



OP Financial Group's Interim Report for 1 January – 31 March 2019

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OP Financial Group's Interim Report

OP Financial Group's key figures and ratios

Earnings before tax for the first quarter were EUR 197 million

	Q1/2019	Q1/2018	Change, %	Q1-4/2018
Earnings before tax, EUR million	197	239	-17,4	1 017
Retail Banking	49	66	-26,5	421
Corporate Banking	56	117	-52,6	408
Insurance	88	66	32,3	260
Other Operations	5	-11	-	-64
New OP bonuses accrued to owner-customers	-69	-56	22,3	-230
Return on economic capital, % **	20,0	19,6	0,4 *	20,8
Return on equity (ROE), %	5,3	6,8	-1,5 *	6,9
Return on equity excluding OP bonuses, %	7,0	8,4	-1,3 *	8,5
Return on assets (ROA), %	0,44	0,55	-0,1 *	0,57
Return on assets excluding OP bonuses, %	0,59	0,67	-0,1 *	0,70
	31 March 2019	31 March 2018	Change, %	31 December 2018
CET1 ratio, %	20,2	20,0	0,2 *	20,5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates) % ***	143	147	-5 *	147
Loan portfolio, €bn	88,0	83,1	6,0	87,1
Deposits, €bn	63,1	59,6	5,9	61,3
Ratio of non-performing receivables to loan and guarantee portfolio, % ****	1,1	1,2	0,0 *	1,0
Owner customers (1,000)	1 931	1 848	4,5	1 911

* Change in ratio

** 12-month rolling

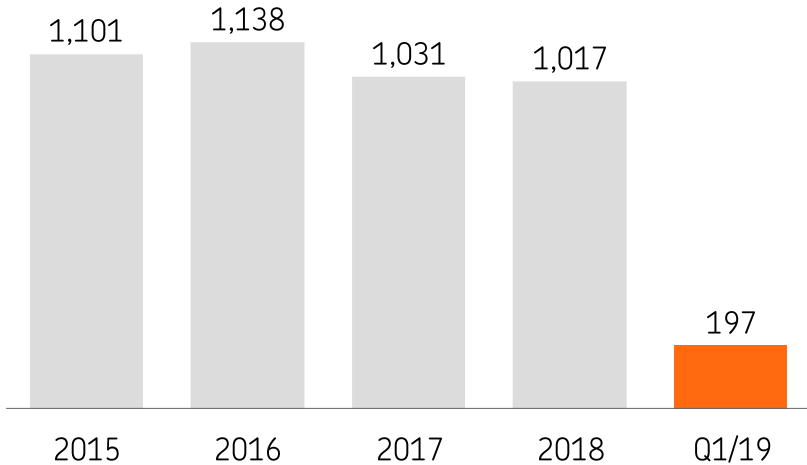
*** The FICO ratio has been calculated for insurance companies using transition provisions included in solvency regulation.

**** Non-performing receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forbore receivables related to such receivables due to the customer's financial difficulties.

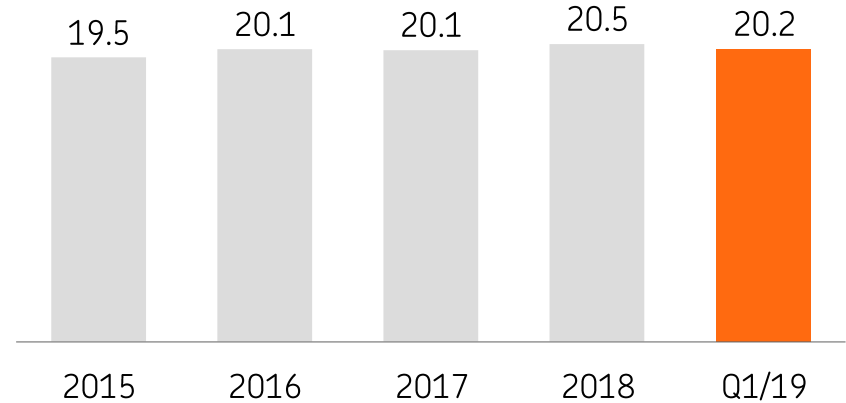
- Earnings before tax amounted to EUR 197 million (239)
- Net interest income increased by 1% to EUR 285 million and net commissions and fees by 1% to EUR 234 million.
- Net insurance income decreased by 15% to EUR 109 million.
- Investment income increased by 2% to EUR 101 million.
- Expenses grew by 2% to EUR 465 million.
- The CET1 ratio was 20.2% (20.5).
- OP bonuses totalled EUR 69 million.
- Earnings before tax for 2019 are expected to be lower than in 2018.

OP Financial Group's steady financial performance supports capital base

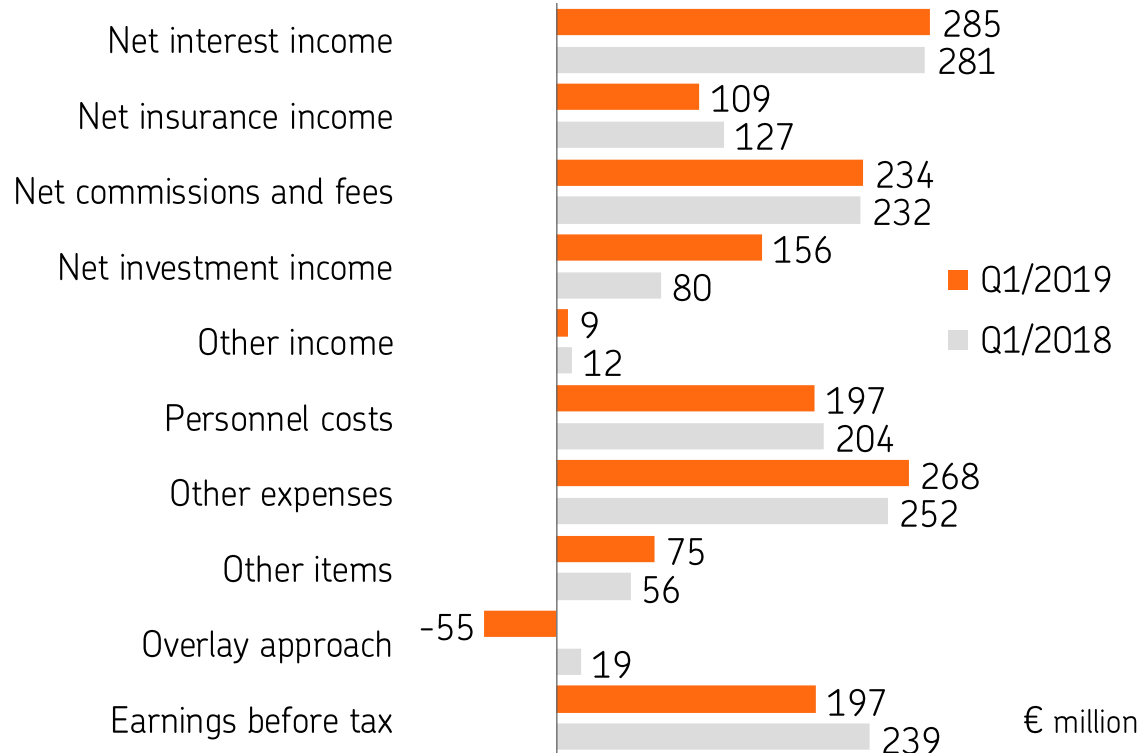
Earnings before tax, € million



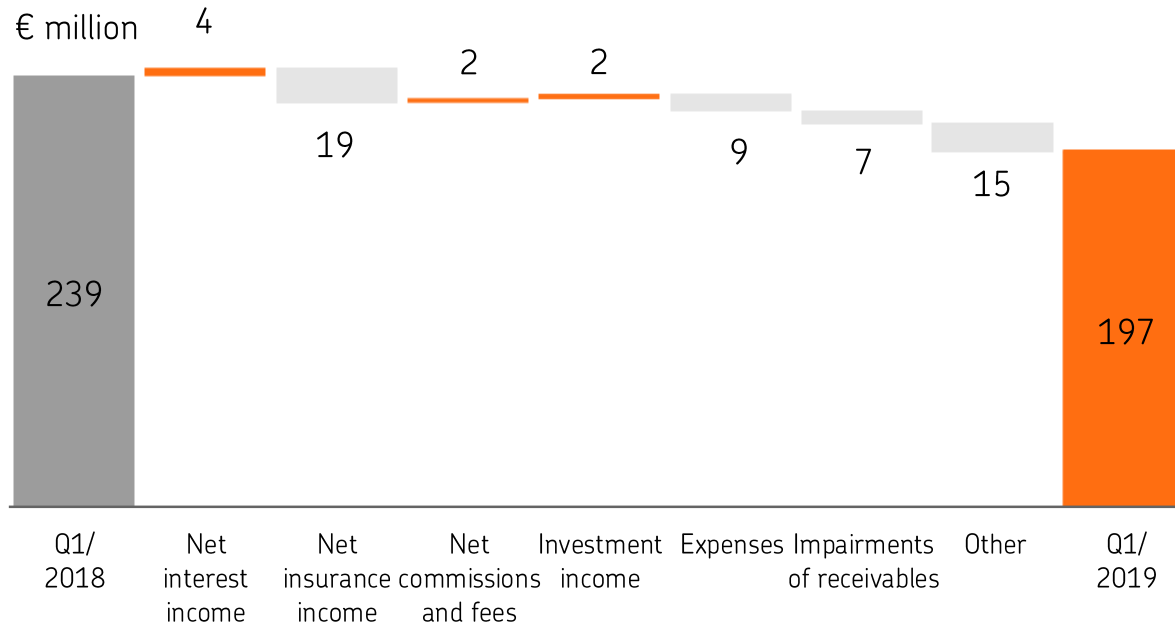
Common Equity Tier 1 ratio (CET1),%



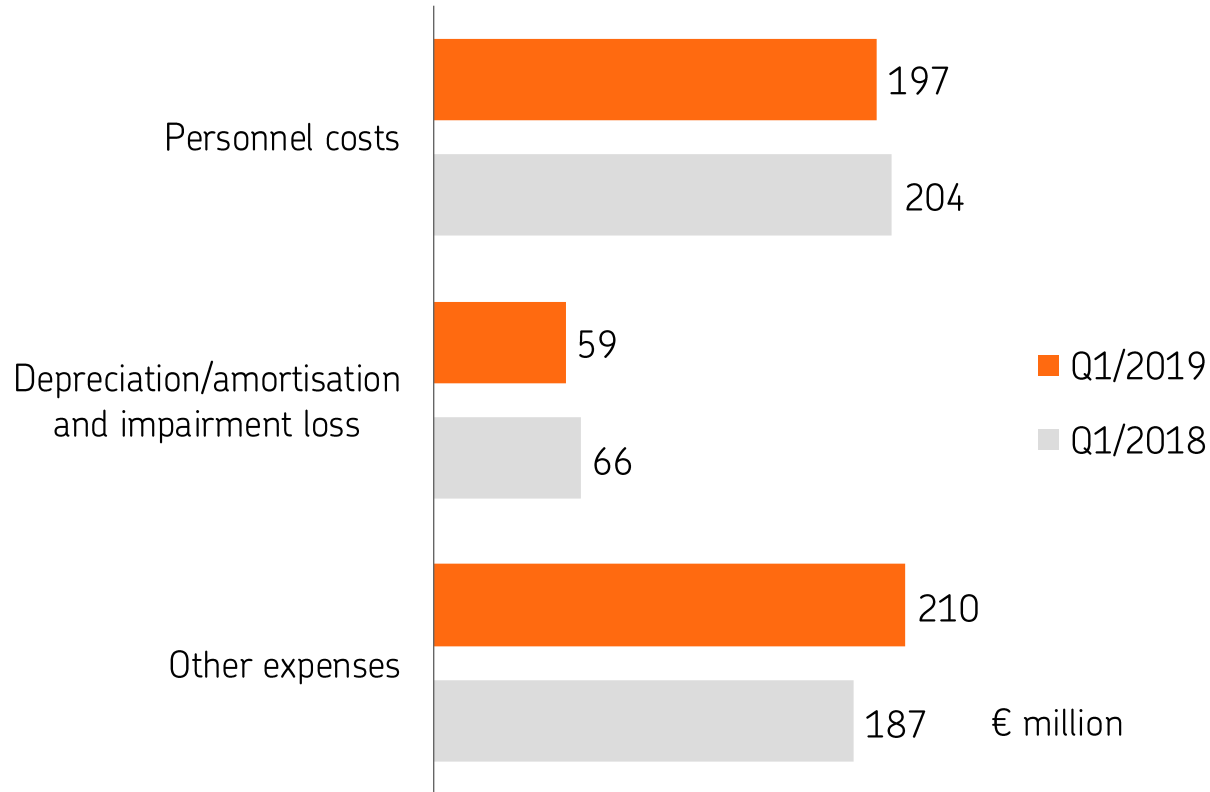
OP Financial Group's main income statement items



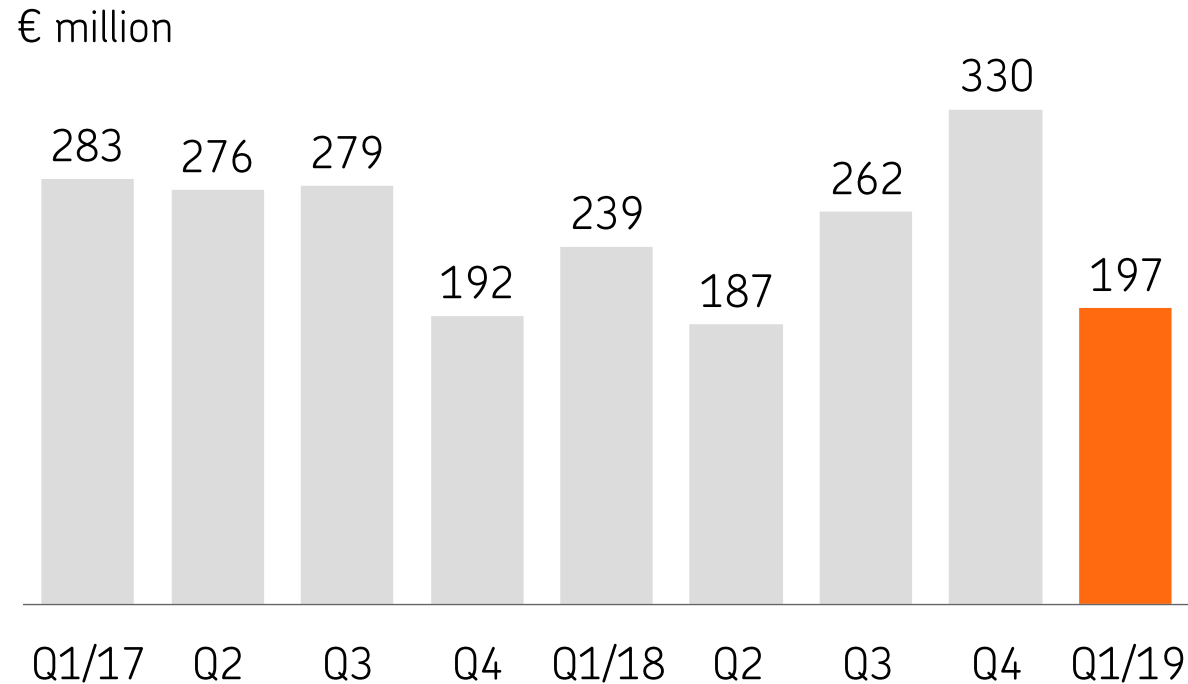
OP Financial Group's financial performance



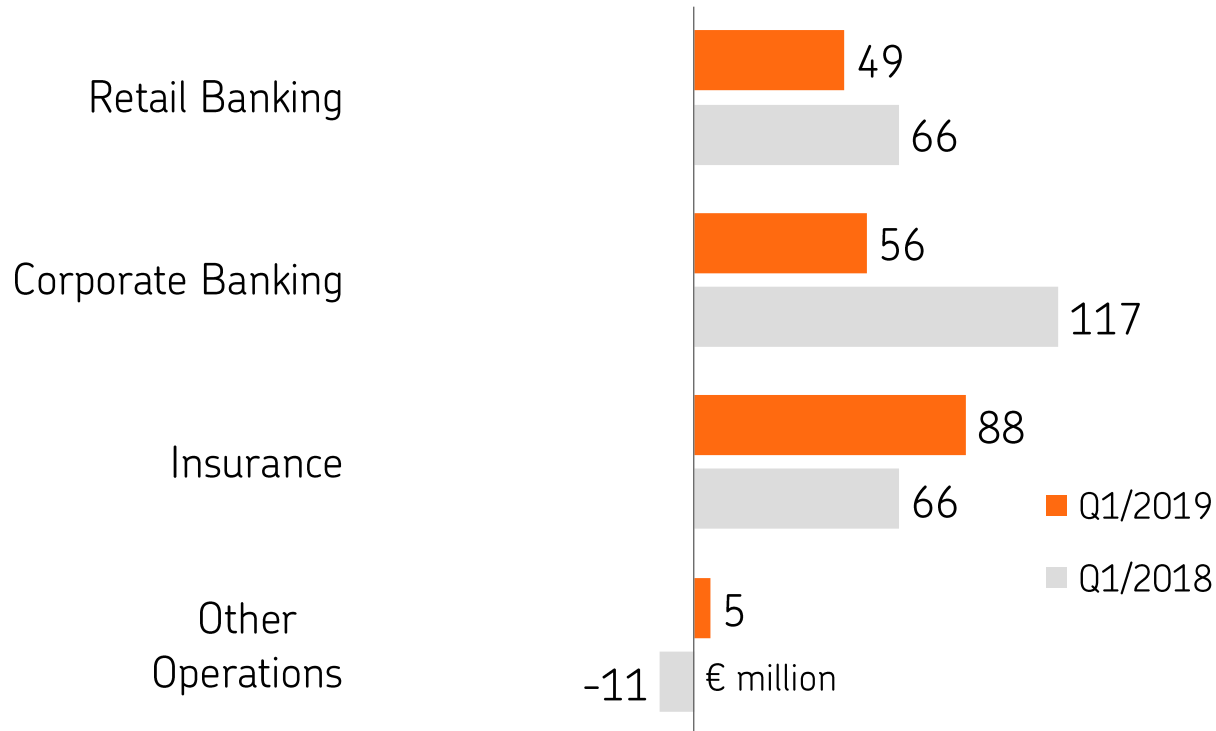
OP Financial Group's cost performance



OP Financial Group's EBT by quarter



OP Financial Group's EBT by business segment



OP Financial Group's income statement

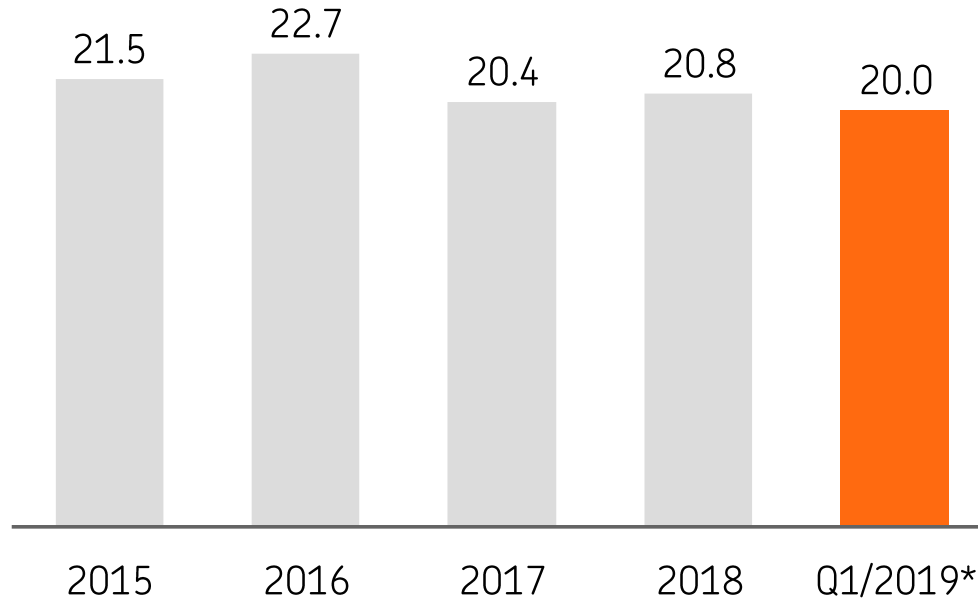
January 1 to March 31	2019	2018	Change, €million	%
Net interest income	285	281	4	1.4
Net insurance income	109	127	-19	-14.6
Net commissions and fees	234	232	2	0.8
Net investment income	156	80	77	95.7
Other operating income	9	12	-3	-27.3
Total income	793	732	61	8.3
Personnel costs	197	204	-7	-3.4
Depreciation/amortisation and impairment loss	59	66	-7	-10.8
Other expenses	210	187	23	12.4
Total expenses	465	456	9	2.0
Impairment loss on receivables	-11	-4	-7	192.3
OP bonuses	-64	-52	-11	21.7
Overlay approach	-55	19	-74	-393.4
Earnings before tax	197	239	-41	-17.4

OP Financial Group's quarterly performance

€ million	Q1/2018	Q2	Q3	Q4	Q1/2019
Net interest income	281	288	293	304	285
Net insurance income	127	151	154	134	109
Net commissions and fees	232	212	212	232	234
Net investment income	80	128	82	-27	156
Other operating income	12	9	25	15	9
Total income	732	788	766	657	793
Personnel costs*	204	209	178	-75	197
Depreciation/amortisation and impairment loss	66	65	58	136	59
Other expenses	187	225	185	242	210
Total expenses	456	500	422	303	465
Impairments of receivables	-4	-3	-17	-22	-11
OP bonuses to owner-customers	-52	-57	-58	-58	-64
Overlay approach	19	-41	-7	56	-55
Earnings before tax	239	187	262	330	197

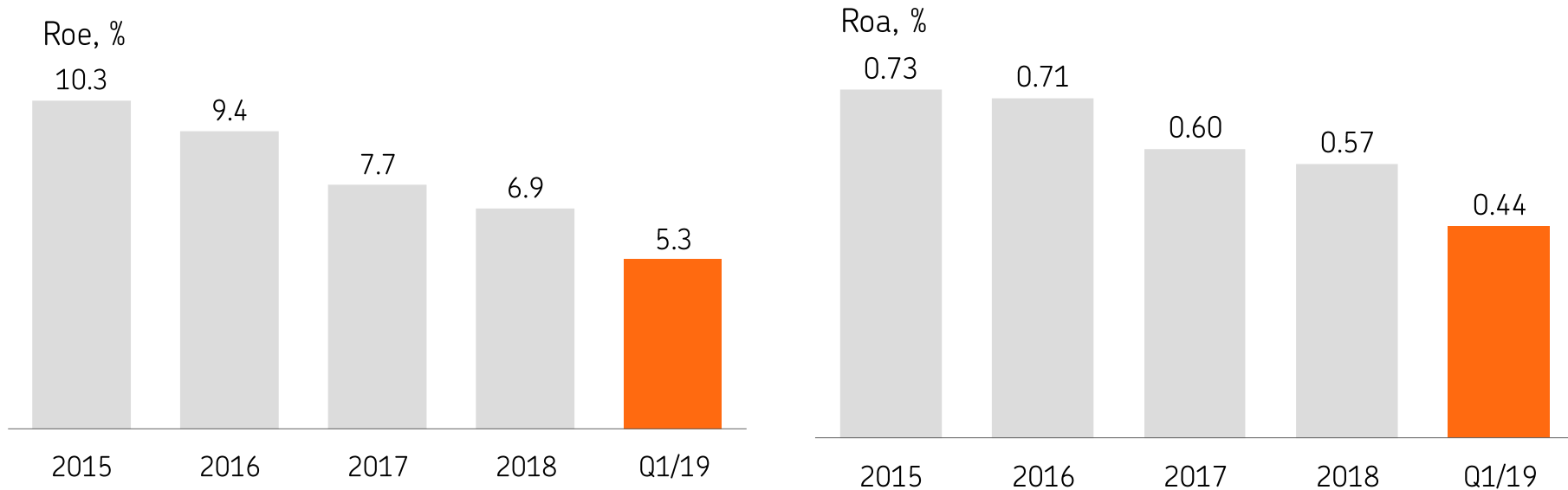
Long-term return target at 22%

Return on economic capital, %

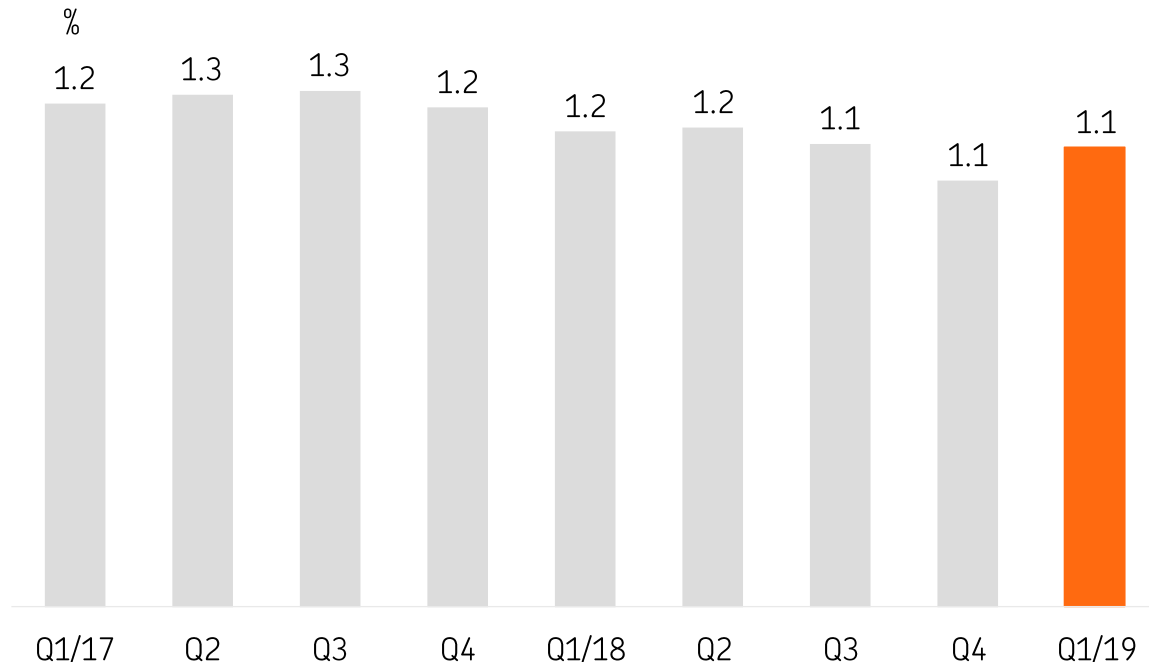


* 12-month rolling

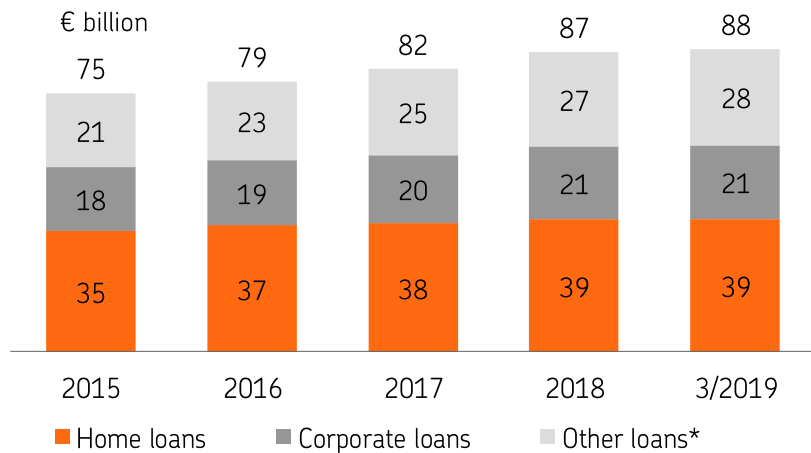
OP Financial Group's return on equity



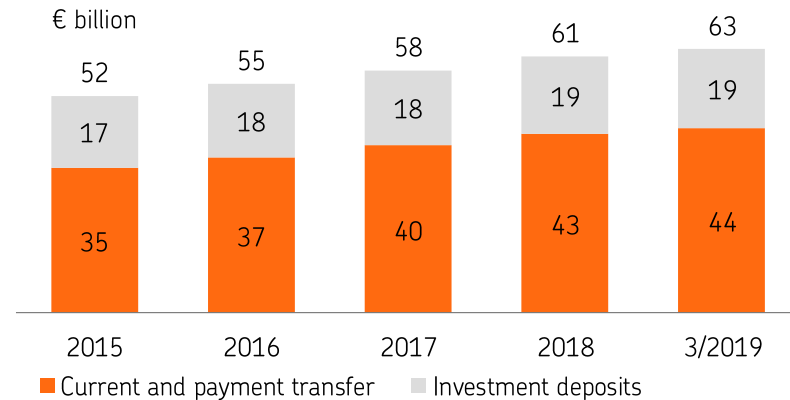
Ratio of non-performing receivables to loan and guarantee portfolio



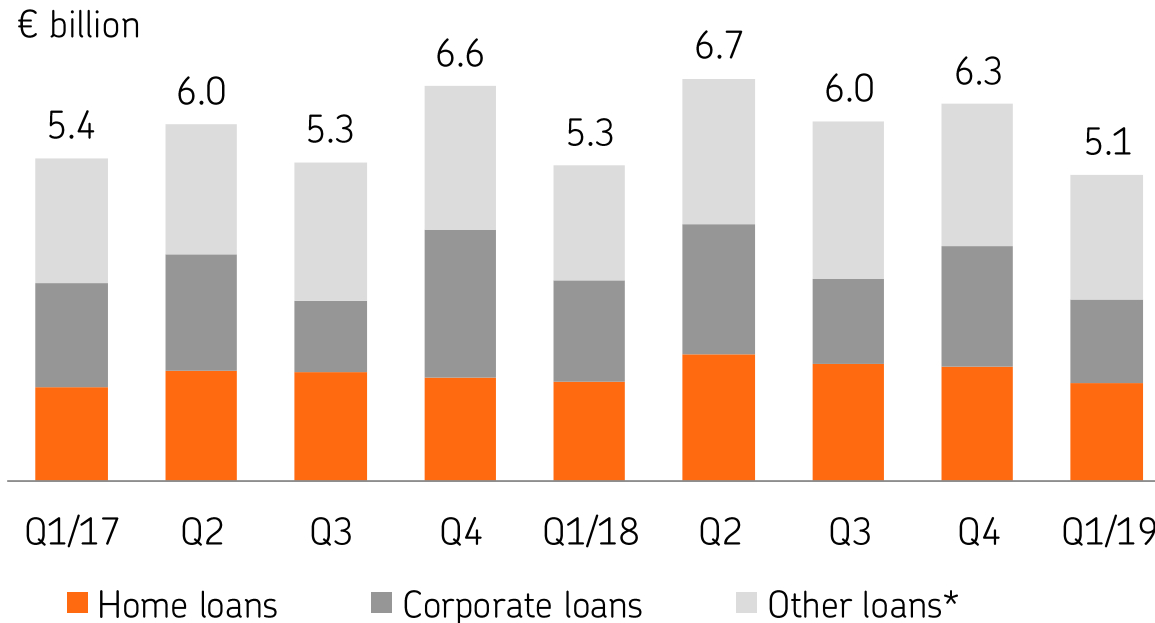
OP Financial Group's loan portfolio was up by 6.0% and the deposit portfolio by 5.9%



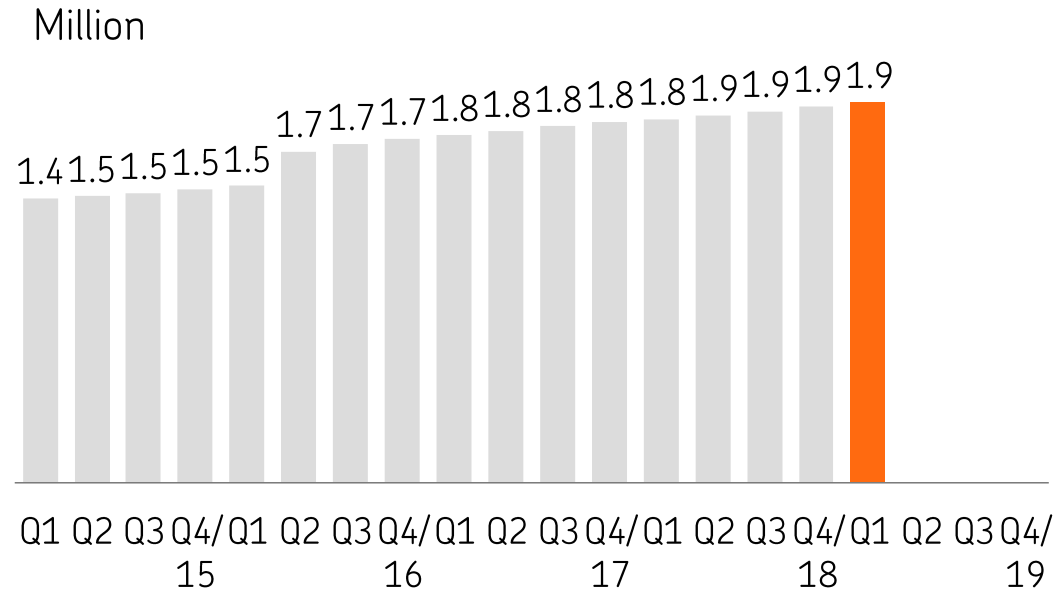
* incl. also housing companies and public corporations



OP Financial Group's new loans drawn down



Steady growth in the number of owner-customers



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

Retail Banking

Retail Banking

OP Financial Group's Retail Banking is the Group's largest business segment by volume, providing private and SME customers with an extensive and comprehensive range of products and services.

- Services and products for private customers include daily banking, loans, savings and investments, and housing-related services. OP is Finland's leading provider of home loans.
- OP provides and SME customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.

Retail Banking consists of banking for private and SME customers at OP cooperative banks and at the central cooperative.

Key figures for Q1/2019

Earnings before tax

€49 million

Loan portfolio

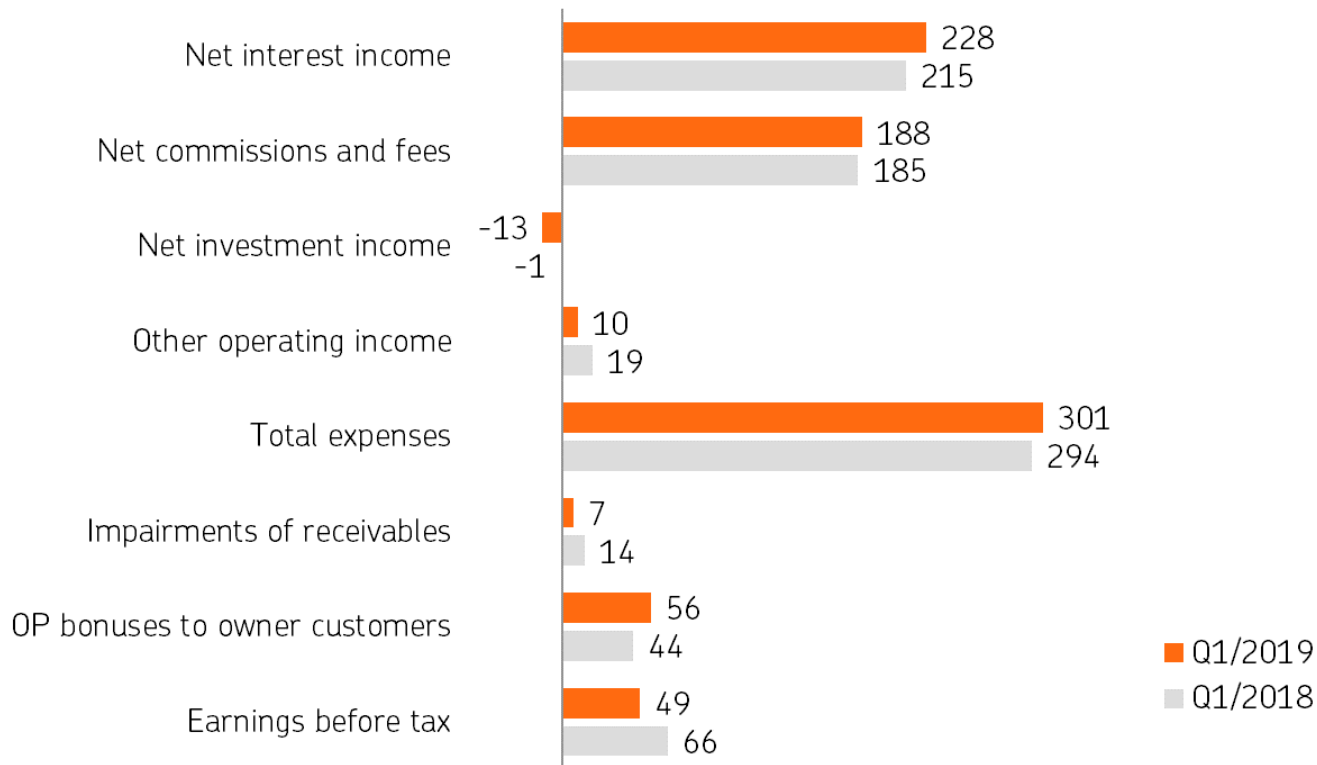
€65.8 billion

Deposit portfolio

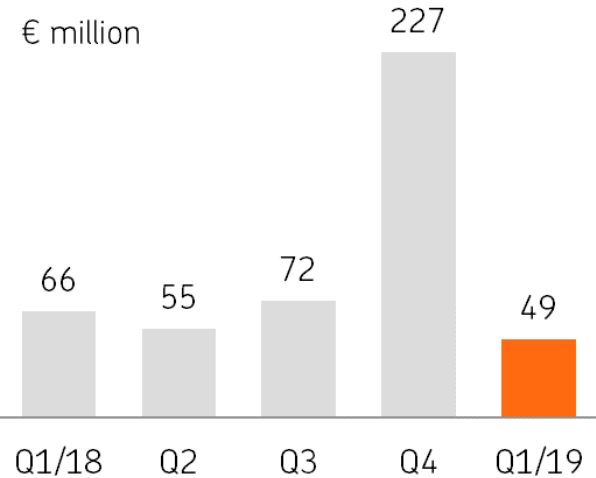
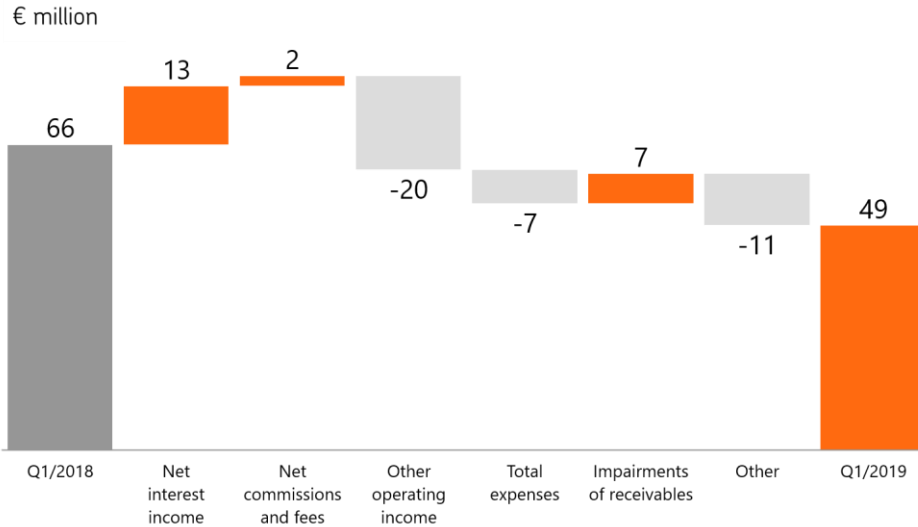
€52.6 billion

Retail Banking earnings before tax decreased to EUR 49 million

€ million



Net interest income grew year on year

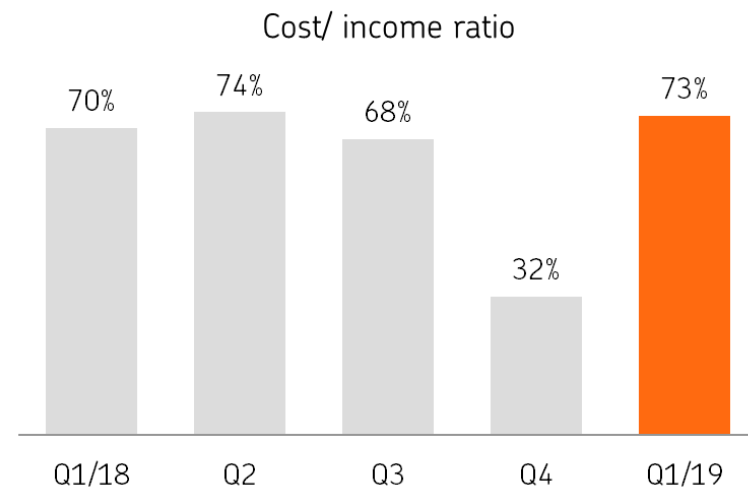
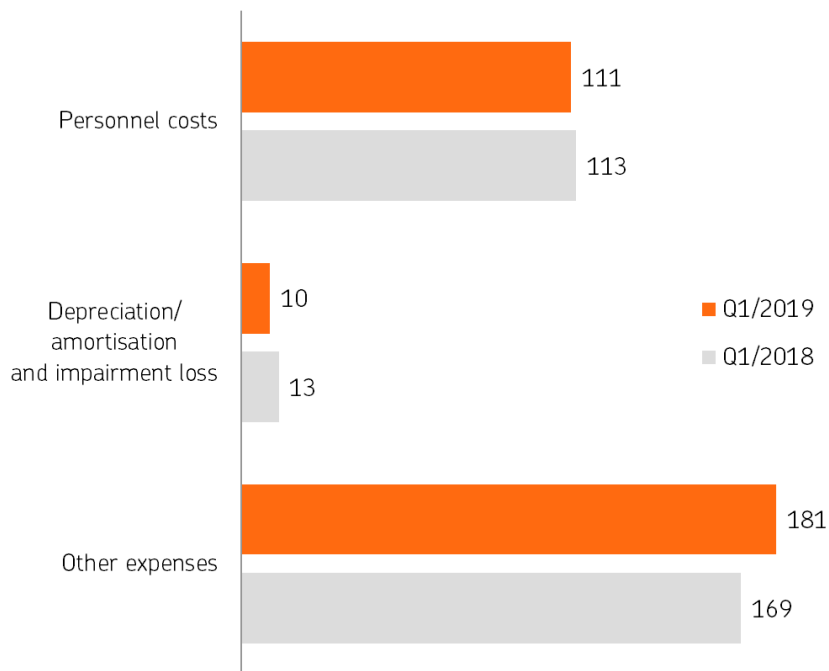


Income decreased by 1.3%. Expenses increased by 2.5%.

Transfer of the pension liability improved segment earnings in Q4/2018 (EUR 199 million)

Other operating expenses increased due to the stability contribution, development expenditure and higher volumes

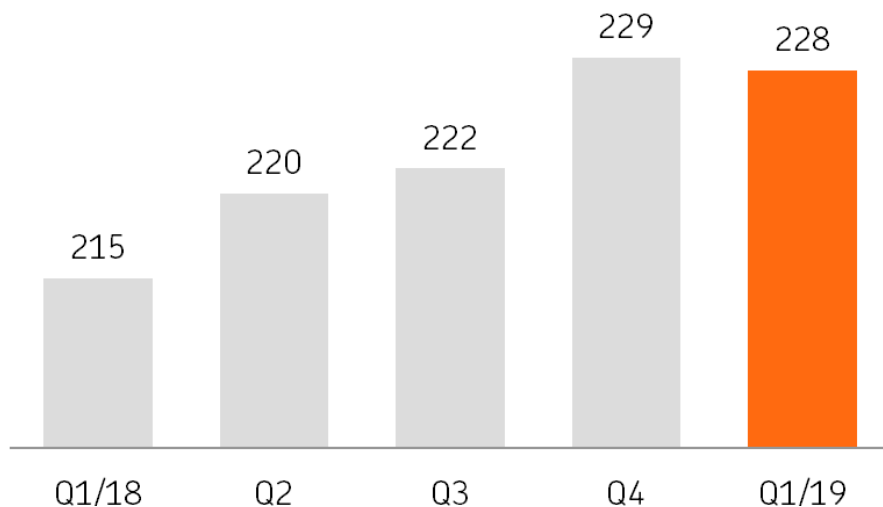
€ million



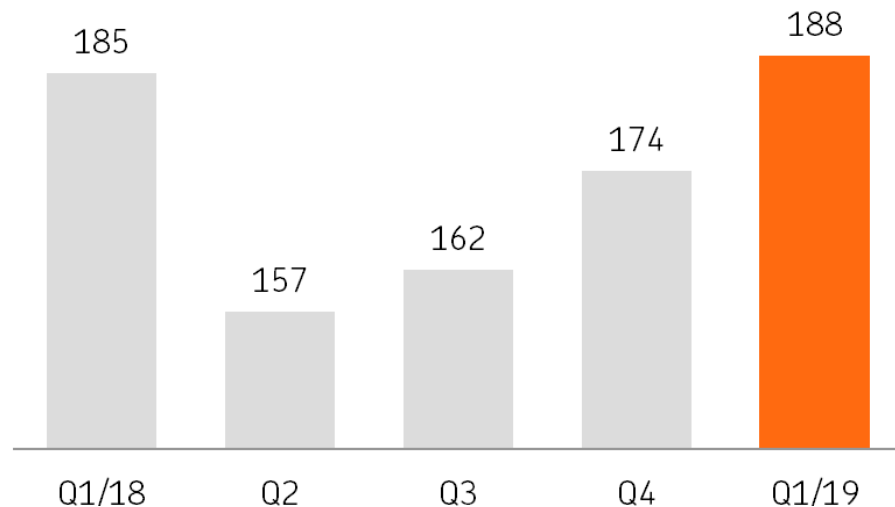
Q4/2018 personnel costs include the transfer of pension liability EUR 199 million

Net interest income, and net commissions and fees increased

Net interest income, €

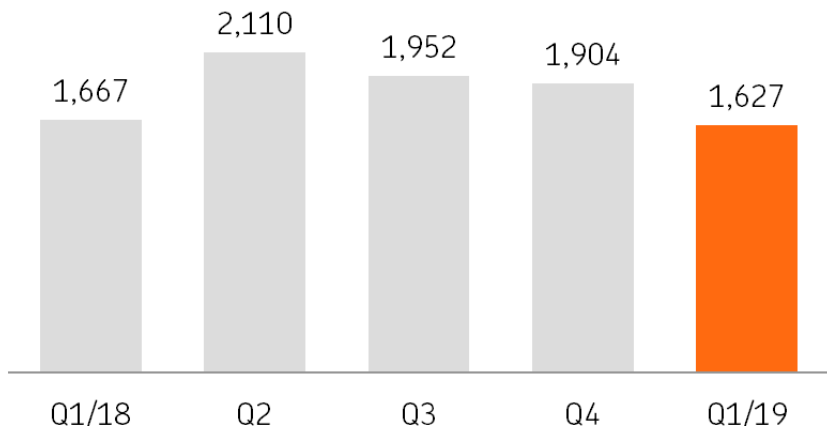


Net commissions and fees, €

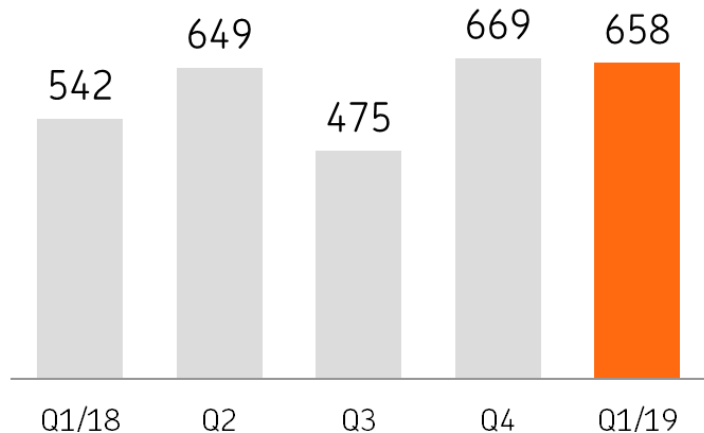


More SME corporate loans were drawn than during the same period last year

Home loans drawn down, € million

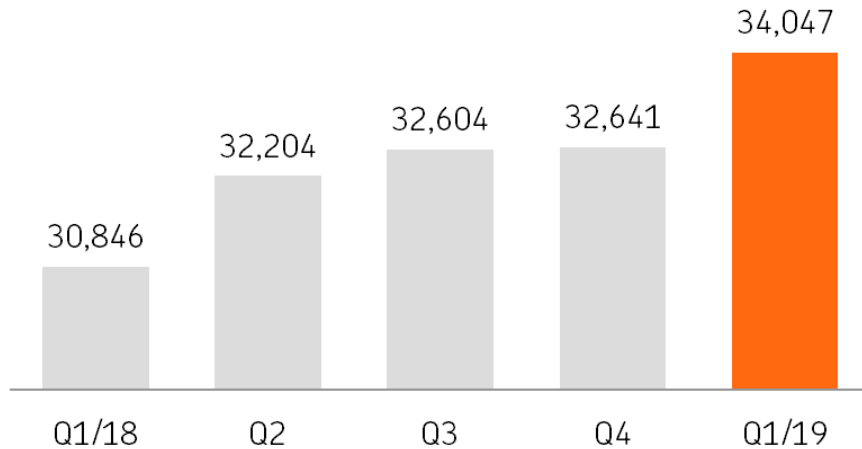


SME Corporate loans drawn down, € million

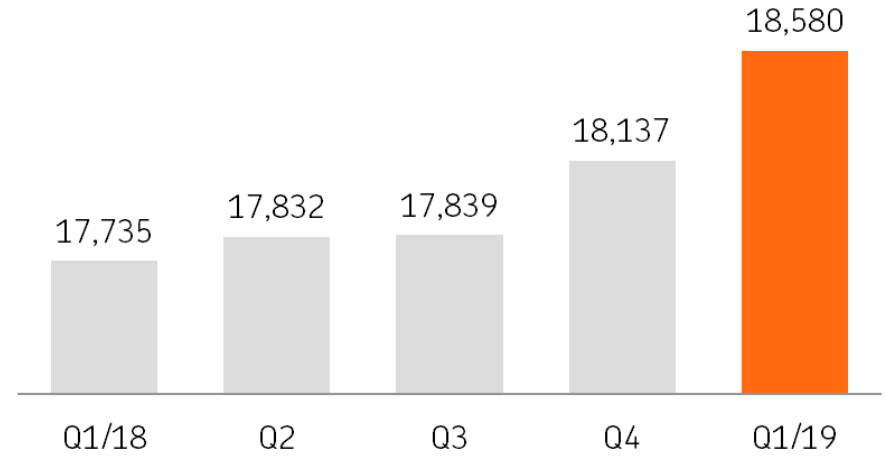


Growth in current and payment transfer account deposits as well as in investment deposits

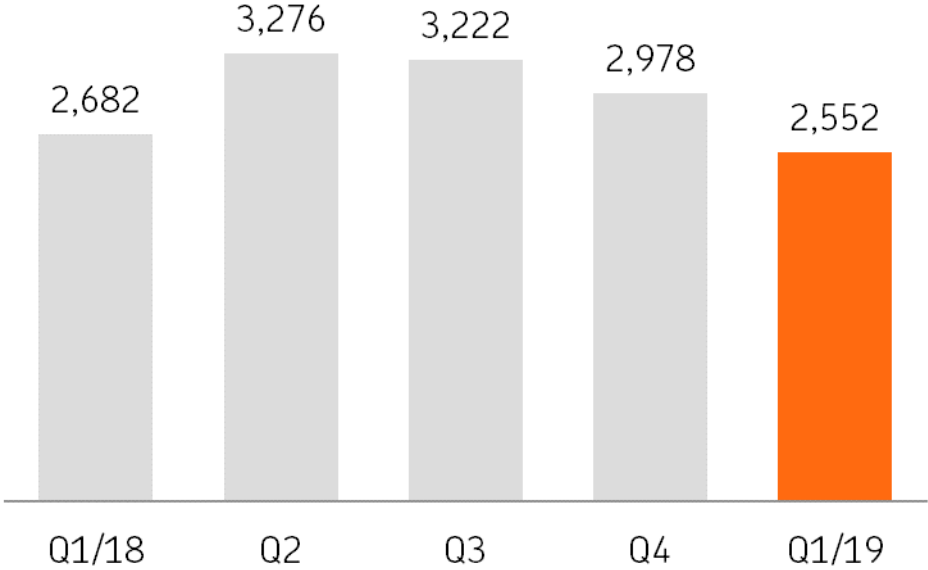
Current and payment transfer, € million



Investment deposits, € million



Volume of brokered homes and real property decreased year on year



Corporate Banking

Corporate Banking

OP is Finland's leading provider of corporate loans.

OP Financial Group's Corporate Banking segment comprises banking for corporate and institutional customers as well as asset management business, including OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd and OP Property Management Ltd.

- OP provides banking services to companies and organisations and associations. We provide our customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.
- OP also seeks to meet its Private and corporate customers' savings and investment needs in a customer-focused and comprehensive way and to provide the best digital asset management services.

Key figures for Q1/2019

Earnings before tax

€56 million

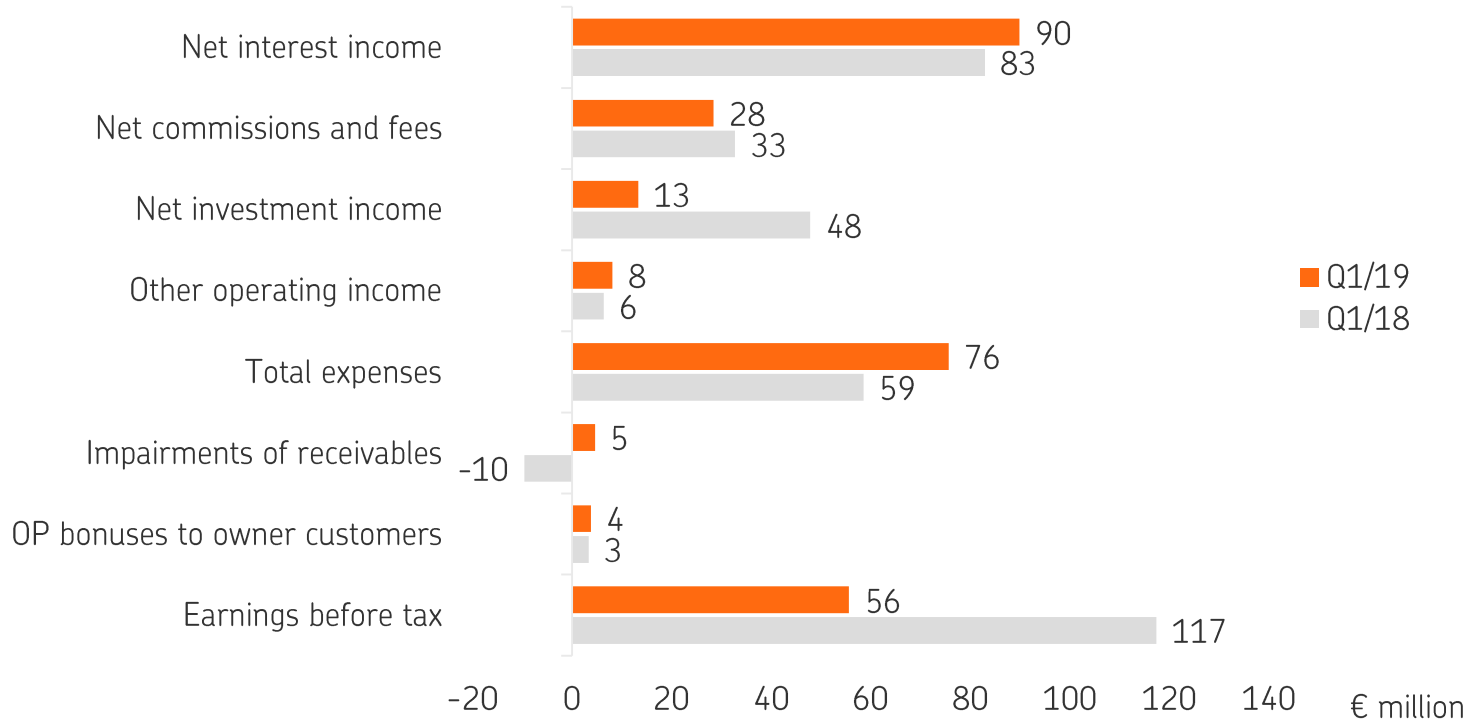
Loan portfolio

€22.5 billion

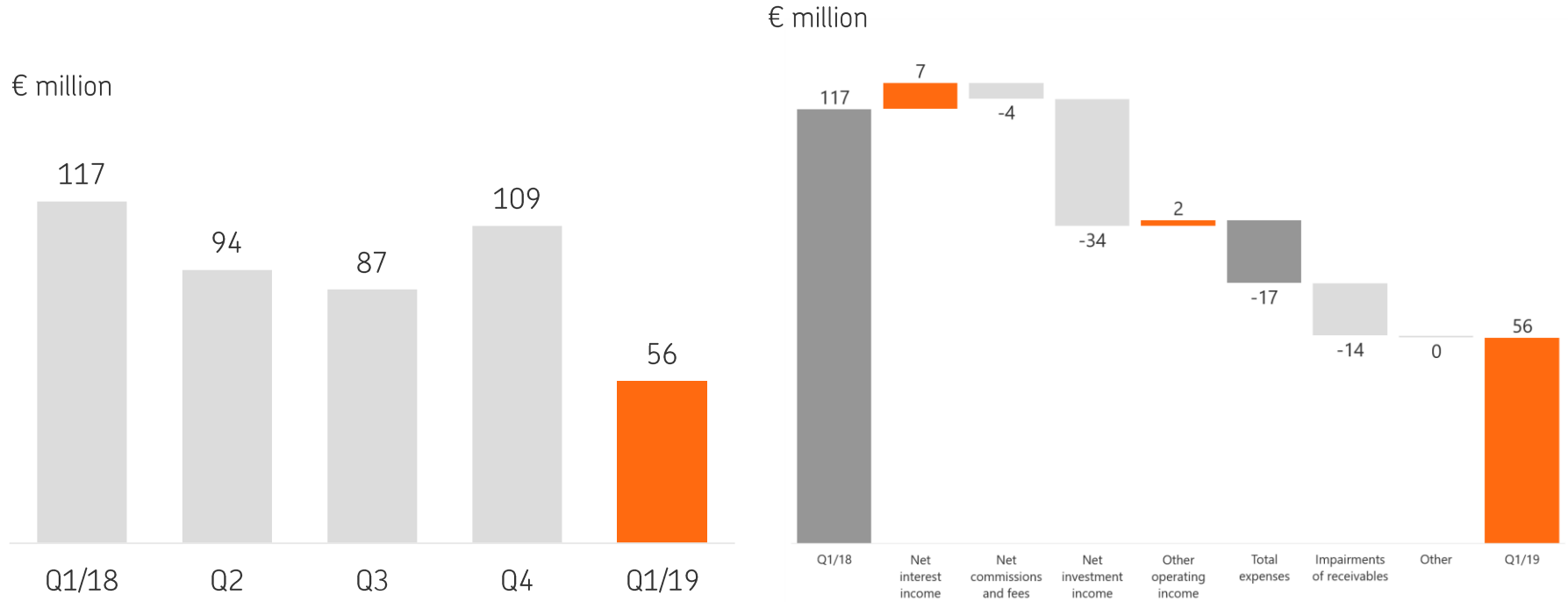
Assets under management

€76.4 billion

Corporate Banking earnings before tax weakened to EUR 56 million

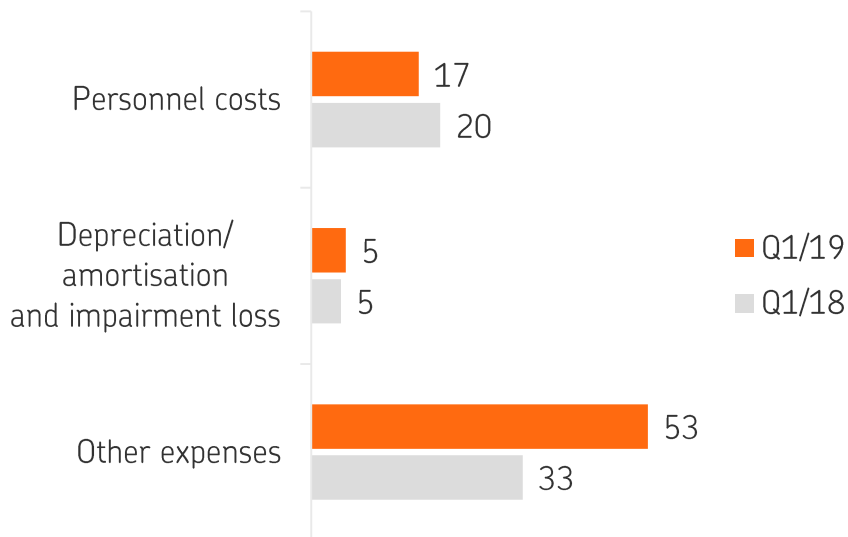


EBT weakened due to a reduction in NII and an increase in regulatory expenses

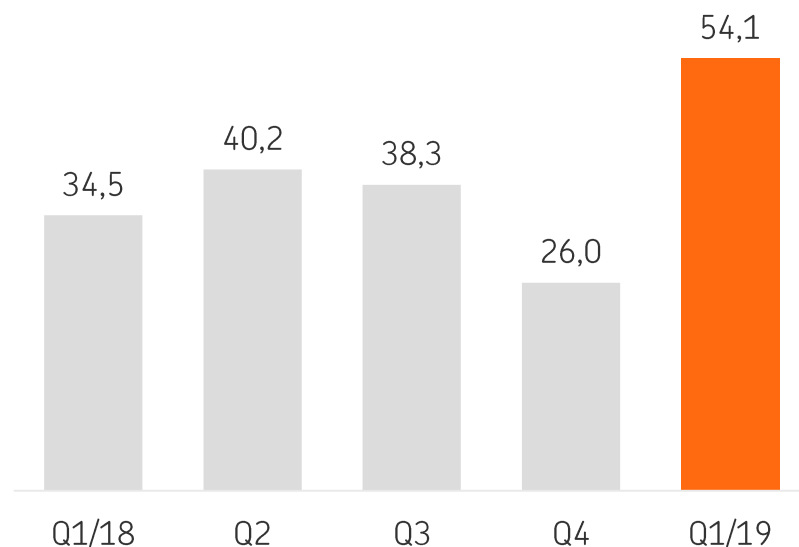


Stability contribution increased other operating expenses

€ million

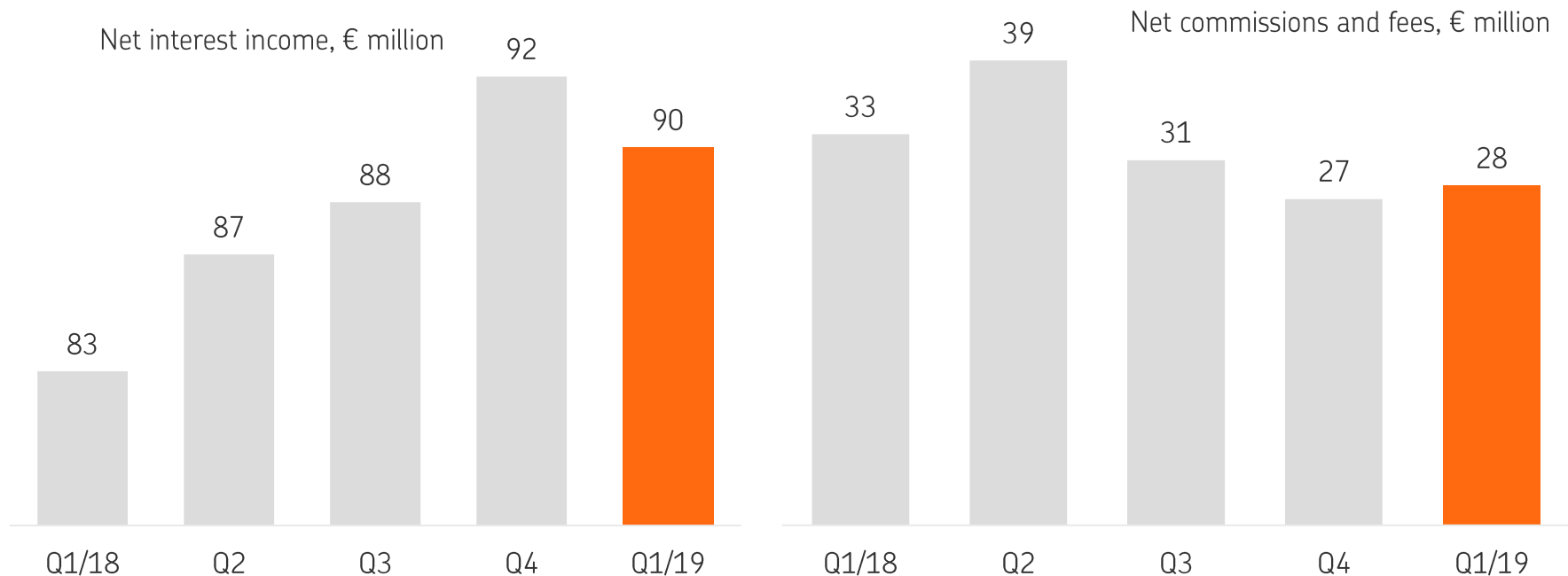


Cost/ income ratio, %

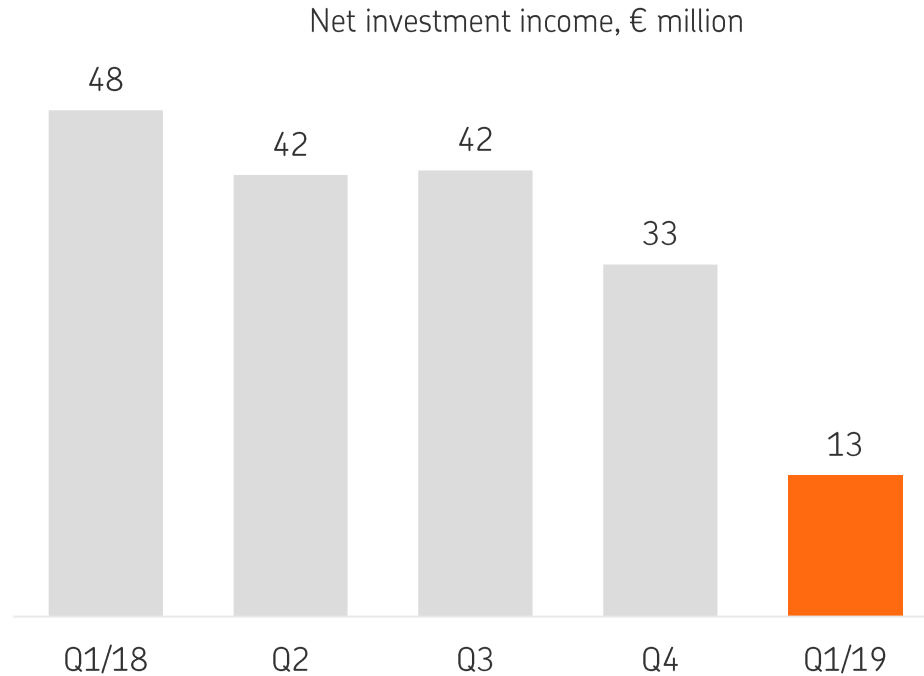


Q4/18 personnel costs include the transfer of pension liability EUR 32 million

Net interest income up by 8.5% year on year

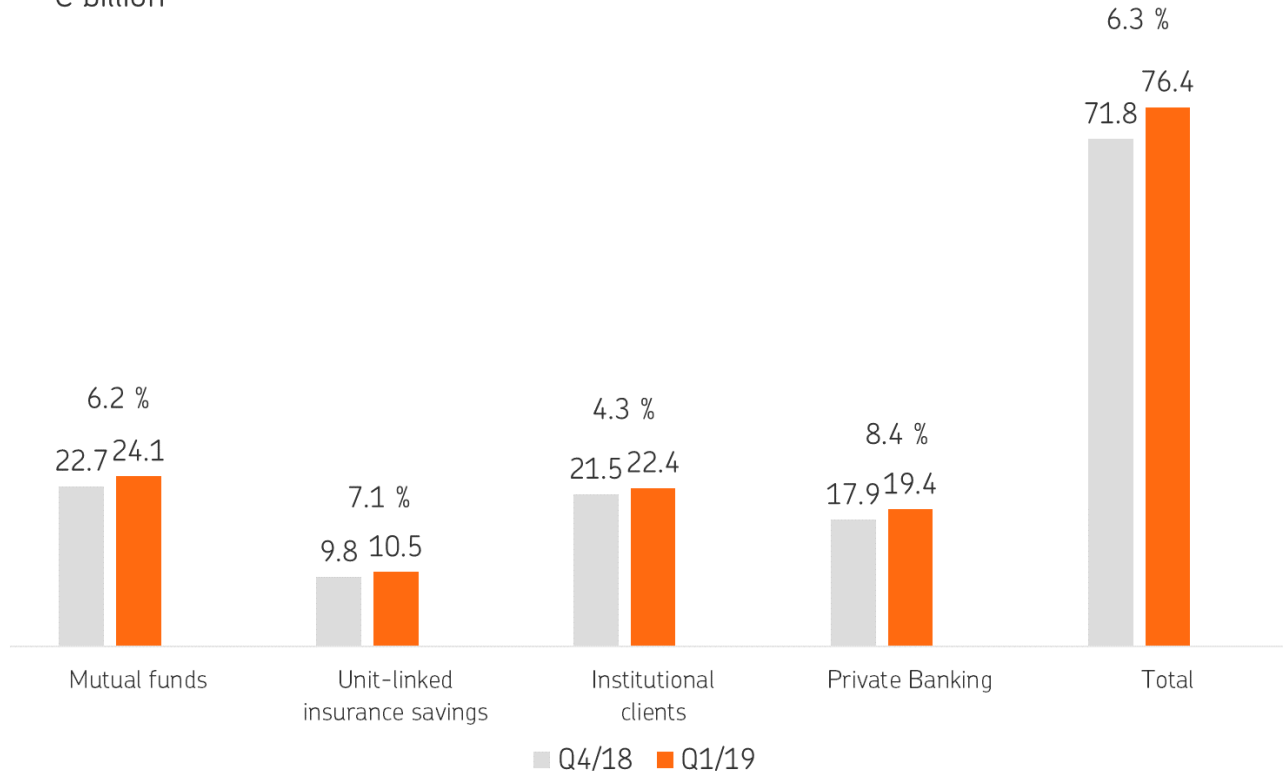


Changes made in the valuation models of derivative positions reduced net investment income



OP Financial Group's assets under management

€ billion



Insurance

Insurance

OP provides an extensive range of non-life and life insurance services to private, corporate and institutional customers. The insurance business segment comprises OP Insurance, A-Insurance, Eurooppalainen, OP Life Assurance Company and Pohjola Health.

- The key insurance lines for private customers include home, motor vehicle and other property policies and personal insurance, such as accident and health policies, as well as comprehensive services for saving through insurance.
- We provide our corporate customers with diversified risk management services, which enable them to better ensure trouble-free and secure business operations in the case of problems. For employee remuneration and the needs of a company's investment needs, we offer a diverse range of supplementary pension and investment solutions.
- With our claims service partners, we can ensure high-quality customer experience, claims services that are cost-efficient, of consistent quality and closely available to our customers

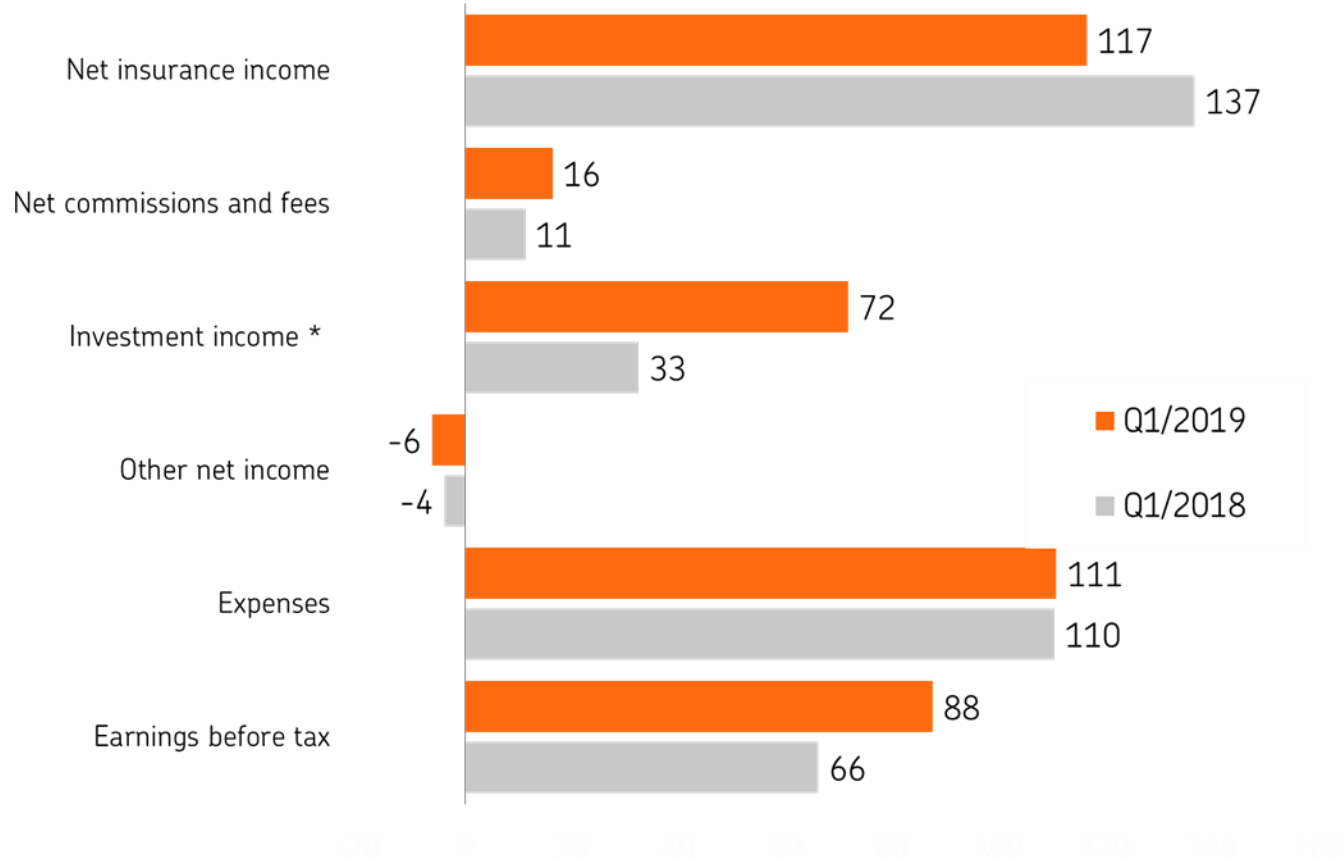
Key figures for Q1/2019

Earnings before tax
€88 million

Insurance premium revenue
€355 million

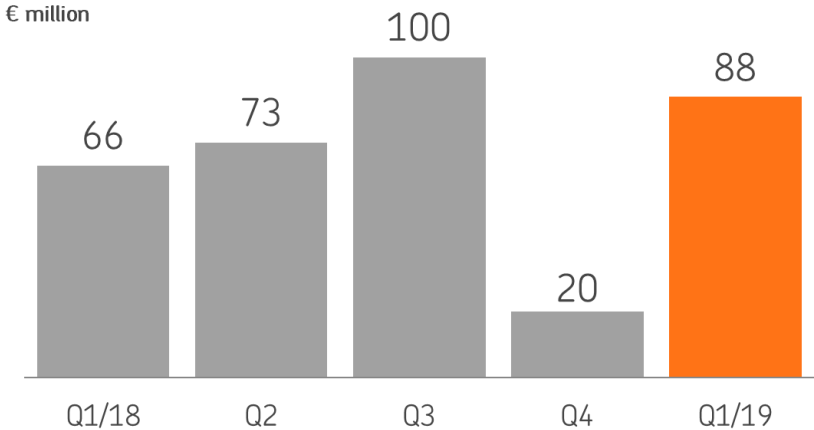
Unit-linked insurance assets
€11 billion

Insurance EBT, € million

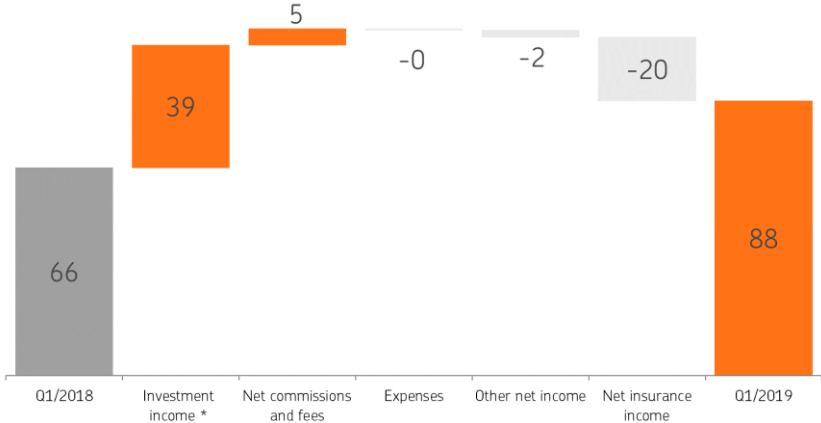


Higher investment income increased earnings – capital gains soared

Earnings before tax, € million by quarter



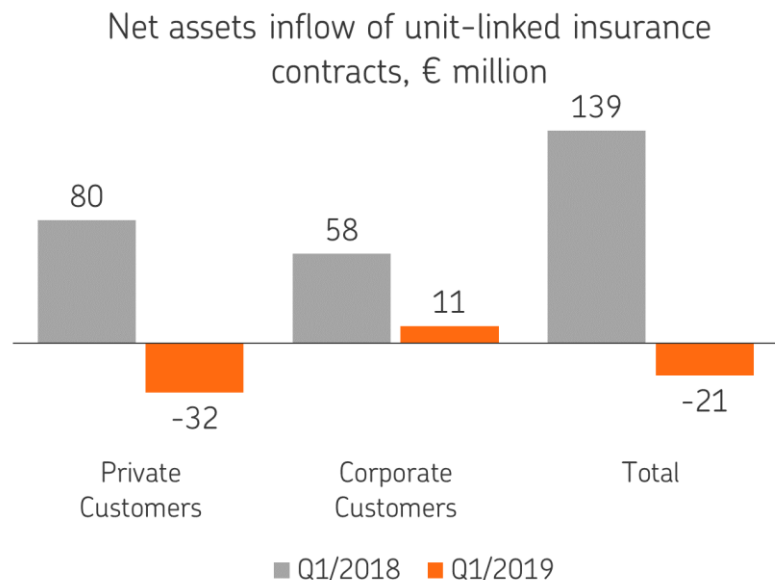
Earnings before tax, € million
Q1/2019 change vs. Q1/2018



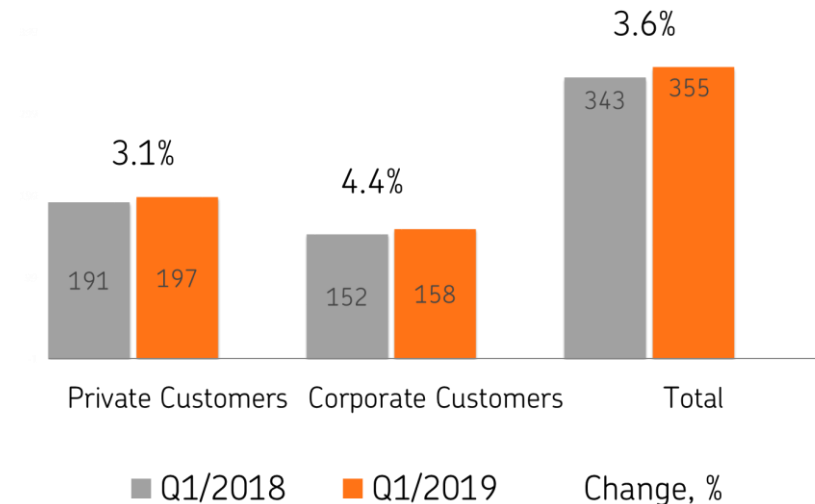
*) Includes net investment income and overlay approach

Net sales and insurance premium revenue

Life Insurance, net sales



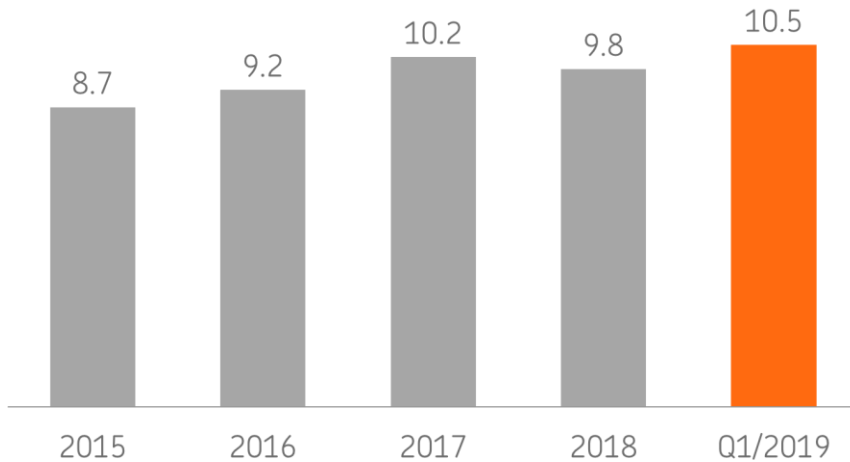
Non-life Insurance premium revenue



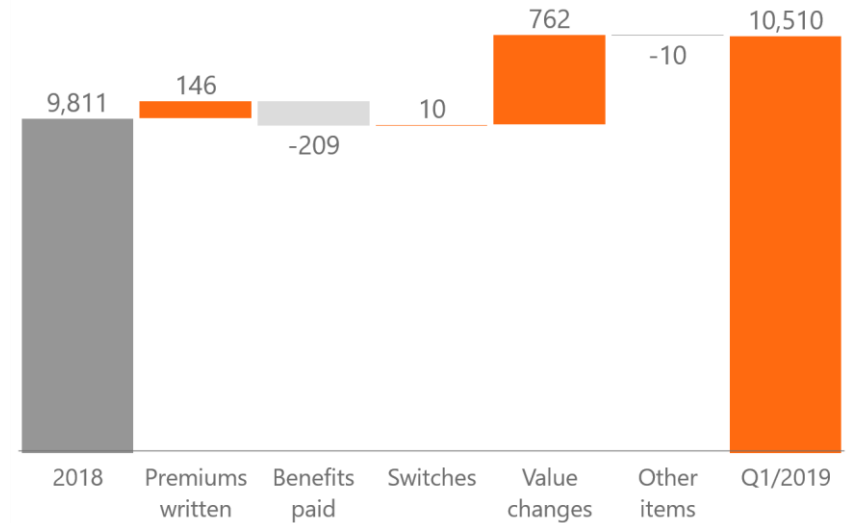
Insurance premium revenue excludes the Baltic business that was sold in August 2018.

Unit-linked insurance assets increased by 7% as a result of good value performance

Unit-linked insurance savings, € billion

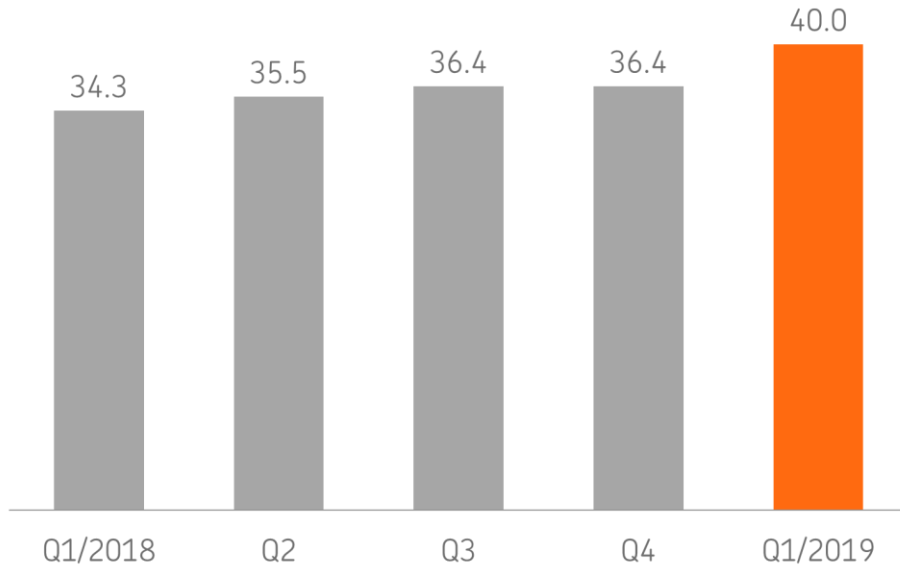


Change in unit-linked insurance savings, € billion

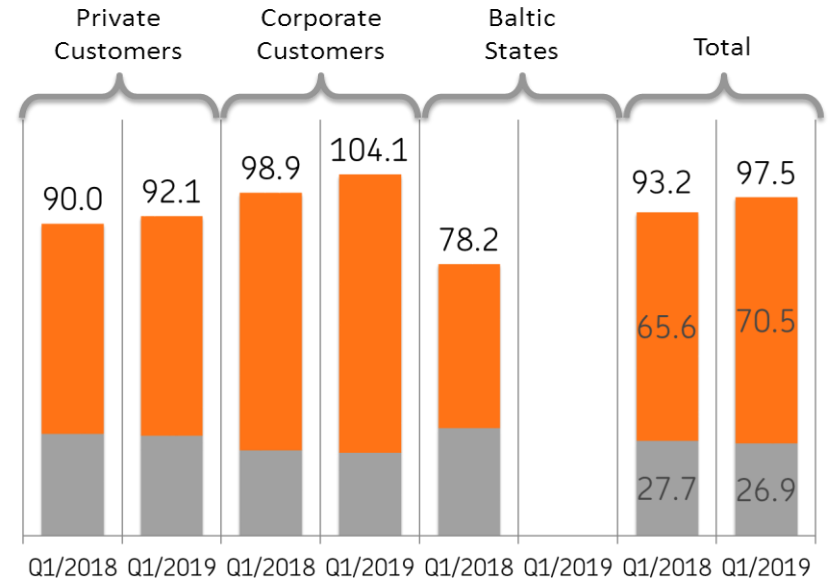


Insurance profitability

Life Insurance, operating ratio %



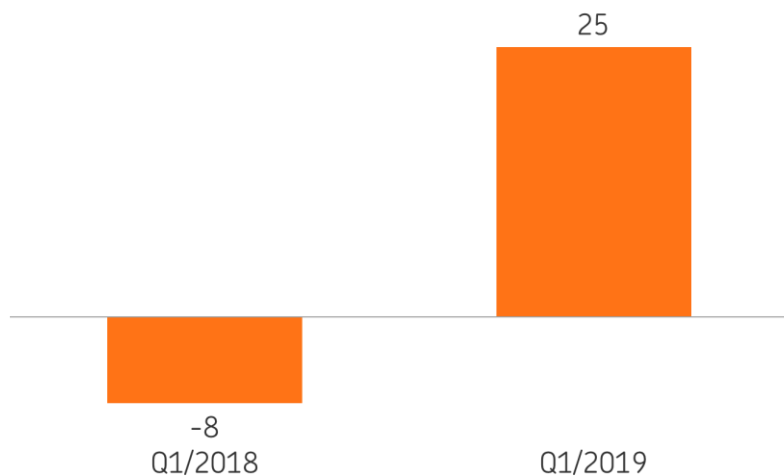
Non-life Insurance, operating combined ratio



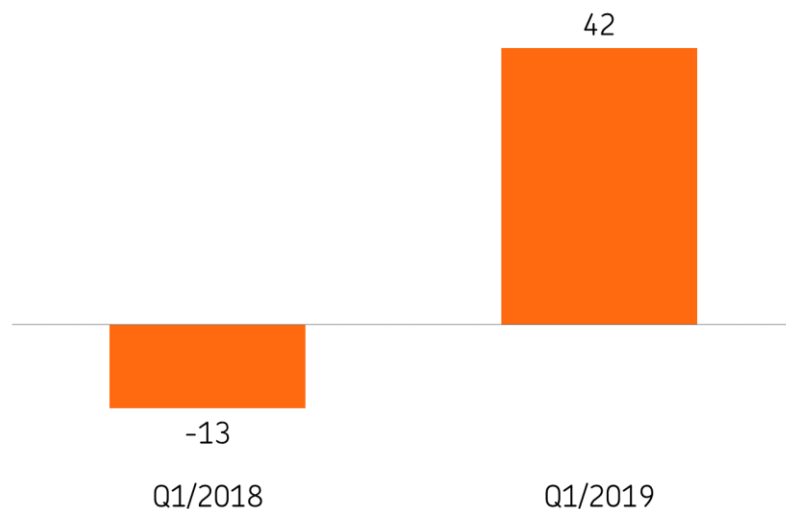
■ Operating cost ratio
■ Operating risk ratio
 Operating combined ratio

Net return on insurance investments at fair value

Life Insurance,
€ million *



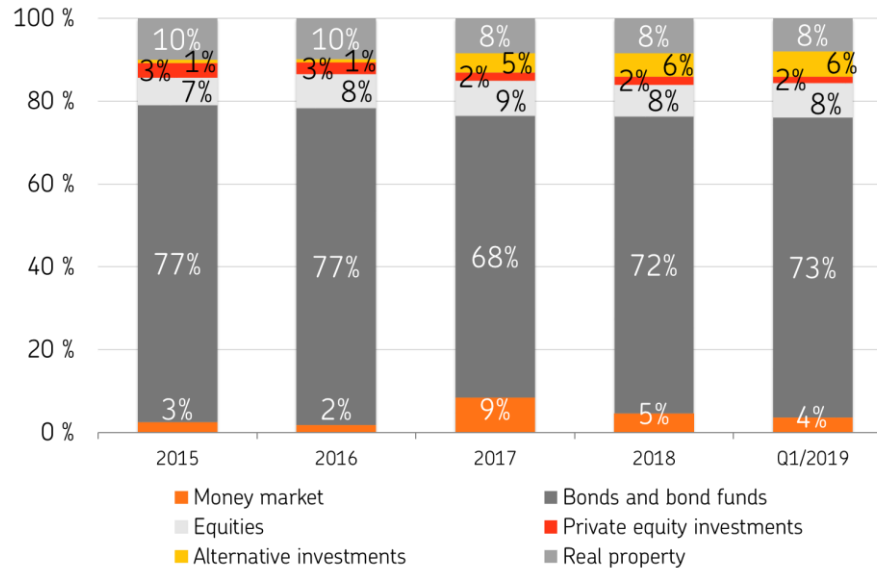
Non-life Insurance,
€ million *



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

Investment portfolio allocation

Non-life insurance investment portfolio (EUR 3.8 billion) by asset class as of 31 March 2019

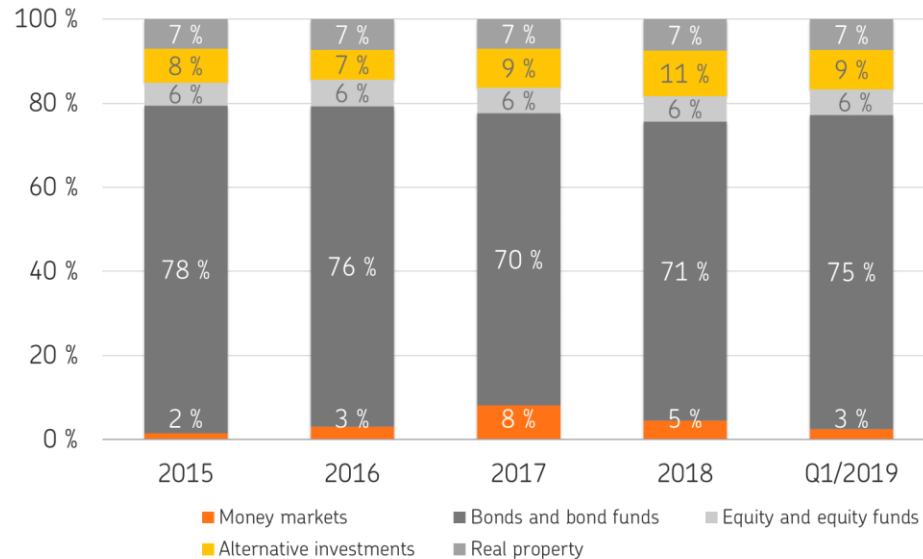


The duration of the fixed-income portfolio was 4.4 (4.3) years.

The running yield for direct bond investments averaged 1.5% (1.6) at March-end 2019.

Investment portfolio allocation

Life insurance investment portfolio (EUR 3.6 billion) by asset class as of 31 March 2019

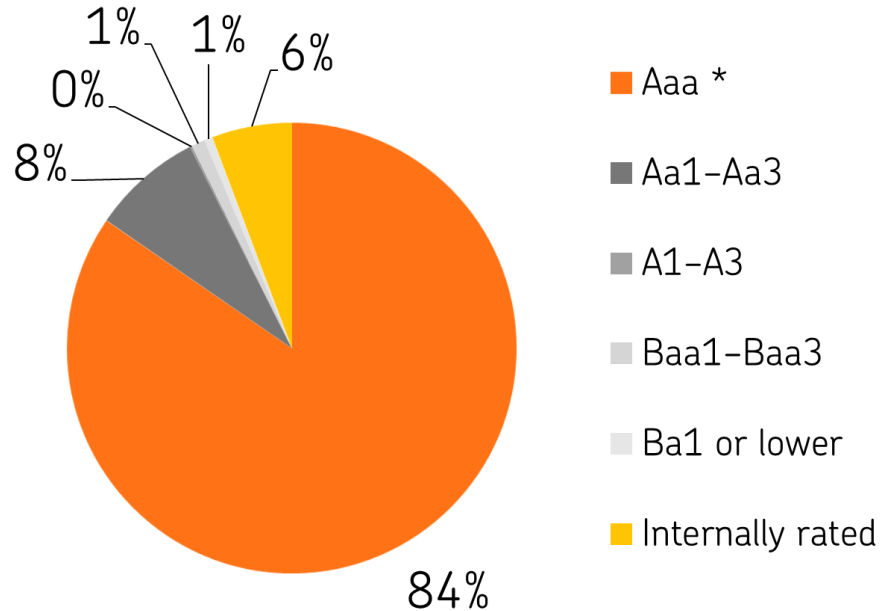


The duration of the fixed-income portfolio was 4.3 (4.2) years.
The running yield for direct bond investments averaged 1.4% (1.4) at end-March 2019.

Liquidity and funding

Liquidity buffer includes highly-rated assets

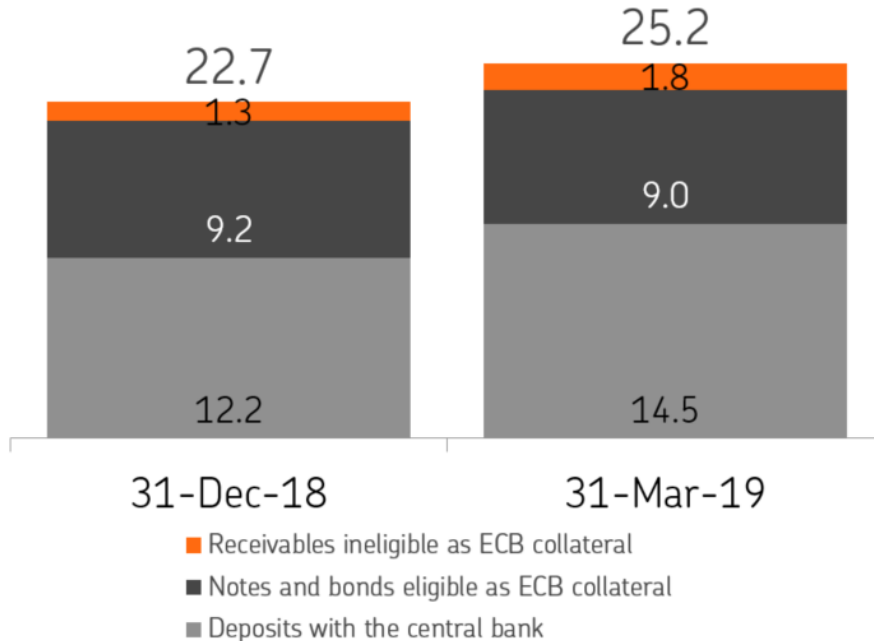
Liquidity buffer by credit rating as of 31 March 2019



*incl. deposits with the central bank

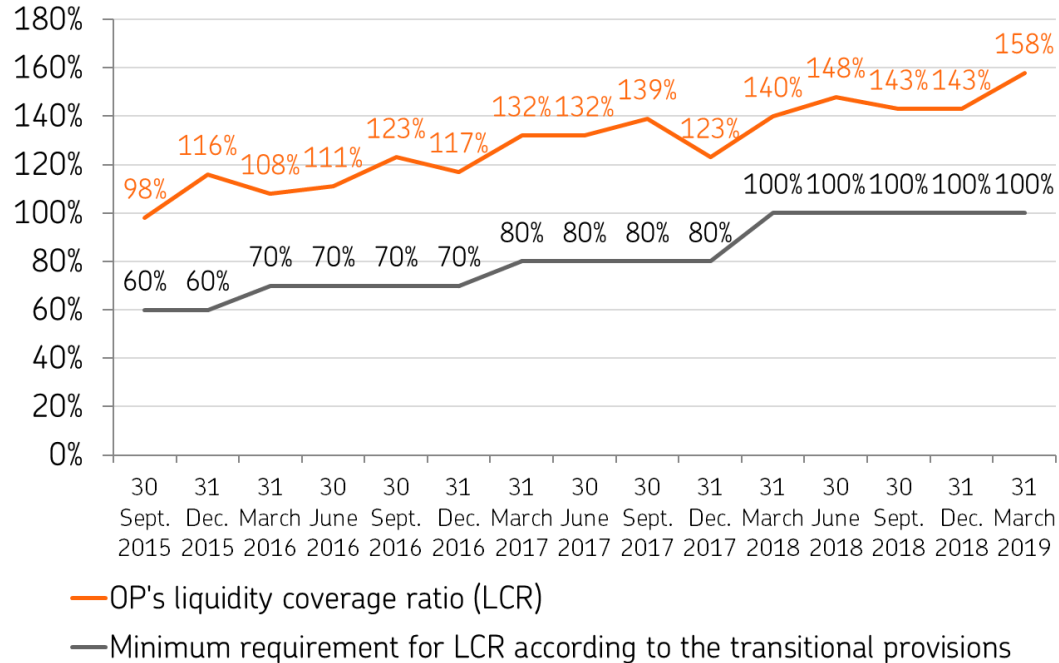
Liquidity buffer EUR 25.2 billion at end-March 2019

Liquidity buffer breakdown, € billion



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

Liquidity coverage ratio 158% at the end of March 2019

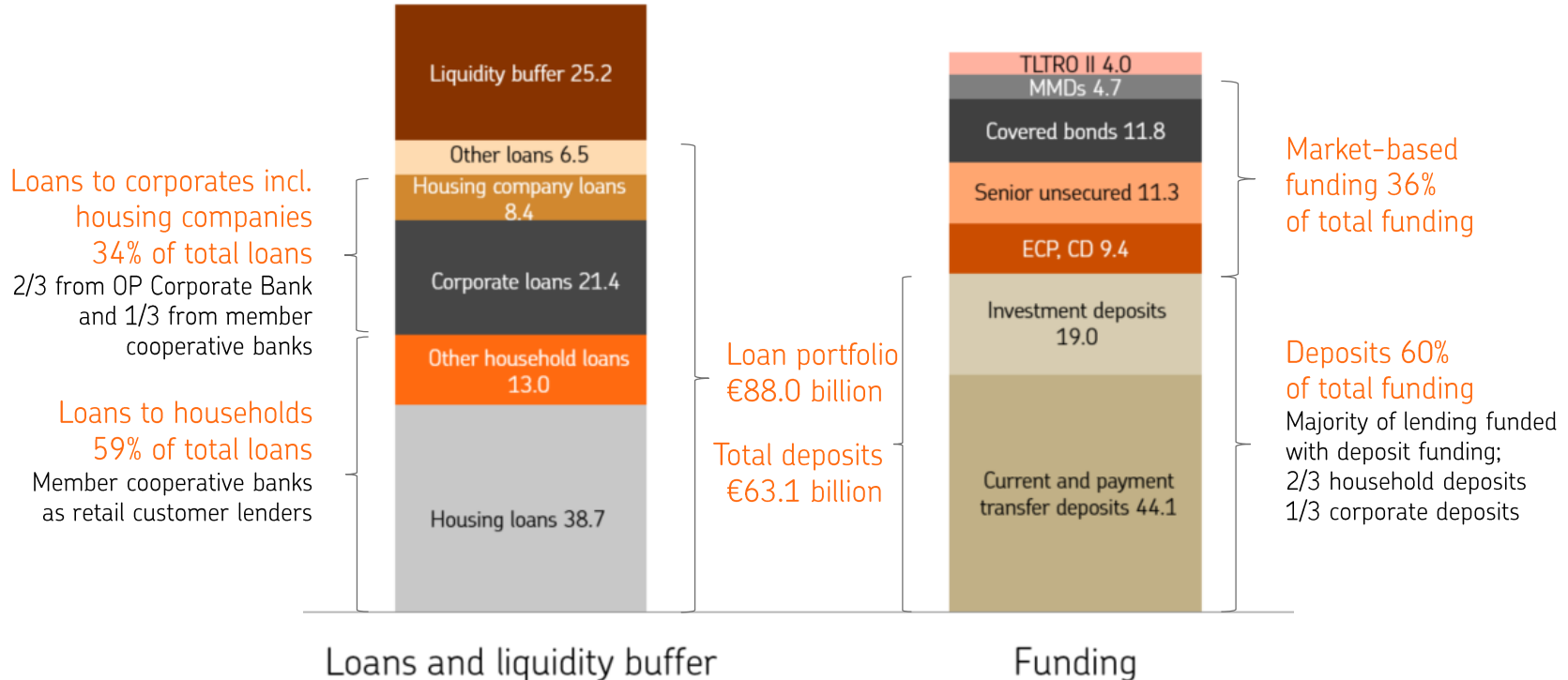


OP monitors its liquidity and the adequacy of its liquidity buffer using LCR.

According to the transitional provisions, LCR must be at least at least 100% from the beginning of 2018.

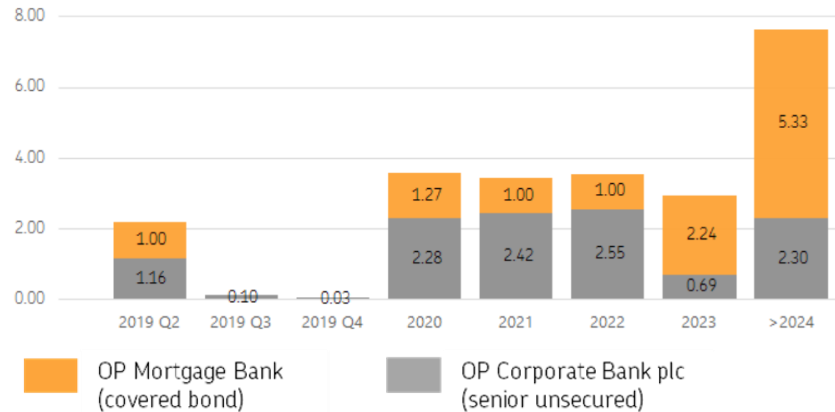
Loans, liquidity buffer and funding

31 March 2019, € billion

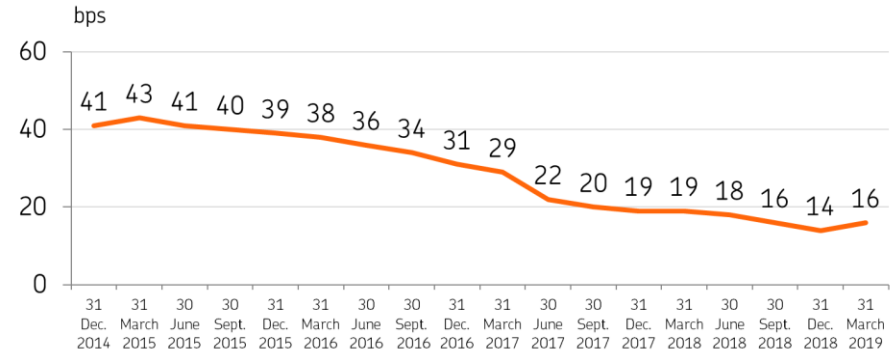


Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 31 March 2019 (€ billion)



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



OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) has been set at EUR 12.2 billion, accounting for 27.6% of the risk exposure amount at the end of 2016. OP Financial Group seeks to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio was 38% at the turn of 2018. In the same connection, the SRB (Single Resolution Board) confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

Long-term bonds issued

OP Corporate Bank plc's benchmark senior unsecured bonds 2015–19

Year	Month	Amount	Maturity	Interest rate
2019	February	€500 mn (Green)	5 yrs	m/s +35 bps
2018	August	€500 mn	5 yrs	m/s +22 bps
2018	May	GBP 200 mn	3 yrs	Eb3 +17 bps
2018	May	Total €1 bn dual-tranche, €500 mn each	7 yrs (fixed) 3 yrs (floating)	m/s +30 bps Eb3 +20 bps
2017	April	€500 mn	5.5 yrs	m/s +27 bps
2016	January	€500 mn	5 yrs	m/s +65 bps
2015	November	Total ¥30 bn (€228 mn), 2 issues	5 yrs (floating) 5 yrs (fixed)	m/s +59.9 bps m/s +66.1 bps
2015	May	GBP 300 mn	3 yrs	Eb3 +16 bps
2015	May	GBP 400 mn	7 yrs	Eb3 +58 bps
2015	March	€1 bn	7 yrs	m/s +33 bps

OP Mortgage Bank's benchmark covered bonds 2015–19

Year	Month	Amount	Maturity	Interest rate
2019	February	€1.25 bn	10 yrs	m/s +10 bps
2018	June	€1 bn	7.25 yrs	m/s -2 bps
2017	November	€1 bn	5.25 yrs	m/s -13 bps
2017	June	€1 bn	10 yrs	m/s +1 bps
2017	March	€1 bn	7 yrs	m/s -4 bps
2016	May	€1.25 bn	7 yrs	m/s +4 bps
2015	November	€1.25 bn	5 yrs	m/s +5 bps
2015	September	€1 bn	7 yrs	m/s -1 bps

OP issued long-term bonds worth EUR 1.9 billion in Q1/19 (EUR 3.3 billion in 2018)

Capital adequacy and capital base

Three capital requirements

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

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

Solvency II for insurance companies

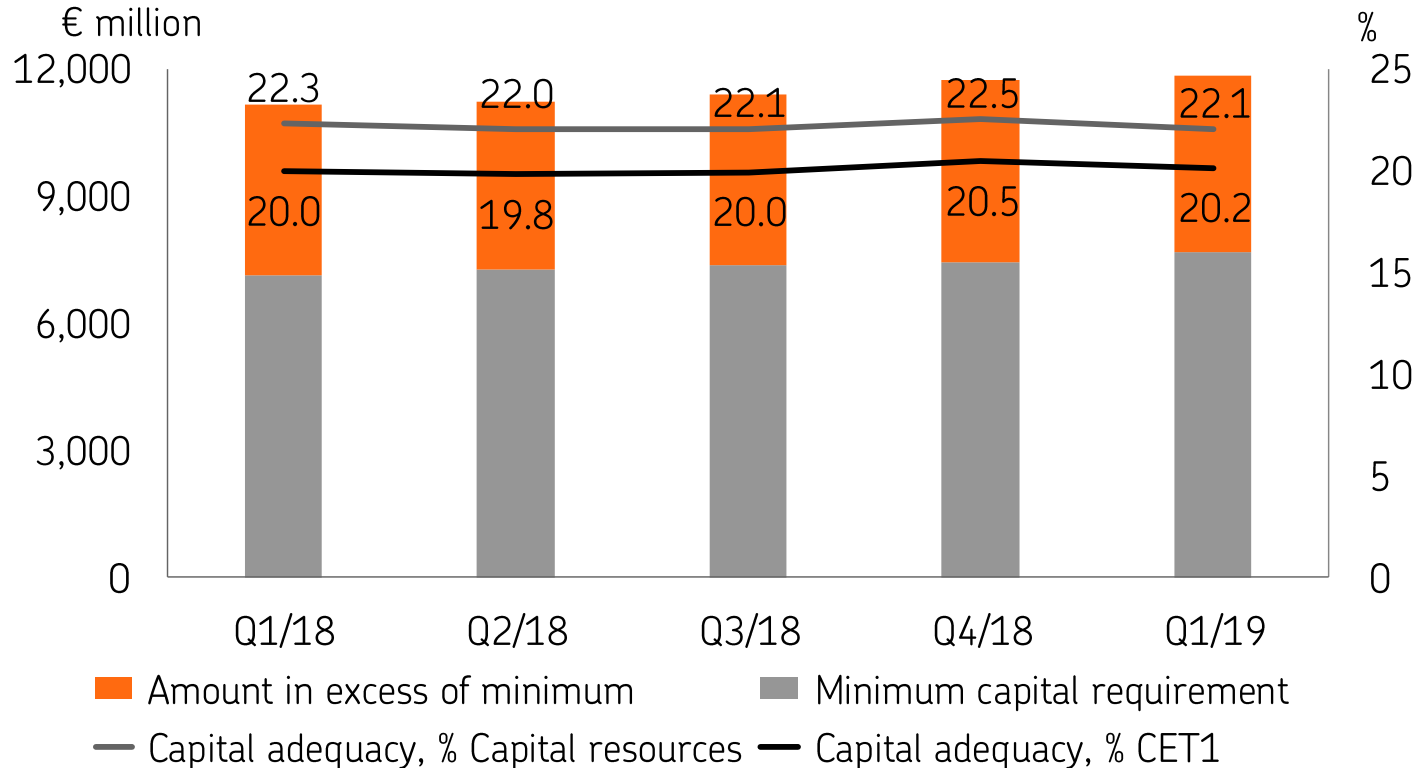
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies and the insurance conglomerate. The companies are required to cover SCR using the Group's sufficient buffer specified internally.
- Eligible capital covers solvency requirements
- The scope of an insurance conglomerate is the same as that covering a conglomerate under capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

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

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

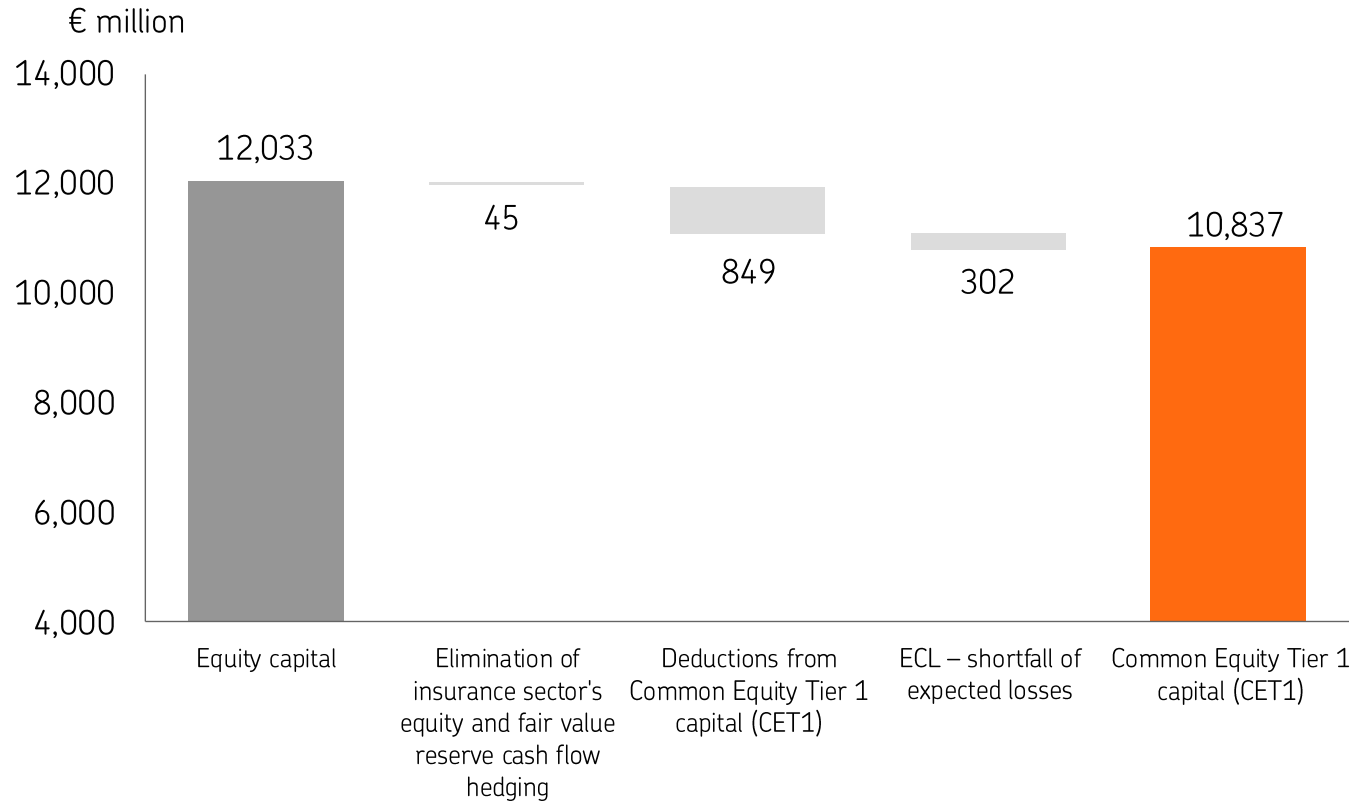
Amalgamation of cooperative banks

Capital base and capital adequacy

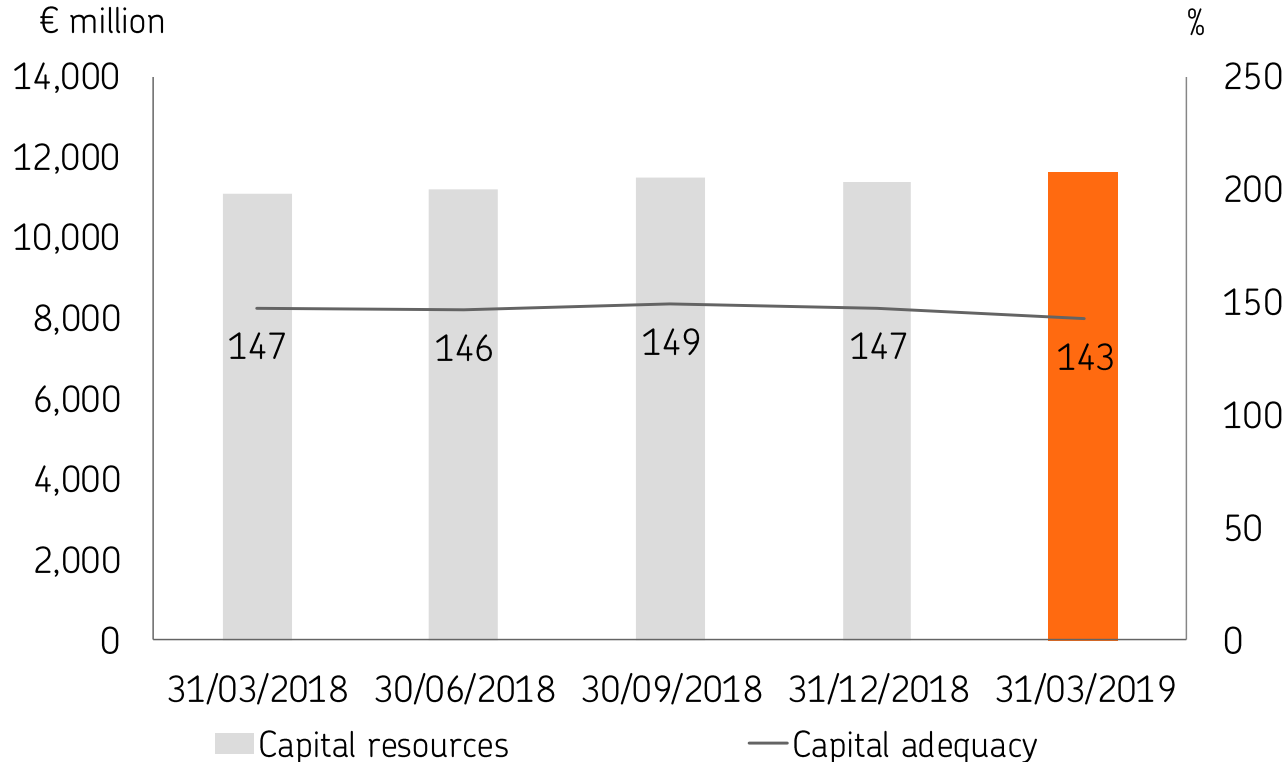


Common Equity Tier 1 (CET1)

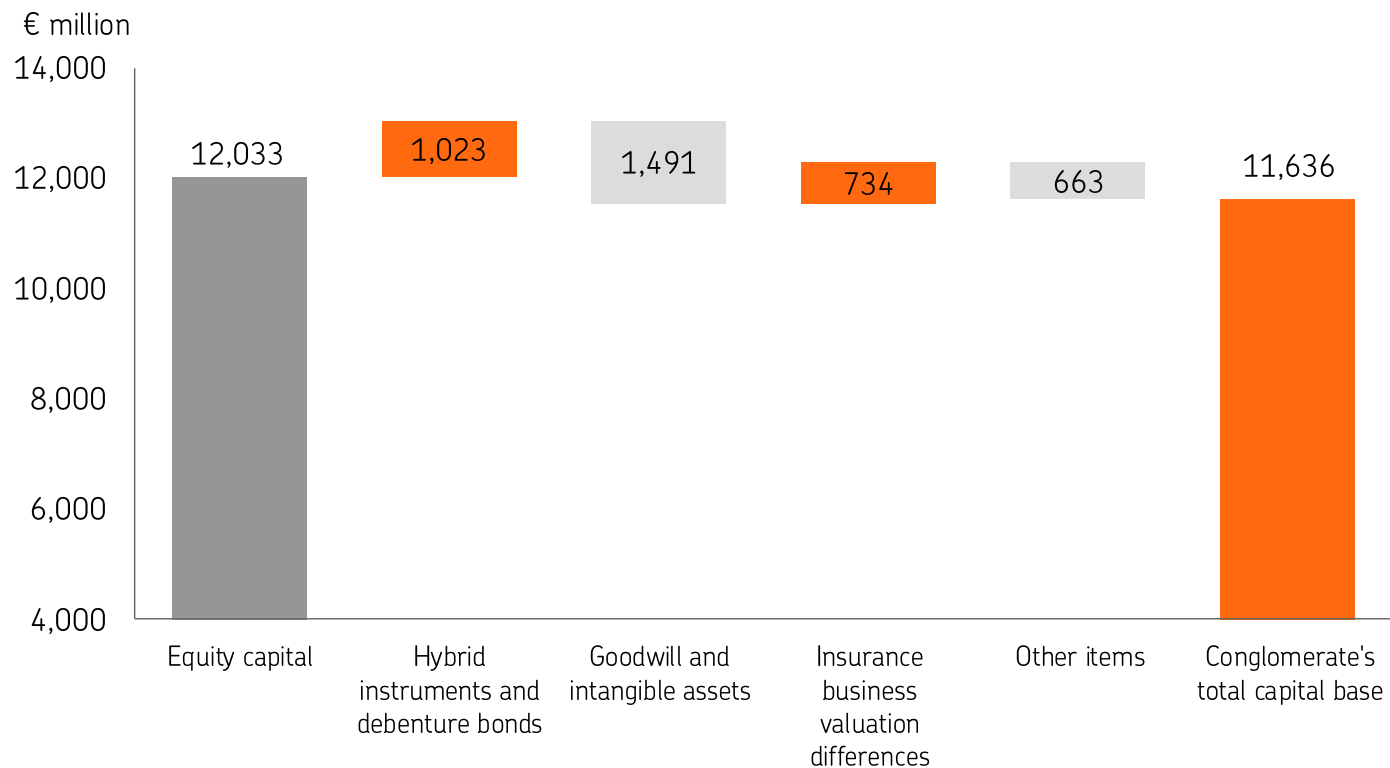
31 March 2019



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



FiCo capital 31 March 2019



OP in a nutshell

OP is a financial services group owned by its customers

OP's mission

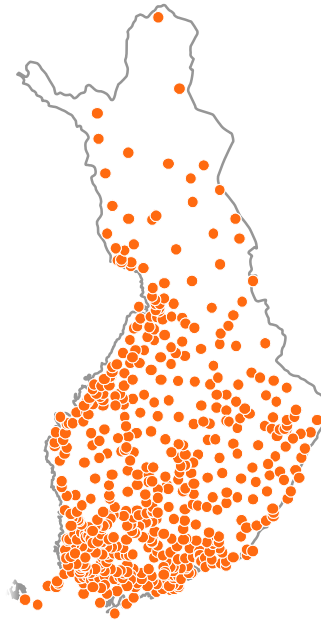
By means of our strong capital base and efficiency, we create sustainable financial prosperity, safety and wellbeing for our owner-customers and in our operating environment.



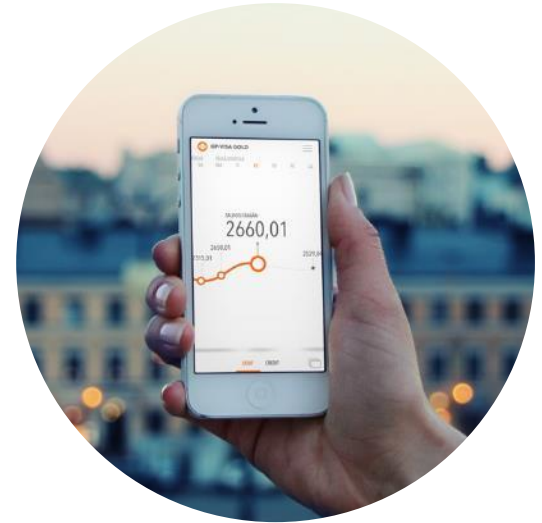
OP in a nutshell



Over 1.9 million
owner-customers

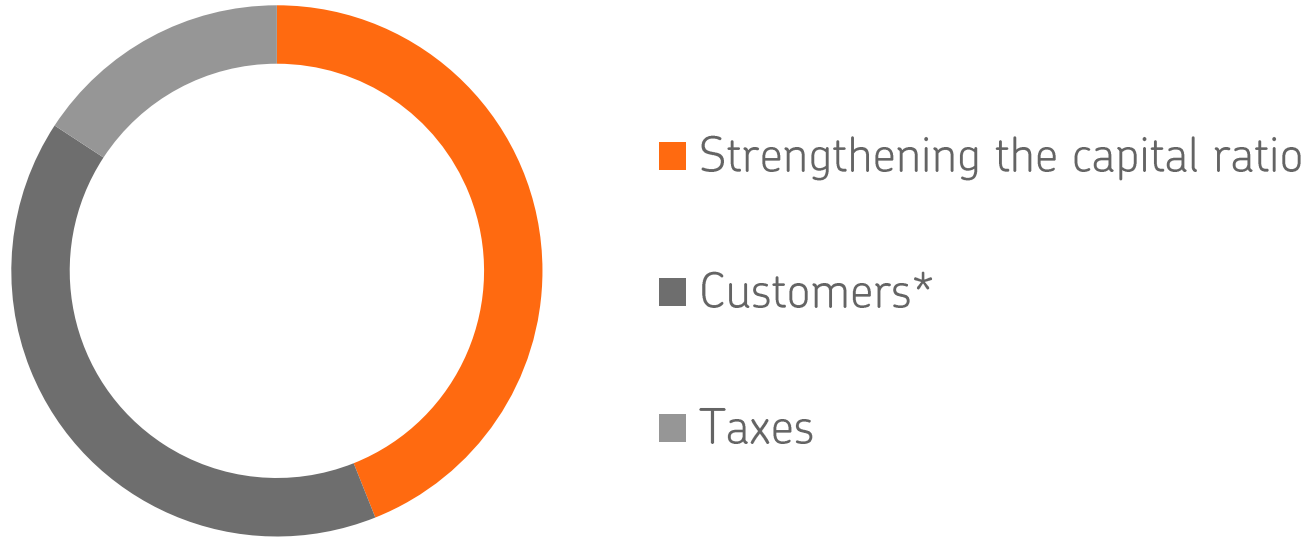


155 OP
cooperative banks



Hyperlocal digital
financial services group

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



OP Financial Group's strategic targets

	31 March 2019	Target 2019
Customer experience, NPS (-100+100)		
Brand	24	25
Service	62	70, over time 90
CET1 ratio, %	20.2	22
Return on economic capital, % (12-month rolling)	20.0	22
Expenses of present-day business (12-month rolling), € million	1,844	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	1.9	2.0 (2019)

OP Financial Group's service channels

	Q1/2019	31 March 2019	12-month change
Online and mobile services			
Op.fi logins	26,236,623		-6%
OP-mobile logins	66,264,665		23%
OP Business mobile logins	2,162,476		77%
Pivo mobile application visits	10,634,901		55%
eServices Agreements (private customers)		1,894,285	4%
Branches and telephone services			
Bank branches		361	-10%
Providing both non-life insurance and banking services		322	-3%
Private Banking branches		42	0%
Customer contacts in telephone service	1,374,246		5%
Social media			
Followers on Facebook (OP Financial Group and OP cooperative banks)		350,203	8%
Followers on Twitter		39,245	11%
Followers on LinkedIn		34,086	49%
Followers on Instagram		10,687	56%

Joint Liability, Deposit Guarantee and Investors' Compensation

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

Let's take care of each
other