OP Financial Group's Interim Report for 1 January–30 June 2015

OP

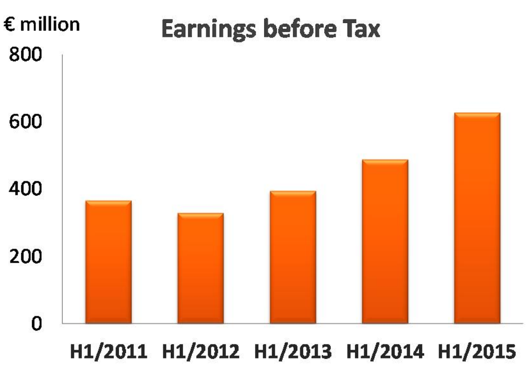
OP: Strong financial performance and excellent lending capacity

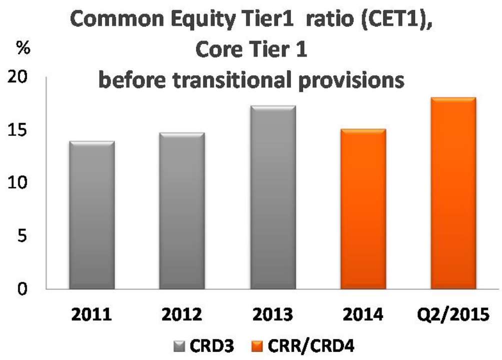
- The Group's earnings before tax totalled EUR 627 million (488), or 29% higher than a year ago and the best ever half-year earnings.
- Total income increased by 8% while expenses decreased by 3% year on year.
- Supported by the strong financial performance, the CET1 ratio improved to 18.1% (15.1).
  The strong capital base made it possible to increase lending faster than the market average.
  - The home loan portfolio grew by 3.0% year on year
  - The corporate loan portfolio increased by 7.5%
  - The total loan portfolio increased by 5.9% and the number of loans drawn down by 13%
- The home loan repayment grace period under the "Putting Finland on a new growth path" campaign was used for almost 100,000 loans.
- New customer bonuses totalled EUR 97 million, up 4.5% year on year.
- Equity investments by owner-customers increased to EUR 2.4 billion (1.9).
- Each of the three business segments improved its performance:
  - Banking earnings before tax increased by 23% to EUR 356 million (289). The cost/income ratio improved by over 4 percentage points to 52%. The deposit portfolio grew by 6.9%. Impairment loss on receivables was low at 0.10% of the loan and guarantee portfolio.
  - Earnings before tax by Non-life Insurance increased by 8.1% to EUR 144 million (133). The operating combined ratio was 87.8%. Insurance premium revenue rose by 4.6%.
  - Wealth Management earnings before tax increased by 25% to EUR 128 million (102). Assets under management grew by 16% to EUR 66 billion.
- Six former POP Group member banks became members of OP Financial Group's central cooperative in May.
- Change in the outlook: Full-year earnings for 2015 are expected to be higher than in 2014. (Previous estimate: "to equal or exceed"). For more detailed information, see "Outlook towards the year end."

OP Financial Group's key indicators

	H1/2015	H1/2014	Change, %	2014
Earnings before tax, € million	627	488	28.5	915
Banking	356	289	23.2	571
Non-life Insurance	144	133	8.1	223
Wealth Management	128	102	24.9	167
New accrued customer bonuses	97	93	4.5	189
	30 June 2015	**30 June 2014**	**Change, %**	**31 Dec. 2014**
Common Equity Tier 1 (CET1) ratio, %	18.1	12.8	5.3*	15.1
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), %	178	169	10*	189
Ratio of receivables more than 90 days past due to loan and guarantee portfolio, %	0.42	0.41	0.01*	0.37
Joint banking and insurance customers (1,000)	1,618	1,554	4.1	1,590

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

Achieving the capital adequacy and profitability targets crowned OP Financial Group's good first-half performance. Achieving our demanding and high capital adequacy targets ahead of time – only about one year after the purchase of Pohjola shares that required a significant amount of capital – is a strong message of our Group's status and performance. Our all-time high half-year results are explained by our long-term approach. Income increased and expenses decreased. Our income grew on a wide front, with each key income item increasing year on year.

We have once again demonstrated our strength. We pay particular attention to our capital base that we are building primarily through our financial performance in the long term. Profit Shares have had a significant impact on strengthening our capital base during the last twelve months. I would like to express my warmest thanks to our owner-customers for this commitment they have shown.

OP's good results safeguard customers' finances through our excellent lending capacity. Through concrete action, we have shown our commitment to Finland. Our home and corporate loan portfolio continued to increase at a rate above the market average. Our friendly gesture to our home loan customers in terms of the loan repayment grace period also received a positive reception. Thanks to our strong capital base, our capacity to provide our customers with financing in future too is on a firm basis. It is just natural for our role as a major Finnish player to carry out new "Putting Finland on a new growth path" campaigns.

OP exists to serve its customers. Following a comprehensive internal strategic discussion, the Supervisory Board of OP Cooperative updated in June the basic strategic principles that sharpen the cooperative focus. As specified in its new, updated mission, the Group creates by means of its strong capital base and efficiency sustainable prosperity, security and wellbeing for its owner-customers and in its operating region. Our being is crystallised in our customer promise: "We exist to serve our customers". We want to be the world's best financial services group owned by customers. We measure our success through customer experience.

The financial sector does not see a day without news reporting on the progress of digitisation in Finland and elsewhere in the world.

As the year progresses, the signs of the advancement of the digital revolution has become increasingly clearer, in both the financial sector and in society on the whole. We are most likely at a turning point from which onwards the slope related to the visible changes arising from digitisation is strongly becoming steeper. As a result of changing customer behaviour, customers increasingly use digital services. We need to learn to look many things with new eyes.

Up to 94% of OP's daily service encounters take already place in digital service channels. As financial services group owned by customers, we will reform ourselves on our customers' terms and by listening to them – without forgetting customers who appreciate the existing transaction opportunities and services. We need to prepare for significantly increasing our development expenditure and for continuing to improve our operational efficiency substantially.

The Finnish economy will not rebound on a sustainable basis without bold decisions that contribute to a pick-up in exports. Not this year either has economic development in Finland met expectations. The Finnish government has taken a firm grip on taking fiscal consolidation measures. However, Finland need to boost its price competitiveness.

In the single currency regime, putting the economy back on a healthy path requires of the policymakers in charge an unconventional attitude, exceptionally strong determination and a solution-seeking approach and the ability to focus on what is essential. We at OP promise, for our part, to assume responsibility for the availability of financing.

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Operating environment

During the second quarter, the world economy in essence continued to grow at a slightly slower rate than a long-term average. The euro-area economic growth remained moderate.

The ECB continued its bond purchase programme launched in March in line with expectations.
Within the framework of the extended asset purchase programme, the ECB will buy bonds worth EUR 60 billion per month at least until September 2016.

The Euribor rates continued to decline in the spring as a result of the ECB's policy. The three-month Euribor rate became negative in April. At the same time, required bond yields fell to a record low.

In May–June, bond markets saw a clear adjustment, as a result of which long-term market interest rates rose and the Euribor rates stabilised.

Negotiations over settling the Greek government-debt crisis raised required yields on Greek government bonds. The Greek debt crisis escalated at the end of the second quarter. In July, the eurozone leaders agreed with Greece to launch negotiations on a new bailout package for Greece. The crisis had only a minor effect on other countries' government bonds

The Finnish economy remained weak in the second quarter, with the unemployment rate increasing markedly. Consumer confidence that improved in the spring weakened to the average level felt a couple years ago, as the crisis escalated in Greece. An increase in investment plans maintained expectations of a gradual recovery.

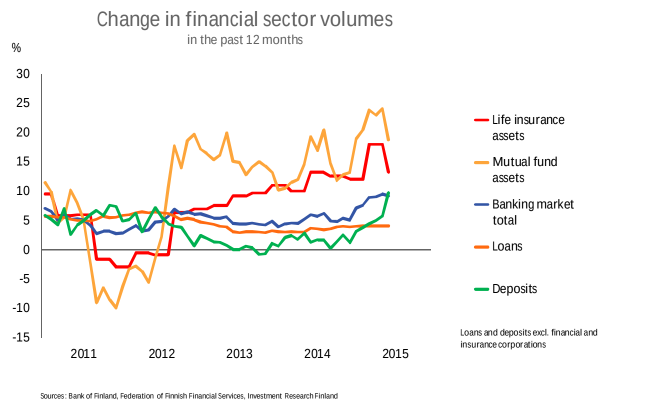
The euro-area economy should grow at faster rate than last year. Nevertheless, the world economy as a whole is not expected to recover because the emerging markets are anticipated to experience slower growth. In Finland, there are still more signs of a slight rebound but the recovery will remain minor. Not only the inflation rate but also interest rates should remain very low.

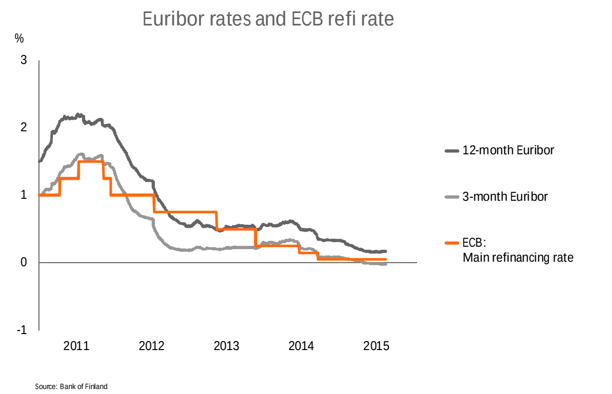
Banks' total consumer loan volumes increased at an annual rate of two per cent in the second quarter. The volume of new home loans drawn down grew during the spring and the use of the loan repayment grace periods remained popular. Growth in the total corporate loan volumes was higher than that in consumer loan volumes. Demand for loans is expected to pick up moderately during the second half.

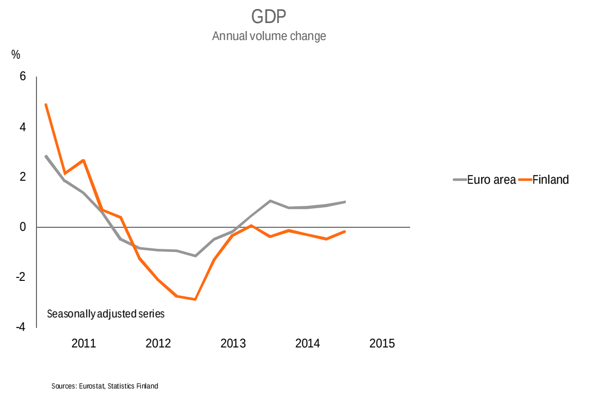
In the second quarter, total bank deposits grew at an annual rate of almost 10 per cent due to strong growth in deposits made by public-sector entities and corporates. Household deposits remained at the level reported a year ago. Term deposits continued to decrease, as assets were allocated to current accounts and riskier savings and investments.

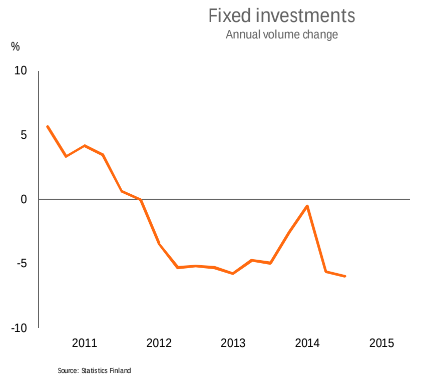
Instability in capital markets increased during the spring as a result of the prolonged debt crisis negotiations with Greece and a weaker outlook for emerging economies. Mutual fund assets and insurance savings continued, however, to grow at a rate of 17 per cent over the previous year Net asset inflows remained high, especially with respect to bond and balanced funds. Life insurance premiums written reported in the first half increased by 21 per cent year on year.

Non-life insurance premiums written in the first half increased at an annual rate of two per cent. Claims paid out were two per cent lower than in the first half a year ago.









Earnings analysis, € million	H1/2015	H1/2014	Change, %	Q2/2015	Q2/2014	Change, %	2014
Banking	356	289	23.2	164	130	26.7	571
Non-Life Insurance	144	133	8.1	77	71	9.5	223
Wealth Management	128	102	24.9	35	33	6.2	167
Earnings before tax	**627**	**488**	**28.5**	**308**	**231**	**33.3**	**915**
Gross change in fair value reserve	-123	72		-282	76		152
Earnings before tax at fair value	**505**	**560**	**-9.9**	**26**	**307**	**-91.5**	**1,067**
Return on economic capital, % *)	20.1	14.2	5.9*				16.5
Return on economic capital at fair value, % *)	19.4	18.0	1.4*				19.1
Income							
Net interest income	511	505	1.2	256	254	0.7	1,043
Net income from Non-life Insurance	342	308	11.2	174	158	10.0	589
Net income from Life Insurance	148	121	22.8	45	41	9.0	197
Net commissions and fees	374	360	3.9	175	169	3.6	707
Net trading and investment income	129	101	27.3	87	58	48.5	162
Other operating income	29	24	21.2	14	14	-0.9	55
Other income, total	**1,023**	**914**	**11.9**	**493**	**440**	**12.2**	**1,710**
Total income	**1,534**	**1 420**	**8.1**	**749**	**694**	**8.0**	**2,753**
Expenses							
Personnel costs	401	385	4.2	187	190	-1.9	741
Other administrative expenses	203	215	-5.3	102	102	-0.6	414
Other operating expenses	169	201	-15.7	87	98	-11.8	401
Total expenses	**774**	**801**	**-3.3**	**375**	**391**	**-4.1**	**1,555**
Impairment loss on receivables	**37**	**33**	**10.9**	**15**	**23**	**-32.5**	**88**
New accrued customer bonuses	**97**	**93**	**4.5**	**49**	**47**	**4.0**	**189**

*) 12-month rolling, change in percentage

Other key indicators, € million	30 June 2015	30 June 2014	Change, %	31 Dec. 2014
Receivables from customers	73,304	69,275	5.8	70,683
Life Insurance assets	12,417	10,786	15.1	11,238
Non-life Insurance assets	4,125	3,807	8.4	3,797
Liabilities to customers	54,042	49,514	9.1	51,163
Debt securities issued to the public	25,300	25,871	-2.2	24,956
Equity capital	8,394	6,216	35.0	7,213
Total assets	116,149	106,124	9.4	110,427

OP Financial Group and its cooperative bases

OP Financial Group's operations are based on the co-operative principle. Following a comprehensive internal strategic discussion, the Supervisory Board of OP Cooperative updated in June the basic strategic principles that sharpen the cooperative focus. As specified in its new mission, the Group creates by means of its strong capital base and efficiency sustainable prosperity, security and wellbeing for its owner-customers and in its operating region.

OP Financial Group's customer interests guide all of the Group's operations. Customers own OP Financial Group with the result that being a customer and owner is combined. These basic features are crystallised in OP Financial Group's new 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 Group's administrative staff enables a powerful voice of customers in decision-making and the development of operations.

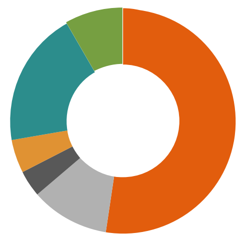
The Group's operations are based on cooperative values, a strong capital base and capable risk management. The cooperative values emphasise People-first approach, Responsibility and Prospering together.

As a financial services provider owned by its customers, OP Financial Group has not only its business role but also a significant social role. To be able to fulfil its social role, the Group must first create prosperity in its business role. In its social role, the Group assumes responsibility for both its owner-customers and, on a more comprehensive basis, for society and local communities.

The 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. In its business role, the Group must provide the services needed by its customers in a competitive manner. Its business role also involves safeguarding operational efficiency and a strong capital base that generates a competitive advantage. A substantial amount of earnings returns to owner-customers while the rest is used to strengthen the Group's balance sheet.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 even during a prolonged recession. Meanwhile, according to the Group strategy, OP will keep risk-taking moderate vis-à-vis the risk-bearing capacity.

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. 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.

It follows naturally from OP Financial Group's cooperative basis that the benefit and added value of the business operations are channelled, via customer relationships, to owner-customers and 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. Furthermore, a cooperative as a type of business organisation and the cooperative ideology create continuity and community spirit in the operating region of the Group and its member banks. Cooperative banks are often among the largest taxpayers in their localities. After expenses required for business, OP Financial Group allocated its earnings during the reporting period, as follows:



*) Estimate of the allocation of period earnings, which is confirmed after the end of the reporting period

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–June

Earnings before tax increased by 29% to EUR 627 million (488). This was the Group's best-ever half-year result. This improvement was due especially to strong growth in income. Life Insurance's and Non-life Insurance's net income increased the most. Net income posted by Life Insurance increased due to improved insurance profitability and that by Non-life Insurance as a result of higher investment income. Net commissions and fees were higher due to higher fees from mutual funds. Capital gains on securities added to net trading and investment income.

Total expenses decreased by 3.3%, being EUR 27 million lower than a year ago. A non-recurring provision was recognised for personnel costs of EUR 9 million related to the reorganisation of the central cooperative consolidated announced in February. Higher personnel costs are also explained by social expenses rising by EUR 10 million. Non-recurring expenses of EUR 19 million were recognised in other operating expenses for the reporting period resulting from the intra-Group ownership reorganisation and the reconstruction of the Vallila premises. In the first half a year ago, statutory contributions to the Deposit Guarantee Fund and the bank levy (EUR 36 million) plus the non-recurring expenses incurred due to the purchase of Pohjola Bank plc shares (EUR 8 million) increased other operating expenses.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 52 million (42), of which EUR 37 million (33) concerned loans and receivables. Net impairment loss on loans and other receivables were low, at 0.10% (0.09) of the loan and guarantee portfolio.

The Group's income tax amounted to EUR 156 million. The Group's effective tax rate, 25%, exceeded the corporate tax rate of 20%. The effective tax rate was increased by the capital gains tax of EUR 37 million arising from intra-Group transactions related to ownership reorganisation.

Earnings before tax recorded by Banking amounted to EUR 356 million (289). The earnings performance by Banking was especially supported by higher net commissions and fees and net interest income. Net interest income rose as a result of an increase in the loan portfolio and a higher average loan portfolio margin and lower deposit funding costs. Expenses decreased by 3.7% to EUR 516 million (536). The cost/income ratio improved by 4.6 percentage points to 52.0%. Personnel costs were EUR 8 million higher than a year ago due to higher social costs. Statutory government charges, totalling EUR 35 million, increased other operating expenses a year ago.

Non-life Insurance recorded an operating combined ratio of 87.8% (84.5). Claims incurred increased faster than premiums written. During the reporting period, the change in the valuation model for insurance liability increased claims incurred by EUR 32 million, which weakened the operating combined ratio by 4.7 percentage points. The expense ratio was at the previous year's level. Net investment income recognised in the income statement increased by EUR 33 million year on year.

Earnings before tax posted by Wealth Management improved year on year as a result of higher net commissions and fees and improved Life Insurance profitability. The segment's net commissions and fees were 9.2% higher than a year ago owing to a higher volume of wealth under management.

On 19 May 2015, six former POP Group member banks joined OP Financial Group. Their accounts have been consolidated for the first time into the Group's accounts from the date when they joined the Group. As a result of the consolidation, both the Group's income and expenses grew by EUR 2 million, and their effect on earnings was slightly positive as a whole. As a result of the consolidation, the Group's loan portfolio grew by EUR 643 million and deposit portfolio by EUR 694 million.

Earnings before tax at fair value amounted to EUR 505 million (560). OP Financial Group’s fair value reserve before tax totalled EUR 393 million (531) on 30 June.

Equity capital amounted to EUR 8.4 billion (7.2) on 30 June. The Group's earnings and the issuance of Profit Shares added to equity capital. On 30 June, EUR 2.1 billion (1.6) in Profit Shares were included in equity. In March 2015, the central cooperative's Supervisory Board decided to raise the target level of Profit Shares by EUR 0.4 billion to EUR 2.3 billion.

April–June

Second-quarter earnings before tax amounted to EUR 308 million, as against EUR 231 million a year ago. In particular, strong income growth supported earnings performance. Capital gains on securities added to net trading and investment income and Non-life Insurance net income. Net commissions and fees were also higher than a year ago. Expenses decreased by EUR 16 million to EUR 375 million (391). Other operating expenses were EUR 12 million lower than a year earlier. In the second quarter, non-recurring expenses of EUR 13 million were recognised in other operating expenses resulting from the reconstruction of the Vallila premises and OP Financial Group's restructuring. Statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 18 million, increased other operating expenses in the second quarter a year ago.

The second-quarter earnings before tax were the second best quarterly earnings ever recorded. The earnings were only EUR 12 million lower than in the first quarter, the best-ever quarterly earnings in the Group's history. The strong second-quarter earnings were eroded especially by a decline in net commissions and fees and Life Insurance net income. Life Insurance net income decreased in comparison with the first quarter as a result of lower investment income and weaker insurance profitability. Lower net commissions and fees in the second quarter are largely explained by the seasonal nature of certain life insurance fees. Net trading income and net investment income increased due to capital gains on securities. Expenses decreased by 5.8% on the first quarter as result of lower personnel costs. In the first quarter, a non-recurring expense provision of EUR 9 million related to the central cooperative consolidated restructuring added to personnel costs.

OP Financial Group's financial targets

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

OP Financial Group's financial targets	30 June 2015	30 June 2014	Target
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, %	178	169	160%
CET1 ratio, %	18.1	12.8	18%*
Return on economic capital, % (12-month rolling)	20.1	14.2	20%
Growth differential between income and expenses, Group level, pps (for 3 years)	25.7	-1.8	> 0
Growth differential between income and expenses, Banking, pps (12-month rolling)	8.1	5.1	> 0
Growth differential between income and expenses, Wealth Management, pps (12-month rolling)	21.6	2.7	> 0
Operating combined ratio by Non-life Insurance, %	87.8	84.5	< 92%

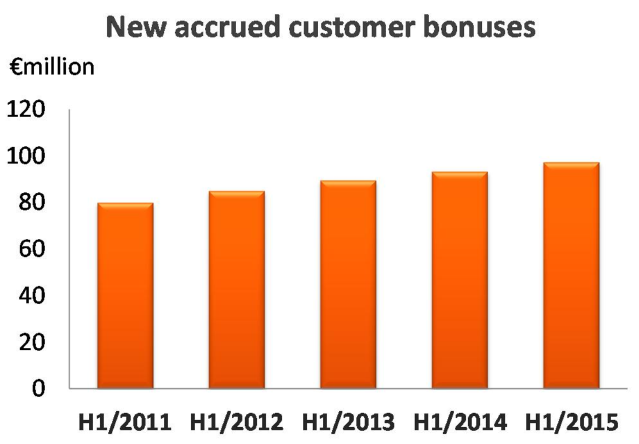
* By end 2016

Customer relationships and customer benefits

On 30 June, Group member cooperative banks had almost 1.5 million owner-customers, or over 20,000 more than at the turn of the year. Contributions made by member cooperative banks' owner-customers to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.4 billion (1.9) on 30 June.

OP Financial Group had (excluding the customers of the POP Group banks that joined the Group) 4,284,000 customers in Finland on 30 June. The number of private customers totalled 3,847,000 and that of corporate customers 437,000. The number of joint banking and non-life insurance customers increased in the year to June by 63,000 to 1,618,000, as a result of cross-selling. The POP Group banks that joined the Group had approximately 62,000 customers at the end of June.

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 the first half for using OP as their main bank and insurer was worth EUR 97 million (93). A total of EUR 44 million (45) of bonuses were used to pay for banking services, EUR 7 million (7) for wealth management services and EUR 49 million (44) non-life insurance premiums. Bonuses were used to pay 994,000 insurance bills (925,000), with 129,000 (121,000) of them paid in full using bonuses.



Non-life Insurance loyal customer households were provided with EUR 40 million (37) in loyalty discounts during the reporting period.

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 reporting period is estimated to total EUR 32 million (12). The return target for Profit Shares is 3.25%, calculated from the date the investment was made.

Service channels

OP Financial Group's service network consists of multichannel online and mobile services, telephone services and the country's most extensive branch network. The Group's own service 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.

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. OP Financial Group is prepared for this change in a number of ways. There is a clear shift in the use of financial services: they are accessed more and more through digital channels. Digital channels accounted for around 94% of customer touchpoints during the reporting period.

OP Financial Group has made significant investments in the development of mobile and online services. In particular, mobile services are playing an increasing role in services used by both private and corporate customers. OP is at the cutting edge of development by introducing new and innovative digital services to customers. Fingerprint authentication introduced on OP-mobile and the launch of contactless payment for the Pivo mobile wallet application numbered among the highlights during the reporting period.

Customers were highly satisfied with OP-mobile. Measured by the Net Promoter Score (NPS), it is one of the most recommended mobile applications in Finland. During the reporting period, the number of users of OP-mobile increased by 16.5%, to 628,000. The number of the Group's Pivo mobile wallet users grew by 117% during the period. The number of visitors at op.fi remained at a steady high level, or over ten million visitors per month.

The Group has Finland's most extensive branch network, the figure at the end of June being 445 (456). This branch network is supplemented with an extensive network of agents.

In Tampere, OP Financial Group should open its second private hospital in Finland 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 special fields.

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.

Capital base and capital adequacy

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

On 30 June, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 3,290 million (2,984). The buffer under the Act was increased by the Group's earnings, Profit Share issues and a decrease in the risk-weighted assets under consolidated capital adequacy and, on the other hand, the buffer was decreased by the capital conservation buffer of 2.5% adopted in consolidated 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 178% (189), with the requirement for the capital conservation buffer reducing the ratio by 47 percentage points. As a result of the buffer requirements, the capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates does no longer reflect the minimum level of capital base of the conglomerate under the Act but the level within which the conglomerate 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.

The Capital Requirements Directive and Regulation (CRD IV/CRR) effective since 1 January 2014, tightened the capital adequacy regime for banks. The changes that implement the standards under Basel III will be phased in by 2019. The most significant effects of the changes on OP Financial Group’s capital adequacy under the abovementioned Act will depend on the level of the credit institutions’ capital buffer requirements.

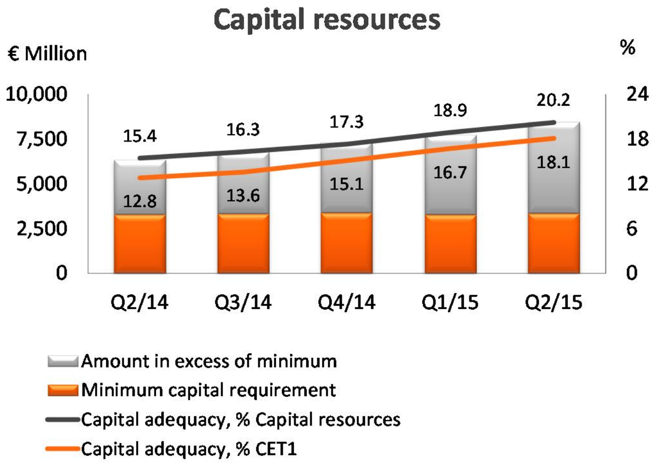
The solvency regulations of the insurance sector are changing, too. Effective from the beginning of 2016, the regulations will on the one hand increase capital requirements, and on the other increase the capital base, which will decrease the capital adequacy ratio on a net basis under the Act on the Supervision of Financial and Insurance Conglomerates.

According to the current estimate, capital adequacy under the Act will, however, remain on a solid basis.

Consolidated capital adequacy for credit institutions

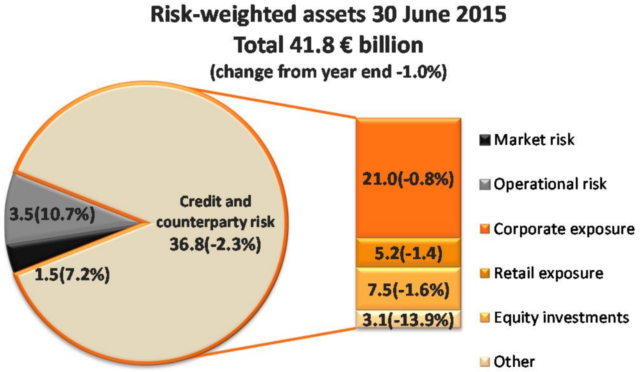
The Group's CET1 ratio was 18.1% (15.1) on 30 June. The Group's CET1 target is 18% by the end of 2016. The issues of Profit Shares increased the CET1 ratio by about 1.3 percentage points. In the first quarter, OP adopted updated probabilities of default (PD) according to permission from the supervisor. This adoption improved the CET1 ratio by about 0.8 percentage points. Gains arising from the remeasurement of defined benefit pension plans (IAS 19) increased the Group's CET1 ratio by around 0.4 percentage points in the reporting period. This increase results from changes in the long-term interest rate used as the discount rate.

OP Financial Group's consolidated 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 consolidated CET1 capital was EUR 7,566 (6,384) million on 30 June. 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 2,055 million of CET1 capital at the end of June.

On 30 June, risk-weighted assets totalled EUR 41,821 million (42,252), or 1.0% lower than on 31 December 2014. The updated PD values for corporate exposure reduced risk-weighted assets by around 4.2%. The average risk weights of corporate exposures increased slightly at the end of the reporting period. Average risk weights of other major exposure classes went down slightly.



Equity investments include EUR 6,507 million in risk-weighted assets of the Group's internal insurance holdings.

On 27 November 2013, OP Financial Group received permission from the Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The permission was valid from 1 January to 31 December 2014, because the ECB took up single supervisory responsibility. The method applied to insurance holdings leads to a risk weight of approximately 280%. A request for an extension is being processed by the ECB. Meanwhile, OP Financial Group applies the treatment of insurance holdings based on the previous permission from the Financial Supervisory Authority. OP Financial Group's CET1 ratio would decrease by approximately 0.8 percentage points if the special permission were not extended 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. Since the beginning of 2015, the capital conservation buffer requirement has been 2.5% of risk-weighted assets. 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 capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates by an estimated 26 percentage points. The Group already fulfils the capital conservation buffer requirement. In June 2015, the Financial Supervisory Authority decided not for the time being to impose a countercyclical capital buffer requirement on banks, nor has it otherwise tightened macroprudential policy. 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 7.1% based on the existing interpretations, calculated using the June-end figures, with the minimum level in the draft regulations being 3%.

Non-life and Life Insurance

The solvency regulations of the insurance sector are changing. 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.

On 30 June, the preliminary Non-life Insurance capital base under Solvency II were EUR 999 million (804) and the solvency capital requirement EUR 732 million (685). The solvency ratio conforming to Solvency II was 137% (117). These figures do not include the effects of transitional provisions. The use of the transitional provisions is subject to permission from the Financial Supervisory Authority.

On June 30, the preliminary Life Insurance capital base under Solvency II amounted to EUR 1,020 million (804) and the preliminary solvency capital requirement to EUR 743 million (806). The solvency ratio conforming to Solvency II was 137% (100). These figures do not include the effects of transitional provisions. The use of the transitional provisions is subject to permission from the Financial Supervisory Authority.

ECB banking supervision

OP Financial Group is supervised by the ECB. Owing to the transfer of supervisory responsibility, the ECB conducted a comprehensive assessment, which consisted of risk assessment, asset quality review (AQR) and a stress test on OP Financial Group as a credit institution during 2014.

On the basis of the comprehensive risk assessment, 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 this discretionary buffer, the requirement for CET1 capital is 8.3%. In view of OP Financial Group's strong capital base and national capital buffer requirements, 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 results of the comprehensive assessment.

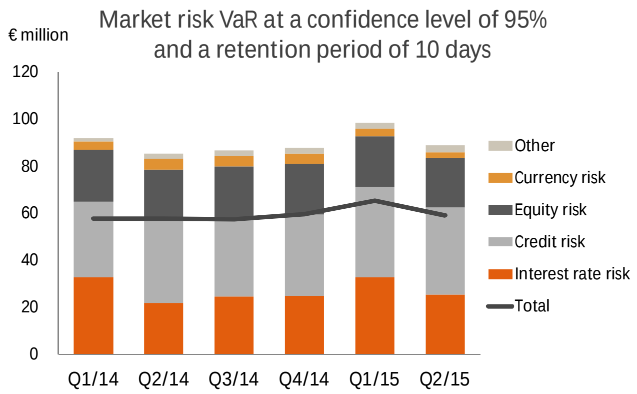
Risk exposure

OP Financial Group's risk exposure has remained stable. The Group has a strong risk-bearing capacity sufficient to secure business continuity.

The credit risk exposure remained stable despite the weak economic situation. The poor development of the economy nevertheless overshadows the Group's future prospects.

OP Financial Group's funding and liquidity position is strong. OP Financial Group has had good access to funding. During the reporting period, the Group issued long-term bonds worth EUR 3.0 billion. The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk exposure was stable during the reporting period. The Group's VaR, a measure of market risk, was EUR 59 million (60) on 30 June. 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 operational risks are still associated with the operational reorganisation. The Group minimises risks by ensuring process performance in cooperation with partners.

Key risks associated with the Group's defined benefit pension plans relate to the discount rate for pension obligation and return on investment assets covering the pension obligation. The decrease in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period improved comprehensive income before tax by EUR 284 million.

Banking

Major risks within Banking include credit risk and market risk.

Banking's credit risk exposure remained stable, at a moderate risk level. During the reporting period, the loan and guarantee portfolio increased by EUR 2.5 billion to EUR 76.1 billion. Doubtful receivables totalled EUR 2.0 billion (1.7). 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 to contractual payment terms towards customers 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.

Corporate customers' (including housing corporations) exposures represented 34% (36) of the loan and guarantee portfolio. Of corporate exposure, investment-grade exposure represented 50% (49) and the exposure of the lowest two rating categories amounted to EUR 521 million (501), accounting for 1.5% (1.5) of the total corporate exposure.

Of the six main categories for private customer exposure, 82% (81) of the exposures belonged to the top two categories, and 3% (4) in the two lowest.

The Banking capital base covering major customer exposure amounted to EUR 8.3 billion (7.3). No single customer's exposure exceeded 10% of the capital base.

Banking's interest rate risk measured as a one-percentage point decrease on 12-month net interest income was EUR 20 million (30) on 30 June, and the risk remained stable during the first half.

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. An increase in market interest rates reduced the difference between the discount rate related to insurance liability and market interest rates, lowering the profit risk associated with a reduction in the discount rate. Higher long-term market interest rates decreased the value of insurance liability under Solvency II with the result that the solvency capital requirement under Solvency II lowered significantly compared with that at the turn of the year. Non-life Insurance's most significant market risk is associated with the effect of increasing insurance liability value and capital requirement resulting from lower market interest rates. The investment risk level (VaR with 95% confidence) increased slightly during the first half. OP has reduced equity risk associated with the investment portfolio and has moderately increased credit risk. OP has moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks.

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 investment risk level (VaR with 95% confidence) increased slightly during the first half. OP has reduced equity risk associated with the investment portfolio and has moderately increased credit risk. OP has moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. Higher long-term market interest rates decreased the value of insurance liability under Solvency II with the result that the solvency capital requirement under Solvency II lowered significantly compared with that at the turn of the year. Life Insurance is prepared for a reduction in the interest rate used for the discounting of insurance liabilities by hedging the exposure using interest rate derivatives.

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.

The market risks of investments in the liquidity buffer decreased slightly during the reporting period 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.

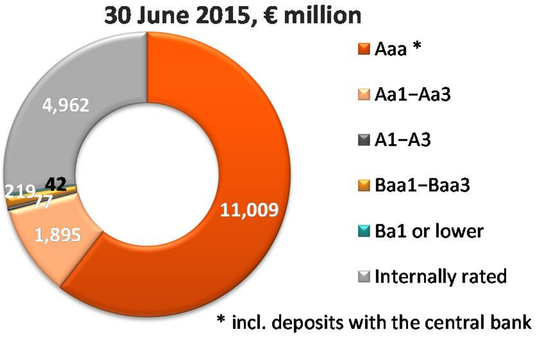
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 60% during the fourth quarter of 2015 and at least 100% as of 2018. In accordance with the European Commission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

Liquidity buffer

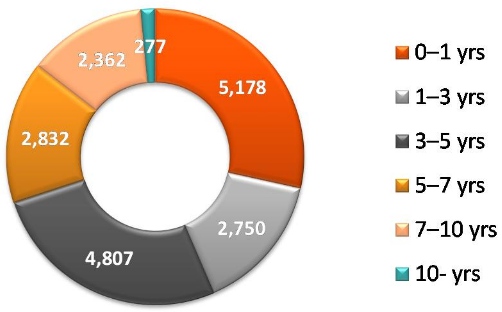
€ billion	30 June 2015	31 Dec. 2014	Change, %
Deposits with central banks	4.1	3.8	9
Notes and bonds eligible as collateral	8.9	7.8	13
Corporate loans eligible as collateral	4.4	4.3	2
Total	**17.4**	**15.9**	**9**
Receivables ineligible as collateral	0,8	0.7	21
Liquidity buffer at market value	**18.2**	**16.6**	**10**
Collateral haircut	-1.2	-1.1	6
Liquidity buffer at collateral value	**17.0**	**15.5**	**10**

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 market-to-market valuations.

Financial assets included in the liquidity buffer by credit rating on 30 June 2015, € million



Financial assets included in the liquidity buffer by maturity on 30 June 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
Fitch	F1	Stable	A+	Stable

Fitch Ratings issues a rating for both OP Financial Group and Pohjola Bank plc. OP Financial Group's financial position also affects credit ratings affirmed for Pohjola Bank plc.

The credit ratings of OP Financial Group or Pohjola did not change in the first half of 2015.

In July 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.

Fitch Ratings affirmed on 19 May 2015 and 9 June 2015 OP Financial Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term debt rating at F1 and the outlook remained stable. The 19 May 2015 affirmation of credit ratings was related to a more extensive review regarding a reduced probability of sovereign support in the credit rating methodology.

Confirmation of 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.

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. These programmes will require significant investments in the development of products, services, technology and expertise.

Outlook towards the year end

The euro-area economy has continued to grow at a moderate rate supported by the ECB's expansionary monetary policy measures. The fragile economic growth is expected to continue during the second half too. Economic development in Finland is expected to remain weak. Structural problems in the Finnish economy, international political tensions, the Greek debt crisis that has escalated again and poorer prospects for the emerging economies will cause major uncertainty to the economic rebound in Finland.

Growth expectations are still moderate 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.

In spite of the uncertainty involved in the operating environment, OP Financial Group expects its earnings before tax for 2015 to be higher than in 2014 (previous estimate: "to equal or exceed"). The most significant uncertainties associated with the earnings estimate are related to the effects of low interest rates, impairment loss on receivables and unfavourable changes in the investment environment.

All forward-looking statements in this report expressing the management’s expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

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 H1/2015	Earnings before tax H1/2014	Change, %
Banking	994	516	-121	356	289	23.2
Non-Life Insurance	297	154	0	144	133	8.1
Wealth Management	183	55	0	128	102	24.9
Other Operations	285	279	0	6	-30	
Eliminations	-228	-235	-11	-5	-7	-22.5
Total	**1,534**	**774**	**-133**	**627**	**488**	**28.5**

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

Banking

- Earnings before tax increased by 23% to EUR 356 million (289).
- The earnings improvement resulted from strong growth in income and a reduction in expenses. The cost/income ratio improved by 4.6 percentage points to 52%
- The loan portfolio grew strongly during the first half, by 5.9% in the year to June.
- The home loan grace period offered by the Group as part of its "Putting Finland on a new growth path" campaign was used for almost 100,000 loans, which has given an around 450 million euro potential stimulus to the Finnish economy.
- Impairment losses, EUR 37 million (32), were at a low level of 0.10% of the loan and guarantee portfolio.

Banking: key figures and ratios

€ million	H1/2015	H1/2014	Change, %	2014
Income				
Net interest income	541	524	3.4	1,092
Net commissions and fees	349	330	5.9	655
Net trading and investment income	85	76	12.3	115
Other operating income	19	17	9.4	34
Total income	**994**	**946**	**5.1**	**1,896**
Expenses				
Personnel costs	240	232	3.4	446
Other administrative expenses	180	170	5.9	345
Other operating expenses	97	135	-27.9	272
Total expenses	**516**	**536**	**-3.7**	**1,063**
Impairment loss on receivables	37	32	15.6	86
Returns to owner-customers and accrued customer bonuses	85	89	-4.8	176
Earnings before tax	**356**	**289**	**23.2**	**571**
Cost/income ratio, %	**52.0**	**56.6**	**-4.6**	**56.1**
€ million				
Home loans drawn down	3,162	2,872	10.1	5,977
Corporate loans drawn down	3,160	3,016	4.8	6,468
No. of brokered property transactions	5,851	6,156	-5.0	12,341
€ billion	**30 June 2015**	**30 June 2014**		**31 Dec. 2014**
Loan portfolio				
Home loans	34.5	33.5	3.0	34.0
Corporate loans	17.7	16.5	7.5	16.9
Other loans	21.1	19.2	9.4	19.8
Total	**73.3**	**69.2**	**5.9**	70.7
Guarantee portfolio	2.8	3.1	-10.6	2.9
Deposits				
Current and payment transfer	33.0	27.8	18.7	29.8
Investment deposits	18.3	20.1	-9.4	19.0

Total deposits	**51.2**	**47.9**	**6.9**	**48.8**
Market share, %	**30 June 2015**	**30 June 2014**	**Change, %**	**31 Dec. 2014**
Loans	34.6	34.4	0.2*	34.4
Deposits	36.6	37.5	–1.1*	37.6

* Change in ratio

Despite slow economic growth, demand for loans perked up towards the end of the reporting period. The loan portfolio grew by 5.9% in the year to June as a result of the greater volumes of corporate loans and housing corporation loans and of home loans drawn down by households. The loan portfolio grew by 3.7% in the reporting period. The volume of new loans drawn down increased year on year by 13% to over EUR 10 billion. In particular, the volume of new loans raised by households increased and the volume of consumer loans was markedly higher than a year ago.

The deposit portfolio increased by 6.9% in year to June and by 5.5% during the first half. Due to low interest rates and lower term deposit margins, the volume of investment deposits continued to decline during the first half. However, the volume of deposits in payment transaction accounts grew in the year to June by 19% and by 8.9% in the first half due mainly to corporate and institutional deposits.

The Group's market share of home loans increased in the year to June by 0.4 percentage points, standing at 38.2% at the end of the reporting period. The market share of corporate loans increased during the same period by 1.5 percentage points to 36.4% (34.9).The market share of total euro deposits decreased by 1.1 percentage points, standing at 36.6% at the end of the reporting period.

The combined amount of Profit Shares and supplementary cooperative contributions of the member cooperative banks increased by EUR 0.5 billion in the first half, amounting to EUR 2.2 billion on 30 June.

The housing market remained cautious during the first half, with the volume of homes sold and bought through the OP Kiinteistökeskus real estate agents decreasing by 5% over the previous year.

The home loan repayment grace period offered by the Group as part of its "Putting Finland on a new growth path" campaign was used for almost 100,000 loans by the end of June. The deferred repayment of these loans totals an estimated 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 356 million (289). Income increased by 5.1% and expenses decreased by 3.7%, as a result of which the cost/income ratio improved by 4.6 percentage points. Impairment loss, EUR 37 million (32), was low, accounting for 0.10 % of the loan and guarantee portfolio.

Net interest income rose by EUR 18 million to EUR 541 million (524) 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, however, net interest income only increased by 3.4%.

Net commissions and fees increased by EUR 20 million year on year. Commissions and fees related to wealth management increased by EUR 10 million and those to non-life insurance by EUR 9 million.

Net trading and investment income increased by EUR 9 million as a result of higher customer income generated by the Markets division. Trading income fell by EUR 23 million.

Expenses decreased by 3.7% to EUR 516 million (536). In the first half a year ago, statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 35 million, increased other operating expenses.

Personnel costs increased by EUR 8 million to EUR 240 million (232) due mainly to higher social expenses.

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Non-Life Insurance

- Earnings before tax amounted to EUR 144 million (133). Earnings before tax at fair value were EUR 78 million (172).
- Insurance premium revenue increased by 5% (7).
- The balance on technical account was good. The operating combined ratio was 87.8% (84.5) and operating expense ratio 18.2% (18.1). The combined ratio was 89.4% (86.1).
- Return on investments at fair value was 1.3% (3.4).
- The number of loyal customer households increased by 22,000 in the year to June and by 1,000 (19,000) during the reporting period.

Non-life Insurance: key figures and ratios

€ million	H1/2015	H1/2014	Change, %	2014
Insurance premium revenue	681	651	4.6	1,310
Claims incurred	-475	-432	9.8	930
Operating expenses	-124	-118	5.2	242
Amortisation adjustment of intangible assets	-11	-11	0.0	21
Balance on technical account	**72**	**90**	**-20.3**	**117**
Net investment income	106	74	44.3	171
Other income and expenses	-35	-31	11.5	-66
Earnings before tax	**144**	**133**	**8.1**	**223**
Change in fair value reserve, gross	-66	40		49
Earnings before tax at fair value	**78**	**172**	**- 54.9**	**272**
Combined ratio, %	89.4	86.1		91.0
Operating combined ratio, %	87.8	84.5		84.7
Operating loss ratio, %	69.7	66.4		66.3
Operating expense ratio, %	18.2	18.1		18.4
Operating risk ratio, %	64.2	60.2		60.2
Operating cost ratio, %	23.7	24.2		24.4
Return on investments at fair value, %	1.3	3.4		6.7
Solvency ratio , %	77.4	87.5		75.0
Solvency ratio (Solvency II), %*	136.6	137.1		117.0
Large claims incurred retained for own account	- 26	- 39		-79
Changes in claims for provisions of previous years (run-off result)	13	18		27

* The figure is shown without the effect of transitional provisions.

Growth in premium revenue from Private Customers remained strong. Insurance premium revenue from Corporate Customers increased slightly despite the recession. Insurance sales increased slightly year on year. Claims developments were favourable 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, OP Financial Group is clearly Finland's largest non-life insurer.

The number of loyal customer households increased in the year to June by 22,000 to 657,000 (635,000), of which up to 75% (73) 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 reporting period 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 over 500,000 (317,000).

Earnings

Earnings before tax improved to EUR 144 million (133). The balance on technical account was good. Net investment income recognised in the income statement increased by EUR 33 million. Earnings before tax at fair value amounted to EUR 78 million (172).

At the beginning of the reporting period, 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 for pension liabilities as one continuously updated variable of an accounting estimate. On 30 June, the average discount rate was 2.35%. The reduced discount rate increased claims incurred by EUR 32 million. According to the new valuation model, a change in the discount rate also affects the calculation of operating ratios. The changed discount rate weakened the operating combined ratio by 4.7 percentage points.

The operating combined ratio was 87.8% (84.5). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition and changes in reserving bases.

Insurance premium revenue

€ million	H1/2015	H1/2014	Change, %
Private Customers	358	333	7.4
Corporate Customers	295	291	1.6
Baltics	28	27	2.6
Total	**681**	**651**	**4.6**

Growth in premium revenue from Private Customers remained strong. Insurance premium revenue from Corporate Customers increased slightly despite the recession. A year ago, the recession affected premium revenue in the latter half of the year in particular.

Claims incurred, excluding the reduction in the discount rate, increased by 2.4% on a year earlier. Developments in large claims were favourable. Claims incurred arising from new large claims were lower than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 36 (48) during January–June, with their claims incurred retained for own account totalling EUR 26 million (39). However, the change in provisions for unpaid claims under statutory pension increased year on year. Change in provisions for unpaid claims under statutory pension was EUR 5 million (3) between January and June.

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 13 million (18). The operating loss ratio was 69.7% (66.4). The operating risk ratio excluding indirect loss adjustment expenses was 64.2% (60.2).

Operating expenses grew by 5%, being EUR 6 million higher than a year ago, due to higher sales commissions and portfolio management fees. A non-recurring provision recognised in the first quarter for personnel costs totalled EUR 3 million, related to the reorganisation of the central cooperative consolidated. The operating expense ratio was 18.2% (18.1). The operating cost ratio (including indirect loss adjustment expenses) was 23.7% (24.2).

Operating balance on technical account and combined ratio (CR)

	H1/2015		H1/2014	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	72	79.8	72	78.4
Corporate Customers	9	96.8	24	91.8
Baltics	1	96.6	5	80.3
Total	**83**	**87.8**	**101**	**84.5**

Private Customer profitability remained good as a result of continued growth in premium revenue and favourable claims development. In Corporate Customers, the reduced discount rate affected profitability. In Baltics, profitability weakened because of large claims.

Investment

Return on investments at fair value totalled EUR 41 million (113), or 1.3% (3.4). The second-quarter return on investments was negative, due to higher long-term interest rates and lower equity prices. Net investment income recognised in the income statement increased to EUR 106 million (74) as a result of higher capital gains.

Investment portfolio by asset class

%	30 June 2015	31 Dec. 2014
Bonds and bond funds	76	73
Alternative investments	1	1
Equities	7	7
Private equity	3	3
Real property	11	11
Money markets	2	5
Total	**100**	**100**

On 30 June 2015, the Non-life Insurance investment portfolio totalled EUR 3,648 million (3,522). The fixed-income portfolio by credit rating remained healthy, considering that investments within the “investment-grade” category accounted for 94% (94), and 69% (71) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.6 years (4.5) and the duration 5.2 years (4.3).

The running yield for direct bond investments averaged 1.7% (2.6) at the end of June.

Wealth Management

- Earnings before tax increased to EUR 128 million (102); earnings before tax at fair value were EUR 85 million (119).
- The gross amount of assets under management increased by 16% in the year to June, totalling EUR 66 billion on 30 June.
- The number of investor and saver customers grew by 14,000 in the reporting period.
- Electronic channels accounted for 40% (27) of Mutual Fund sales.

Wealth Management: key figures and ratios

€ million	H1/2015	H1/2014	Change, %	2014
Net commissions and fees				
Funds and asset management	98	83	18.6	175
Life insurance	89	82	9.1	166
Expenses	81	67	20.7	133
of which accrued customer bonuses	11	9	30.7	18
Total net commissions and fees	**106**	**98**	**9.2**	**208**
Life Insurance’s net risk results	11	10	16.8	20
Net investment income from Life Insurance	63	52	22.3	47
Other income	2	2	16.9	1
Personnel costs	17	17	3.2	32
Other expenses	38	42	-8.8	80
Earnings before tax	**128**	**102**	**24.9**	**167**
Gross change in fair value reserve	-43	17	-355.3	51
Earnings before tax at fair value	**85**	**119**	**-28.6**	**218**
€ billion	**30 June 2015**	**30 June 2014**		**31 Dec. 2014**
Assets under management (gross)				
Mutual funds	21.5	16.0	34.3	17.5
Institutional clients	22.8	23.5	-3.2	23.5
Private Banking	13.6	10.7	26.1	12.8
Unit-linked insurance savings	8.5	6.8	24.0	7.6
Total assets under management (gross)	**66.3**	**57.1**	**16.1**	**61.3**
€ million	**H1/2015**	**H1/2014**		**2014**
Net inflows				
Investor and saver customers	382	314	21.9	674
Private Banking clients	120	187	-35.9	1,411
Institutional clients	-522	-43		454
Total net inflows	**-20**	**457**	**-104.4**	**2,539**
Market share, %	**30 June 2015**	**30 June 2014**	**Change, %**	**31 Dec. 2014**
Mutual funds	22.0	19.4	2.6*	20.5

* Change in ratio

A rise in long-term interest rates that began in April and the greater uncertainty in equity markets undermined sales of Wealth Management products after the favourable first quarter. Net asset inflows from investor and saver clients increased by almost 22% on a year earlier, but the negative net asset inflows from institutional clients dropped the net asset inflows for the period to EUR -20 million (457). The gross amount of assets under management increased by 8% to EUR 66.3 billion (61.3) during the reporting period. This amount includes EUR 9.9 billion in assets of the companies belonging to OP Financial Group.

The number of investor and saver clients grew by 14,000 in the reporting period, totalling 769,000 on 30 June. In particular, the number of customers of savings funds made good progress, with the number of unitholders increasing by 31,000 from the end of 2014.

In May, OP announced that it would publish the carbon footprint of its equity funds as the first sector company in Finland. By doing this, OP wishes to foster the development of a more responsible investment sector and speed the transition of the society towards a future of smaller carbon emissions. At the same time, OP offers investors the opportunity to compare funds by emissions key figures.

The risk-adjusted return of OP Mutual Funds remained good in the reporting period. The Morningstar rating for OP Mutual Funds was 3.13 (2.83).

During the reporting period, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 40% (27) of Mutual Fund sales.

Earnings

Earnings before tax rose to EUR 128 million (102). Earnings after a change in the fair value reserve amounted to EUR 85 million (119).

Net commissions and fees increased by 9%, owing to growth in wealth under management year on year, to EUR 106 million (98). Net commissions and fees accounted for 0.32% (0.33) of the gross amount of the assets under management.

Life Insurance's return on investments at fair value was 1.2% (3.5). The second-quarter return on investments was negative due to higher long-term interest rates and lower equity prices. 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 98 million (104).

Expenses were EUR 4 million lower than a year ago. Personnel costs were at the same level as in the corresponding period a year ago. Wealth Management's operating cost/income ratio improved to 42.6% (49.7). Expenses accounted for 0.14% (0.17) of the gross amount of the assets under management.

Life Insurance is prepared for a change in the interest rate used for the discounting of insurance liabilities by hedging the exposure using interest rate derivatives. Accrued supplementary interest rate provisions related to insurance liabilities totalled EUR 396 million (304) on 30 June. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 58 million (30) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4,039 million (4,073). Investments within the “investment-grade” category accounted for 96% (92) of the fixed-income portfolio. On 30 June, the portfolio’s modified duration was 4.5 (3.3).

Investment portfolio by asset class

%	30 June 2015	31 Dec. 2014
Bonds and bond funds	78	68
Alternative investments	7	6
Equities and equity funds	5	7
Real property	6	6
Money markets	3	12
Total	**100**	**100**

Other Operations

Other Operations: key figures and ratios

€ million	H1/2015	H1/2014	Change, %	2014
Net interest income	-20	-13	57.5	-33
Net trading income	3	-5		-9
Net investment income	57	34	68.4	59
Other income	248	231	7.5	473
Expenses	283	276	2.5	524
Earnings before tax	5	-30		**-34**
€ billion	**30 June 2015**	**30 June 2014**	**Change, %**	**31 Dec. 2014**
Receivables from credit institutions	11	10	4.9	10
Investment assets	15	13	18.9	13
Liabilities to credit institutions	5	5	1.5	5
Debt securities issued to the public	18	19	-6.7	17

Earnings

Earnings before tax reported by Other Operations amounted to EUR 5 million (–30). Growth in investment operations and net trading income contributed to the improved earnings. Total expenses increased slightly year on year.

Net interest income was EUR –20 million (–13). 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 30 June, the average margin of senior wholesale funding was 41 basis points (41).

Net investment and trading income increased by EUR 32 million to EUR 60 million (28) as a result of capital gains on securities. Dividend income included in net investment income fell by EUR 13 million to EUR 10 million (24).

Other income increased to EUR 248 million (231), being EUR 17 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 7 million to EUR 283 million (276). Personnel costs increased by EUR 9 million to EUR 91 million (82). A non-recurring provision recognised in the first half for personnel costs totalled EUR 5 million, related to the reorganisation of the central cooperative consolidated. Higher personnel costs reported for the period are also explained by higher social costs. Non-recurring expenses of EUR 16 million were recognised in other expenses for the reporting period resulting from the intra-Group ownership reorganisation and the reconstruction of the Vallila premises. A year ago, non-recurring EUR 15 million expense item 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 186 member cooperative banks (181) including Group companies, OP Cooperative Consolidated and OP Bank Group Mutual Insurance Company. The six former POP Group banks that joined OP Financial Group added to the number of member cooperative banks during the reporting period.

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 OP Helsinki. This decision has made customer ownership within OP Financial Group possible across Finland.

OP Helsinki as subsidiary will be part of OP Financial Group central cooperative consolidated according to plan. 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.

At the beginning of 2016, Pohjola Bank plc will be renamed OP Corporate Bank plc.

The process of planning and examination of different options regarding the restructuring of OP Financial Group central cooperative consolidated and the implementation of legal structures of the organisation is still underway. There is a plan to transfer, for example, the Non-life Insurance and Wealth Management segments from Pohjola Group to direct ownership of the central cooperative. The transfer of Wealth Management is scheduled for 2015. At the same time, 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 and 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.

OP Life Assurance Company Ltd and Aurum Investment Insurance Ltd have accepted a merger plan whereby the latter will merge into the former. The merging company's insurance portfolio and other assets and liabilities will transfer to the acquiring company without any liquidation procedure. The planned date for the merger is 31 December 2015.

Osuuspankki Poppia, Laihian Osuuspankki, Multian Osuuspankki, Petäjäveden Osuuspankki, Keiteleen Osuuspankki and Tuusniemen Osuuspankki, which were part of POP Group, have decided 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.

Keiteleen Osuuspankki and Pielaveden Osuuspankki have accepted a merger plan, according to which the former will merge into latter, being renamed Nilakan Seudun Osuuspankki. The planned date for the merger is 30 April 2016.

Itä-Uudenmaan Osuuspankki and Porvoon Osuuspankki have accepted a merger plan, according to which the former will be merged into the latter, being renamed Itä-Uudenmaan Osuuspankki. The date for the merger was 31 July 2015.

Mynämäen Osuuspankki and Nousiaisten Osuuspankki have accepted a merger plan, according to which the former will merge into the latter that is to be renamed Mynämäen-Nousiaisten Osuuspankki. The planned date for the merger is 31 August 2015.

Hartolan Osuuspankki, Sysmän Osuuspankki and Etelä-Päijänteen Osuuspankki accepted a merger plan on 10 March 2015, according to which Hartolan Osuuspankki and Sysmän Osuuspankki will merge into Etelä-Päijänteen Osuuspankki that is to be renamed Järvi-Hämeen Osuuspankki. The planned date for the merger is 31 August 2015.

Myrskylän Osuuspankki and Orimattilan Osuuspankki have accepted a merger plan, according to which the former will merge into the latter. The planned date for the merger is 30 September 2015.

Pyhälaakson Osuuspankki and Suomenselän Osuuspankki have accepted a merger plan, according to which the former will merge into the latter. The planned date for the merger is 31 December 2015.

Ylivieskan Osuuspankki and Kokkolan Osuuspankki have accepted a merger plan, according to which the former will merge into the latter to be renamed Keski-Pohjanmaan Osuuspankki. The planned date for the merger is 31 December 2015.

Karkun Osuuspankki and Tampereen Seudun Osuuspankki have accepted a merger plan, according to which the former will merge into the latter. The planned date for the merger is 31 October 2015.

Personnel and remuneration

On 30 June, OP Financial Group had 12,286 employees (12,356). The number of employees averaged 12,239 (12,548). The reorganisation and streamlining measures carried out in OP Cooperative and member cooperative banks and their subsidiaries reduced the number of employees during the reporting period. 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 reporting period, 121 OP Financial Group employees (163) retired, at an average age of 61.6 years (61.8).

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 was extended by a new three-year performance period 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 earnings before tax, the Group's CET1 ratio and the growth rate 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.

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.

The 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.

Based on the actions completed by end-June, annualised savings reached about EUR 143 million, of which personnel-related costs account for EUR 55 million.

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–June totalled EUR 69 million (53). These include licence fees, purchased services and capitalised expenses for development work within OP Cooperative Consolidated.

ICT capital expenditure for the reporting period capitalised in the balance sheet totalled EUR 52 million (31). Banking accounted for the most of the capital expenditure.

OP Financial Group began to rebuild its premises in the Vallila campus in 2012. The first wave of moving into the new premises was already seen during the reporting period, and the project is due to be completed during the summer of 2015. The revised costs of the project total approximately EUR 240 million. By the end of the reporting period, realised costs totalled some EUR 220 million.

OP Financial Group income statement

EUR million	Note	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Interest income		1,264	1,333	-5	2,685
Interest expenses		753	828	-9	1,642
Net interest income before impairment losses	5	**511**	**505**	**1**	**1,043**
Impairments of receivables	6	37	33	11	88
Net interest income after impairments		**474**	**472**	**0**	**955**
Net income from Non-life Insurance operations	7	342	308	11	589
Net income from Life Insurance operations	8	148	121	23	197
Net commissions and fees	9	374	360	4	707
Net trading income	10	63	55	15	88
Net investment income	11	66	46	43	74
Other operating income	12	25	23	9	52
Total net income		**1,493**	**1,385**	**8**	**2,662**
Personnel costs		401	385	4	741
Other administrative expenses		203	215	-5	414
Other operating expenses		169	201	-16	401
Total expenses		**774**	**801**	**-3**	**1,555**
Returns to owner-customers and accrued customer bonuses		96	98	-2	195
Share of associates' profits/losses accounted for using the equity method		4	1		3
Earnings before tax for the period		**627**	**488**	**29**	**915**
Income tax expense		156	216	-28	308
Profit for the period		**471**	**272**	**73**	**607**
Attributable to, EUR million					
Profit for the period attributable to owners		470	269	75	599
Profit for the period attributable to non-controlling interest		2	3		8
Total		**471**	**272**	**73**	**607**

OP Financial Group statement of comprehensive income

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Profit for the period	**471**	**272**	**73**	**607**
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	284	-64		-380
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	-101	30		85
Cash flow hedge	-21	42		67
Translation differences	0	0	-96	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	-57	13		76
Items that may be reclassified to profit or loss				
Measurement at fair value	20	-6		-17
Cash flow hedge	4	-8		-13
Total comprehensive income for the period	**600**	**278**		**424**
Attributable to, EUR million				
Profit for the period attributable to owners	586	251		393
Profit for the period attributable to non-controlling interest	14	26		32
Total	**600**	**278**		**424**

OP Financial Group balance sheet

EUR million	Note	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Cash and cash equivalents		4,212	3,416	23	3,888
Receivables from credit institutions		539	588	-8	686
Financial assets at fair value through profit or loss		988	514	92	427
Derivative contracts		5,637	4,551	24	5,920
Receivables from customers		73,304	69,275	6	70,683
Non-life Insurance assets	15	4,125	3,807	8	3,797
Life Insurance assets	16	12,417	10,786	15	11,238
Investment assets		11,001	9,285	18	9,500
Investment accounted for using the equity method		69	54	27	56
Intangible assets		1,349	1,332	1	1,332
Property, plant and equipment (PPE)		829	752	10	781
Other assets		1,556	1,664	-7	1,951
Tax assets		124	100	24	168
Total assets		**116,149**	**106,124**	**9**	**110,427**
Liabilities to credit institutions		2,037	1,194	71	1,776
Financial liabilities at fair value through profit or loss		1	3	-55	4
Derivative contracts		5,189	4,067	28	5,489
Liabilities to customers		54,042	49,514	9	51,163
Non-life Insurance liabilities	17	3,304	3,067	8	2,972
Life Insurance liabilities	18	12,005	10,633	13	11,230
Debt securities issued to the public	19	25,300	25,871	-2	24,956
Provisions and other liabilities		3,806	3,316	15	3,447
Tax liabilities		872	981	-11	964
Supplementary cooperative capital		173	375	-54	192
Subordinated liabilities		1,026	888	16	1,020
Total liabilities		**107,755**	**99,908**	**8**	**103,214**
Equity capital					
Share of OP Financial Group's owners					
Share and cooperative capital		2,206	841		1,709
Share capital		0	0		0
Membership capital contributions		151	145	4	148
Profit shares		2,055	696		1,561
Fair value reserve	20	315	362	-13	425
Other reserves		2,308	2,179	6	1,996
Retained earnings		3,491	2,753	27	3,014
Non-controlling interests		75	81	-7	69
Total equity capital		**8,394**	**6,216**	35	**7,213**
Total liabilities and equity capital		**116,149**	**106,124**	**9**	**110,427**

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	-	112	-	201	**313**	26	**339**
Profit for the period				269	**269**	3	**272**
Other comprehensive income	-	112	-	-68	**44**	23	**67**
Holdings in Pohjola Bank plc purchased from non-controlling interests*	-199	-78	-512	-1,631	**-2,421**	-	**-2,421**
Increase in cooperative capital	701	-	-	-	**701**	-	**701**
Transfer of reserves	-	-	26	-26	**-**	-	-
Profit distribution	-	-	-	-75	**-75**	-	**-75**
Share-based payments	-	-	-	-2	**-2**	-	**-2**
Other	0	-	-74	69	**-5**	-45	**-51**
Balance at 30 June 2014	**841**	**362**	**2,178**	**2,753**	**6,135**	**81**	**6,216**

EUR million	Share and 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	-	-112	-	696	**585**	14	**599**
Profit for the period				470	**470**	2	**471**
Other comprehensive income	-	-112	-	227	**115**	12	**127**
One-off effect of transfer of POP Group banks to OP Financial Group	2	1	67	48	**118**	-	118
Increase in cooperative capital	495		-	-	**495**	-	**495**
Transfer of reserves	-	-	245	-245	**-**	-	-
Profit distribution	-	-	-	-21	**-21**	-	**-21**
Other	-	-	-	-1	**-1**	-8	**-9**
Balance at 30 June 2015	**2,206**	**315**	**2,308**	**3,491**	**8,319**	**75**	**8,394**

* 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–Q2/ 2015	Q1–Q2/ 2014
Cash flow from operating activities		
Profit for the period	471	272
Adjustments to profit for the period	935	-477
Increase (-) or decrease (+) in operating assets	**-4,356**	**-2,315**
Receivables from credit institutions	159	76
Financial assets at fair value through profit or loss	14	94
Derivative contracts	-20	20
Receivables from customers	-2,063	-1,167
Non-life Insurance assets	-393	-259
Life Insurance assets	-909	-435
Investment assets	-1,617	-319
Other assets	471	-326
Increase (+) or decrease (-) in operating liabilities	**3,138**	**1,534**
Liabilities to credit institutions	240	148
Financial liabilities at fair value through profit or loss	-3	-1
Derivative contracts	19	40
Liabilities to customers	2,183	-643
Non-life Insurance liabilities	72	107
Life Insurance liabilities	86	1,347
Provisions and other liabilities	541	535
Income tax paid	-242	-72
Dividends received	58	67
A. Net cash from operating activities	**4**	**-992**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-1	-
Decreases in held-to-maturity financial assets	66	58
Acquisition of subsidiaries, net of cash acquired	-2	-1
Disposal of subsidiaries, net of cash disposed	0	0
Purchase of PPE and intangible assets	-139	-94
Proceeds from sale of PPE and intangible assets	3	3
B. Net cash used in investing activities	**-73**	**-33**
Cash flow from financing activities		
Increases in subordinated liabilities	0	24
Decreases in subordinated liabilities	0	-12
Increases in debt securities issued to the public	15,808	28,517
Decreases in debt securities issued to the public	-15,957	-24,412
Increases in cooperative and share capital	2,543	910
Decreases in cooperative and share capital	-2,085	-440
Dividends paid and interest on cooperative capital	-30	-75
Holdings in Pohjola Bank plc purchased from non-controlling interests	-	-2,421
C. Net cash from financing activities	**280**	**2,091**
Net change in cash and cash equivalents (A+B+C)	**212**	**1,066**
POP Group banks' cash and cash equivalents	**47**	**-**
Total change in cash and cash equivalents	**259**	**1,066**
Cash and cash equivalents at period-start	**4,176**	**2,476**
Cash and cash equivalents at period-end	**4,436**	**3,542**
Interest received	**1,286**	**1,371**
Interest paid	**-829**	**-880**
Cash and cash equivalents		
Liquid assets*	4,242	3,430
Receivables from credit institutions payable on demand	194	113
Total	**4,436**	**3,542**

*Of which Non-life Insurance liquid assets amount to 5 million euros (9) and Life Insurance liquid assets 25 million euros (5).

OP Financial Group segment reporting

The new organisation of OP Cooperative Consolidated entered into force on 1 October 2014. The management system of the new 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, effective as of 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 retail 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.–30 June 2015

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	1,368	0	1	185	-290	1,264
Interest expenses	826	11	0	205	-290	753
Net interest income before impairment losses	**541**	**-11**	**1**	**-20**	**1**	**511**
- of which internal net income before tax	-13	-10	1	23	0	**0**
Impairment losses on receivables	37	0	-	0	0	37
Net interest income after impairment losses	**504**	**-11**	**1**	**-20**	**1**	**474**
Net income from Non-life Insurance	-	333	-	-1	10	342
Net income from Life Insurance	-	-	-	-	148	148
Life Insurance’s net interest and risk result	-	-	74	-	-74	0
Net commissions and fees	349	-27	-	10	42	374
Commissions and fees from fund and asset management	-	-	85	-	-85	0
Commissions and fees from life insurance	-	-	89	-	-89	0
Commission expenses	-	-	-81	-	81	0
Net trading income	74	0	0	3	-13	63
Net investment income	11	-	0	57	-3	66
Other operating income	16	2	1	240	-233	25
Personnel costs	240	53	17	91	0	401
Other administrative expenses	180	59	20	131	-186	203
Other operating expenses	97	42	18	61	-48	169
Returns to owner-customers and accrued customer bonuses	85	-	0	-	11	96
Share of associates' profits/losses	3	0	1	-	0	4
Earning before tax	**356**	**144**	**128**	**5**	**-5**	**627**
Income tax expense						156
Profit for the period						**471**

Balance sheet 30 June 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	132	0	-	4,080	-	4,212
Receivables from credit institutions	4,572	5	34	10,947	-15,019	539
Financial assets at fair value through profit or loss	1,083	-	-	-84	-11	988
Derivative contracts	5,729	-	-	299	-391	5,637
Receivables from customers	73,947	-	0	558	-1,201	73,304
Non-life Insurance assets	-	4,391	-	0	-266	4,125
Life Insurance assets	-	-	12,752	-	-334	12,417
Investment assets	5,701	16	0	14,939	-9,656	11,001
Investment in associates	38	2	28	-	0	69
Intangible assets	65	699	362	227	-3	1,349
Property, plant and equipment	496	50	9	287	-13	829
Other assets	1,181	8	39	539	-211	1,556
Tax assets	54	7	13	26	25	124
Total assets	**92,997**	**5,177**	**13,237**	**31,819**	**-27,081**	**116,149**

Balance sheet 30 June 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	11,481	-	-	5,086	-14,530	2,037
Financial liabilities at fair value through profit or loss	1	-	-	-	-	1
Derivative contracts	5,274	-	-	294	-379	5,189
Liabilities to customers	51,889	-	11	2,914	-772	54,042
Non-life Insurance liabilities	-	3,331	-	-	-27	3,304
Life Insurance liabilities	-	-	12,026	-	-21	12,005
Debt securities issued to the public	8,813	-	-	17,567	-1,080	25,300
Provisions and other liabilities	2,305	79	30	1,652	-261	3,806
Tax liabilities	410	86	76	293	7	872
Cooperative capital	320	-	-	5,108	-5,255	173
Subordinated liabilities	65	135	281	1,042	-497	1,026
Total liabilities	**80,559**	**3,632**	**12,424**	**33,955**	**-22,815**	**107,755**
Equity capital						**8,394**

Income statement and balance sheet by segment 1 Jan.–30 June 2014

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	1,421	0	1	313	-402	1,333
Interest expenses	897	12	0	326	-407	828
Net interest income before impairment losses	**524**	**-12**	**1**	**-13**	**5**	**505**
- of which internal net income before tax	-11	-11	1	21	**0**	**0**
Impairment losses on receivables	32	-	-	-	1	33
Net interest income after impairment losses	**492**	**-12**	**1**	**-13**	**4**	**472**
Net income from Non-life Insurance	-	312	-	-2	-3	308
Net income from Life Insurance	-	-	-	-	121	121
Life Insurance's net interest and risk result	-	-	61	-	-61	-
Net commissions and fees	330	-19	-	14	35	360
Commissions and fees from fund and asset management	-	-	71	-	-71	-
Commissions and fees from life insurance	-	-	82	-	-82	-
Commission expenses	-	-	-67	-	67	-
Net trading income	60	0	0	-5	0	55
Net investment income	15	-	0	34	-3	46
Other operating income	17	5	0	219	-218	23
Personnel costs	232	54	17	82	0	385
Other administrative expenses	170	60	22	130	-167	215
Other operating expenses	135	40	19	64	-56	201
Returns to owner-customers and accrued customer bonuses	89	-	0	-	9	98
Share of associates' profits/losses	0	0	1	0	0	1
Earning before tax	**289**	**133**	**102**	**-30**	**-7**	**488**
Income tax expense						216
Profit for the period						**272**

Balance sheet 30 June 2014, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	144	0	-	3,272	-	3,416
Receivables from credit institutions	4,957	5	22	10,431	-14,827	588
Financial assets at fair value through profit or loss	579	-	-	-50	-15	514
Derivative contracts	4,585	-	-	343	-376	4,551
Receivables from customers	69,998	-	-	406	-1,129	69,275
Non-life Insurance assets	-	4,141	-	0	-334	3,807
Life Insurance assets	-	-	11,418	-	-632	10,786
Investment assets	4,507	16	16	12,560	-7,814	9,285
Investment in associates	22	2	28	1	1	54
Intangible assets	65	714	380	179	-5	1,332
Property, plant and equipment	507	53	9	195	-13	752
Other assets	1,043	4	39	847	-269	1,664
Tax assets	54	4	4	17	22	100
Total assets	**86,460**	**4,939**	**11,916**	**28,201**	**-25,392**	**106,124**

Balance sheet 30 June 2014, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	10,857	-	-	5,010	-14,673	1,194
Financial liabilities at fair value through profit or loss	3	-	-	-	-	3
Derivative contracts	4,190	-	-	302	-425	4,067
Liabilities to customers	47,995	-	-	2,462	-943	49,514
Non-life Insurance liabilities	-	3,078	-	-	-10	3,067
Life Insurance liabilities	-	-	10,681	-	-48	10,633
Debt securities issued to the public	8,331	-	-	18,838	-1,299	25,871
Provisions and other liabilities	2,419	55	28	984	-169	3,316
Tax liabilities	449	105	70	356	2	981
Cooperative capital	517	-	-	3,491	-3,633	375
Subordinated liabilities	193	50	91	967	-413	888
Total liabilities	**74,954**	**3,287**	**10,869**	**32,411**	**-21,612**	**99,908**
Equity capital						**6,216**

Note 1. Accounting policies

The Interim Report for 1 January–30 June 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 Interim Report is based on unaudited information. Since all figures in this Interim Report 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. Because this concerns a change in the accounting estimate, no comparatives have been restated. Since the beginning of 2015, a change in the discount rate has also affected the calculation of the operating combined ratio (CR).

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.−30 June 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.−30 June 2014 (restated)	1 Jan.–31 Dec. 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.−31 Dec. 2014 (restated)
Interest income	1,333		1,333	2,685		2,685
Interest expenses	828		828	1,642		1,642
Net interest income before impairment losses	**505**		**505**	**1,043**		**1,043**
Impairments of receivables	33		33	88		88
Net interest income after impairments	**472**		**472**	**955**		**955**
Net income from Non-life Insurance operations	311	-3	308	593	-4	589
Net income from Life Insurance operations	121		121	197		197
Net commissions and fees	372	-12	360	727	-20	707
Net trading income	55		55	88		88
Net investment income	46		46	74		74
Other operating income	29	-6	23	64	-12	52
Total net income	**1,405**	**-20**	**1,385**	**2,698**	**-37**	**2,662**
Personnel costs	385		385	741		741
Other administrative expenses	215		215	414		414
Other operating expenses	221	-20	201	437	-37	401
Total expenses	**821**	**-20**	**801**	**1,592**	**-37**	**1,555**
Returns to owner-customers and accrued customer bonuses	98		98	195		195
Share of associates' profits/losses	1		1	3		3
Earnings before tax for the period	**488**		**488**	**915**		**915**
Income tax expense	216		216	308		308
Profit for the period	**272**		**272**	**607**		**607**

Attributable to, EUR million						
Owners	269		269	599		599
Non-controlling interests	3		3	8		8
Total	**272**		**272**	**607**		**607**

Critical accounting estimates and judgements

Collective assessment for impairment

OP Financial Group has used an updated model for collective assessment for impairment since 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 specified for each instrument are exceeded with respect to the prolonged criteria (an average of 12 months) or the significant criteria of 30% (previously: an average of 18 months and 40%, respectively). This change increased slightly impairment loss on equity instruments 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 30 June 2015. As a result, OP Financial Group's equity increased by EUR 118 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.−30 June 2015**	**19 May−30 June 2015**	**1 Jan.−30 June 2015**
Interest income	1,262	1	1,264
Interest expenses	753	0	753
Net interest income before impairment losses	**510**	**1**	**511**
Impairments of receivables	37	0	37
Net interest income after impairments	**473**	**1**	**474**
Net income from Non-life Insurance operations	342	-	342
Net income from Life Insurance operations	148	-	148
Net commissions and fees	374	0	374
Net trading income	63	0	63
Net investment income	66	0	66
Other operating income	24	0	25
Total net income	**1,491**	**2**	**1,493**
Personnel costs	401	1	401
Other administrative expenses	203	1	203
Other operating expenses	169	1	169
Total expenses	**772**	**2**	**774**
Returns to owner-customers and accrued customer bonuses	96	-	96
Share of associates' profits/losses	4	-	4
Earnings before tax for the period	**627**	**0**	**627**
Income tax expense	156	0	156
Profit for the period	**471**	**0**	**471**

Effect on balance sheet	Other OP Financial Group	POP Group banks total	OP Financial Group total
EUR million	**30 June 2015**	**30 June 2015**	**30 June 2015**
Cash and cash equivalents	4,208	4	4,212
Receivables from credit institutions	444	95	539
Financial assets at fair value through profit or loss	986	2	988
Derivative contracts	5,633	4	5,637
Receivables from customers	72,661	643	73,304
Non-life Insurance assets	4,125	-	4,125
Life Insurance assets	12,417	-	12,417
Investment assets	10,869	131	11,001
Investment accounted for using the equity method	69	-	69
Intangible assets	1,349	0	1,349
Property, plant and equipment (PPE)	823	6	829
Other assets	1,551	5	1,556
Tax assets	124	0	124
Total assets	**115,258**	**892**	**116,149**
Liabilities to credit institutions	2,009	27	2,037
Financial liabilities at fair value through profit or loss	1	-	1
Derivative contracts	5,186	3	5,189
Liabilities to customers	53,346	696	54,042
Non-life Insurance liabilities	3,304	-	3,304
Life Insurance liabilities	12,005	-	12,005
Debt securities issued to the public	25,288	12	25,300
Provisions and other liabilities	3,794	12	3,806
Tax liabilities	866	6	872
Supplementary cooperative capital	155	17	173
Subordinated liabilities	1,026	-	1,026
Total liabilities	**106,982**	**773**	**107,755**
Equity capital			
Share of OP Financial Group's owners			
Share and cooperative capital	2,204	2	2,206
Share capital	0	-	0
Membership capital contributions	149	2	151
Profit shares	2,055	-	2,055
Fair value reserve	314	1	315
Other reserves	2,241	67	2,308
Retained earnings	3,443	48	3,491
Non-controlling interests	75	-	75
Total equity capital	**8,276**	**118**	**8,394**
Total liabilities and equity capital	**115,258**	**892**	**116,149**

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

	Q1–Q2/ 2015	Q1–Q2/ 2014	Q1–Q4/ 2014
Return on equity, %	12.2	7.9	8.1
Return on equity at fair value, %	15.5	8.0	5.7
Return on assets, %	0.84	0.53	0.57
Cost/income ratio, %	50	56	56
Average personnel	12,239	12,663	12,548
Full-time	11,374	11,767	11,663
Part-time	865	896	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)	$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Expense ratio	$\frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \times 100$
Risk ratio (excl. unwinding of discount), %	$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Operating combined ratio, %	Operating loss ratio + Operating expense ratio Operating risk ratio + operating cost ratio
Operating risk ratio (excl. unwinding of discount)	$\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$
Operating loss ratio, %	$\frac{\text{Claims incurred, excl. changes in reserving bases}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$
Operating expense ratio	$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$
Cost ratio, %	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Operating cost ratio	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$
Solvency ratio, %	$\frac{\text{Solvency capital}}{\text{Insurance premium revenue}} \times 100$
Solvency ratio, %*)	$\frac{\text{Capital base}}{\text{Capital requirement (SCR)}} \times 100$

*) According to the proposed Solvency II framework

Life Insurance:

Operating cost ratio, %	$\frac{\text{Operating expenses before change in deferred acquisitions costs + loss adjustment expenses}}{\text{Expense loading x 100}} \times 100$

Note 4. OP Financial Group quarterly performance

	2014			2015	
EUR million	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Interest income	682	692	660	644	620
Interest expenses	428	424	391	388	365
Net interest income	**254**	**269**	**269**	**256**	**256**
Impairments of receivables	23	17	38	21	15
Net interest income after impairments	**231**	**252**	**231**	**234**	**240**
Net income from Non-life Insurance operations	158	142	138	169	174
Net income from Life Insurance operations	41	47	29	104	45
Net commissions and fees	169	172	175	199	175
Net trading income	28	28	5	24	40
Net investment income	30	7	21	19	47
Other operating income	13	14	14	12	13
Personnel costs	190	166	190	214	187
Other administrative expenses	102	98	101	102	102
Other operating expenses	98	98	102	82	87
Returns to owner-customers and accrued customer bonuses	49	49	48	46	51
Share of associates' profits/losses	1	0	2	4	0
Earnings before tax for the period	**231**	**251**	**176**	**320**	**308**
Income tax expense	155	56	36	63	93
Profit for the period	**76**	**196**	**140**	**257**	**215**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans	-15	-162	-153	-175	458
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value	54	14	41	152	-253
Cash flow hedge	22	17	7	7	-28
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	3	32	31	35	-92
Items that may be reclassified to profit or loss					
Measurement at fair value	-11	-3	-8	-30	51
Cash flow hedge	-4	-3	-1	-1	6
Total comprehensive income for the period	**125**	**91**	**56**	**245**	**355**

Note 5. Net interest income

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Loans and other receivables	637	661	-4	1,328
Receivables from credit institutions and central banks	-1	4		4
Notes and bonds	88	100	-12	198
Derivatives (net)				
Derivatives held for trading	43	64	-33	133
Derivatives under hedge accounting	34	42	-21	64
Ineffective portion of cash flow hedge	-1	1		2
Liabilities to credit institutions	-2	-2	-22	-3
Liabilities to customers	-78	-116	-33	-210
Debt securities issued to the public	-183	-222	-17	-424
Subordinated debt	-19	-18	6	-36
Hybrid capital	-3	-3	5	-6
Financial liabilities held for trading	0	0	-62	0
Other (net)	-3	-7	-62	-4
Net interest income before fair value adjustment under hedge accounting	**512**	**505**	**1**	**1,045**
Hedging derivatives	-30	-80	-63	-121
Value change of hedged items	29	80	-64	119
Total net interest income	**511**	**505**	**1**	**1,043**

Note 6. Impairments of receivables

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Receivables eliminated as loan or guarantee losses	36	21	71	71
Recoveries of receivables written off	-7	-6	-12	-13
Increase in impairment losses on individually assessed receivables	47	44	7	110
Decrease in impairment losses on individually assessed receivables	-35	-28	-29	-87
Collectively assessed impairment losses	-3	2		7
Total	**37**	**33**	**11**	**88**

Note 7. Net income from Non-life Insurance

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Net insurance premium revenue				
Premiums written	940	924	2	1,393
Insurance premiums ceded to reinsurers	-42	-47	10	-54
Change in provision for unearned premiums	-234	-246	5	-29
Reinsurers' share	18	20	-11	1
Total	**681**	**651**	**5**	**1,310**
Net Non-life Insurance claims				
Claims paid	399	419	-5	828
Insurance claims recovered from reinsurers	-12	-16	26	-29
Change in provision for unpaid claims	40	-13		61
Reinsurers' share	5	0		-15
Total	**432**	**389**	**11**	**845**
Net investment income, Non-life Insurance				
Interest income	22	30	-25	55
Dividend income	18	15	19	18
Property	3	1		5
Capital gains and losses				
Notes and bonds	12	9	26	60
Shares and participations	56	30	85	53
Loans and receivables	-	-		0
Property	0	0	100	0
Derivatives	-1	-15	92	-22
Fair value gains and losses				
Notes and bonds	0	0	97	2
Shares and participations	-1	0		-1
Loans and receivables	1	0		1
Property	-1	2		2
Derivatives	9	-2		-2
Impairments	-4	-1		-2
Other	0	0	-52	1
Total	**115**	**69**	66	**169**
Unwinding of discount	-20	-21	7	-41
Other	-3	-3	-5	-5
Net income from Non-life Insurance	**342**	**308**	**11**	**589**

Note 8. Net income from Life Insurance

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Premiums written	709	597	19	1,230
Reinsurers' share	-12	-11	-4	-23
Total	**698**	**586**	**19**	**1,207**
Claims incurred				
Benefits paid	-417	-385	-8	-738
Change in provision for unpaid claims	-2	-5	67	-9
Reinsurers' share	5	4	42	9
Change in insurance liabilities				
Change in life insurance provision	-689	490		-168
Reinsurers' share	2	1		1
Total	**-1,100**	**104**		**-905**
Other	-28	-1,144	98	-1,215
Total	**-431**	**-453**	**-5**	**-914**
Net investment income, Life Insurance				
Interest income	23	26	-9	50
Dividend income	26	24	8	42
Property	1	0		0
Capital gains and losses				
Notes and bonds	12	10	27	33
Shares and participations	56	53	6	63
Loans and receivables	1	1	-26	1
Property	0	0		0
Derivatives	-16	-3		249
Fair value gains and losses				
Notes and bonds	1	0		1
Shares and participations	-	0		-1
Loans and receivables	0	0	17	1
Property	1	2	-59	1
Derivatives	-66	156		40
Impairments	-7	-5	-48	-13
Other	0	1	-63	1
Assets serving as cover for unit-linked policies				
Shares and participations				
Capital gains and losses	191	38		81
Fair value gains and losses	325	250	30	511
Other	30	22	34	51
Total	**579**	**574**	**1**	**1,111**
Net income from Life Insurance	**148**	**121**	**23**	**197**

Note 9. Net commissions and fees

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Commission income				
Lending	103	107	-4	207
Deposits	3	3	-6	5
Payment transfers	123	115	8	238
Securities brokerage	12	12	2	23
Securities issuance	6	6	-5	11
Mutual funds brokerage	66	51	31	109
Asset management and legal services	43	43	0	82
Insurance brokerage	41	42	-3	67
Guarantees	11	11	-3	22
Other	46	46	0	95
Total	**455**	**436**	**4**	**859**
Commission expenses	80	76	6	152
Net commissions and fees	**374**	**360**	**4**	**707**

Note 10. Net trading income

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Capital gains and losses				
Notes and bonds	0	6	-92	7
Shares and participations	4	3	63	4
Derivatives	54	7		25
Changes in fair value				
Notes and bonds	-9	2		2
Shares and participations	-1	0		1
Derivatives	1	26	-98	21
Dividend income	0	0	-20	1
Net income from foreign exchange operations	13	11	18	28
Total	**63**	**55**	**15**	**88**

Note 11. Net investment income

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	18	10	78	15
Shares and participations	36	6		23
Dividend income	13	26	-51	39
Impairment losses	-1	-3	-84	-4
Carried at amortised cost				
Capital gains and losses	-1	1		0
Total	**66**	**40**	**63**	**73**
Investment property				
Rental income	21	21	-1	43
Maintenance charges and expenses	-15	-16	8	-36
Changes in fair value, capital gains and losses	-7	0		-6
Other	0	0	-30	0
Total	**0**	**6**		**1**
Other	-	0	-100	0
Net investment income	**66**	**46**	**43**	**74**

Note 12. Other operating income

EUR million	Q1–Q2/ 2015	Q1–Q2/ 2014	Change, %	Q1–Q4/ 2014
Income from property and business premises in own use	9	8	3	15
Rental income from assets rented under operating lease	2	2	22	3
Other	14	13	10	33
Total	**25**	**23**	**9**	**52**

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	4,212	-	-	-	-	4,212
Receivables from credit institutions	539	-	-	-	-	539
Derivative contracts	-	-	5,137	-	500	5,637
Receivables from customers	73,304	-	-	-	-	73,304
Non-life Insurance assets	781	-	176	3,168	-	4,125
Life Insurance assets	211	-	8,543	3,663	-	12,417
Notes and bonds	-	126	916	9,787	-	10,829
Shares and participations	-	-	72	560	-	632
Other financial assets	1,556	-	-	-	-	1,556
Financial assets	**80,602**	**126**	**14,844**	**17,179**	**500**	**113,250**
Other than financial instruments						2,899
Total 30 June 2015	**80,602**	**126**	**14,844**	**17,179**	**500**	**116,149**
Total 30 June 2014	**78,612**	**213**	**11,808**	**14,865**	**627**	**106,124**
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	-	2,037	-	2,037
Financial liabilities held for trading (excl. derivatives)	1	-	-	1
Derivative contracts	4,854	-	335	5,189
Liabilities to customers	-	54,042	-	54,042
Non-life Insurance liabilities	2	3,303	-	3,304
Life Insurance liabilities	8,447	3,558	-	12,005
Debt securities issued to the public	-	25,300	-	25,300
Subordinated loans	-	1,026	-	1,026
Other financial liabilities	-	3,138	-	3,138
Financial liabilities	**13,305**	**92,403**	**335**	**106,043**
Other than financial liabilities				1,712
Total 30 June 2015	**13,305**	**92,403**	**335**	**107,755**
Total 30 June 2014	**10,609**	**88,969**	**330**	**99,908**
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 30 June, the fair value of these debt instruments was approximately EUR 382 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 30 June 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	521	467	-	988
Non-life Insurance	-	9	-	9
Life Insurance*	6,459	1,934	-	8,392
Derivative financial instruments				
Banking	5	5,479	153	5,637
Non-life Insurance	0	6	-	7
Life Insurance	-	50	-	50
Available-for-sale				
Banking	7,941	2,391	15	10,347
Non-life Insurance	1,623	1,267	278	3,168
Life Insurance	1,957	1,321	385	3,663
Total	**18,506**	**12,924**	**831**	**32,261**

*Includes 8,390 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,458 million and Level 2 for 1,932 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 30 June 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Banking	-	1	-	1
Life Insurance*	6,480	1,940	-	8,420
Derivative financial instruments				
Banking	47	5,055	88	5,189
Non-life Insurance	0	2	-	2
Life Insurance	-	28	-	28
Total	**6,526**	**7,026**	**88**	**13,640**

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
Non-life Insurance	-	-	-	-
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 corporate debt instruments, bonds issued by governments and financial institutions with credit rating of at least A-, and exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, treasury bills/notes, debt instruments issued by companies and financial institutions, repo agreements, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). 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.

During 2015, EUR 19.5 million were transferred from level 1 to 2 and EUR 19.8 million in bonds were transferred from level 2 to level 1, due to changes in credit ratings.

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	0	-	-49	-	2	-39	-86
Total gains/losses in other comprehensive income	-	-	-	-	-1	47	46
Purchases	-	-	-	-	-1	95	94
Sales		-	-	-	-13	-40	-52
Settlements	-	-7	-	-		-	-
Closing balance 30 June 2015	**-**	**0**	**153**	**-**	**15**	**663**	**831**

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	-	-	-42	-	-42
Closing balance 30 June 2015	**-**	**-**	**88**	**-**	**88**

Total gains/losses included in profit or loss by item on 30 June 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 June**
Realised net gains (losses)	0	-	-24	-15	-	**-39**
Unrealised net gains (losses)	-7	2	13	35	46	**89**
Total net gains (losses)	**-7**	**2**	**-11**	**20**	**46**	**50**

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.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2015.

Note 15. Non-life Insurance assets

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Investments				
Loan and other receivables	13	26	-49	14
Shares and participations	455	437	4	463
Property	161	152	5	161
Notes and bonds	2,536	2,237	13	2,297
Derivatives	7	1		12
Other participations	186	264	-30	207
Total	**3,358**	**3,118**	**8**	**3,154**
Other assets				
Prepayments and accrued income	29	31	-6	33
Other				
Arising from direct insurance operations	507	441	15	404
Arising from reinsurance operations	130	131	-1	100
Cash in hand and at bank	5	9	-43	41
Other receivables	97	77	25	66
Total	**768**	**689**	**11**	**643**
Non-life Insurance assets	**4,125**	**3,807**	**8**	**3,797**

Note 16. Life Insurance assets

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Investments				
Loan and other receivables	49	66	-26	59
Shares and participations	913	1,197	-24	1,160
Property	101	108	-7	101
Notes and bonds	2,752	2,191	26	2,209
Derivatives	50	216	-77	66
Total	**3,865**	**3,779**	**2**	**3,594**
Assets covering unit-linked insurance contracts				
Shares, participations and other investments	8,390	6,878	22	7,492
Other assets				
Prepayments and accrued income	54	45	20	49
Other				
Arising from direct insurance operations	3	3	11	11
Arising from reinsurance operations	80	77		79
Cash in hand and at bank	25	5		13
Total	**162**	**130**	**25**	**153**
Life Insurance assets	**12,417**	**10,786**	**15**	**11,238**

Note 17. Non-life Insurance liabilities

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Provision for unpaid claims				
Provision for unpaid claims for annuities	1,340	1,261	6	1,316
Other provision for unpaid claims	920	847	9	886
Reserve for decreased discount rate*	-4			12
Total	2,257	2,108	7	2,213
Provisions for unearned premiums	758	739	3	523
Other liabilities	290	220	32	235
Total	**3,304**	**3,067**	**8**	**2,972**

*Value of hedges of insurance liability.

Note 18. Life Insurance liabilities

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Liabilities for unit-linked insurance	6,904	5,623	23	6,164
Investment contracts	1,516	1,243	22	1,349
Insurance liabilities	3,528	3,519	0	3,649
Other liabilities	57	247	-77	68
Total	**12,005**	**10,633**	**13**	**11,230**

Supplementary interest rate provisions related to insurance liabilities totalled EUR 396 million (533) on 30 June. A one percentage-point increase in interest rates reduces insurance liabilities by EUR 236 million.

Note 19. Debt securities issued to the public

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Bonds	11,676	10,662	10	10,100
Covered bonds	6,749	7,919	-15	7,811
Certificates of deposit, commercial papers and ECPs	6,861	7,254	-5	7,031
Other	15	36	-60	14
Total	**25,300**	**25,871**	**-2**	**24,956**

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	132	60	64	255
Capital gains transferred to income statement	-15	-85	-	-100
Impairment loss transferred to income statement	0	0	-	0
Transfers to net interest income	-	-	-15	-15
Holdings in Pohjola Bank plc purchased from non-controlling interests	-25	-65	-7	-97
Deferred tax	-18	18	-8	-9
Closing balance 30 June 2014	**136**	**165**	**60**	**362**

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	-81	89	-7	0
Capital gains transferred to income statement	-18	-112	-	-130
Impairment loss transferred to income statement	0	5	-	5
Transfers to net interest income	-	-	-15	-15
One-off effect of transfer of POP Group banks to OP Financial Group	0	1	1	2
Deferred tax	20	3	4	28
Closing balance 30 June 2015	**60**	**192**	**63**	**315**

The fair value reserve before tax amounted to EUR 393 million (531) and the related deferred tax liability amounted to EUR 78 million (106). On 30 June, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 298 million (315) million and negative mark-to-market valuations EUR 10 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	30 June 2015	31 Dec 2014
Receivables from credit institutions and customers (gross)	74,339	71,851
Total impairment loss, of which	497	483
Individually assessed	435	417
Collectively assessed	62	65
Receivables from credit institutions and customers (net)	**73,843**	**71,369**

Doubtful receivables 30 June 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		561	561	271	289
Classified as defaulted		593	593	127	466
Forborne receivables					
Renegotiated	1,063	203	1,266	37	1,229
Total	**1,063**	**1,357**	**2,420**	**435**	**1,985**

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, %	30 June 2015	31 Dec 2014
Exposures individually assessed for impairment, % of doubtful receivables	18.0 %	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	**30 June 2015**	**30 June 2014**	**Change, %**	**31 Dec 2014**
OP Financial Group's equity capital	8,394	6,216	35	7,213
The effect of insurance companies on the Group's shareholders' equity is excluded	-57	-403	86	-40
Fair value reserve, cash flow hedging	-63	-60	-4	-80
Supplementary cooperative capital to which transitional provision applies	165	375		192
Common Equity Tier 1 (CET1) before deductions	**8,439**	**6,128**	**38**	**7,285**
Intangible assets	-482	-437	-10	-450
Excess funding of pension liability and valuation adjustments	-45	-19		-1
Planned profit distribution and profit distribution unpaid for the previous period	-29	-7		-22
Unrealised gains under transitional provisions	-	-74		-90
Shortfall of impairments – expected losses	-317	-342	7	-339
Common Equity Tier 1 (CET1)	**7,566**	**5,248**	**44**	**6,384**
Instruments included in other Tier 1 capital				
Subordinated loans to which transitional provision applies	141	161		161
Additional Tier 1 capital (AT1)	**141**	**161**		**161**
Tier 1 capital (T1)	**7,706**	**5,409**	**42**	**6,544**
Debenture loans	709	680	4	708
OVY's equalisation provision	37	232	-84	35
Unrealised gains under transitional provisions	-	16		29
Tier 2 Capital (T2)	**746**	**929**	**-20**	**772**
Total capital base	**8,453**	**6,338**	**33**	**7,316**
Risk-weighted assets				
Credit and counterparty risk	36,824	36,889	0	37,693
Central government and central banks exposure	30	48	-37	30
Credit institution exposure	1,190	1,184	1	1,275
Corporate exposure	21,000	20,251	4	21,173
Retail exposure	5,159	5,399	-4	5,234
Equity investments*)	7,544	7,813	-3	7,663
Other**)	1,901	2,195	-13	2,318
Market risk	1,476	982	50	1,377
Operational risk	3,521	3,182	11	3,182
Total	**41,821**	**41,053**	**2**	**42,252**

Ratios, %	30 June 2015	30 June 2014	Change, percentage point	31 Dec 2014
CET1 capital ratio	18.1	12.8	5.3	15.1
Tier 1 ratio	18.4	13.2	5.3	15.5
Capital adequacy ratio	20.2	15.4	4.8	17.3

Basel I floor, EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Capital base	8,453	6,338	33	7,316
Basel I capital requirements floor	3,789	3,639	4	3,642
Capital buffer for Basel I floor	4,664	2,699	73	3,674

Leverage ratio

EUR million	30 June 2015	31 Dec 2014
Tier 1 capital (T1)	7,706	6,544
Total exposure	108,007	102,050
Leverage ratio, %	7.1	6.4

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

**) EUR 168 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.

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 debt levels is presented in accordance with the new draft rules. According to these rules, the minimum leverage ratio is three per cent. The calculated leverage ratio is based on June-end figures.

Capital base and risk-weighted assets include the capital adequacy ratios of the POP Group banks becoming members of the Amalgamation on 19 May 2015. The effect of the POP Group banks on the capital base was EUR 127 million and on risk-weighted assets EUR 487 million. Exposures under the leverage ratio include EUR 888 million in exposures of the transferred POP Group banks.

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

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
OP Financial Group's equity capital	8,394	6,216	35	7,213
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,025	1,227	-16	1,072
Other sector-specific items excluded from capital base	-77	-76	-1	-72
Goodwill and intangible assets	-1,306	-1,304	0	-1,286
Equalisation provisions	-184	-222	17	-179
Proposed profit distribution	-29	-7		-22
Items under IFRS deducted from capital base*	-40	-84	52	-79
Shortfall of impairments – expected losses	-290	-316	8	-313
Conglomerate's capital base, total	**7,492**	**5,433**	**38**	**6,334**
Regulatory capital requirement for credit institutions**	3,708	2,768	34	2,864
Regulatory capital requirement for insurance operations***	495	454	9	485
Conglomerate’s total minimum capital requirement	**4,203**	**3,222**	**30**	**3,350**
Conglomerate’s capital adequacy	**3,290**	**2,211**	**49**	**2,984**
Conglomerate’s capital adequacy ratio (capital base/minimum of capital base) (%)	**178**	**169**		**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 transferred POP Group banks on the amalgamation's capital adequacy ratio was 0.9 percentage points.

Note 24. Collateral given

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Collateral given on behalf of own liabilities and commitments				
Mortgages	1	1		1
Pledges	4	7	-34	6
Loans (as collateral for covered bonds)	9,258	8,697	6	8,937
Other	549	549	0	999
Other collateral given				
Pledges*	4,640	6,372	-27	6,273
Total	**14,452**	**15,625**	**-8**	**16,216**
Other secured liabilities	491	500	-2	474
Covered bonds	6,749	7,919	-15	7,811
Total secured liabilities	**7,240**	**8,420**	**-14**	**8,285**

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

Note 25. Off-balance-sheet items

EUR million	30 June 2015	30 June 2014	Change, %	31 Dec 2014
Guarantees	837	920	-9	878
Other guarantee liabilities	1,956	2,205	-11	2,007
Pledges	1	3		3
Loan commitments	10,412	8,734	19	8,839
Commitments related to short-term trade transactions	232	272	-15	319
Other	569	546	4	522
Total off-balance-sheet items	**14,006**	**12,680**	**10**	**12,567**

Note 26. Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
30 June 2015, EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives	47,005	87,039	58,290	192,334	4,383	3,963
Cleared by the central counterparty	6,943	23,223	21,944	52,110	793	713
Currency derivatives	26,260	8,889	6,671	41,820	1,486	1,333
Equity and index derivatives	258	90	-	348	30	0
Credit derivatives	-	88	119	208	7	7
Other derivatives	405	634	26	1,064	83	70
Total derivatives	**73,928**	**96,740**	**65,106**	**235,774**	**5,990**	**5,373**

	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

30 June 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	6,411	-774	5,637	-3,336	-1,195	1,105
Life Insurance derivatives	50	-	50	-28	-	22
Non-life Insurance derivatives	7	-	7	-2	-	4
Total derivatives	**6,467**	**-774**	**5,693**	**-3,366**	**-1,195**	**1,132**

Financial liabilities

30 June 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	4,497	692	5,189	-3,336	-419	1,433
Life Insurance derivatives	28	-	28	-28	-	0
Non-life Insurance derivatives	2	-	2	-2	-	0
Total derivatives	**4,527**	**692**	**5,219**	**-3,366**	**-419**	**1,433**

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 81 (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 the Master Agreement of the Federation of Finnish Financial Services or OP Financial Group 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 associates, administrative personnel and other related party companies. The administrative personnel comprise OP Financial Group's Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members and deputy members of the Executive and Supervisory Boards 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 Plc. 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 Executive Chairman and CEO Reijo Karhinen in a press conference on 5 August 2015 at 11 a.m. at Teollisuuskatu 1 b, Vallila, Helsinki.

Pohjola Bank plc will publish its own Interim Report.

Financial reporting in 2015

Schedule for Interim Reports in 2015:

Interim Report Q1−3/2015	28 October 2015

OP Cooperative
Executive Board

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