OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2015

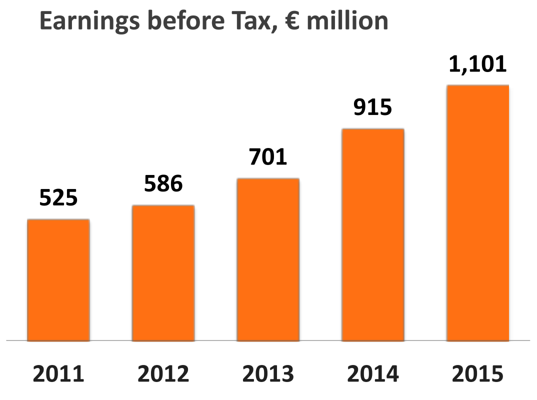
OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2015: Record year – customer ownership bears fruit

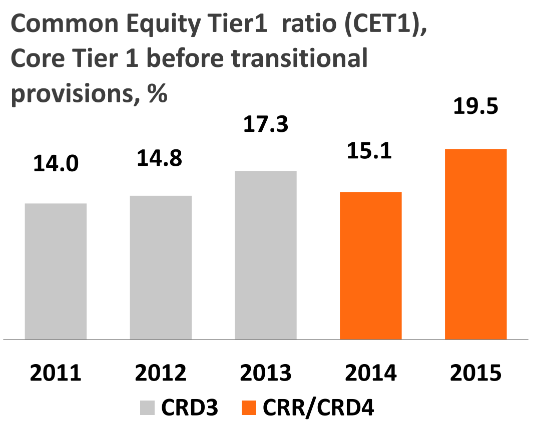
- The Group's earnings before tax increased by 20% to EUR 1,101 million (915). This figure is OP Financial Group's all-time high.
- Total income increased by 5% and expenses decreased by 2% year on year.
- The CET1 ratio improved by 4 percentage points to 19.5% (15.1), supported by strong earnings, which, for its part, enabled strong growth in lending:
  - The home loan portfolio grew by 3.9% in the year to December
  - The corporate loan portfolio increased by 9.3%
  - The total loan portfolio increased by 6.4% and the number of loans drawn down by 8.7%
- New customer bonuses totalled EUR 197 million, up 4.5% year on year.
- Contributions made by owner-customers to cooperative capital increased to EUR 2.8 billion (1.9). OP Financial Group anticipates paying interest of 3.25% on Profit Shares for 2015. Interest payable totals about EUR 66 million.
- Each of the three business segments improved its performance markedly:
  - Banking earnings before tax increased by 12% to EUR 642 million (571). The cost/income ratio improved by 2 percentage points to 54%. The deposit portfolio grew by 6.5%. Impairment loss on receivables remained low at 0.10% of the loan and guarantee portfolio.
  - Non-life Insurance earnings before tax increased by 16% to EUR 259 million (223). The operating combined ratio of 87.3% was the best ever recorded. Insurance premium revenue rose by 7%.
  - Wealth Management earnings before tax increased by 28% to EUR 213 million (167). Assets under management grew by 12% to EUR 68 billion.
- Full-year earnings for 2016 are expected to be about the same as in 2015. For more detailed information on the outlook, see "Outlook for 2016".

OP Financial Group's key indicators

	Q1-4/2015	Q1-4/2014	Change, %
Earnings before tax, € million	1,101	915	20.4
Banking	642	571	12.5
Non-life Insurance	259	223	16.0
Wealth Management	213	167	27.6
New accrued customer bonuses	197	189	4.5
	31 Dec. 2015	**31 Dec. 2014**	**Change, %**
Common Equity Tier 1 (CET1) ratio, %	19.5	15.1	4.4*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), %	207	189	18*
Ratio of receivables more than 90 days past due to loan and guarantee portfolio, %	0.42	0.37	0.05*
Joint banking and insurance customers (1,000)	1,656	1,590	4.2

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2014. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2014 are used as comparatives.
* Change in ratio.





Comments by Reijo Karhinen, President and Group Executive Chairman

Our long-standing success and determined transformation measures continued in 2015 as well. Our earnings and capital base increased to new record levels. A 6% growth in our loan portfolio and an almost 10% increase in our corporate loan portfolio, in particular, convey a message of our ability to provide our customers with opportunities for success today and tomorrow. Emphasis on growth – our strategic basis – at the same time maintains the required competition in the Finnish financial market.

We made strong progress in our business role. I am as happy with our efforts in our social role. As a company owned by customers, our duty is to promote the success of our owner-customers and operating region. By means of growth faster than that of our competitors and several #Suominousuun (Putting Finland on a new growth path) initiatives, we created positive mood both among our large clientele and in the Finnish economy as a whole. This is the course we will continue to stay. Community spirit as a value is a rising trend and, in my view, the cooperative system is more attractive than ever before.

The financial services sector is faced by one of the largest transformations of all time. Digitisation, cross-border competition and quickening changes in customer behaviour are challenging industry players in a new way. At OP Financial Group, we have made determined efforts to sharpen our vision. Cooperative ideology will continue to be our strategic basis. Maximising benefits for our owner-customers guide our choices and business. Our strong capital base combined with superior customer experience will guarantee our unique success story.

In 2008, we promised to help our customers to go through the financial crisis. Now we promise to make our customers go through the digital transformation – on their own terms.
The greater power of customers resulting from digitisation is a big asset and source of inspiration for us. When this is combined with a real customer ownership, a series of opportunities will open to us. In the future of the connecting world, only those financial services providers will succeed that can serve their customers and interact with them irrespective of time, place or service channel.

Enhancing digital expertise is an important competitive weapon to OP Financial Group. Investments in digitisation are traditionally seen as investments in technology. But for us at OP, they first of all mean investments in customer experience and service design. We have continued to make bold investments in future service capabilities and in our Oulu mobile development unit already established in 2011. We have now already taken the next steps. In addition to digital experts, we have hired dozens of service designers to arise to the challenge of digital business and to enable more customer-driven development work. We represent Finnish pioneership in service design in the financial sector.

We are making efforts to reinvent ourselves but we are concerned about stagnation in the Finnish economy and, on a broader basis, in Finnish society. Disagreement is now the last thing we need. In the digitising world, Finland must respond to the pressures for change at a pace that is completely different from before, or otherwise the Finnish foundations renowned as strong will wobble. What we need most now is an atmosphere of renewal and trust as well as agile decision-making and decision implementation.

OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2015

Contents

Operating environment

World economic growth remained sluggish in 2015 when growth in emerging economies stumbled. Commodity prices fell and the inflation rate decelerated on a global scale. The euro-area economy picked up, growing at a moderate rate.

The European Central Bank (ECB) intensified its accommodative monetary policy measures as the inflation rate decelerated. In March, the ECB began buying government bonds, resulting in pushing the short-term market interest rates negative. In December, the ECB announced new measures. It cut the deposit rate and extended the bond buying programme until March 2017. Market interest rates continued to decrease slightly.

The Finnish economic picture remained grim. Total output remained stagnant and unemployment increased. Capital expenditure was down and exports continued its downward trend. On the positive side, household spending rose. Construction picked up towards the year end. The housing market became slightly livelier but home prices decreased by less than one per cent.

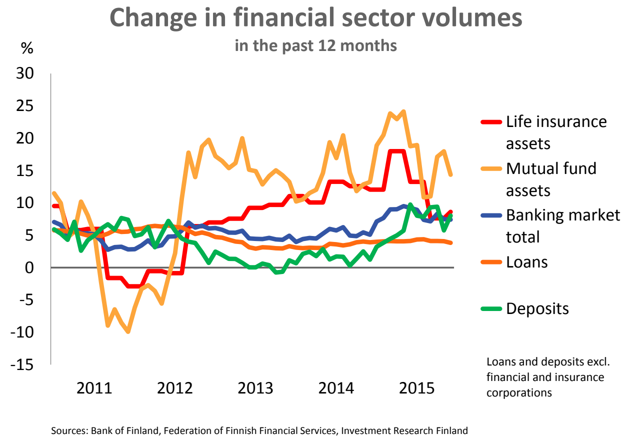
The world economy is expected to continue to grow at a rate below the long-term average. The euro-area economy should continue to grow at a moderate pace. The Euribor rates are expected to remain lower than at the end of 2015. In Finland, household spending and a recovery in fixed investments are anticipated to maintain some economic growth.

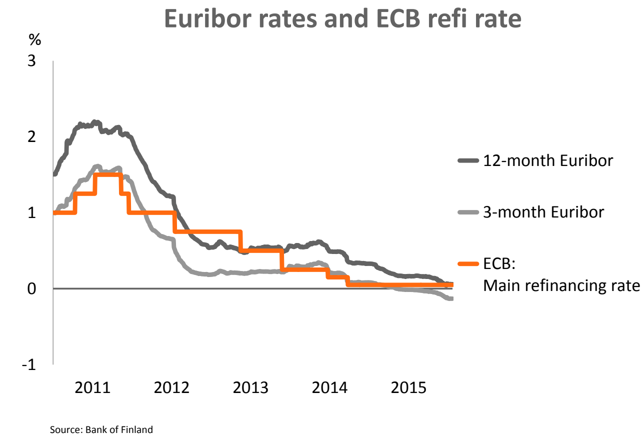
During the financial year, new home loans drawn down were about ten per cent higher than a year ago. At the same time, the growth rate of total consumer home loan volumes increased to almost three per cent and the average loan term for new home loans lengthened to slightly less than 19 years. The total volume of corporate and housing corporation loans increased by six per cent. A slightly positive mood for demand for loans is expected to continue.

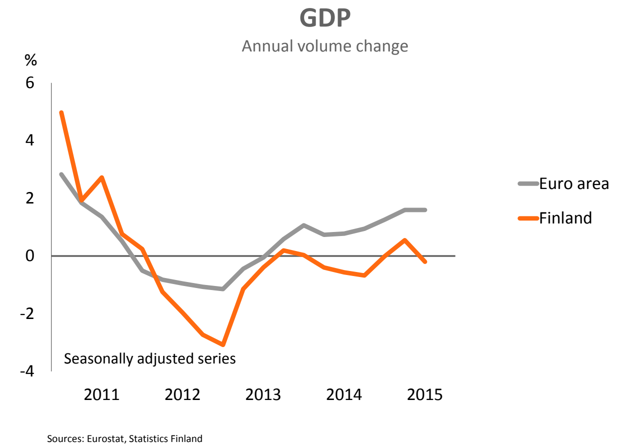
The total volume of deposits showed growth throughout the year, aided by growth in deposits by corporations and public-sector-entities, whereas growth in total household deposits was weaker. The total term-deposit volume continued to decline as a result of extremely low interest rates.

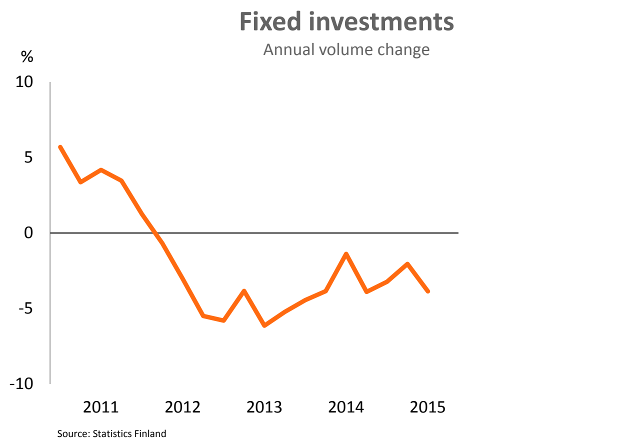
Domestic mutual fund assets and insurance savings climbed notably thanks to favourable market developments and greater net asset inflows. Some 70 per cent of the growth in mutual fund assets came from net asset inflows.

According to the statistics by the Federation of Finnish Financial Services, non-life insurance premiums written were 2.1 per cent lower than in the previous year. Claims paid out decreased by 3.1 per cent.









Earnings analysis, € million	**Q1–4/2015**	**Q1–4/2014**	**Change, %**	**Q4/2015**	**Q4/2014**	**Change, %**	**Q3/2015**
Banking	642	571	12,5	112	112	0,0	174
Non-life Insurance	259	223	16,0	41	33	23,9	74
Wealth Management	213	167	27,6	45	22		40
Earnings before tax	**1,101**	**915**	**20,4**	**175**	**176**	**-0,3**	**299**
Gross change in fair value reserve	-219	152		10	48	-78,3	-107
Earnings before tax at fair value	**883**	**1,067**	**-17.3**	**185**	**224**	**-17.2**	**192**
Return on economic capital, % *)	21.5	16.5	5.0*				
Return on economic capital at fair value, % *)	17.7	19.1	–1.4*				
Income							
Net interest income	1,026	1,043	-1.7	259	269	-3.8	256
Net income from Non-life Insurance	639	589	8.5	142	138	2.7	154
Net income from Life Insurance	278	197	41.0	68	29		61
Net commissions and fees	704	707	-0.5	161	175	-8.1	169
Net trading and investment income	193	162	19.1	24	27	-8.4	40
Other operating income	54	55	-0.7	15	17	-9.3	10
Other income, total	**1,868**	**1,710**	**9.2**	**411**	**385**	**6.5**	**434**
Total income	**2,894**	**2,753**	**5.1**	**669**	**654**	**2.3**	**690**
Expenses							
Personnel costs	781	741	5.4	208	190	9.6	172
Other administrative expenses	420	414	1.5	126	101	25.0	90
Other operating expenses	319	401	-20.4	81	102	-20.7	69
Total expenses	**1,520**	**1,555**	**-2.3**	**415**	**393**	**5.7**	**331**
Impairment loss on receivables	**78**	**88**	**-11.9**	**31**	**38**	**-19.5**	**10**
New accrued customer bonuses	**197**	**189**	**4.5**	**50**	**48**	**4.8**	**50**

*) 12-month rolling, change in percentage

Other key indicators, € million	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
Receivables from customers	75,192	70,683	6.4
Life Insurance assets	13,858	11,238	23.3
Non-life Insurance assets	4,067	3,797	7.1
Liabilities to customers	58,220	51,163	13.8
Debt securities issued to the public	27,706	24,956	11.0
Equity capital	9,324	7,213	29.3
Total assets	125,145	110,427	13.3

OP Financial Group's operational bases

OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. Cooperative values include People-first approach, Responsibility, and Prospering together. 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 customer interests guide all of the Group's operations. Ongoing and active efforts to operate in the interests of customers are crystallised in the Group's customer promise: "We exist to serve our customers". Customers always come first and deserve undivided attention. Customer respect shows in the Group personnel's service attitude. The people elected in the Group's administrative bodies enable a powerful voice of customers in decision-making and the development of operations.

A long-term customer-driven approach is reflected in OP Financial Group's continuous renewal. The Group develops its services and products to meet customer needs. The Group takes different customer groups as well as the regional coverage and availability of financial services effectively into consideration. Group member cooperative banks and their offices across Finland, together with user-friendly electronic services, enable effective interaction with customers and the local community.

As a financial services provider owned by its customers, OP Financial Group has not only its business role but also another significant role, a social role. In its business role, the Group provides competitive services needed by its customers and ensures its operating efficiency and strong capital base that generates competitive advantage. A cooperative as a type of business organisation creates community spirit and continuity in the Group's operating region. In its social role, the Group assumes responsibility for both its owner-customers and, on a more comprehensive basis, for society and local communities. Successful performance in the business role enables the Group to lead its social role.

The strong capital base enables OP Financial Group to successfully lead its double role. The Group maintains its capital adequacy markedly above the regulated level to secure its role as a finance and insurance provider for businesses and even during a prolonged recession. Meanwhile, according to the Group strategy, the Group will keep risk-taking moderate vis-à-vis the risk-bearing capacity.

OP Financial Group is owned by its customers. Being a customer and owner is combined in OP Financial Group. 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. A substantial amount of earnings returns to owner-customers while the rest is used to strengthen the Group's balance sheet and secure lending. In addition to financial benefits, owner-customers have a genuine opportunity to contribute to their own cooperative bank's decisions and, thus, influence developments in their neighbourhood.

OP Financial Group's benefit and added value of the business operations are channelled, via customer relationships, to owner-customers and other customers. Member cooperative banks use their profits for the benefit of their customers by providing loyalty benefits and other financial benefits and by developing their service capabilities. Cooperative banks are often among the largest taxpayers in their localities. After expenses required for business, OP Financial Group allocated its earnings during the financial year, as follows:

Estimate of the allocation of 2015 earnings

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

The estimate will be confirmed after the end of the financial year.

The Group's operations also have other, larger indirect impacts on both local and nationwide economic vitality.

OP Financial Group's earnings analysis and balance sheet

January–December

Earnings before tax increased by 20.4% to EUR 1,101 million (915), being almost 10% higher than the previous record figure for 2007. This improvement was due especially to a 9% increase in other income. Net income posted by Life Insurance and Non-life Insurance increased as a result of improved insurance profitability. Net commissions and fees were at the level reported a year ago. Estate agent fees and lending fees were lower than a year ago whereas fees related to mutual funds and payment transaction fees increased. Net trading income rose due to income from derivatives trading. Capital gains on securities added to net investment income.

Net interest income decreased by 1.7% to EUR 1,026 million. Net interest income from retail and corporate banking increased but that from Markets and the liquidity buffer decreased. Net interest income from the liquidity buffer was reduced by narrower credit spreads of bonds and the Group's preparation for tighter liquidity regulation. The reduced net interest income from Markets was compensated by an increase in its other income.

Total expenses decreased by 2.3%, being EUR 35 million lower than a year ago. Higher personnel costs were explained by a EUR 40-million increase in pension costs and a non-recurring EUR 9 million in expenses related to the reorganisation of the central cooperative consolidated. Higher pension costs were explained, among other things, by amended pension laws adopted at the end of the year. Wages and salaries were at the previous year's level. In addition to business expansion, the non-recurring expenses of EUR 18 million related to intra-Group ownership reorganisation and the reconstruction of the Vallila premises increased other expenses. ICT costs increased by 5.7%, being EUR 11 million higher than in the previous year. A year ago, statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 72 million, and non-recurring expenses of EUR 12 million, related to the purchase of Pohjola Bank plc shares, increased other expenses.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 114 million (113), of which EUR 78 million (88) concerned loans and receivables. Net impairment loss on loans and receivables were low, at 0.10% (0.12) of the loan and guarantee portfolio.

The Group's income tax amounted to EUR 251 million (337). The effective tax rate was 22.5% (33.6). The Group's income tax after changes in deferred tax totalled EUR 249 million (308). The effective tax rate was increased by the capital gains tax of EUR 37 million (109) arising from transactions related to intra-Group ownership reorganisation.

Earnings before tax recorded by Banking amounted to EUR 642 million (571). The earnings performance by Banking was supported by higher income and lower expenses. Higher net interest income from Banking was due to growth in the loan portfolio and a rise in its average margin as well as a decrease in deposit funding costs. Net commissions and fees increased as a result of higher fees from Wealth Management and Non-life Insurance. Expenses decreased by 2.5% to EUR 1,037 million. Statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 70 million in Banking, increased other operating expenses a year ago.

Non-life Insurance earnings before tax amounted to EUR 259 million (223). The operating combined ratio was 87.3% (89.4). Premiums written increased faster than claims incurred. The change in the discount rate for insurance liability increased claims incurred by EUR 62 million (62), which weakened the operating combined ratio by 4.5 percentage points. The expense ratio decreased by 0.7 percentage points to 17.7%. Net investment income recognised in the income statement decreased by EUR 7 million year on year.

Earnings before tax posted by Wealth Management were EUR 213 million (167). This year-on-year earnings improvement was a result of improved Life Insurance profitability. The segment's net commissions and fees decreased by 5.6% year on year.

On 19 May 2015, six former POP Group member banks joined OP Financial Group. Their accounts have been consolidated into the Group's accounts since they joined the Group. As a result of the consolidation, the Group's net interest income grew by EUR 9 million, net commissions and fees by EUR 3 million and expenses by EUR 10 million. As a whole, the effect on earnings was slightly positive. As a result of the consolidation, the Group's loan portfolio grew by EUR 643 million and deposit portfolio by EUR 694 million on the date of transfer.

Earnings before tax at fair value amounted to EUR 883 million
(1,067). OP Financial Group's fair value reserve before tax totalled EUR 302 million (531) on 31 December.

Equity capital amounted to EUR 9.3 billion (7.2) on 31 December. This increase was due to both Group earnings and the issues of Profit Shares. On December 31, EUR 2.5 billion (1.6) in Profit Shares were included in equity, terminated Profit Shares accounting for EUR 0.3 billion. In March 2015, the central cooperative's Executive Board decided to raise the target level of Profit Shares by EUR 0.4 billion to EUR 2.3 billion. This target amount has virtually been met.

October–December

Fourth-quarter earnings before tax amounted to EUR 175 million against EUR 176 million reported a year ago.Net income from Life Insurance and net trading income increased. Net commissions and fees and net investment income decreased. Expenses increased by EUR 22 million to EUR 415 million. Higher expenses were explained by a EUR 23-million increase in pension costs and a EUR 20-million increase in ICT costs. Other operating expenses a year ago included non-recurring expenses and their adjustments and statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 8 million.

Earnings for the fourth quarter were considerably lower than those for the third quarter. Higher expenses were the biggest single reason for this decrease. Expenses increased by EUR 85 million to EUR 415 million due, to a significant extent, to non-recurring expenses and the seasonal nature of the expenses. Personnel costs increased by EUR 36 million from the third quarter, pension costs accounting for EUR 16 million. Net income from Non-life Insurance were EUR 12 million lower than in the previous quarter, due to higher claims incurred. Net investment income declined by EUR 15 million, as net income from investment property was EUR 10 million lower than in the previous quarter. Impairment loss on loans and receivables increased by EUR 21 million to EUR 31 million over the previous quarter.

OP Financial Group's financial targets

OP Financial Group achieved all of its key financial targets at the end of the financial year.

OP Financial Group's financial targets	31 Dec. 2015	31 Dec. 2014	Target
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, %	207	189	160
CET1 ratio, %	19.5	15.1	18*
Return on economic capital, % (12-month rolling)	21.5	16.5	20
Growth differential between income and expenses, Group level, pps (for 3 years)	21.1	14.0	> 0

Growth differential between income and expenses, Banking, pps (12-month rolling)	4.1	9.6	> 0
Growth differential between income and expenses, Wealth Management, pps (12-month rolling)	18.6	18.6	> 0
Operating combined ratio by Non-life Insurance, %	87.3	89.4	< 92

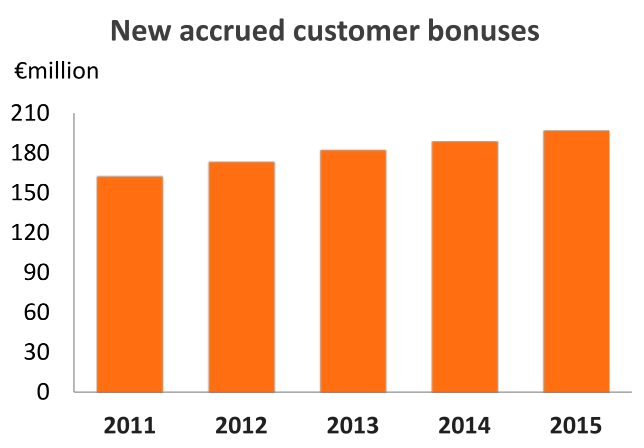
* By end 2016

Customer relationships and customer benefits

The number of OP Financial Group's owner-customers increased by 57,000 in the year to December to 1,491,000. Contributions made by member cooperative banks' owner-customers to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.8 billion (1.9) on 31 December.

On 31 December, OP Financial Group had 4,303,000 customers (excluding the customers of POP Group banks that joined the Group) in Finland. The number of private customers totalled 3,869,000 and that of corporate customers 434,000. The number of joint banking and non-life insurance customers increased in the year to December by 66,000 to 1,656,000. The POP Group banks that joined the Group had approximately 90,000 customers.

Member cooperative banks' owner-customers and Helsinki OP Bank customers earn OP bonuses through banking and insurance transactions. The combined amount of new bonuses earned by OP bonus customers in January–December for using OP as their main bank and insurer was worth EUR 197 million (189). A total of EUR 99 million (98) of bonuses were used to pay for banking and wealth management services and EUR 101 (95) million to pay non-life insurance premiums. OP bonuses were used to pay 2,023,000 insurance bills (1,912,000), with 273,000 (255,000) of them paid in full using bonuses. At the end of 2015, the Group updated its OP bonus scheme by abandoning the minimum transactions of EUR 5,000. OP bonuses can now be earned through all transactions entitling to the bonuses without the minimum threshold. This change enables a larger number of owner-customers to benefit from bonuses.



Non-life Insurance premier customer households were provided with EUR 79 million (73) in loyalty discounts during the financial year.

Member cooperative banks paid EUR 27 million (11) in interest on Profit Shares and supplementary cooperative capital contributions for 2014. Interest payable on the Profit Shares and supplementary cooperative capital contributions accrued during the financial year is estimated to total EUR 68 million. The return target for Profit Shares is 3.25%, calculated from the date the investment was made.

Multichannel services

The Group has a multichannel service network comprising branch, online, telephone and mobile services. The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the financial sector.

A change in customer behaviour and the general trend of digitisation of a number of aspects in people's daily lives will considerably change the way how financial services providers meet their customers. The Group aims to offer a channel for each particular need of the customer and enable him/her to switch flexibly between channels.

OP has made considerable investments in the development of online and mobile services. Digital services are the main channels for customers' daily transactions in banking, insurance and wealth management services. During the financial year, OP invested in OP-mobile, for example, by developing the service to be more user-friendly and extensive and by bringing new features. Banking, non-life insurance and wealth management services are now available mobile. For example, OP developed wealth management investment reporting for OP-mobile during the financial year. The application also enables non-life customers to file a claim. The number of OP-mobile users has already increased to the level of op.fi. In 2015, the number of monthly op.fi visits averaged 10.3 million, that of OP-mobile 7.6 million and that of the Pivo mobile wallet application 1.7 million.

Despite the expansion of online and mobile services, the Group still has Finland's most extensive branch network with some 450 branches across the country. The Group's own branch network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

As customer behaviour and demand for services change, the Group is modernising its branch concepts. An example of a new type of a future branch is the one opened in the Vallila office block in September 2015. The Vallila branch seeks to offer the best possible customer experience by promoting digitality. It also acts as the entire Group's test laboratory for new operating models and tools.

In addition to services provided at branches, customers have access to personal service by telephone and through online meetings. At online meetings, customers discuss with a bank's expert through audio/video conferencing.

The Group has extensive presence in the most common social media channels where it has more than 200,000 followers.

The Group reaches its customer on Facebook and Twitter, in particular, publishing topical issues of interest to customers and other stakeholders and also replying to the general questions asked by customers. In addition to the Group national social media accounts, many member cooperative banks have their own Facebook pages where they share publications destined for local customers.

The Group wants to reach its customers through the most convenient channel for them and therefore continuously maps out new types of service encounters. During 2015, OP Financial Group was the first financial services provider to join Snapchat, a popular messaging application among teenagers, and send its first video clip on the Periscope streaming service.

The Group should open its second private hospital in Tampere in the summer of 2016. Establishing the hospital forms part of the health and wellbeing development programme whereby the Group will expand its hospital network nationwide and branch out from orthopaedics into other medical specialties.

Squeeze-out procedure related to Pohjola Bank plc shares

The Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce issued its award on 20 February 2015 regarding the squeeze-out of Pohjola's minority shareholders. Based on the award, the squeeze-out price was EUR 16.13 per share which equals the price offered by OP Cooperative for Pohjola shares in the public voluntary bid. The arbitration award was not appealed, i.e. the squeeze-out price based on the award was final.

Request for clarification from the Finnish Competition and Consumer Authority

On 14 December 2015, OP Financial Group received a request for clarification from the Finnish Competition and Consumer Authority, based on If P&C Insurance Company Ltd's request submitted to the authorities. The authorities are investigating OP Financial Group's market position in retail banking services and the pricing of non-life insurance products.
Due to the request, OP Financial Group entities have for the time being refrained from lobbying as members of the Federation of Finnish Financial Services, except for labour market issues.

Solvency

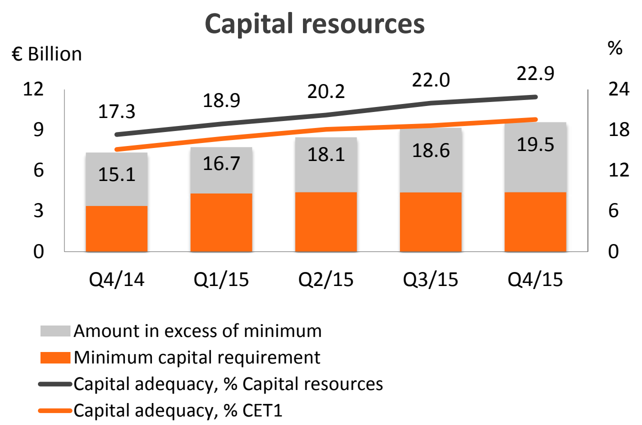
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

On 31 December, 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 4,6 billion (3,0). The FiCo buffer was increased by the Group's earnings, Profit Share issues and a decrease in the risk exposure amount (REA) in Banking and, on the other hand, the buffer was decreased by the capital conservation buffer of 2.5% adopted in banking capital adequacy in Finland at the beginning of 2015. The capital conservation buffer increased the consolidated capital adequacy requirement from 8% to 10.5%, calculated as percentage of risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 207% (189), with the requirement for the capital conservation buffer reducing the ratio by 54 percentage points. As a result of the buffer requirements, the FiCo solvency does no longer reflect the minimum level of capital base of the FiCo group but the level within which the group can operate without regulatory obligations resulting from buffers below the required level. The former POP Group banks which joined the Group had a minor effect on capital adequacy.

Capital adequacy for credit institutions

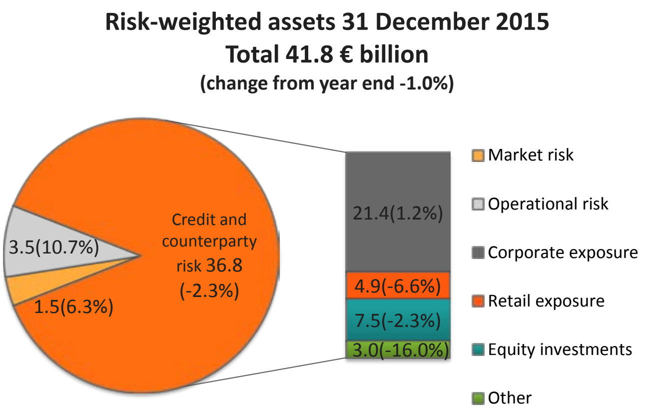
The Group's CET1 ratio was 19.5% (15.1) on 31 December. The issues of Profit Shares increased the CET1 ratio by 2.2 percentage points. In the first quarter, OP adopted updated probabilities of default (PD) according to permission from the supervisor. This adoption improved the CET1 ratio by 0.8 percentage points. Gains arising from the remeasurement of defined benefit pension plans (IAS 19) increased the Group's CET1 ratio by around 0.9 percentage points in the financial year.

OP Financial Group's banking 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 increases in practice the minimum capital adequacy ratio to 10.5% and the CET1 ratio to 7%.



The Group's CET1 capital was EUR 8.2 billion (6.4) on 31 December. CET1 capital was increased by the issue of Profit Shares, Banking performance for the period, IAS 19 items and dividends from the Group's insurance institutions. Profit shares accounted for EUR 2.5 billion of CET1 capital at the end of December.

On 31 December, REA totalled EUR 41.8 billion (42.3), or 1.0% lower than on 31 December 2014. The updated PD values for corporate exposure reduced REA by around 4.2%. In view of the PD changes, the average risk weights of corporate exposures increased slightly. Average risk weights of other major exposure classes went down slightly.



Equity investments include EUR 6.5 billion in risk-weighted assets of the Group's internal insurance holdings.

In October 2015, OP Financial Group received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets according to the previous practice. The method applied to insurance holdings leads to a risk weight of approximately 280%. However, the ECB has the option of cancelling the permission as part of the harmonisation of supervisory options. OP Financial Group's CET1 ratio would decrease by about 0.6 percentage points if the special permission were cancelled and OP transferred to the deduction treatment of insurance holdings. Such a change in treatment would not, however, have any effect on OP Financial Group's real risk-bearing capacity.

The requirements for capital buffers implemented through national legislation will add to capital requirements further. In July 2015, the Financial Supervisory Authority set the requirement for the O-SII buffer for OP Financial Group as an Other Systemically Important Institution at 2%, effective as of 7 January 2016. Upon entry into force, the O-SII buffer will reduce the FiCo capital adequacy ratio by an estimated 22 percentage points. The Group already fulfils the capital conservation buffer requirement. In December 2015, the Financial Supervisory Authority decided not for the time being to impose a countercyclical capital buffer requirement on banks, but began preparations for setting higher risk weights on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis.

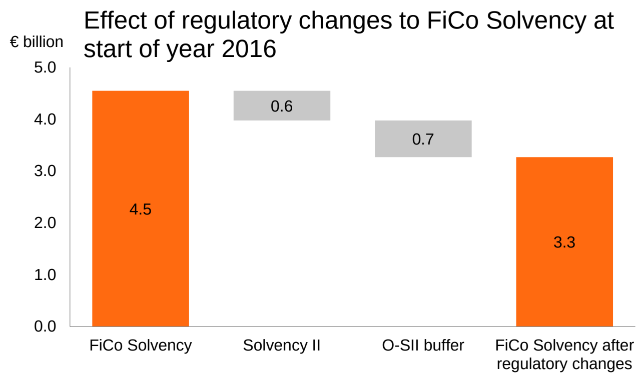
The upcoming regulations include a ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group’s Banking is estimated at about 7.2% based on the existing interpretations, calculated using the December-end figures, with the minimum level in the draft regulations being 3%.

Non-life and Life Insurance

The solvency regulations of the insurance sector changed in early 2016 and are not included in statutory audit in accordance with the Insurance Companies Act that entered into force on 1 January 2016. Changes in the insurance sector’s Solvency II regulations aim to improve the quality of insurance companies’ capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe. The regulations will on the one hand increase capital requirements, and on the other increase the capital base, which will decrease the capital adequacy ratio on a net basis under the Act on the Supervision of Financial and Insurance Conglomerates.

Solvency II	Non-life Insurance		Life Insurance	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Capital base, EUR million	972	804	1,078	804
Capital requirement, EUR million	698	685	733	806
Solvency ratio, %	**139**	**117**	**149**	**100**

Solvency II figures do not include the effects of any possible transitional provisions.



Due to regulatory changes, the FiCo capital adequacy will decrease from the current 207% to 156% at beginning of 2016.

ECB banking supervision

OP Financial Group is supervised by the ECB. The ECB has imposed on OP Financial Group a discretionary capital requirement buffer as part of the supervisory review and evaluation process (SREP). When taking account of the requirement for CET1 capital, the discretionary capital requirement buffer is 9.75% In view of OP Financial Group's strong capital base and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for the Group's capital adequacy position or business. To OP Financial Group's knowledge, the ECB has imposed on all banks under its supervision a comparable discretionary capital buffer requirement based on the comprehensive assessment uniformly applied to banks.

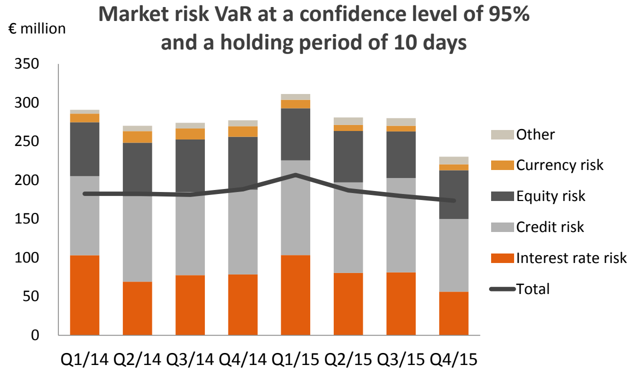
Risk exposure

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

The strong risk-bearing capacity and moderate target risk exposure level helped to maintain the Group's credit risk exposure stable in a situation where the operating environment remained challenging.

OP Financial Group’s funding and liquidity position is good. OP Financial Group had good access to funding. During the financial year, the Group issued long-term bonds worth EUR 6.5 billion. The loan-to-deposit ratio remained stable during the financial year.

OP Financial Group's market risk exposure was stable during the financial year. The Group's VaR, a measure of market risk, was EUR 174 million (188) on 31 December. The Group's VaR 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 although outsourced services still involve increased risk. During 2015, the Group improved its capabilities to prevent the detrimental effects of denial-of-service attacks and successfully managed to prevent the effects.

Risks associated with the Group's 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 financial year improved comprehensive income before tax by EUR 519 million.

Banking

Major risks within Banking include credit risk and market risk.

Banking's credit risk exposure remained stable, at a moderate risk level. Doubtful receivables totalled EUR 2.1 billion (1.6). 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. Member cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties. Impairment losses remained low, accounting for 0.10% (0.12) of the loan and guarantee portfolio.

During the financial year, the loan and guarantee portfolio increased by EUR 4.2 billion to EUR 77.8 billion. Private customers accounted for 60% (62) of the loan and guarantee portfolio. Of the six main categories for private customer exposure, 83% (81) of the exposures belonged to the top two categories, and 3% (4) to the two lowest. Corporate customers' (including housing corporations) exposures represented 36% (36) of the loan and guarantee portfolio. Of corporate exposure, the highest rating category 1–5.5 exposure represented 59% (58) and the exposure of the lowest two rating categories amounted to EUR 441 million (501), accounting for 1.2% (1.5) of the total corporate exposure.

No single customer's exposure did not exceed ten per cent of the capital base after allowances and other recognition of credit risk mitigation. The Banking capital base covering major customer exposure amounted to EUR 9.4 billion (7.3).

In the Companies and housing associations sector, the most significant industries measured by exposure were Renting and Operation of Residential Real Estate representing 21.9% (21.6), Renting and Operating of Other Real Estate representing 11.7% (10.7) and Trade representing 9.6% (10.0). A total of 91% of exposures within Renting and Operation of Residential Real Estate were those by housing associations and 16% those guaranteed by general government.

Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates.

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. Despite volatile long-term market interest rates, the solvency position under Solvency II was clearly stronger at the end of the financial year than the year before. The investment risk level (VaR with 95% confidence) at the end of the financial year was slightly lower than at the turn of the previous year. OP has reduced equity and credit risks associated with the investment portfolio. OP has moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. OP has also used interest rate derivatives to hedge against interest rate risk associated with insurance liability.

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 the faster-than-expected life expectancy increase.

No major changes took place in Life Insurance's underwriting risks. The Life Insurance solvency position under Solvency II was clearly stronger at the end of the financial year than the year before. The insurance portfolio transferred from Suomi Mutual Life Assurance Company (Suomi Mutual) on 31 December 2015 increased the investment portfolio's market value by about EUR 1.3 billion, or about 30%. As a result of the portfolio transfer, the investment risk level (VaR with 95% confidence) increased by around 25%. The market risk level associated with the total balance sheet did not change at the time of the transfer. Before the portfolio transfer, the risk level was at the level recorded at the previous turn of the year. During the financial year, OP reduced equity and credit risk and moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. OP has also used interest rate derivatives to hedge against interest rate risk associated with insurance liability.

Other Operations

Major risks exposed by 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.

Despite an increase in investments in the liquidity buffer, market risks (VaR with 95% confidence) decreased slightly during the financial year as a result of allocation 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 and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

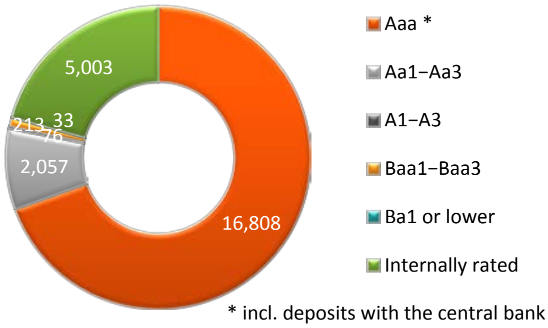
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 60% during the fourth quarter of 2015 and at least 100% from the beginning of 2018. In accordance with the European Commission Liquidity Delegated Act, the calculated estimate of OP Financial Group's LCR ratio was 116% at the end of December.

Liquidity buffer

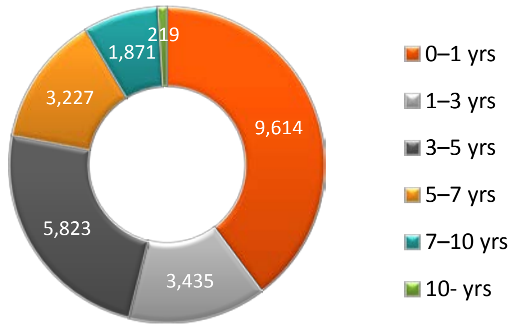
€ billion	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
Deposits with central banks	8.5	3.8	124
Notes and bonds eligible as collateral	10.6	7.8	35
Corporate loans eligible as collateral	4.3	4.3	0
Total	**23.4**	**15.9**	**47**
Receivables ineligible as collateral	0.8	0.7	19
Liquidity buffer at market value	**24.2**	**16.6**	**46**
Collateral haircut	-1.2	-1.1	12
Liquidity buffer at collateral value	**23.0**	**15.5**	**48**

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. The notes and bonds included in the liquidity buffer are based on mark-to-market valuations.

Financial assets included in the liquidity buffer by credit rating on 31 December 2015, € million



Financial assets included in the liquidity buffer by maturity on 31 December 2015, € million



Credit ratings

Rating agency	**Short-term debt**	**Outlook**	**Long-term debt**	**Outlook**
Standard & Poor's	A-1+	Negative	AA-	Negative
Moody's	P-1	Stable	Aa3	Stable

Pohjola Bank plc has credit ratings affirmed by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd. When assessing Pohjola's credit rating, the credit rating agencies take account of the entire OP Financial Group's financial position.

The credit ratings of OP Financial Group or Pohjola Bank plc did not change in 2015.

In November 2015, OP Financial Group and Pohjola Bank plc terminated the agreement relating to Fitch credit ratings, effective since 31 December 2015. Fitch Ratings affirmed and removed on 6 January 2016 OP Financial Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1.

On 2 December 2015, Standard & Poor's affirmed Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ while keeping the outlook negative.

On 29 June 2015, Moody's affirmed Pohjola Bank plc's long-term debt rating at Aa3 and short-term debt rating at P-1 and kept the outlook stable.

Strategic development programmes

In June, the Supervisory Board of OP Cooperative confirmed five new development programmes for the Group in response to the drastically changing operating environment and the need for reforms stemming from changing customer behaviour. These programmes will require significant investments in the development of products, services, technology and expertise.

The development programmes address the efforts to strengthen the customer ownership-based foundation of the Group, to tap the opportunities and meet the challenges entailed by digitisation and to develop the three business segments on a broad scope. Moreover, OP has approved and initiated a health and wellbeing development project. In December 2015, the central cooperative Supervisory Board decided to begin to update the strategy on a comprehensive basis.

Outlook for 2016

The world economy is expected to grow at a rate below the average. Economic growth in the euro area is anticipated to remain moderate. Finnish economic growth has been modest for a long time now. Weak export demand, eroding price competitiveness and slow reform of economic structures are threatening to make the Finnish economic growth rate clearly lag behind the euro area for several years. Implementing the structural reforms may tighten the political situation, which may, for its part, threaten the recovery of the domestic market. The current exceptional world economic situation with low interest rates and quantitative easing measures by central banks will also cause major uncertainty to the future economic development.

The weak Finnish economy will keep long-term growth expectations low in the financial sector. Low interest rates will erode banks' net interest income and weaken insurance institutions' investment income. Then again, low interest rates support customers' loan repayment capacity that has remained stable despite the prolonged period of slow growth. Capital adequacy and profitability in the financial sector have come to play an ever-increasing role because of the unstable operating environment and the tighter regulatory framework.

OP Financial Group expects its earnings before tax for 2016 to be at about the same level as in 2015. The most significant uncertainties associated with the earnings estimate are related to unfavourable changes in the interest rate and investment environment. Some uncertainty is also associated with developments in impairment loss on receivables.

All forward-looking statements in this Financial Statements Bulletin 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.

Events after the balance sheet date

In November 2015, Visa Inc. announced a definitive agreement to acquire Visa Europe Ltd. The transaction is expected to be completed in the first half of 2016 but it is subject to regulatory approval. In January, OP Cooperative's Executive Board, for its part, approved the bid. If completed, the transaction will, based on preliminary and unconfirmed estimates, bring OP Financial Group approximately EUR 70 million in capital gains in 2016.

In January 2016, OP Financial Group and Suomi Mutual began to negotiate over transfer of Suomi Mutual's individual pension insurance portfolio of about EUR 3.2 billion to OP Life Assurance Company Ltd. The parties aims to draw up a plan for the transfer of the insurance portfolio during March and submit the case to the shareholders' meetings during the spring 2016.

Operations and earnings by business segment

OP Financial Group's business segments are Banking, Non-life Insurance, and Wealth Management. Non-segment operations are presented under "Other Operations". OP Financial Group's segment reporting is based on accounting policies applied in its financial statements.

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax 2015	Earnings before tax 2014	Change, %
Banking	1,927	1,037	-248	642	571	12.5
Non-life Insurance	561	302	0	259	223	16.0
Wealth Management	321	108	0	213	167	27.6
Other Operations	538	551	0	-13	-34	-61.2
Eliminations	-454	-478	-24	0	-13	
Total	**2,894**	**1,520**	**-272**	**1,101**	**915**	**20.4**

*) Other items contain returns to owner-customers and OP bonus customers, and impairment loss on receivables.

Banking

- Earnings before tax amounted to EUR 642 million (571). Income increased by 1.6% and expenses decreased by 2.5%.
- The cost/income ratio improved by 2 percentage points to 54%.
- The loan portfolio grew by 6.4% in the year to December.
- Impairment losses of EUR 77 million (86) accounted for 0.10% (0.12) of the loan and guarantee portfolio.

Banking: key figures and ratios

€ million	Q1–4/2015	Q1–4/2014	Change, %
Income			
Net interest income	1,108	1,092	1.4
Net commissions and fees	663	655	1.3
Net trading and investment income	120	115	4.7
Other operating income	36	34	4.4
Total income	**1,927**	**1,896**	**1.6**
Expenses			
Personnel costs	472	446	5.9
Other administrative expenses	370	345	7.1
Other operating expenses	194	272	-28.6
Total expenses	**1,037**	**1,063**	**-2.5**
Impairment loss on receivables	77	86	-10.2
Returns to owner-customers and accrued customer bonuses	171	176	-2.9
Earnings before tax	**642**	**571**	**12.5**
Cost/income ratio, %	**53.8**	**56.1**	**-2.3**
€ million			
Home loans drawn down	6,577	5,977	10.0
Corporate loans drawn down	6,631	6,468	2.5
No. of brokered property transactions	12,149	12,341	-1.6
€ billion	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
Loan portfolio			
Home loans	35.3	34.0	3.9
Corporate loans	18.5	16.9	9.3
Other loans	21.5	19.8	8.3
Total	**75.2**	**70.7**	**6.4**
Guarantee portfolio	2.6	2.9	9.5
Deposits			
Current and payment transfer	34.7	29.8	16.6
Investment deposits	17.2	19.0	-9.4
Total deposits	**51.9**	**48.8**	**6.5**

Market share, %**	31 Dec. 2015	31 Dec. 2014	Change, %
Loans	34,9	34.4	0,6*
Deposits	37,1	37.6	-0,5*

* Change in ratio
** Excluding financial and insurance institutions' loans and deposits.

Despite weak economic growth, demand for loans continued to increase. The loan portfolio grew by 6.4% in the year to December as a result of the greater volumes of corporation and housing corporation loans and of home loans drawn down by households. The volume of new home loans drawn down increased year on year by 10%

The deposit portfolio increased by 6.5% in the year to December. The volume of investment deposits declined between January and December, due to low interest rates and lower term deposit margins. However, the volume of deposits in payment transaction accounts grew in the year to December by 17% due mainly to growth in corporate and institutional deposits.

The Group's market share of home loans increased in the year to December by 0.6 percentage points, being 38.6% at the end of December. The market share of corporate loans increased during the same period by 1.8 percentage points to 37.5% (35.6). The Group's market share of the total euro-denominated deposits increased by 2.0 percentage points to 35.9%. Adjusted by financial and insurance institutions, this market share was 37.1% (37.6).

The combined amount of Profit Shares, ordinary and supplementary cooperative contributions of the member cooperative banks increased by EUR 0.9 billion in January–December, amounting to EUR 2.8 billion on 31 December.

The volume of homes sold and bought through the OP Kiinteistökeskus real estate agents decreased by 1.6% over the previous year.

The home loan repayment grace period offered by OP Financial Group as part of its #Suominousuun campaign (Putting Finland on a new growth path) was used for almost 100,000 loans during the February–June period. The deferred repayment of these loans totals around EUR 450 million.

In April, OP announced a new single financing process model for companies that need both bank loan and risk financing but are not ready to abandon their current ownership. This financing package is targeted at companies with net sales of EUR 10–50 million.

Earnings

Earnings before tax increased to EUR 642 million (571). Income increased by 1.6% and expenses decreased by 2.5%, as a result of which the cost/income ratio improved by 2.3 percentage points. Impairment losses of EUR 77 million (86) accounted for 0.10% of the loan and guarantee portfolio (0.12).

Net interest income rose to EUR 1,108 million (1,092) as a result of an increase in the loan portfolio and a higher average loan portfolio margin and lower deposit funding costs. As a result of a decrease in the Markets division's net interest income, Banking net interest income increased by only 1.4%.

Net commissions and fees increased by EUR 8 million to EUR 663 million (655). Commissions and fees related to Wealth Management increased by EUR 14 million and those to Non-life Insurance by EUR 3 million.

Net trading and investment income increased by a total of EUR 5 million year on year.

Expenses decreased by 2.5% to EUR 1,037 million (1,063). Statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 70 million, increased other operating expenses a year ago.

Personnel costs increased by EUR 26 million to EUR 472 million (446) due mainly to higher social expenses.

Non-life Insurance

- Earnings before tax amounted to EUR 259 million (223). Earnings before tax at fair value were EUR 171 million (272).
- Insurance premium revenue increased by 7% (5).
- The balance on technical account improved. The operating combined ratio was 87.3% (89.4) and operating expense ratio 17.7% (18.4). The combined ratio was 88.8% (91.0).
- Return on investments at fair value was 2.3% (6.7).

Non-life Insurance: key figures and ratios

€ million	Q1–4/2015	Q1–4/2014	Change, %
Insurance premium revenue	1,396	1,310	6.5
Claims incurred	-972	-930	4.5
Operating expenses	-247	-242	2.1
Amortisation adjustment of intangible assets	-21	-21	-0.1
Balance on technical account	**156**	**117**	**32.5**
Net investment income	164	171	-4.2
Other income and expenses	-61	-66	-7.2
Earnings before tax	**259**	**223**	**16.0**
Gross change in fair value reserve	-87	49	
Earnings before tax at fair value	**171**	**272**	**- 36.9**
Combined ratio, %	88.8	91.0	
Operating combined ratio, %*	87.3	89.4	
Operating loss ratio, %*	69.6	71.0	
Operating expense ratio, %	17.7	18.4	
Operating risk ratio, %	64.2	65.0	
Operating cost ratio, %	23.1	24.4	
Return on investments at fair value, %	2.3	6.7	
Solvency ratio , %	70.4	75.4	
Solvency ratio (Solvency II), %**	139.3	117.3	
Large claims incurred retained for own account	- 60	- 79	
Changes in claims for provisions of previous years (run-off result)	32	27	

* The ratio for the corresponding period a year ago has been changed to correspond to the treatment of change of the discount rate applied since the beginning of 2015.
** The figure is shown without the effect of transitional provisions.

Growth in insurance premium revenue remained strong among Private Customers. Insurance premium revenue from Corporate Customers increased despite the recession. Profitability improved among Private and Corporate Customers. Insurance sales increased slightly year on year. Claims expenditure developed favourably due to the mild winter and lower large claims.

OP Financial Group's market share of non-life insurance premiums written in 2014 was 31.5% (30.3). Measured by this market share, OP Financial Group is clearly Finland's largest non-life insurer.

The number of premier customer households increased in the year to December by 22,000 to 677,000 (655,000), of which up to 76% (75) also use OP Financial Group member cooperative banks as their main bank.

Developing claims services further has been one of the Non-life Insurance priorities. In particular, Non-life Insurance has developed its electronic services in both online and mobile services. The financial year saw the launch of a new loss report service on OP-mobile. Over up to 50% of loss reports are filed online and over up to 75% of loss reports on personal injuries under voluntary insurance are filed online.

Using electronic services in managing non-life policies and claims has increased considerably. During the last 12 months, the number of customers receiving their insurance-related mail electronically has risen to 554,000 (365,000).

Earnings

Earnings before tax increased to EUR 259 million (223). The balance on technical account was good. Net investment income recognised in the income statement decreased by EUR 7 million. Earnings before tax at fair value amounted to EUR 171 million (272).

At the beginning of the financial year, OP Financial Group changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. On 31 December, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 62 million (62). According to the new valuation model, a change in the discount rate also affects the calculation of operating ratios. The operating ratios for the corresponding period a year ago have been changed accordingly. The changed discount rate weakened the operating combined ratio by 4.5 percentage points (4.7).

The operating combined ratio was 87.3% (89.4). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue

€ million	Q1–4/2015	Q1–4/2014	Change, %
Private Customers	730	687	6.3
Corporate Customers	609	568	7.3
Baltics	56	55	1.6
Total	**1,396**	**1,310**	**6.5**

Claims incurred, excluding the reduction in the discount rate, increased by 5% on a year earlier. Developments in large claims remained favourable. Claims incurred arising from new large claims were lower than a year ago. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 70 (82) in January–December, with their claims incurred retained for own account totalling EUR 60 million (79). The change in provisions for unpaid claims under statutory pension increased year on year, being EUR 16 million (12) between January and December.

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 32 million (27). The operating loss ratio was 69.6% (71.0). The operating risk ratio excluding indirect loss adjustment expenses was 64.2% (65.0).

Operating expenses grew by 2%, being EUR 5 million higher than a year ago, due to higher sales commissions and portfolio management fees. The operating expense ratio was 17.7% (18.4). The operating cost ratio (including indirect loss adjustment expenses) was 23.1% (24.4).

Operating balance on technical account and combined ratio (CR)

	2015		2014	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	140	80.9	126	81.6
Corporate Customers	32	94.7	7	98.8
Baltics	5	90.9	6	90.0
Total	**177**	**87.3**	**139**	**89.4**

Private Customer profitability improved as a result of continued growth in premium revenue. Claims developments among Corporate Customers were more favourable than a year ago. The reduced discount rate is reflected in Corporate Customer profitability in particular. In Baltics, profitability weakened slightly because of large claims.

Investment

Return on investments at fair value totalled EUR 74 million (236), or 2.3% (6.7). The fourth-quarter return on investments was positive due to higher stock market prices. Net investment income recognised in the income statement amounted to EUR 164 million (171).

Investment portfolio by asset class

%	31 Dec. 2015	31 Dec. 2014
Bonds and bond funds	77	73
Alternative investments	1	1
Equities	7	7
Private equity	3	3
Real property	10	11
Money markets	3	5
Total	**100**	**100**

On 31 December, the Non-life Insurance investment portfolio totalled EUR 3,687 million (3,552). The fixed-income portfolio by credit rating remained healthy, considering that investments within the highest rating category accounted for 93% (94), and 63% (71) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.7 years (4.5) and the duration 5.2 years (4.3).

The running yield for direct bond investments averaged 1.76% (1.94) at the end of December.

Wealth Management

- Earnings before tax amounted to EUR 213 million (167). Earnings before tax at fair value were EUR 159 million (218).
- Net investment income from Life Insurance increased year on year.
- Return on investments at fair value was 2.4% (6.0).
- The gross amount of assets under management increased by 12% in the year to December, totalling EUR 68 billion on 31 December.

Wealth Management: key figures and ratios

€ million	**Q1–4/2015**	**Q1–4/2014**	**Change, %**
Net commissions and fees			
Funds and asset management	188	175	7.9
Life Insurance	171	166	2.7
Expenses	163	133	22.5
of which accrued customer bonuses	23	18	26.6
Total net commissions and fees	**196**	**208**	**-5.6**
Life Insurance’s net risk results	21	20	7.0
Net investment income from Life Insurance	98	51	94.0
Other income	5	1	
Personnel costs	32	32	-1.0
Other expenses	76	80	-4.4
Earnings before tax	**213**	**167**	**27.6**
Gross change in fair value reserve	-54	51	
Earnings before tax at fair value	**159**	**218**	**-26.8**
€ billion	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
Assets under management (gross)			
Mutual funds	21.7	17.5	24.3
Institutional clients	23.5	23.5	-0.2
Private Banking	14.6	12.8	14.3
Unit-linked insurance savings	8.7	7.6	15.2
Total assets under management (gross)	**68.5**	**61.3**	**11.7**
€ million	**Q1–4/2015**	**Q1–4/2014**	**Change, %**
Net inflows			
Investor and saver customers	666	716	-7.0
Private Banking clients	469	1 363	-65.6
Institutional clients	-187	454	-141.2
Total net inflows	**948**	**2,534**	**-62.6**
Market share, %	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
Mutual funds	22.2	20.5	1.7*

* Change in ratio

The gross amount of assets under management increased by 11.7% during the financial year, as a result of good value performance in stock markets and the positive total net inflows. Assets under management totalled EUR 68.5 billion (61.3), this amount including EUR 11 billion in assets of the companies belonging to OP Financial Group.

Year on year, net inflows declined in all customer segments, amounting to EUR 948 million (2,534). This decline was due to uncertainty associated with the general economic outlook.

The number of investor and saver customers grew by 26,000 in the financial year, totalling 754,000 on 31 December. In particular, the number of clients of Saver's funds made good progress, with the number of unitholders increasing by 51,000 from the end of 2014.

With the consent from the Finnish Financial Supervisory Authority, the individual life insurance portfolio worth around EUR 1.3 billion was transferred to OP Financial Group on 31 December. A separate balance sheet was created out of the transferred savings policy portfolio that differs from other life insurance operations in terms of the profit distribution policy.

The risk-adjusted return of OP Mutual Funds remained good in the financial year. The Morningstar rating for OP Mutual Funds was 3.2 (3.3).

During the financial year, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 40% (28) of mutual fund subscriptions.

As part of the #Suominousuun (Putting Finland on a new growth path) campaign, trading in Finnish equities on the NASDAQ OMX Helsinki is free of charge for around four months for the customers of OP eServices online and mobile. OP also provides, free of charge, equity research containing analyses of companies to all those interested. These benefits will be effective for a fixed period of 7 December 2015–31 March 2016. Moreover, OP permanently quit charging subscription fees for OP mutual funds investing in Finland in all of its channels.

Earnings

Earnings before tax increased to EUR 213 million (167). Earnings before tax at fair value were EUR 159 million (218).

Net commissions and fees decreased by 5.6% year on year, amounting to EUR 196 million (208). Net commissions and fees accounted for 0.29% (0.35) of the gross amount of the assets under management.

Life Insurance's return on investments at fair value was 2.4% (6.0). Life Insurance's net investment income, excluding the performance of derivatives that hedge the interest rate risk of insurance liabilities and the technical rate of interest, totalled EUR 185 million (169).

Expenses were EUR 4 million lower than a year ago. Wealth Management's operating cost/income ratio decreased to 45.6% (40.8). Expenses accounted for 0.16% (0.18) 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. Accrued supplementary interest rate provisions related to insurance liabilities totalled EUR 404 million (475) on 31 December. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 52 million (54) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance and the separated balance sheet transferred from Suomi Mutual, amounted to EUR 4,078 million (4,148). Investments within the highest rating category accounted for 96% (94) of the fixed-income portfolio. On 31 December, the portfolio’s modified duration was 4.7 (3.1).

Investment portfolio by asset class

%	31 Dec. 2015	31 Dec. 2014
Bonds and bond funds	76	68
Alternative investments	6	6
Equities and equity funds	5	7
Real property	7	6
Money markets	6	12
Total	**100**	**100**

Other Operations

Other Operations: key figures and ratios

€ million	Q1–4/2015	Q1–4/2014	Change, %
Net interest income	-52	-33	-56.7
Net trading income	0	-9	
Net investment income	89	59	50.9
Other income	501	473	5.7
Expenses	551	524	5.1
Earnings before tax	**-13**	**-34**	**61.2**
€ billion	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
Receivables from credit institutions	11	10	3.8
Investment assets	16	13	29.8
Liabilities to credit institutions	4	5	-9.9
Debt securities issued to the public	18	17	5.3

Earnings

Earnings before tax reported by Other Operations amounted to EUR -13 million (-34). The earnings were eroded by lower net interest income and higher expenses. Net investment income and other income increased year on year.

Net interest income was EUR -52 million (-33). Net interest income was reduced by persistently low interest rates, narrower credit spreads of bonds included in the liquidity buffer and the Group's preparation for tighter liquidity regulation. On 31 December, the average margin of OP Financial Group's senior wholesale funding was 39 basis points (41).

Net investment increased by EUR 30 million to EUR 89 million as a result of higher capital gains on securities. Dividend income included in net investment income fell by EUR 16 million to EUR 21 million.

Other income increased to EUR 501 million, being EUR 28 million larger than a year ago. Other income consists to a large extent of intra-Group service charges, which are presented as business segment expenses.

Expenses rose by EUR 27 million to EUR 551 million. Personnel costs increased by EUR 16 million to EUR 176 million. Other operating expenses included the non-recurring expenses of EUR 18 million related to the intra-Group ownership reorganisation and the reconstruction of the Vallila premises. A year ago, non-recurring EUR 20 million fees related to the tender offer for Pohjola Bank plc shares was recognised in 'Other operating expenses'.

Changes in OP Financial Group’s structure

OP Financial Group's consolidated financial statements include the accounts of 178 member cooperative banks (181) including Group companies, OP Cooperative Consolidated and OVY Insurance Ltd. During the financial year, mergers of member cooperative banks reduced the number of member cooperative banks and the six former POP Group banks that joined OP Financial Group added to the number of member cooperative banks.

The Supervisory Board of OP Financial Group's central cooperative has made a decision in principle whereby Helsinki OP Bank Plc will be converted from a limited liability company to a cooperative bank during 2016. The new bank will be renamed Helsinki Area Cooperative Bank (Helsingin Seudun Osuuspankki) (OP Helsinki). This decision has made customer ownership within OP Financial Group possible across Finland.

According to plan, OP Helsinki will be part of OP Financial Group central cooperative consolidated as its subsidiary. Since the central cooperative will continue to play a major role in capitalising the new bank, the bank's bylaws are meant to be formulated in such a way that OP Financial Group has a controlling interest of 2/3 in the bank.

The abovementioned planned changes require regulatory approval from the relevant authorities.

Pohjola Bank plc will be renamed OP Corporate Bank plc in the spring of 2016. Omasairaala Oy will be renamed Pohjola Health Ltd in the summer of 2016 when the Tampere hospital unit is opened.

The process of planning and implementation regarding the legal structures of OP Financial Group's central cooperative consolidated is still underway. The Wealth Management segment was transferred from Pohjola Group to direct ownership of the central cooperative at the end of 2015. There is also a plan to transfer Non-life Insurance from Pohjola Group. The transfer of OP Financial Group's central banking operations, being presently part of Pohjola Bank plc, to another subsidiary wholly owned by OP Cooperative, is also under consideration. OP has not yet made decisions on the implementation method of the separation of central banking and the transfer of Non-life Insurance or the related schedule.

As part of internal restructuring, OP Cooperative purchased in June 2015 all OP Life Assurance Company Ltd and OP Card Company Plc shares held by member cooperative banks and Helsinki OP Bank Plc. As a result, the central cooperative consolidated holds all OP Life Assurance Company Ltd and OP Card Company Plc shares.
Aurum Investment Insurance Ltd merged into OP Life Assurance Company Ltd on 31 December 2015.

Suomi Mutual's individual pension insurance portfolio was transferred to OP Life Assurance Company Ltd on 31 December 2015, excluding non-life policy type personal insurance that was transferred to Pohjola Insurance Ltd. During the portfolio transfer, EUR 1.3 billion in assets and insurance liability measured at fair value transferred from Suomi Mutual. The portfolio transfer has no direct earnings effect on OP Financial Group.

Osuuspankki Poppia, Laihian Osuuspankki, Multian Osuuspankki, Petäjäveden Osuuspankki, Keiteleen Osuuspankki and Tuusniemen Osuuspankki, which were part of POP Group, decided in their Cooperative Meetings to join OP Financial Group as independent cooperative banks. Since 19 May 2015, these banks have officially been Group member cooperative banks and their customers have fallen within the scope of OP Financial Group's deposit insurance.

Sotkamon Osuuspankki merged into Kainuun Osuuspankki on 31 May 2015.

Itä-Uudenmaan Osuuspankki merged on 31 July 2015 into Porvoon Osuuspankki that was renamed Itä-Uudenmaan Osuuspankki.

Mynämäen Osuuspankki merged on 31 August 2015 into Nousiaisten Osuuspankki that was renamed Mynämäen-Nousiaisten Osuuspankki.

Hartolan Osuuspankki and Sysmän Osuuspankki merged on 31 August 2015 into Etelä-Päijänteen Osuuspankki that was renamed Järvi-Hämeen Osuuspankki.

Myrskylän Osuuspankki merged into Orimattilan Osuuspankki on 30 September 2015.

Karkun Osuuspankki merged into Tampereen Seudun Osuuspankki on 31 October 2015.

Pyhälaakson Osuuspankki merged into Suomenselän Osuuspankki on 31 December 2015.

Ylivieskan Osuuspankki merged into Kokkolan Osuuspankki on 31 December 2015.

Östra Korsholms Andelsbank and Vasa Andelsbank have accepted a merger plan, according to which the former will merge into the latter. The planned date for registration of the merger execution is 29 February 2016.

Keiteleen Osuuspankki and Pielaveden Osuuspankki have accepted a merger plan, according to which the former will merge into latter. The merged banks will be renamed Nilakan Seudun Osuuspankki.

Personnel and remuneration

On 31 December, OP Financial Group had 12,130 employees (12,356). The number of employees averaged 12,174 (12,548). The reorganisation and streamlining measures carried out in OP Financial Group reduced the number of employees during the financial year. Six POP Group banks that have been OP Financial Group member cooperative banks since 19 May 2015 increased the number of employees by 133.
During the financial year, 241 OP Financial Group employees (323) retired, at an average age of 61.5 years (61.7).

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.

The long-term management incentive scheme has been confirmed for 2014–2016. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the Group's incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2014–2016 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance indicators: OP Financial Group's EBT, the Group's CET1 ratio and the growth rate of the number of customers using OP as their main bank and insurer. The Group-level targets are the same both in the management incentive scheme and OP Financial Group's Personnel Fund.

OP Financial Group's policies worth around EUR 100 million under TyEL (Employees Pensions Act) with Ilmarinen Mutual Pension Insurance Company were transferred to OP Bank Group Pension Fund on 31 December 2015.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 19 March 2015. The Meeting elected for the term of 2015–2018 the following members to the Supervisory Board to replace those who were due to resign: Managing Director Jari Anttila, R&D Director Ilmo Aronen, Managing Director Kalle Arvio, Managing Director Tapani Eskola, Professor Jarna Heinonen, BSc(Econ) Jorma Hyrskyluoto, Senior Lecturer Ulla Järvi, Executive Director Jukka-Pekka Kataja, Managing Director Simo Kauppi, Director Jaakko Kiander, farmer Seppo Kietäväinen, Headmaster Juha Kiiskinen, Lecturer Jaakko Korkonen, Managing Director Tuomas Kupsala, Managing Director Petri Krohns, Assistant Director Jukka Kääriäinen, Director Ari Mikkola, Managing Director Esko Mononen, Director, Administration Annukka Nikola, Managing Director Juha Pullinen, Managing Director Olli Tarkkanen, and Managing Director Ari Väänänen. In addition, Lecturer Sirkka Keuru was elected for the remaining term of 2015–2017 to replace Marita Marttila, Senior Nursing Officer, who had requested resignation from the Supervisory Board. The Supervisory Board comprises 34 members.

At its first meeting following election, the Supervisory Board elected Professor Jaakko Pehkonen as Chairman and Senior Lecturer Mervi Väisänen and Managing Director Vesa Lehikoinen as Vice Chairmen.

Supervisory Board member Jukka-Pekka Kataja has been appointed special adviser to Kimmo Tiilikainen, Minister of Agriculture and the Environment, which is why he has notified of not participating for the time being in OP Cooperative Supervisory Board work as of 29 June 2015.

At its meeting on 23 September 2015, the Supervisory Board decided on changes in the composition of the Executive Board. Harri Nummela was appointed Executive Vice President, Digital Business and Customer Experience. Karri Alameri was appointed new Executive Vice President, Wealth Management. Outi Taivainen was appointed new Executive Vice President, Human Resources.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Raija-Leena Hankonen, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

OP Financial Group’s efficiency-enhancement programme

OP Financial Group decided towards the end of 2012 on an efficiency-enhancement programme, the objective of which was to achieve annual cost savings of EUR 150 million until the end of 2015. The Group achieved the objectives as planned.

Capital expenditure and service development

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

OP Cooperative Consolidated's development expenditure for January–December totalled EUR 162 million (111). These include licence fees, purchased services and capitalised expenses for development work within OP Cooperative Consolidated.

ICT capital expenditure for the financial year capitalised in the balance sheet totalled EUR 131 million (53). Banking accounted for the most of the capital expenditure.

The first stage of the reconstruction of the Vallila premises started by OP Financial Group in 2012 has been completed and the premises are now fully operational. The total costs of the first stage of the project amounted to around EUR 240 million. The second stage of the project has begun and is to be completed in autumn 2017.

OP Financial Group income statement

EUR million	Note	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Interest income		2,486	2,685	-7
Interest expenses		1,460	1,642	-11
Net interest income before impairment losses	5	**1,026**	**1,043**	**-2**
Impairments of receivables	6	78	88	-12
Net interest income after impairments		**948**	**955**	**-1**
Net income from Non-life Insurance operations	7	639	589	8
Net income from Life Insurance operations	8	278	197	41
Net commissions and fees	9	704	707	0
Net trading income	10	107	88	20
Net investment income	11	87	74	18
Other operating income	12	46	52	-12
Total net income		**2,807**	**2,662**	**5**
Personnel costs		781	741	5
Other administrative expenses		420	414	2
Other operating expenses		319	401	-20
Total expenses		**1,520**	**1,555**	**-2**
Returns to owner-customers and accrued customer bonuses		195	195	0
Share of associates' profits/losses accounted for using the equity method		9	3	
Earnings before tax for the period		**1,101**	**915**	**20**
Income tax expense		249	308	-19
Profit for the period		**853**	**607**	**40**

Attributable to, EUR million			
Profit for the period attributable to owners	845	599	41
Profit for the period attributable to non-controlling interest	8	8	
Total	**853**	**607**	**40**

OP Financial Group statement of comprehensive income

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Profit for the period	**853**	**607**	**40**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	519	-380	
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value	-205	85	
Cash flow hedge	-14	67	
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	-104	76	
Items that may be reclassified to profit or loss			
Measurement at fair value	41	-17	
Cash flow hedge	3	-13	
Total comprehensive income for the period	**1,093**	**424**	

Attributable to, EUR million		
Profit for the period attributable to owners	1,077	393
Profit for the period attributable to non-controlling interest	16	32
Total	**1,093**	**424**

OP Financial Group balance sheet

EUR million	Note	31 Dec. 2015	31 Dec. 2014	Change, %
Cash and cash equivalents		8,581	3,888	
Receivables from credit institutions		425	686	-38
Financial assets at fair value through profit or loss		928	427	
Derivative contracts		5,696	5,920	-4
Receivables from customers		75,192	70,683	6
Non-life Insurance assets	15	4,067	3,797	7
Life Insurance assets	16	13,858	11,238	23
Investment assets		12,423	9,500	31
Investment accounted for using the equity method		93	56	66
Intangible assets		1,395	1,332	5
Property, plant and equipment (PPE)		843	781	8
Other assets		1,526	1,951	-22
Tax assets		118	168	-30
Total assets		**125,145**	**110,427**	**13**
Liabilities to credit institutions		1,673	1,776	-6
Financial liabilities at fair value through profit or loss		0	4	-100
Derivative contracts		5,345	5,489	-3
Liabilities to customers		58,220	51,163	14
Non-life Insurance liabilities	17	3,159	2,972	6
Life Insurance liabilities	18	13,532	11,230	20
Debt securities issued to the public	19	27,706	24,956	11
Provisions and other liabilities		3,625	3,447	5
Tax liabilities		866	964	-10
Supplementary cooperative capital		106	192	-45
Subordinated liabilities		1,590	1,020	56
Total liabilities		**115,822**	**103,214**	**12**
Equity capital				
Share of OP Financial Group's owners				
Share and cooperative capital		2,656	1,709	55
Membership capital contributions		154	148	4
Profit shares		2,502	1,561	60
Fair value reserve	20	242	425	-43
Other reserves		2,085	1,996	4
Retained earnings		4,271	3,014	42
Non-controlling interests		70	69	1
Total equity capital		**9,324**	**7,213**	29
Total liabilities and equity capital		**125,145**	**110,427**	**13**

Changes in OP Financial Group's equity capital

EUR million	Share and cooperative capital	Fair value reserve**	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2014	**339**	**328**	**2,739**	**4,218**	**7,625**	**100**	**7,724**
Total comprehensive income for the period	-	175	-	279	**454**	32	**486**
Profit for the period				599	**599**	8	**607**
Other comprehensive income	-	175	-	-321	**-145**	24	**-121**
Holdings in Pohjola Bank plc purchased from non-controlling interests*	-199	-78	-512	-1,633	**-2,422**	-	**-2,422**
Increase in cooperative capital	1,568	-	0	-	**1,568**	-	**1,568**
Transfer of reserves	-	-	26	-26	**-**	-	-
Profit distribution	-	-	-	-76	**-76**	-	**-76**
Share-based payments	-	-		-2	**-2**	-	**-2**
Other	0	-	-257	254	**-3**	-62	**-65**
Balance at 31 Dec. 2014	**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**

EUR million	Cooperative capital	Fair value reserve**	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2015	**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**
Total comprehensive income for the period	-	-185	-	1,260	**1,075**	16	**1,091**
Profit for the period				845	**845**	8	**853**
Other comprehensive income	-	-185	-	415	**230**	8	**239**
One-off effect of transfer of POP Group banks to OP Financial Group	-	1	67	48	**116**	-	116
Increase in cooperative capital	947		-	-	**947**	-	**947**
Transfer of reserves	-	-	22	-22	**-**	-	-
Profit distribution	-	-	-	-21	**-21**	-	**-21**
Other	-	-	-	-8	**-8**	-15	**-22**
Balance at 31 Dec. 2015	**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**

* The total purchase price paid by OP Cooperative for Pohjola Bank plc shares based on the tender offer has been subtracted from equity capital.

** Note 20.

OP Financial Group cash flow statement

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014
Cash flow from operating activities		
Profit for the period	853	607
Adjustments to profit for the period	1,431	168
Increase (-) or decrease (+) in operating assets	**-9,052**	**-4,230**
Receivables from credit institutions	169	99
Financial assets at fair value through profit or loss	148	433
Derivative contracts	9	65
Receivables from customers	-4,003	-2,617
Non-life Insurance assets	-351	-199
Life Insurance assets	-2,414	-698
Investment assets	-3,071	-393
Other assets	462	-920
Increase (+) or decrease (-) in operating liabilities	**8,121**	**3,799**
Liabilities to credit institutions	-120	732
Financial liabilities at fair value through profit or loss	-4	0
Derivative contracts	-4	60
Liabilities to customers	6,360	1,006
Non-life Insurance liabilities	70	149
Life Insurance liabilities	1,325	1,284
Provisions and other liabilities	495	566
Income tax paid	-359	-201
Dividends received	94	102
A. Net cash from operating activities	**1,088**	**244**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-2	-
Decreases in held-to-maturity financial assets	85	80
Acquisition of subsidiaries, net of cash acquired	-27	-3
Disposal of subsidiaries, net of cash disposed	0	3
Purchase of PPE and intangible assets	-301	-214
Proceeds from sale of PPE and intangible assets	17	6
B. Net cash used in investing activities	**-227**	**-128**
Cash flow from financing activities		
Increases in subordinated liabilities	1,242	60
Decreases in subordinated liabilities	-698	-
Increases in debt securities issued to the public	29,711	38,820
Decreases in debt securities issued to the public	-27,444	-35,953
Increases in cooperative and share capital	3,238	2,432
Decreases in cooperative and share capital	-2,395	-1,278
Dividends paid and interest on cooperative capital	-30	-76
Holdings in Pohjola Bank plc purchased from non-controlling interests	-	-2,422
Other	0	-
C. Net cash from financing activities	**3,623**	**1,583**
Net change in cash and cash equivalents (A+B+C)	**4,485**	**1,699**
POP Group banks' cash and cash equivalents	**47**	**-**
Total change in cash and cash equivalents	**4,531**	**1,699**
Cash and cash equivalents at period-start	**4,176**	**2,476**
Cash and cash equivalents at period-end	**8,708**	**4,176**
Interest received	**2,552**	**2,765**
Interest paid	**-1,537**	**-1,697**
Cash and cash equivalents		
Liquid assets*	8,619	3,942
Receivables from credit institutions payable on demand	89	234
Total	**8,708**	**4,176**

***Of which Non-life Insurance liquid assets amount to 5 million euros (40) and Life Insurance liquid assets 33 million euros (13).

OP Financial Group segment reporting

The management system of the OP Financial Group is founded on the following three business segments: Banking, Non-life Insurance, and Wealth Management. As a result of the new organisations, OP Financial Group has made the following changes in its segment reporting, on 1 January 2015: Pohjola Markets Equities has been transferred from Banking to be reported in the Wealth Management segment. In addition, Pivo Wallet Oy, Checkout Finland Oy and OP Bank Group Mutual Insurance Company have been transferred from Banking to be reported in the Other Operations segment. Other Operations support the business segments. The segment information has been restated for the previous periods to correspond to the new segments. These transfers had no substantial impact on segment reporting.

OP Financial Group's segment reporting is based on accounting policies applied in its financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments and inter-segment Group eliminations are reported under 'Group eliminations'. The segments' earnings and profitability are assessed in terms of EBT.

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 18% (11%). Capital has been allocated to Insurance operations in such a way that the Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Income statement and balance sheet by segment 1 Jan–31 Dec. 2015

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	2,678	0	3	340	-535	2,486
Interest expenses	1,570	22	0	392	-524	1,460
Net interest income before impairment losses	**1,108**	**-22**	**3**	**-52**	**-11**	**1,026**
- of which internal net income before tax	-26	-20	3	43	0	**0**
Impairment losses on receivables	77	0	-	0	1	78
Net interest income after impairment losses	**1,031**	**-22**	**3**	**-52**	**-12**	**948**
Net income from Non-life Insurance	-	632	-	-3	10	639
Net income from Life Insurance	-	-	-	-	278	278
Life Insurance’s net interest and risk result	-	-	119	-	-119	0
Net commissions and fees	663	-55	-	20	76	704
Commissions and fees from fund and asset management	-	-	166	-	-166	0
Commissions and fees from life insurance	-	-	171	-	-171	0
Commission expenses	-	-	-163	-	163	0
Net trading income	115	0	0	0	-8	107
Net investment income	5	-	0	89	-7	87
Other operating income	29	7	1	484	-475	46
Personnel costs	472	101	32	176	0	781
Other administrative expenses	370	121	41	276	-388	420
Other operating expenses	194	79	35	100	-90	319
Returns to owner-customers and accrued customer bonuses	171	-	0	-	24	195
Share of associates' profits/losses	7	0	1	-	0	9
Earning before tax	**642**	**259**	**213**	**-13**	**0**	**1,101**
Income tax expense						249
Profit for the period						**853**

Balance sheet 31 Dec. 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	130	0	-	8,451	-	8,581
Receivables from credit institutions	4,415	6	39	10,506	-14,540	425
Financial assets at fair value through profit or loss	939	-	-	5	-17	928
Derivative contracts	5,735	-	-	337	-375	5,696
Receivables from customers	75,633	-	-	801	-1,242	75,192
Non-life Insurance assets	-	4,332	-	0	-265	4,067
Life Insurance assets	-	-	14,311	-	-453	13,858
Investment assets	6,425	16	-2	16,446	-10,463	12,423
Investment in associates	42	2	-1	32	18	93
Intangible assets	67	695	280	261	92	1,395
Property, plant and equipment	494	47	16	299	-13	843
Other assets	1,030	9	41	617	-171	1,526
Tax assets	47	4	10	40	16	118
Total assets	**94,958**	**5,111**	**14,694**	**37,795**	**-27,412**	**125,145**

Balance sheet 31 Dec. 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	10,712	-	-	4,374	-13,414	1,673
Financial liabilities at fair value through profit or loss	0	-	-	-	-	0
Derivative contracts	5,389	-	-	326	-369	5,345
Liabilities to customers	53,586	-	0	6,106	-1,472	58,220
Non-life Insurance liabilities	-	3,171	-	-	-12	3,159
Life Insurance liabilities	-	-	13,558	-	-26	13,532
Debt securities issued to the public	10,971	-	-	17,893	-1,158	27,706
Provisions and other liabilities	2,122	83	32	1,704	-316	3,625
Tax liabilities	406	84	69	299	8	866
Cooperative capital	255	-	-	5,799	-5,947	106
Subordinated liabilities	80	135	281	1,591	-497	1,590
Total liabilities	**83,520**	**3,473**	**13,939**	**38,092**	**-23,203**	**115,822**
Equity capital						**9,324**

Income statement and balance sheet by segment 1 Jan–31 Dec. 2014

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	2,863	0	2	578	-758	2,685
Interest expenses	1,771	26	4	611	-770	1,642
Net interest income before impairment losses	**1,092**	**-26**	**-2**	**-33**	**12**	**1,043**
- of which internal net income before tax	-20	-24	2	42	**0**	**0**
Impairment losses on receivables	86	-	-	0	2	88
Net interest income after impairment losses	**1,006**	**-26**	**-2**	**-33**	**9**	**955**
Net income from Non-life Insurance	-	591	-	-4	1	589
Net income from Life Insurance	-	-	0	-	197	197
Life Insurance’s net interest and risk result	-	-	70	-	-70	-
Net commissions and fees	655	-47	-	17	82	707
Commissions and fees from fund and asset management	-	-	152	-	-152	-
Commissions and fees from life insurance	-	-	166	-	-166	-
Commission expenses	-	-	-133	-	133	-
Net trading income	94	0	0	-9	3	88
Net investment income	21	-	0	59	-6	74
Other operating income	33	9	1	460	-451	52
Personnel costs	446	102	32	160	0	741
Other administrative expenses	345	124	42	257	-355	414
Other operating expenses	272	78	38	107	-95	401
Returns to owner-customers and accrued customer bonuses	176	-	0	-	19	195
Share of associates' profits/losses	1	0	1	0	0	3
Earning before tax	**571**	**223**	**167**	**-34**	**-13**	**915**
Income tax expense						308
Profit for the period						**607**

Balance sheet 31 Dec. 2014, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	157	0	-	3,732	-	3,888
Receivables from credit institutions	4,249	5	35	10,122	-13,726	686
Financial assets at fair value through profit or loss	466	-	0	-11	-28	427
Derivative contracts	6,085	-30	-	314	-448	5,920
Receivables from customers	71,299	-	-	538	-1,154	70,683
Non-life Insurance assets	-	4,150	-	0	-353	3,797
Life Insurance assets	-	-	11,978	-	-740	11,238
Investment assets	5,037	16	9	12,667	-8,230	9,500
Investment in associates	26	2	27	-	0	56
Intangible assets	66	704	370	195	-3	1,332
Property, plant and equipment	491	51	9	243	-13	781
Other assets	884	7	46	1,418	-404	1,951
Tax assets	88	4	8	46	22	168
Total assets	**88,848**	**4,909**	**12,484**	**29,263**	**-25,077**	**110,427**

Balance sheet 31 Dec. 2014, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	10,278	-	-	5,052	-13,553	1,776
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Derivative contracts	5,640	-30	-	357	-478	5,489
Liabilities to customers	48,912	-	-	3,284	-1,032	51,163
Non-life Insurance liabilities	-	3,116	-	-	-144	2,972
Life Insurance liabilities	-	-	11,271	-	-41	11,230
Debt securities issued to the public	9,019	-	-	16,996	-1,060	24,956
Provisions and other liabilities	2,315	109	35	1,255	-268	3,447
Tax liabilities	432	105	78	347	2	964
Cooperative capital	335	-	-	4,361	-4,504	192
Subordinated liabilities	48	50	91	1,054	-222	1,020
Total liabilities	**76,983**	**3,349**	**11,475**	**32,706**	**-21,300**	**103,214**
Equity capital						**7,213**

Note 1. Accounting policies

The Financial Statements Bulletin for 1 January–31 December 2015 has been prepared in accordance with the accounting policies of IAS 34 (Interim Financial Reporting) and with those presented in the Consolidated Financial Statements 2014, with the exception of changes in the accounting policies described below.

The Financial Statements Bulletin is based on unaudited information. Since all figures in the Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

Change in accounting policies

Amortisation of the effect of a reduction in the discount rate

OP Financial Group has changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. Previously, the discount rate was subject to quarterly assessment in which case the effect of the change deteriorated the comparability between reporting periods. As a result of the change, OP has since 1 January 2015 assessed changes in the discount rate on a monthly basis and their effects on financial results are spread evenly over the financial year thereby providing more reliable and relevant information on the Group's financial results in accordance with IFRS 4.22.

Presentation of Non-life Insurance commission income and expenses

The presentation of the consolidated financial statements has changed as of the beginning of 2015 with respect to certain sales and reinsurance commissions related to Non-life Insurance. Items previously presented under "Other operating income" have been, according to its nature, transferred to be presented under "Net commission income". In addition, impairment loss related to non-life insurance has been transferred to "Net income from Non-life Insurance". Likewise, Life Insurance management fees previously presented under "Other operating income" have been transferred to be presented under "Net commissions and fees". These changes will harmonise accounting for commissions and fees related to non-life insurance operations in OP Financial Group and give a more accurate picture of the nature of the items. The changes will have no impact on earnings and segment reporting. OP has applied the changes retrospectively, providing more reliable and relevant information on the Group's financial results.

Effect on consolidated income statement for 1 Jan.−31 Dec. 2014

EUR million	1 Jan.–31 Dec. 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2014 (restated)
Interest income	2,685		2,685
Interest expenses	1,642		1,642
Net interest income before impairment losses	**1,043**		**1,043**
Impairments of receivables	88		88
Net interest income after impairments	**955**		**955**
Net income from Non-life Insurance operations	593	-4	589
Net income from Life Insurance operations	197		197
Net commissions and fees	727	-20	707
Net trading income	88		88
Net investment income	74		74
Other operating income	64	-12	52
Total net income	**2,698**	**-37**	**2,662**
Personnel costs	741		741
Other administrative expenses	414		414
Other operating expenses	437	-37	401
Total expenses	**1,592**	**-37**	**1,555**
Returns to owner-customers and accrued customer bonuses	195		195
Share of associates' profits/losses	3		3
Earnings before tax for the period	**915**		**915**
Income tax expense	308		308
Profit for the period	**607**		**607**
Attributable to, EUR million			
Owners	599		599
Non-controlling interests	8		8
Total	**607**		**607**

Critical accounting estimates and judgements

Collective assessment for impairment

OP Financial Group has used an updated model for collective assessment for impairment on May 2015. The model is still based on the statistical model used in the measurement of the economic capital requirement. Through-the-cycle component has been eliminated from the PD and LGD estimates used in the economic capital requirement model to better reflect the point in time approach and current economic cycle. The model has changed measurement method for the identification of loss event that is calculated by means of the so-called emergence period in the new model (the calculation was previously based on past loss experience). In addition, the receivables have been grouped more accurately on the basis of shared similar credit risk characteristics in the new model. This model update did not cause any substantial change to the collective impairment loss amount.

Impairment loss on equity instruments

OP Financial Group has revised the previous determination of impairment loss on equity instruments as of 1 May 2015. Impairment loss will be recognised at the latest when the maximum limits of 12 months for the prolonged criterion or the significant criterion of 30% are exceeded. (previously: an average of 18 months and 40 %, respectively). This change increased impairment loss on equity instruments slightly in the first half.

Note 2. Changes in OP Financial Group's structure

Six POP Group cooperative banks, or Osuuspankki Poppia, Keiteleen Osuuspankki, Laihian Osuuspankki, Multian Osuuspankki, Petäjäveden Osuuspankki and Tuusniemen Osuuspankki became OP Financial Group member cooperative banks on 19 May 2015 since when they have been consolidated into OP Financial Group's financial statements. The tables below show the effects of this consolidation on the Group's income statement and balance sheet on 31 Dec 2015. As a result, OP Financial Group's equity increased by EUR 116 million as the POP Group banks' equity capital is included as part of the equity of the technical parent company of OP Financial Group. Combining the operations into the shared information systems is in progress.

Effect on income statement	Other OP Financial Group	POP Group banks total	OP Financial Group total
EUR million	**1 Jan.−31 Dec. 2015**	**19 May−31 Dec. 2015**	**1 Jan.−31 Dec. 2015**
Interest income	2,475	11	2,486
Interest expenses	1,458	3	1,460
Net interest income before impairment losses	**1,017**	**9**	**1,026**
Impairments of receivables	77	1	78
Net interest income after impairments	**940**	**8**	**948**
Net income from Non-life Insurance operations	639	-	639
Net income from Life Insurance operations	278	-	278
Net commissions and fees	701	3	704
Net trading income	107	0	107
Net investment income	87	-1	87
Other operating income	45	1	46
Total net income	**2,796**	**11**	**2,807**
Personnel costs	777	4	781
Other administrative expenses	416	4	420
Other operating expenses	317	2	319
Total expenses	**1,510**	**10**	**1,520**
Returns to owner-customers and accrued customer bonuses	195	-	195
Share of associates' profits/losses	9	-	9
Earnings before tax for the period	**1,100**	**1**	**1,101**
Income tax expense	248	1	249
Profit for the period	**852**	**0**	**853**

Effect on balance sheet	Other OP Financial Group	POP Group banks total	OP Financial Group total
EUR million	**31 Dec. 2015**	**31 Dec 2015**	**31 Dec. 2015**
Cash and cash equivalents	8,577	4	8,581
Receivables from credit institutions	349	76	425
Financial assets at fair value through profit or loss	922	5	928
Derivative contracts	5,693	4	5,696
Receivables from customers	74,532	660	75,192
Non-life Insurance assets	4,067	-	4,067
Life Insurance assets	13,858	-	13,858
Investment assets	12,248	175	12,423
Investment accounted for using the equity method	93	-	93
Intangible assets	1,395	0	1,395
Property, plant and equipment (PPE)	836	7	843
Other assets	1,523	3	1,526
Tax assets	117	1	118
Total assets	**124,211**	**934**	**125,145**
Liabilities to credit institutions	1,607	66	1,673
Financial liabilities at fair value through profit or loss	0	-	0
Derivative contracts	5,345	-	5,345
Liabilities to customers	57,511	709	58,220
Non-life Insurance liabilities	3,159	-	3,159
Life Insurance liabilities	13,532	-	13,532
Debt securities issued to the public	27,694	12	27,706
Provisions and other liabilities	3,616	9	3,625
Tax liabilities	861	5	866
Supplementary cooperative capital	89	17	106
Subordinated liabilities	1,590	-	1,590
Total liabilities	**115,004**	**818**	**115,822**
Equity capital			
Share of OP Financial Group's owners			
Share and cooperative capital	2,656	0	2,656
Share capital	0	-	0
Membership capital contributions	154	-	154
Profit shares	2,502	-	2,502
Fair value reserve	241	1	242
Other reserves	2,018	67	2,085
Retained earnings	4,223	48	4,271
Non-controlling interests	70	-	70
Total equity capital	**9,207**	**116**	**9,324**
Total liabilities and equity capital	**124,211**	**934**	**125,145**

Note 3. OP Financial Group's formulas for key figures and ratios

	Q1–Q4/ 2015	Q1–Q4/ 2014
Return on equity, %	10.3	8.1
Return on equity at fair value, %	13.2	5.7
Return on assets, %	0.72	0.57
Cost/income ratio, %	53	56
Average personnel	12,174	12,548
Full-time	11,330	11,663
Part-time	844	885

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 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), %

$$\frac{\text{Profit for the period}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$$

Equity ratio, %

$$\frac{\text{Equity capital}}{\text{Total assets}} \times 100$$

Cost/income ratio, %

$$\frac{\text{Personnel costs + other administrative expenses + other operating expenses}}{\text{Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses}} \times 100$$

Common Equity Tier 1 ratio, % (CET1)*

$$\frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk-weighted assets}} \times 100$$

*Common Equity Tier 1 capital (CET1) as defined in Article 26 of EU Regulation 575/2013 and total risk exposure amount as defined in Article 92.

Tier 1 ratio, %

$$\frac{\text{Total Tier 1 capital}}{\text{Total risk-weighted assets}} \times 100$$

Capital adequacy ratio, %

$$\frac{\text{Total capital}}{\text{Total risk-weighted assets}} \times 100$$

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:

Combined ratio (excl. unwinding of discount), %	Loss ratio + expense ratio Risk ratio + cost ratio
Loss ratio (excl. unwinding of discount)	(Claims and loss adjustment expenses / Net insurance premium revenue) x 100
Expense ratio	(Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition / Net insurance premium revenue) x 100
Risk ratio (excl. unwinding of discount), %	(Claims excl. loss adjustment expenses / Net insurance premium revenue) x 100
Operating combined ratio, %	Operating loss ratio + Operating expense ratio Operating risk ratio + operating cost ratio
Operating risk ratio (excl. unwinding of discount)	(Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue excl. changes in reserving bases) x 100
Operating loss ratio, %	(Claims incurred, excl. changes in reserving bases / Insurance premium revenue, excl. net changes in reserving bases) x 100
Operating expense ratio	(Operating expenses / Insurance premium revenue, excl. net changes in reserving bases) x 100
Cost ratio, %	(Operating expenses and loss adjustment expenses / Net insurance premium revenue) x 100
Operating cost ratio	(Operating expenses and loss adjustment expenses / Net insurance premium revenue excl. changes in reserving bases) x 100
Solvency ratio, %	(Solvency capital / Insurance premium revenue) x 100
Solvency ratio, %*)	(Capital base / Capital requirement (SCR)) x 100

*) According to the proposed Solvency II framework

Life Insurance:

Operating cost ratio, %	(Operating expenses before change in deferred acquisitions costs + loss adjustment expenses / Expense loading x 100) x 100

Note 4. OP Financial Group quarterly performance

EUR million	2014 Q4	2015 Q1	Q2	Q3	Q4
Interest income	660	644	620	612	610
Interest expenses	391	388	365	356	351
Net interest income	**269**	**256**	**256**	**256**	**259**
Impairments of receivables	38	21	15	10	31
Net interest income after impairments	**231**	**234**	**240**	**245**	**228**
Net income from Non-life Insurance operations	138	169	174	154	142
Net income from Life Insurance operations	29	104	45	61	68
Net commissions and fees	175	199	175	169	161
Net trading income	5	24	40	22	21
Net investment income	21	19	47	18	3
Other operating income	14	12	13	8	12
Personnel costs	190	214	187	172	208
Other administrative expenses	101	102	102	90	126
Other operating expenses	102	82	87	69	81
Returns to owner-customers and accrued customer bonuses	48	46	51	50	48
Share of associates' profits/losses	2	4	0	2	3
Earnings before tax for the period	**176**	**320**	**308**	**299**	**175**
Income tax expense	36	63	93	59	34
Profit for the period	**140**	**257**	**215**	**240**	**141**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-153	-175	458	-51	286
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value	41	152	-253	-115	12
Cash flow hedge	7	7	-28	9	-1
Translation differences	0	0	0	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	31	35	-92	10	-57
Items that may be reclassified to profit or loss					
Measurement at fair value	-8	-30	51	23	-2
Cash flow hedge	-1	-1	6	-2	0
Total comprehensive income for the period	**56**	**245**	**355**	**114**	**378**

Note 5. Net interest income

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Loans and other receivables	1,264	1,328	-5
Receivables from credit institutions and central banks	4	4	-15
Notes and bonds	167	198	-16
Derivatives (net)			
Derivatives held for trading	97	133	-27
Derivatives under hedge accounting	60	64	-6
Ineffective portion of cash flow hedge	-1	2	
Liabilities to credit institutions	-12	-3	
Liabilities to customers	-153	-210	-27
Debt securities issued to the public	-351	-424	-17
Subordinated debt	-41	-36	15
Hybrid capital	-7	-6	7
Financial liabilities held for trading	0	0	-76
Other (net)	-1	-4	-69
Net interest income before fair value adjustment under hedge accounting	**1,026**	**1,045**	**-2**
Hedging derivatives	-90	-121	-25
Value change of hedged items	91	119	-24
Total net interest income	**1,026**	**1,043**	**-2**

Note 6. Impairments of receivables

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Receivables eliminated as loan or guarantee losses	83	71	17
Recoveries of receivables written off	-15	-13	-18
Increase in impairment losses on individually assessed receivables	107	110	-3
Decrease in impairment losses on individually assessed receivables	-88	-87	-1
Collectively assessed impairment losses	-9	7	
Total	**78**	**88**	**-12**

Note 7. Net income from Non-life Insurance

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Net insurance premium revenue			
Premiums written	1,453	1,393	4
Insurance premiums ceded to reinsurers	-48	-54	12
Change in provision for unearned premiums	-8	-29	72
Reinsurers' share	-2	1	
Total	**1,396**	**1,310**	**7**
Net Non-life Insurance claims			
Claims paid	804	828	-3
Insurance claims recovered from reinsurers	-25	-29	14
Change in provision for unpaid claims	114	61	88
Reinsurers' share	-8	-15	45
Total	**885**	**845**	**5**
Net investment income, Non-life Insurance			
Interest income	46	55	-16
Dividend income	27	18	50
Property	5	5	10
Capital gains and losses			
Notes and bonds	15	60	-75
Shares and participations	81	53	52
Loans and receivables	-	0	
Property	0	0	
Derivatives	-1	-22	95
Fair value gains and losses			
Notes and bonds	2	2	9
Shares and participations	-3	-1	
Loans and receivables	0	1	-90
Property	0	2	
Derivatives	7	-2	
Impairments	-9	-2	
Other	0	1	-31
Total	**171**	**169**	1
Unwinding of discount	-38	-41	7
Other	-5	-5	-5
Net income from Non-life Insurance	**639**	**589**	**8**

Note 8. Net income from Life Insurance

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Premiums written	1,430	1,230	16
Reinsurers' share	-23	-23	-2
Total	**1,406**	**1,207**	**17**
Claims incurred			
Benefits paid	-795	-738	-8
Change in provision for unpaid claims	-10	-9	-11
Reinsurers' share	11	9	22
Change in insurance liabilities			
Change in life insurance provision	-723	-168	
Reinsurers' share	3	1	
Total	**-1,514**	**-905**	**-67**
Other	-211	-1,215	83
Total	**-318**	**-914**	**-65**
Net investment income, Life Insurance			
Interest income	51	50	2
Dividend income	44	42	6
Property	2	0	
Capital gains and losses			
Notes and bonds	12	33	-63
Shares and participations	85	63	34
Loans and receivables	1	1	12
Property	0	0	
Derivatives	-18	249	
Fair value gains and losses			
Notes and bonds	2	1	21
Shares and participations	-	-6	
Loans and receivables	0	1	
Property	2	1	50
Derivatives	-30	40	
Impairments	-15	-9	-74
Other	0	1	-58
Assets serving as cover for unit-linked policies			
Shares and participations			
Capital gains and losses	211	81	
Fair value gains and losses	187	511	-63
Other	64	51	25
Total	**596**	**1,111**	**-46**
Net income from Life Insurance	**278**	**197**	**41**

Note 9. Net commissions and fees

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Commission income			
Lending	203	207	-2
Deposits	5	5	-4
Payment transfers	256	238	8
Securities brokerage	22	23	-4
Securities issuance	13	11	21
Mutual funds brokerage	129	109	19
Asset management and legal services	82	82	0
Insurance brokerage	60	67	-10
Guarantees	21	22	-7
Other	87	95	-8
Total	**878**	**859**	**2**
Commission expenses	174	152	15
Net commissions and fees	**704**	**707**	**0**

Note 10. Net trading income

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Capital gains and losses			
Notes and bonds	-6	7	
Shares and participations	6	4	45
Derivatives	99	25	
Changes in fair value			
Notes and bonds	-5	2	
Shares and participations	-2	1	
Derivatives	-15	21	
Dividend income	0	1	-26
Net income from foreign exchange operations	30	28	10
Total	**107**	**88**	**20**

Note 11. Net investment income

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Available-for-sale financial assets			
Capital gains and losses			
Notes and bonds	31	15	
Shares and participations	40	23	77
Dividend income	20	39	-49
Impairment losses	-2	-4	-45
Carried at amortised cost			
Capital gains and losses	-1	0	
Total	**87**	**73**	**20**
Investment property			
Rental income	42	43	-2
Maintenance charges and expenses	-32	-36	12
Changes in fair value, capital gains and losses	-11	-6	85
Other	0	0	-35
Total	**-1**	**1**	
Other	-	0	-100
Net investment income	**87**	**74**	**18**

Note 12. Other operating income

EUR million	Q1–Q4/ 2015	Q1–Q4/ 2014	Change, %
Income from property and business premises in own use	14	15	-9
Rental income from assets rented under operating lease	4	3	42
Other	27	33	-18
Total	**46**	**52**	**-12**

Note 13. Classification of financial assets and liabilities

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and cash equivalents	8,581	-	-	-	-	8,581
Receivables from credit institutions	425	-	-	-	-	425
Derivative contracts	-	-	5,160	-	536	5,696
Receivables from customers	75,192	-	-	-	-	75,192
Non-life Insurance assets	676	-	178	3,212	-	4,067
Life Insurance assets	263	-	8,844	4,751	-	13,858
Notes and bonds	-	108	858	11,295	-	12,261
Shares and participations	-	-	70	501	-	570
Other financial assets	1,526	-	-	-	-	1,526
Financial assets	**86,664**	**108**	**15,110**	**19,760**	**536**	**122,178**
Other than financial instruments						2,968
Total 31 Dec. 2015	**86,664**	**108**	**15,110**	**19,760**	**536**	**125,145**
Total 31 Dec. 2014	**80,915**	**191**	**13,620**	**15,129**	**572**	**110,427**

EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities				
Liabilities to credit institutions	-	1,673	-	1,673
Financial liabilities held for trading (excl. derivatives)	0	-	-	0
Derivative contracts	4,993	-	352	5,345
Liabilities to customers	-	58,220	-	58,220
Non-life Insurance liabilities	4	3,155	-	3,159
Life Insurance liabilities	8,686	4,846	-	13,532
Debt securities issued to the public	-	27,706	-	27,706
Subordinated loans	-	1,590	-	1,590
Other financial liabilities	-	2,952	-	2,952
Financial liabilities	**13,683**	**100,141**	**352**	**114,176**
Other than financial liabilities				1,645
Total 31 Dec. 2015	**13,683**	**100,141**	**352**	**115,822**
Total 31 Dec. 2014	**12,630**	**90,198**	**386**	**103,214**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 Dec, the fair value of these debt instruments was approximately EUR 441 million 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 14. Recurring fair value measurements by valuation technique

Fair value of assets on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	616	291	21	928
Non-life Insurance	-	-	-	-
Life Insurance*	6,425	2,215	-	8,640
Derivative financial instruments				
Banking	2	5,518	176	5,696
Non-life Insurance	0	9	-	9
Life Insurance	12,882	57	-	58
Available-for-sale				
Banking	9,757	1,746	294	11,796
Non-life Insurance	1,563	1,397	252	3,212
Life Insurance	2,401	1,891	460	4,751
Total	**20,763**	**13,124**	**1,203**	**35,090**

*Includes 8,640 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,425 million and Level 2 for 2,215 million euros.

Fair value of assets on 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	183	244	0	427
Non-life Insurance	-	7	-	7
Life Insurance*	7,202	289	7	7,499
Derivative financial instruments				
Banking	7	5,711	202	5,920
Non-life Insurance	1	11	-	12
Life Insurance	-	66	-	66
Available-for-sale				
Banking	6,631	2,150	27	8,807
Non-life Insurance	1,546	1,156	258	2,960
Life Insurance	1,944	1,076	341	3,362
Total	**17,514**	**10,710**	**835**	**29,060**

*Includes 7,492 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 7,202 million euros and Level 2 for 289 million euros.

Fair value of liabilities on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	- -		-	-
Life Insurance*	6,444	2,222	-	8,666
Derivative financial instruments				
Banking	35	5,175	135	5,345
Non-life Insurance	0	4	-	4
Life Insurance	-	20	-	20
Total	**6,480**	**7,421**	**135**	**14,035**

Fair value of liabilities on 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	-	4	-	4
Life Insurance*	7,223	290	-	7,513
Derivative financial instruments				
Banking	57	5,303	130	5,489
Non-life Insurance	2	0	-	2
Life Insurance	-	8	-	8
Total	**7,282**	**5,604**	**130**	**13,016**

*Includes the fair value of liabilities of unit-linked policies and unit-linked investment contracts.

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions as well as and exchange-traded derivatives. The fair value of these instruments is determined on the basis of the 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. The fair value hierarchy level at Pohjola Group includes OTC derivatives, quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity. This level includes the most complex OTC derivatives, certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the 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.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		Available-for-sale financial assets		
	Banking	**Insurance**	**Banking**	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan 2015	0	7	202	-	27	599	835
Total gains/losses in profit or loss	21	-	-26	-	3	-60	-62
Total gains/losses in other comprehensive income	-	-	-	-	-3	53	51
Purchases	-	-	-	-	-1	231	231
Sales		-	-	-	-13	-112	-125
Settlements	-	-7	-	-	-	-	-7
Transfers into Level 3	-	-	-	-	281	-	281
Closing balance 31 Dec. 2015	**21**	**0**	**176**	**-**	**294**	**712**	**1,203**

Financial liabilities, EUR million	Financial assets at fair value through profit or loss		Derivative contracts		
	Banking	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan 2015	-	-	130	-	130
Total gains/losses in profit or loss	-	-	5	-	5
Closing balance 31 Dec. 2015	**-**	**-**	**135**	**-**	**135**

Total gains/losses included in profit or loss by item on 31 Dec. 2015

EUR Million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Net income from Life Insurance	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 30 Sep
Realised net gains (losses)	21	-	-42	-19	-	**-39**
Unrealised net gains (losses)	-31	3	15	38	51	**76**
Total net gains (losses)	**-10**	**3**	**-27**	**20**	**51**	**37**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. Level 3 derivatives relate to structured bonds issued by Pohjola, 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

At the end of 2015, the Group specified the classification criteria by abandoning credit rating as one classification criteria and adopting a more accurate analysis and classification of observable market prices. As a result, quoted bonds issued by governments, companies and financial institutions worth EUR 1.4 billion transferred from Level 2 to Level 1 and bonds worth EUR 0.3 billion transferred from Level 2 to Level 3.

Note 15. Non-life Insurance assets

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Investments			
Loan and other receivables	23	14	63
Shares and participations	480	463	4
Property	170	161	5
Notes and bonds	2,548	2,297	11
Derivatives	9	12	-28
Other participations	185	207	-11
Total	**3,414**	**3,154**	**8**
Other assets			
Prepayments and accrued income	33	33	0
Other			
Arising from direct insurance operations	436	404	8
Arising from reinsurance operations	106	100	7
Cash in hand and at bank	5	41	-89
Other receivables	73	66	10
Total	**653**	**643**	**2**
Non-life Insurance assets	**4,067**	**3,797**	**7**

Note 16. Life Insurance assets

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Investments			
Loan and other receivables	78	59	32
Shares and participations	1,222	1,160	5
Property	146	101	45
Notes and bonds	3,529	2,209	60
Derivatives	58	66	-13
Total	**5,033**	**3,594**	**40**
Assets covering unit-linked insurance contracts			
Shares, participations and other investments	8,640	7,492	15
Other assets			
Prepayments and accrued income	66	49	35
Other			
Arising from direct insurance operations	5	11	-53
Arising from reinsurance operations	81	79	2
Cash in hand and at bank	33	13	
Total	**185**	**153**	**21**
Life Insurance assets	**13,858**	**11,238**	**23**

Note 17. Non-life Insurance liabilities

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Provision for unpaid claims			
Provision for unpaid claims for annuities	1,386	1,316	5
Other provision for unpaid claims	970	886	10
Reserve for decreased discount rate*	0	12	-97
Total	2,357	2,213	6
Provisions for unearned premiums	560	523	7
Other liabilities	242	235	3
Total	**3,159**	**2,972**	**6**

*Value of hedges of insurance liability.

Note 18. Life Insurance liabilities

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Liabilities for unit-linked insurance	7,194	6,164	17
Investment contracts	1,473	1,349	9
Insurance liabilities	4,788	3,649	31
Other liabilities	79	68	15
Total	**13,532**	**11,230**	**20**

Supplementary interest rate provisions related to insurance liabilities totalled EUR 401 million (419) on 31 Dec. A one percentage-point increase in interest rates reduces insurance liabilities by EUR 280 million. The previous figures do not include insurance liabilities transferred from Suomi Mutual Life Assurance Company Ltd on 31 December 2015 that are included in OP Life Assurance Ltd's balance sheet separated from the other balance sheet.

Note 19. Debt securities issued to the public

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Bonds	12,164	10,100	20
Covered bonds	9,003	7,811	15
Certificates of deposit, commercial papers and ECPs	6,539	7,031	-7
Other	0	14	-100
Total	**27,706**	**24,956**	**11**

Note 20. Fair value reserve after income tax

EUR million	Available-for-sale financial assets: Notes and bonds	Available-for-sale financial assets: Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2014	**63**	**238**	**27**	**328**
Fair value changes	156	122	105	383
Capital gains transferred to income statement	-35	-98	-	-133
Impairment loss transferred to income statement	0	1	-	1
Transfers to net interest income	-	-	-32	-32
Holdings in Pohjola Bank plc purchased from non-controlling interests	-25	-65	-7	-97
Deferred tax	-19	8	-13	-24
Closing balance 31 Dec. 2014	**139**	**206**	**80**	**425**

EUR million	Available-for-sale financial assets: Notes and bonds	Available-for-sale financial assets: Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2015	**139**	**206**	**80**	**425**
Fair value changes	-105	59	18	-28
Capital gains transferred to income statement	-33	-149	-	-183
Impairment loss transferred to income statement	2	10	-	13
Transfers to net interest income	-	-	-33	-33
One-off effect of transfer of POP Group banks to OP Financial Group	0	1	1	2
Deferred tax	27	16	3	46
Closing balance 31 Dec. 2015	**31**	**142**	**69**	**242**

The fair value reserve before tax amounted to EUR 302 million (531) and the related deferred tax liability amounted to EUR 60 million (106). On 31 Dec., positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 245 million (315) million and negative mark-to-market valuations EUR 21 million (15).

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

Note 21. Impairment loss and doubtful receivables

Receivables from credit institutions and customers, and impairment loss, EUR million	31 Dec. 2015	31 Dec. 2014
Receivables from credit institutions and customers (gross)	76,147	71,851
Total impairment loss, of which	498	483
Individually assessed	441	417
Collectively assessed	57	65
Receivables from credit institutions and customers (net)	**75,649**	**71,369**

Doubtful receivables 31 Dec. 2015, 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	Receivables from credit institutions and customers (net)
More than 90 days past due		543	543	223	319
Classified as defaulted		499	499	175	325
Forborne receivables					
Renegotiated	1,310	191	1,501	43	1,458
Total	**1,310**	**1,233**	**2,543**	**441**	**2,102**

Doubtful receivables 31 Dec. 2014, 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	Receivables from credit institutions and customers (net)
More than 90 days past due		511	511	241	270
Classified as defaulted		507	507	149	358
Forborne receivables					
Renegotiated	836	205	1,041	27	1,014
Total	**836**	**1,223**	**2,059**	**417**	**1,642**

Key ratio, %	31 Dec. 2015	31 Dec 2014
Exposures individually assessed for impairment, % of doubtful receivables	17.3 %	20.3 %

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest two credit ratings (11–12) are reported as defaulted. 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. Underpriced and zero-interest receivables previously reported under doubtful receivables have been removed from the definition of forborne loans.

Note 22. Capital structure and capital adequacy

The Group has presented its capital base and capital adequacy in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

Capital structure and capital adequacy, EUR million	**31 Dec. 2015**	**31 Dec. 2014**	**Change, %**
OP Financial Group's equity capital	9,324	7,213	29
The effect of insurance companies on the Group’s shareholders’ equity is excluded	-200	-40	
Fair value reserve, cash flow hedging	-69	-80	14
Supplementary cooperative capital to which transition provision applies, and cooperative capital not included in equity	143	192	25
Common Equity Tier 1 (CET1) before deductions	**9,197**	**7,285**	**26**
Intangible assets	-518	-450	-15
Excess funding of pension liability and valuation adjustments	-131	-1	
Planned profit distribution and profit distribution unpaid for the previous period	-66	-22	
Unrealised gains under transitional provisions	-	-90	
Shortfall of impairments – expected losses	-306	-339	10
Common Equity Tier 1 (CET1)	**8,176**	**6,384**	**28**
Subordinated loans to which transitional provision applies	141	161	
Additional Tier 1 capital (AT1)	**141**	**161**	
Tier 1 capital (T1)	**8,316**	**6,544**	**27**
Debenture loans	1,253	708	77
OVY's equalisation provision	-	35	
Unrealised gains under transitional provisions	-	29	
Tier 2 Capital (T2)	**1,253**	**772**	**62**
Total capital base	**9,569**	**7,316**	**31**
Risk-weighted assets			
Credit and counterparty risk	36,838	37,694	-2
Central government and central banks exposure	27	30	-9
Credit institution exposure	1,178	1,275	-8
Corporate exposure	21,425	21,173	1
Retail exposure	4,886	5,235	-7
Equity investments*)	7,484	7,663	-2
Other**)	1,839	2,318	-21
Market risk	1,464	1,377	6
Operational risk	3,521	3,182	11
Total	**41,824**	**42,254**	**-1**

Ratios, %	31 Dec. 2015	31 Dec. 2014	Change, percentage point
CET1 capital ratio	19.5	15.1	4.4
Tier 1 ratio	19.9	15.5	4.4
Capital adequacy ratio	22.9	17.3	5.6

Ratios, fully loaded, %	31 Dec. 2015	31 Dec. 2014	Change, percentage point
CET1 capital ratio	19.2	14.9	4.3
Tier 1 ratio	19.2	14.9	4.3
Capital adequacy ratio	22.2	16.6	5.6

Basel I floor, EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Capital base	9,569	7,316	31
Basel I capital requirements floor	3,924	3,642	8
Capital buffer for Basel I floor	5,645	3,674	54

Leverage ratio

EUR million	31 Dec. 2015	31 Dec. 2014
Tier 1 capital (T1)	8,316	6,544
Total exposure	114,780	102,050
Leverage ratio, %	7.2	6.4

*) The risk weight of equity investments includes EUR 6.5 billion in insurance holdings within OP Financial Group.

**) EUR 100 million 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.

A prudent valuation adjustment of EUR 69 million has been deducted from CET1 capital.

OP Financial Group has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans A total of 70% of the amounts outstanding on 31 December 2012 are included in the capital base.

Unrealised valuations are included in CET1 capital. Negative unrealised valuations a year ago were included in CET1 capital and positive unrealised valuations in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with the new draft rules. According to these rules, the minimum ratio is three per cent. The minimum leverage ratio is based on December-end figures.

Capital base and risk-weighted assets include the capital adequacy ratios of the new banks becoming members of the Amalgamation on 19 May 2015. The effect of the new member banks on the capital base was EUR 127 million and on risk-weighted assets EUR 481 million. Exposures under the leverage ratio include EUR 885 million in exposures of the new member banks.

Note 23. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
OP Financial Group's equity capital	9,324	7,213	29
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,547	1,072	44
Other sector-specific items excluded from capital base	-76	-72	-6
Goodwill and intangible assets	-1,356	-1,286	-5
Equalisation provisions	-220	-179	-23
Proposed profit distribution	-66	-22	
Items under IFRS deducted from capital base*	-57	-79	28
Shortfall of impairments – expected losses	-280	-313	11
Conglomerate's capital base, total	**8,815**	**6,334**	**39**
Regulatory capital requirement for credit institutions**	3,707	2,865	29
Regulatory capital requirement for insurance operations***	557	485	15
Conglomerate's total minimum capital requirement	**4,265**	**3,350**	**27**
Conglomerate's capital adequacy	**4,550**	**2,984**	**52**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**207**	**189**	

* Excess funding of pension liability, Fair value measurement of investment property, Portion of cash flow hedge of fair value reserve.

** Risk-weighted assets x 10.5%.

*** Minimum solvency margin.

The effect of the new member banks on the amalgamation's capital adequacy ratio was 0.5 percentage points.

Note 24. Collateral given

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Collateral given on behalf of own liabilities and commitments			
Mortgages	1	1	
Pledges	5	6	-29
Loans (as collateral for covered bonds)	10,053	8,937	12
Other	671	999	-33
Other collateral given			
Pledges*	3,969	6,273	-37
Total	**14,699**	**16,216**	**-9**
Other secured liabilities	507	474	7
Covered bonds	9,003	7,811	15
Total secured liabilities	**9,510**	**8,285**	**15**

*) of which EUR 2,000 million in intraday settlement collateral.

Note 25. Off-balance-sheet items

EUR million	31 Dec. 2015	31 Dec. 2014	Change, %
Guarantees	764	878	-13
Other guarantee liabilities	1,848	2,007	-8
Pledges	1	3	
Loan commitments	10,042	8,839	14
Commitments related to short-term trade transactions	194	319	-39
Other	587	522	13
Total off-balance-sheet items	**13,436**	**12,567**	**7**

Note 26. Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
31 Dec. 2015, EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	38,498	83,365	58,255	180,119	4,408	3,977
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863
Currency derivatives	30,956	9,766	6,706	47,428	1,528	1,479
Equity and index derivatives	282	6	-	288	15	-
Credit derivatives	15	126	82	223	10	13
Other derivatives	185	722	14	921	83	61
Total derivatives	**69,936**	**93,985**	**65,057**	**228,979**	**6,043**	**5,530**

	Nominal values / remaining term to maturity				Fair values*	
31 Dec. 2014, EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	52,318	94,284	48,599	195,201	5,144	4,719
Cleared by the central counterparty	4,370	24,526	15,008	43,904	876	867
Currency derivatives	16,170	9,028	5,639	30,837	1,034	975
Equity and index-linked derivatives	266	285	-	551	37	1
Credit derivatives	9	73	102	184	12	5
Other derivatives	232	840	56	1,129	73	67
Total derivatives	**68,995**	**104,510**	**54,396**	**227,901**	**6,301**	**5,766**

*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 27. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

31 Dec. 2015, 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: Financial assets***	Collateral received	Net amount
Banking derivatives	6,567	-870	5,696	-3,389	-1,030	1,277
Life Insurance derivatives	58	-	58	-20	-	37
Non-life Insurance derivatives	9	-	9	-3	-	6
Total derivatives	**6,633**	**-870**	**5,763**	**-3,412**	**-1,030**	**1,321**

Financial liabilities

31 Dec. 2015, 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: Financial liabilities***	Collateral given	Net amount
Banking derivatives	6,185	-840	5,345	-3,389	-1,061	895
Life Insurance derivatives	20	-	20	-20	-	0
Non-life Insurance derivatives	4	-	4	-3	-	1
Total derivatives	**6,209**	**-840**	**5,369**	**-3,412**	**-1,061**	**896**

Financial assets

31 Dec. 2014, 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: Financial assets***	Collateral received	Net amount
Banking derivatives	6,791	-871	5,920	-3,956	-722	1,242
Life Insurance derivatives	66	-	66	-8	-	58
Non-life Insurance derivatives	12	-	12	-1	-	11
Total derivatives	**6,869**	**-871**	**5,998**	**-3,965**	**-722**	**1,311**

Financial liabilities

31 Dec. 2014, 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: Financial liabilities***	Collateral given	Net amount
Banking derivatives	6,351	-862	5,489	-3,956	-862	671
Life Insurance derivatives	8	-	8	-8	-	0
Non-life Insurance derivatives	2	-	2	-1	-	2
Total derivatives	**6,361**	**-862**	**5,499**	**-3,965**	**-862**	**672**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling 22 (9) million euros.

**Fair values excluding accrued interest.

***It is OP Financial Group's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

In February 2013, OP Financial Group adopted central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. 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 OP Financial Group or the Master Agreement of the Federation of Finnish Financial Services will apply to derivative transactions between OP Financial 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 28. Related-party transactions

The related parties of OP Financial Group include companies consolidated into OP Financial Group's financial statements, associates, administrative personnel 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 and their close relatives. 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.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

OP Cooperative purchased in June 2015 all OP Life Assurance Company Ltd and OP Card Company Plc shares held by member cooperative banks and Helsinki OP Bank Ltd. The price paid for the shares was based on the opinions of external appraisers.

In other respects, related-party transactions have not undergone any substantial changes since 31 December 2014.

OP Financial Group's financial performance will be presented to the media by President and Group Executive Chairman Reijo Karhinen in a press conference on 4 February 2016 at 11 am at Gebhardinaukio 1, Vallila, Helsinki.

Pohjola Bank plc will publish its own Financial Statements Bulletin.

Financial reporting in 2016

Schedule for Interim Reports in 2016:

Interim Report Q1/2016	27 April 2016
Interim Report H1/2016	3 August 2016
Interim Report Q1−3/2016	2 November 2016

OP Cooperative
Executive Board

ADDITIONAL INFORMATION
Reijo Karhinen, President and Group Executive Chairman, tel. +358 (0)10 252 4500
Harri Luhtala, CFO, tel. +358 (0)10 252 2433
Carina Geber-Teir, Executive Vice President, Corporate Communications, tel. +358 (0)10 252 8394

DISTRIBUTION
NASDAQ Helsinki Ltd
London Stock Exchange
SIX Swiss Exchange
Major media
op.fi and pohjola.fi