



OP Financial Group's Financial
Statements Bulletin
1 January–31 December 2019

Background material

Contents

- OP Financial Group's Financial Statements Bulletin
- Retail Banking
- Corporate Banking
- Insurance
- Liquidity and funding
- Capital adequacy and capital base
- OP in a nutshell

OP Financial Group's Financial Statements Bulletin

OP Financial Group's key figures and ratios – income increased by 10% and like-for-like expenses decreased

	Q1-Q4/2019	Q1-Q4/2018	Change, %
Earnings before tax, € million	838	959 *	-12.6
Retail Banking	235	421	-44.2
Corporate Banking	311	408	-23.8
Insurance	373	260	43.1
Other Operations	-37	-64	-
New OP bonuses accrued to owner-customers	-254	-230	10.7
Return on economic capital, % ***	17.2	20.8	-3.6 **
Return on equity (ROE), %	5.5	6.5	-1.0 **
Return on equity excluding OP bonuses, %	7.1	8.1	-1.0 **
Return on assets (ROA), %	0.47	0.54	-0.1 **
Return on assets excluding OP bonuses, %	0.60	0.67	-0.1 **
	31 December 2019	31 December 2018	Change, %
CET1 ratio, %	19.5	20.5	-1.0 **
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates) % ****	138	147	-9 **
Loan portfolio, € bn	91.5	87.0	5.1
Deposits, € bn	64.0	61.3	4.4
Ratio of non-performing receivables to loan and guarantee portfolio, % *****	1.1	1.0	0.1 **
Owner customers (1,000)	2,003	1,911	4.8

* In Q4, OP Financial Group adopted an amortisation-based revenue recognition method for the customer margin related to a derivative clause attached to loans with an interest rate cap or interest rate collar. The effect of this change was adjusted retrospectively in OP Financial Group's retained earnings (under equity). In addition, the income statements and balance sheets for 2018 and 2019 were restated to reflect the new revenue recognition practice. The change had no effect on segment reporting. Capital adequacy measurement was not adjusted retrospectively.

* Change in ratio

** 12-month rolling

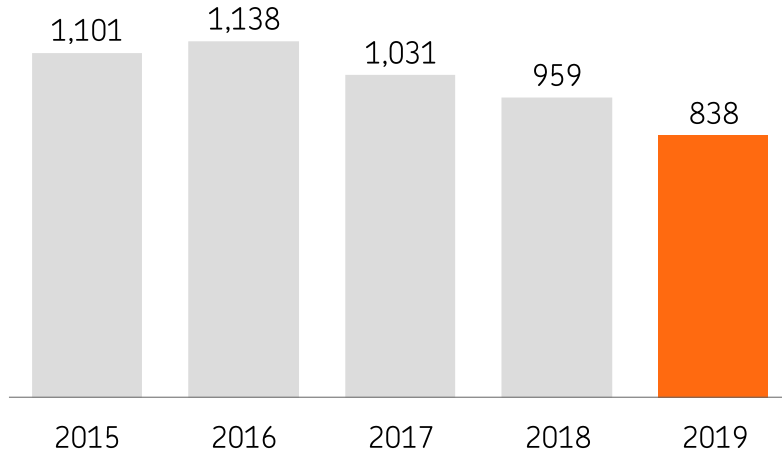
*** The FiCo ratio has been calculated for insurance companies using transition provisions included in solvency regulation.

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

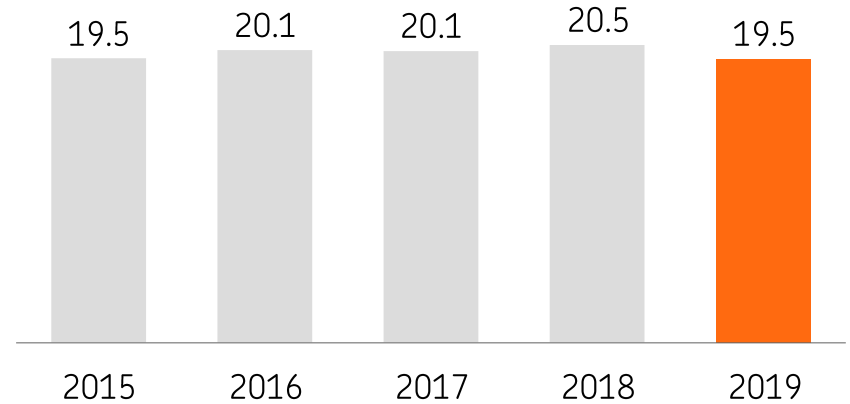
- Net interest income increased by 5% to EUR 1,241 million and net commissions and fees by 6% to EUR 936 million. Net insurance income decreased by 26% to EUR 421 million.
- Investment income rose by EUR 214 million year on year, to EUR 425 million. Income increased by a total of 10% (by 6% including the overlay approach).
- Like-for-like expenses decreased by 3% to EUR 1,903 million.
- Impairment loss on receivables was EUR 87 million (46).
- CET1 ratio was strong at 19.5% (20.5).

OP Financial Group's financial performance supports capital base

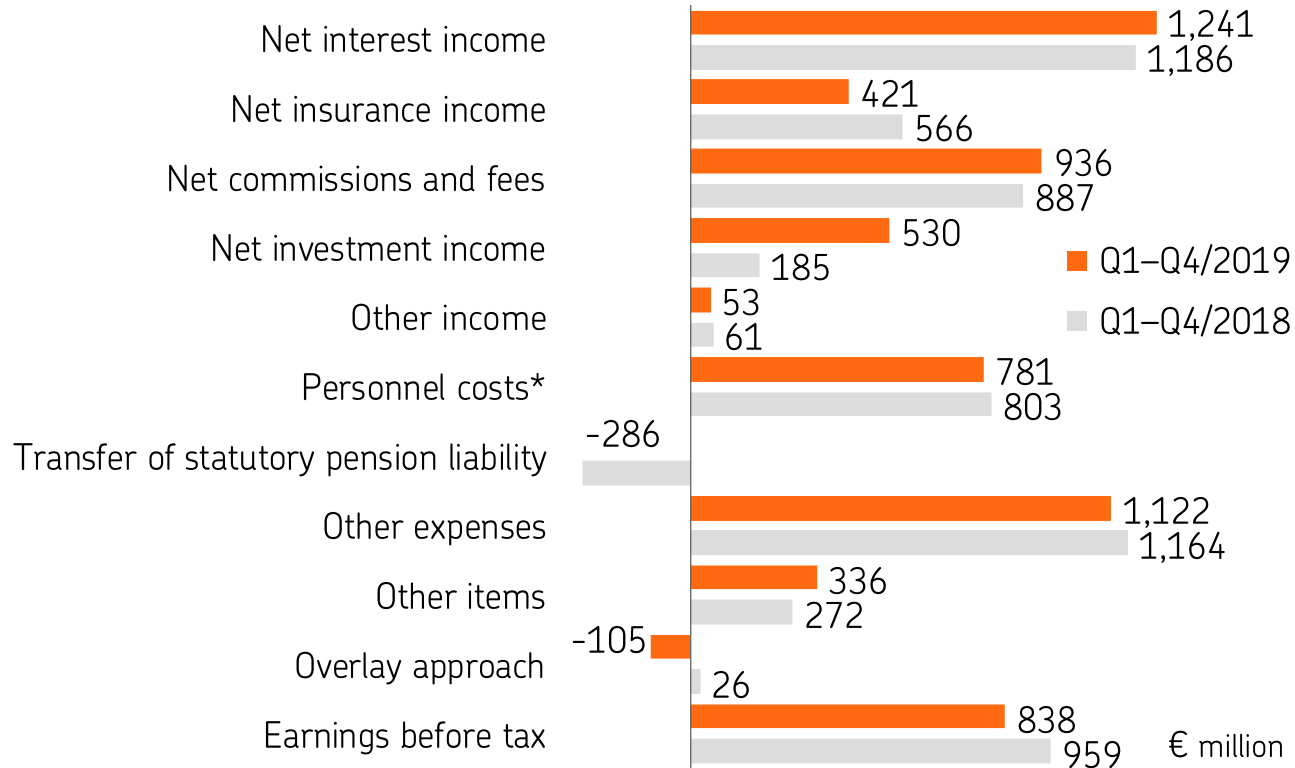
Earnings before tax, € million



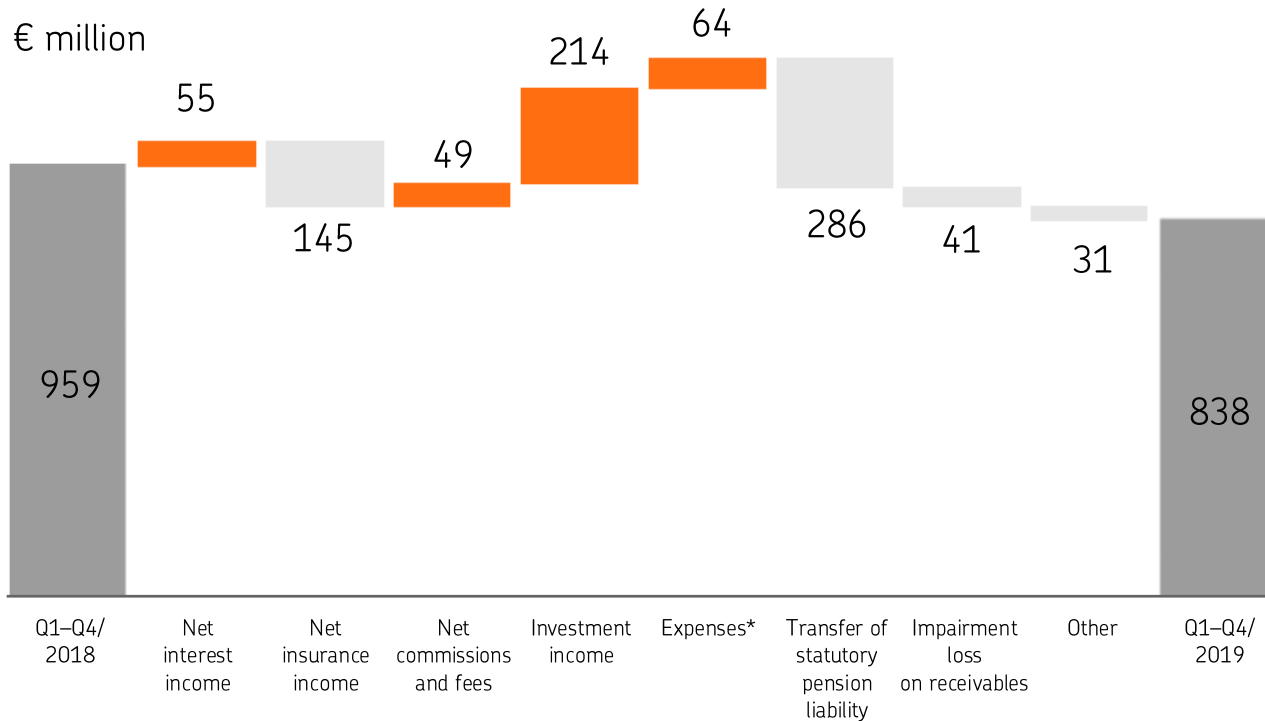
Common Equity Tier 1 ratio (CET1),%



OP Financial Group's main income statement items



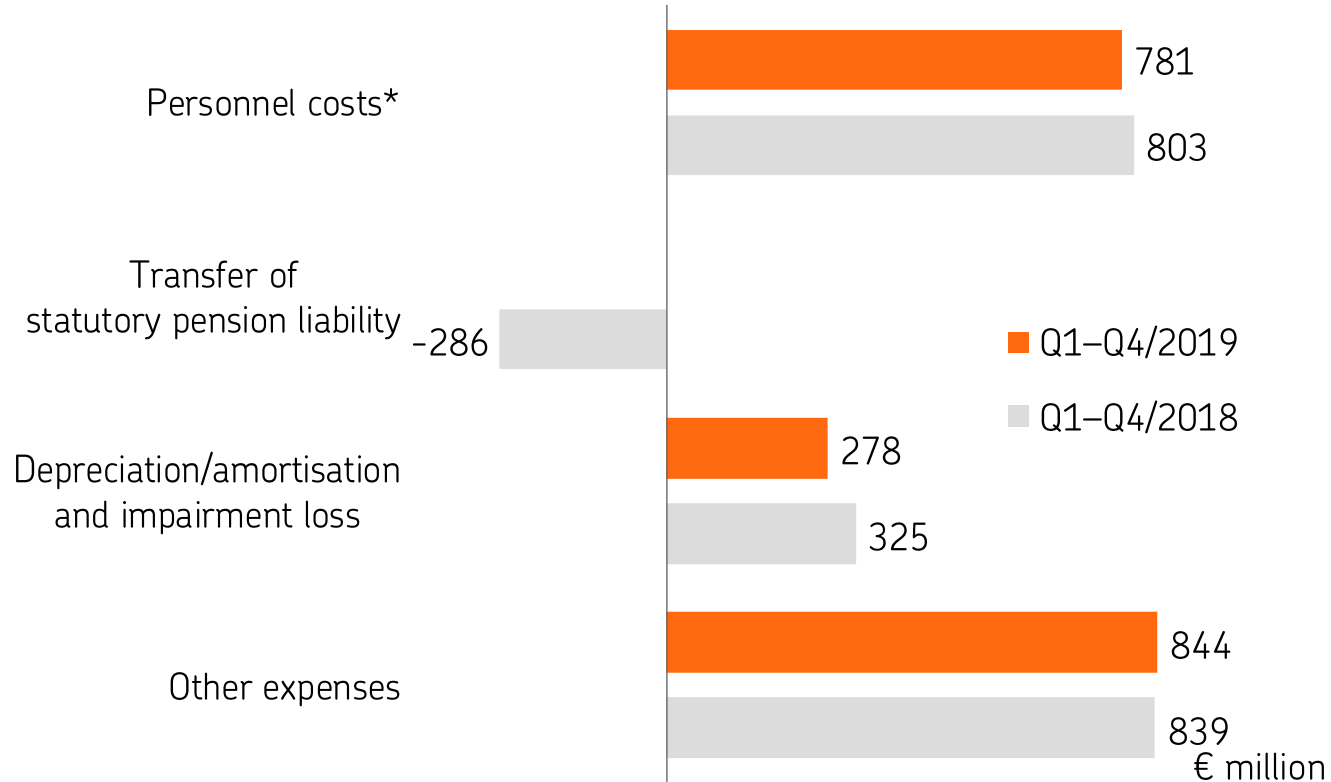
OP Financial Group's financial performance



* excluding pension liability transfer

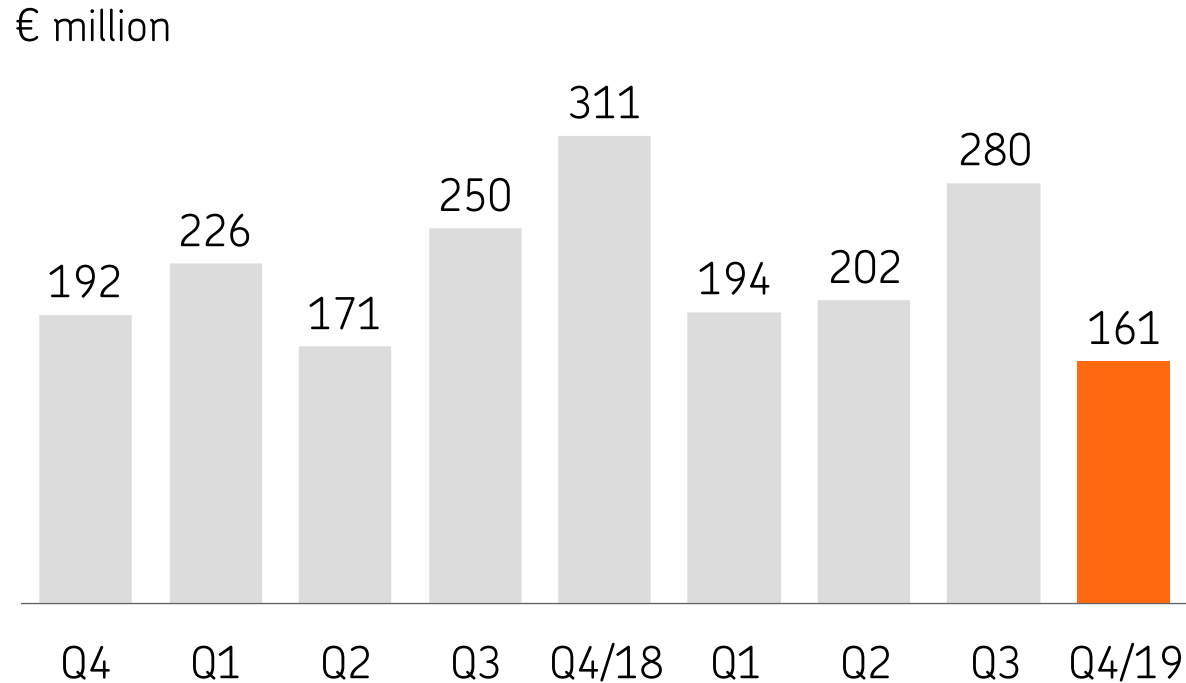
Investment operations are presented with Overlay Approach income

OP Financial Group's cost performance

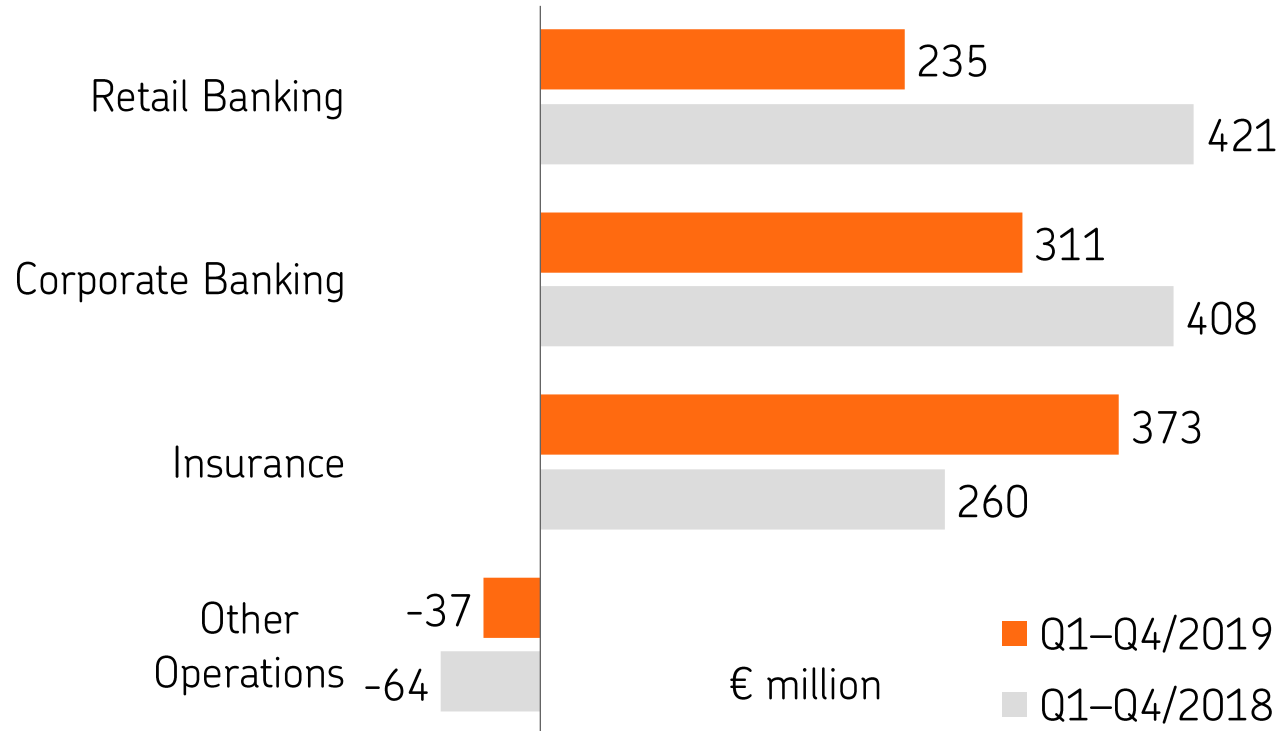


* excluding pension liability transfer

OP Financial Group's EBT by quarter



OP Financial Group's EBT by business segment



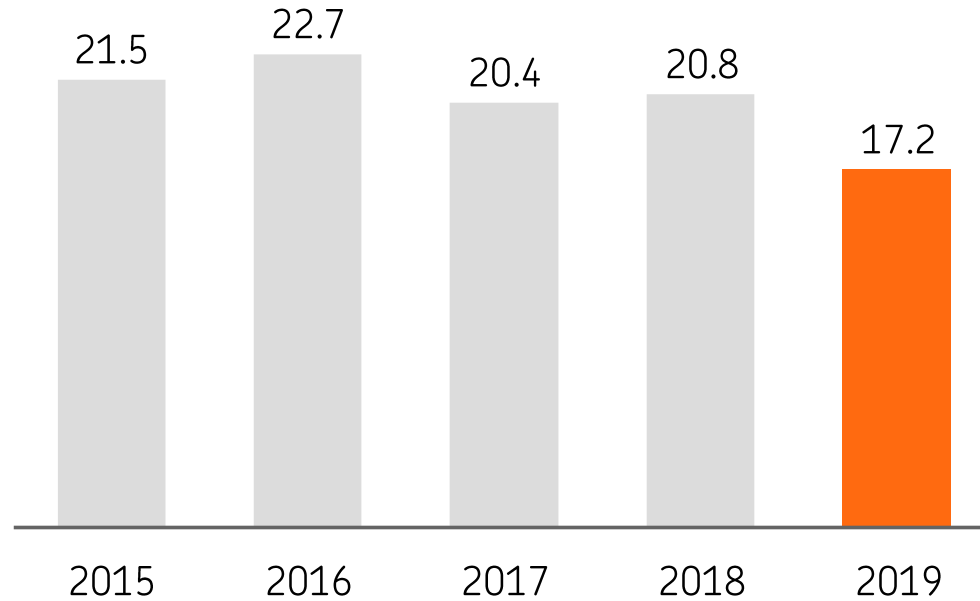
OP Financial Group's income statement

January 1 to December 31	2019	2018	Change, €million	%	Q4/19	Q4/18	Change, %
Net interest income	1,241	1,186	55	4.6	318	309	3.0
Net insurance income	421	566	-145	-25.7	9	134	-93.2
Net commissions and fees	936	887	49	5.5	257	232	10.8
Net investment income	530	185	345	186.9	257	-51	-608.7
Other operating income	53	61	-8	-12.7	12	15	-16.4
Total income	3,181	2,885	296	10.3	854	639	33.7
Personnel costs	781	516	265	51.3	208	-75	-377.2
Depreciation/amortisation and impairment loss	278	325	-47	-14.6	88	136	-34.9
Other operating expenses	844	839	5	0.5	242	242	-0.4
Total expenses	1,903	1,681	222	13.2	538	303	77.6
Impairment loss on receivables	-87	-46	-41	88.8	-51	-22	134.6
OP bonuses	-249	-226	-23	10.4	-63	-58	8.6
Overlay approach	-105	26	-131	-496.4	-40	56	-171.1
Earnings before tax	838	959	-121	-12.6	161	311	-48.2

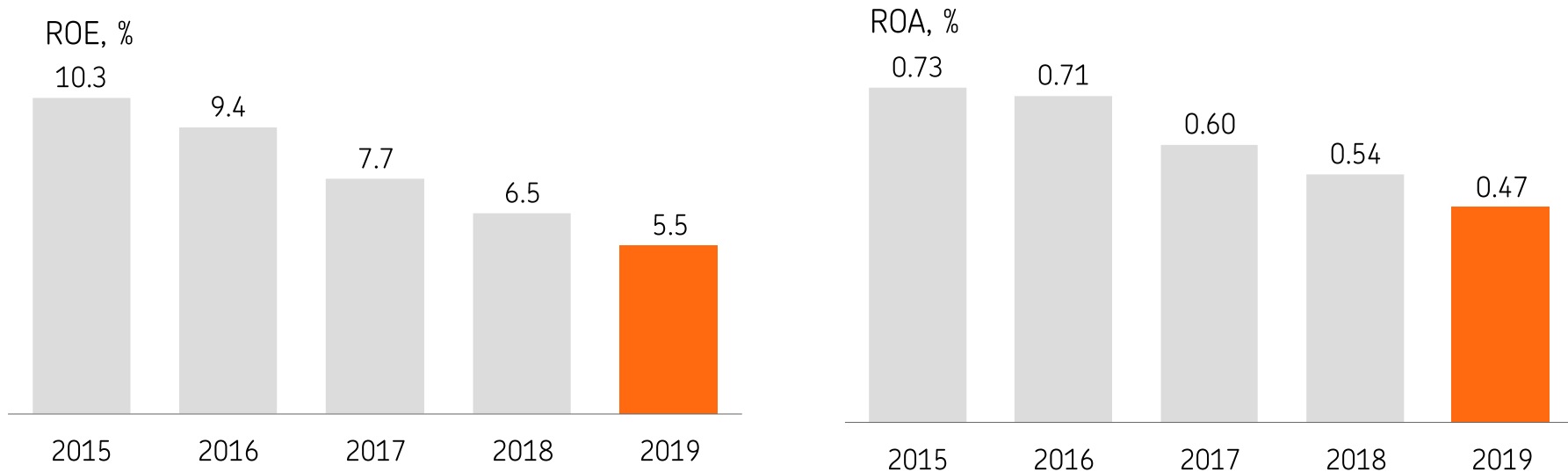
OP Financial Group's quarterly performance

€ million	Q1/2018	Q2	Q3	Q4	Q1	Q2	Q3	Q4/2019
Net interest income	285	292	299	309	294	309	321	318
Net insurance income	127	151	154	134	109	165	138	9
Net commissions and fees	232	212	212	232	234	216	229	257
Net investment income	64	108	64	-51	145	73	54	257
Other operating income	12	9	25	15	9	26	6	12
Total income	720	772	755	639	790	790	748	854
Personnel costs	204	209	178	-75	197	208	169	208
Depreciation/amortisation and impairment loss	66	65	58	136	59	69	62	88
Other operating expenses	187	225	185	242	210	212	181	242
Total expenses	456	500	422	303	465	488	411	538
Impairment loss on receivables	-4	-3	-17	-22	-11	-28	3	-51
OP bonuses to owner-customers	-52	-57	-58	-58	-64	-60	-62	-63
Overlay approach	19	-41	-7	56	-55	-12	2	-40
Earnings before tax	226	171	250	311	194	202	280	161

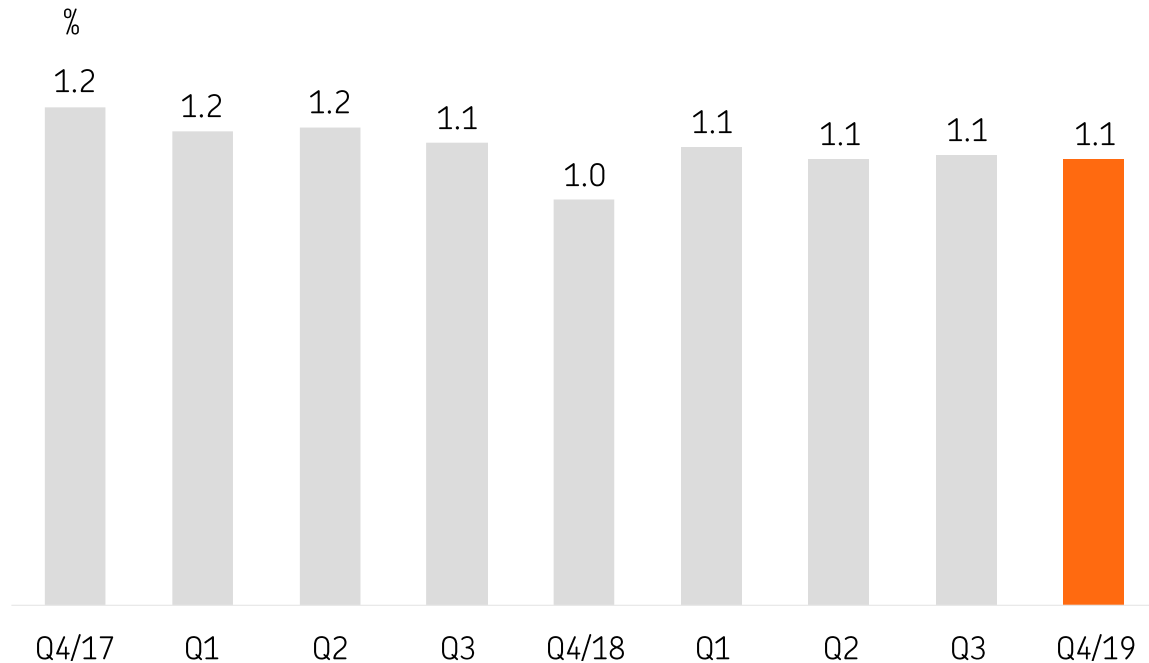
OP Financial Group's return on economic capital



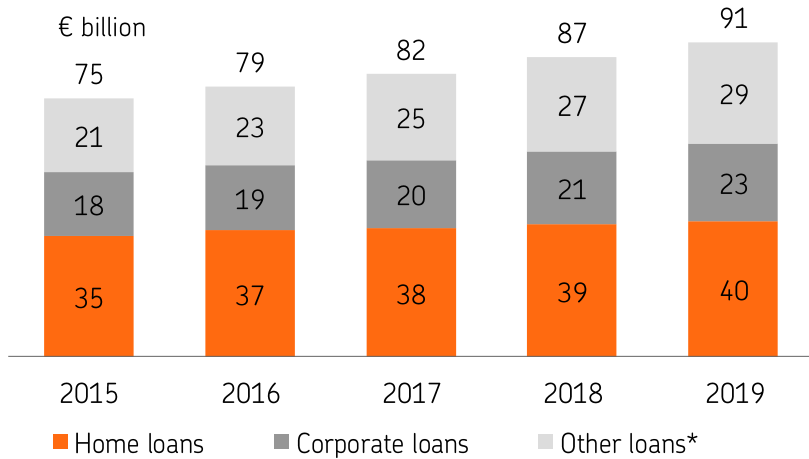
OP Financial Group's return on equity



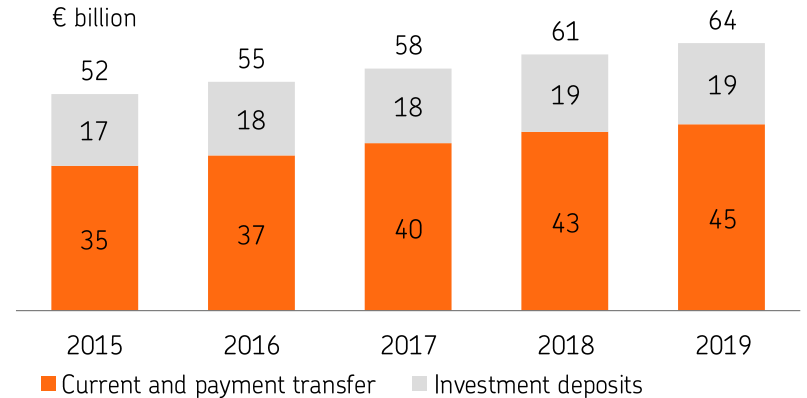
Ratio of non-performing receivables to loan and guarantee portfolio



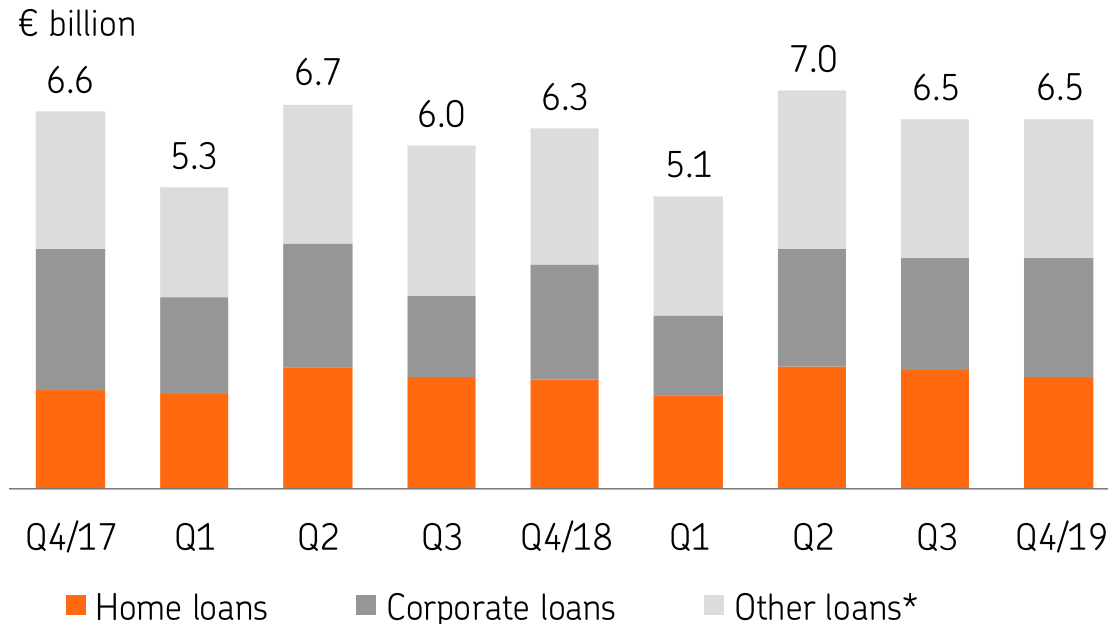
OP Financial Group's loan portfolio grew by 5.1% and the deposit portfolio by 4.4% year on year



* incl. housing companies and public-sector entities



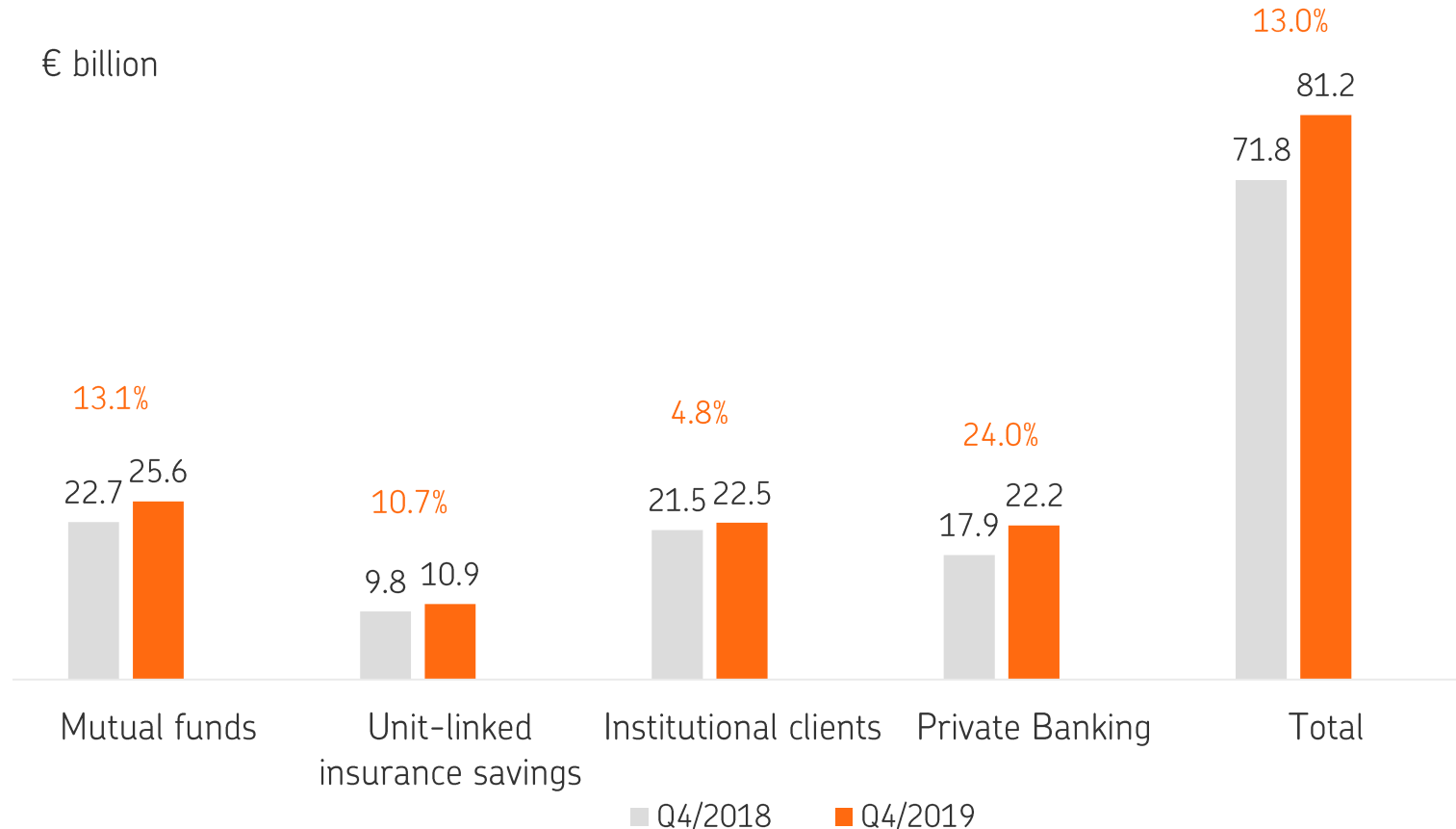
OP Financial Group's new loans drawn down



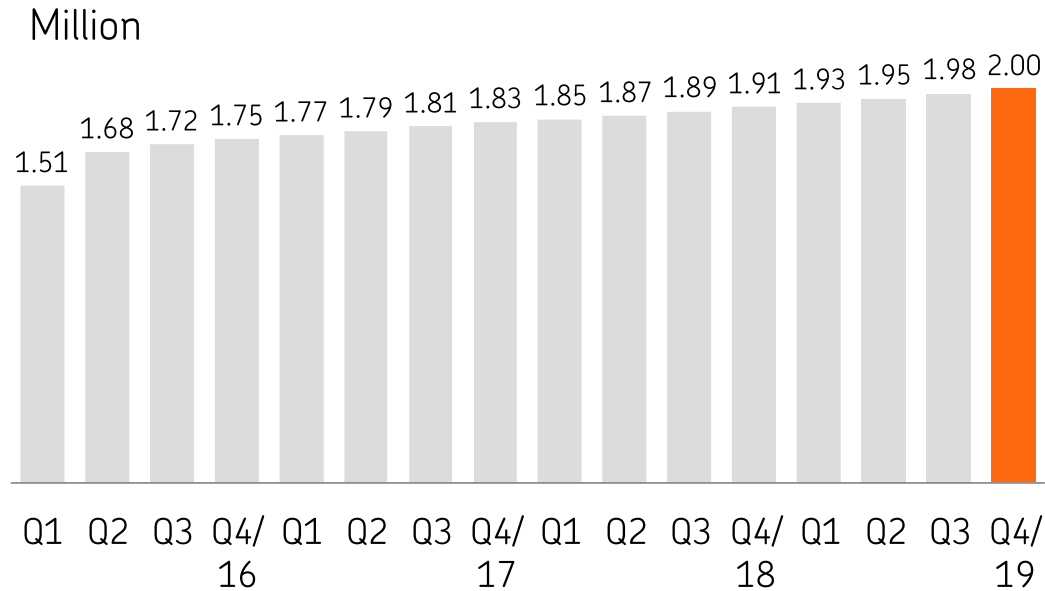
*incl. housing companies and public-sector entities

OP Financial Group's assets under management

€ billion



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 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.

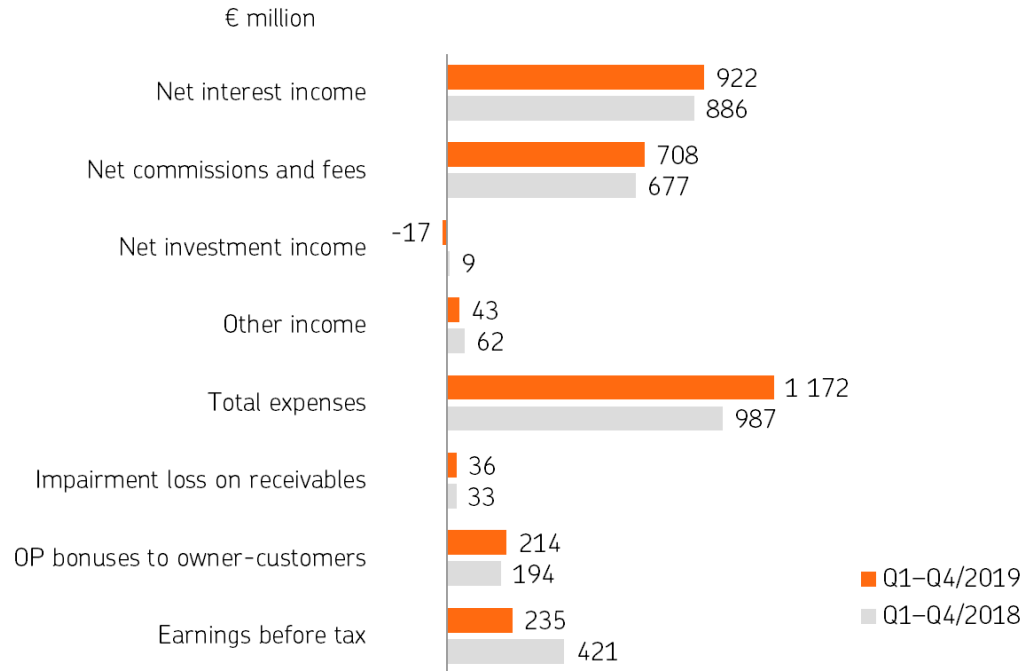
Key figures for Q1–Q4/2019

Earnings before tax
€235 million

Loan portfolio
€68.1 billion

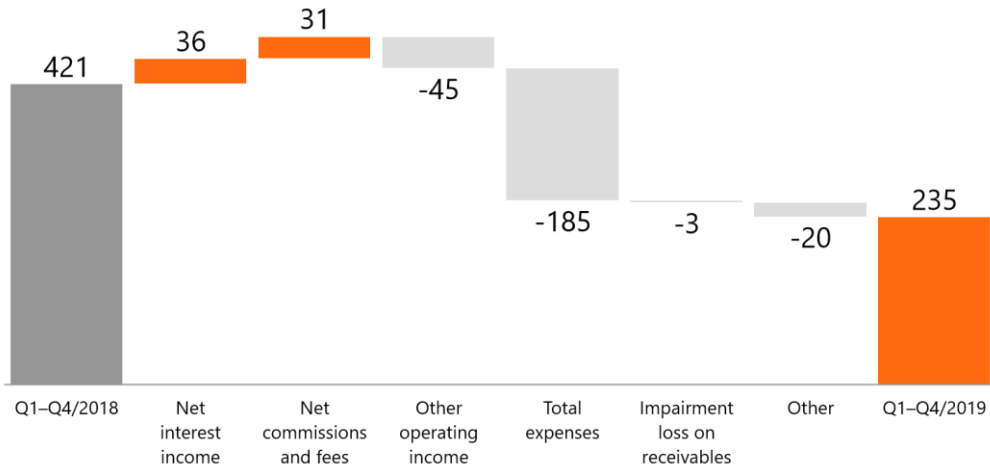
Deposit portfolio
€54.4 billion

Retail Banking earnings before tax decreased to EUR 235 million



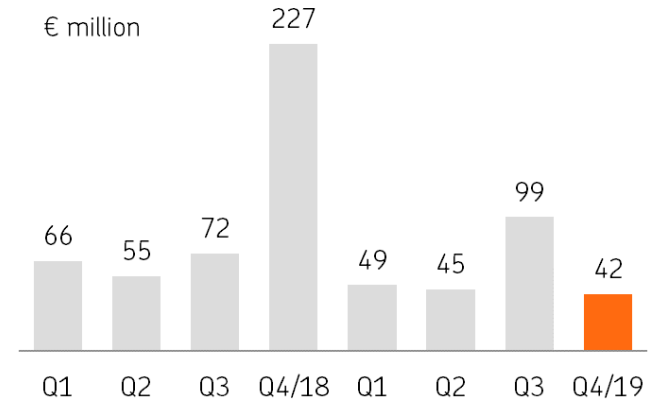
Net interest income and net commissions and fees grew year on year

€ million



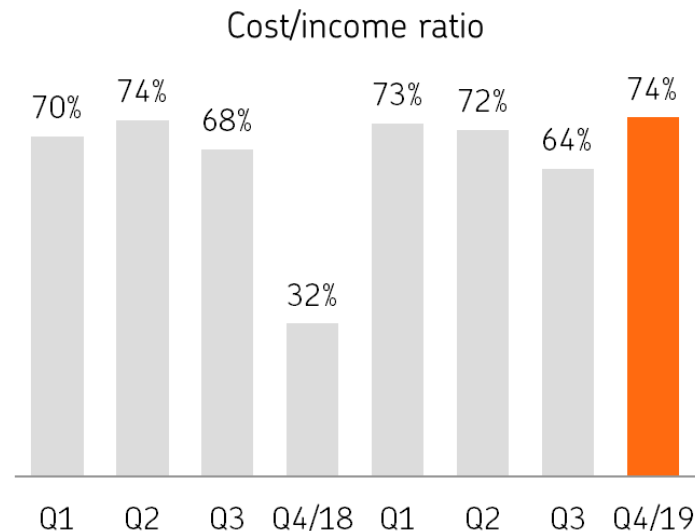
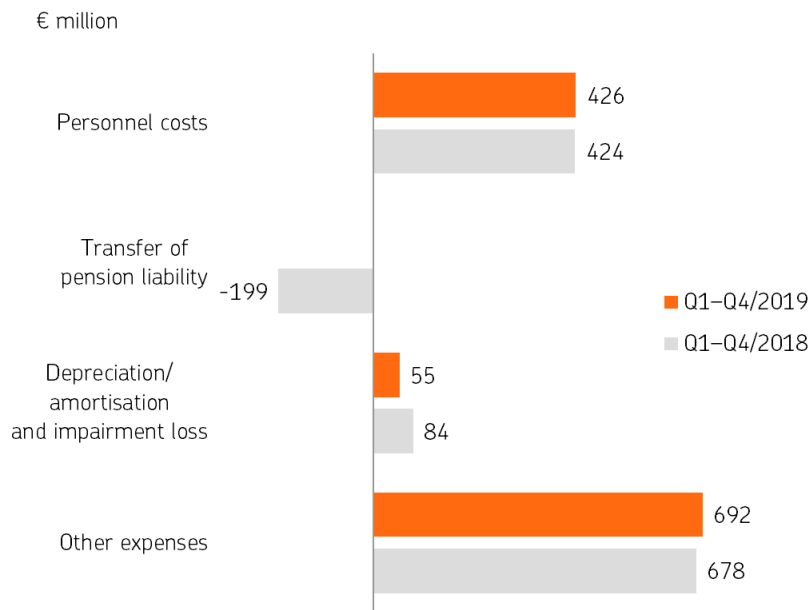
Income increased by 1.4%. Excluding the earnings effect of the transfer of earnings-related pension liability in 2018, total expenses decreased by 1.2%.

€ million



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

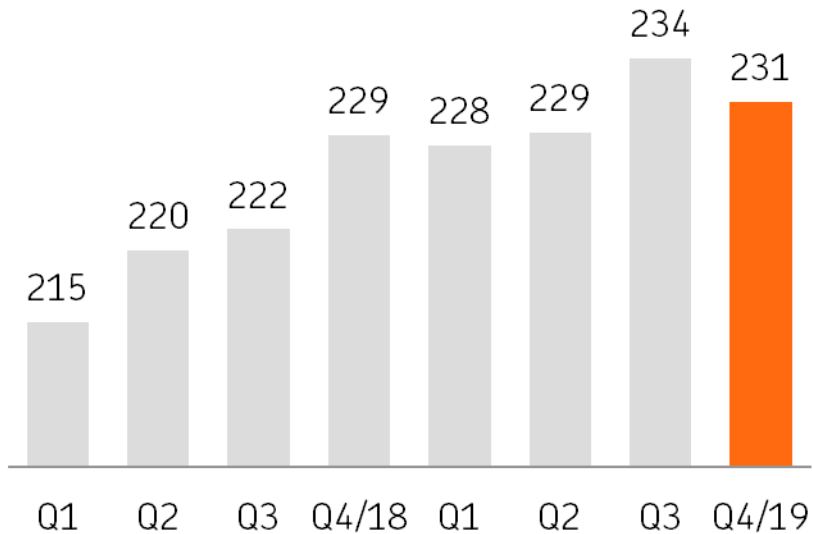
Other operating expenses increased due to higher ICT costs and higher volumes, impairment write-downs decreased year on year



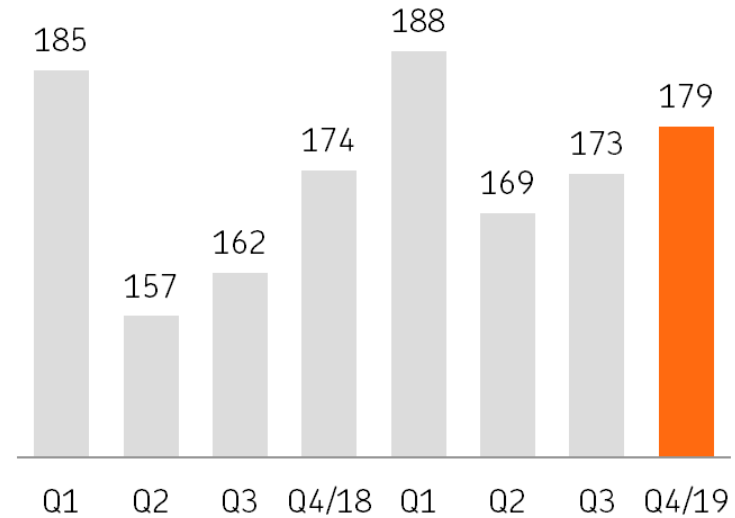
Q4/2018 personnel costs include the transfer of pension liability of EUR 199 million

Net interest income and net commissions and fees increased

Net interest income, € million

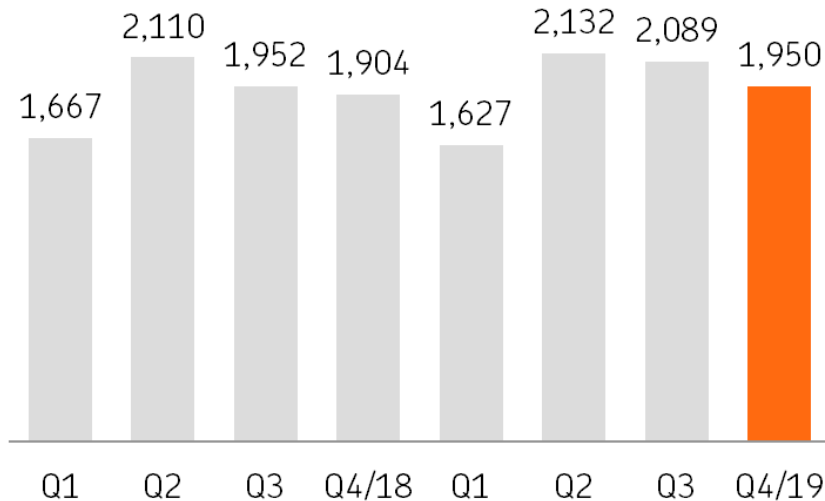


Net commissions and fees, € million

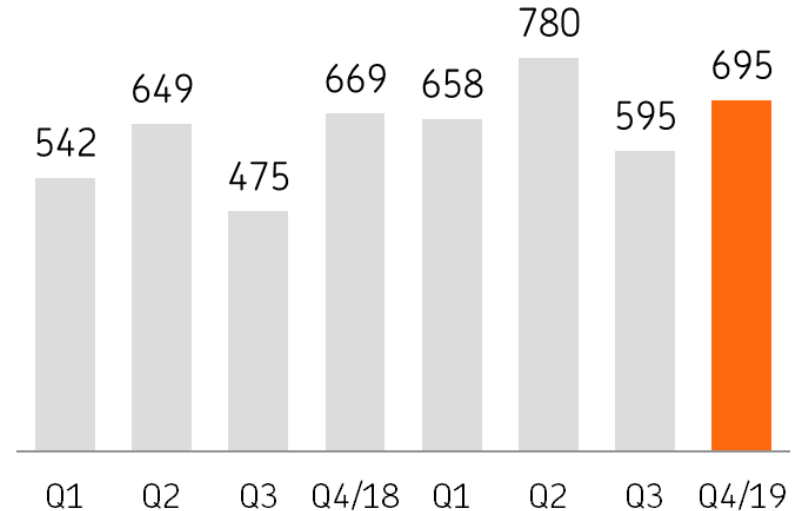


More home and SME corporate loans were drawn year on year

Home loans drawn down, € million

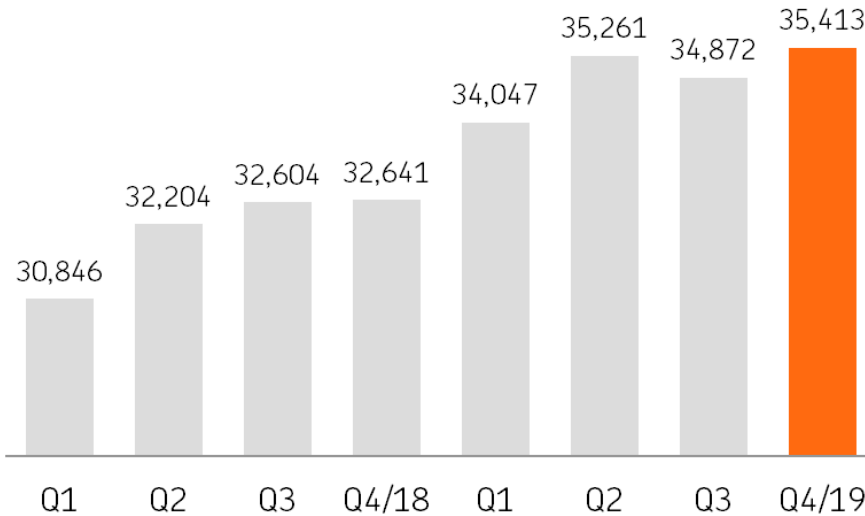


SME Corporate loans drawn down, € million

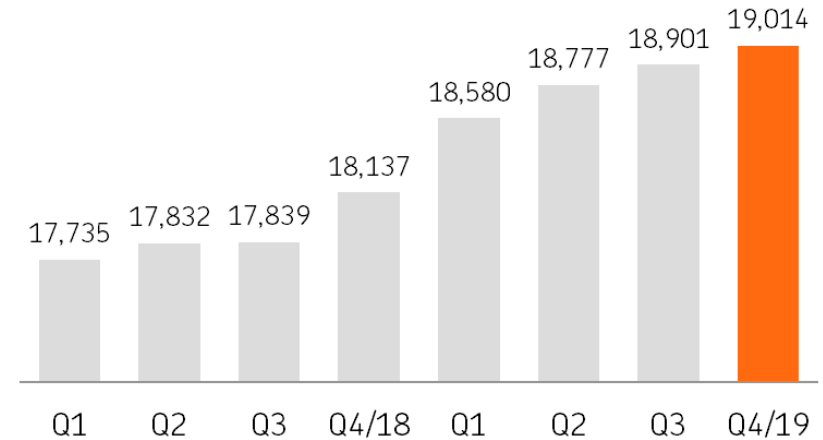


Growth in current and payment transfer account deposits as well as in investment deposits

Current and payment transfer, € million

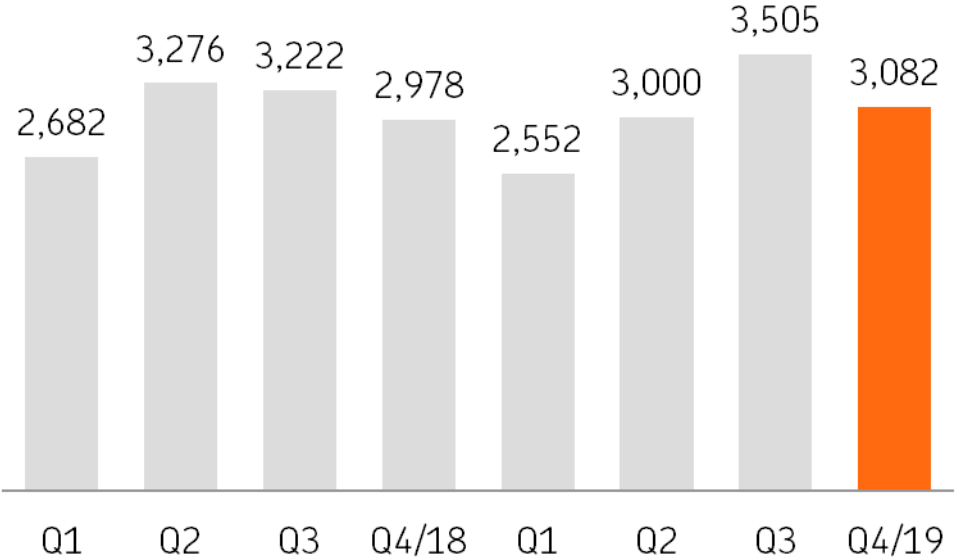


Investment deposits, € million



Volume of brokered homes and real property increased year on year

No. of brokered homes and real property transactions



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, 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–Q4/2019

Earnings before tax

€311 million

Loan portfolio

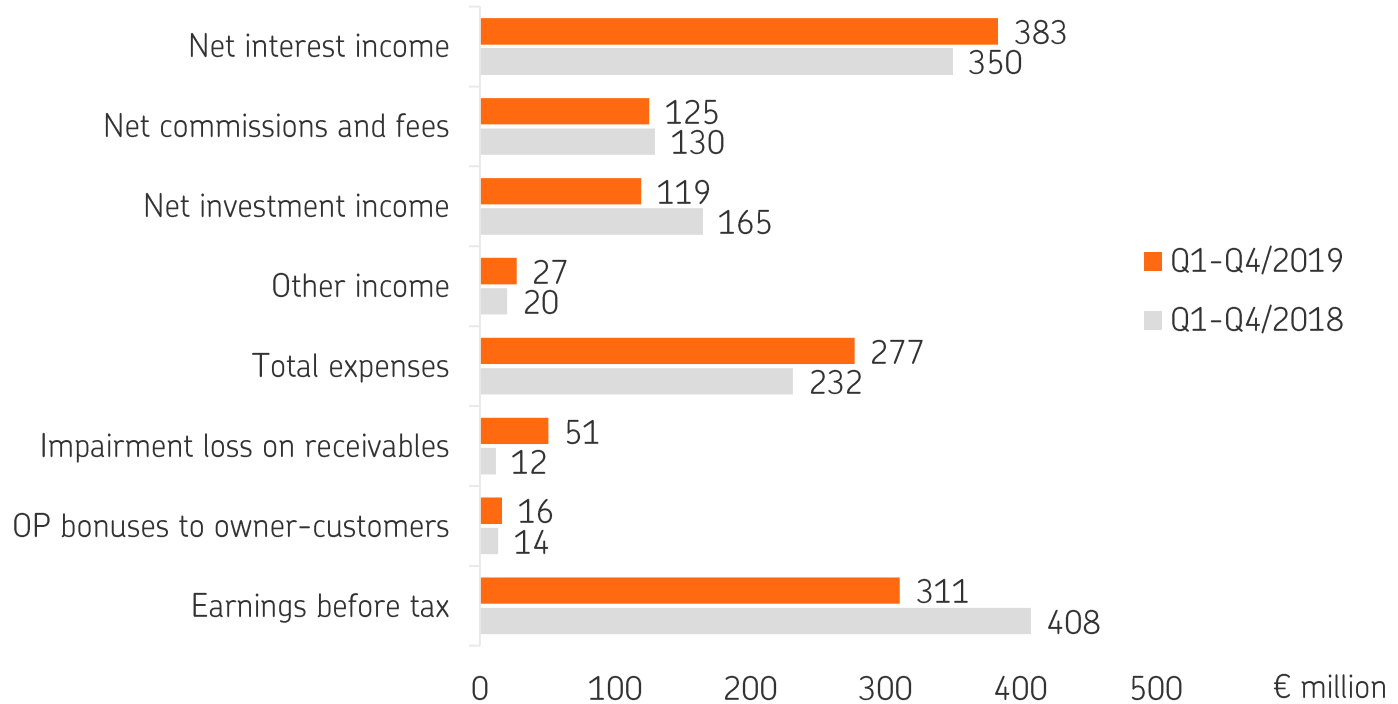
€23.7 billion

Assets under
management

€ 58.0

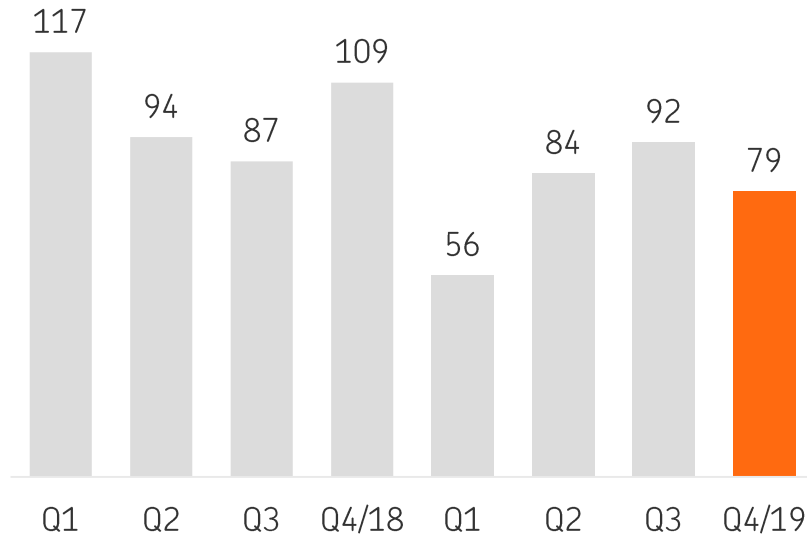
billion

Corporate Banking earnings before tax EUR 311 million

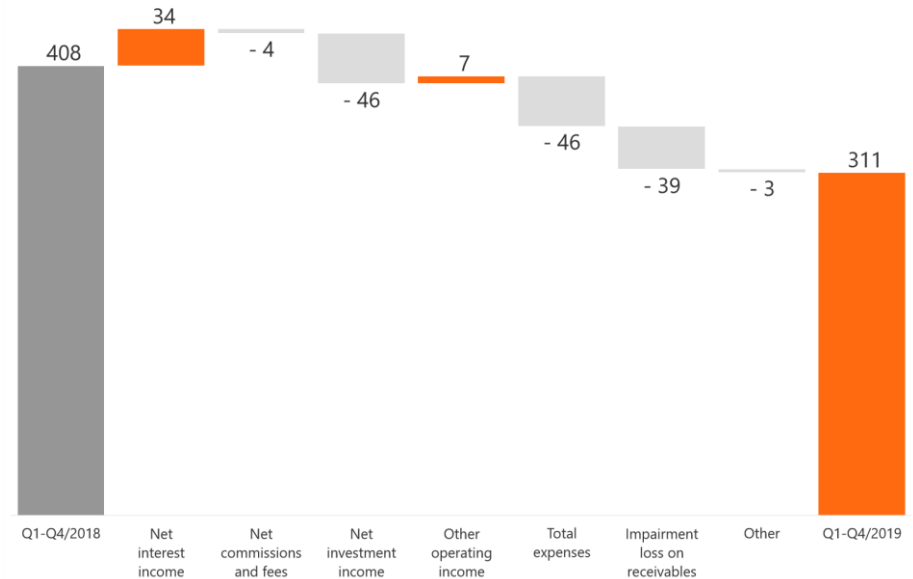


EBT weakened due to a reduction in NII and an increase in impairment loss on receivables and expenses

€ million

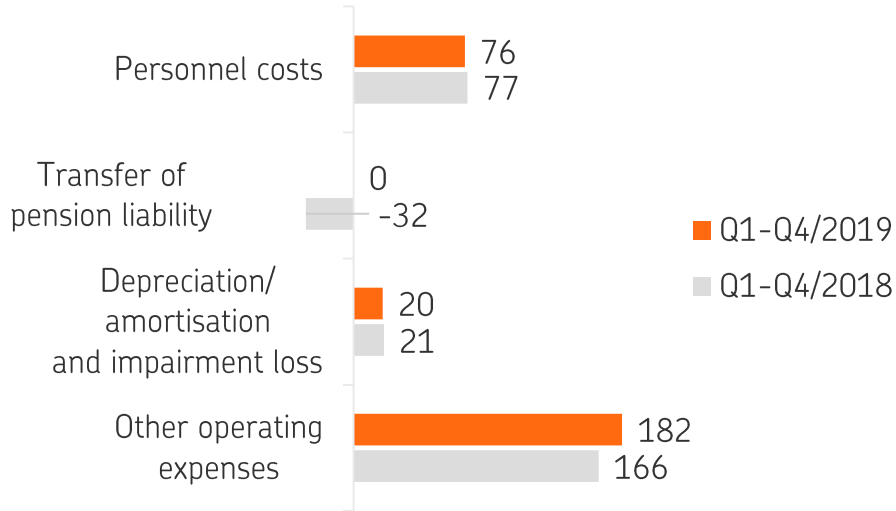


€ million

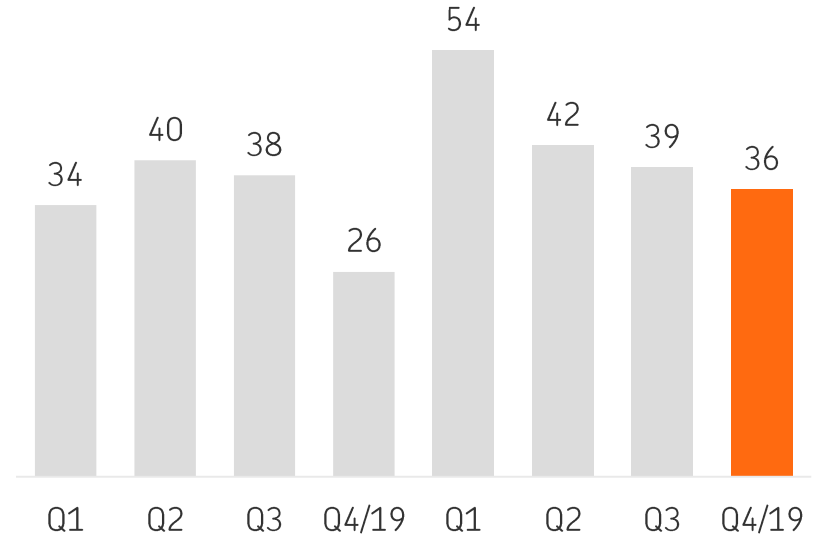


ICT costs increased other operating expenses

€ million



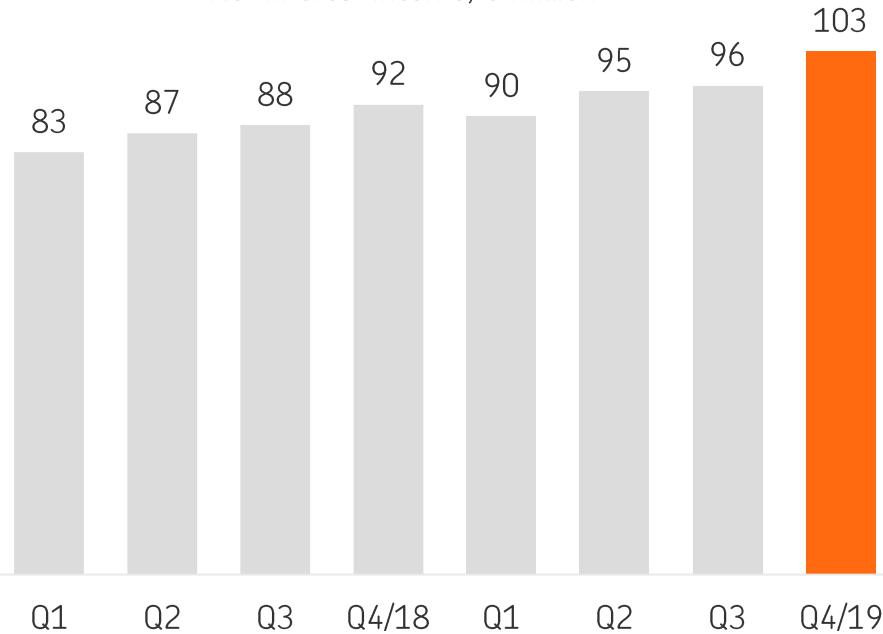
Cost/ income ratio, %



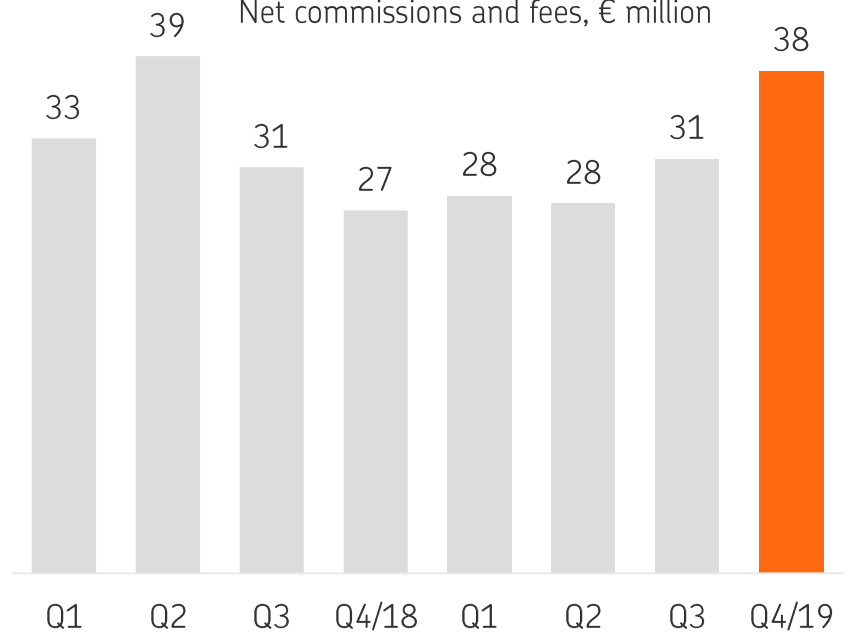
Q4/18 personnel costs include the transfer of pension liability of EUR 32 million

Net interest income increased in each quarter year on year, Q4 net interest income up by 11 %

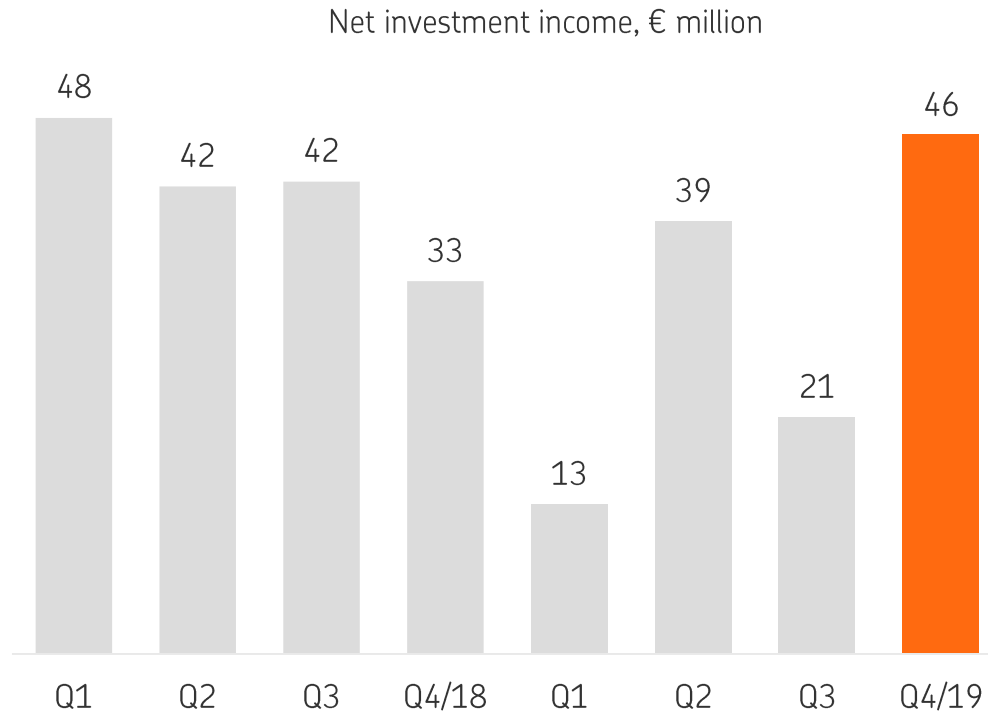
Net interest income, € million



Net commissions and fees, € million



Changes made in the valuation models of derivatives in Q1 reduced net investment income



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 Pohjola Insurance, A-Insurance, OP Life Assurance Company and Pohjola Hospital.

- 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 companies' 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, and claims services that are cost-efficient, of consistent quality and closely available to our customers

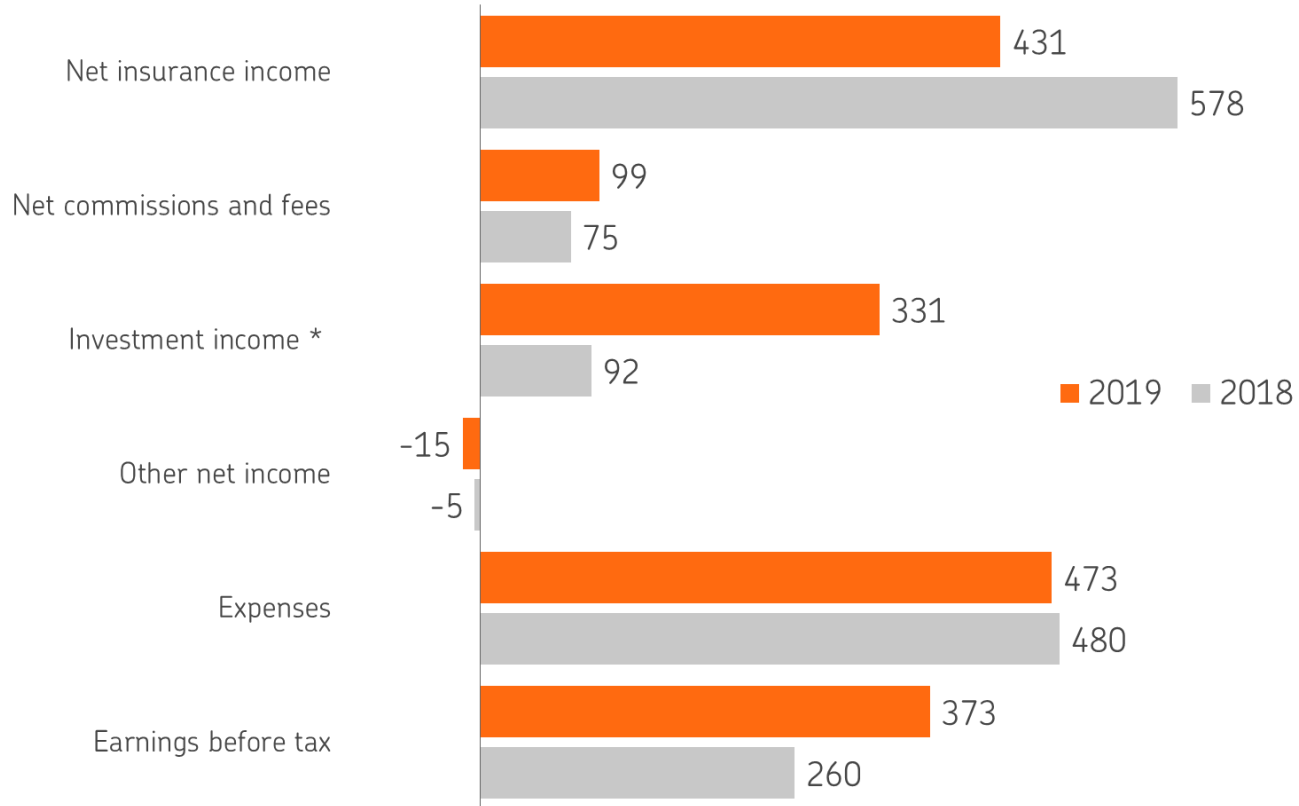
Key figures for 2019

Earnings before tax
€373 million

Insurance premium
revenue
€1,479 million

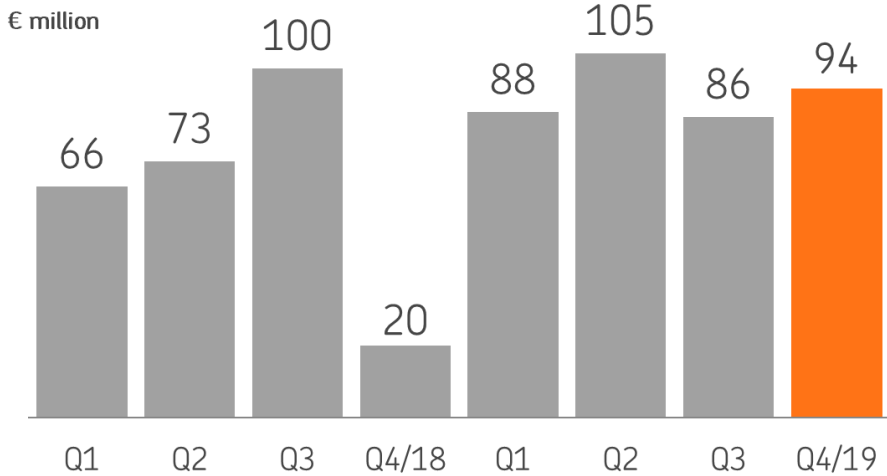
Unit-linked insurance
assets
€11 billion

Insurance EBT, € million

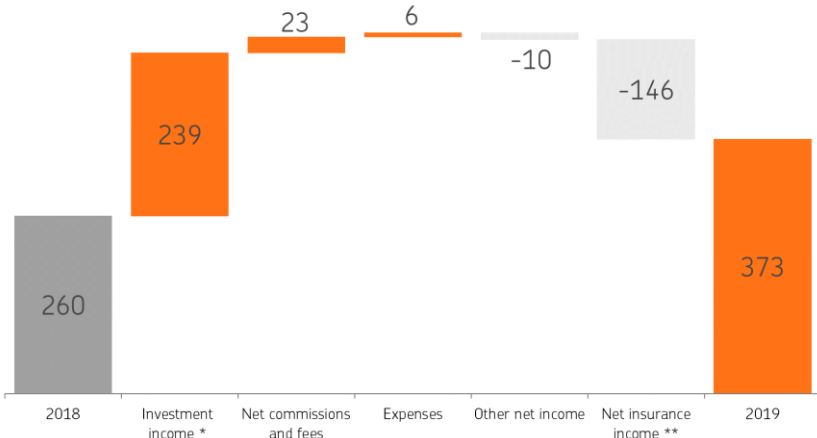


Higher investment income increased earnings – the reduction of discount rate reduced net insurance income

Earnings before tax by quarter, € million



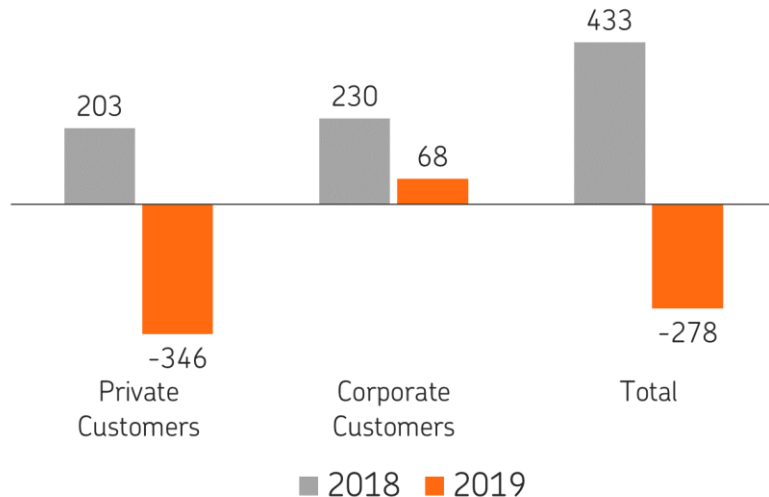
Earnings before tax, € million Change 2019 vs. 2018



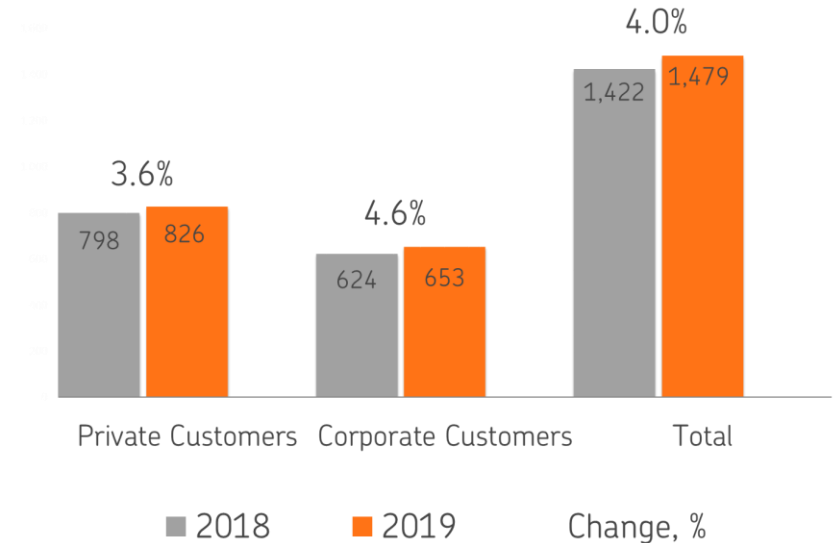
*) Includes net investment income and overlay approach
 **) Change in the discount rate reduced net insurance income by EUR 136 million. The figure a year ago includes EUR 16 million in net insurance income of the Baltics.

Net sales and insurance premium revenue

Life Insurance, Net assets inflow of unit-linked insurance contracts, € million



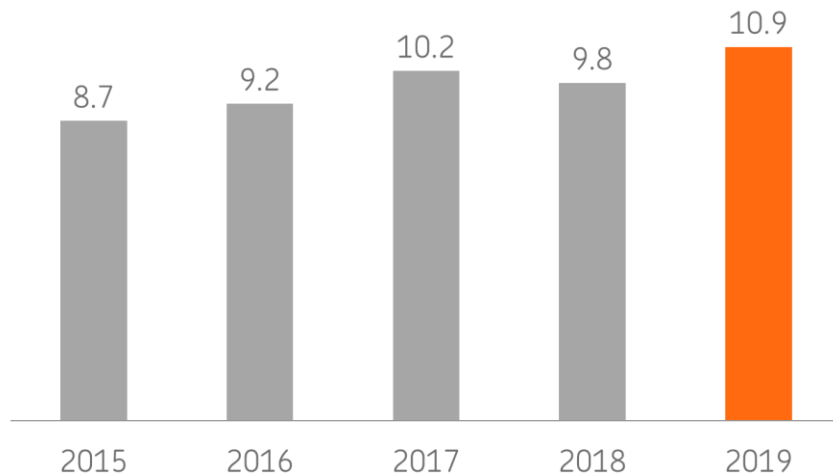
Non-life Insurance premiums written, € million



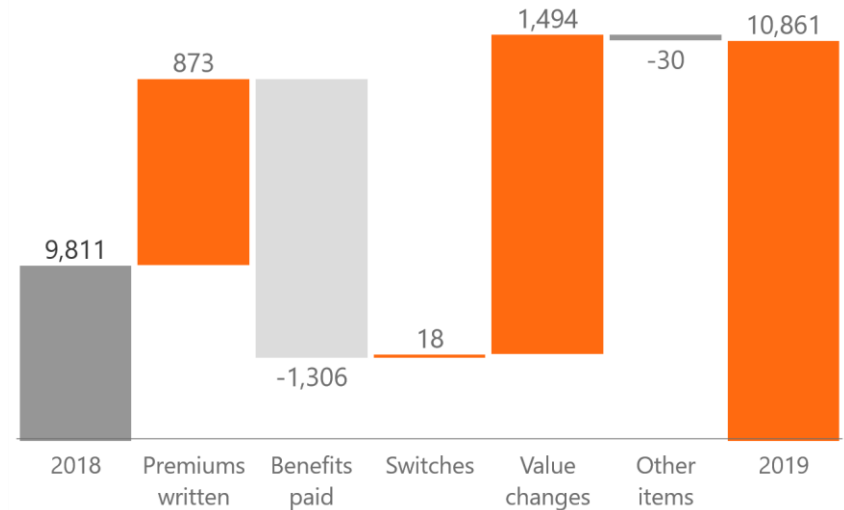
Insurance premium revenue excludes the Baltic business that was sold in August 2018.

Unit-linked insurance assets increased by 11% as a result of good value performance

Unit-linked insurance savings, € billion

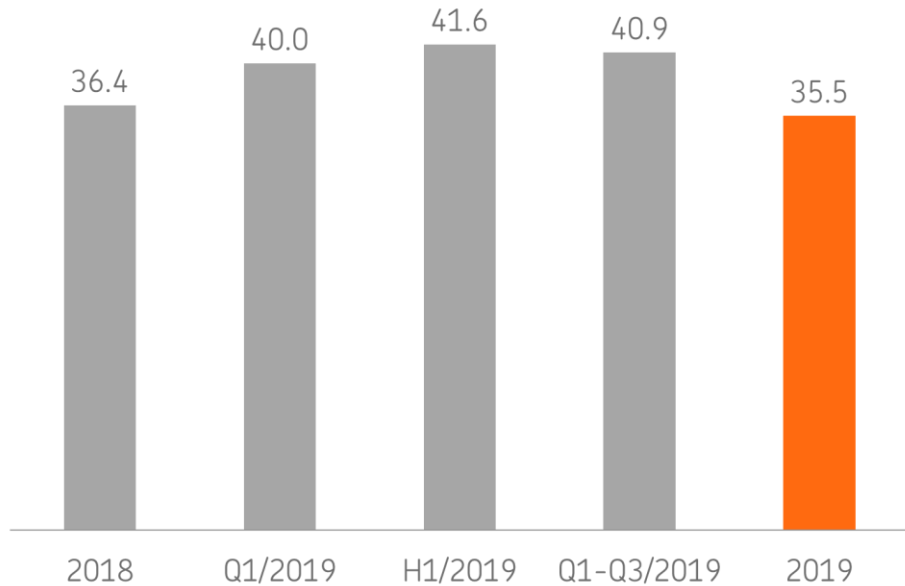


Change in unit-linked insurance savings, € million

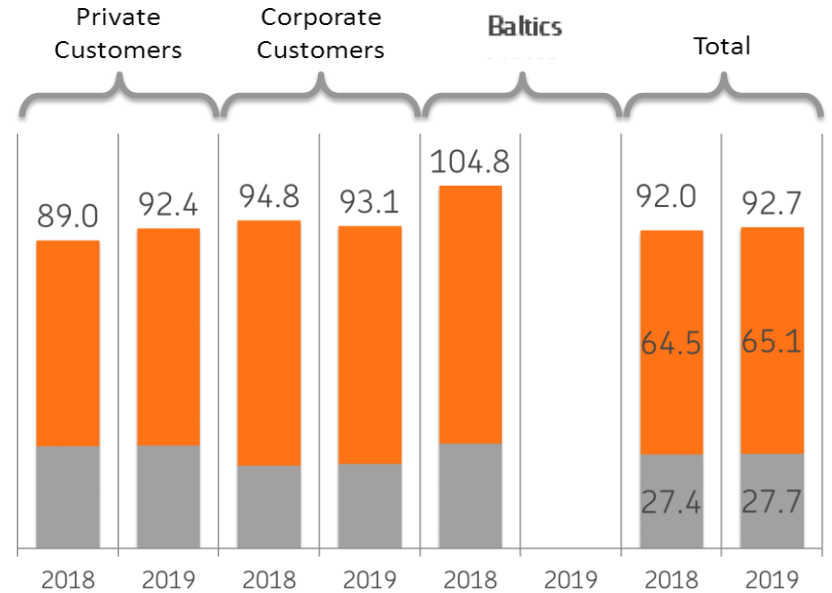


Insurance profitability

Life Insurance, operating ratio %



Non-life Insurance, operating combined ratio %



■ Operating cost ratio

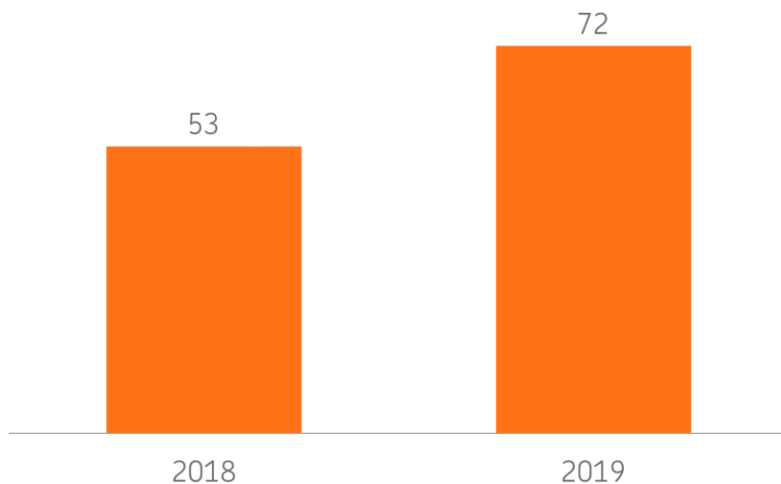
■ Operating risk ratio

Operating combined ratio

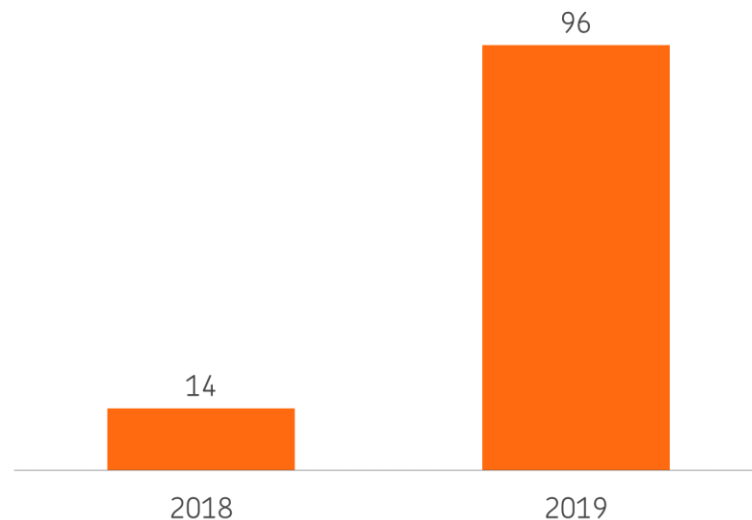
The Baltic business was sold in August 2018.

Net return on insurance investments at fair value, € million

Life Insurance *



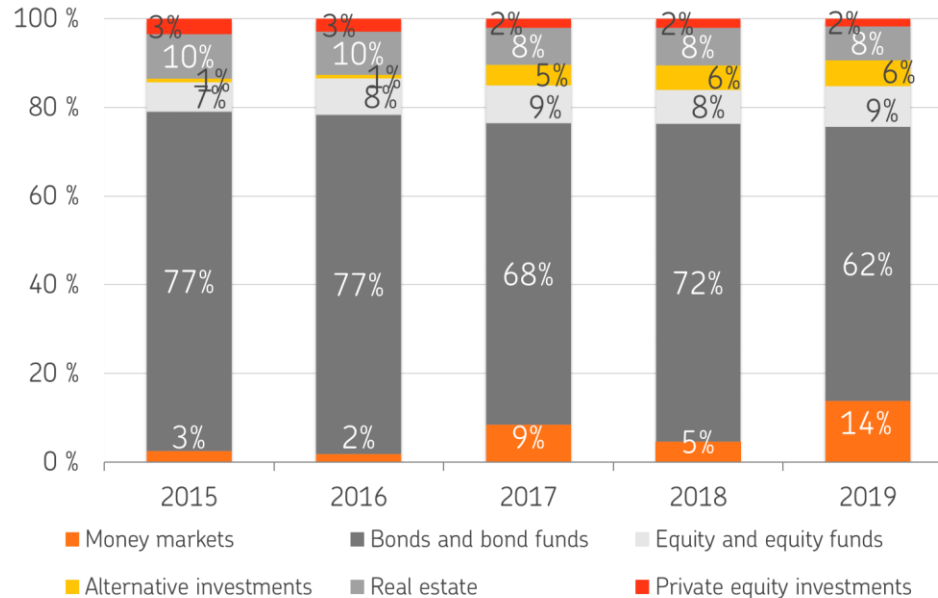
Non-life Insurance *



*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. Life Insurance investments exclude the so-called separated balance sheets that were transferred from Suomi Mutual.

Non-life insurance investment portfolio allocation

Investment portfolio (€4.0 bn) by asset class as of 31st December 2019

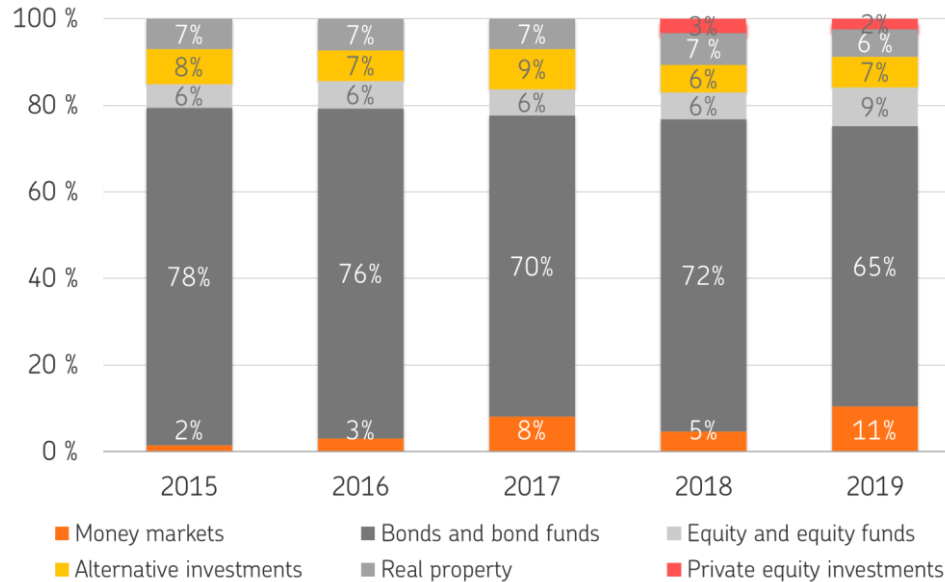


The duration of the fixed-income portfolio was 4.0 (4.3) years.

The running yield for direct bond investments averaged 1.3% (1.5) at end-December 2019.

Life Insurance investment portfolio allocation

Investment portfolio (€3.6 bn) by asset class as of 31st December 2019

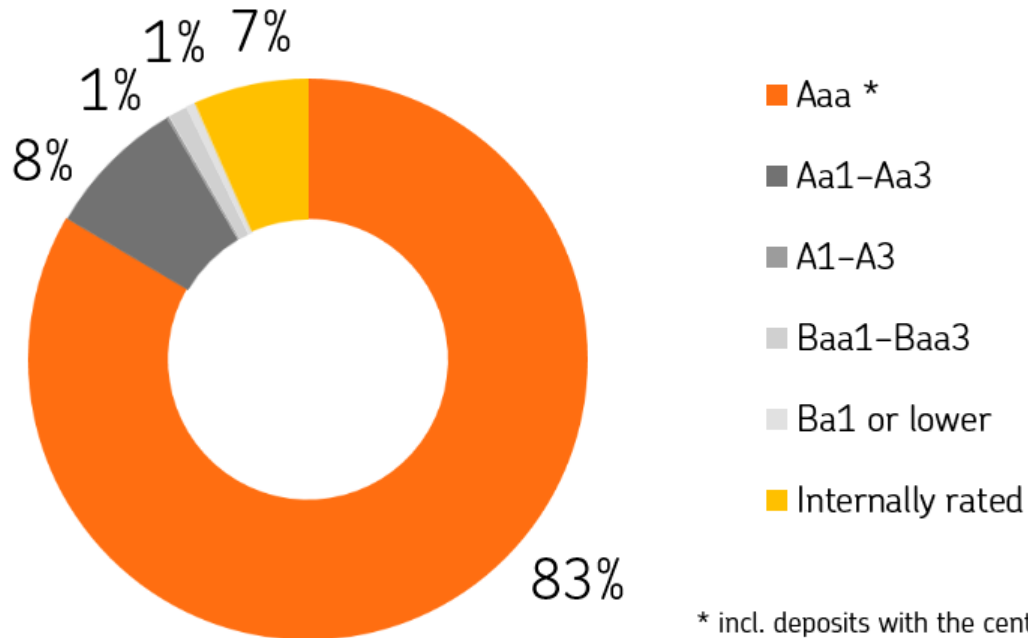


The duration of the fixed-income portfolio was 2.9 (4.1) years.
The running yield for direct bond investments averaged 1.2% (1.4) at end-December 2019.

Liquidity and funding

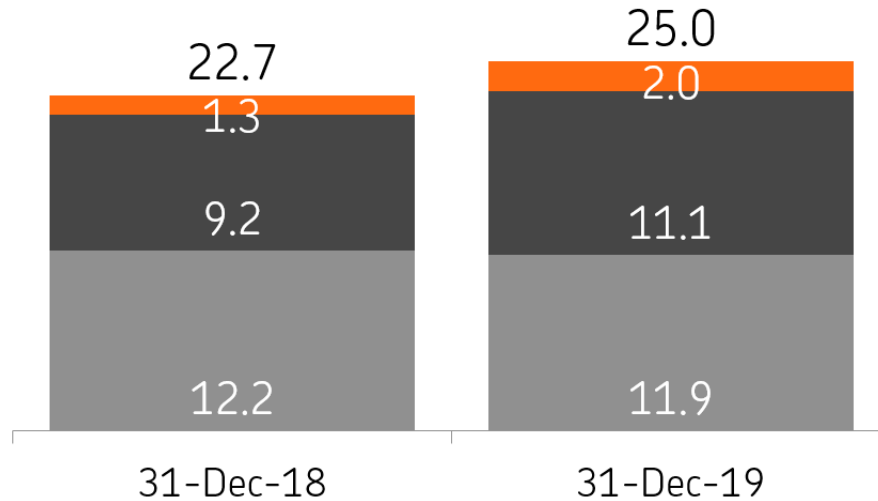
Liquidity buffer includes highly-rated assets

Liquidity buffer by credit rating as at 31 December 2019



Liquidity buffer €25.0 bn at YE2019

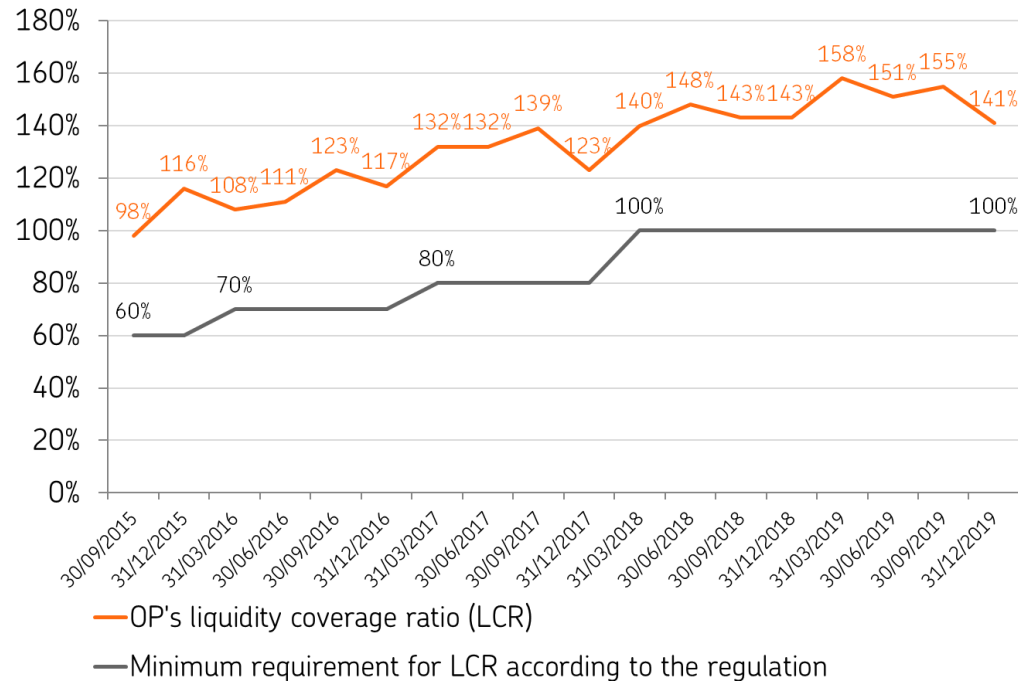
Liquidity buffer breakdown, € bn



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.

- Receivables ineligible as ECB collateral
- Notes and bonds eligible as ECB collateral
- Deposits with the central bank

Liquidity coverage ratio 141% at YE2019



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

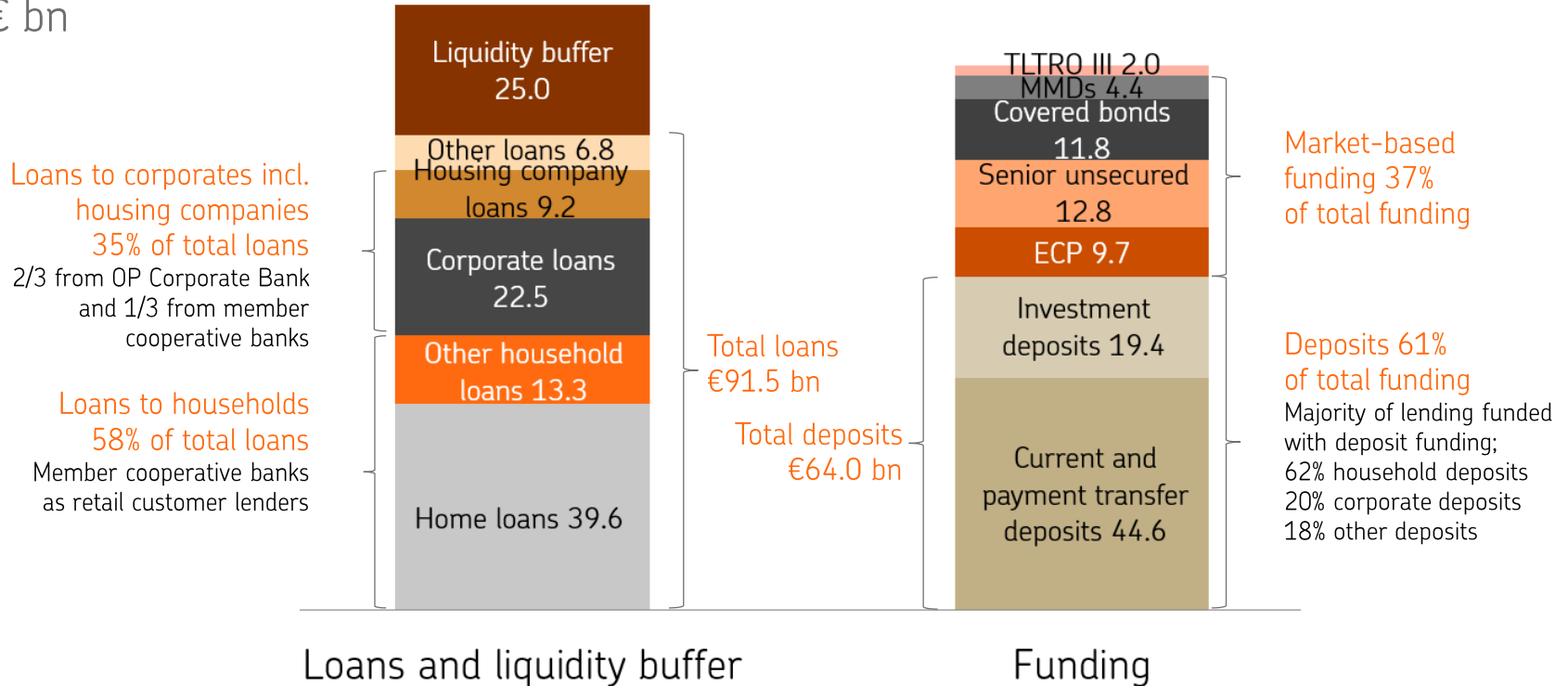
According to the regulation, LCR must be at least 100%.

NSFR (Net Stable Funding Ratio), which measures long-term funding sufficiency and structural funding risk, was 112% at YE2019 (111% at YE2018)

Loans, liquidity buffer and funding

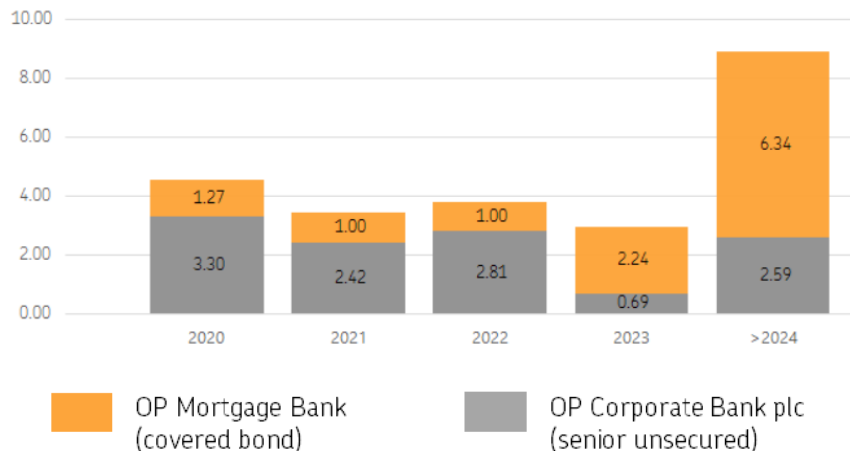
31 Dec 2019

€ bn

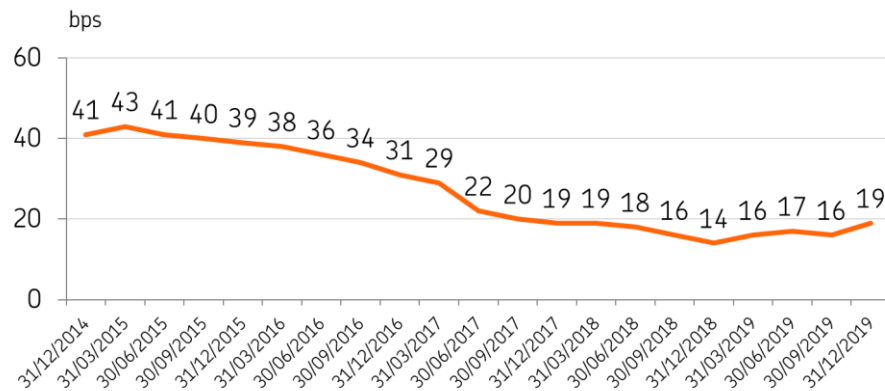


Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 31 Dec 2019 (€ bn)



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 13.4 billion euros, or 27.3% of the risk-weighted assets (RWA) at YE2017. 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 approx. 43% at YE2019. The SRB has 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. Senior Non-Preferred instruments (SNP) issued by OP Corporate Bank cover the MREL set for OP Financial Group by the SRB.

Issued senior unsecured and covered bonds

OP Corporate Bank plc's benchmark senior unsecured bonds 2017–20

Year	Month	Amount	Maturity	Interest rate
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps
2019	November	€500 mn (SNP)	10 yrs	m/s +68 bps
2019	June	€500 mn (SNP)	5 yrs	m/s +60 bps
2019	February	€500 mn (Green)	5 yrs	m/s +35 bps
2018	August	€500 mn	5 yrs	m/s +22 bps
2018	May	GBP200 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

OP Mortgage Bank's benchmark covered bonds 2017–20

Year	Month	Amount	Maturity	Interest rate
2020	January	€1 bn	8.25 yrs	m/s +3 bps
2019	November	€1 bn	7 yrs	m/s +3 bps
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

OP issued long-term bonds worth €6.7 bn in 2019 (€3.3 bn 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

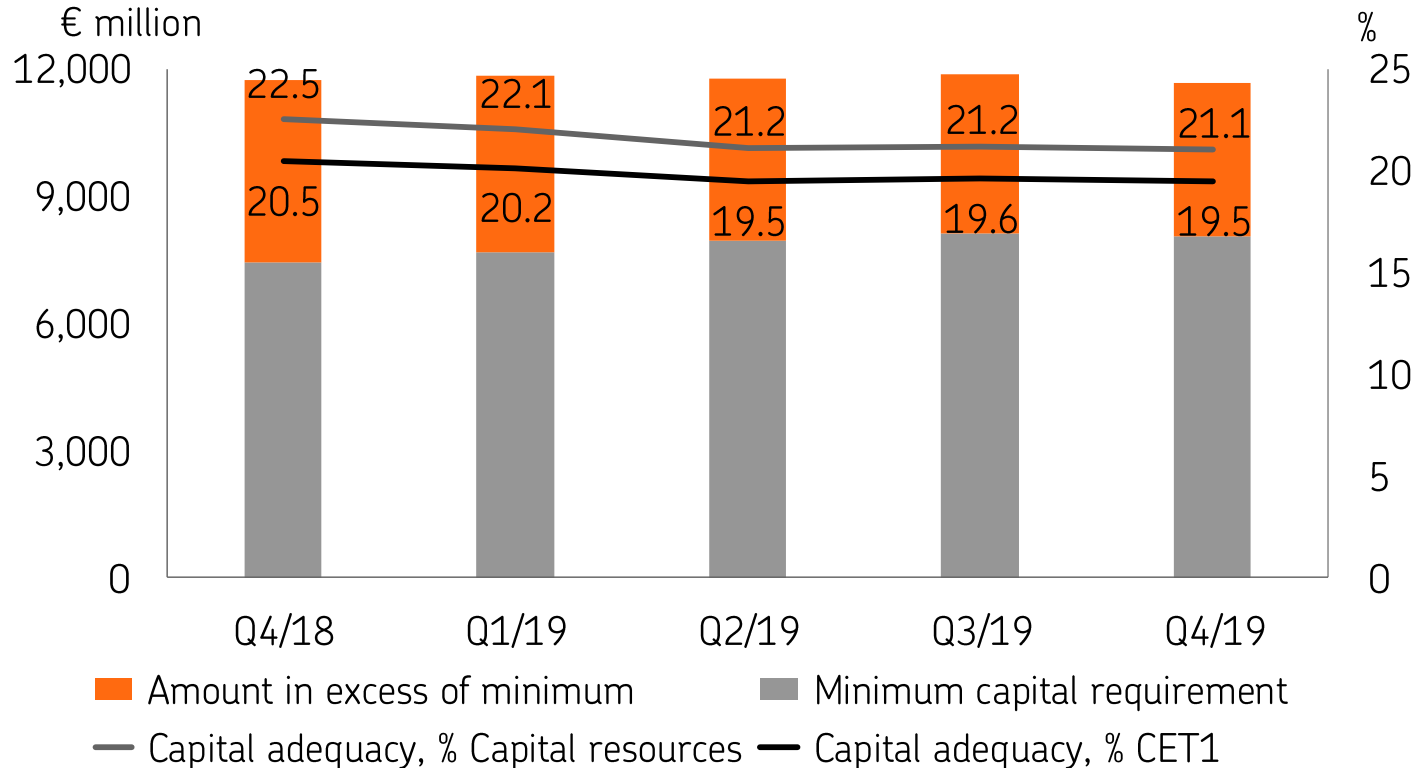
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies and the insurance conglomerate. The companies are required to cover SCR using the Group's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

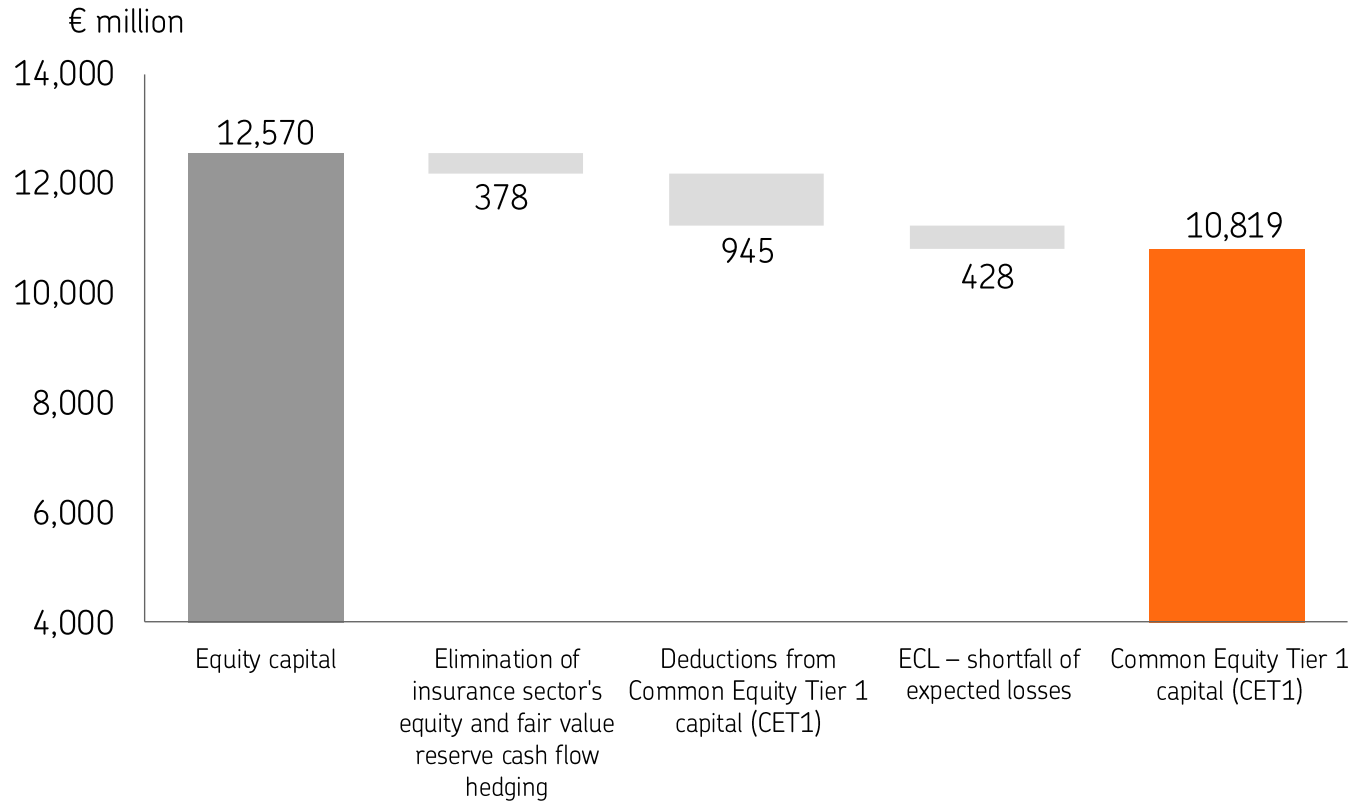
Amalgamation of cooperative banks

Capital base and capital adequacy

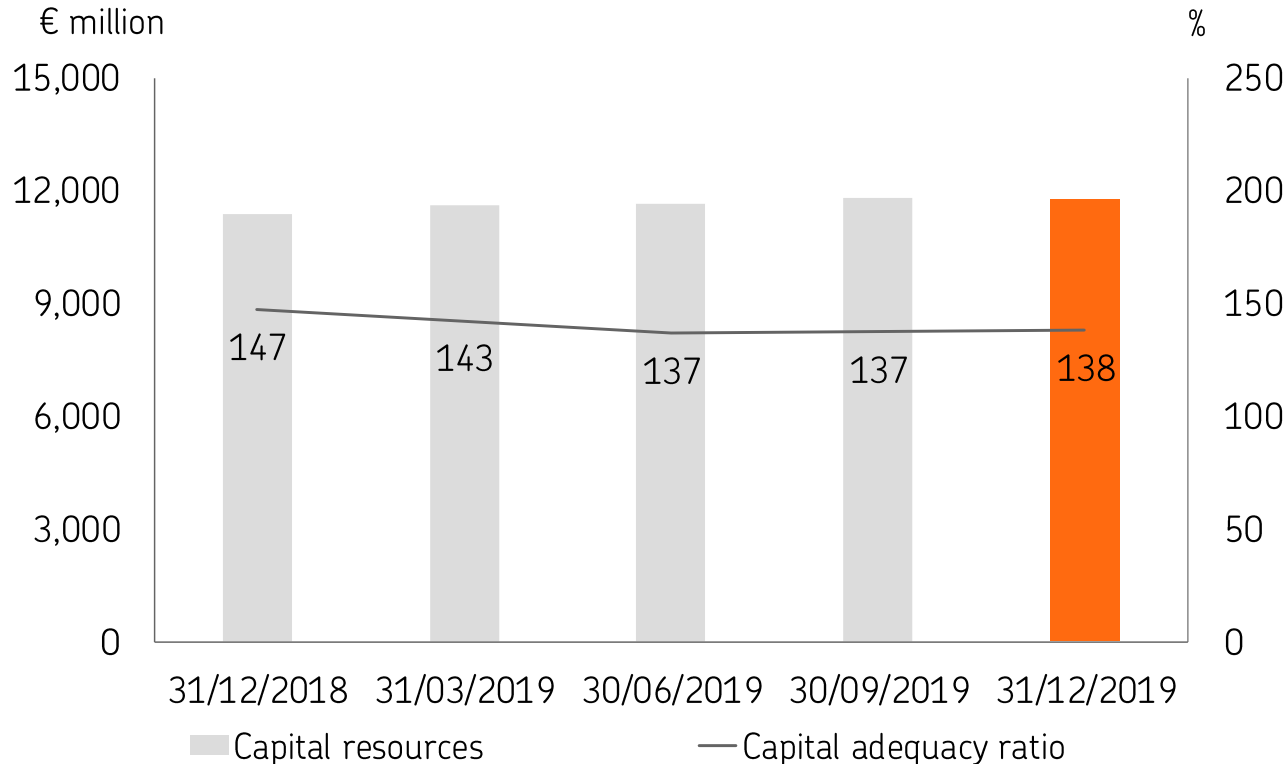


Common Equity Tier 1 (CET1)

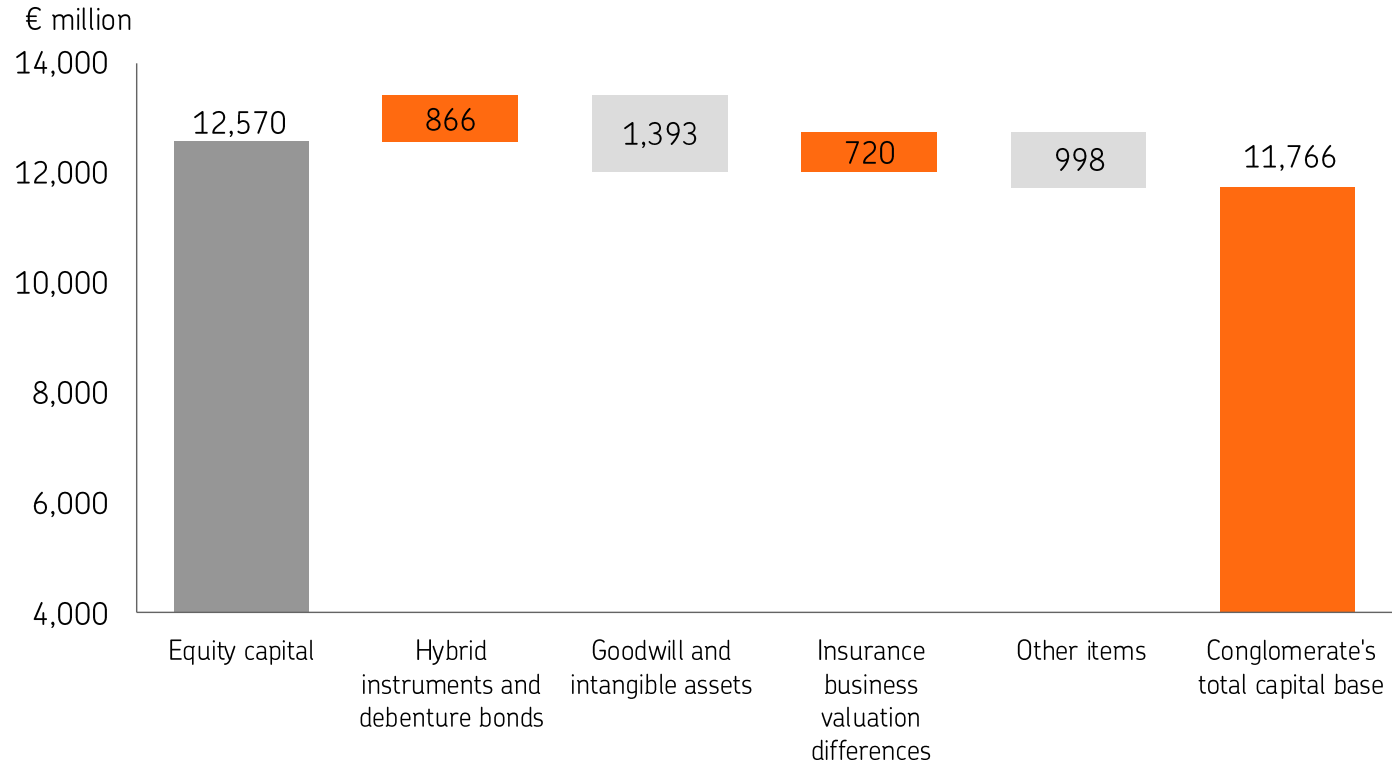
31 December 2019



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



FiCo capital 31 December 2019



OP in a nutshell

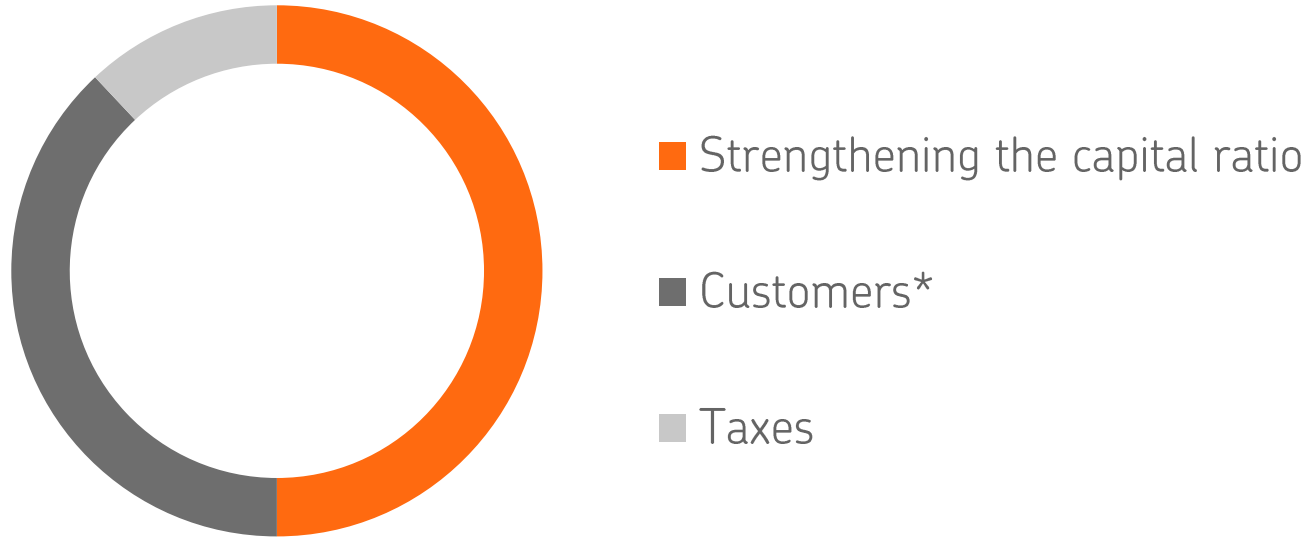


OP is a financial services group owned by its customers

OP Financial Group's mission

We promote the sustainable prosperity, security and wellbeing of our owner-customers and business environment.

OP Financial Group allocates a substantial amount of its earnings to the benefit of its customers and the surrounding society



Estimate of the allocation of period earnings, which is confirmed after the end of the reporting period
*) Customers = customer bonuses, discounts and interest on contributions made by owner-customers

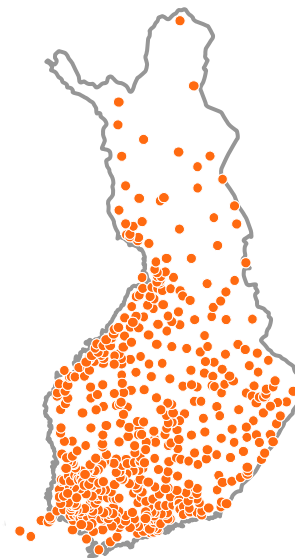
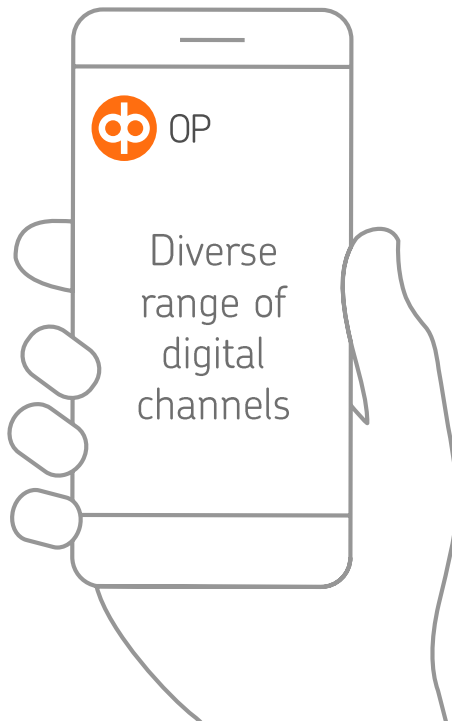
OP Financial Group's strategic targets

	31 Dec 2019	Target 2019
Customer experience, NPS (Net Promoter Score, -100--+100)		
Brand	26	25
Service	62	70, over time 90
CET1 ratio, %	19.5	22
Return on economic capital, % (12-month rolling)	17.2	22
Expenses of present-day business (12-month rolling), € million	1,827	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	2.00	2.0 (2019)

Finland's most extensive and diverse service network



Already 2 million owner-customers



147 OP cooperative banks

OP Financial Group's service channels

	Q1–Q4/2019	31 Dec 2019	12-month change
Online and mobile services			
Op.fi logins	101,991,888		-5%
OP-mobile logins	302,284,824		28%
OP Business mobile logins	10,188,113		69%
Pivo mobile application visits	52,665,662		55%
eServices Agreements (private customers)		1,937,188	2%
Branches and telephone services			
Bank branches		352	-4 %
Providing both non-life insurance and banking services		320	-1 %
Private Banking branches		42	0 %
Customer contacts in telephone service (Q1–3/2019)	4,213,229		9%
Social media			
Followers on Facebook (OP Financial Group and OP cooperative banks)		376,979	9%
Followers on Twitter		42,515	10%
Followers on LinkedIn		45,355	47%
Followers on Instagram		14,953	51%

Joint Liability, Deposit Guarantee and Investors' Compensation

- Under the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä Act), 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 and OP Card Company Plc.
- 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 guarantee. 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