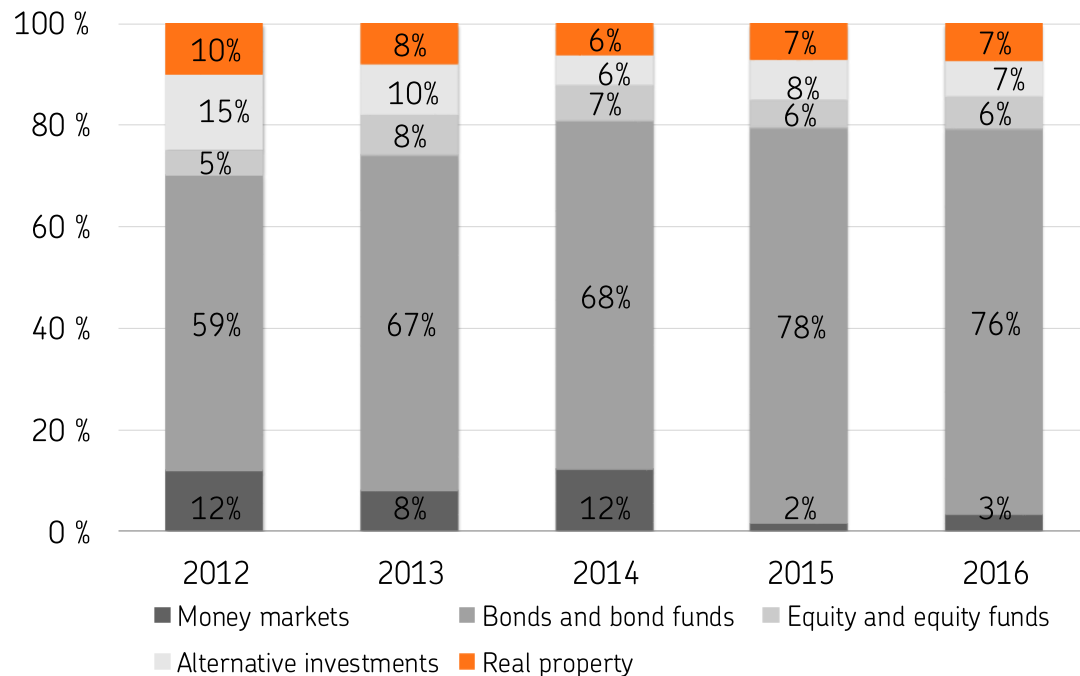


Net return on Life Insurance investments at fair value*, € million



* *Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets. These investments exclude the so-called separated balance sheets that were transferred from Suomi Mutual.

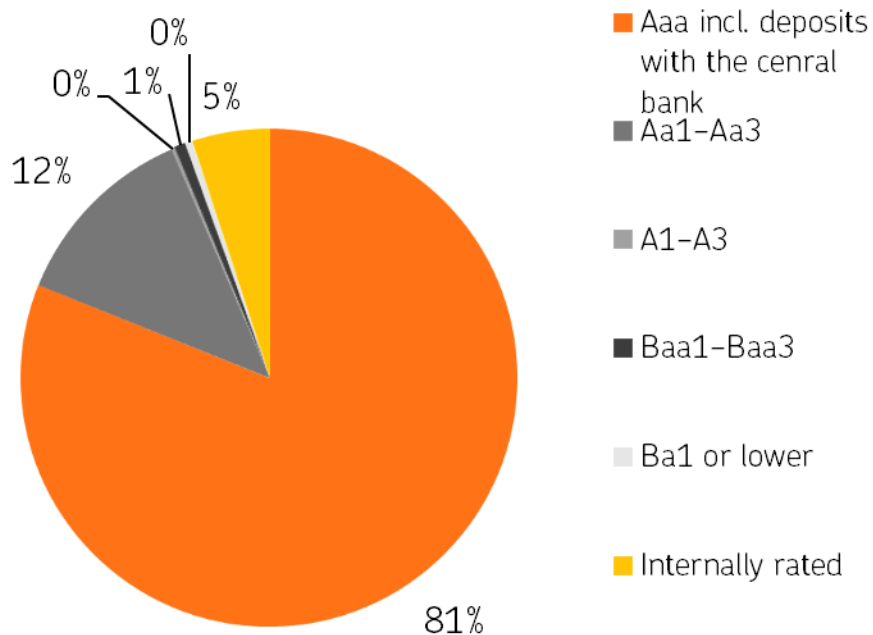
The risk level of Life Insurance investment assets* (EUR 4.2 billion) has been lowered with determination



Liquidity and Funding

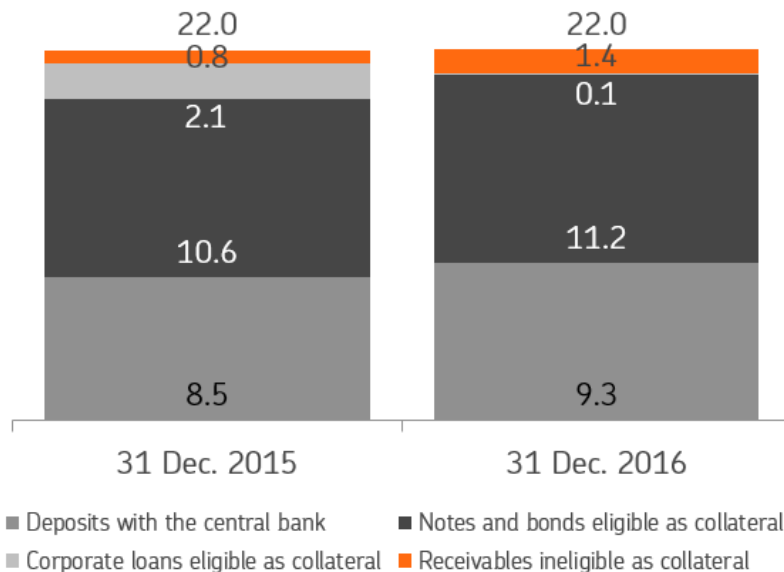
Liquidity buffer €22.0 bn at year-end

Liquidity buffer by credit rating* as of 31 December 2016



Majority of liquidity buffer eligible as ECB collateral

Liquidity buffer breakdown, € bn

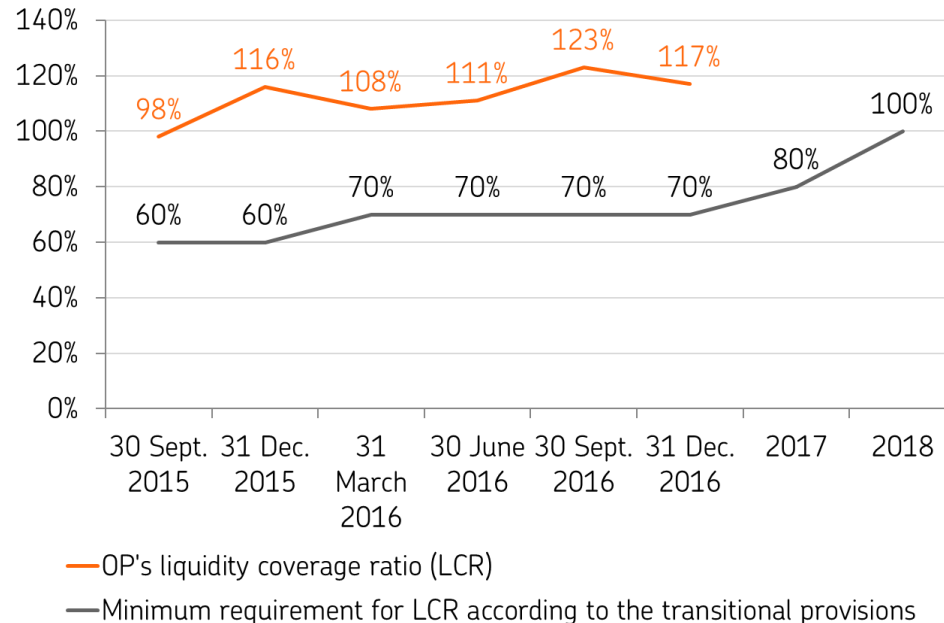


The liquidity buffer plus other items based on OP Financial Group's contingency funding plan can be used to cover maturing wholesale funding for at least 24 months

As a result of an analysis carried out in the third quarter, the Group has reassessed the application of the collateral eligibility criteria for corporate loans eligible as collateral included in the liquidity buffer, on the basis of which the comparative figure was reduced by EUR 2.2 billion. The amount of corporate loans eligible as collateral decreased during the reporting period because they were used as collateral in TLTRO-II.

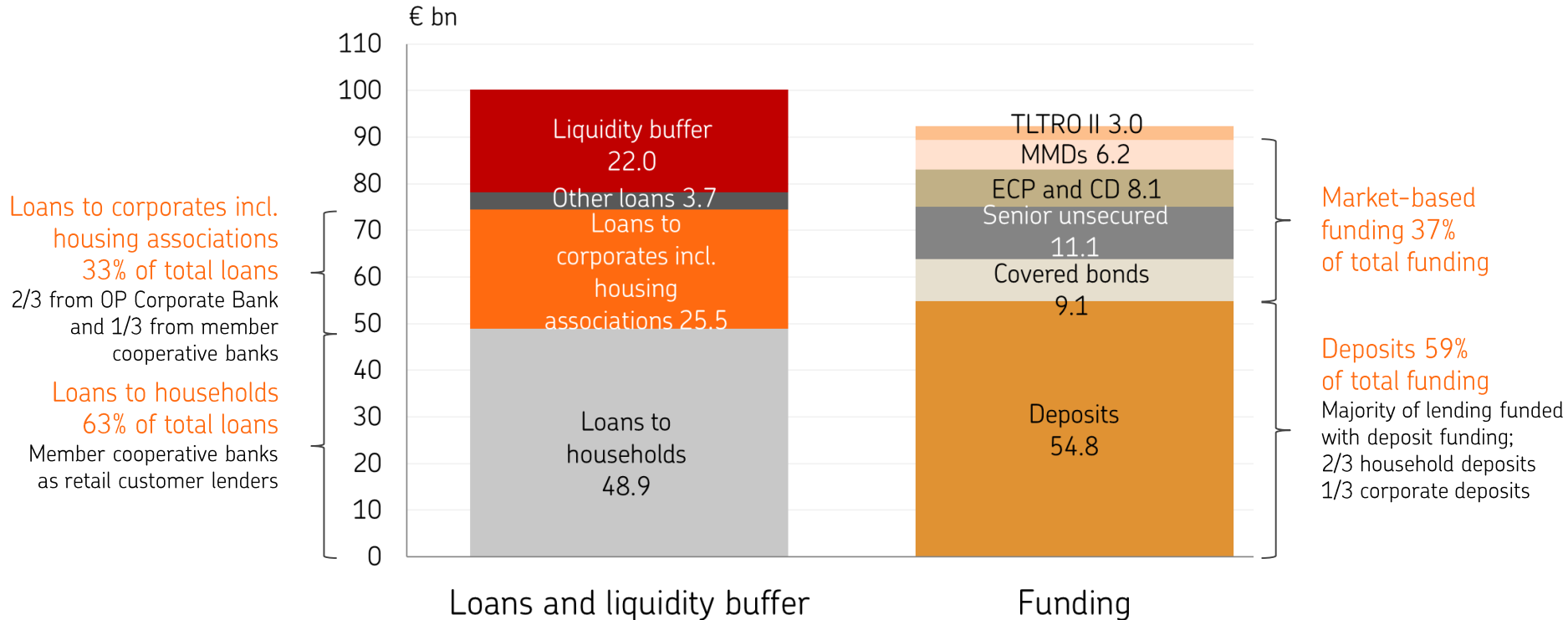
Liquidity coverage ratio 117% at year-end

OP monitors its liquidity and the adequacy of its liquidity buffer using LCR. According to the transitional provisions, LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018.



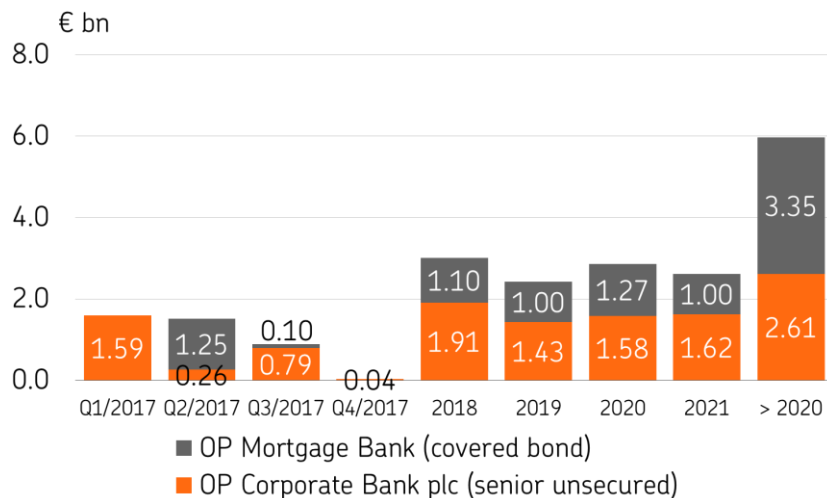
Loans, liquidity buffer and funding

31 December 2016



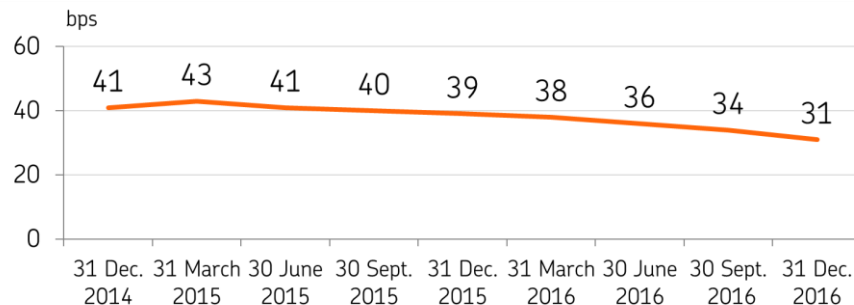
Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 31 December 2016



OP issued long-term bonds worth €2.2 billion during 2016 (6.5). Additionally, OP participated in ECB's TLTRO II refinancing operation with a total of €3 billion in June, September and December 2016.

Average margin of senior wholesale funding, TLTRO II funding and covered bonds, bps



Issued senior unsecured and covered bonds

OP Corporate Bank plc's benchmark senior unsecured bonds 2014–16

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

OP Mortgage Bank's benchmark covered bonds 2014–16

Year	Month	Amount	Maturity	Interest rate
2016	May	€1.25 bn	7 yrs	m/s + 4 bps
2015	November	€1.25 bn	5 yrs	m/s + 5 bps
2015	September	€1 bn	7 yrs	m/s - 1 bps
2014	November	€1 bn	10 yrs	m/s + 4 bps
2014	June	€1 bn	5 yrs	m/s + 5 bps
2014	March	€1 bn	7 yrs	m/s + 14 bps

Capital Adequacy

Three capital requirements

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

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

Solvency II for insurance
companies

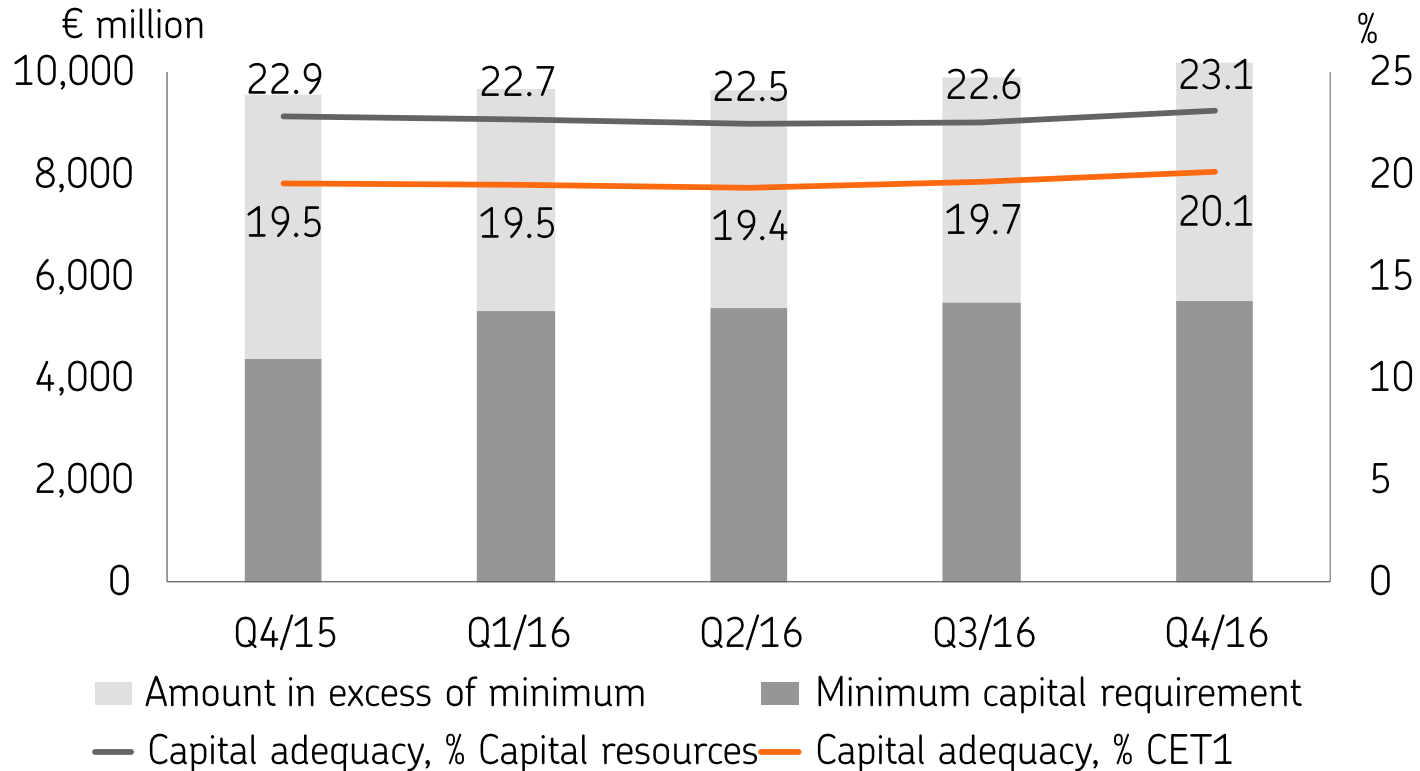
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies. The companies are required to cover SCR using the Group's sufficient buffer specified internally.
- Eligible capital covers solvency requirements.

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

- OP Financial Group is a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates.. Such conglomerates are governed by specific provisions of the capital adequacy requirement.
- Capital adequacy under the Act is calculated using the consolidation method, whereby items not included in the capital base, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet.
- The capital base may not include items not available for covering the losses of other companies belonging to the conglomerate.
- The financial and insurance conglomerate's minimum capital requirement consists of the credit institutions' consolidated minimum capital requirement, buffers included, and the insurance companies' combined solvency capital requirements (SCR)..

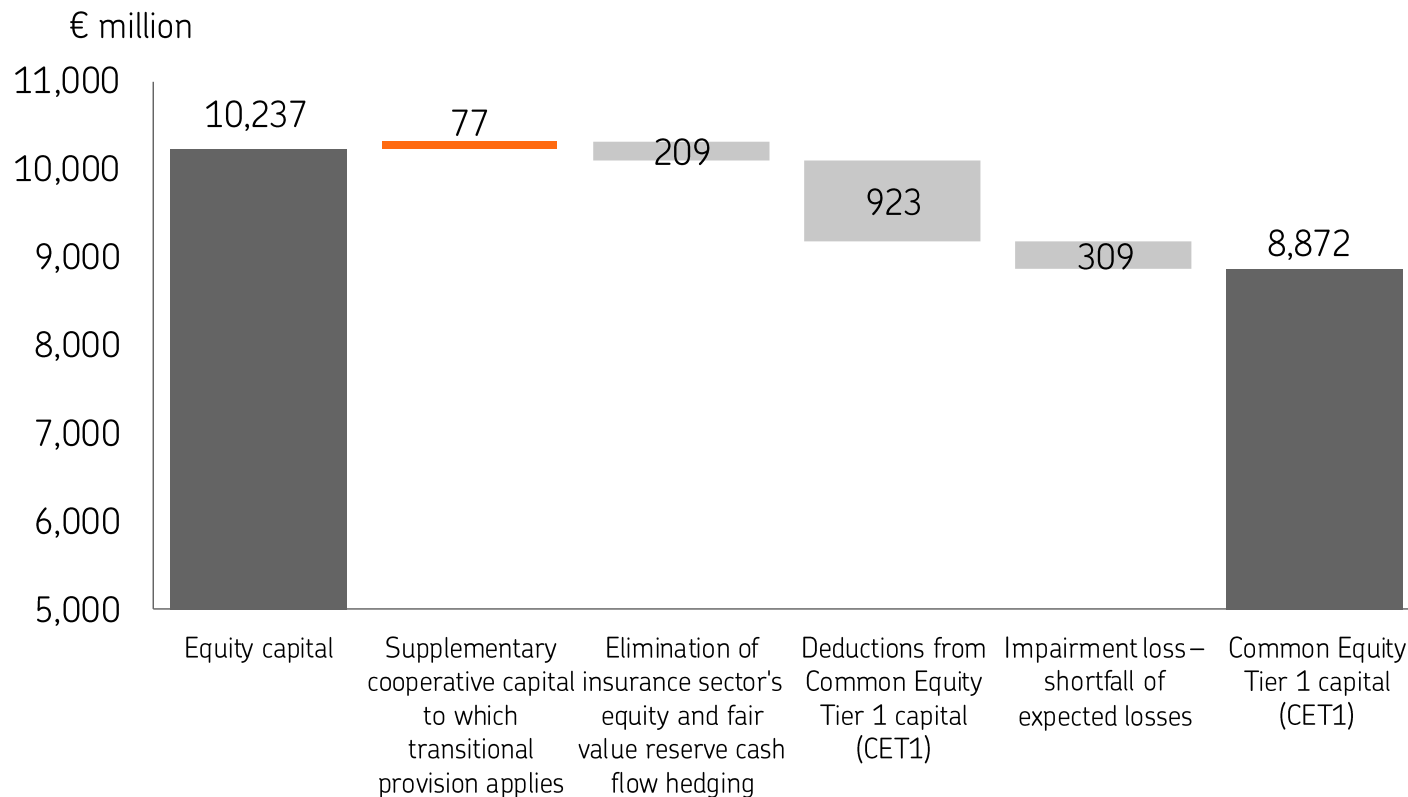
The amalgamation of the cooperative banks

Capital base and capital adequacy



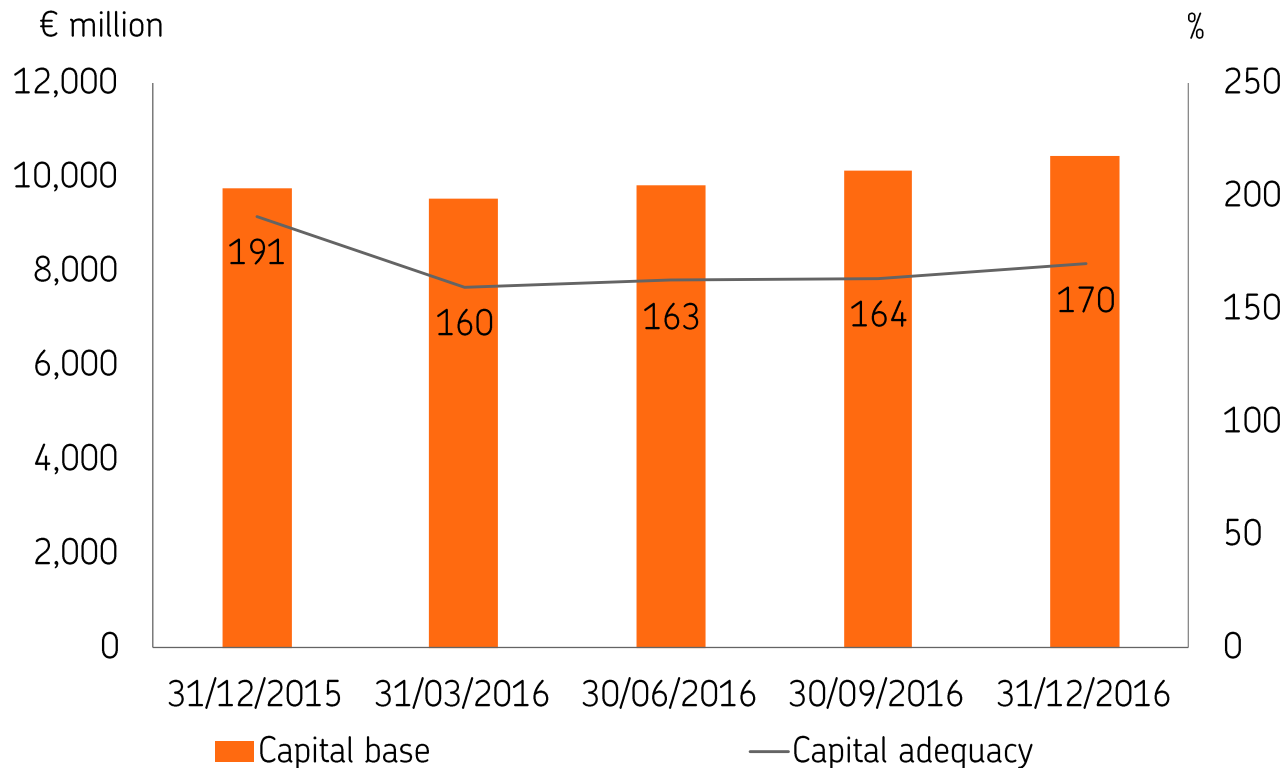
Common Equity Tier 1 (CET1)

31 December 2016



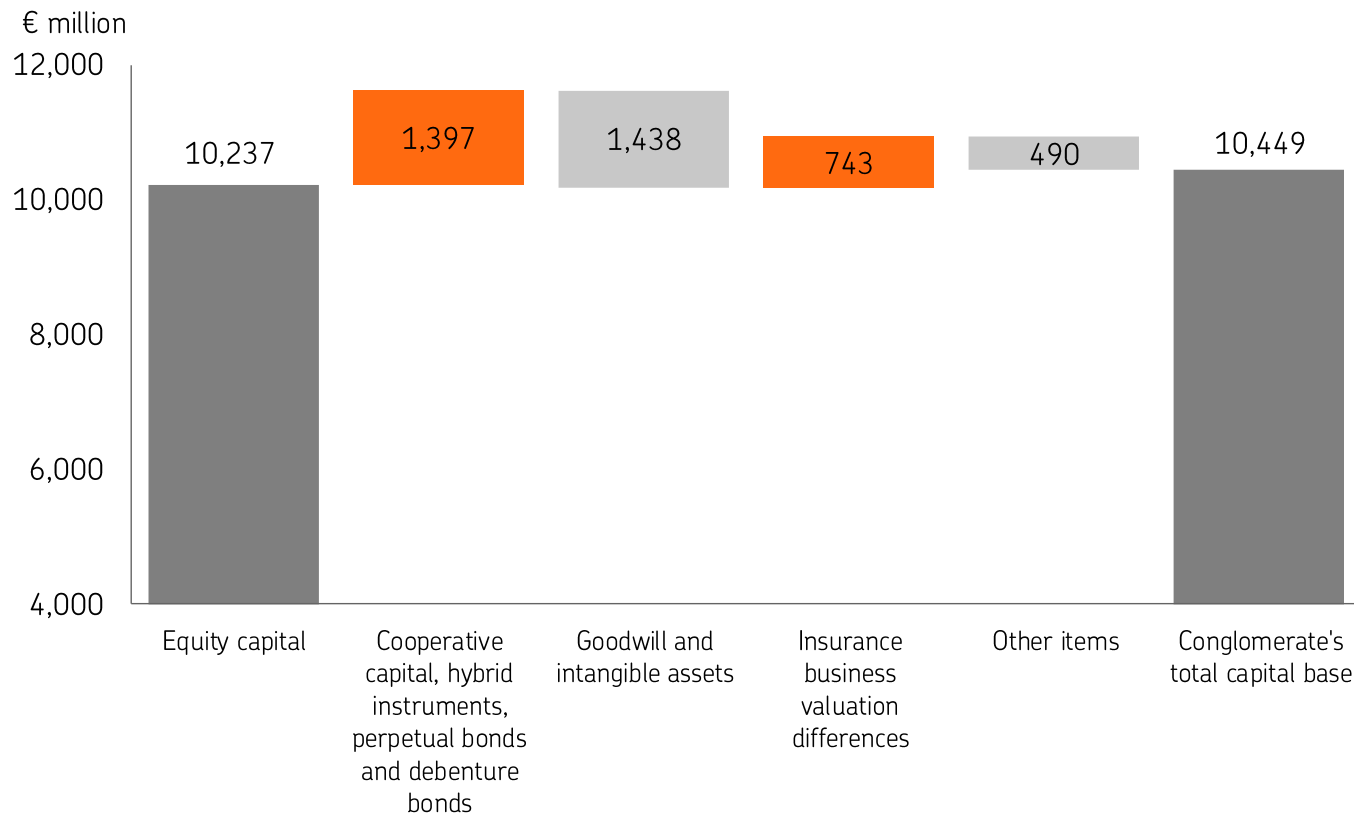
OP Financial Group

FiCo solvency



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

31 December 2016



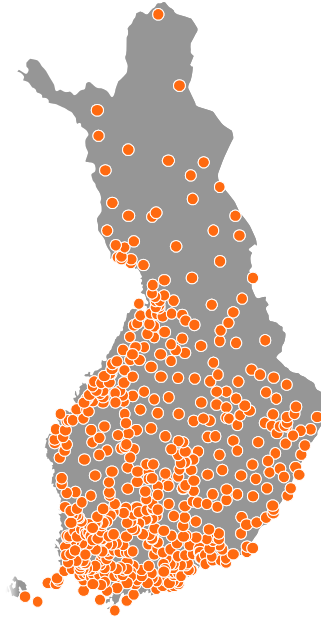
OP in a Nutshell

OP is a financial services group owned by its customers. We promote our owner-customers' and operating environment's sustainable financial prosperity, safety and wellbeing. Finnish roots, Finland's most extensive service network and true customer focus make us a unique play in many ways.

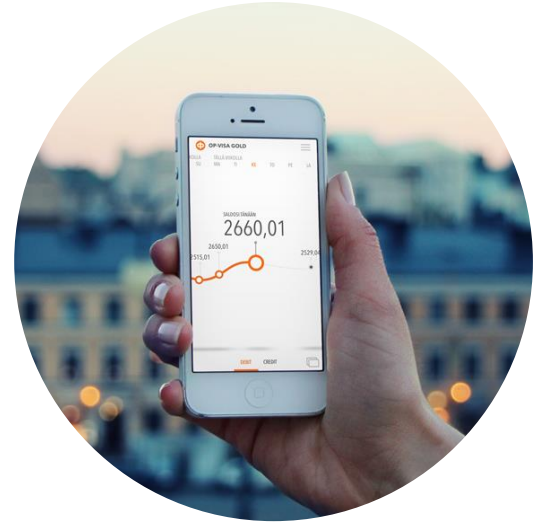
OP in a nutshell



Approximately 1.7 million
owner-customers

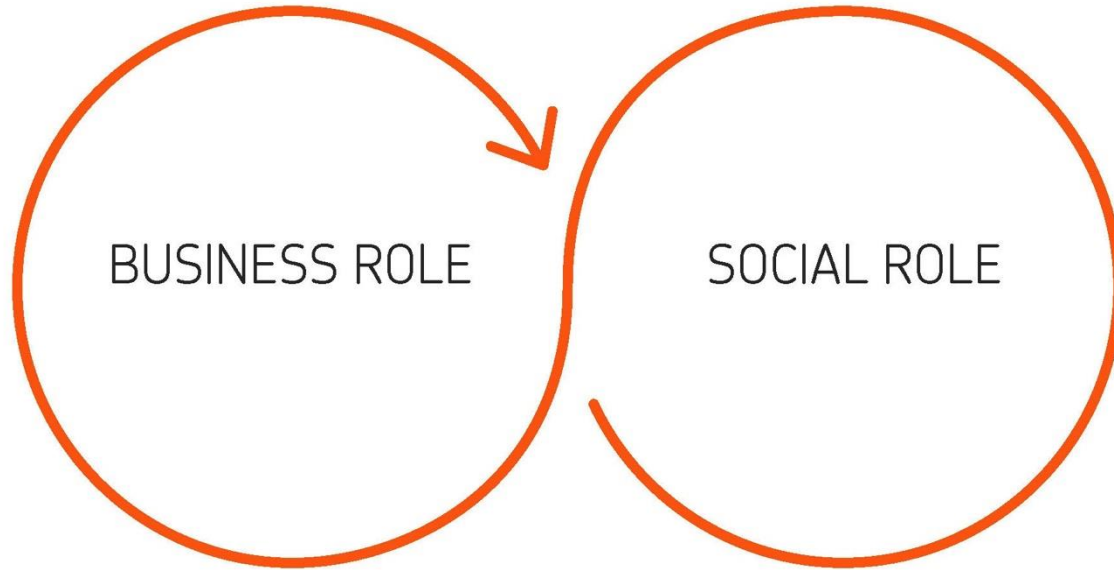


About 170
Group member cooperative banks

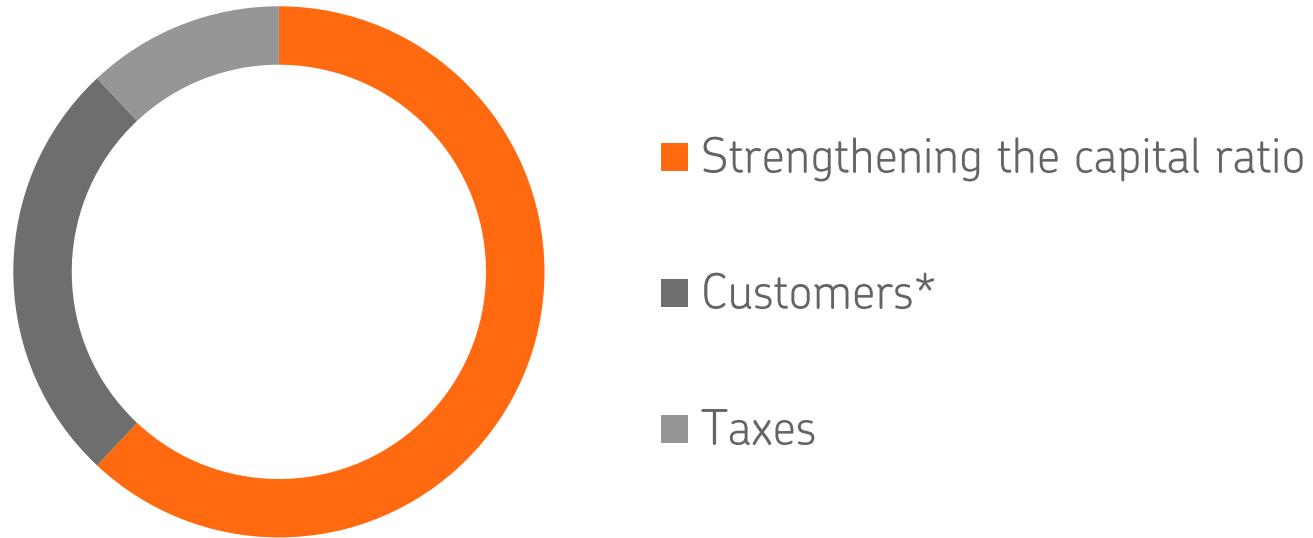


Hyperlocal digital
financial services group

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



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



Estimate of the allocation of period earnings, which is confirmed after the end of the financial year

*) Customers = customer bonuses, discounts on insurance policies and interest on contributions made by owner-customers

OP Financial Group's numerical targets

	31 Dec. 2016	Target
Customer experience, NPS (–100–+100)		
Brand	22.7	25
Service	53	70, over time 90
CET1 ratio, %	20.1	22
Return on economic capital, % (12-month rolling)	22.7	22
Expenses of present-day business (12-month rolling), € million	1,538	Expenses in 2019 lower than in 2015 (1,520)
Owner-customers, million	1.7	2.1 (2019)

OP Financial Group's service channels

	1-31 Dec. 2016	31 Dec. 2016	12-month change
Online and mobile services			
Op.fi visits (private customers)	9,744,666	-	-7%
OP-mobile visits, (private customers)	13,085,365	-	+38%
Pivo mobile wallet application visits	1,828,735	-	+7%
eServices Agreements (private customers)	-	1,735,867	+91,399
Branches and telephone services			
Bank branches	-	442	+1
Providing both non-life insurance and banking services	-	339	-7
Private Banking branches	-	39	+/- 0
OP-Kiinteistökeskus real estate agencies	-	149	-11
Customer contacts in telephone service	303,550	-	+35,342
Social media			
Followers on Facebook (OP Financial Group and member cooperative banks)	-	254,326	+61,697
Followers on Twitter	-	23,954	+5,803
Followers on LinkedIn	-	11,839	+1,355
Followers on Instagram	-	4,353	-

Joint Liability, Deposit Insurance and Investors' Compensation

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



Let's take care of ourselves.