OP Financial Group's Interim Report for 1 January–31 March 2018

OP Financial Group's Interim Report for 1 January–31 March 2018: Earnings before tax EUR 239 million – full-year earnings will be lower than a year ago

- Earnings before tax amounted to EUR 239 million (283).
- Income from customer business showed strong growth. Net interest income increased by 8%, net insurance income by 9% and net commissions and fees by 3%.
- Investment income decreased by EUR 26 million. The decrease was affected by IFRS 9 adopted at the beginning of the year.
- Development investments increased expenses that were 10% higher than a year ago.
- Impairment loss on receivables, EUR 4 million (8), were very low due to recovery of impairments.
- CET1 ratio was 20.0%, or at the previous year-end level.
- **Banking** earnings before tax increased to EUR 184 million (163). Net interest income increased by 2% and net commissions and fees decreased by 2%. Expenses rose by 5%. The loan portfolio increased by 4.5% and deposits by 8.5% in the year to March.
- **Non-life Insurance** earnings before tax decreased to EUR 38 million (49). Insurance premium revenue increased by 2% and expenses by 7%.
- **Wealth Management** earnings before tax increased to EUR 47 million (34). Net commissions and fees were at the previous year's level. Expenses declined by 2% year on year. Assets under management increased by 1% in the year to March.
- **Other Operations** earnings before tax were EUR –31 million (38). Earnings were eroded by higher expenses arising from development investments. A significant non-recurring item was included in income a year ago.
- Timo Ritakallio, LL.M., MBA and D.Sc. (Tech.), took up his duties as OP Financial Group's new President and Group Executive Chair on 1 March 2018.
- In its stock exchange release on 24 April 2018, OP Financial Group weakened its earnings outlook for 2018: Earnings before tax for 2018 are expected to be lower than those for 2017 (previously at the same level or lower). "Outlook towards the year end" describes the change in greater detail.

Significant development investments in operations

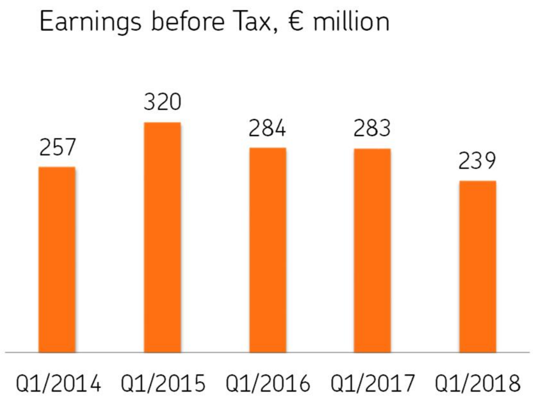
- During 2018, OP will invest around EUR 400 million in developing its operations and improving customer experience. During the reporting period, OP piloted a digital home loan service where customers can receive a home loan decision online on a real-time basis.
- In May 2018, OP will open Pohjola Health's fifth hospital, in Turku. Pohjola Health has started building its own network of medical centres. The first ones will be opened in Pori and Lappeenranta during 2018.
- In the reporting period the number of OP cooperative banks' owner-customers increased by 15,000 to over 1.8 million and that of OP Financial Group's joint banking and insurance customers by 3,000 to almost 1.8 million.
- New granted OP bonuses rose by 5% to EUR 56 million (54).

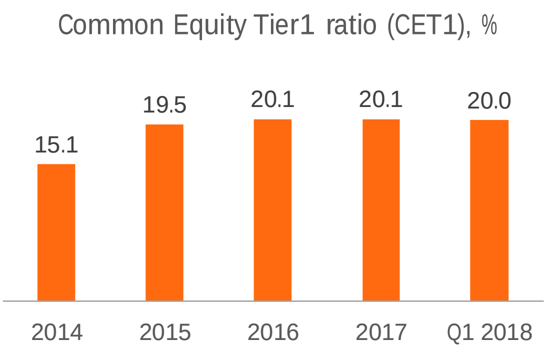
OP Financial Group's key indicators

	Q1/2018	Q1/2017	Change, %	Q1–4/2017
EBT, € million	239	283	-15.8	1,031
Banking	184	163	13.5	619
Non-life Insurance	38	49	-23.1	210
Wealth Management	47	34	40.0	247
Other Operations	-31	38		-45
New OP bonuses accrued to owner-customers	-56	-54	5.1	-220
	31 March 2018	**31 March 2017**	**Change, %**	**31 Dec. 2017**
CET1 ratio, %	20.0	18.8	1.2*	20.1
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), %**	147	142	6*	148
Return on economic capital, %***	19.6	22.2	-2.6*	20.4
Return on equity (ROE), %	6.8	9.1	-2.2*	7.7
Return on assets (ROA), %	0.55	0.69	-0.1*	0.6
Ratio of non-performing receivables to the loan and guarantee portfolio, %****	1.2	1.2	-0.1*	1.2
Owner-customers (1,000)	1,848	1,765	4.7	1,833

On 1 January 2018, OP Financial Group adopted IFRS 9 Financial Instruments. Comparatives deriving from the income statement are based on figures under IAS 39 reported for the corresponding period in 2017. Unless otherwise specified, balance sheet and other cross-sectional figures under IAS 39 on 31 December 2017 are used as comparatives.

* Change in ratio
** The FiCo ratio has been calculated for insurance companies using transition provisions included in solvency regulation.
*** 12-month rolling
**** Non-performing receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables related to such receivables due to the customer's financial difficulties.





Comments by President and Group Executive Chair Timo Ritakallio

OP Financial Group's first-quarter earnings were at a good level although they declined year on year, especially as a result of lower investment income and higher expenses. What was particularly positive in the first-quarter financial performance was a marked increase in our customer business income, i.e. net interest income, net insurance income and net commissions and fees in comparison with the first quarter in the previous year. Development and new businesses' costs made total expenses grew by 10%. According to the current estimate, OP Financial Group's full-year earnings for 2018 are expected to remain good but lower than the last year's almost record earnings. Accordingly, we specified our earnings outlook towards the year end in a release published on 24 April 2018.

Our business developed steadily during the first half. It was especially gratifying to see growth in our corporate customer business: both corporate financing and Non-life Insurance premiums written among corporate customers grew strongly. OP Financial Group's capital adequacy remained solid. Credit risks were at a moderate level: the first-quarter impairment loss on receivables in net terms was only EUR 4 million.

Increasing financial and other benefits for our owner-customers is at the core of our strategy. Business reinvention based on our strategy progressed as planned. We are upgrading technology platforms and basic systems in the card business, payment transfers, private customer financing and in motor vehicle insurance. At the same time, we are investing, for example, in utilising analytics, artificial intelligence, voice control and blockchain technology.

Our customers' needs and the operating environment in the financial sector are changing constantly, and we need to continually ensure the maintenance of our competitiveness in respect of both the quality of customer service and of price competitiveness. Our investments in conditions for growth and reinvention are significant, which highlights the need to continuously improve development productivity and agility. The main emphasis in our development investments is on strengthening the competitiveness of our three business lines – we must continuously keep the core of our business in tip-top condition. Moreover, we are developing new services supplementing these businesses to respond to our customers' needs, especially in the field of health and wellbeing, housing, mobility and commerce.

In the first quarter, we piloted a digital home loan service in which customers receive a home-loan decision online within a few minutes, for example during a showing. This marks a major step in modernising the entire home loan process. We want to live up to our customers' expectations of faster and more flexible service.

Transformation underway will be performed together, in close cooperation with our customers and personnel.
When I took up my duties as OP Financial Group's President and Group Executive Chair at the beginning of March, I asked our personnel what is particularly good at OP and what things OP should improve further. Good and skilled fellow workers, first-line management work, brand and strong values that materialise in daily work emerged as clear strengths. We can be proud of these and we want to stick to them. There is also room for improvements in our operations in many respects, and we will put our energy into these areas in need of improvement in the upcoming months.

The cyclical upswing continued in the first quarter, and economic outlook is still favourable. Nevertheless, uncertainty has increased in financial markets. Anxiety has been caused by both inflationary pressures in the USA and potentially increasing trade barriers. The euro-area economy is growing nicely but, for example, a strong euro dims the outlook.

The Finnish economy has continued to grow at a brisk rate and the improved employment rate, in particular, has been gratifying. The trend is expected to remain favourable during the rest of the year as well. However, there has been a pronounced concern about early slowdown of growth due to labour bottlenecks. To guarantee the sustainability of public finances, Finland should continue to increase measures that improve the employment rate. Public finances have benefitted from the upswing but the buffer for the following recession is not at a sufficient level. Now we therefore need specific perseverance and a strong ability in our public policy decision-making to carry out the necessary structural reforms. This is how we can best safeguard not only the footing of our welfare society but also our economic competitiveness in an increasingly intensifying global competition.

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Operating environment

The world economy showed a favourable development during the first quarter. Yet, economic confidence weakened slightly as financial markets were faced by greater swings. In the euro area, preliminary information suggests that the economy has grown in the first quarter of 2018 but at a more tepid rate than in the second half of 2017. Inflation continued to remain moderate.

At the beginning of 2018, the European Central Bank (ECB) cut its asset purchases to EUR 30 billion per month. The purchases will continue at least until the end of September. The ECB still thinks that the main refinancing rates will remain at their current levels for a longer time and even after the asset purchase programme has come to an end.

Euribor rates remained almost unchanged in the first quarter. Longer-term interest rates rose in the first quarter because of strong economic sentiment and higher inflationary expectations. With added trade policy woes, longer-term rates started to go down and expectations of higher short-term rates were postponed.

Finnish economic development remained favourable during the first few months of the year. According to preliminary information, the economy grew at brisk rate but at a slower rate than last year.

Economic growth has remained broad-based. The employment rate has shown strong growth and confidence has continued to improve in the service sector. Exports continued brisk growth in the first quarter and industrial confidence was still strong although it petered out somewhat. Housing markets remained fairly favourable. Home prices rose slightly mostly in growth centres.

Favourable economic development is expected to continue in the near future in the whole of the euro area. Monetary policy normalisation is progressing steadily. The greatest near-term risks are associated with international policy.

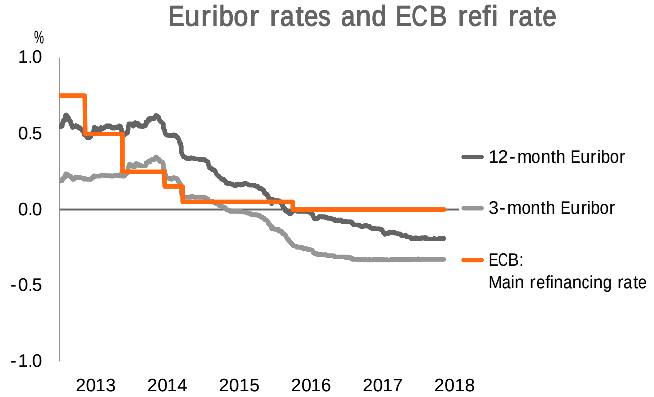
Total household loans increased moderately in the first quarter. The combined total loans increased by well over 2% and the home loan portfolio alone by around 2%. Total student loans increased by over 20% with a student loan reform enhancing demand for the loans. Growth in total corporate loans slowed down as a result of a decrease in syndicated loans. According to the banking barometer, demand for consumer and corporate loans is expected to pick up.

Total deposits increased at an annual rate of almost 5% in the first quarter. Corporate deposits increased slightly faster than household deposits.

In the first quarter of 2018, the value of mutual funds registered in Finland declined by 1.6% to EUR 114.4 billion. Net asset inflows amounted to EUR 434 million, but the negative value change of EUR 2.3 billion following capital market unrest turned the total change of mutual funds negative.

The positive economic mood continued to support the insurance sector but price competition that has remained fierce in all customer groups slowed down development of premiums written in the entire sector.

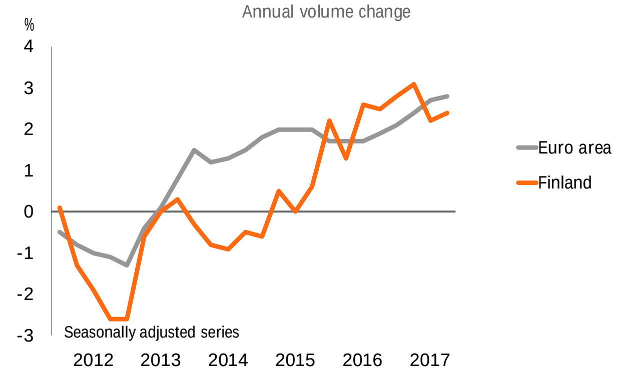
Euribor rates and ECB refi rate



Source: Bank of Finland

GDP

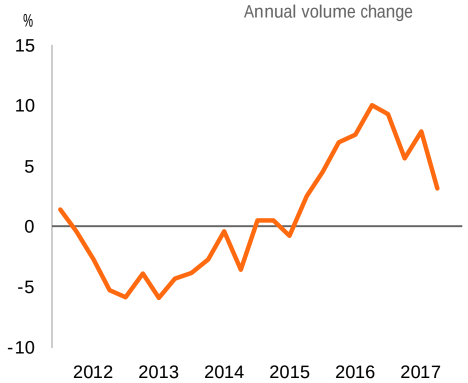
Annual volume change



Sources: Eurostat, Statistics Finland

Fixed investments in Finland

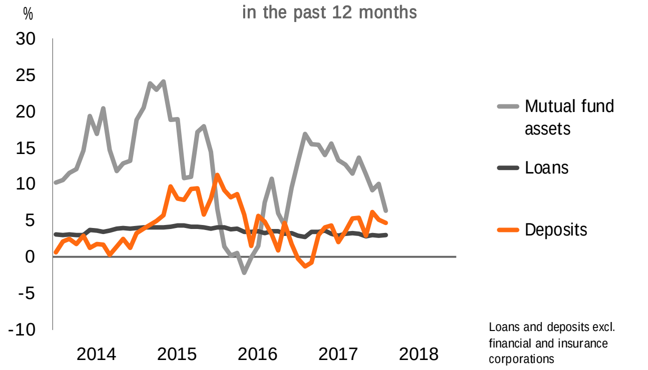
Annual volume change



Source: Statistics Finland

Change in financial sector volumes

in the past 12 months



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	Q1/2018	Q1/2017*	Change, %	Q4/2017*	Change, %	Q1–4/2017*
Earnings before tax	**239**	**283**	**-15.8**	**192**	**24.0**	**1,031**
Banking	184	163	13.5	141	30.7	619
Non-life Insurance	38	49	-23.1	73	-48.2	210
Wealth Management	47	34	40.0	56	-15.8	247
Other Operations	-31	38		-77		-45
Income						
Net interest income	282	260	8.2	281	0.4	1,102
Net insurance income	127	117	9.2	137	-7.0	478
Net commissions and fees	232	226	2.7	242	-4.3	879
Net investment income	79	124	-36.1	104	-23.5	522
Other operating income	12	31	-60.6	8	44.8	83
Total income	**732**	**757**	**-3.3**	**772**	**-5.1**	**3,063**
Expenses						
Personnel costs	204	202	1.1	193	5.3	758
Depreciation/amortisation and impairment loss	66	42	54.8	88	-25.1	246
Other operating expenses	187	171	9.0	222	-16.0	764
Total expenses	**456**	**415**	**9.8**	**503**	**-9.4**	**1,768**
Impairment loss on receivables	-4	-8	-51.2	-20	-80.7	-48
Temporary exemption (overlay approach)	19					
New OP bonuses accrued to owner-customers	**-56**	**-54**	**5.1**	**-56**	**0.3**	**-220**

*2017 comparatives have been changed as described in the Notes, as a result of entry into force of IFRS 15 and change in the recognition practice of loan service fees.

Key balance sheet figures, € million	31 March 2018	31 Dec. 2017	Change, %
Receivables from customers	83,080	82,193	1.1
Investment assets	23,401	23,324	0.3
Liabilities to customers	64,947	65,549	-0.9
Insurance liabilities	10,050	9,950	1.0
Debt securities issued to the public	27,704	26,841	3.2
Equity	11,060	11,084	-0.2
Total assets	**136,931**	**137,205**	**-0.2**

January–March

OP Financial Group's earnings before tax amounted to EUR 239 million (283). The figure decreased by EUR 45 million over the previous year. This earnings decrease came from lower net investment income and other operating income as well as higher expenses. Meanwhile, income from customer business, or net interest income, net insurance income and net commissions and fees, rose year on year.

Net interest income increased by 8.2% to EUR 282 million. Banking net interest income increased by EUR 7 million and that by the Other Operations segment by EUR 9 million. Net insurance income rose by 9.2% to EUR 127 million, supported by higher insurance premium revenue from corporate customers. A year ago, the reduction in the discount rate reduced net insurance income by EUR 13 million. Net commissions and fees were EUR 232 million, or EUR 6 million higher than the year before. Asset management net commissions and fees increased by EUR 2 million, mutual fund net commission and fees by EUR 1 million and payment transfer net commissions and fees by EUR 2 million.

Net investment income decreased by 36.1% to EUR 79 million. A temporary exemption overlay approach is applied to certain equity instruments of insurance companies, which improved earnings for the reporting period by EUR 19 million. Net investment income declined by EUR 26 million.

Net income recognised at fair value through other comprehensive income (net income from available-for-sale financial assets a year ago) decreased by EUR 71 million over the previous year. As a result of the adoption of IFRS 9 at the beginning of 2018, investments recognised at fair value through other comprehensive income and capital gains decreased. In the reporting period, capital gains recognised totalled EUR 36 million (58). However, investments recognised at fair value in the income statement increased. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased net trading income by a total of EUR 8 million over the previous year. Short-term supplementary Life Insurance interest rate provisions that were lower than a year ago improved net investment income by EUR 29 million over the previous year.

Other operating income fell by EUR 19 million year on year to EUR 12 million. A year ago, other operating income included EUR 20 million in VAT refunds for prior years.

Total expenses increased by 9.8% to EUR 456 million (415). This increase is mainly explained by higher development costs of present-day business, higher expenses of new businesses and higher amortisation/depreciation and impairment losses. OP Financial Group's significant investments in service development increased development costs by 31.7%. Direct development costs totalled EUR 54 million (41). New businesses accounted for EUR 6 million of the increase in total expenses. Planned depreciation/amortisation increased by 23.5% to EUR 52 million. This increase resulted mainly from higher development expenditure. Impairment write-downs increased by EUR 13 million year on year.

Impairment losses on loans and receivables recognised under various income statement items that reduced earnings amounted to EUR 8 million (17), of which EUR 4 million (8) concerned loans and receivables. Considering that impairment losses on receivables was calculated in 2018 based on IFRS 9, they are not fully comparable with those calculated under the previous IAS 39. The ratio of non-performing receivables in loans and receivables to the loan and guarantee portfolio was low, at 1.2% (1.2).

OP Financial Group's current tax amounted to EUR 50 million (53). The effective tax rate was 22.0% (18.7).

OP Financial Group's equity amounted to EUR 11.1 billion (11.1). Equity was increased by the reporting period's earnings. Equity included EUR 2.8 billion (2.9) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.3). The return target for Profit Shares for 2018 is 3.25%. Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 23 million. The amount of interest to be paid for 2017 in June 2018 totals EUR 90 million. The IFRS 9 transition reduced equity by EUR 57 million on 1 January 2018.

OP Financial Group's strategic targets

OP Financial Group's strategic targets	31 March 2018	31 Dec. 2017	Target 2019
Customer experience, NPS (-100–+100)			
Brand	21	21,5	25
Service encounter	59	58	70, over time 90
CET1 ratio, %	20.0	20.1	22
Return on economic capital, % (12-month rolling)	19.6	20.4	22
Expenses of present-day business (12-month rolling), € million	1,693	1,661	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	1.8	1.8	2.1 (2019)

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

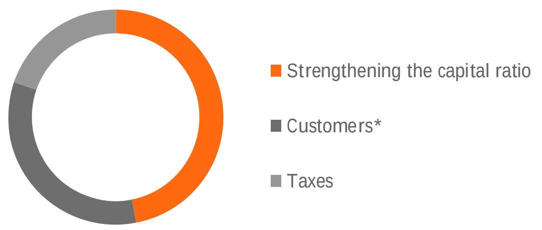
Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency. OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk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

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 and enhancing its capital base. In its social role, OP promotes the long-term success and prosperity of the community by representing a positive driver in the operating region. The social role involves impactful actions for the benefit of the community at both local and national level – digitally and physically.

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 end of the financial year:



*) Customers = customer bonuses, discounts 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 the majority 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 considerable part of earnings are returned to the owner-customers in the form of OP bonuses and various benefits and discounts. 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's loyalty benefit programme consists of OP bonuses – generated in proportion to almost all of a person's transactions with OP – as well as benefits and discounts related to OP's banking, non-life insurance and wealth management products and services. Furthermore, some service packages are only available to owner-customers. 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.

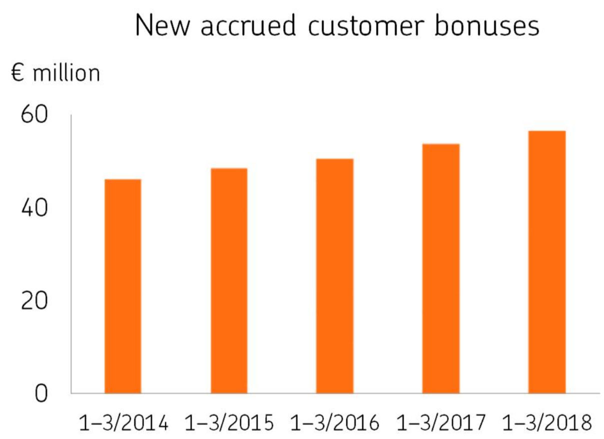
OP Financial Group is one the largest tax payers in Finland measured by tax on profits. By paying taxes in Finland, OP is contributing to prosperity in the whole of Finland.

Customer relationships and customer benefits

In January–March, the number of OP Financial Group's owner-customers increased by 15,000 to almost 1.85 million.

Contributions made by OP cooperative banks' owner-customers to the banks' Profit Shares and cooperative shares totalled EUR 3.0 billion (3.1) on 31 March 2018.

Owner-customers earn OP bonuses through banking, non-life insurance and wealth management transactions. The combined amount of new bonuses earned by owner-customers between January–March for using OP as their main bank and insurer was worth EUR 56 million (54). A total of EUR 30 million (30) of bonuses were used to pay for banking and wealth management services and EUR 28 million (27) to pay non-life insurance premiums. OP bonuses were used to pay 580,000 insurance bills (574,000), with 81,500 (74,000) of them paid in full using bonuses.



In the reporting period, owner-customers benefited EUR 14 million (13) from the reduced price of the daily banking package. Owner-customers were provided with EUR 14 million (17) in non-life insurance loyalty discounts during the reporting period. In addition, owner-customers bought, sold and switched the majority of the mutual funds without separate charges. The value of the benefit was EUR 1 million (2) during the reporting period.

Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 23 million (22). The return target for Profit Shares for 2018 is an interest rate of 3.25% (3.25).

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 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.

In February, OP and LeaseGreen began partnership to help housing cooperatives carry out energy-saving improvements. Through such energy-saving improvements, OP enables customers to reduce their carbon footprint.

To promote diversity, OP's objective is that the proportion of both genders in defined managerial positions is at least 40%. Women accounted for 23% at the end of March. At the end of 2017, the share was 21%.

OP is the main partner of the national Financial Literacy competition for ninth-formers. The first stage of the reformed competition was held in comprehensive schools across Finland in early April, and OP will host the national final in Vallila on 25 May 2018. Promoting the financial literacy among young people forms an important part of OP's corporate social responsibility.

OP will continue maintaining Hiiop100.fi, an exchange service for volunteer work, as well as volunteering as part of its CSR Programme in 2018 too.

In its Kesäduuni OPn piikkiin campaign, OP Financial Group will donate over EUR 500,000 to associations across Finland that will be used to offer summer jobs to 1,200 young people.

Multichannel services

The Group has a multichannel service network comprising branch, online, mobile and telephone 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 March, OP-mobile was the main channel for customers' daily banking, with visits totalling almost 19 million (15) during one month. The number of visits to online services amounted to around 9 million (10). The number of visits to the Pivo mobile application totalled over 2.6 million (2.0) in March. The number of visits to OP Business mobile launched in 2016 totalled 440,000 (62,000) in March.

The Mobile key, a confirmation tool launched in December 2017, was made available in early 2018 to all OP-mobile users. The Mobile key is part of OP-mobile enabling users to confirm transactions on OP-mobile without the key code list.

On Pivo, the person-to-person payment and the Siirto payment enable customers to send money to other people by using their mobile phone number. By now some 386,000 OP customers have registered for Siirto payments. The Pivo payment button and the OP Siirto payment button enable customers to pay their web purchases without a key code list or their card's PIN. Pivo and Siirto are already a payment method option at over 4,000 webshops.

Despite the expansion of online and mobile services, OP Financial Group still has Finland's most extensive branch network with 402 branches (407) across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group also has extensive presence in the most common social media channels where it has almost 390,000 followers (370,000). 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.

Health and wellbeing

Pohjola Health Ltd's hospital network comprises four Pohjola Health hospitals in Helsinki, Tampere, Oulu and Kuopio. All hospitals provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis. The hospital network will be completed in May 2018 when the Pohjola Health hospital opens its doors in Turku.

In the years to come, the Pohjola Health network will be supplemented by building a nationwide network of Pohjola Medical Centres. In 2018, the first Pohjola Medical Centres will be opened in Lappeenranta and Pori. They are full-service health centres, which provide general practitioner and specialist medical services for private and occupational healthcare customers.

Customers have been satisfied with the service provided by Pohjola Health. Among surgery customers, the NPS figure was 97 (96) in January–March.

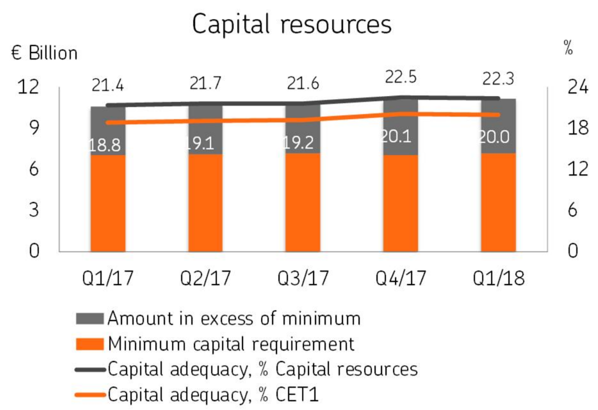
Solvency

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

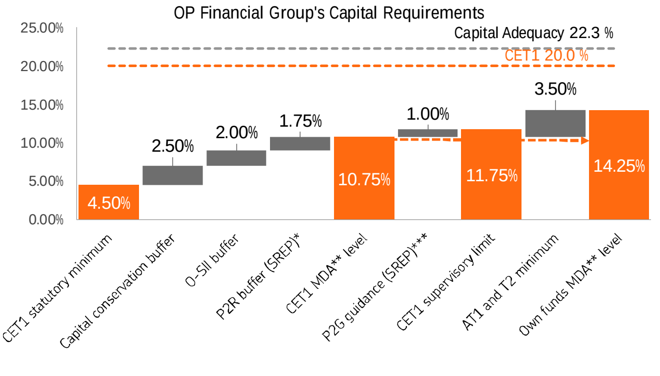
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.6 billion (3.6). Banking capital requirement remained unchanged at 14.3%, calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 147% (148). The ratio was 162% without the risk weight floors set by the ECB. As a result of the buffer requirements for banking and solvency requirement for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the group can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 20.0% (20.1). The risk weight floors set by the ECB decreased the CET1 ratio by 2.1 percentage points. Growth in total risk exceeded growth in CET1 capital. The effect of the calculated adjustments of defined benefit pension plans (IAS 19) on the Group's CET1 ratio was about –0.9 percentage points, or slightly lower than at the end of 2017.



As a credit institution, OP Financial Group's 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, the O-SII buffer of 2% and the P2R requirement increase in practice the minimum capital adequacy ratio to 14.3% and the CET1 ratio to 10.8%.

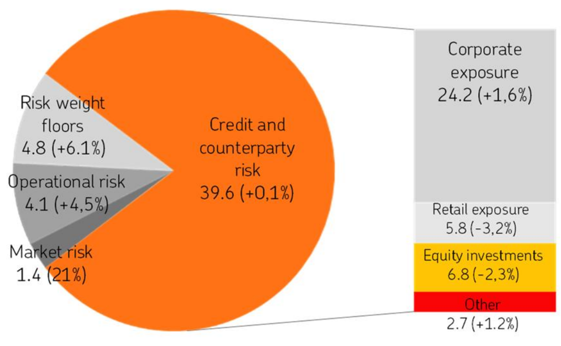


* P2R supervisory Pillar II requirement ** Maximum distributable amount
*** P2G supervisory guidance, breach results enhanced supervisory measures

The Group's CET1 capital was EUR 10 billion (9.9). The CET1 capital was increased by Banking earnings and Profit Share issues. The amount of Profit Shares in CET1 capital was EUR 2.8 billion (2.8).

On 31 March 2018, the risk exposure amount (REA) totalled EUR 50.0 billion (49.2), or 1.5% higher than on 31 December 2017. The minimum risk weight for retail exposures set by the ECB was EUR 4.8 billion, without which total risk was EUR 45.2 billion and the increase 1.1% from the turn of the year. The average risk weights of corporate and retail exposures remained at the level reported on 31 December 2017.

Risk Exposure Amount 31 March 2018
Total 50.0 € billion
(change from year end 1.5%)



OP Financial Group treats insurance holdings within the financial and insurance conglomerate as risk-weighted assets, based on permission from the European Central Bank (ECB). Equity investments include EUR 6.5 billion in risk-weighted assets of the Group's internal insurance holdings with a risk weight of around 280%.

The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. In March 2018, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. In housing loans, a 15% minimum risk weight became effective from the beginning of 2018 for at least two years. According to the Authority, this risk weight floor is aimed at preparing for a higher systemic risk caused by household indebtedness. The minimum risk weight will have no effect on OP Financial Group's total risk exposure in view of the risk weight floors for retail exposures set by the ECB. Without the ECB's risk weight floor, the minimum risk weight of 15% for home loans set by the Financial Supervisory Authority would reduce the CET1 ratio by an estimated 1.2 percentage points.

The upcoming EU regulation includes a requirement measuring the ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 7.9% (7.9) based on the existing interpretations, calculated using the March-end figures. According to the draft rules, the minimum ratio is 3%.

The systemic risk buffer has been included in the Act on Credit Institutions. In accordance with the Act, the Financial Supervisory Authority can set the systemic risk buffer ranging from 0 to 5%. The buffer would affect OP Financial Group only if it exceeded OP Financial Group's O-SII buffer which currently is 2%.

Non-life and Life Insurance

The Non-life and Life insurance capital base decreased as a result of dividend payments. Nevertheless, the solvency position of insurance companies strengthened.

	Non-life Insurance		Life Insurance	
	31 March 2018	31 Dec. 2017	31 March 2018	31 Dec. 2017
Capital base, € million*	929	902	1,305	1,317
Solvency capital requirement (SCR), € million*	677	666	637	674
Solvency ratio, %*	137	135	205	195
Solvency ratio, % (excluding transitional provision)	137	135	159	151

*including transitional provisions

ECB supervision

OP Financial Group is supervised by the European Central Bank (ECB). On 2 February 2017, OP Financial Group received the ECB's decision to set risk weight floors for OP Financial Group's retail exposures for a fixed period of 18 months. The relevant risk weight floors for retail exposures set by the ECB are 15.4% for mortgage-backed exposures and 32.7% for other private customer exposures. Based on the decision, the risk weight floors will be effective at least until the third quarter of 2018. The shortcomings observed by the ECB in the IRBA (Internal Ratings Based Approach) management and validation process applied by OP Financial Group in capital adequacy measurement, especially delayed validations, lay behind the decision. The most essential shortcomings have been fixed. Fixing the remaining shortcomings is proceeding as planned.

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The new capital buffer requirement (P2R) set by the ECB and effective as of 1 January 2018 was 1.75%. In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) which was 1.0%. Failure to meet this guidance would not affect, for example profit distribution. The capital requirements set by the ECB are at the same level as last year.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB is determining the minimum level of liabilities (MREL), under the Resolution Act, at the OP Financial Group level.

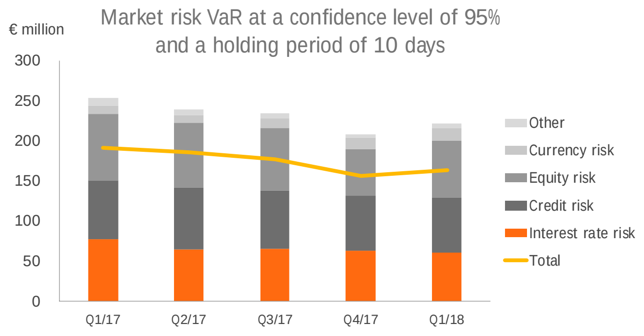
Risk exposure

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

The strong risk capacity and moderate target risk exposure level maintained the Group's credit risk exposure stable.

OP Financial Group's funding and liquidity position is good. The availability of funding has remained good. During the reporting period, OP Financial Group issued long-term bonds worth EUR 0.1 billion. The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk exposure was stable during the reporting period. The Group’s VaR, a measure of market risk, was EUR 163 million (156) on 31 March 2018. It 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 as targeted. The development speed of operations and services will, however, pose additional challenges to risk management in the upcoming years.

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 decrease in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period improved comprehensive income for the reporting period before tax by EUR 15 million (16). Net liabilities were reduced by an increase in the discount rate.

In the reporting period, one of the key tasks of the Compliance function was to ensure compliance with regulatory requirements in OP Financial Group that became effective in 2018.

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.

Banking

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

Credit risk exposure by Banking remained stable and credit risk remained moderate. Doubtful receivables totalled EUR 3.0 billion (2.9), performing forborne loans accounting for 66.2% (64.3). Higher doubtful receivables were caused by the greater use of forbearance measures and also partly by weaker borrower grades arising from the updated credit rating scale. 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. OP 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. Non-performing receivables remained low, accounting for 1.2% (1.2) of the loan and guarantee portfolio. Impairment losses amounted to EUR 4 million (8).

Breakdown of loan and guarantee portfolio

	31 March 2018	31 Dec. 2017
Loan and guarantee portfolio, EUR billion	85.7	84.8
Private customer exposures, EUR billion	50.2	50.0
of loan and guarantee portfolio, %	58.6	58.9
in the two highest borrower grades, %	84.0	83.5
in satisfactory borrower grades, %	12.4	12.9
in the two lowest borrower grades, %	3.6	3.6
Corporate and housing association exposures, EUR billion	32.9	32.6
of loan and guarantee portfolio, %	38.4	38.5
in the highest borrower grades (IG), %	55.3	55.4
in other borrower grades (excluding default), %	43.6	43.4
classified as default, %	1.2	1.2
classified as default, EUR million	535.7	554.3
Other exposures, EUR billion	2.5	2.2

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The capital base covering customer exposure amounted to EUR 11.1 billion (11.0).

The most significant sectors in corporate and housing association exposures	**31 March 2018**	**31 Dec. 2017****
Renting and operating of residential real estate*, %	17.6	17.4
Renting and operating other real property, %	10.1	9.8
Energy, %	9.4	9.8
Other sectors, %	63.0	63.0
Total	**100**	**100**

* A total of 93.6% of exposures within Renting and Operating of Residential Real Estate were those by housing corporations and 12.8% were those guaranteed by general government.
** The figures have been adjusted to be in accordance with the current monitoring.

Banking's interest rate risk measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR –101 million at the end of March.

Deposits within the scope of deposit guarantee (deposit insurance) and managed by OP Financial Group totalled EUR 34.4 billion (34.3) at the end of the reporting period. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

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 45 million. A 0.1-percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 27 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 risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 51 million (52) on 31 March 2018. No major changes took place in the investment portfolio's asset class allocation. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable. The Group has significantly increased the hedge ratio of interest rate risk associated with insurance liabilities.

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 27 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 31 million.

Investment and customer behaviour risks associated with the separated life insurance portfolios transferred from Suomi Mutual have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separate portfolios, after which OP Financial Group will bear the risks associated with the portfolios.

In Life Insurance underwriting risks, the Group has hedged against customer behaviour risk through a reinsurance contract, as a result of which the customer behaviour risk is lower than in 2017.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 58 million (61) on 31 March 2018. No major changes took place in the investment portfolio's asset class allocation. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable. The

Group has significantly increased the hedge ratio of interest rate risk associated with insurance liabilities.

Other Operations

Major risks related to 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.

The market risk in proportion to the market value of notes and bonds in the liquidity buffer (VaR with 95% confidence) remained stable during the reporting period. The volume of investments declined slightly and the asset class allocation saw no major changes.

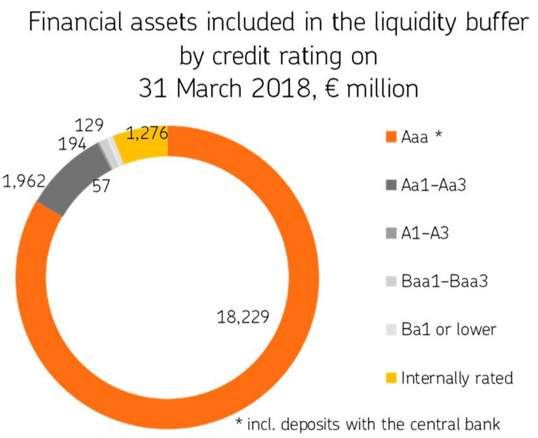
OP Financial Group secures its liquidity through a liquidity buffer which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

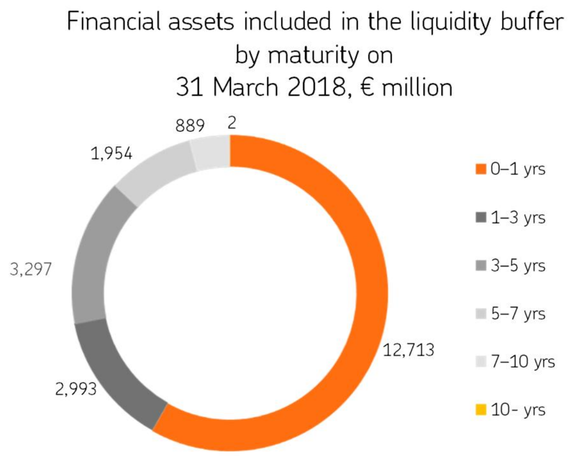
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100% from the beginning of 2018. OP Financial Group's LCR was 140% on 31 March 2018.

Liquidity buffer

€ billion	31 March 2018	31 Dec. 2017	Change, %
Deposits with central banks	11.5	12.8	-9.9
Notes and bonds eligible as collateral	8.6	9.1	-4.8
Total	**20.2**	**21.9**	**-7.8**
Receivables ineligible as collateral	1.7	1.5	14.2
Liquidity buffer at market value	**21.8**	**23.3**	**-6.4**
Collateral haircut	-0.7	-0.7	1.4
Liquidity buffer at collateral value	**21.2**	**22.7**	**-6.7**

The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral.





Credit ratings

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	Stable	AA-	Stable
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 did not change in the reporting period.

Financial performance by segment

OP Financial Group's business segments are Banking, Non-life Insurance, and Wealth Management. The health and wellbeing business is included in the Non-life Insurance segment. Non-business segment operations are presented under the Other Operations segment. OP Financial Group prepares its segment reporting in compliance with its accounting policies.

Banking

- Earnings before tax amounted to EUR 184 million (163).
- Total income increased by 6.7%. Net interest income increased by 2.2% year on year but net commissions and fees decreased by 1.6%. Expenses increased by 4.7% due to development expenditure and higher volumes.
- The loan portfolio increased by 4.5% and the deposit portfolio by 8.5% in the year to March. Corporate loans as well as housing association and other loans showed the fastest growth.
- Impairment losses amounted to EUR 4 million (8). Non-performing receivables accounted for 1.2% (1.2) of the loan and guarantee portfolio.
- The most significant Banking development investments involved the upgrades of finance and payment systems.

Banking: key figures and ratios

€ million	Q1/2018	Q1/2017	Change, %	Q1–4/2017
Net interest income	300	293	2.2	1,192
Net commissions and fees	150	153	-1.6	576
Net investment income	34	10		19
Other income	7	5	56.5	36
Total income	**492**	**461**	**6.7**	**1,823**
Personnel costs	90	96	-6.6	354
Depreciation/amortisation and impairment loss	10	10	-2.2	51
Other operating expenses	158	140	13.1	565
Total expenses	**259**	**247**	**4.7**	**970**
Impairment loss on receivables	-4	-8	-46.5	-47
OP bonuses to owner-customers	-44	-44	2.1	-187
Earnings before tax	**184**	**163**	**13.5**	**619**
Cost/income ratio, %	**52.6**	**53.6**		**53.2**
€ million				
Home loans drawn down	1,667	1,572	6.0	6,954
Corporate loans drawn down	1,691	1,740	-2.8	7,389
No. of brokered residential property and property transactions	2,682	3,062	-12.4	13,080
€ billion				
Loan portfolio	**31 March 2018**	**31 March 2017**	**Change, %**	**31 Dec. 2017**
Home loans	37.6	36.9	2.0	37.5
Corporate loans	20.3	19.3	4.8	19.7
Housing association and other loans	25.2	23.3	8.1	25.0
Total	**83.1**	**79.5**	**4.5**	**82.2**
Guarantee portfolio	2.6	2.6	-1.9	2.6
Deposits				
Current and payment transfer	41.5	37.1	11.8	40.1
Investment deposits	18.1	17.8	1.6	17.9
Total	**59.6**	**54.9**	**8.5**	**58.0**

The loan portfolio increased in the year to March by 4.5% to EUR 83.1 billion. The corporate loan portfolio increased by 4.8% and the home loan portfolio by 2.0%.

The deposit portfolio increased in the year to March by 8.5% to EUR 59.6 billion. Investment assets increased slightly year on year.

During the reporting period, OP piloted a digital home loan service in which customers of Helsinki Area Cooperative Bank, Pohjois-Savon Osuuspankki and Keski-Suomen Osuuspankki can receive a home-loan decision online on a real-time basis.

The volume of homes and real property sold and bought through the OP Kiinteistökeskus real estate agents decreased by 12.4% over the previous year.

Customers' interest in protecting home loans and housing corporation loans against rising interest rates increased and, year on year, income from interest rate protection products doubled.

The number of banking customers totalled 3.7 million at the end of March (3.7).

Earnings

Earnings before tax were EUR 184 million (163), or 13.5% higher than a year ago. Total income rose by 6.7% and total expenses by 4.7%. As a result of the rise in income, the cost/income ratio improved to 52.6% (53.6). Impairment losses were low, amounting to EUR 4 million (8). Non-performing receivables accounted for 1.2% (1.2) of the loan and guarantee portfolio.

Owing to an increase in the loan portfolio and a decrease in funding costs, net interest income grew by 2.2% to EUR 300 million (293).

Net commissions and fees decreased to EUR 150 million (153).

Net investment income increased by a total of EUR 24 million. Net investment income was increased by EUR 16 million in capital gains. CVA valuation arising from interest rate changes and other market changes improved the income by EUR 3 million (11).

Total expenses increased by 4.7% to EUR 259 million (247). Personnel costs fell by EUR 6 million to EUR 90 million (96). Other operating expenses rose by 13.1%. ICT costs increased by EUR 10.9 million. Higher ICT costs were explained by investments in development and growth in volumes.

Non-life Insurance

- Earnings before tax amounted to EUR 38 million (49).
- Insurance premium revenue increased by 2.4%.
- The operating combined ratio was 93.2% (95.5) and operating expense ratio 21.1% (19.7). The combined ratio was 94.7% (97.0).
- Net investment income, taking account of the temporary exemption, totalled EUR 16 million (39). Net return on investments at fair value totalled EUR –13 million (50).
- Development investments focused on development of electronic services and the basic system upgrade initiated.

Non-life Insurance: key figures and ratios

€ million	Q1/2018	Q1/2017	Change, %	Q1–4/2017
Insurance premium revenue	358	350	2.4	1 432
Claims incurred	228	238	-4.1	970
Other expenses	0	1	-45.6	3
Net insurance income	**130**	**111**	**16.5**	**459**
Net investment income	2	39	-95.7	183
Other net income	-4	-4	-9.3	-33
Total income	**127**	**146**	**-12.8**	**609**
Personnel costs	32	31	2.9	116
Depreciation/amortisation and impairment loss	12	11	7.1	50
Other operating expenses	60	55	9.6	231
Total expenses	**104**	**97**	**7.2**	**397**
OP bonuses to owner-customers	-0	-0	2.4	-2
Temporary exemption (overlay approach)	14	0		
Earnings before tax	**38**	**49**	**-23.1**	**210**
Combined ratio, %	94.7	97.0		97.6
Operating combined ratio, %	93.2	95.5		96.1
Operating loss ratio, %	72.1	75.8		75.8
Operating expense ratio, %	21.1	19.7		20.3
Operating risk ratio, %	65.6	69.9		69.3
Operating cost ratio, %	27.7	25.6		26.9
Solvency ratio, %*	137	154		135
Large claims incurred retained for own account	18	20		78
Changes in claims for provisions of previous years (run-off result)	5	3		35

* including transitional provisions.

Insurance premium revenue from Corporate Customers and Baltics increased. Insurance premium revenue from Private Customers remained at the previous year's level due to the impact of price competition. The economic pick-up contributed to the premium revenue trend for Corporate Customers.

Key development investments focused on the development of electronic transaction and purchase service and the basic system upgrade initiated. Developing online and mobile services in both insurance and claims ranks among key Non-life Insurance priorities.

The motorcycle insurance was updated during the reporting period and its sales began at the beginning of April.

OP Financial Group has announced that it would sell all share capital of its Baltic-based subsidiary Seesam Insurance As (Seesam), including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). The divestment should be completed during 2018, provided that it is approved by relevant authorities and that the related conditions are otherwise fulfilled.

Pohjola Health will expand as its fifth hospital opens its doors in Turku in May and as medical centres are opened in Lappeenranta and Pori in the autumn.

Earnings

Earnings before tax amounted to EUR 38 million (49). Net insurance income increased by 16.5% to EUR 130 million. Net investment income, taking account of the temporary exemption, totalled EUR 16 million (39). Capital gains on investments totalled EUR 3 million (24).

The operating combined ratio was 93.2% (95.5). The operating ratios a year ago include the effects of changes in the discount rate but exclude amortisation on intangible assets arising from the corporate acquisitions. A year ago, the lowered discount rate increased claims incurred by EUR 13 million, weakening the operating combined ratio by 3.6 percentage points.

Insurance premium revenue

€ million	Q1/2018	Q1/2017	Change, %
Private Customers	192	191	0.2
Corporate Customers	151	144	5.1
Baltics	16	15	3.1
Total	**358**	**350**	**2.4**

Claims incurred, excluding the reduction in the discount rate, increased by 1.3%. Claims under property and business liability insurance incurred arising from new large claims were lower 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 20 (19) in January–March, with their claims incurred retained for own account totalling EUR 18 million (20). The change in provisions for unpaid claims under statutory pension increased year on year. Provisions for unpaid claims under statutory pension changed year on year by EUR 10 million (–5) in January–March.

Changes in claims for previous years, excluding the effect of the change on the discount rate, improved the balance on technical account by EUR 5 million (3). The operating loss ratio was 72.1% (75.8). The operating risk ratio excluding indirect loss adjustment expenses was 65.6% (69.9).

Expenses grew by 7.2%, being EUR 7 million higher than a year ago, due to higher ICT costs and the expansion of the health and wellbeing business. The operating expense ratio was 21.1% (19.7). The operating cost ratio (including indirect loss adjustment expenses) was 27.7% (25.6).

Operating balance on technical account and combined ratio (CR)

	Q1/2018		Q1/2017	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	19	90.0	26	86.3
Corporate Customers	2	98.9	-11	107.5
Baltics	3	78.2	0	98.3
Total	**24**	**93.2**	**16**	**95.5**

Intensified price competition eroded profitability of Private Customers. In the Baltics, the claims trend was favourable.

Investment

Net return on Non-life Insurance investments at fair value totalled EUR –13 million (50). 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 by asset class

%	31 March 2018	31 Dec. 2017
Bonds and bond funds	70.6	68.0
Alternative investments	4.8	4.7
Equities	9.2	8.5
Private equity	2.1	1.9
Real property	8.4	8.3
Money markets	4.9	8.5
Total	**100**	**100**

Non-life Insurance's investment portfolio totalled EUR 3,836 million (3,903) on 31 March 2018. Investments within the investment-grade category accounted for 95% (95), and 63% (66) of the investments were rated at least A–. On 31 March 2018, the fixed-income portfolio's modified duration was 4.6 (5.1).

The running yield for direct bond investments averaged 1.5% (1.7) on 31 March 2018. The calculation of the ratio was specified in 2018 and the comparative was adjusted retrospectively.

Wealth Management

- Earnings before tax amounted to EUR 47 million (34).
- Net commissions and fees were at the level reported a year ago.
- Net investment income, taking account of the temporary exemption, totalled EUR 22 million (6). Net return on investments at fair value totalled EUR –8 million (48).
- The gross amount of assets under management increased in the year to March by 1.0% to EUR 76.4 billion.
- Development investments mainly focused on finishing the adoption of regulatory projects.

Wealth Management: key figures and ratios

€ million	Q1/2018	Q1/2017	Change, %	Q1–4/2017
Net commissions and fees				
Mutual funds, asset management and securities*	57	58	-2.0	276
Life Insurance*	52	51	1.2	174
Expenses*	25	25	2.6	64
Total net commissions and fees	**84**	**85**	**-1.4**	**385**
Life Insurance's net risk results	7	5	34.0	27
Net investment income from Life Insurance	14	6		85
Other income	2	5	-71.1	10
Total income	**106**	**102**	**4.1**	**507**
Personnel costs	20	22	-8.5	75
Depreciation/amortisation and impairment loss	6	6	14.9	28
Other operating expenses	33	34	-0.5	130
Total expenses	**60**	**61**	**-2.0**	**233**
OP bonuses to owner-customers	-7	-7	10.7	-28
Temporary exemption (overlay approach)	9	0		
Earnings before tax	**47**	**34**	**40.0**	**247**
€ billion	**31 March 2018**	**31 March 2017**	**Change, %**	**31 Dec. 2017**
Assets under management (gross)				
Mutual funds	24.2	23.7	2.3	24.6
Institutional clients	23.6	24.8	-4.9	24.2
Private Banking	18.5	17.6	5.3	19.1
Unit-linked insurance assets	10.1	9.5	5.5	10.2
Total assets under management (gross)	**76.4**	**75.6**	**1.0**	**78.0**
€ million	**Q1/2018**	**Q1/2017**	**Change, %**	**Q1–4/2017**
Net inflows				
Investor and saver customers	86	166	-47.9	711
Private Banking clients	52	151	-65.7	563
Institutional clients	234	160	46.2	623
Total net inflows	**372**	**477**	**-22.0**	**1,897**

*Eliminations of the segment's internal items have been adjusted for Q1/2017.

During the reporting period, financial markets were characterised by greater unrest as worries about the gradual tightening of monetary policy and about the escalation of protectionist measures increased. Increasing uncertainty was negatively reflected in demand for Wealth Management products. Net assets inflow was EUR 372 million (477). The gross amount of assets under management increased in the year to March by 1.0% to EUR 76.4 billion (78.0). Assets under management included about EUR 13 billion in assets of the companies belonging to OP Financial Group.

The EU's Markets in Financial Instruments Directive (MiFID II) came into force at the beginning of 2018. The new directive is aimed at improving investor protection and increase transparency. The adoption of MiFID II regulation has gone well for OP's investment services. In OP's channels, clients receive investment advice in greater detail than before.

The number of OP Mutual Fund unitholders increased by almost 12,000 in gross terms to 758,000 during the reporting period. The Morningstar rating for OP Mutual Funds was 2.9 (2.9).

The aggregate number of investor and saver customers remained unchanged and was around 785,000 at the end of March.

During the reporting period, Wealth Management development investments focused on finalising the implementation of regulatory projects and developing electronic sales and transactions. Electronic agreements already accounted for 54% (51) of new Wealth Management agreements. A total of 80% (74) of mutual fund orders were made electronically.

Earnings

Earnings before tax increased to EUR 47 million (34). This increase was due to lower supplementary interest rate provisions and expenses as well as better earnings of risk result.

Net commissions and fees decreased by 1.4% year on year, amounting to EUR 84 million (85). Net commissions and fees accounted for 0.50% of the gross amount of the assets under management.

Net return on Life Insurance investments at fair value totalled EUR –8 million (48). 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.

Net commissions and fees decreased by 2.0% year on year, amounting to EUR 60 million (61). Expenses accounted for 0.28% 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. Short-term supplementary interest rate provisions decreased by EUR 9 million during the reporting period whereas they increased by EUR 19 million a year ago. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 373 million (405) on 31 March 2018. Short-term supplementary interest rate provisions accounted for EUR 78 million (87) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, interest rate derivatives hedging insurance liability and the separated balance sheets, amounted to EUR 3,709 million (3,830). Investments within the investment-grade category accounted for 95% (95) of the fixed-income portfolio. On 31 March 2018, the fixed-income portfolio's modified duration was 4.6 (4.4). The running yield for direct bond investments (excluding the separated balance sheets) averaged 1.4% (1.6) on 31 March 2018. The calculation of the ratio was specified in 2018 and the comparative was adjusted retrospectively.

Investment portfolio by asset class

%	31 March 2018	31 Dec. 2017
Bonds and bond funds	71.9	69.5
Alternative investments	10.0	9.3
Equities and equity funds	6.8	6.1
Real property	6.8	6.9
Money markets	4.5	8.2
Total	100	100

Return on investments on the separated Life Insurance balance sheets

In connection with the portfolios' transfer, separated balance sheets were created out of the portfolios transferred from Suomi Mutual in 2015 and 2016 with a profit distribution policy differing from other life insurance operations.

On 31 March 2018, investment assets in the individual life insurance portfolio in the separated balance sheet, excluding interest rate derivatives hedging insurance liability, amounted to EUR 864 million (891). Net return on investments at fair value was EUR –2 million (6). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Investment portfolio by asset class: separated balance sheet of individual life insurance portfolio

%	31 March 2018	31 Dec. 2017
Bonds and bond funds	76.6	78.5
Alternative investments	9.9	9.4
Equities and equity funds	2.6	1.0
Real property	6.9	6.6
Money markets	4.0	4.4
Total	100	100

On 31 March 2018, investment assets in the individual pension insurance portfolio in the separated balance sheet, excluding interest rate derivatives hedging insurance liability, amounted to EUR 2,485 million (2,573). Net return on investments at fair value was EUR –9 million (13). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Investment portfolio by asset class: separated balance sheet of individual pension insurance portfolio

%	31 March 2018	31 Dec. 2017
Bonds and bond funds	75.9	75.8
Alternative investments	11.8	12.3
Equities and equity funds	2.5	0.7
Real property	7.6	7.4
Money markets	2.2	3.8
Total	100	100

Other Operations

Other Operations: key figures and ratios

€ million	Q1/2018	Q1/2017	Change, %	Q1–4/2017
Net interest income	-16	-25	-35.1	-75
Net commissions and fees	1	-10		-63
Net investment income	30	64	-53.8	238
Other operating income	165	166	-0.4	632
Total income	**179**	**194**	**-7.6**	**732**
Personnel costs	62	52	18.5	213
Depreciation/amortisation and impairment loss	37	16		118
Other operating expenses	111	88	26.0	446
Total expenses	**210**	**156**	**34.9**	**777**
Impairment loss on receivables	-0	-0		-0
Earnings before tax	**-31**	**38**		**-45**

Earnings

Earnings before tax amounted to EUR –31 million (38). This earnings reduction is explained by lower net investment income and higher expenses due to development investments. Total income decreased by 7.6% to EUR 179 million.

Net interest income was EUR –16 million (–25). Net investment income decreased by 53.8% to EUR 30 million. Derivatives operations increased net interest income and decreased net trading income included in net investment income. According to OP Financial Group's accounting policy, income from derivative instruments is split between net interest income and net income from trading. How this income is broken down between the two income statement items may vary considerably depending on the derivative instruments used in position management at a given time. In addition, net investment income was reduced by negative investment property fair value changes worth EUR 5 million.

Other operating income of EUR 165 million was at the previous year's level despite an increase in OP Financial Group's internal charges. A year ago, other operating income included EUR 20 million in non-recurring VAT refunds for prior years.

Investments in the development of services and impairment write-downs increased the Other Operations segment's expenses. Total expenses increased by EUR 54 million to EUR 210 million. Personnel costs increased by 18.5% to EUR 62 million. Other operating expenses increased by 26.0% to EUR 111 million. Depreciation/amortisation and impairment loss on PPE assets and intangible assets increased by EUR 22 million to EUR 37 million. Impairment write-downs were EUR 14 million higher than the year before.

In March, the average margin of OP Financial Group's senior wholesale funding, TLTRO-II funding and covered bonds was 19 basis points (19). Use of the TLTRO-II funding, together with funding arriving at maturity at higher cost, lower the cost of wholesale funding. Covered bonds are reported as part of the Banking segment.

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 157 member cooperative banks (167) and OP Cooperative Consolidated.

The number of OP cooperative banks decreased during the reporting period due to mergers.

Leppävirran Osuuspankki and Suonenjoen Osuuspankki merged into Pohjois-Savon Osuuspankki. The execution of the merger was registered on 28 February 2018.

Auran Osuuspankki, Marttilan Osuuspankki, Pöytyän Osuuspankki and Tarvasjoen Osuuspankki merged into Paattisten Osuuspankki. Consequently, the business name of Paattisten Osuuspankki changed to Auranmaan Osuuspankki. The execution of the merger was registered on 31 March 2018.

Haukivuoren Osuuspankki, Heinäveden Osuuspankki, Hirvensalmen Osuuspankki and Sulkavan Osuuspankki merged into Suur-Savon Osuuspankki. The execution of the merger was registered on 31 March 2018.

Käylän Osuuspankki and Kuusamon Osuuspankki accepted a merger plan on 23 February 2018 and 26 February 2018, according to which Käylän Osuuspankki will merge into Kuusamon Osuuspankki. The planned date for registration of the merger is 31 August 2018.

OP Insurance Ltd will sell all share capital of its Baltic-based subsidiary Seesam Insurance As (Seesam), including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). The parties signed the related contract of sale on 18 December 2017. The divestment should be completed during 2018, provided that it is approved by relevant authorities and that the related conditions are otherwise fulfilled.

Payment Highway Oy and Checkout Finland Oy accepted a merger plan on 5 April 2018, according to which Payment

Highway Oy will merge into Checkout Finland Oy. The planned date for registration of the merger is 15 August 2018.

Personnel and remuneration

On 31 March 2018, OP Financial Group had 12,310 employees (12,269). The number of employees averaged 12,256 (12,212).

During the reporting period, 56 OP Financial Group employees (77) retired, at an average age of 61.8 years (62.1).

President and Executive Chairman Reijo Karhinen retired on 31 January 2018, based on his executive contract. He served as OP Financial Group's President and Group Executive Chairman from 2007. On 20 September 2017, the Supervisory Board of OP Financial Group's central cooperative appointed Timo Ritakallio, LL.M, MBA and D.Sc. (Tech.), OP Financial Group's new President and Group Executive Chair. He joined OP Financial Group as President and CEO of Ilmarinen Mutual Pension Insurance Company. He took up his duties at OP Financial Group on 1 March 2018. From 1 to 28 February 2018, the Executive Board was chaired by Tony Vepsäläinen, Executive Vice President, Operations, OP Financial Group, and he acted as President and Group Executive Chairman.

Jouko Pölönen, member of the Executive Board, resigned from membership of the Executive Board of OP Financial Group's central cooperative on 30 April 2018 to take up his duties as President and CEO of Ilmarinen Mutual Pension Insurance Company. From 2014, Jouko Pölönen as member of the Executive Board headed the Banking segment.

Jari Himanen, member of the Executive Board, will resign from membership of the Executive Board of OP Financial Group's central cooperative on 6 May 2018 and will take up his duties as Managing Director of OP Suur-Savo. Since 2014, Jari Himanen has been member of OP's Executive Board and been in charge of Group Steering and Customer Relationships.

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.

A long-term management remuneration scheme has been confirmed for 2017–2019. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2017–2019 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance metrics: OP Financial Group's EBT, customer experience and the use of digital services. The Group-level targets are the same in the management incentive scheme and in OP Financial Group's Personnel Fund.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 20 March 2018.

The Meeting re-elected for the term of three years ending in 2021 the following members to the Supervisory Board who were due to resign: Managing Director Kalle Arvio, Managing Director Anne Harju, Professor Jarna Heinonen, M.Sc.(Agric.) Seppo Kietäväinen, Managing Director Olli Koivula, Lecturer Jaakko Korkonen, Authorised Public Accountant Katja Kuosa-Kaartti, Planner Jukka Kääriäinen, Senior Manager Anssi Mäkelä, Director, Administration Annukka Nikola, Managing Director Olli Näsi, Managing Director Olli Tarkkanen and Managing Director Ari Väänänen.

New members elected to the Supervisory Board for the term ending in 2021 were Executive Director Timo Alho, Managing Director Kyösti Myller, Project Management Specialist Yrjö Niskanen, Strategy and Account Manager Timo Metsä-Tokila, Managing Director Leo-Petteri Nevalainen, Managing Director Timo Suhonen, Managing Director Juha-Pekka Nieminen, Professor Markku Sotarauta.

In addition, the Annual Cooperative Meeting re-elected Director Jaakko Kiander a Supervisory Board member outside of OP Financial Group for a three-year term ending in 2021.

The Supervisory Board comprises 36 members.

At its reorganising meeting, the Supervisory Board elected the presiding officers of the Supervisory Board. Professor of Economics Jaakko Lehtonen was re-elected the Chair and Senior Lecturer in Marketing Mervi Väisänen and Managing Director Olli Tarkkanen Vice Chairs.

Along with the presiding officers, the Supervisory Board's five committees have a key role in Supervisory Board work. The Supervisory Board Chair chairs the Supervisory Board Working Committee, Remuneration Committee and the central cooperative consolidated Executive Board's Nomination Committee. The Supervisory Board Audit Committee is chaired by Riitta Palomäki, M.Sc. (Econ.&Bus. Adm.), and Risk Management Committee by Arto Ylimartimo, Chief Executive Officer.

At its meeting on 20 March 2018, the central cooperative's Annual Cooperative Meeting approved alteration of the cooperative Bylaws. The alteration applied to changes in the paragraphs related to the Supervisory Board and its committees as well as the Executive Board, based on official and regulatory requirements. A minimum of four Supervisory Board members must be outside of OP Financial Group.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2018, with Raija-Leena Hankonen, APA, acting as the Auditor-in-charge, appointed by KPMG Oy Ab.

Capital expenditure and service development

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

OP Financial Group's development expenditure for January March totalled EUR 100 million (89). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 46 million (49).

More detailed information on the Group's investments can be found in each business segment's section in this interim report.

Outlook towards the year end

Economic growth in the euro area is expected to have continued during the first few months of the year but at a slightly slower rate than in late last year. Inflation continued to remain moderate. The European Central Bank continued its accommodative policy although it cut asset purchases. The Finnish economy too is expected to have grown at a brisk rate during the first few months of the year. The growth has been broad-based. Employment has improved, exports have grown and confidence indicators are strong. Economic development is anticipated to remain favourable in the euro area in the near future too. Monetary policy normalisation is progressing steadily and a rise in short-term market interest rates is expected to be moderate. The largest risks in the near future are associated with greater uncertainty in financial markets and with the political environment. A longer-term risk is that economic growth will remain modest if Finland is not able to restructure its economy to a sufficient extent when the population is ageing and digitisation is proceeding.

The operating environment in the financial sector on the whole has been quite favourable. While low interest rates have retarded growth in banks' net interest income and eroded insurance institutions' income from fixed income investments, they also have improved customers' repayment capacity. Impairment losses are low. The most significant strategic risks in the financial sector are currently associated with changing customer behaviour, operating environment digitisation, competition from outside of the traditional financial sector and more complex regulation. Industry disruption is threatening to slow down growth and erode income generation in the years to come. In the next few years, the financial sector will be faced with a strong need to reinvent itself. Changes in the operating environment will emphasise the necessity of reinvention with a long-term approach as well as the role of the management of profitability and capital adequacy.

Earnings before tax for 2018 are expected to be lower than those for 2017 (previously at the same level or lower). The most significant uncertainties in respect of the financial performance relate to changes in the interest rate and investment environment, market growth rate, changes in the competitive situation and impairment losses. IFRS 9 adopted at the beginning of 2018 is expected to increase short-term earnings volatility and decrease investment income soon after its adoption.

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 on developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

Consolidated income statement

EUR million	Note	Q1 / 2018	Q1 / 2017
Net interest income	3	282	260
Net insurance income	4	127	117
Net commissions and fees	5	232	226
Net investment income	6	79	124
Other operating income		12	31
Total income		**732**	**757**
Personnel costs		204	202
Depreciation/amortisation		66	42
Other expenses		187	171
Total expenses		**456**	**415**
Impairments of receivables	7	-4	-8
OP bonuses to owner-customers		-52	-51
Temporary exemption (overlay approach)		19	
Earnings before tax		**239**	**283**
Income tax expense		53	53
Profit for the period		**186**	**230**
Attributable to:			
Owners		183	230
Non-controlling interests		3	1
Profit for the period		**186**	**230**

Statement of comprehensive income

	Q1 / 2018	Q1 / 2017
Profit for the period	**186**	**230**
Items that will not be reclassified to profit or loss		
Gains(/losses) arising from remeasurement of defined benefit plans	15	16
Change in revaluation reserve		
Items that may be reclassified to profit or loss		
Change in fair value reserve		
Measurement at fair value	-52	-7
Cash flow hedge	-6	-10
Temporary exemption (overlay approach)	-19	
Translation differences	0	0
Income tax on other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains(/losses) arising from remeasurement of defined benefit plans	-3	-3
Change in revaluation reserve		
Items that may be reclassified to profit or loss		
Measurement at fair value	10	1
Cash flow hedge	1	2
Temporary exemption (overlay approach)	4	
Total comprehensive income for the period	**137**	**229**
Attributable to:		
Owners	134	215
Non-controlling interests	3	13
Total comprehensive income for the period	**137**	**229**

Balance sheet

EUR million	Note	31 March 2018	31 December 2017
Cash and cash equivalents		11,670	12,937
Receivables from credit institutions		332	504
Derivative contracts	10	3,294	3,412
Receivables from customers	12	83,080	82,193
Investment assets		23,401	23,324
Assets covering unit-linked contracts		10,028	10,126
Intangible assets		1,552	1,555
Property, plant and equipment (PPE)		794	798
Other assets		2,529	2,131
Tax assets		249	224
Total assets		**136,931**	**137,205**
Liabilities to credit institutions		4,584	5,157
Derivative contracts		2,870	3,026
Liabilities to customers		64,947	65,549
Insurance liabilities	13	10,050	9,950
Liabilities from unit-linked insurance and investment contracts	13	10,069	10,158
Debt securities issued to the public	14	27,704	26,841
Provisions and other liabilities		3,378	3,150
Tax liabilities		885	890
Subordinated liabilities		1,383	1,400
Total liabilities		**125,871**	**126,122**
Equity			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative shares		191	191
Profit shares		2,829	2,906
Fair value reserve	15	88	176
Other reserves		2,171	2,173
Retained earnings		5,660	5,536
Non-controlling interests		122	101
Total equity		**11,060**	**11,084**
Total liabilities and equity		**136,931**	**137,205**

Statement of changes in equity

EUR million	Attributable to owners						
	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**2,901**	**318**	**2,108**	**4,808**	**10,135**	**102**	**10,237**
Total comprehensive income for the period		-27		242	215	12	227
Profit for the period				230	230	1	230
Other comprehensive income		-27		12	-14	11	-3
Profit distribution				-55	-55		-55
Change in membership, supplementary and profit shares	-32				-32		-32
Transfer of reserves			3	-3			
Other				-9	-9	1	-8
Balance at 31 March 2017	**2,869**	**292**	**2,111**	**4,983**	**10,254**	**115**	**10,369**

EUR million	Attributable to owners						
	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**3,097**	**176**	**2,173**	**5,536**	**10,982**	**101**	**11,084**
Effect of IFRS 9 transition 1 Jan. 2018		-28		-30	-57		-57
Balance at 1 Jan. 2018	**3,097**	**148**	**2,173**	**5,506**	**10,925**	**101**	**11,026**
Total comprehensive income for the period		-61	0	195	134	3	137
Profit for the period				183	183	3	186
Other comprehensive income		-61	0	12	-49		-49
Profit distribution				-51	-51		-51
Change in membership, supplementary and profit shares	-78				-78		-78
Transfer of reserves			-2	2			
Other				8	8	18	26
Balance at 31 March 2018	**3,019**	**88**	**2,171**	**5,660**	**10,938**	**122**	**11,060**

Cash flow statement

EUR million	Q1 / 2018	Q1 / 2017
Cash flow from operating activities		
Profit for the period	186	240
Adjustments to profit for the period	383	1,251
Increase (-) or decrease (+) in operating assets	**-1,665**	**-68**
Receivables from credit institutions	14	-11
Derivative contracts	-18	-10
Receivables from customers	-925	-920
Assets covering unit-linked contracts	-98	-121
Investment assets	-307	1,070
Other assets	-331	-76
Increase (+) or decrease (-) in operating liabilities	**-1,020**	**876**
Liabilities to credit institutions	-564	972
Derivative contracts	1	-3
Liabilities to customers	-602	898
Insurance liabilities	7	19
Liabilities from unit-linked insurance and investments contracts	2	-928
Provisions and other liabilities	137	-82
Income tax paid	-55	-59
Dividends received	5	42
A. Net cash from operating activities	**-2,166**	**2,283**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	
Purchase of PPE and intangible assets	-58	-67
Proceeds from sale of PPE and intangible assets	5	3
B. Net cash used in investing activities	**-53**	**-64**
Cash flow from financing activities		
Decreases in subordinated liabilities		0
Increases in debt securities issued to the public	6,276	9,649
Decreases in debt securities issued to the public	-5,392	-9,359
Increases in cooperative and share capital	143	325
Decreases in cooperative and share capital	-221	-361
Dividends paid and interest on cooperative capital	-13	-1
C. Net cash used in financing activities	**794**	**254**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-1,425**	**2,473**
Cash and cash equivalents at period-start	**13,245**	**9,571**
Cash and cash equivalents at period-end	**11,819**	**12,044**
Interest received	**451**	**501**
Interest paid	**-261**	**-325**
Cash and cash equivalents		
Liquid assets	11,670	11,960
Receivables from credit institutions payable on demand	149	84
Total	**11,819**	**12,044**

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 21% (20%). 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.

	Banking	Non-life Insurance	Wealth Management	Other Operations	Eliminations	Group total
Q1 earnings 2018, EUR million						
Net interest income	300	-4	0	-16	2	282
of which internal net income before tax	-1	-3	0	4		
Net insurance income		130	7		-10	127
Net commissions and fees	150	-4	84	1	0	232
Net investment income	34	2	14	30	0	79
Other operating income	7	4	1	165	-165	12
Total income	**492**	**127**	**106**	**179**	**-172**	**732**
Personnel costs	90	32	20	62	0	204
Depreciation/amortisation and impairment losses	10	12	6	37	0	66
Other operating expenses	158	60	33	111	-177	187
Total expenses	**259**	**104**	**60**	**210**	**-177**	**456**
Impairments of receivables	-4	0	0	0	0	-4
OP bonuses to owner-customers	-44	0	-7		0	-52
Temporary exemption (overlay approach)		14	9	0	-4	19
Earnings before tax	**184**	**38**	**47**	**-31**	**0**	**239**

	Banking	Non-life Insurance	Wealth Management	Other Operations	Eliminations	Group total
Q1 earnings 2017, EUR million						
Net interest income	293	-4	1	-25	-5	260
of which internal net income before tax	-5	-4	1	8		
Net insurance income		111	5			117
Net commissions and fees	153	-2	85	-10	0	226
Net investment income	10	39	6	64	4	124
Other operating income	5	1	4	166	-145	31
Total income	**461**	**146**	**102**	**194**	**-146**	**757**
Personnel costs	96	31	22	52	0	202
Depreciation/amortisation and impairment losses	10	11	6	16	0	42
Other operating expenses	140	55	34	88	-146	171
Total expenses	**247**	**97**	**61**	**156**	**-146**	**415**
Impairments of receivables	-8	0		0	0	-8
OP bonuses to owner-customers	-44	0	-7		0	-51
Earnings before tax	**163**	**49**	**34**	**38**	**0**	**283**

Balance sheet 31 March 2018, EUR million	Banking	Non-life Insurance	Wealth Management	Other Operations	Eliminations	Group total
Cash and cash equivalents	98	155	226	11,536	-345	11,670
Receivables from credit institutions	9,379	4	44	9,275	-18,370	332
Derivative contracts	500	7	78	3,043	-334	3,294
Receivables from customers	83,826	0	0	-29	-716	83,080
Investment assets	544	3,799	7,299	17,059	-5,299	23,401
Assets covering unit-linked contracts			10,028			10,028
Intangible assets	61	671	362	461	-3	1,552
Property, plant and equipment (PPE)	401	42	26	337	-11	794
Other assets	348	957	355	1,057	-187	2,529
Tax assets	132	24	32	50	10	249
Total assets	**95,288**	**5,659**	**18,451**	**42,790**	**-25,257**	**136,931**
Liabilities to credit institutions	9,206			13,835	-18,458	4,584
Derivative contracts	286	11	28	2,879	-334	2,870
Liabilities to customers	60,279		0	5,848	-1,181	64,947
Insurance liabilities		3,412	6,639		0	10,050
Liabilities from unit-linked insurance and investments contracts			10,069			10,069
Debt securities issued to the public	11,373			16,536	-204	27,704
Provisions and other liabilities	1,558	601	391	1,005	-177	3,378
Tax liabilities	379	73	61	372	0	885
Subordinated liabilities	41	135	245	1,392	-430	1,383
Total liabilities	**83,122**	**4,232**	**17,433**	**41,869**	**-20,785**	**125,871**
Equity						**11,060**

Balance sheet 31 December 2017, EUR million	Banking	Non-life Insurance	Wealth Management	Other Operations	Eliminations	Group total
Cash and cash equivalents	104	318	438	12,807	-729	12,937
Receivables from credit institutions	9,727	6	84	9,615	-18,928	504
Derivative contracts	335	10	83	3,320	-336	3,412
Receivables from customers	83,023	0	1	-19	-812	82,193
Investment assets	536	3,542	7,152	17,358	-5,264	23,324
Assets covering unit-linked contracts			10,126			10,126
Intangible assets	64	677	364	453	-3	1,555
Property, plant and equipment (PPE)	409	42	26	333	-12	798
Other assets	305	727	296	1,303	-499	2,131
Tax assets	122	18	29	43	11	224
Total assets	**94,624**	**5,341**	**18,599**	**45,213**	**-26,572**	**137,205**
Liabilities to credit institutions	9,460			14,204	-18,506	5,157
Derivative contracts	223	15	31	3,097	-339	3,026
Liabilities to customers	59,228		0	7,839	-1,518	65,549
Insurance liabilities		3,143	6,807		0	9,950
Liabilities from unit-linked insurance and investment contracts			10,158			10,158
Debt securities issued to the public	11,974			15,696	-829	26,841
Provisions and other liabilities	1,568	548	275	1,248	-489	3,150
Tax liabilities	376	76	69	369	0	890
Supplementary cooperative share	19				-19	0
Subordinated liabilities	82	135	245	1,391	-452	1,400
Total liabilities	**82,929**	**3,917**	**17,585**	**43,844**	**-22,153**	**126,122**
Equity						**11,084**

Notes

Note 1	Accounting policies
Note 2	Formulas for key figures and ratios
Note 3	Net interest income
Note 4	Net insurance income
Note 5	Net commissions and fees
Note 6	Net investment income
Note 7	Impairments of receivables
Note 8	Classification of financial assets and liabilities
Note 9	Recurring fair value measurements by valuation technique
Note 10	Derivative contracts
Note 11	Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements
Note 12	Receivables from credit institutions and customers, and doubtful receivables
Note 13	Insurance liabilities
Note 14	Debt securities issued to the public
Note 15	Fair value reserve after income tax
Note 16	Collateral given
Note 17	Off-balance-sheet items
Note 18	Capital adequacy for credit institutions
Note 19	Exposures by rating category
Note 20	Insurance company solvency
Note 21	Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates
Note 22	Related-party transactions

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 consolidated financial statements 2017.

The Interim Report is based on unaudited figures. 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 be used if there is any discrepancy between the language versions.

Adoption of IFRS 9 on 1 January 2018

On 1 January 2018, OP Financial Group adopted IFRS 9 Financial Instruments. OP Financial Group's accounting policies under IFRS 9 have been published in the Notes to the Financial Statements 2017. The effects of transition to IFRS 9 on the classification and measurement of financial instruments have been presented in OP Financial Group's Notes to the Financial Statements 2017. Adjustments made to carrying amounts were recognised in equity in the opening balance sheet on the adoption date of 1 January 2018. OP Financial Group has not adjusted comparatives for prior years.

The most significant changes in classification applied to OP Financial Group's Non-life and Life Insurance investment. Equity investments and mutual fund investments were mainly reclassified as those recognised at fair value through profit or loss. OP Financial Group applies a temporary overlay approach to certain Non-life and Life Insurance equity investments that restores the earnings effect of such investments in accordance with the previous IAS 39. Overlay approach is presented as a new line in the income statement. The same item is also presented in the statement of comprehensive income. Capital gains on investments within the scope of the overlay approach are presented as part of change of the overlay approach line whereas they were previously presented as capital gains on available-for-sale investments.

The alternative ratio presented previously – the ratio of impairment loss on receivables to the loan and guarantee portfolio, %, – is no longer presented because the content of the ratio is not comparable as a result of the IFRS 9 transition. Non-performing receivables and the ratio of performing forborne exposures to the loan and guarantee portfolio, %, are presented as new alternative ratios.

The table below presents the replacement of the impairment provision for the realised losses recognised in the Financial Statements 2017 under IAS 39 with the provision for expected credit losses under IFRS 9 on 1 January 2018.

Balance sheet items, € million	Impairment loss on receivables (IAS 39) 31 Dec. 2017	Remeasurement	Expected credit losses (IFRS 9) 1 Jan. 2018
Cash and cash equivalents	-		0
Receivables from customers	493	38	531
Investment assets (FVOCI)	-	5	5
Off-balance-sheet items			
Loan commitments	-	7	7
Guarantees	-	3	3
Total	493	53	546

OP Financial Group has adopted the measurement of expected credit losses using mainly the models under IFRS 9. Consequently, prior impairment losses on an individual and collective basis under IAS 39, totalling EUR 493 million, have been replaced with the expected credit losses under IFRS 9, totalling EUR 546 million.

Expected credit losses increased the most in corporate financing whereas expected credit losses in home loans decreased from their IAS 39 level due to their good collateral position. In private customers, revolving credit facilities showed the largest ECL growth because they also include the forecast use of the off-balance-sheet limit. Investments recognised at fair value through other comprehensive income, loan commitments and guarantees are included in ECL measurement for the first time.

The table below presents exposures in ECL measurement and their ECL provisions by stage. Stage 1 includes contracts whose credit risk has not increased significantly since initial recognition. Stage 2 includes contracts whose credit risk has increased significantly since initial recognition. Relative and absolute threshold values as well as payments over 30 days past due (DPD) are used as the threshold values of a significant increase in credit risk. Sometimes the contract may fulfil more than one of the abovementioned threshold values. In the tables below, all such contracts are classified as more than 30 days past due, irrespective of whether some other threshold value has been fulfilled. Defaulted contracts are classified into Stage 3.

IFRS 9 ECL scope and stage 1 January 2018:

On-balance-sheet exposure, € million	**Stage 1**	**Stage 2**			**Stage 3**	**Total exposure**
Receivables from customers (gross)		Not more than 30 DPD	More than 30 DPD	Total		
Non-banking corporates	29,649	2,896	500	3,395	816	33,861
Households	45,166	3,852	172	4,024	463	49,652
Public-sector entities	140	12	12	24		165
Other	868	0	0	0	0	868
Total receivables from customers	75,823	6,759	684	7,443	1,279	84,545
Off-balance-sheet limits						
Non-banking corporates	3,892	365	0	365	11	4,267
Households	2,971	68	7	75	4	3,050
Public-sector entities	173	5		5		178
Other	516	0		0	0	516
Total	7,552	438	7	444	15	8,011
Other off-balance-sheet commitments						
Non-banking corporates	7,273	299		299	47	7,619
Households	1,830	0		0	0	1,830
Public-sector entities	6	10		10		16
Other	1					1
Total	9,110	309		309	47	9,467
Notes and bonds						
Total notes and bonds	16,410	39		39	5	16,454
Total IFRS 9 ECL scope exposures	**108,895**	**7,545**	**691**	**8,236**	**1,346**	**118,477**

IFRS 9 ECL provision by stage 1 January 2018

On-balance-sheet exposures and related off-balance-sheet limits* € million	**Stage 1**		**Stage 2**		**Stage 3**	**Total ECL**
Receivables from customers		Not more than 30 DPD	More than 30 DPD	Total		
Non-banking corporates	-20	-41	-1	-42	-356	-418
Households	-4	-35	-1	-36	-73	-113
Public-sector entities	0	0	0	0		0
Other	0	0		0	0	0
Total receivables from customers	-23	-75	-2	-78	-430	-531
Other off-balance-sheet commitments**						
Non-banking corporates	-3	-3		-3	0	-5
Households	-5	0		0		-5
Public-sector entities						
Other						
Total	-8	-3		-3	0	-11
Notes and bonds***	-5	0		0	0	-5
Total ECL	-36	-79	-2	-81	-430	-546

*ECL is recognised as one component to deduct the balance sheet item
**ECL is recognised in provisions and other liabilities in the balance sheet
***ECL is recognised in the fair value reserve in OCI

IFRS 9 ECL scope and stage 31 March 2018

On-balance-sheet exposure, € million	**Stage 1**	**Stage 2**			**Stage 3**	**Total exposure**
Receivables from customers (gross)		Not more than 30 DPD	More than 30 DPD	Total		
Non-banking corporates	28,041	3,278	553	3,831	824	32,696
Households	46,590	3,677	252	3,929	490	51,009
Public-sector entities	1,101		12	12		1,113
Other	2,298		14	14	0	2,312
Total receivables from customers	78,030	6,955	831	7,786	1,315	87,130
Off-balance-sheet limits						
Non-banking corporates	3,838	616	474	1,090	25	4,953
Households	3,106	53	18	71	4	3,181
Public-sector entities	640		63	63		704
Other	1,125		59	59		1,184
Total	8,710	670	614	1,283	29	10,022
Other off-balance-sheet commitments						
Non-banking corporates	6,522	350		350	47	6,919
Households	2,701	3		3		2,704
Public-sector entities	392					392
Other	271					271
Total	9,886	354		354	47	10,286
Notes and bonds						
Total notes and bonds	16,426	25		25	9	16,450
Total IFRS 9 ECL scope exposures	**113,051**	**8,002**	**1,445**	**9,447**	**1,400**	**123,889**

IFRS 9 ECL provision by stage 31 March 2018

On-balance-sheet exposures and related off-balance-sheet limits* € million	**Stage 1**	**Stage 2**			**Stage 3**	**Total ECL**
Receivables from customers		Not more than 30 DPD	More than 30 DPD	Total		
Non-banking corporates	-19	-49	-1	-50	-323	-392
Households	-3	-44	-2	-47	-75	-126
Public-sector entities	-4		0	0		-4
Other	0		0	0	0	0
Total receivables from customers	-26	-93	-3	-96	-398	-521
Other off-balance-sheet commitments **						
Non-banking corporates	-2	-3		-3	0	-4
Households	0	0		0		0
Public-sector entities						0
Other	0					0
Total	-2	-3		-3	0	-5
Notes and bonds***	-4	0		0	-2	-7
Total ECL	**-32**	**-96**	**-3**	**-99**	**-400**	**-532**

*ECL is recognised as one component to deduct the balance sheet item
**ECL is recognised in provisions and other liabilities in the balance sheet
***ECL is recognised in the fair value reserve in OCI

Change in accounting policies for amortisation of fees

Following the systems development occurred in connection with the adoption of IFRS 9, OP Financial Group adopted the amortisation of fees over the life of the loan paid for office and arrangement fees at the time of drawdown of private customer loans, applying the effective interest method. Since the fully retrospective application is not technically possible, only the fees for 2017 has been restated from the income statement. The change decreased net commissions and fees for Q1/2017 by EUR 14 million and increased net interest income by EUR 2 million. As a result, earnings before tax reported a year ago decreased by EUR 9 million. On the balance sheet of 31 December 2017, receivables from customers decreased by EUR 47 million, tax assets increased by EUR 10 million and equity decreased by EUR 37 million. These fees will be amortised for future years for the average life of private customer loans.

Adoption of IFRS 15 on 1 January 2018

OP Financial Group has applied IFRS 15, Revenue from Contracts with Customers, since 1 January 2018. In OP Financial Group, IFRS 15 mainly applies to commissions and fees of the Wealth Management segment and Banking segment fees not included in the calculation of the effective interest rate. IFRS 15 will lead to added information presented in the Notes to the Financial Statements.

The grouping of commission income and expenses in net commissions and fees has been specified in the Notes to the Interim Report. Net commissions are divided into groups according to commission income and expenses recorded from customer agreements. New groups to be presented in net commissions and fees include commission income and expenses from health and wellbeing services, asset management fees, fees paid for asset management services, legal fees and mutual fund commission expenses. Net commissions and fees are presented as divided into segments.

IFRS 15 did not change the revenue recognition time of the Wealth Management management fees or performance-based fees or any other fees included in the scope of application of the standard in comparison with the previous practices. The adoption of IFRS 15 did not have any effect on OP Financial Group's earnings before tax. OP Financial Group started to apply IFRS 15 using the retrospective transition method, i.e. the Q1/2017 data has been adjusted. Below is a description of the retrospective changes made to the specification of net commissions and fees:

- Commission income from health and wellbeing services, EUR 4 million, has been transferred from other operating income to commission income.
- Commission expenses from health and wellbeing services, EUR 2 million, have been transferred from other operating expenses to commission expenses.
- Asset management fees and fees for legal services, EUR 19 million, will be presented separately in future.
- Brokerage fees for securities, EUR 4 million, has been divided among mutual fund charges and brokerage fees for securities.
- Net commissions and fees have been presented as divided into segments.

Changes in presentation

The Share of associates' profit/loss line in the income statement will be presented in net investment income and the Interest in associates line in the balance sheet will be presented in investment assets in the balance sheet. A significant number of the associates are private equity fund investments which are measured at fair value through income statement under IFRS 9. Data for the reporting period a year ago has been adjusted according to the new presentation.

The Financial assets held for trading in the balance sheet will in future be presented under investment assets according to its nature. Data for the reporting period a year ago has been adjusted according to the new presentation.

Note 2 Key figures and ratios and their formulas

	Q1/ 2018	Q1/ 2017
Return on equity (ROE), %	6.8	9.1
Return on equity (ROE) at fair value, %	5.0	9.0
Return on assets (ROA), %	0.55	0.69
Cost/income ratio, %	62	55
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.2	1.2
Ratio of performing forborne to loan and guarantee portfolio, %	2.3	2.1
Average personnel	12,256	12,088

ALTERNATIVE PERFORMANCE MEASURES

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods.

The formulas for the used Alternative Performance Measures are presented below.

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, %

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

Ratio of non-performing receivables to loan and guarantee portfolio, %

$$\frac{\text{Non-performing receivables (net)}}{\text{Loan and guarantee portfolio at period end}} \times 100$$

Ratio of performing forborne to loan and guarantee portfolio, %

$$\frac{\text{Performing forborne exposures}}{\text{Loan and guarantee portfolio at period end}} \times 100$$

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, %

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

Risk ratio (excl. unwinding of discount), %

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

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, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

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, %

$$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$$

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	Q1/ 2018	Q1/ 2017	Change %	Q1–4/ 2017
EUR million				
Insurance premium revenue	359	350	2.6	1,431
Claims incurred	-259	-265	-2.4	-1,085
Operating expenses	-76	-69	9.9	-291
Amortisation adjustment of intangible assets	-5	-5	0.0	-21
Balance on technical account	**19**	**10**	**83.8**	**34**
Net investment income	2	39	-95.7	183
Other income and expenses	3	-1		-7
Temporary exemtion "overlay approach"	14			
Earnings before tax	**38**	**49**	**-23.1**	**210**

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 Net interest income

EUR million	Q1/ 2018	Q1/ 2017
Interest income		
Receivables from credit institutions	7	6
Receivables from customers		
Loans	286	291
Finance lease receivables	6	4
Impaired loans and other commitments	0	1
Notes and bonds		
Held for trading	2	2
Mandatorily measured at fair value through profit or loss	0	
At fair value through other comprehensive income	23	
Amortised cost	0	
Available for sale		27
Held to maturity		0
Loans and receivables		0
Derivative contracts		
Held for trading	177	187
Fair value hedge	-25	-30
Cash flow hedge	10	9
Ineffective portion of cash flow hedge	-2	1
Other	2	1
Total	**486**	**499**
Interest expenses		
Liabilities to credit institutions	16	13
Liabilities to customers	15	19
Debt securities issued to the public	61	75
Subordinated liabilities		
Subordinated loans	1	1
Other	11	11
Derivative contracts		
Held for trading	148	167
Fair value hedge	-30	-34
Other	-18	-17
Other	2	3
Total	**205**	**238**
Loan modification gains and losses on loans	**0**	
Net interest income before fair value adjustment under hedge accounting	**281**	**261**
Hedging derivatives	-30	-11
Value changes of hedged items	30	10
Total net interest income	**282**	**260**

Note 4 Net insurance income

EUR million	Q1/ 2018	Q1/ 2017
Net insurance premium revenue		
Premiums written	614	615
Insurance premiums ceded to reinsurers	-8	-10
Change in provision for unearned premiums	-269	-266
Reinsurers' share	12	11
Total	**349**	**350**
Net Non-life Insurance claims		
Claims paid	-235	-233
Insurance claims recovered from reinsurers	8	2
Change in provision for unpaid claims	6	-15
Reinsurers' share	-7	8
Total	**-228**	**-238**
Other Non-life Insurance items	0	-1
Life Insurance risk premiums collected	7	5
Total net insurance income	**127**	**117**

Note 5 Net commissions and fees

Q1 2018, EUR million	Banking	Non-life Insurance	Wealth Management	Other Operations	Eliminations	Group total
Comission income						
Lending	37	0		1	0	38
Deposits	1		0	0	0	1
Payment transfers	46			13	-3	55
Securities brokerage	0		6	0	-1	5
Securities issuance	1		0	1	0	3
Mutual funds	0		36		1	37
Asset management	3		14	0	-3	14
Legal services	5			0	0	5
Guarantees	5			0	0	5
Housing service	17					17
Insurance brokerage	26	3	10	0	-10	30
Life insurance total expense loadings			24			24
Refund of unit-linked management fees			18			18
Health and wellbeing services		4			0	4
Other	18		1	-7	-4	8
Total	**159**	**8**	**109**	**8**	**-22**	**262**
Comission expenses						
Payment transfers	6	0	0	2	-5	3
Securities brokerage	0		3		-1	2
Securities issuance	0		0	0	0	1
Mutual funds			2		0	3
Asset management	1		3	0	-2	3
Insurance operations	-3	9	15		-10	12
Health and wellbeing services		2				2
Other	5	0	1	5	-5	6
Total	**9**	**11**	**25**	**7**	**-23**	**30**
Total net commissions and fees	**150**	**-4**	**84**	**1**	**0**	**232**

Q1 2017, EUR million	Banking	Non-life Insurance	Wealth Management	Other Operations	Eliminations	Group total
Comission income						
Lending	37			1	0	39
Deposits	1			0	0	1
Payment transfers	50			23	-8	65
Securities brokerage			7		-2	6
Securities issuance	0		0	1	0	1
Mutual funds	0		36		0	36
Asset management	3		15	0	-5	13
Legal services	6			0		6
Guarantees	5			0	0	5
Housing service	17					17
Insurance brokerage	25	6	11		-12	29
Life insurance total expense loadings			24			24
Refund of unit-linked management fees			17			17
Health and wellbeing services		4			0	4
Other	25		0	-16	-4	6
Total	**169**	**10**	**110**	**9**	**-31**	**267**
Comission expenses						
Payment transfers	12	0	0	12	-10	14
Securities brokerage			2		-2	0
Securities issuance	0		0	0	0	1
Mutual funds			4		-1	3
Asset management	1	0	5	0	-2	4
Insurance operations	-1	10	12		-12	10
Health and wellbeing services		2				2
Other	4	0	1	7	-5	8
Total	**16**	**12**	**25**	**19**	**-31**	**42**
Total net commissions and fees	**153**	**-2**	**85**	**-10**	**0**	**226**

Note 6 Net investment income

EUR million	Q1/ 2018	Q1/ 2017
Net income from assets at fair value through other comprehensive income (Net income from available-for-sale financial assets)		
Notes and bonds	27	33
Equity instruments	0	37
Dividend income and share of profits	2	39
Other	5	
Impairment losses and their reversals	-2	-7
Total	**32**	**103**
Net income recognised at fair value through profit or loss		
Financial assets held for trading		
Notes and bonds	-1	
Equity instruments	7	
Dividend income and share of profits	2	
Derivatives	36	
Financial assets that are mandatorily measured at fair value through profit or loss		
Notes and bonds	4	
Equity instruments	-7	
Dividend income and share of profits	11	
Financial assets designated as at fair value through profit or loss		
Notes and bonds	-7	
Equity instruments	-15	
Dividend income and share of profits	5	
Derivatives	0	
Insurance		
Notes and bonds		-14
Equity instruments		5
Derivatives		-24
Banking and Other operations		
Securities trading		45
Foreign exchange trading		11
Investment property	-2	5
Other		1
Total	**32**	**29**

Net income carried at amortised cost	Q1/ 2018	Q1/ 2017
Loans and other receivables	2	3
Impairment losses and their reversals	-1	0
Total	**1**	**3**
Life Insurance		
Interest credited on customers' insurance savings	-22	-23
Change in supplementary interest rate provisions	13	10
Other technical items	26	9
Total	**17**	**-4**
Non-life Insurance		
Unwinding of discount	-7	-8
Total	**-7**	**-8**
Associates		
Accounted for using the fair value method	4	
Consolidated using the equity method	0	2
Total	**4**	**2**
Total net investment income	**79**	**124**

Note 7 Impairment loss on receivables

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Expected credit losses (ECL)	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL 1 Jan. 2018	**31**	**80**	**430**	**541**
Transfers from Stage 1 to Stage 2	-1	10		9
Transfers from Stage 1 to Stage 3	-1		2	1
Transfers from Stage 2 to Stage 1	2	-7		-5
Transfers from Stage 2 to Stage 3		2	6	8
Transfers from Stage 3 to Stage 2		2	-2	0
Transfers from Stage 3 to Stage 1	1		-5	-4
Increases due to origination and acquisition	1	1	1	3
Decreases due to derecognition	-4	0	0	-4
Changes in risk parameters (net)	-1	11	-3	7
Decrease in allowance account due to write-offs	0		-29	-29
Total net result effect	**-3**	**19**	**-31**	**-16**
ECL 31 March 2018	**28**	**99**	**398**	**525**

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
Expected credit losses (ECL)	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL 1 Jan. 2018	**5**	**0**	**0**	**5**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	1	0	2	3
Decreases due to derecognition	-1	0		-1
Changes in risk parameters (net)	0	0	0	0
Changes due to update in the methodology for estimation (net)	0			0
Total net result effect	**-1**	**0**	**2**	**1**
ECL 31 March 2018	**4**	**0**	**2**	**7**

EUR million	Q1/ 2018	Q1/ 2017
Receivables written off as loan or guarantee losses	-23	-9
Recoveries of receivables written off	2	3
ECL on receivables from customers and off-balance-sheet items	16	
ECL on notes and bonds*	0	
Increase in impairment losses on individually assessed receivables		-13
Decrease in impairment losses on individually assessed receivables		12
Collectively assessed impairment losses		0
Total impairment loss on receivables	**-4**	**-8**

* The ECL on notes and bonds in insurance operations is presented in net investment income.

Note 8 Classification of financial assets and liabilities

			Fair value through profit or loss				
Assets, EUR million	**Amortised cost**	**Fair value through other comprehensive income**	**Trading**	**Fair value option**	**Fair value due to SPPI test**	**Hedging derivatives**	**Total**
Cash and cash equivalents	11,670						11,670
Receivables from credit institutions	332						332
Derivative contracts			2,865			430	3,294
Receivables from customers	83,080						83,080
Assets covering unit-linked contracts				10,028			10,028
Notes and bonds	4	16,209	691	2,685	453		20,042
Equity instruments		0	94	270	1,230		1,594
Other financial assets	3,061						3,061
Financial assets	**98,148**	**16,209**	**3,649**	**12,983**	**1,683**	**430**	**133,102**
Other than financial instruments							3,830
Total 31 March 2018	**98,148**	**16,209**	**3,649**	**12,983**	**1,683**	**430**	**136,931**

Assets, EUR million	**Loans and other receivables**	**Invest-ments held to maturity**	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss***	**Hedging derivatives**	**Total**
Cash and cash equivalents	12,937					12,937
Receivables from credit institutions	504					504
Derivative contracts				3,139	273	3,412
Receivables from customers	82,193					82,193
Assets covering unit-linked contracts				10,126		10,126
Notes and bonds		40	16,372	3,899		20,311
Equity instruments			1,399	220		1,620
Other financial assets	2,302					2,302
Financial assets	**97,936**	**40**	**17,771**	**17,385**	**273**	**133,406**
Other than financial instruments						3,799
Total 31 December 2017	**97,936**	**40**	**17,771**	**17,385**	**273**	**137,205**

* Investment assets in the balance sheet include Non-life and Life Insurance notes and bonds recognised at fair value 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		4,584		4,584
Derivative contracts	2,431		440	2,870
Liabilities to customers		64,947		64,947
Insurance liabilities		10,050		10,050
Liabilities from unit-linked insurance and investment contracts	10,069			10,069
Debt securities issued to the public		27,704		27,704
Subordinated liabilities		1,383		1,383
Other financial liabilities	0	2,445		2,445
Financial liabilities	**12,500**	**111,114**	**440**	**124,053**
Other than financial liabilities				1,818
Total 31 March 2018	**12,500**	**111,114**	**440**	**125,871**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,157		5,157
Derivative contracts	2,572		454	3,026
Liabilities to customers		65,549		65,549
Insurance liabilities		9,950		9,950
Liabilities from unit-linked insurance and investment contracts	10,158			10,158
Debt securities issued to the public		26,841		26,841
Subordinated liabilities		1,400		1,400
Other financial liabilities	1	2,274		2,275
Financial liabilities	**12,731**	**111,172**	**454**	**124,356**
Other than financial liabilities				1,765
Total 31 December 2017	**12,731**	**111,172**	**454**	**126,122**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March, the fair value of these debt instruments was EUR 191 million (385) 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 31 March 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	790	254	550	1,593
Debt instruments	2,718	609	501	3,829
Unit-linked contracts	6,609	3,419		10,028
Derivative financial instruments	10	3,232	53	3,294
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	13,699	2,225	285	16,209
Total	**23,825**	**9,740**	**1,389**	**34,954**

Fair value of assets on 31 Dec. 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	125	57	38	220
Debt instruments	3,249	234	416	3,899
Unit-linked contracts	7,111	3,015		10,126
Derivative financial instruments	2	3,279	131	3,412
Available-for-sale				
Equity instruments	623	200	577	1,399
Debt instruments	11,977	4,041	354	16,372
Total	**23,087**	**10,826**	**1,516**	**35,429**

Fair value of liabilities on 31 March 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,635	3,433		10,069
Other		0		0
Derivative financial instruments	26	2,825	20	2,870
Total	**6,662**	**6,258**	**20**	**12,939**

Fair value of liabilities on 31 Dec. 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	7,133	3,024		10,158
Other		1		1
Derivative financial instruments	5	2,929	92	3,026
Total	**7,138**	**5,955**	**92**	**13,185**

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 in Level 3 is based on a pricing model whose input parameters involve uncertainty. 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. Transfers between the levels are mainly due to the number of available market quotes.

Reconciliation of Level 3 items that involve uncertainty

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehensive income	Total assets
Balance 31 December 2017	454	131	931	1,516
Effect of IFRS 9 transition 1 January 2018	601		-593	8
Opening balance 1 January 2018	1,056	131	338	1,525
Total gains/losses in profit or loss	-446	-78		-524
Total gains/losses in other comprehensive income			0	0
Purchases	40		0	40
Sales	-38			-38
Settlements	-16			-16
Transfers into Level 3	460		128	588
Transfers out of Level 3	-4		-181	-185
Closing balance 31 March 2018	**1,051**	**53**	**285**	**1,389**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2018	92	92
Total gains/losses in profit or loss	-72	-72
Closing balance 31 March 2018	**20**	**20**

Total gains/losses included in profit or loss by item on 31 March 2018

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 31 March
Realised net gains	-384	-62		-446
Unrealised net gains	-6	62	0	55
Total net gains	**-390**	**0**	**0**	**-391**

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 2018.

Note 10 Derivative contracts

31 March 2018, EUR million	Nominal values / residual term to maturity				Fair values*	
	<1 year	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	24,028	88,292	68,670	180,990	2,013	1,435
Cleared by the central counterparty	8,865	41,020	36,457	86,341	28,332	14,272
Currency derivatives	35,759	8,107	2,752	46,618	944	1,091
Equity and index derivatives		3		3	0	
Credit derivatives	27	372	6	405	7	6
Other derivatives	359	391		750	63	52
Total derivatives	**60,173**	**97,164**	**71,429**	**228,766**	**3,027**	**2,585**

31 December 2017, EUR million	Nominal values / remaining term to maturity				Fair values*	
	<1 year	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	23,391	78,621	66,708	168,720	3,157	2,751
Cleared by the central counterparty	8,392	38,585	35,615	82,592	941	1,100
Currency derivatives	36,708	9,245	2,815	48,768	982	1,180
Equity and index derivatives	286	3		288	2	0
Credit derivatives	28	189	10	227	9	6
Other derivatives	235	513		748	65	36
Total derivatives	**60,647**	**88,571**	**69,533**	**218,751**	**4,216**	**3,973**

* 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

31 March 2018, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Derivatives	4,198	-904	3,294	-1,847	-387	1,061

31 December 2017, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Derivatives	4,341	-928	3,412	-1,928	-412	1,072

Financial liabilities

31 March 2018, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Derivatives	3,945	-1,074	2,870	-1,847	-564	460

31 December 2017, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Derivatives	4,112	-1,085	3,026	-1,928	-717	381

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -166 (-161) 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
Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House, accordance with EMIR (EU 648/2012). 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

31 March 2018, EUR million	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Receivables from credit institutions and customers			
Receivables from credit institutions	333	1	332
Receivables from customers, of which	81,718	513	81,205
bank guarantee receivables	11		11
Finance leases	1,881	6	1,875
Total	**83,933**	**521**	**83,412**
Receivables from credit institutions and customers by sector			
Non-banking corporate sector	30,672	374	30,298
Financial institutions and insurance companies	873	3	870
Households	50,284	137	50,146
Non-profit organisations	808	3	805
Public sector entities	1,297	3	1,294
Total	**83,933**	**521**	**83,412**

31 December 2017, 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	506		506		2	504
Receivables from customers, of which	80,247	627	80,875	421	70	80,383
bank guarantee receivables	2	8	11	8	1	2
Finance leases	1,856		1,856			1,856
Total	**82,609**	**627**	**83,236**	**421**	**71**	**82,744**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	29,253	423	29,677	317	38	29,321
Financial institutions and insurance companies	1,387	0	1,387	0	2	1,385
Households	49,931	201	50,132	102	30	50,000
Non-profit organisations	788	3	791	2	1	789
Public sector entities	1,250		1,250		0	1,250
Total	**82,609**	**627**	**83,236**	**421**	**71**	**82,744**

Doubtful and forborne receivables 31 March 2018, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Expected credit losses (ECL)	Receivables from credit institutions and custo-mers (net)
More than 90 days past due		587	587	216	372
Unlikely to be paid		481	481	134	346
Forborne receivables	1,958	330	2,288	50	2,238
Total	**1,958**	**1,398**	**3,356**	**400**	**2,956**

Doubtful and forborne receivables 31 December 2017, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and custo-mers (net)
More than 90 days past due		611	611	217	394
Unlikely to be paid		513	513	147	366
Forborne receivables	1,876	341	2,217	58	2,160
Total	**1,876**	**1,465**	**3,341**	**421**	**2,920**

Key ratio, %	31 March 2018	31 Dec. 2017
Exposures individually assessed for impairment/ECL, % of doubtful receivables	11.9 %	12.6 %

The Group reports on the remaining principal as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been overdue and outstanding for over 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	31 March 2018	31 Dec. 2017
Provision for unpaid claims		
Provision for unpaid claims for annuities	2,417	1,516
Other provision for unpaid claims	152	1,054
Reserve for decreased discount rate (value of hedges of insurance liability)	-12	-12
Total	2,557	2,557
Provisions for unearned premiums	854	585
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	8,656	8,747
Investment contracts	1,413	1,411
Total	10,069	10,158
Life insurance insurance liabilities	6,639	6,807
Total	**20,119**	**20,108**

Note 14 Debt securities issued to the public

EUR million	31 March 2018	31 Dec. 2017
Bonds	8,979	8,974
Covered bonds	10,730	10,750
Certificates of deposit, commercial papers and ECPs	7,995	7,117
Total	**27,704**	**26,841**

Note 15 Fair value reserve after income tax

EUR million	Fair value through other comprehensive income: Notes and bonds	Equity instruments	Temporary exemption (overlay approach)	Cash flow hedging	Total
Balance sheet 31 Dec. 2017	**135**	**25**		**16**	**176**
Effects of IFRS 9 transition 1 January 2018	-2	-25			-28
Opening balance 1 January 2018	**133**	**0**		**16**	**148**
Fair value changes	-44	0	-24	3	**-65**
Capital gains transferred to income statement	-7		3		**-4**
Impairment loss transferred to income statement			2		**2**
Transfers to net interest income				-8	**-8**
Deferred tax	10	0	4	1	**15**
Closing balance 31 March 2018	**91**	**0**	**-15**	**11**	**88**

EUR million	Available-for-sale financial assets: Notes and bonds	Equity instruments	Cash flow hedging	Total
Opening balance 1 January 2017	**105**	**172**	**41**	**318**
Fair value changes	2	12	-1	**13**
Capital gains transferred to income statement	-9	-31		**-40**
Impairment loss transferred to income statement		3		**3**
Transfers to net interest income			-10	**-10**
Deferred tax	1	3	2	**7**
Closing balance 31 March 2017	**100**	**159**	**33**	**292**

The fair value reserve before tax amounted to EUR 110 million (364) and the related deferred tax liability amounted to EUR 44 million (73). On 31 March 2018, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 23 million (274) and negative mark-to-market valuations EUR 41 million (22).

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

Note 16 Collateral given

EUR million	31 March 2018	31 Dec. 2017
Collateral given on behalf of own liabilities and commitments		
Pledges	1	110
Loans (as collateral for covered bonds)	12,737	13,266
Other	5,600	5,663
Total collateral given*	**18,338**	**19,039**
Secured derivative liabilities	737	889
Other secured liabilities	4,037	4,146
Covered bonds	10,730	10,750
Total	**15,504**	**15,784**

* In addition, bonds with a book value of EUR 4.5 billion have been pledged in the central bank, of which EUR 1.5 billion in intrady settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance premission, they are not presented in the table above.

Note 17 Off-balance-sheet items

EUR million	31 March 2018	31 Dec. 2017
Guarantees	647	643
Other guarantee liabilities	1,930	1,936
Loan commitments	12,731	12,176
Commitments related to short-term trade transactions	404	372
Other*	994	1,121
Total off-balance-sheet items	**16,706**	**16,247**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 205 million (208).

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).

	31 March 2018	31 Dec. 2017
Capital base, EUR million		
OP Financial Group's equity capital	11,060	11,121
The effect of insurance companies on the Group's shareholders' equity is excluded	70	92
Fair value reserve, cash flow hedging	-11	-16
Common Equity Tier 1 (CET1) before deductions	**11,119**	**11,197**
Intangible assets	-719	-717
Excess funding of pension liability and valuation adjustments	-34	-31
Repayable cooperative capital		-148
Planned profit distribution	-75	-90
Shortfall of impairments – expected losses	-301	-320
Common Equity Tier 1 (CET1)	**9,990**	**9,891**
Subordinated loans to which transitional provision applies	80	81
Additional Tier 1 capital (AT1)	**80**	**81**
Tier 1 capital (T1)	**10,070**	**9,973**
Debenture loans	1,088	1,121
Tier 2 Capital (T2)	**1,088**	**1,121**
Total capital base	**11,159**	**11,093**

A prudent valuation adjustment of EUR 21 (20) million has been deducted from CET1 capital.

Expected profit distribution of 31 March 2018 included EUR 52 million in unpaid profit distribution for 2017. Terminated cooperative capital contributions of EUR 148 million refunded to customers in January 2018, as permitted by the supervisor, were deducted from CET1 capital a year ago. The Group has applied transitional provisions regarding old capital instruments to subordinated loans.

	31 March 2018	31 Dec. 2017
Risk exposure amount, EUR million		
Credit and counterparty risk	**39,431**	**39,383**
Standardised Approach (SA)	**3,846**	**3,859**
Central government and central banks exposure	18	18
Credit institution exposure	8	8
Corporate exposure	2,386	2,423
Retail exposure	1,038	1,057
Other*	395	353
Internal Ratings-based Approach (IRB)	**35,585**	**35,525**
Credit institution exposure	1,007	1,054
Corporate exposure	21,851	21,438
Retail exposure	4,786	4,959
Equity investments**	6,838	7,002
Other	1,103	1,072
Market and settlement risk (Standardised Approach)	**1,427**	**1,179**
Operational risk (Standardised Approach)	**4,136**	**3,958**
Valuation adjustment (CVA)	**210**	**205**
Total risk exposure amount	**45,205**	**44,725**
Risk weight floors based on ECB's decision	**4,768**	**4,492**
Total risk exposure amount including risk weight floors	**49,973**	**49,216**

* EUR 346 million (283) 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.

** The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP Financial Group.

Ratios, %	31 March 2018	31 Dec. 2017
CET1 capital ratio	20.0	20.1
Tier 1 ratio	20.2	20.3
Capital adequacy ratio	22.3	22.5

Ratios, fully loaded, %	31 March 2018	31 Dec. 2017
CET1 capital ratio	20.0	20.1
Tier 1 ratio	20.0	20.1
Capital adequacy ratio	22.2	22.4

Ratios excluding the risk weight floors, %	31 March 2018	31 Dec. 2017
CET1 capital ratio	22.1	22.1
Tier 1 ratio	22.3	22.3
Capital adequacy ratio	24.7	24.8

The effect of risk weight floors on the CET 1 ratio was -2.1 percentage points.

Capital requirement, EUR million	31 March 2018	31 Dec. 2017
Capital base	11,159	11,093
Capital requirement	7,133	7,027
Buffer for capital requirements	4,025	4,067

The capital requirement of 14.3% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer of 2.0%, the minimum requirement of 1.75% set by the ECB (P2R) and the changing capital conservation buffer by country for foreign exposures. The ECB's P2R took effect on 1 January 2017.

Leverage ratio, EUR million	31 March 2018	31 Dec. 2017
Tier 1 capital (T1)	10,070	9,973
Total exposure	126,785	127,027
Leverage ratio, %	7.9	7.9

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with Commission Delegated Regulation. According to these rules, the minimum ratio is three per cent.

	Overview of RWAs (EU-OV1), EUR million	RWAs		Minimum capital requirements
		31 March 2018	31 Dec. 2017	31 March 2018
1	**Credit risk (excluding CCR)**	**38,563**	**38,569**	**3,085**
2	Of which the standardised approach	4,544	4,584	364
3	Of which the foundation IRB (FIRB) approach	22,394	22,024	1,792
4	Of which the advanced IRB (AIRB) approach	4,786	4,959	383
5	Of which equity IRB under the simple risk-weighted approach	386	541	31
5a	Of which equity investments under PD/LGD method	6,452	6,461	516
6	**CCR**	**695**	**694**	**56**
7	Of which mark to market	485	489	39
12	Of which CVA	210	205	17
13	**Settlement risk**	**0**	**1**	**0**
14	**Securitisation exposures in the banking book (after the cap)**	**37**	**42**	**3**
15	Of which IRB approach	37	42	3
19	**Market risk**	**1,427**	**1,178**	**114**
20	Of which the standardised approach	1,427	1,178	114
23	**Operational risk**	**4,136**	**3,958**	**331**
25	Of which standardised approach	4,136	3,958	331
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**346**	**283**	**28**
29	**Total**	**45,205**	**44,725**	**3,616**
30	**Risk weight floors based on ECB's decision**	**4,768**	**4,492**	**381**
31	**Total risk exposure amount including risk weight floors**	**49,973**	**49,216**	**3,998**

Total risk exposure amount increased by 1.5% from the end of 2017. Excluding the ECB's risk-weight floor, the increase was 1.1%.

Risk weight floors based on the ECB's decision apply to retail exposures other than SME corporate exposures. In these, floors set for the average risk weight are 15.4% for mortgage-backed securities and 32.7% for other than mortgage-backed securities. The ECB's risk-weight floor will be effective until at least Q3/2018.

RWA flow statements of credit risk exposures under the IRB approach (EU-CR8), EUR million

	a	b
	RWA amounts	Capital requirements
1 RWAs as at the end of the previous reporting period	26,983	2,159
2 Asset size	377	30
3 Asset quality	-179	-14
9 RWAs as at the end of the reporting period	27,180	2,174

Changes occurred in retail exposures, corporate exposures and credit institution exposures are presented using the flow statements. Exposure amounts increased in corporate and retail exposures while the amount of credit institution exposures decreased slightly. The change in the quality of exposures resulted from the fact that loan commitments increased faster than balance-sheet exposures. The quality of the loan portfolio remained good as at the turn of the year.

Note 19 Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures 31 March 2018

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**48,429**	**1,956**	**51.6**	**0.7**	**17.2**	**4,047**	**7.4**	**170**
A	30,388	1,507	52.1	0.0	16.3	571	1.8	2
B	10,356	368	50.2	0.1	16.4	520	4.9	2
C	3,744	59	49.0	0.5	22.5	661	17.4	4
D	2,147	18	45.5	2.3	20.9	788	36.4	10
E	1,363	4	41.6	20.2	21.0	1,147	84.0	56
F	431			100.0	24.5	359	83.4	95
Corporate customers, total	**1,463**	**132**	**68.5**	**3.3**	**38.4**	**740**	**42.4**	**42**
2.5–5.5	472	42	67.8	0.4	23.5	61	11.9	0
6.0–7.0	569	54	66.9	1.3	42.9	257	41.3	4
7.5–8.5	284	27	70.7	5.0	47.8	219	70.4	8
9.0–10.0	98	10	75.2	23.6	48.1	122	112.5	12
11.0–12.0	40			100.0	59.7	81	201.0	18
Total	**49,892**	**2,089**	**52.4**	**0.8**	**17.9**	**4,786**	**8.4**	**212**

All retail exposures 31 December 2017

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**48,246**	**1,622**	**53.1**	**0.7**	**17.0**	**4,159**	**7.5**	**157**
A	29,908	879	52.4	0.0	15.8	528	1.7	2
B	10,536	642	53.8	0.1	17.2	592	5.3	3
C	3,854	74	56.6	0.5	21.9	666	17.0	4
D	2,168	23	52.7	2.3	20.6	789	36.0	10
E	1,365	3	45.0	20.0	20.8	1,142	83.5	56
F	415			100.0	25.1	441	106.3	82
Corporate customers, total	**1,459**	**137**	**68.4**	**3.4**	**38.3**	**800**	**42.6**	**42**
2.5–5.5	459	41	67.9	0.4	22.6	57	11.5	0
6.0–7.0	569	57	66.7	1.3	42.6	257	41.1	4
7.5–8.5	285	28	70.6	5.1	47.6	221	70.5	8
9.0–10.0	103	11	74.4	23.4	47.6	127	111.2	12
11.0–12.0	43			100.0	65.3	138	320.6	18
Total	**49,706**	**1,759**	**54.1**	**0.8**	**17.7**	**4,959**	**8.6**	**199**

The defaults, or borrower grades 11.0 and 12.0, as well as F are not included in the average PD and risk weight. The figures exclude the risk weight floors.

Corporate exposures (FIRB) by rating category

	31 March 2018							
Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, 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	681	256	89.6	0.0	44.7	137	14.7	0
2.5–5.5	15,323	3,740	72.3	0.2	44.5	7,456	39.1	18
6.0–7.0	6,786	1,461	70.2	1.4	44.0	7,155	86.8	49
7.5–8.5	4,046	631	68.6	4.4	44.0	5,584	119.4	90
9.0–10.0	696	102	59.8	20.1	44.2	1,519	190.3	71
11.0–12.0	683	26	60.2	100.0	45.1			319
Total	**28,215**	**6,216**	**71.7**	**1.5**	**44.3**	**21,851**	**64.8**	**548**

	31 December 2017							
Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, 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	667	214	93.3	0.0	44.7	128	14.6	0
2.5–5.5	14,933	3,867	72.7	0.2	44.5	7,335	39.0	18
6.0–7.0	6,622	1,376	69.7	1.3	44.0	6,803	85.1	45
7.5–8.5	3,895	763	70.0	4.3	44.1	5,596	120.1	89
9.0–10.0	681	142	62.5	19.9	44.2	1,576	191.5	72
11.0–12.0	717	26	59.2	100.0	45.0			335
Total	**27,516**	**6,388**	**71.9**	**1.5**	**44.3**	**21,438**	**64.7**	**560**

The defaults, or borrower grades 11.0 and 12.0, are not included in the average PD and risk weight.

Note 20 Insurance company solvency

EUR million	31 March 2018		31 December 2017	
	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,305**	**929**	**1,317**	**902**
Solvency capital requirement (SCR)				
Market risk	697	477	759	460
Insurance risk	373	291	394	289
Counterparty risk	30	40	27	40
Operational risk	35	45	36	45
Diversification benefits and loss absorbency	-498	-176	-541	-169
Total	637	677	674	666
Buffer for SCR	**668**	**252**	**643**	**236**
Solvency ratio (SCR), %	**205**	**137**	**195**	**135**
Solvency ratio (SCR), % (excluding transitional provision)	**159**	**137**	**151**	**135**

The figures are according to OP Financial Group's estimate and transitional provisions have been taken into account in them.

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

EUR million	31 March 2018	31 December 2017
OP Financial Group's equity capital	**11,060**	**11,121**
Hybrid instruments and debenture bonds	1,169	1,202
Other sector-specific items excluded from capital base	-93	-236
Goodwill and intangible assets	-1,524	-1,525
Insurance business valuation differences*	812	824
Proposed profit distribution	-75	-90
Items under IFRS deducted from capital base**	8	3
Shortfall of impairments – expected losses	-275	-294
Conglomerate's capital base, total	**11,083**	**11,005**
Regulatory capital requirement for credit institutions***	6,214	6,107
Regulatory capital requirement for insurance operations*	1,315	1,340
Conglomerate's total minimum capital requirement	**7,529**	**7,447**
Conglomerate's capital adequacy	**3,554**	**3,558**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**147**	**148**

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR.

** Excess funding of pension liability, portion of cash flow hedge of fair value reserve.

*** Total risk exposure amount x 14.3 %.

Transitional provisions and the risk weight floors have been taken into account in figures. The risk weight floors decreased the ratio by approximately 15 percentage points.

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, their close family members included, 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. 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 2017.

Financial reporting in 2018

Schedule for Interim Reports in 2018:

Interim Report H1/2018	1 August 2018
Interim Report Q1–3/2018	31 October 2018

Helsinki, 3 May 2018

OP Cooperative
Executive Board

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