



OP Financial Group's Interim Report for 1 January–30 September 2017

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A man with a beard, wearing a blue blazer over an orange sweater and large white headphones, is sitting on a wooden bench outdoors. He is focused on a silver laptop in front of him, with his hands on the keyboard. The background consists of a wooden wall and a wooden bench.

OP Financial Group's Interim Report

OP Financial Group's key figures and ratios

Steady financial performance and in line with expectations

	Q1-3/2017	Q1-3/2016	Change, %	Q1-4/2016
Earnings before tax, EUR million	873	921	-5.1	1,138
Banking	513	448	14.4	574
Non-life Insurance	137	206	-33.4	244
Wealth Management	190	183	4.3	226
Other operations	32	83	-61.3	95
New OP bonuses accrued to owner-customers	164	154	6.0	208
	30-Sep-17	30-Sep-16	Change, %	31-Dec-16
Common Equity Tier 1 (CET1) ratio, %	19.2	19.7	-0.5 *	20.1
Return on economic capital, % **	21.4	22.2	-0.8 *	22.7
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates) % ***	146	164	-18 *	170
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.04	0.06	0.0 *	0.09
Owner customers (1,000)	1,810	1,719	5.3	1,747

- Earnings before tax amounted to EUR 873 million (921).
- Expenses rose and non-recurring income was higher than a year ago.
- Full-year earnings for 2017 are expected to be about the same as or lower than those for 2016 due to increasing development costs and other expenses arising from strategy implementation.

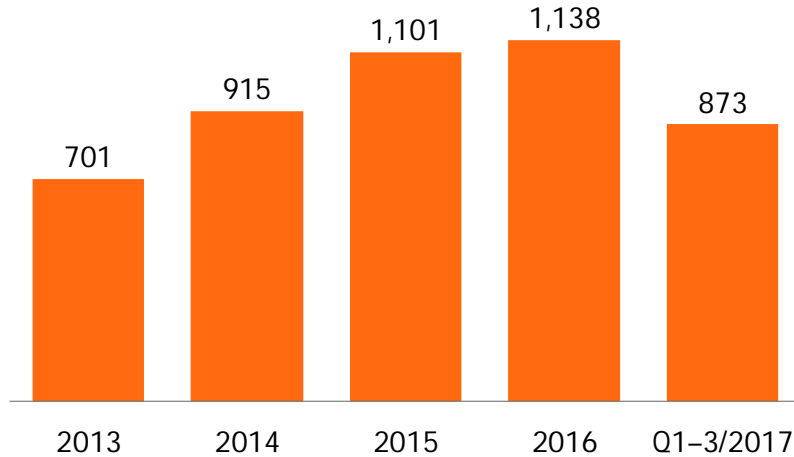
* Change in ratio

** 12-month rolling

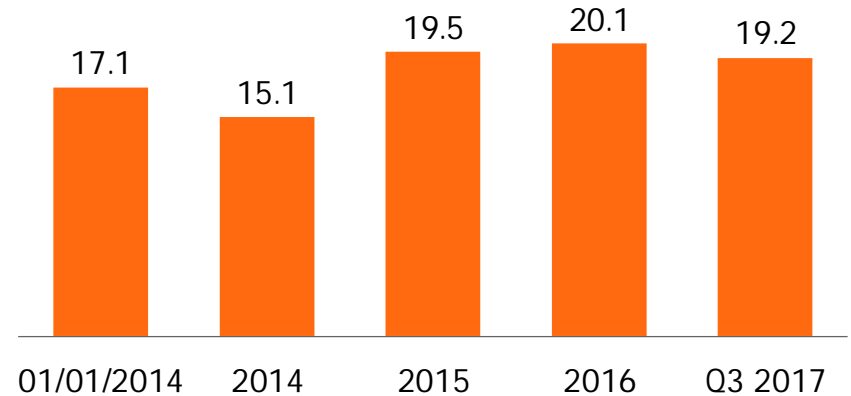
*** The FiCo ratio has been calculated under Solvency II transitional provisions

OP Financial Group's steady earnings performance supports capital base

Earnings before tax, € million

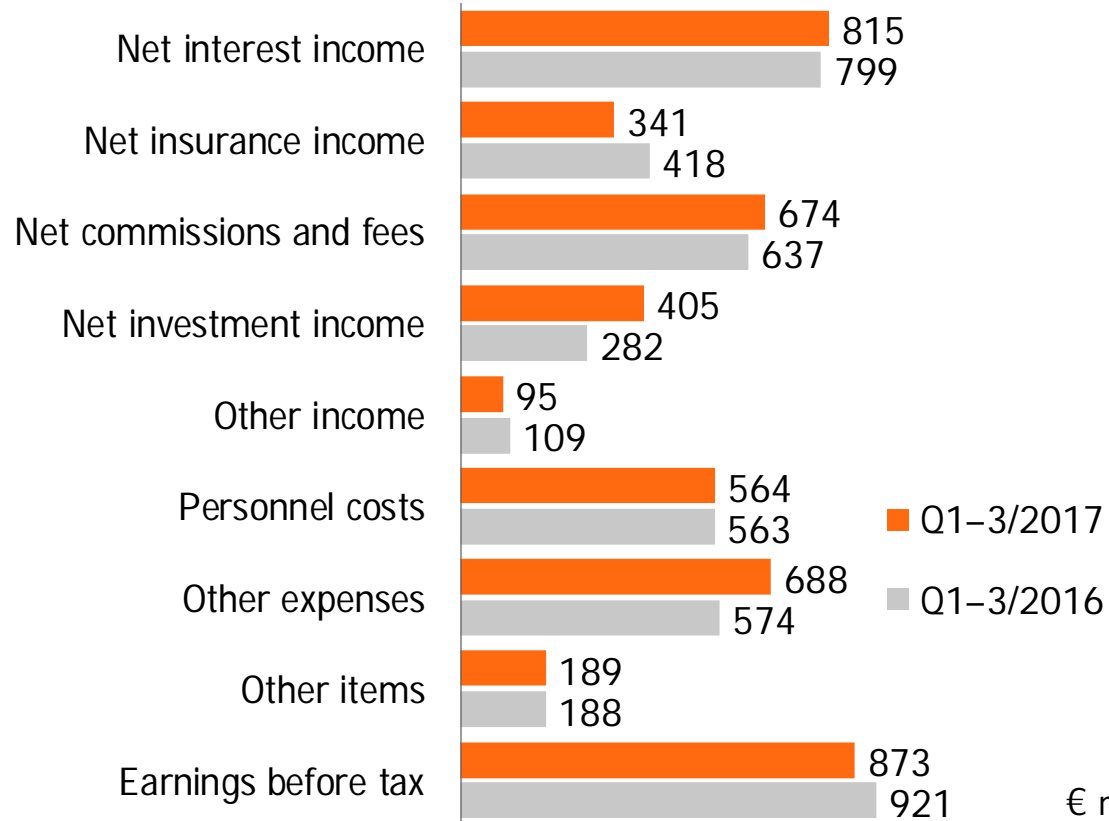


Common Equity Tier 1 ratio (CET1),%

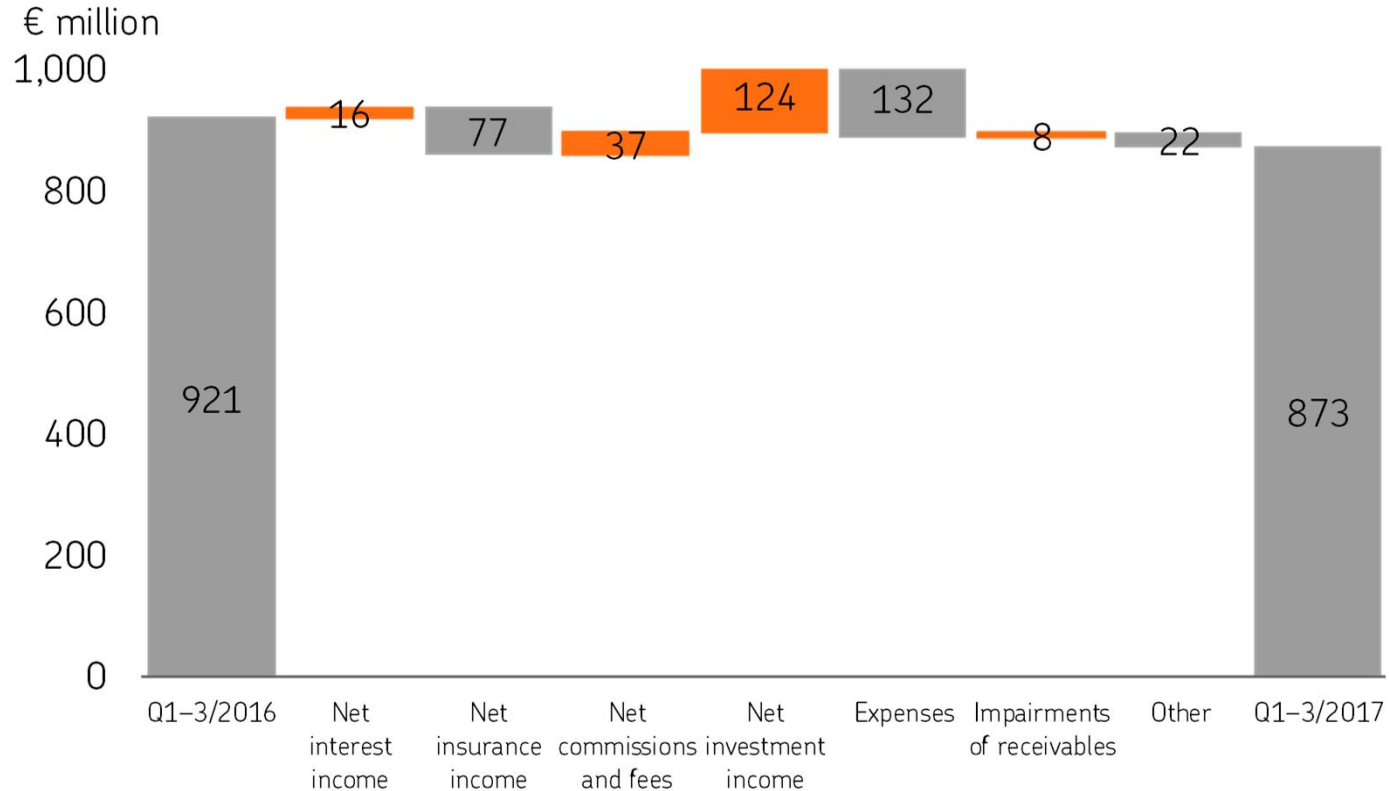


The risk weight floors set by the ECB decreased the CET1 ratio by 1.8 percentage points Q3 2017

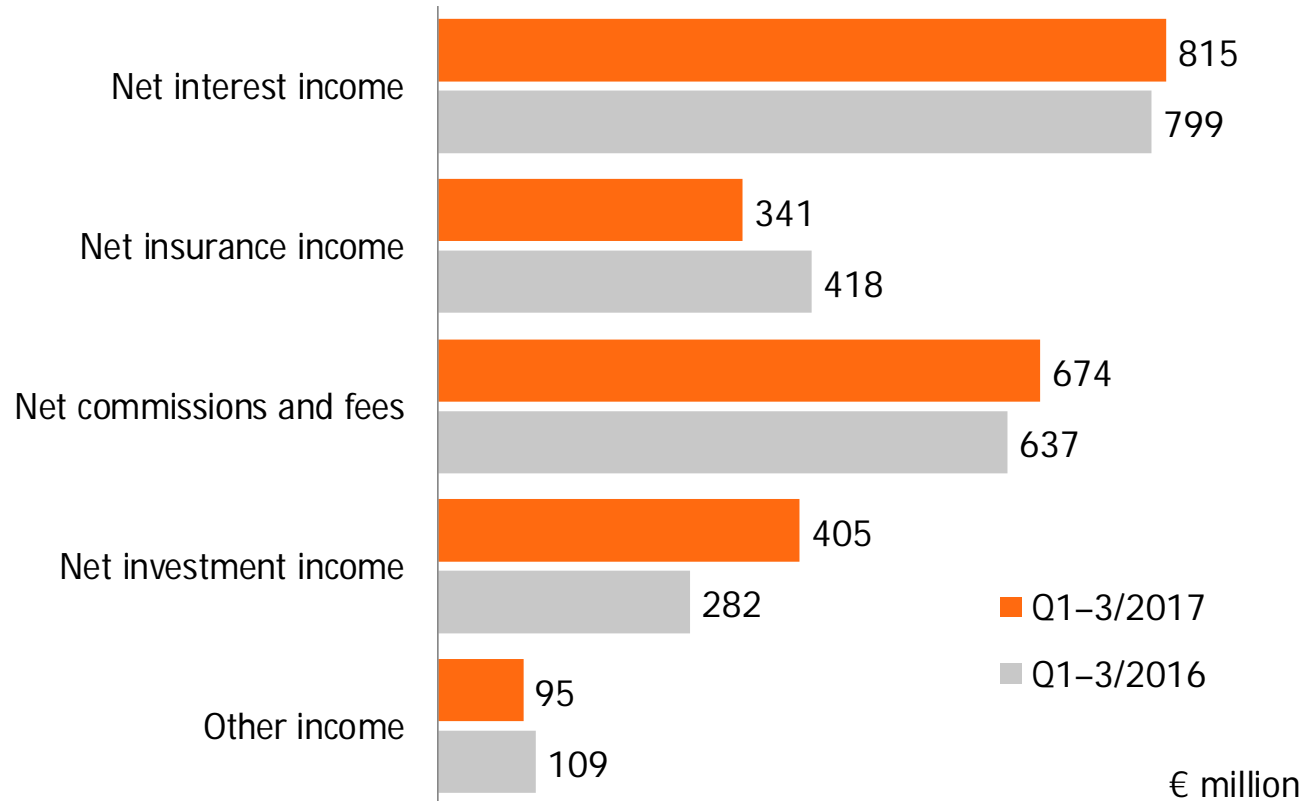
OP Financial Group's main income statement items



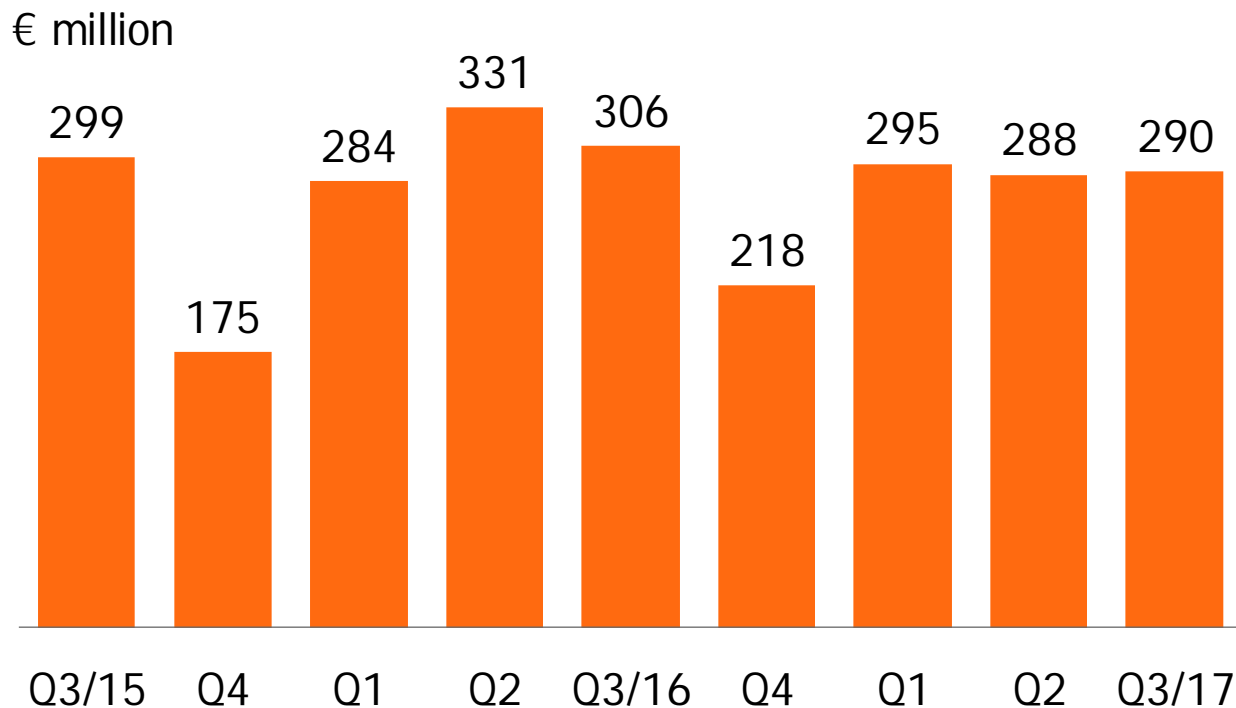
Growth in development costs shows in OP Financial Group's earnings performance



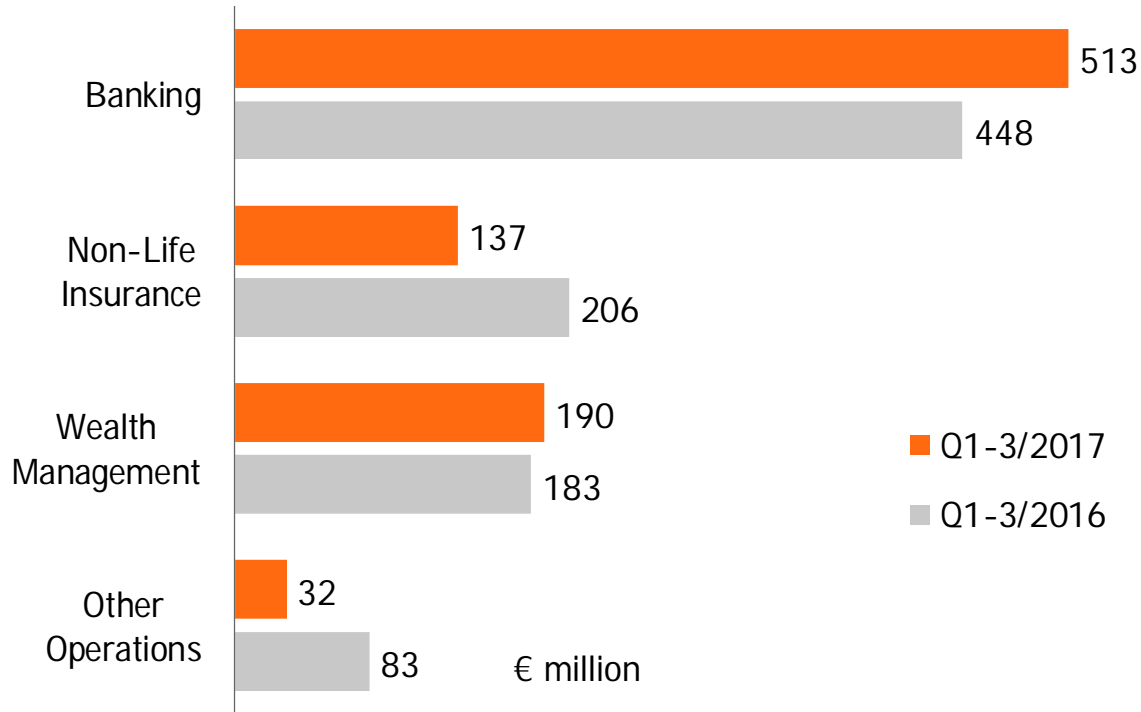
OP Financial Group's income performance



OP Financial Group's EBT by quarter



OP Financial Group's EBT by business segment



OP Financial Group's income statement

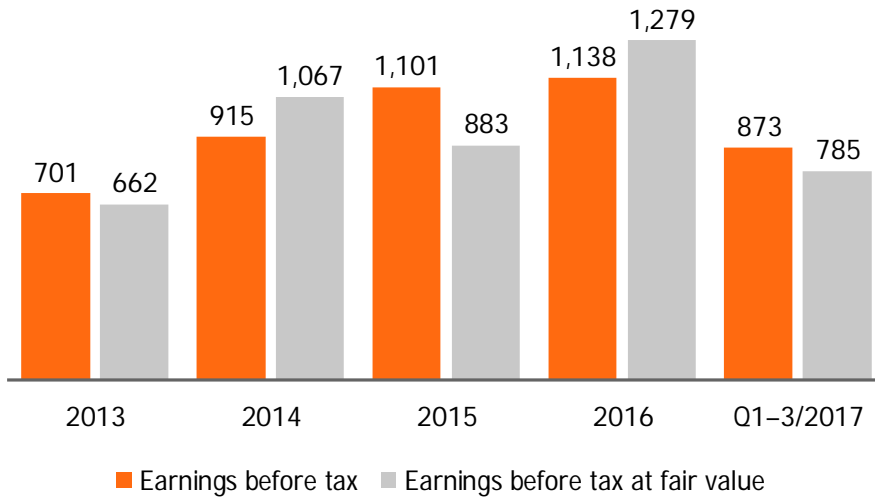
January 1 to September 30	2017	2016	Change, €million	%	Q3/17	Q3/16	Change, %
Net interest income	815	799	16	2.0	285	271	5.2
Net insurance income	341	418	-77	-18.5	80	149	-46.7
Net commissions and fees	674	637	37	5.8	217	200	8.2
Net investment income	405	282	124	43.9	170	99	71.2
Other income	95	109	-14		14	12	17.4
Total income	2,331	2,245	85	3.8	765	732	4.6
Personnel costs	564	563	2	0.3	171	167	2.6
Other expenses	705	574	131	22.8	244	193	25.9
Total expenses	1,269	1,136	132	11.7	415	361	15.1
Other	189	188	0	0.2	60	65	-7.8
Earnings before tax	873	921	-47	-5.1	290	306	-5.2

OP Financial Group's quarterly performance

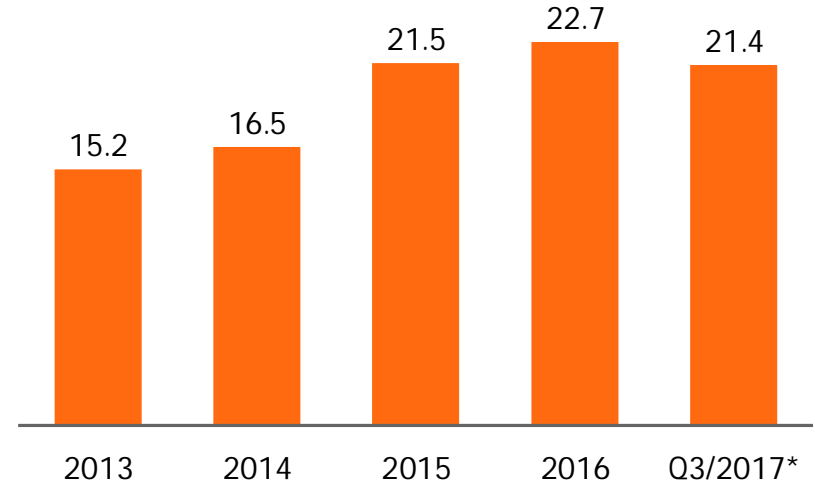
€ million	Q1	Q2	Q3	Q4/2016	Q1	Q2	Q3/2017
Net interest income	267	261	271	260	258	272	285
Net insurance income	129	140	149	140	117	145	80
Net commissions and fees	224	213	200	222	237	220	217
Net investment income	86	96	99	108	122	113	170
Other income	12	85	12	14	36	45	14
Total income	719	795	732	743	770	795	765
Personnel costs	201	195	167	199	202	191	171
Other expenses	176	204	193	232	215	246	244
Total expenses	377	399	361	431	417	437	415
Impairments of receivables	11	13	12	41	8	15	5
OP bonuses to owner-customers	48	52	53	53	51	55	55
Earnings before tax	284	331	306	218	295	288	290

Long-term return target at 22%

Earnings before tax, € million

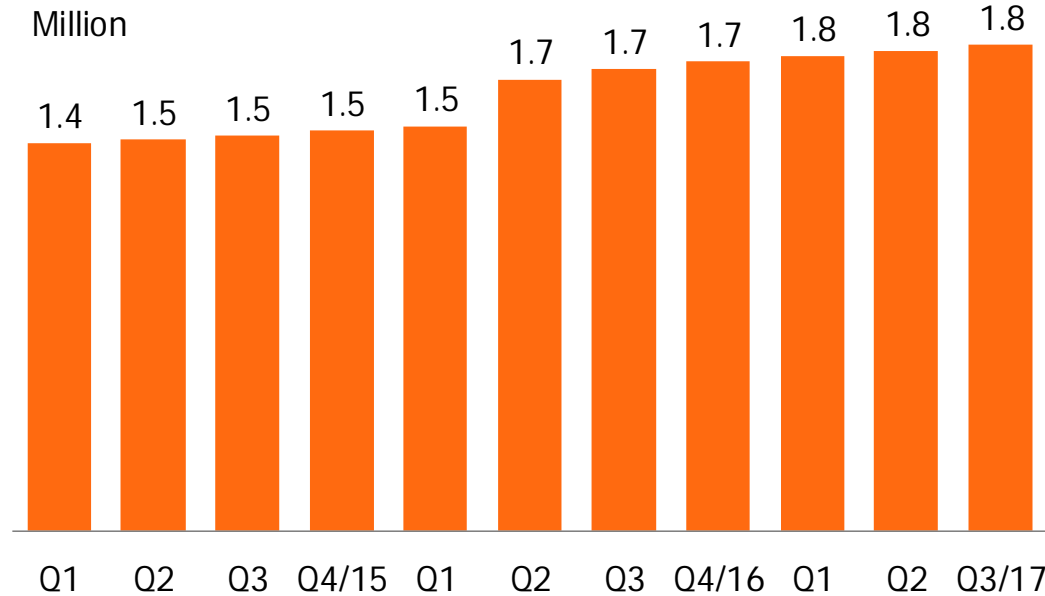


Return on economic capital, %



* 12-month rolling

Steady growth in the number of owner- customers



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

Banking

Banking

OP is Finland's leading provider of home and corporate loans. OP's Banking is the Group's largest business segment providing customers with an extensive and comprehensive range of products and services.

- For private customers, OP's Banking services and products for include daily banking, loans, savings and investments, and housing-related services.
- With respect to corporate customers, OP provides services to SMEs, major corporations, and organisations and associations. We provide our customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.

Key figures Q1-Q3/2017

EBT

EUR **513** million

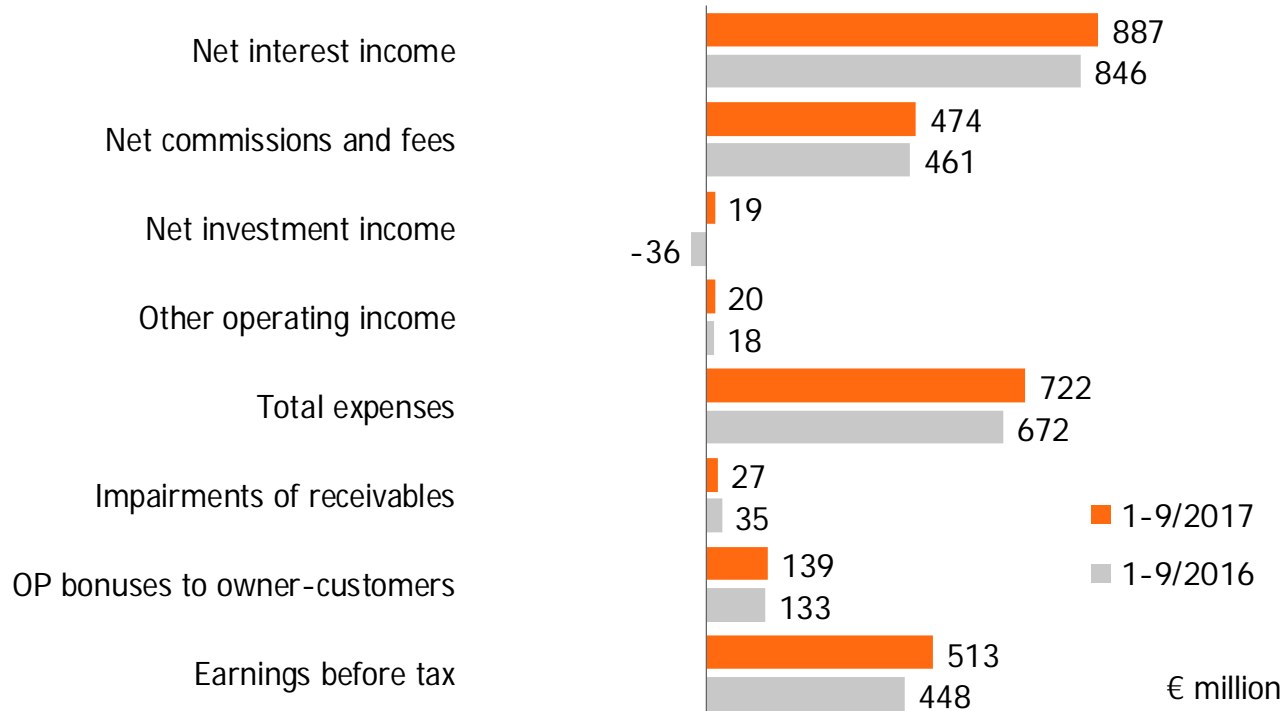
Loan portfolio

EUR **81.1** billion

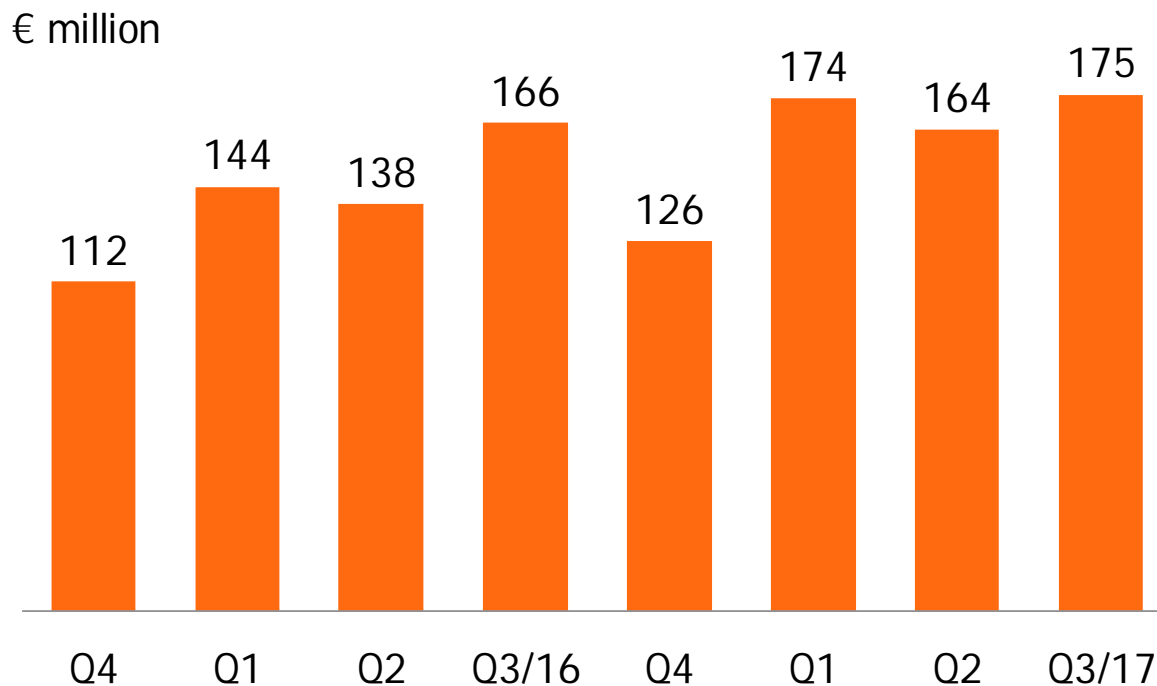
Total deposits

EUR **59.2** billion

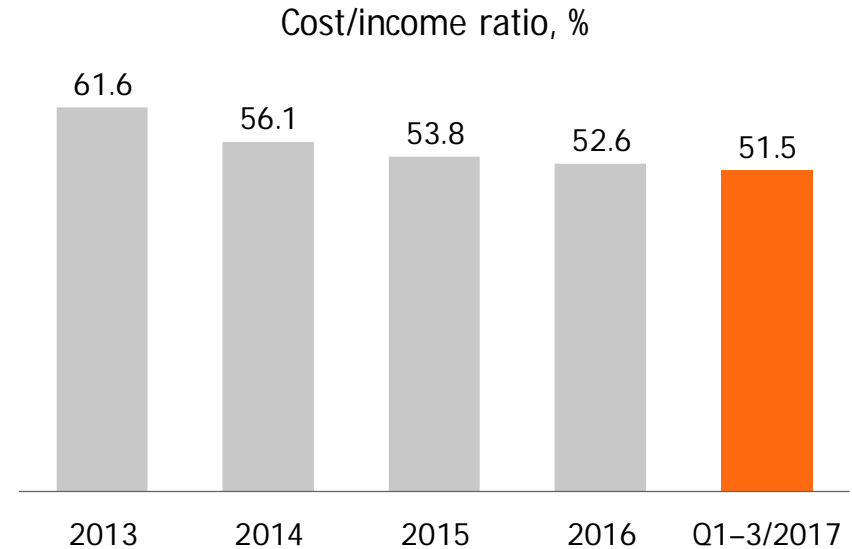
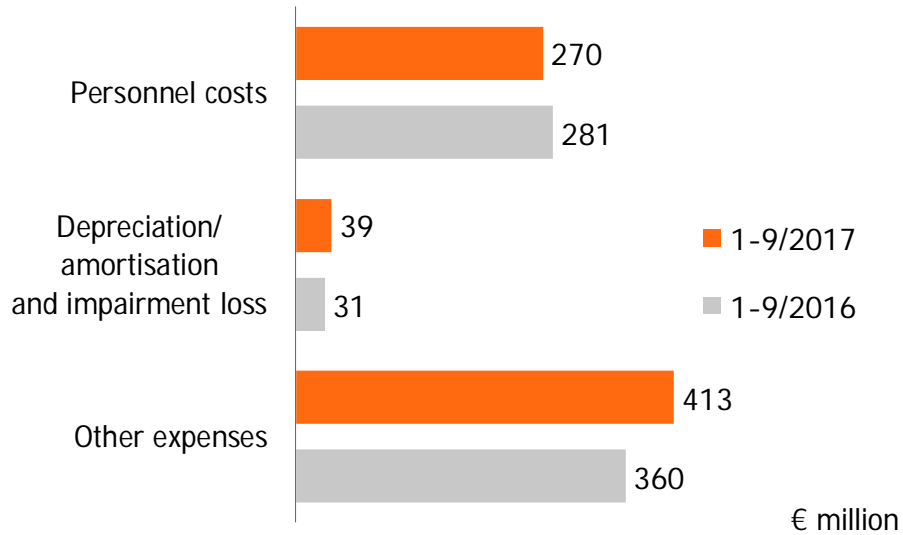
Banking income statement



Banking EBT by quarter

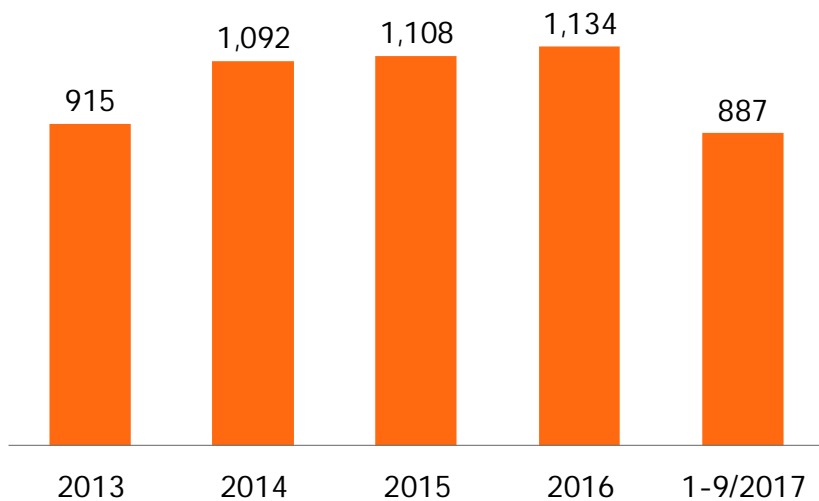


Cost/income ratio 51.1%

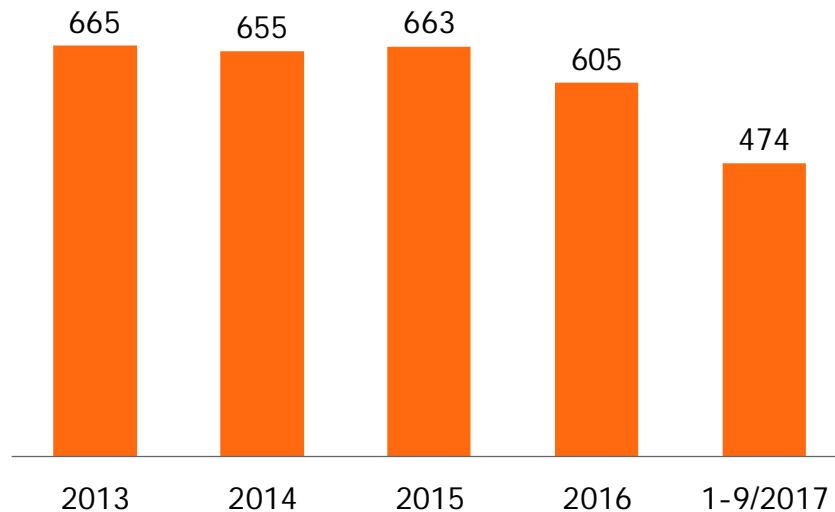


Banking income performance

Net interest income, € million

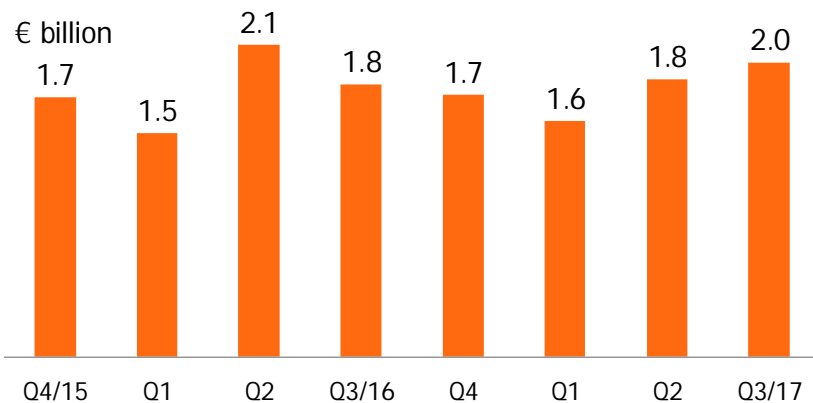


Net commissions and fees, € million

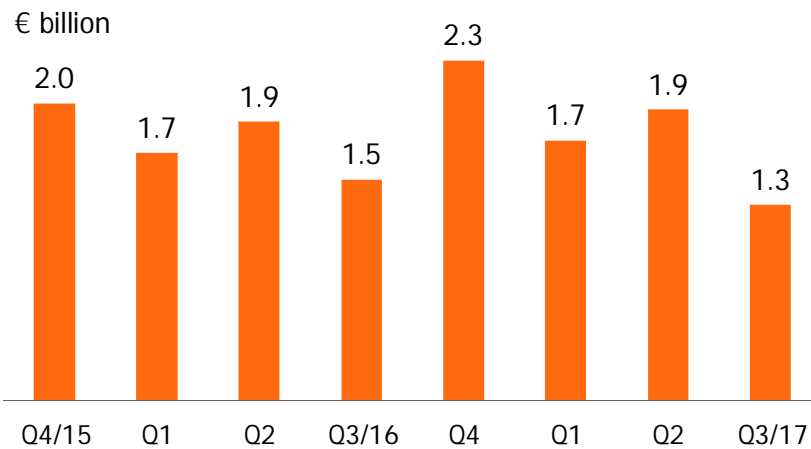


Home loans drawn down up

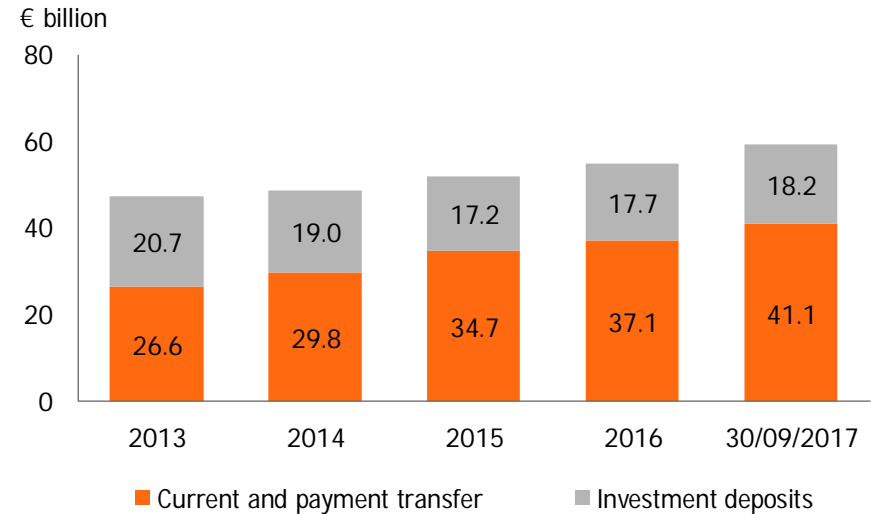
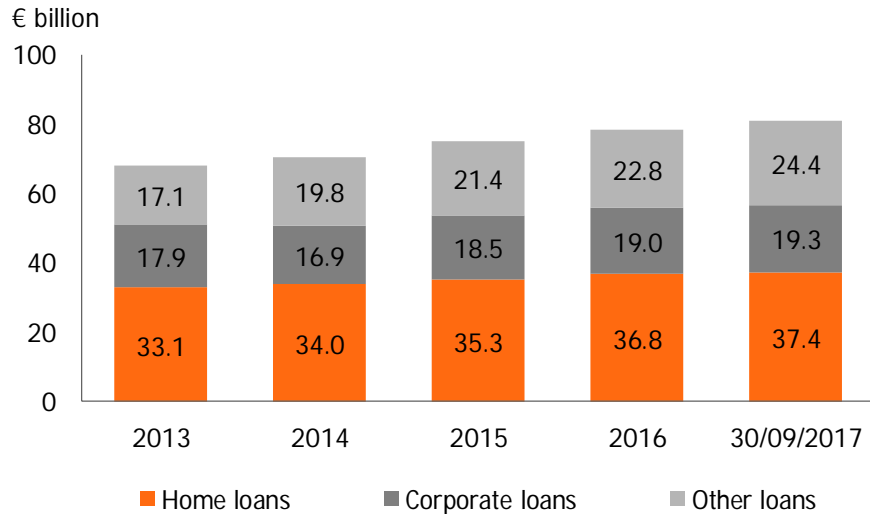
Home loans drawn down



Corporate loans drawn down



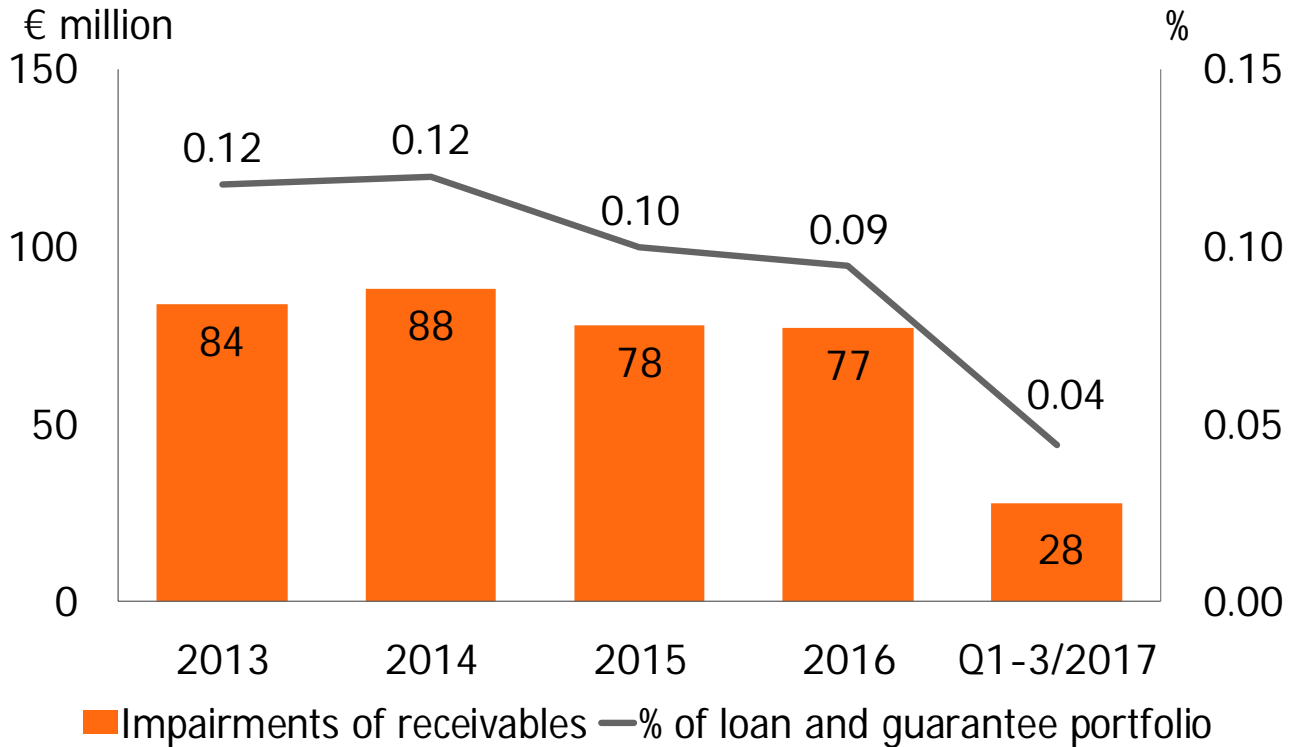
Steady growth in the loan and deposit portfolio



OP Financial Group's loan and guarantee portfolio

€ million	30 September 2017	30 September 2016	€ million	%
Enterprises and housing associations	31,478	29,610	1,868	6.3
Renting and operating of residential real estate	6,663	6,304	359	5.7
Renting and operating of other real estate	4,154	4,098	56	1.4
Wholesale and retail trade	3,177	3,035	142	4.7
Energy	2,696	2,355	341	14.5
Construction	2,524	2,204	320	14.5
Services	2,493	2,065	428	20.7
Transportation and storage	1,735	1,564	171	11.0
Manufacture of machinery and equipment (incl. services)	1,532	1,475	58	3.9
Agriculture, forestry and fishing	1,301	1,133	168	14.8
Financial and insurance services	981	934	47	5.0
Real estate investments	772	591	181	30.6
Forest Industry	736	694	42	6.0
Metal Industry	664	678	-14	-2.0
Food Industry	634	650	-17	-2.5
Chemical Industry	400	418	-18	-4.2
Other manufacturing	313	188	125	66.7
Other industries	704	1,225	-521	-42.5
Public corporations and non-profit organisations	1,762	1,451	311	21.4
Households	49,888	48,720	1,168	2.4
Adjustments	606	679	-73	0.0
Total	83,736	80,461	3,274	4.1

Impairment loss on receivables at low level



A man with a beard, wearing a blue blazer over an orange sweater and large white headphones, is sitting on a wooden bench. He is focused on a silver laptop in front of him, with his hands on the keyboard. The background is a wooden wall. A white horizontal line is positioned above the text.

Non-life Insurance

Non-life Insurance

OP is Finland's leading non-life insurer, providing its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. OP's Non-life Insurance divisions consist of Private Customers, Corporate Customers, Baltics and Health and Wellbeing.

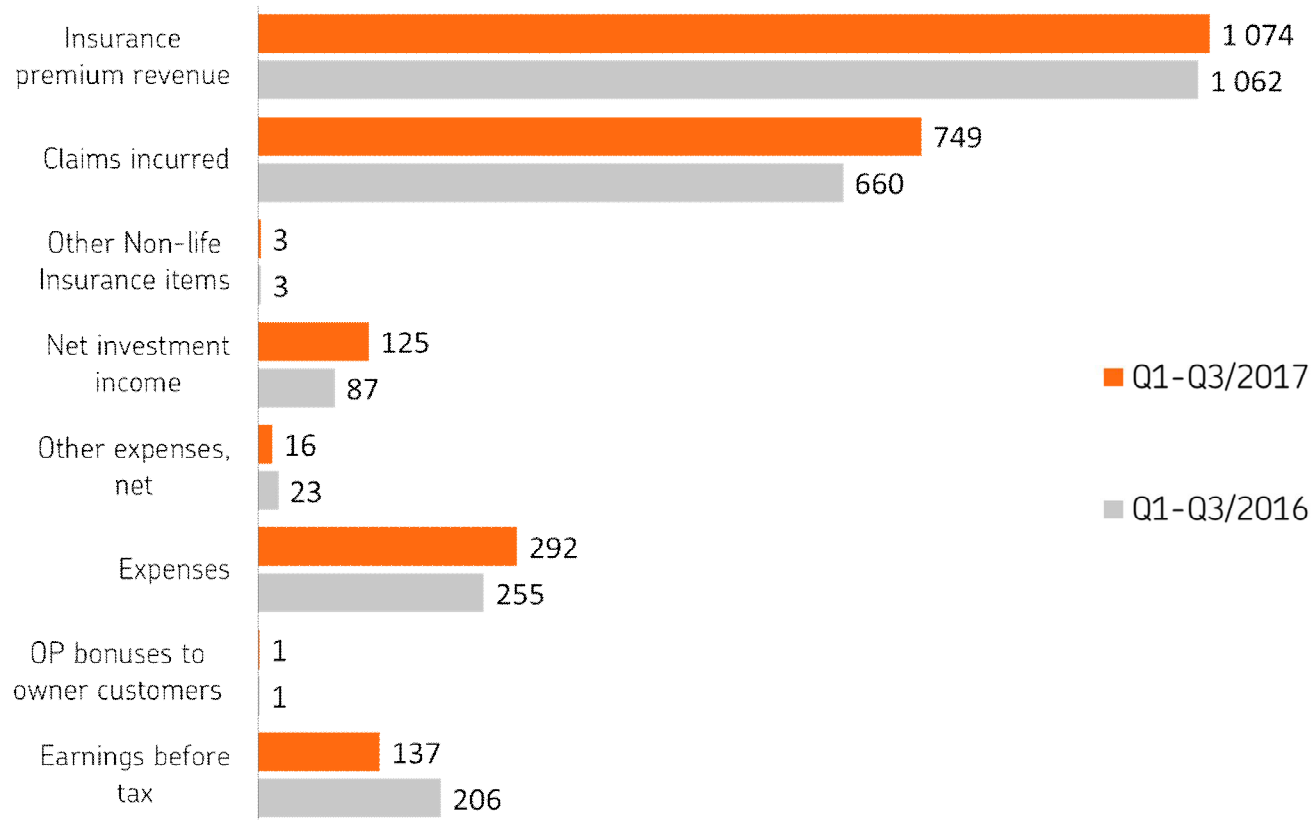
- A household, its family members, home and other property related to it as well as motor vehicles are at the core of insurance for private customers.
- Extensive and diversified risk management services form the key corporate customer services.
- The strengths of our claims settlement service lie in its promptness and efficiency. OP's extensive partner network enables efficient claims settlement services.
- OP will develop health and wellbeing services into a major new business alongside its traditional business areas.

Key figures Q1-Q3/2017

EBT
EUR 137 million

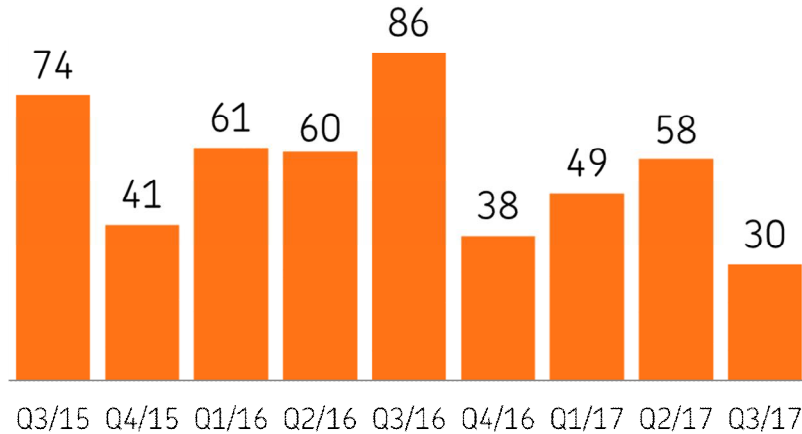
Insurance premium
revenue
EUR 1 074 million

Non-life Insurance EBT, € million

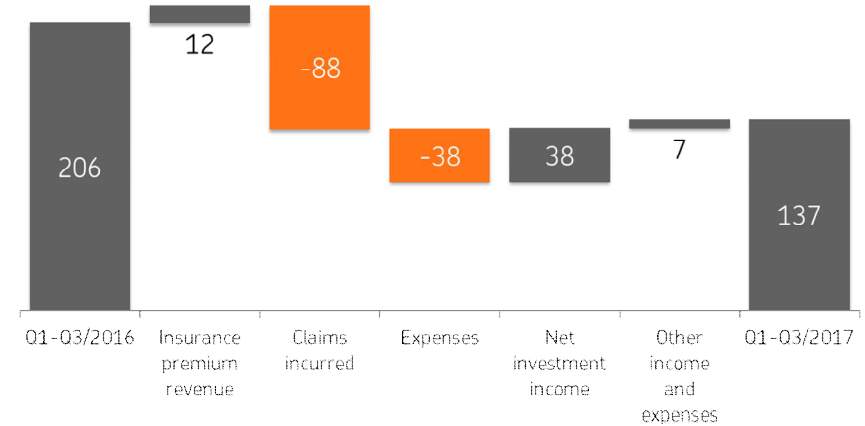


Higher claims incurred and development costs reduced EBT

Earnings before tax by quarter, € mn

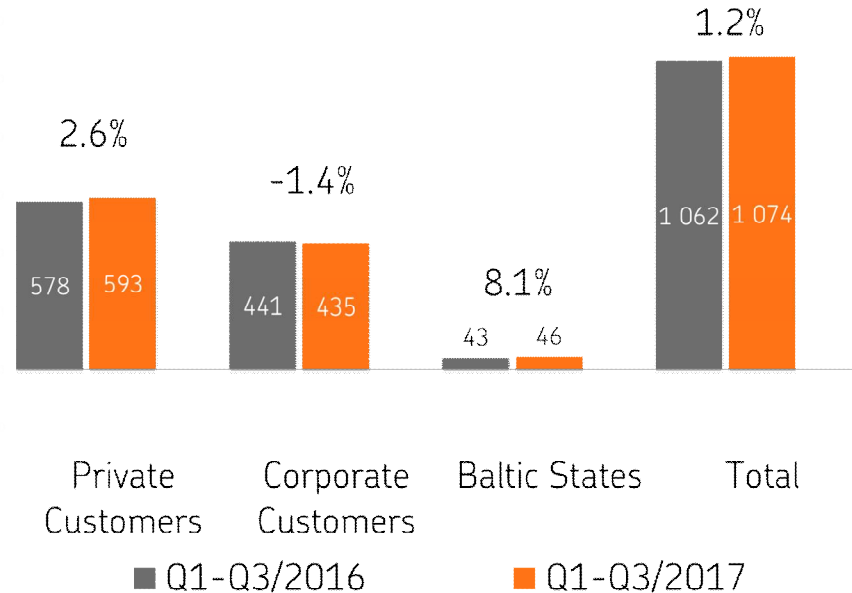


Earnings before tax, € mn
change Q1-Q3/17 vs. Q1-Q3/16



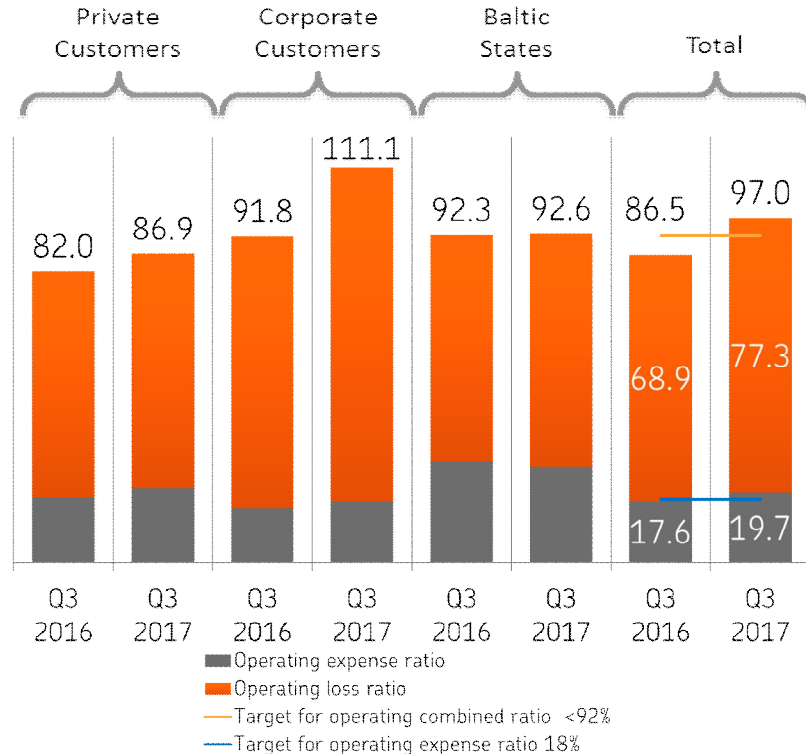
Growth in insurance premium revenue stemmed from Private Customers

Insurance premium revenue, € mn and change by division
Q1-Q3/2017 vs. Q1-Q3/2016



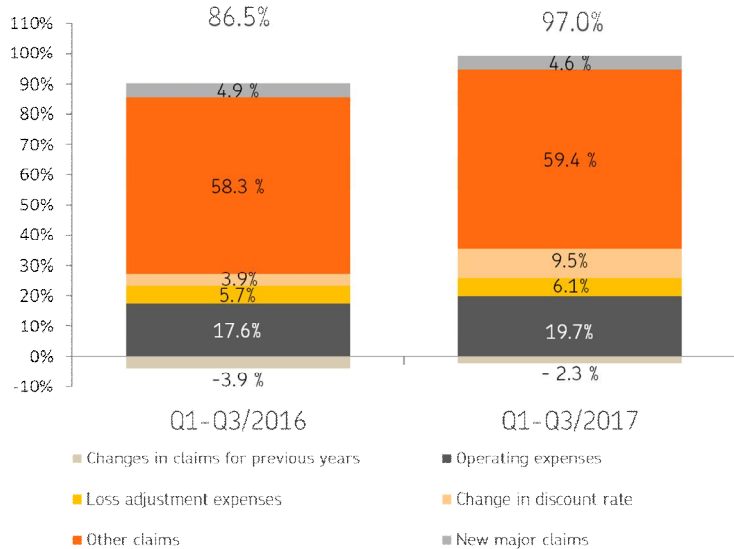
Balance on technical account

Operating combined ratio by division Q1-Q3/2017 vs. Q1-Q3/2016, %

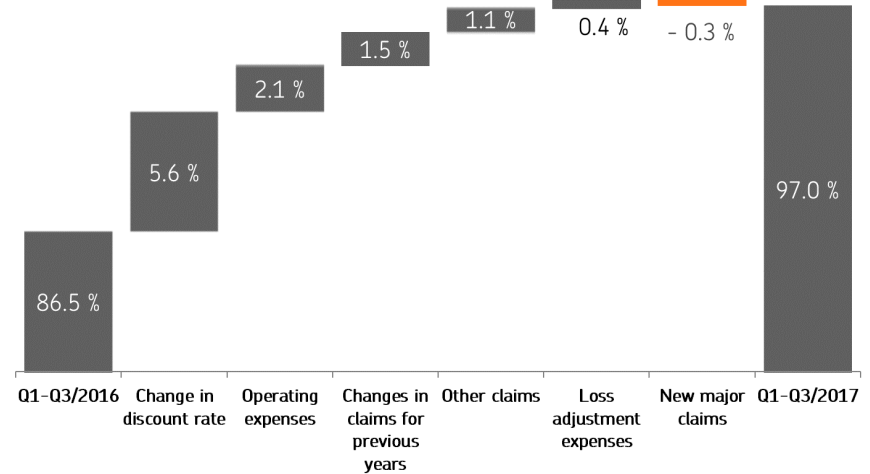


Balance on technical account

Operating combined ratio
by component, %

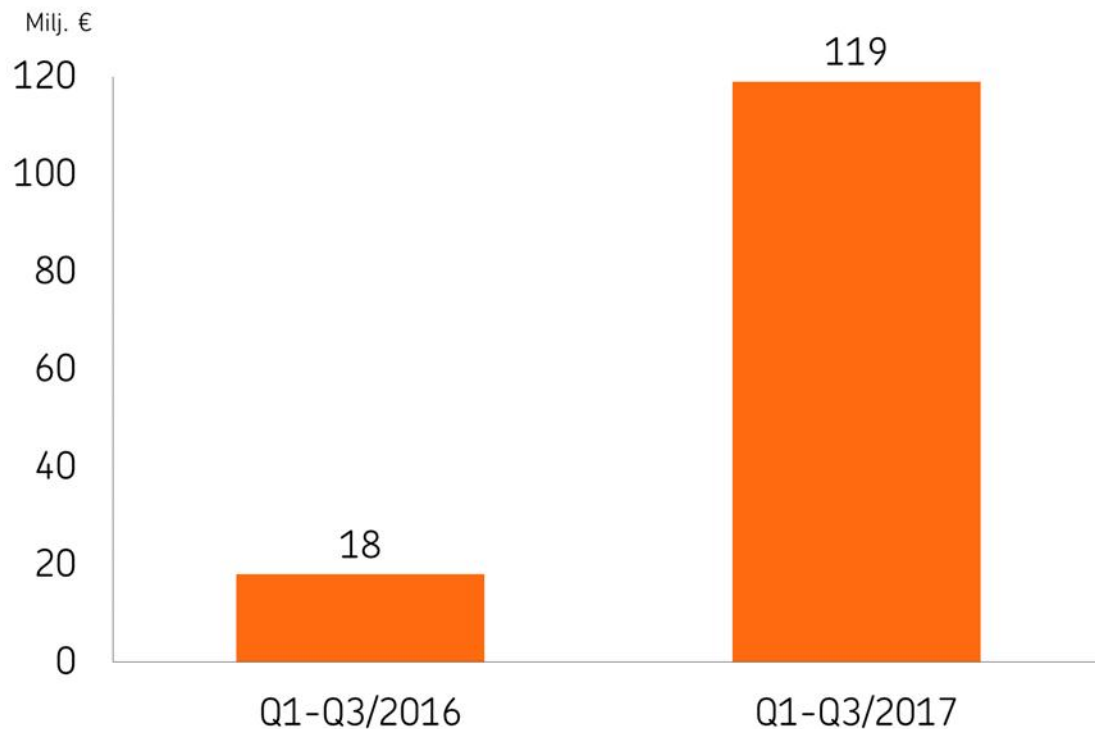


Change in operating combined ratio, %



Changes in claims for previous years (run off result), excl. the effect of the reduction in the discount rate, improved the balance on technical account by € 25 million (41) in January-September 2017.

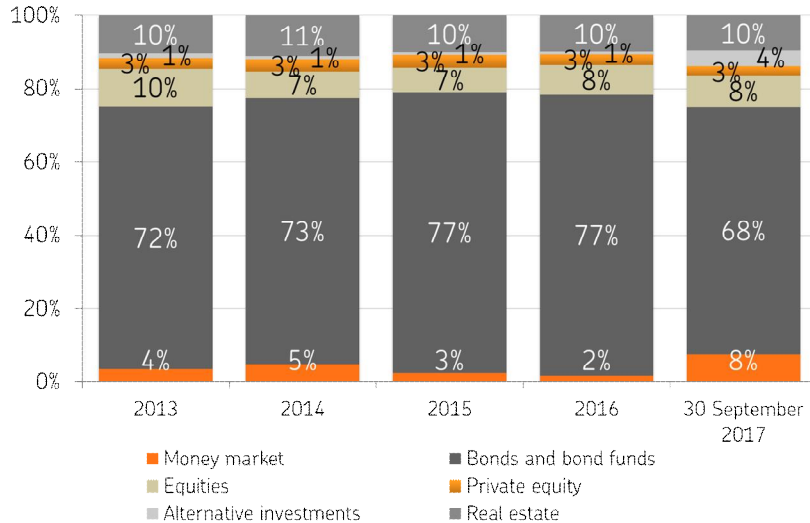
Net return on investments at fair value, € million



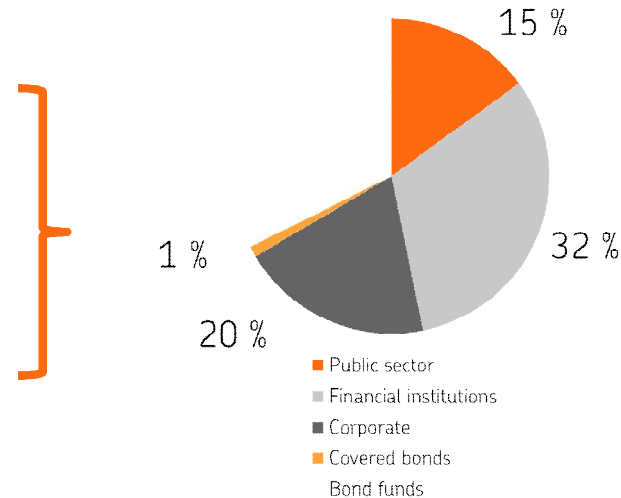
*Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Investment portfolio allocation

Investment portfolio (€ 3.9 bn) by asset class as of 30th September 2017



Bonds and bond funds (68 %)



The duration of the fixed-income portfolio 5.1 years (5.4).

The running yield for direct bond investments averaged 1.8 % (1.7) at end-September 2017.

Wealth Management

Wealth Management

OP seeks to meet its private and corporate customers' savings and investment needs in a customer-focused and comprehensive way, with the best digital wealth management services and a unique Private Banking experience.

- For private customers, we provide an extensive range of savings and investment solutions. The mutual funds in our range invest in various asset classes and market areas, and are managed partly by OP's own investment organisation and partly by our international partners.
- The range of services for corporate customers consists of various investment solutions for not only cash management but also longer-term investment.
- OP boasts Finland's most extensive Private Banking network. The OP Private service models include discretionary investment management and advisory investment management.
- We provide our institutional clients with a full range of asset management services from investment decisions to modern risk reporting and portfolio analysis.
- In addition, OP provides both private and corporate/institutional clients with an extensive range of securities brokerage, custody and analysis services.

Key figures Q1-Q3/2017

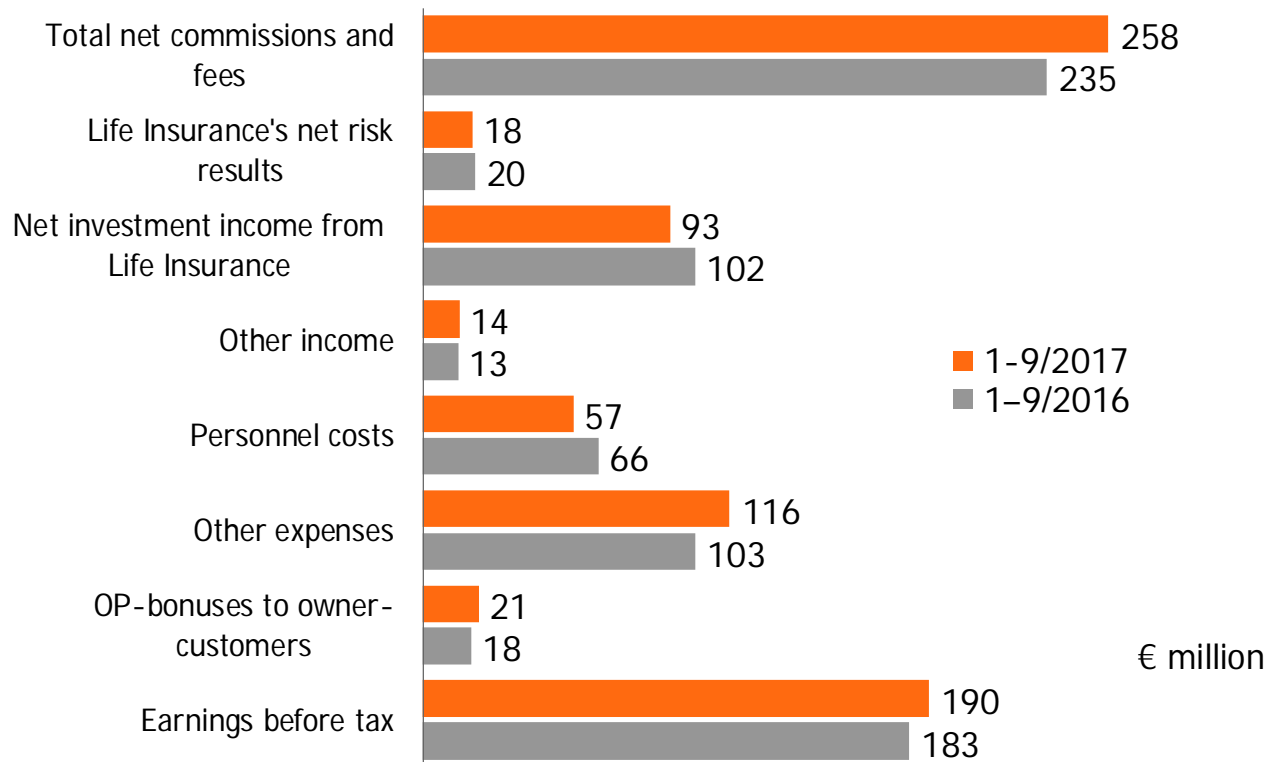
EBT

EUR **190** million

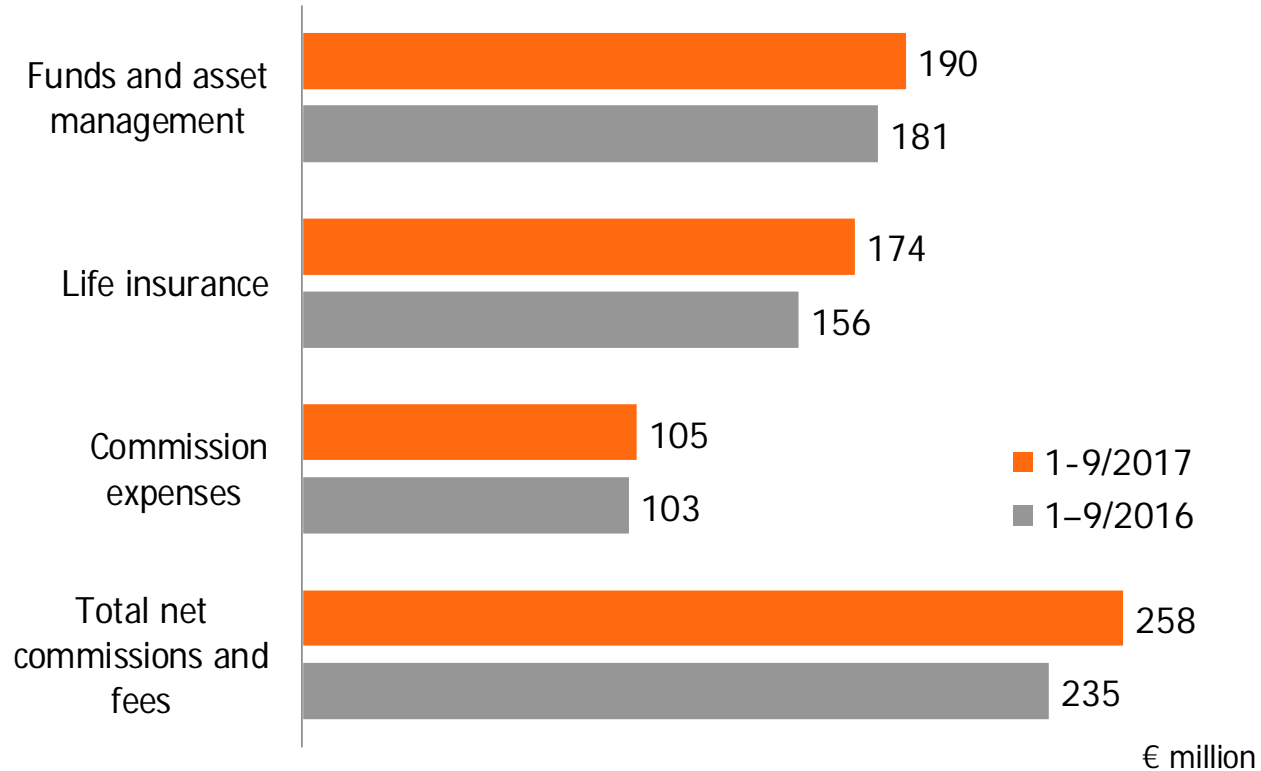
Assets under
management

EUR **76.5** billion

Wealth Management income statement

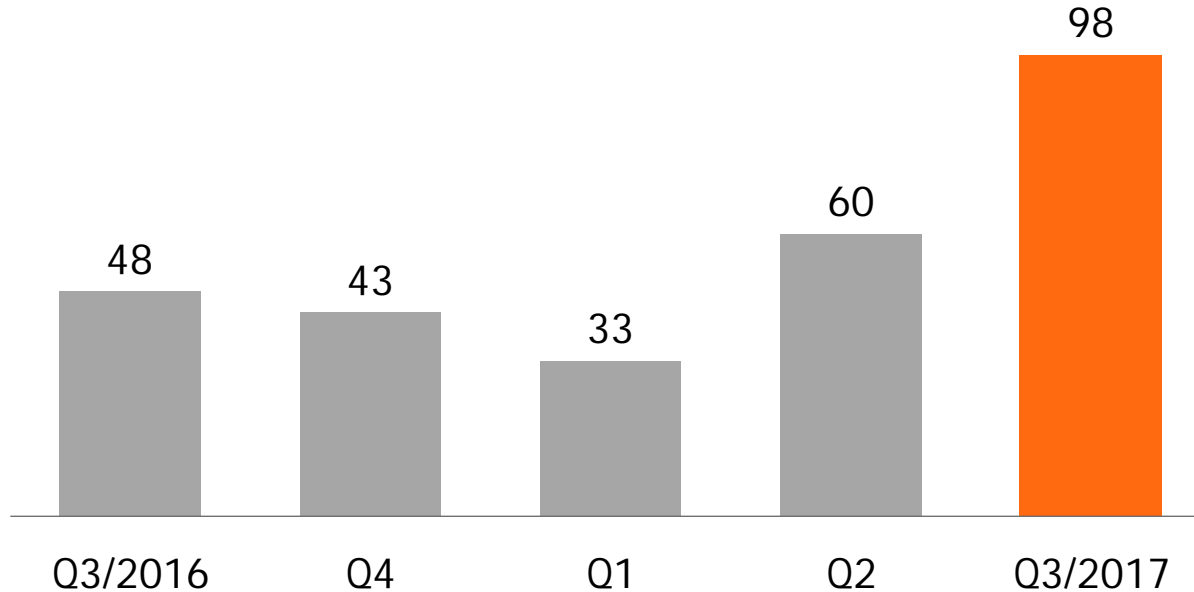


Wealth Management net commissions and fees



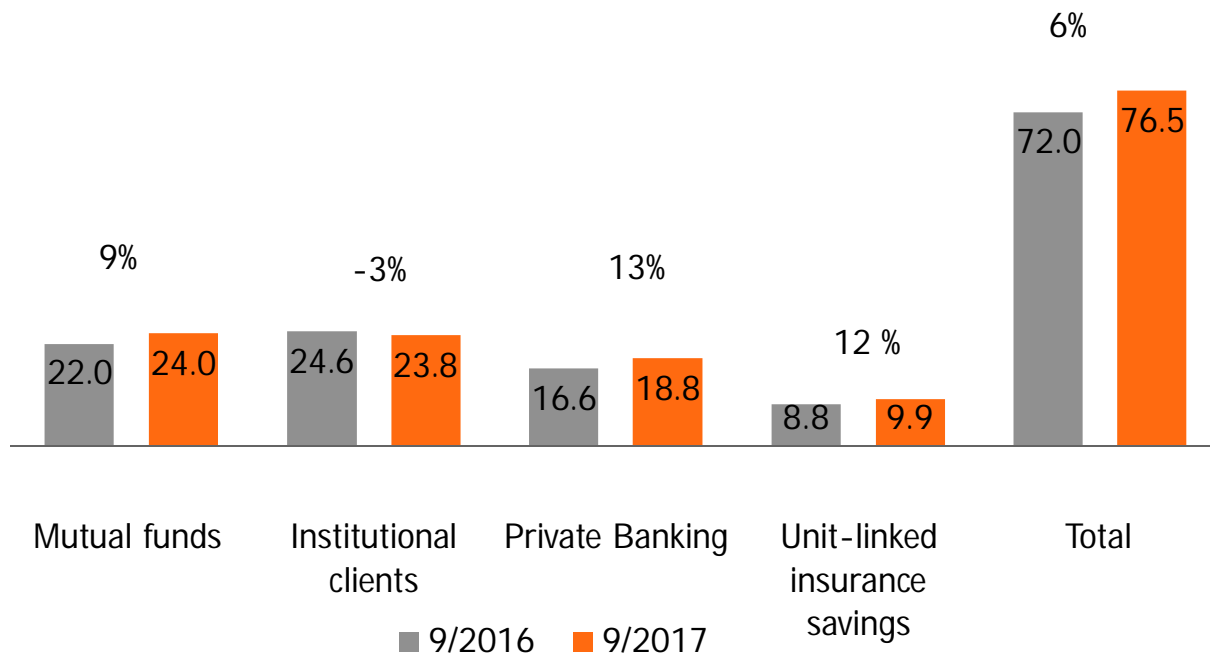
Wealth Management EBT by quarter

€ million



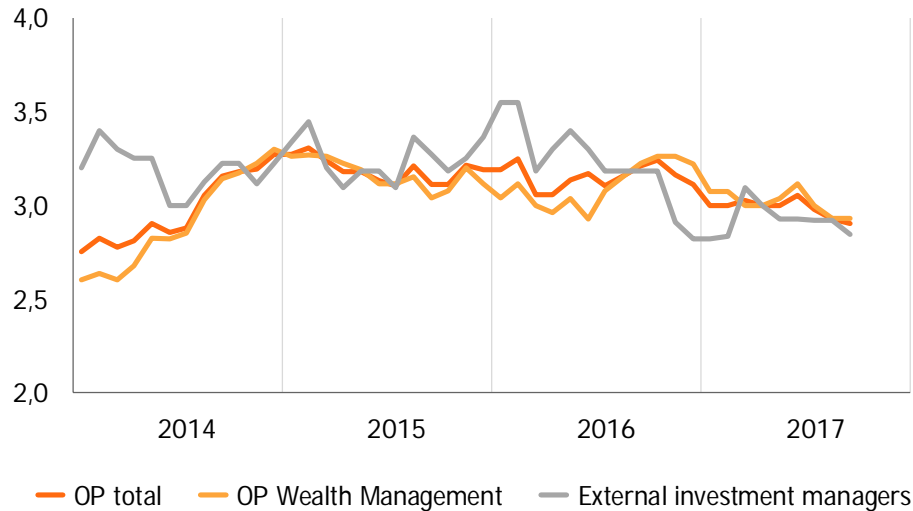
Growth in assets under management

Assets under management (gross) €billion

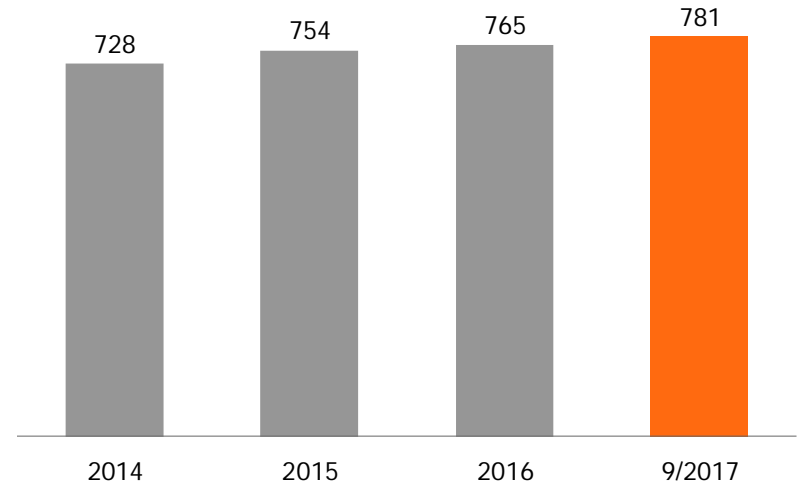


Number of clients and performance of mutual funds have remained at good level

Performance of Morningstar stars

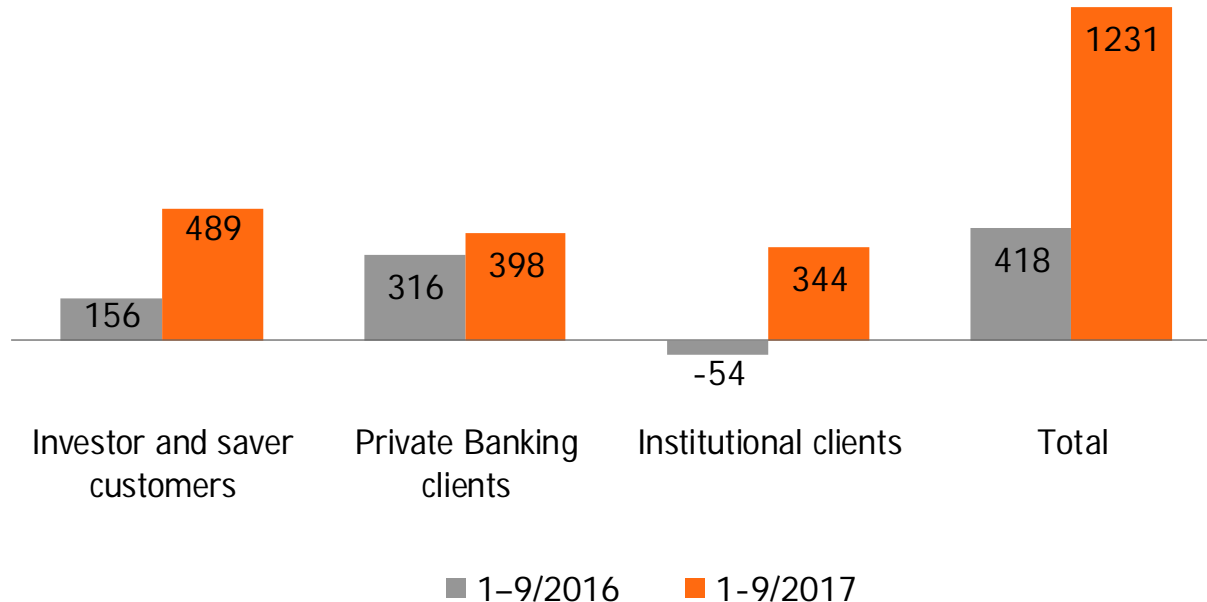


Investor and saver customers, 1000 pers.

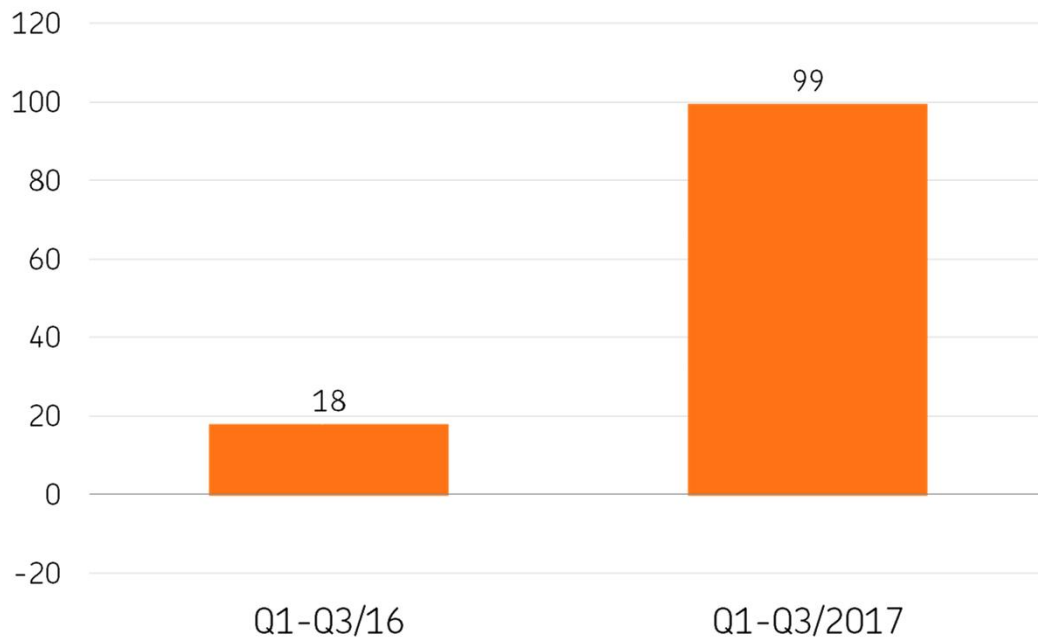


Net inflows supported by improved capital markets

Net inflows € million

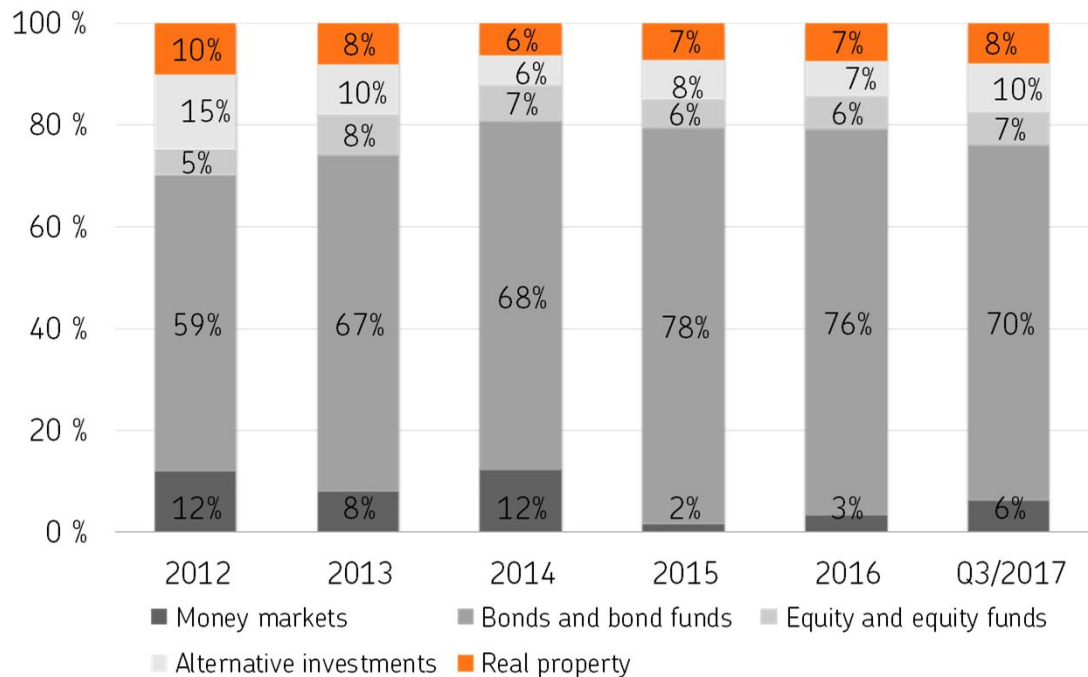


Net return on investments at fair value*, € million



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

The risk level of Life Insurance investment assets* (EUR 3.8 billion) has been lowered with determination



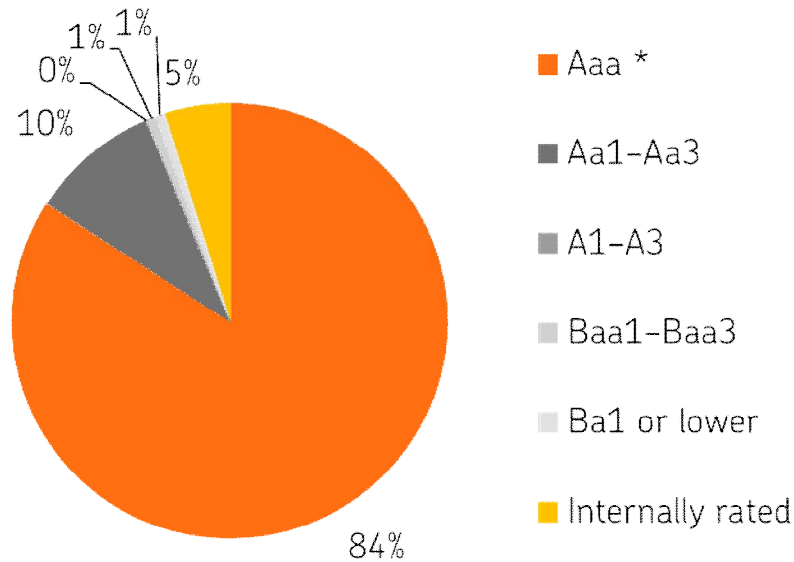
* Excluding assets covering unit-linked insurance, interest rate derivatives hedging insurance liability and the separated balance sheets.

A man with a beard, wearing a blue blazer over an orange sweater and large white headphones, is sitting on a wooden deck. He is focused on a silver laptop in front of him, with his hands on the keyboard. The background consists of vertical wooden slats.

Liquidity and Funding

Liquidity buffer includes highly-rated assets

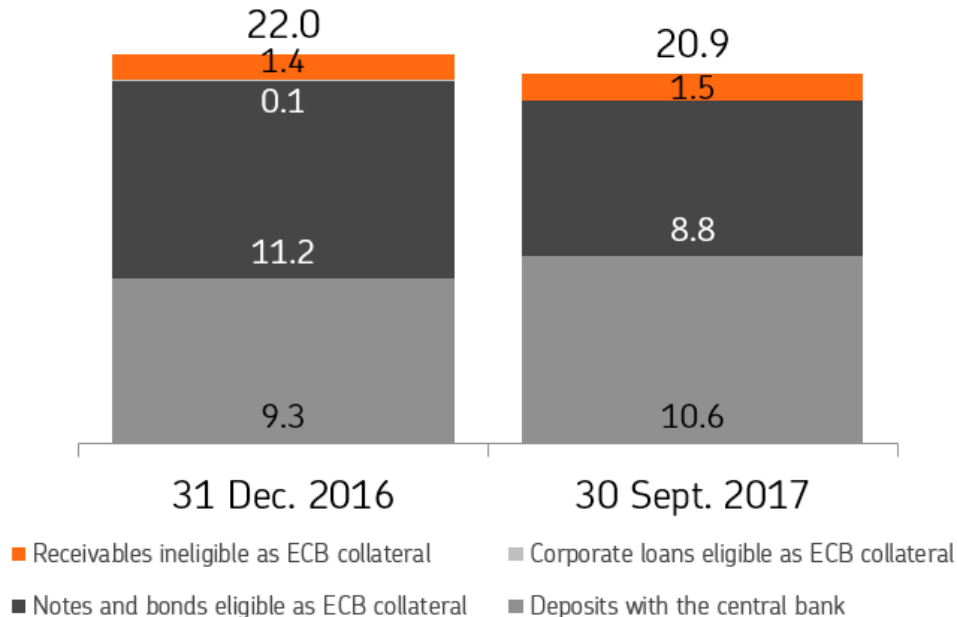
Liquidity buffer by credit rating as of 30 September 2017



* incl. deposits with the central bank

Liquidity buffer €20.9 bn at end-September

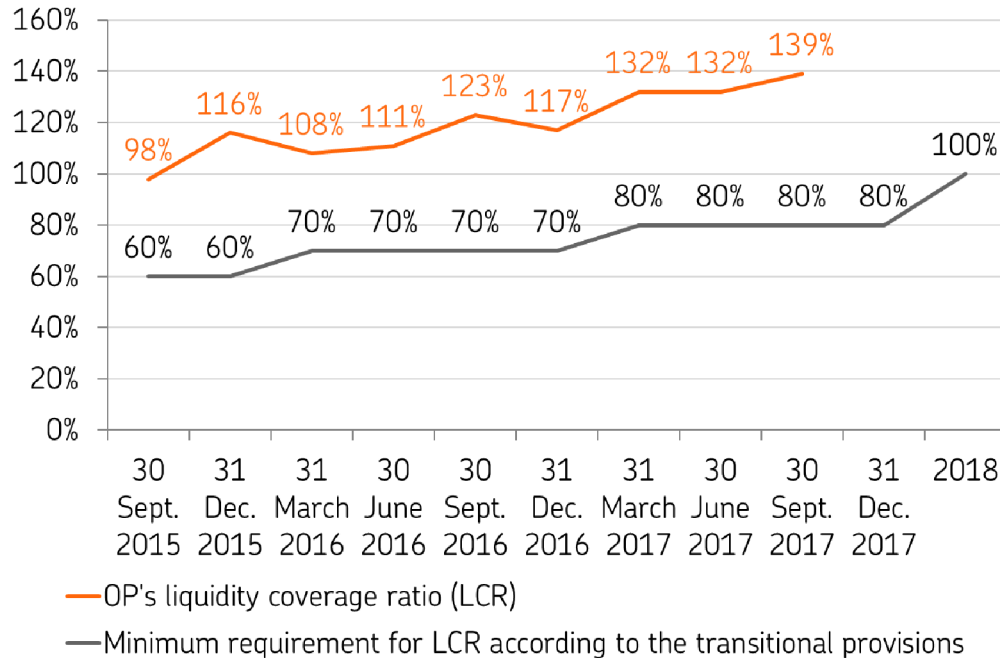
Liquidity buffer breakdown, € bn



Decrease in the amount of notes and bonds eligible as collateral was due, for example, by their use as collateral in TLTRO-II.

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.

Liquidity coverage ratio 139% at end-September

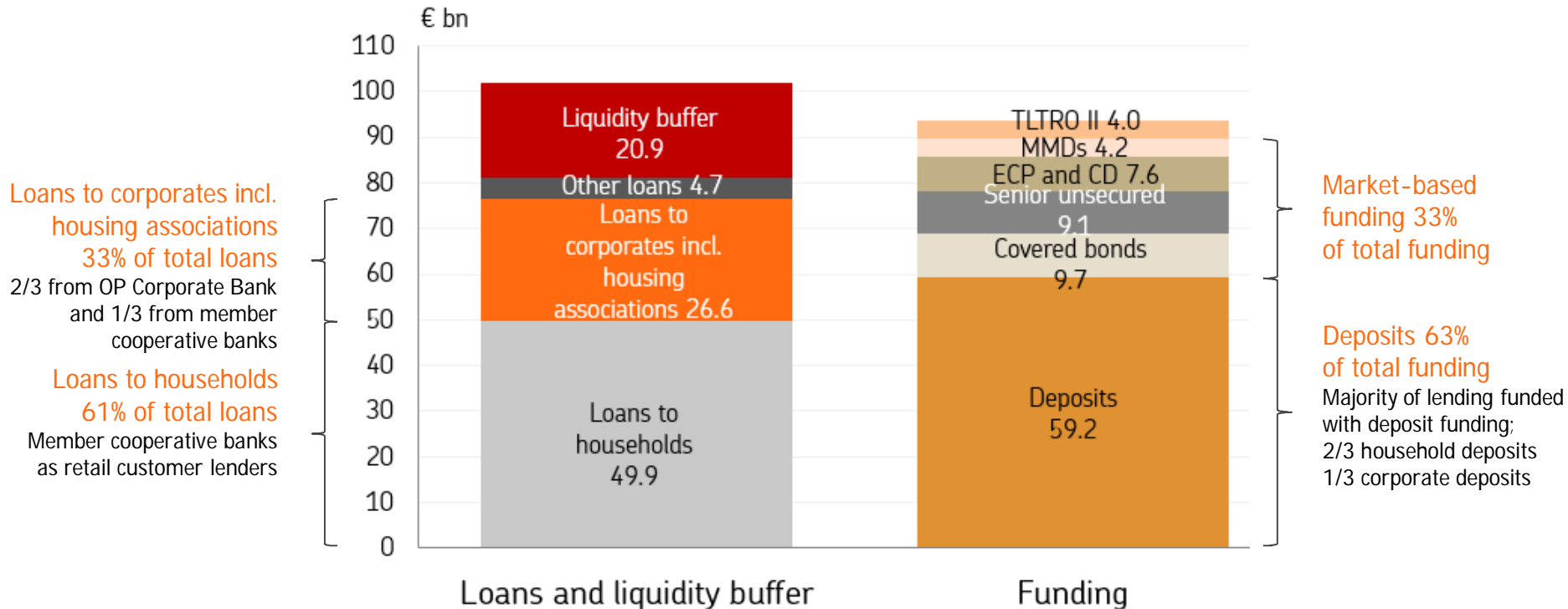


OP monitors its liquidity and the adequacy of its liquidity buffer using LCR.

According to the transitional provisions, LCR must be at least 80% in 2017 and at least 100% from the beginning of 2018.

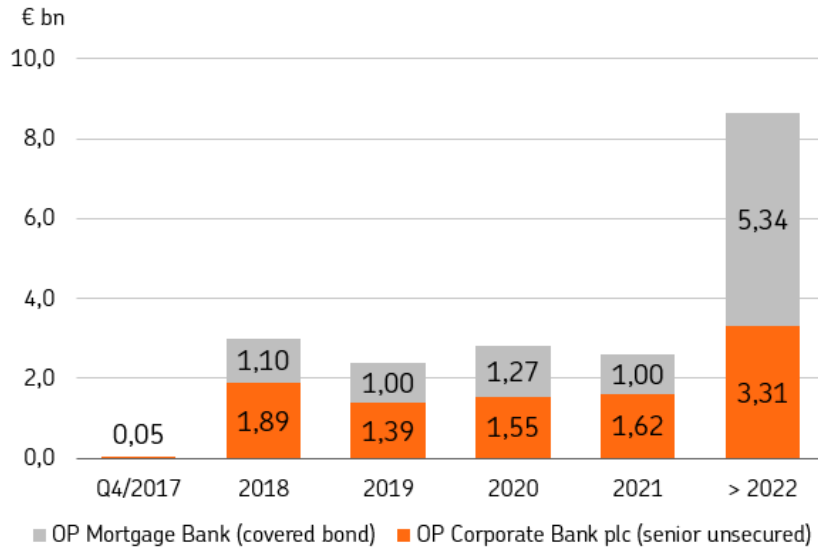
Loans, liquidity buffer and funding

30 September 2017



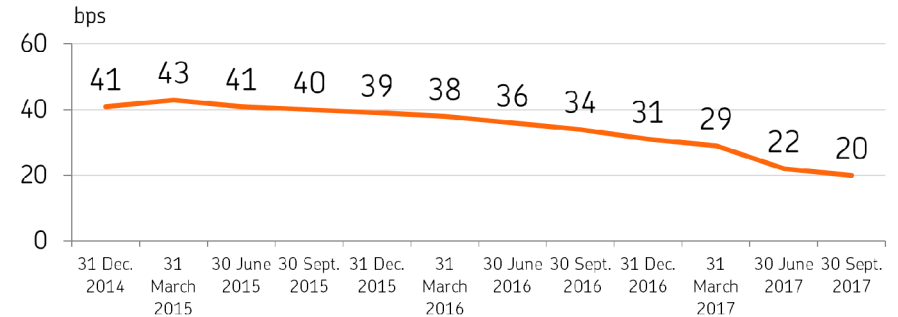
Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 30 September 2017



OP issued long-term bonds worth €2.9 billion during Q1-3/2017. Additionally, OP participated in the ECB's TLTRO II refinancing operation with €1 billion in March 2017.

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



Issued senior unsecured and covered bonds

OP Corporate Bank plc's benchmark senior unsecured bonds 2015–17

Year	Month	Amount	Maturity	Interest rate
2017	April	€500 mn	5.5 yrs	m/s +27 bps
2016	January	€500 mn	5 yrs	m/s +65 bps
2015	November	Total ¥30 bn (€228 mn), 2 issues	5 yrs (floating) & 5 yrs (fixed)	m/s +59.9 bps & m/s +66.1 bps
2015	May	GBP300 mn	3 yrs	Eb3 +16 bps
2015	May	GBP400 mn	7 yrs	Eb3 +58 bps
2015	March	€1 bn	7 yrs	m/s +33 bps

OP Mortgage Bank's benchmark covered bonds 2015–17

Year	Month	Amount	Maturity	Interest rate
2017	June	€1 bn	10 yrs	m/s +1 bp
2017	March	€1 bn	7 yrs	m/s -4 bps
2016	May	€1.25 bn	7 yrs	m/s +4 bps
2015	November	€1.25 bn	5 yrs	m/s +5 bps
2015	September	€1 bn	7 yrs	m/s -1 bp

A man with a beard, wearing a blue blazer over an orange sweater and large white headphones, is sitting on a wooden bench. He is focused on a silver laptop in front of him, with his hands on the keyboard. The background is a wooden wall. A white horizontal line is positioned above the text 'Capital Adequacy'.

Capital Adequacy

Three capital requirements

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

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

Solvency II for insurance
companies

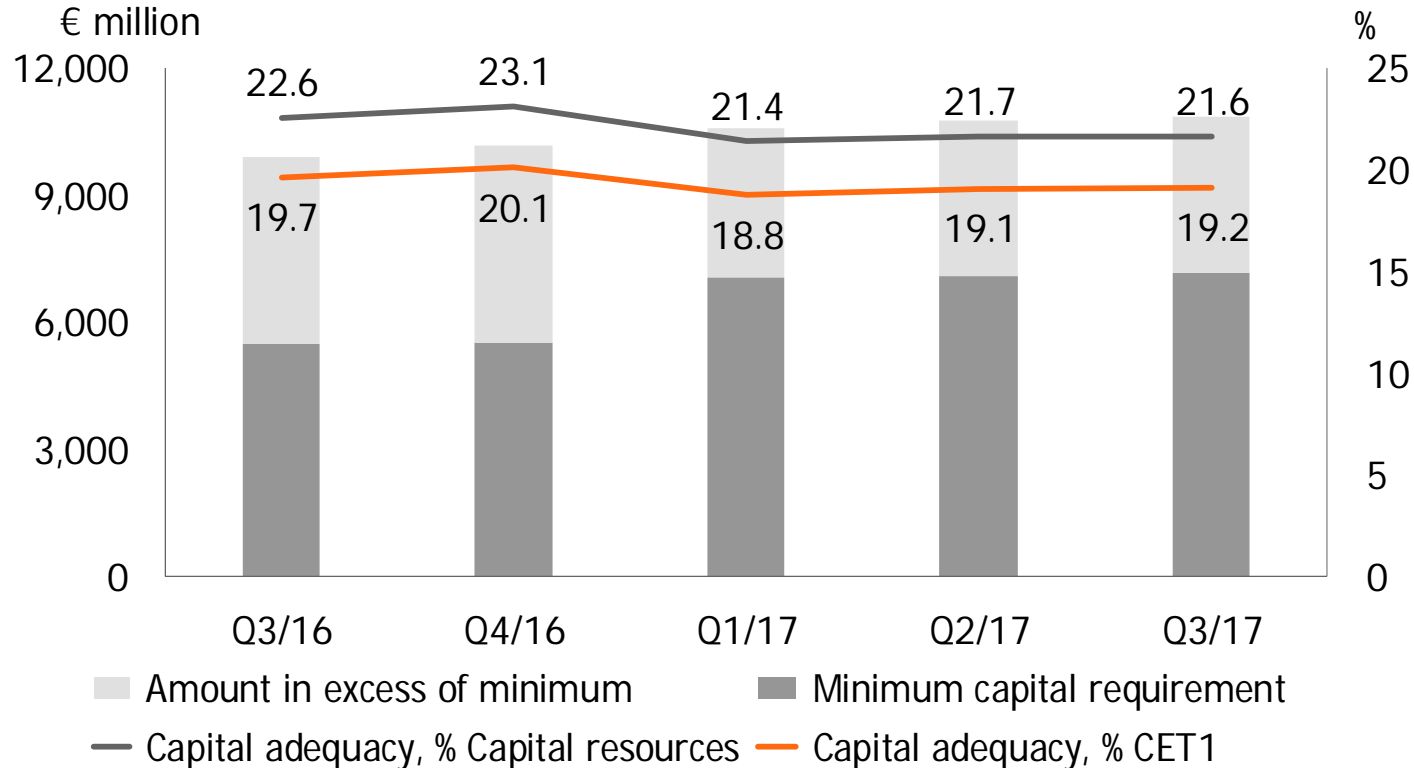
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies. The companies are required to cover SCR using the Group's sufficient buffer specified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

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

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

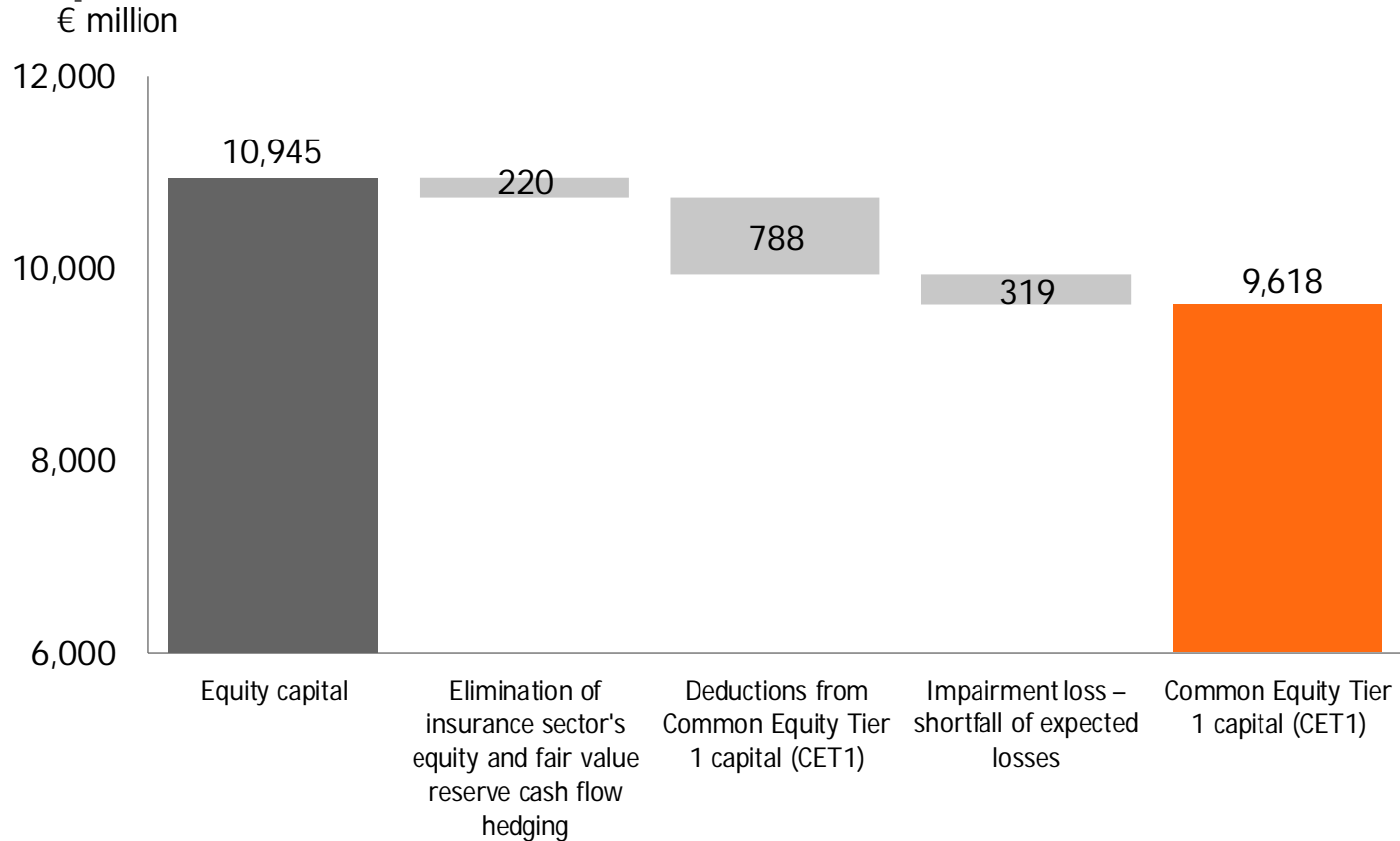
The amalgamation of the cooperative banks

Capital base and capital adequacy

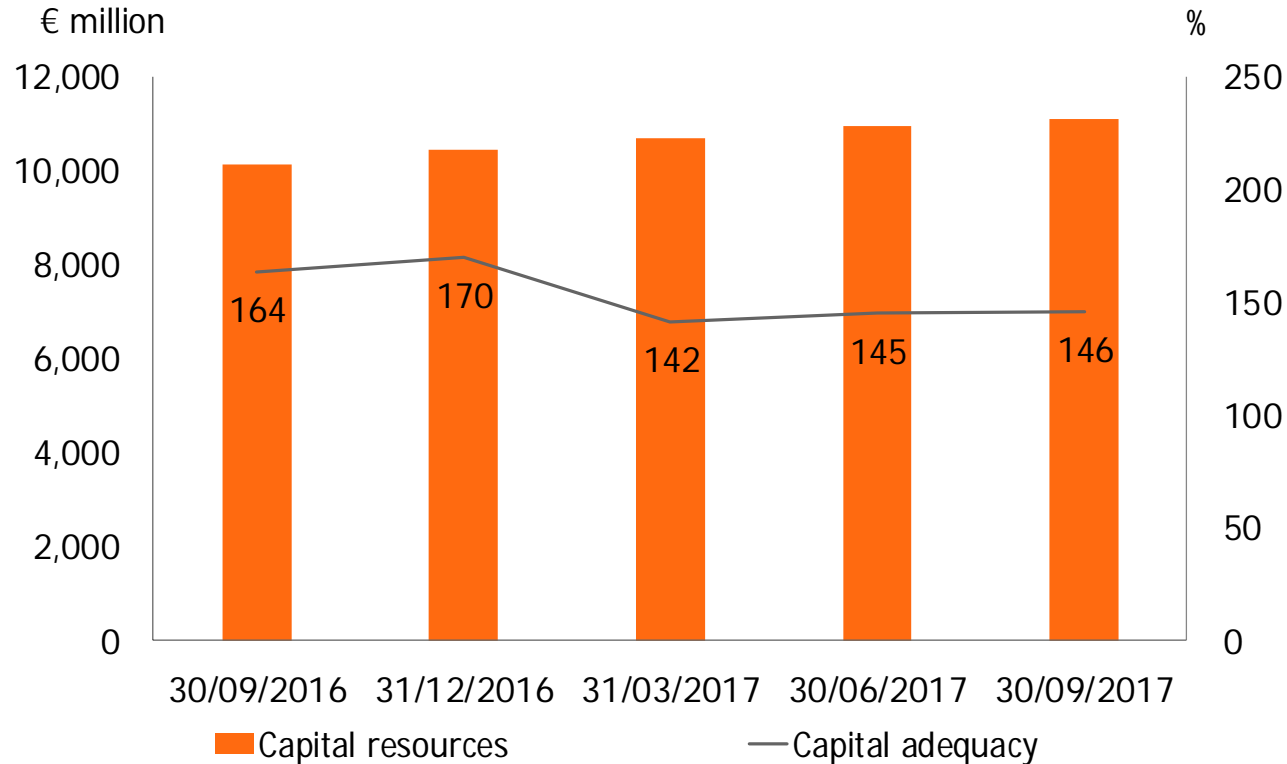


Common Equity Tier 1 (CET1)

30 September 2017

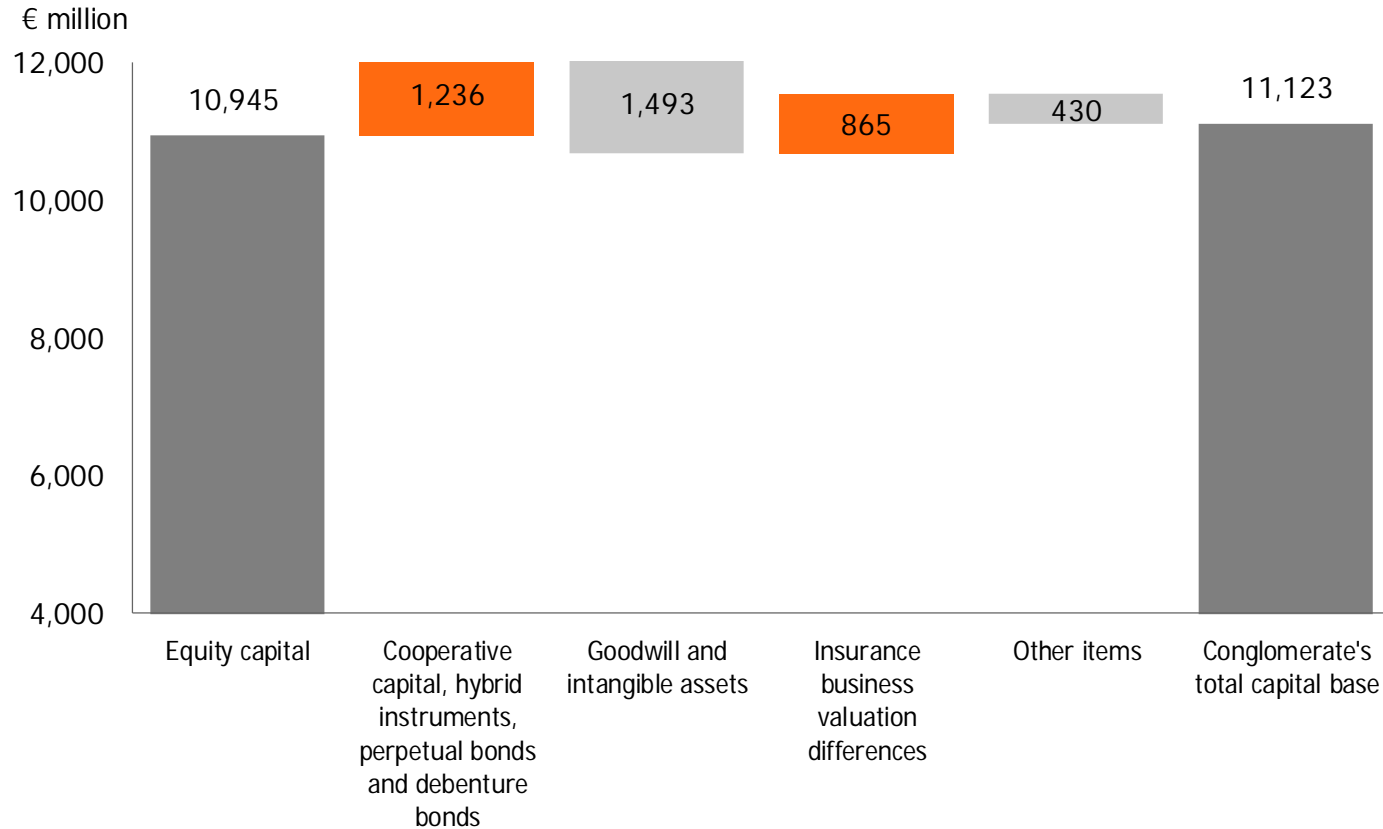


OP Financial Group FiCo solvency



Total capital base under the Act on the Supervision of Financial and Insurance Conglomerates

30 September 2017



A man with a beard, wearing a blue blazer over an orange sweater and white headphones, is sitting on a wooden bench outdoors. He is focused on a silver laptop in front of him, with his hands on the keyboard. The background consists of a wooden fence.

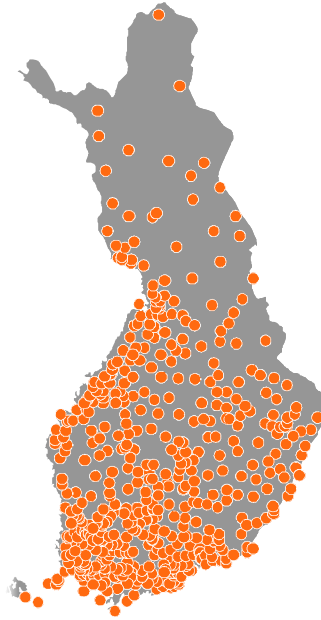
OP in a nutshell

OP is a financial services group owned by its customers. We promote our owner-customers' and operating environment's sustainable financial prosperity, safety and wellbeing. Finnish roots, Finland's most extensive service network and true customer focus make us a unique play in many ways.

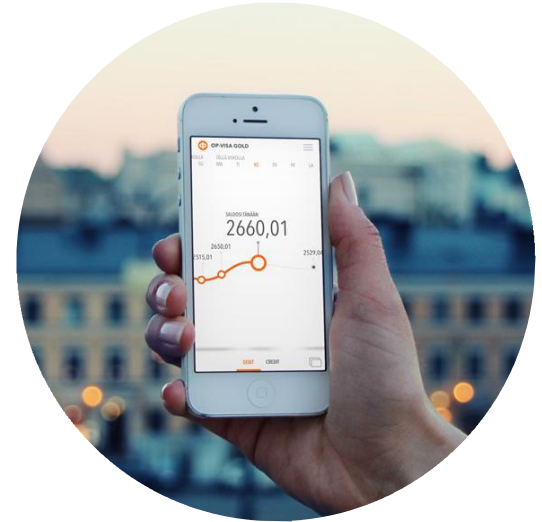
OP in a nutshell



Approximately 1.8 million
owner-customers



About 170
Group member cooperative banks



Hyperlocal digital
financial services group

Our cooperative company form enables our **dual role**, which is also the foundation for our unique identity



Business role

+



Social role

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



OP Financial Group's numerical targets

	30 Sept. 2017	Target 2019
Customer experience, NPS (-100--+100)		
Brand	20.4	25
Service	57	70, over time 90
CET1 ratio, %	19.2	22
Return on economic capital, % (12-month rolling)	21.4	22
Expenses of present-day business (12-month rolling), € million	1,645	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	1.8	2.1 (2019)

OP Financial Group's service channels

	1-30 Sept. 2017	30 Sept. 2017	12-month change
Online and mobile services			
Op.fi visits (private customers)	9,373,050	-	- 4.8%
OP-mobile visits, (private customers)	15,949,547	-	+ 32.9%
Pivo mobile wallet application visits	2,061,579	-	+ 13.7%
eServices Agreements (private customers)	-	1 843 259	+ 129,547
Branches and telephone services			
Bank branches	-	419	- 28
Providing both non-life insurance and banking services	-	334	- 6
Private Banking branches	-	39	+ /- 0
Customer contacts in telephone service	323,182	-	- 17,230
Social media			
Followers on Facebook (OP Financial Group and member cooperative banks)	-	296,408	+ 53,660
Followers on Twitter	-	27,145	+ 4,054
Followers on LinkedIn	-	16,568	+ 5,481
Followers on Instagram	-	5,877	+ 2,479

Joint Liability, Deposit Insurance and Investors' Compensation

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

A man with a beard, wearing a blue blazer over an orange sweater and large white headphones, is sitting on a wooden deck. He is focused on a silver laptop in front of him, with his hands on the keyboard. The background consists of vertical wooden slats.

Let's take care of ourselves.