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

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

Earnings before tax EUR 838 million – income increased by 10% and comparable expenses decreased

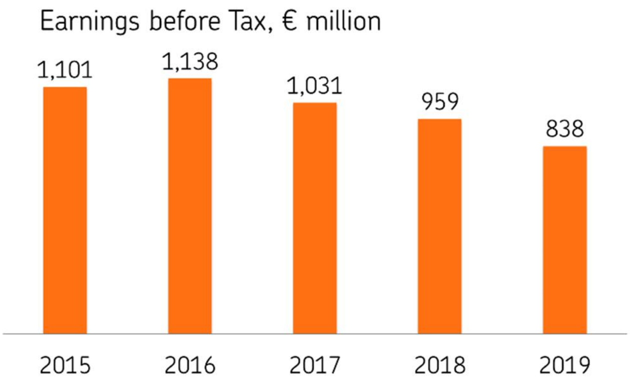
Earnings before tax Q1–4/2019	Net interest income Q1–4/2019	Net insurance income Q1–4/2019	Net commissions and fees Q1–4/2019	CET1 ratio 31 Dec 2019
€838 million	+5%	–26%	+6%	19.5%

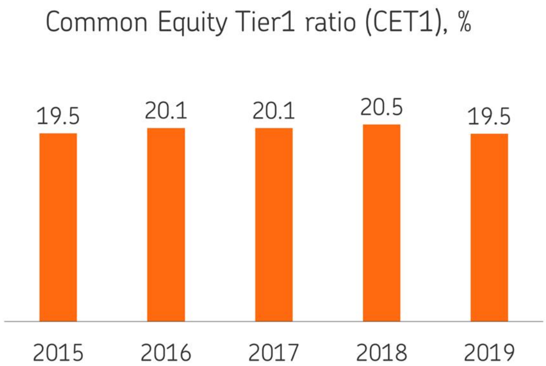
- Earnings before tax amounted to EUR 838 million (959).
- Net interest income increased by 5% to EUR 1,241 million and net commissions and fees by 6% to EUR 936 million. Net insurance income decreased by 26% to EUR 421 million.
- Investment income rose year on year by EUR 214 million, to EUR 425 million.
- Income increased by a total of 10% (by 6% including the overlay approach).
- Total expenses increased by 13% to EUR 1,903 million. OP Financial Group transferred the management of the majority of the personnel's statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company at the end of 2018, which lowered expenses by EUR 286 million in that year's income statement. In view of this, comparable expenses decreased by 3% to EUR 1,903 million.
- Impairment loss on receivables was EUR 87 million (46).
- OP Financial Group's loan portfolio grew by 5% to EUR 91 billion and the deposit portfolio by 4% to EUR 64 billion.
- The CET1 ratio was strong at 19.5% (20.5). The planned adoption of a new definition of default in March 2020 is expected to weaken the CET1 ratio by 1.3 percentage points.
- Retail Banking earnings before tax decreased by 44% to EUR 235 million. Excluding the effect of the transfer of earnings-related pension liability, earnings before tax increased by 6%. Net interest income increased by 4% and net commissions and fees by 5%. Net investment income decreased by EUR 26 million. The loan portfolio increased by 5% and deposits by 7%.
- Corporate Banking earnings before tax decreased by 24% to EUR 311 million. Excluding the effect of the transfer of earnings-related pension liability, earnings before tax decreased by 17%. Net interest income increased by 10%, but net commissions and fees decreased by 3% and net investment income fell by 28%. The lower net investment income is explained by changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes and by changes in the valuation models of derivatives made at the beginning of the year. The loan portfolio increased by 6%.
- Insurance earnings before tax increased by 43% to EUR 373 million. Net insurance income decreased by 26% to EUR 431 million. The reduction in the discount rate for insurance liability reduced net insurance income by EUR 136 million. Investment income rose by EUR 239 million to EUR 331 million. The operating combined ratio was 92.7% (92.0).
- Other Operations earnings before tax were EUR –37 million (–64).
- In 2019, OP Financial Group invested EUR 313 million (384) in business development and improving customer experience.
- OP bonuses totalled EUR 254 million.
- In 2019, OP Financial Group achieved its strategic target of 2 million owner-customers in OP cooperative banks. The Group had a total of 1.2 million joint banking and insurance customers.
- On 31 January 2020, OP Cooperative, OP Financial Group's central cooperative, sold the Vallila property to a South Korean-Finnish consortium. The sale of the property will improve OP Financial Group's CET1 ratio by some 0.2 percentage points.
- Earnings before tax for 2020 are expected to be at about the same level as in 2019. For more detailed information on the outlook, see "Outlook for 2020".

OP Financial Group's key indicators

	Q1–4/2019	Q1–4/2018	Change, %
Earnings before tax, € million	838	959*	-12.6
Retail Banking	235	421	-44.2
Corporate Banking	311	408	-23.8
Insurance	373	260	43.1
Other Operations	-37	-64	-
New OP bonuses accrued to owner-customers	-254	-230	10.7
Return on economic capital, %***	17.2	20.8	-3.6**
Return on equity (ROE), %	5.5	6.5	-1.0**
Return on equity, excluding OP bonuses, %	7.1	8.1	-1.0**
Return on assets (ROA), %	0.47	0.54	-0.1**
Return on assets, excluding OP bonuses, %	0.60	0.67	-0.1**
	31 Dec 2019	31 Dec 2018	Change, %
CET1 ratio, %	19.5	20.5	-1.0**
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates, or Fico), % ****	138	147	-9**
Loan portfolio, € billion	91.5	87.0	5.1
Deposits, € billion	64.0	61.3	4.4
Ratio of non-performing receivables to loan and guarantee portfolio, %*****	1.1	1.0	0.1**
Owner-customers (1,000)	2,003	1,911	4.8

*In Q4, OP Financial Group adopted an amortisation-based revenue recognition method for the customer margin related to a derivative clause attached to loans with an interest rate cap or interest rate collar. The effect of this change was adjusted retrospectively in OP Financial Group's retained earnings (under equity). In addition, the income statements and balance sheets for 2018 and 2019 were restated to reflect the new revenue recognition practice. The change had no effect on segment reporting. Capital adequacy measurement was not adjusted retrospectively.
**Change in ratio
***12-month rolling
****The FiCo ratio has been calculated for insurance companies using transition provisions included in solvency regulation.
*****Non-performing receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables related to such receivables due to the customer's financial difficulties.





Comments by President and Group Chief Executive Officer Timo Ritakallio

Our customer business continued to develop favourably in 2019. Income increased by 10% year on year, and our market share developed positively in home loans and corporate loans as well as in the non-life insurance business. Our loan portfolio grew by 5% to EUR 91 billion and deposit portfolio by 4% to EUR 64 billion. Investment income was excellent, thanks to favourable market developments.

We have also managed to cut down our expenses. Comparable expenses decreased by 3% year on year. Impairment loss on receivables increased clearly in 2019 but still remained low.

Earnings before tax for 2019 amounted to EUR 838 million, which was EUR 121 million lower than the year before. In 2018, earnings were higher due to the transfer of the statutory earnings-related pension liability to Ilmarinen. In comparable terms, excluding the effect of the pension liability transfer, the earnings for 2019 increased by EUR 165 million.

Our capital ratio (CET1) remained strong at 19.5%.

At the end of 2019, the number of OP Financial Group's owner-customers exceeded two million. During the year, we got 92,000 new owner-customers. In the future, we aim to ensure that we provide our owner-customers with the best benefits in banking and insurance services.

We have taken determined steps to improve customer experience and managed to shorten response times in our telephone services and to improve customer satisfaction. More than one million of our customers have adopted the Mobile key, a secure identification method. In January 2020, the use of the Mobile key was extended to op.fi.

At OP Financial Group's central cooperative, we have implemented a more self-directed way of working. The purpose of this change is to achieve better customer and employee experience and cost savings. This has required us to revise job descriptions in all of our business segments. At the end of the year, we completed the Information and Consultation of Employees process in centres of excellence and in the service centre. Approximately 1,900 employees worked in the functions affected by the process. As a result, around 460 roles ceased to exist and some 190 new roles were created. The negotiations were held in good cooperation with employee representatives.

In 2020, cost management will be our challenge. Banks' results will be under pressure due to low interest rates and tightening banking regulation. This year, we expect our earnings to be at about the same level as in 2019.

In 2019, political uncertainty had a negative impact on the world economy and global trade suffered from the expanding trade war. In financial markets, sentiments varied sharply, but eventually the year was favourable for investors. Measures taken by central banks supported financial markets and bolstered confidence in the world economy.

Economic growth in Finland decelerated only slightly, thanks to the favourable development of the service sector. The overall economic picture remained relatively positive, although consumer confidence declined during the year.

Economic risks have decreased since last year's gloomiest sentiment. However, the outlook is subdued, and we can expect slow growth. There is no favourable economic situation to boost economic policy. Many long-term challenges remain to be solved, and new ones arise due to issues such as climate change. This is a challenging operating environment, both for governments and businesses.

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

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Business environment

World economic growth slowed down gradually during 2019 and remained on average the slowest since the beginning of the decade. Developments in global trade, in particular, were weak, partly due to the trade war. With lukewarm economic growth, inflation remained subdued.

In September, the ECB cut its deposit rate from –0.4 per cent to –0.5 per cent. At the beginning of November, the ECB also resumed buying assets worth EUR 20 billion a month.

Short-term market rates decreased slightly during 2019. Longer-term market rates decreased more markedly but recovered from the late summer's pessimistic mood towards the year end. Stock prices rose in the latter part of the year when larger risks were seen to be lessened. Stock markets strengthened markedly during the year.

According to preliminary information, Finnish economic growth slowed from the previous year. Economic growth was sustained by consumption and service exports. Goods exports suffered from faltering export markets. Growth in construction slowed down and fixed investments, by and large, were sluggish. The housing market picked up towards the year end. Demand focused on smaller flats and prices rose only slightly on average.

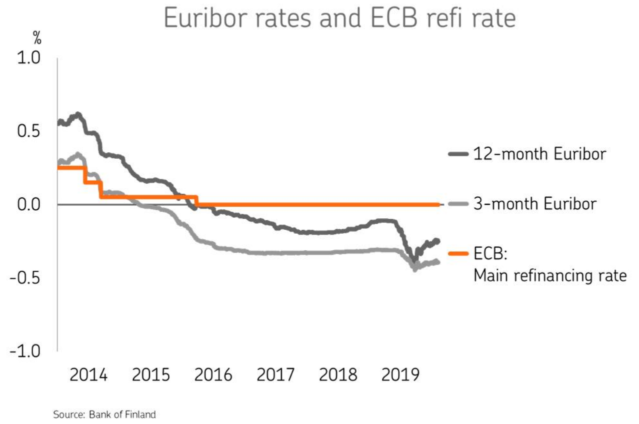
Economic growth is expected to remain subdued in Finland's main export markets. The European Central Bank has stated that the main refinancing rates will remain unchanged or lower until the inflation outlook is in line with the inflation target. Finnish economic growth is expected to be slow as exports are assumed to slacken and construction activity to fall. However, consumer demand should be supported by developments in real wages and the labour market that is assumed to remain relatively strong. The outlook for the housing market too is expected to remain steadily favourable.

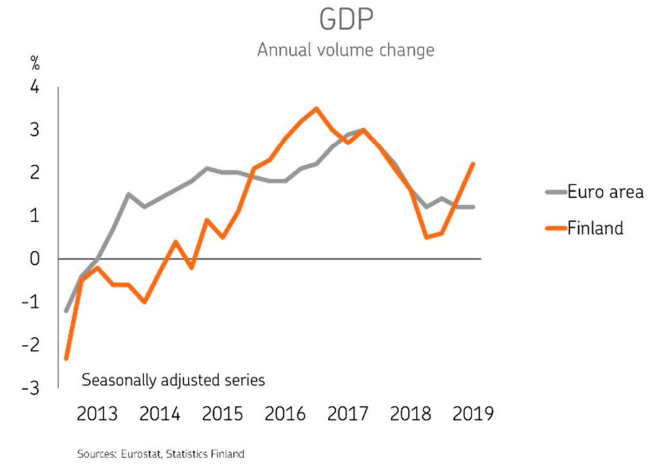
In the fourth quarter of the year, growth in total consumer loans accelerated to 3.0%. Greater demand for home loans supported this positive development. Based on the statistics of the Bank of Finland, the growth rate of consumer loans slowed to 4.3%. This growth in consumer loans came solely from unsecured loans. Corporate and housing company loans increased by 7.3%. The banking barometer anticipates moderate growth in consumer loans whereas the growth outlook for corporate loans is expected to be weaker.

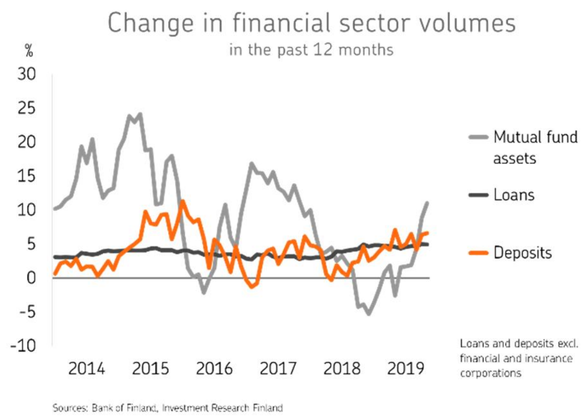
Total deposits increased by 4.3% over the previous year. The annual growth rate of household deposits decelerated to 6.6%. Corporate deposits increased by 5.0% over the previous year whereas the volume of deposits by public-sector entities decreased.

The value of mutual funds registered in Finland rose to EUR 124.7 billion at the end of 2019. Favourable developments in the investment environment increased the values of equity funds and bond funds.

Premiums written in the insurance sector increased by over 3% in 2019. The uncertain economic outlook, weak returns on fixed income investments and claims incurred on the rise will cast a shadow over the favourable development.







Earnings analysis and balance sheet

Earnings analysis, € million	Q1–4/2019	Q1–4/2018	Change, %	Q4/2019	Q4/2018	Change, %
Earnings before tax	838	959	-12.6	161	311	-48.2
Retail Banking	235	421	-44.2	42	227	-81.4
Corporate Banking	311	408	-23.8	79	109	-27.6
Insurance	373	260	43.1	94	20	361.2
Other Operations	-37	-64	-	-41	-27	-
Income						
Net interest income	1,241	1,186	4.6	318	309	3.0
Net insurance income	421	566	-25.7	9	134	-93.2
Net commissions and fees	936	887	5.5	257	232	10.8
Net investment income	530	185	186.9	257	-51	-
Other operating income	53	61	-12.7	12	15	-16.4
Total income	3,181	2,885	10.3	854	639	33.7
Expenses						
Personnel costs (excl. transfer of earnings-related pension liability)	781	803	-2.6	208	211	-1.2
Transfer of statutory earnings-related pension liability	-	-286	-	-	-286	-
Depreciation/amortisation and impairment loss	278	325	-14.6	88	136	-34.9
Other operating expenses	844	839	0.5	242	242	-0.4
Total expenses	1,903	1,681	13.2	538	303	77.6
Impairment loss on receivables	-87	-46	-	-51	-22	-
Overlay approach	-105	26	-496.4	-40	56	-171.4
New OP bonuses accrued to owner-customers	-254	-230	-	-63	-58	-

In Q4, OP Financial Group adopted an amortisation-based revenue recognition method for the customer margin related to a derivative clause attached to loans with an interest rate cap or interest rate collar. The effect of this change was adjusted retrospectively in OP Financial Group's retained earnings (under equity). In addition, the income statements and balance sheets for 2018 and 2019 were restated to reflect the new revenue recognition practice. The segment figures for 2018 have been changed to correspond to the new segments. In addition, the comparatives have been changed as a result of the change in presentation of trading interest income and expenses. More details are available in the Notes to this financial statements bulletin.

Key indicators, € million	31 Dec 2019	31 Dec 2018	Change, %
Loan portfolio	91,456	87,016	5.1
Home loans	39,572	38,558	2.6
Corporate loans	22,509	21,136	6.5
Housing company and other loans	29,375	27,323	7.5
Deposits	63,998	61,327	4.4
Assets under management (gross)	81,187	71,850	13.0
Mutual funds	25,610	22,653	13.1
Institutional clients	22,543	21,505	4.8
Private Banking	22,181	17,887	24.0
Unit-linked insurance savings	10,852	9,805	10.7
Balance sheet total	147,023	140,294	4.8
Investment assets	23,509	23,050	2.0
Total insurance liabilities	20,338	19,288	5.4
Debt securities issued to the public	34,369	30,458	12.8
Equity	12,570	11,742	7.1

January–December

OP Financial Group's earnings before tax amounted to EUR 838 million (959). The figure decreased by EUR 121 million over the previous year. Net interest income, net commissions and fees and net investment income increased. The earnings were reduced by lower net insurance income and higher impairment loss on receivables. OP Financial Group transferred the management of the majority of the personnel's statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company at the end of 2018, which lowered expenses by EUR 286 million in that year's income statement. Excluding the effect of this transfer, expenses decreased by 3.3% year on year.

Net interest income increased by 4.6% to EUR 1,241 million. Net interest income reported by the Retail Banking segment increased by EUR 36 million and that by the Corporate Banking segment by EUR 33 million. OP Financial Group's loan portfolio grew by 5.1% to EUR 91.5 billion and deposits by 4.4% to EUR 64.0 billion.

Net insurance income totalled EUR 421 million (566). The Insurance segment's non-life insurance premium revenue increased by 0.9% to EUR 1,479 million. Excluding the Baltic business sold in 2018, non-life insurance premium revenue increased by 4.0%. Claims incurred increased by 17.4% to EUR 1,077 million. The reduction in the discount rate for insurance liability increased claims incurred by EUR 136 million (0). The operating combined ratio was 92.7% (92.0).

Net commissions and fees were EUR 936 million, or EUR 49 million higher than the year before. Net commissions and fees for payment transfer services increased by EUR 17 million, those for lending by EUR 6 million and asset management fees by EUR 23 million.

Net investment income increased by EUR 345 million to EUR 530 million. Net income from financial assets recognised at fair value through profit or loss totalled EUR 726 million (115). Derivatives have been used to hedge against interest rate risk associated with non-life insurance liability. As a result of this, an item worth EUR 136 million (0), which corresponds to the reduction in the discount rate, is shown as a positive value change in net investment income. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under equity. Total investment income grew by 101.5% year on year, to EUR 425 million. Capital gains recognised totalled EUR 197 million (36). The combined return on investments at fair value of OP Financial Group's insurance companies was 8.9% (0.7). The net change in the short-term life insurance supplementary interest rate provision decreased earnings by EUR 2 million. In the previous year, the net change in the short-term supplementary interest rate provision improved earnings by EUR 43 million. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 21 million over the previous year.

Other operating income fell by EUR 8 million year on year to EUR 53 million. The sale of occupational healthcare service business to Mehiläinen in the second quarter increased other operating income. A year ago, the entire share capital of the Baltic subsidiary Seesam Insurance AS was sold to Vienna Insurance Group (VIG). OP Financial Group recognised a total of EUR 16 million in non-recurring capital gain on the sale.

Total expenses increased by 13.2% to EUR 1,903 million. Excluding the effect of the transfer of earnings-related pension liability, total expenses decreased by 3.3% to EUR 1,903 million, personnel costs decreased by 2.6% to EUR 781 million and pension costs decreased by 26.2% to EUR 114 million. At the beginning of 2019, accounting for pensions transferred to Ilmarinen changed from defined benefit plans to defined contribution plans.

Development costs were EUR 183 million (203). Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 14.6% to EUR 278 million. Planned depreciation/amortisation increased by 11.7% to EUR 244 million. This increase resulted from higher development expenditure recognised for prior years and from the adoption of IFRS 16 Leases on 1 January 2019. Impairment write-downs decreased by EUR 73 million year on year.

Other operating expenses increased by 0.5% to EUR 844 million. ICT production costs increased by EUR 24 million. Lease expenses decreased by EUR 16 million due to the application of IFRS 16 in 2019.

Impairment losses on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 111 million (70), of which EUR 87 million (46) concerned loans and receivables. Changes in credit risk parameters, final loan losses, growth in the loan portfolio and the transfer of loans between impairment stages affected the increase in impairment loss on receivables. The ratio of non-performing receivables in loans and receivables to the loan and guarantee portfolio was low, at 1.1% (1.0).

OP Financial Group's current tax amounted to EUR 168 million (212). The effective tax rate was 20.1% (22.1).

In the third quarter, the Vallila property was classified as a non-current asset held for sale. The property's assets recognised in the balance sheet totalled EUR 314 million and liabilities EUR 6 million. The Vallila property comprises a block located in Vallila, Helsinki.

OP Financial Group's equity amounted to EUR 12.6 billion (11.7). Equity included EUR 3.0 billion (3.0) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.3). The return target for Profit Shares for 2019 was 3.25%. Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 97 million. The amount of interest paid for 2018 in June 2019 totalled EUR 94 million. The fair value reserve grew by EUR 244 million to EUR 251 million.

October–December

Earnings before tax for the fourth quarter were EUR 161 million against EUR 311 million a year ago. The earnings were improved by an increase in net interest income, net commissions and fees and net investment income. Meanwhile, net insurance income decreased year on year due to the reduction of the discount rate.

A year ago, the transfer of the earnings-related pension liability improved earnings before tax by EUR 286 million.

Total income of EUR 854 million increased by 33.7% year on year. Year on year, net interest income rose by 3.0% to EUR 318 million. Net insurance income decreased by 93.2% to EUR 9 million. The reduction in the discount rate for insurance liability reduced net insurance income by EUR 136 million. Excluding the reduced discount rate, net insurance income increased by EUR 12 million. Net commissions and fees were EUR 257 million, or EUR 25 million higher than the year before. Asset management fees grew by EUR 31 million due to the increase in performance based fees. Investment income, including the overlay approach, increased by EUR 212 million year on year, to EUR 217 million. Derivatives have been used to hedge against interest rate risk associated with non-life insurance liability. As a result of this, an item worth EUR 136 million (0), which corresponds to the reduction in the discount rate, is shown in a positive value change in net investment income. Other operating income fell by 16.4% year on year to EUR 12 million.

Total expenses increased by 77.6% year on year to EUR 538 million. Excluding the effect of the transfer of earnings-related pension liability, total expenses decreased by 8.7% to EUR 538 million, personnel costs decreased by 1.2% to EUR 208 million and pension costs decreased by 42.5% to EUR 24 million. Depreciation/amortisation and impairment losses decreased by 34.9% year on year to EUR 88 million. Impairment loss on PPE and intangible assets were EUR 48 million lower than a year ago. Other operating expenses remained at the previous year's level at EUR 242 million. Impairment loss on receivables were EUR 51 million, or EUR 29 million higher than a year ago. Changes in credit risk parameters, final loan losses, growth in the loan portfolio and the transfer of loans between impairment stages affected the increase in impairment loss on receivables.

October–December highlights

At its meeting on 30 October 2019, OP Cooperative's Supervisory Board (as of 1 January 2020, the Supervisory Council) decided on the conditional composition of OP Cooperative's new Board of Directors. As proposed by the Nomination Committee set up by OP Cooperative's Supervisory Board, ten (10) members were appointed to the new Board of Directors. The Supervisory Council confirmed the appointments on 1 January 2020 when OP Cooperative adopted a new three-tier governance structure.

On 11 December 2019, OP Cooperative's Supervisory Board elected from among its members a new Chair and Vice Chairs. The new Chairs assumed their responsibilities on 1 January 2020.

OP Financial Group's strategic targets and focus areas

Strategy 2016

Below are the strategic targets based on OP Financial Group's strategy confirmed in 2016 and the outcomes during the strategy period 2016–2019.

OP Financial Group's strategic targets	31 Dec 2019	31 Dec 2018	Target 2019
Customer experience, Net Promoter Score (NPS) (-100–+100)			
Brand	26	23	25
Service encounter	62	61	70
CET1 ratio, %	19.5	20.5	22
Return on economic capital, % (12-month rolling)	17.2	20.8	22
Expenses of present-day business (12-month rolling), € million	1,827	1,833	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	2,0	1,9	2,0

Strategy 2019

At its meeting on 12 June 2019, the Supervisory Board of OP Financial Group's central cooperative confirmed the Group's updated strategy. OP Financial Group has adopted a new type of strategy process in which it assesses, reshapes and implements its strategy on an ongoing basis. The Group will systematically assess its business environment and operating model to be able to make and implement new strategic choices when needed.

At the same time, the Supervisory Board confirmed OP Financial Group's vision for future direction, to be "the leading and most appealing financial services group in Finland", and a more detailed content of the vision. The Group has created the strategy and the content of the vision together with OP cooperative banks, governing bodies and personnel.

OP Financial Group's core values remained the same. OP Financial Group somewhat simplified its mission: "We promote the sustainable prosperity, security and wellbeing of our owner-customers and business environment."

Furthermore, the Supervisory Board adopted OP Financial Group's strategic priorities for 2020:

- Best customer experience
- More benefit for owner-customers
- Excellent employee experience
- Faster growth in profits than in expenses
- Productive development.

The priorities reviewed annually will help achieve the shared vision.

On 30 November 2019, the Supervisory Board of OP Financial Group's central cooperative confirmed OP Financial Group's new, Group-level strategic long-term targets. The new targets will enter into force as of 1 January 2020.

OP Financial Group's new strategic long-term targets are as follows:

Indicator	Target
Return on equity (ROE excluding OP bonuses)	8% in 2025
CET1 ratio	To be determined later
Brand recommendations, NPS (Net Promoter Score, private and corporate customers)	30 in 2025

The CET1 target will be determined later as the effects of the regulatory and supervisory environment become clearer. In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment include the amendments to the Act on Credit Institutions that will enter into force at the end of 2020, the obligations, if any, imposed by the supervisor due to the ECB's targeted review of internal (IRBA) models (TRIM), and obligations imposed by the supervisor due to the new definition of default. In addition, OP Financial Group's credit rating target is at least AA-/Aa3.

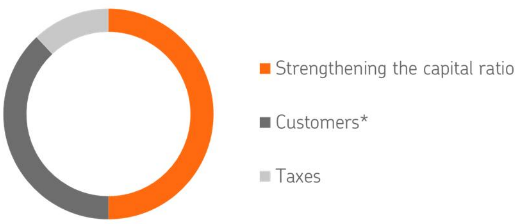
Promotion of the success of owner-customers and business environment

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and business environment. OP's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. The Group's core values are People First, Responsibility, and Succeeding Together.

Allocation of earnings

As a cooperative business, OP Financial Group aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. The shared success will be used for the benefit of owner-customers in the form of loyalty benefits and other financial benefits as well as the maintenance and further development of service capabilities.

OP Financial Group's estimated earnings allocation for the reporting period that is to be confirmed after the end of the financial year:



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

Implementing OP Financial Group's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. OP Financial Group uses a significant amount of its earnings to enhance its capital base. That will require efficiency and earnings power of the Group in the years to come too.

A considerable amount of earnings is returned to the owner-customers in the form of OP bonuses and other benefits and discounts. According to the fundamental cooperative business principle, benefits are allocated on the basis of the extent to which each member uses the cooperative's services. OP's loyalty benefit programme consists of OP bonuses – generated in proportion to almost all of a person's transactions with OP – as well as benefits and discounts related to OP's banking services, insurance contracts and saving and investment services. Furthermore, some service packages are available only to owner-customers. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be annually paid on Profit Shares as the banks' profit distribution.

OP Financial Group is one of the largest tax payers in Finland measured by tax on profits. By paying taxes in Finland, OP is contributing to prosperity in the whole of Finland.

Customer relationships and customer benefits

In 2019, OP Financial Group achieved its strategic target of two million owner-customers in OP cooperative banks. During the year, the number of owner-customers increased by 92,000.

The number of banking customers totalled over 3.6 million (3.6) at the end of December. Private customers numbered 3.3 million (3.3) and corporate customers 0.3 (0.3) million.

Based on a revised calculation method, the number of joint banking and insurance customers totalled 1.2 million at the end of December.

Contributions made by OP cooperative banks' owner-customers to the banks' Profit Shares and cooperative shares totalled EUR 3.2 billion (3.2) on 31 December 2019.

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and asset management transactions. The value of new OP bonuses accrued in January–December totalled EUR 254 million (230). During the same period, a total of EUR 113 million (111) of bonuses were used to pay for banking and asset management services and EUR 129 million (118) to pay non-life insurance premiums.

In the reporting period, owner-customers benefitted EUR 32 million (31) from the reduced price of the daily retail banking package. Owner-customers were provided with EUR 69 million (67) in non-life insurance loyalty discounts. In addition, owner-customers bought, sold and switched the majority of the mutual funds without separate charges. The value of this benefit amounted to EUR 5 million (6).

The abovementioned OP bonuses and customer benefits totalled EUR 360 million (334), accounting for 30.1% (25.8) of OP Financial Group's earnings before tax and granted benefits.

Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 97 million (94). The return target for Profit Shares for 2019 was an interest rate of 3.25%

(3.25). Similarly, the return target for Profit Shares for 2020 is an interest rate of 3.25%.

Corporate responsibility

Corporate responsibility is an integral part of OP Financial Group's business and strategy. Corporate responsibility activities take economic, social and environmental responsibility into consideration. OP Financial Group's aim is to be a forerunner in corporate responsibility within its sector in Finland. OP undertakes to comply with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. OP has agreed to follow the UN Principles for Responsible Investment since 2009. In September 2019, OP Financial Group became a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined managerial positions is at least 40%. Women accounted for 26% (24) at the end of December.

October–December highlights

OP Cooperative's Supervisory Board confirmed the new Group-level CR programme on 11 December 2019. The updated CR programme is framed around four key themes and commitments, which guide our actions toward the programme goals:

- We improve financial literacy in Finland: We promote the management of personal finances and prosperity in all age groups.
- We foster a sustainable economy: We support sustainable development, and mitigating climate change and adapting to it.
- We support local vitality and communities: We provide jobs, promote physical activity, provide security, and create wellbeing in Finland. We promote local economic vitality.
- We use our information capital responsibly: We use customer data and artificial intelligence transparently, in the best interest of our customers. Accessibility and having the best customer experience are at the core of developing our services across all channels.

To carry out its CR programme update, OP executed a stakeholder survey in summer 2019 and, based on its results, a materiality analysis. The purpose of the CR materiality analysis was to identify those aspects of CR that are the most central to OP and its stakeholders.

Multichannel services

OP Financial Group has a multichannel service network comprising branch, online, mobile and telephone services. OP-mobile is the main channel for customers' daily banking. In December 2019, the number of active OP-mobile users exceeded one million. The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the sector by creating ongoing and relevant encounters in all channels.

Mobile and online services, no. of logins (million)	Q1–4/2019	Q1–4/2018	Change, %
OP-mobile	302.3	235.9	28%
OP Business mobile	10.2	6.0	69%
Pivo	52.7	33.9	55%
Op.fi	102.0	107.7	-5%
	31 Dec 2019	31 Dec 2018	Change, %
Siirto payment, registered customers	666,321	522,972	27%

The new Payment Services Directive (PSD2) entered into force on 14 September 2019, bringing changes to web and mobile authentication. On OP-mobile and OP Business mobile, customers identify themselves with the Mobile key, which fulfils the requirements of strong customer authentication. The Mobile key already has over one million users. Customers continue to log into the op.fi service and confirm payments by using a username, password, a key code list and, if necessary, an SMS confirmation. Since January 2020, customers have been able to identify themselves to the op.fi online service also by using the Mobile key.

My financial balance, a feature supporting the management of personal finances, was introduced on OP-mobile in October 2019. The app sorts account transactions automatically and provides an overview of the customer's spending.

Despite the expansion of mobile and online services, OP Financial Group still has Finland's most extensive branch network with 352 branches (365) across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group has extensive presence in the most common social media channels where it has around 480,000 followers (420,000). In addition to OP Financial Group's national social media accounts, many OP cooperative banks have their own Facebook pages where they share publications targeted at local customers.

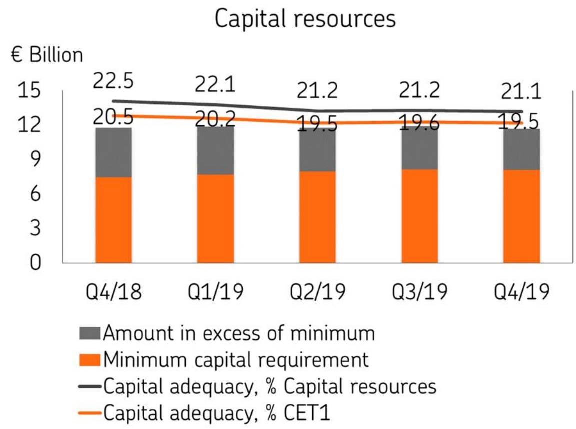
Capital adequacy and capital base

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

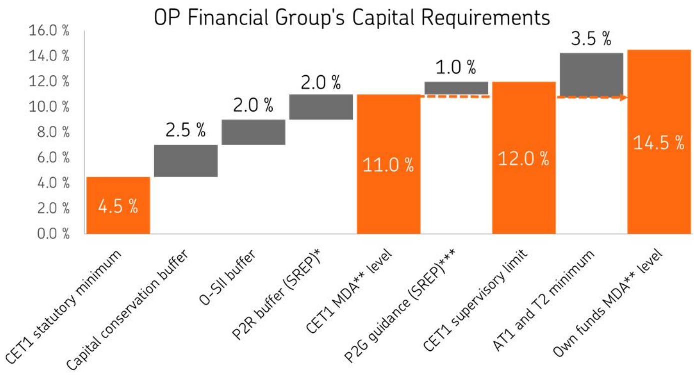
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.2 billion (3.7). Banking capital requirement rose to 14.5% (14.3), calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 138% (147). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 19.5% (20.5). The lower ratio was affected by an increase in the loan portfolio and a rise in the risk weights of retail exposures.



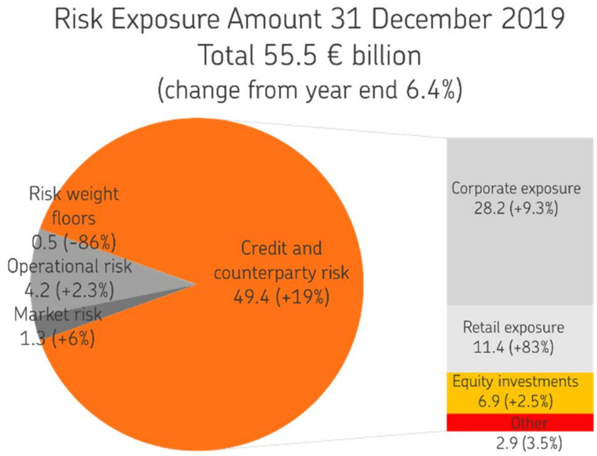
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 2% and the ECB's P2R requirement increase in practice the minimum capital adequacy ratio to 14.5% and the CET1 ratio to 11%.



* P2R supervisory Pillar II requirement ** Maximum distributable amount
*** P2G supervisory guidance, breach results enhanced supervisory measures

OP Financial Group's CET1 capital was EUR 10.8 billion (10.7). The CET1 capital was increased by banking earnings and decreased by a higher expected loss (EL) caused by growth in risk parameters and by the change in the accounting policy applied to certain income from derivatives, which was not restated in the comparatives for capital adequacy measurement. The amount of Profit Shares in CET1 capital was EUR 2.9 billion (2.9).

The risk exposure amount (REA) totalled EUR 55.5 billion (52.1), or 7% higher than on 31 December 2018. The risk-weight floor for retail exposures set by the ECB decreased to EUR 0.5 billion, due to an increase in the risk weights of mortgage-backed retail exposures. The average risk weights of retail exposures increased as a result of added conservatism in risk parameters and of risk parameter factors set by the ECB. The loan portfolio grew in corporate and retail exposures.



OP Financial Group treats insurance holdings within the financial and insurance conglomerate as risk-weighted assets, based on permission from the European Central Bank (ECB). Equity investments include EUR 6.4 billion in risk-weighted assets of the Group's internal insurance holdings with a risk weight of around 280%.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In December 2019, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. The risk weight floor of 15% set for home loans will be effective until the end of 2020. After the risk weights for home loans increased, the FSA's risk weight floor has no material effect on capital adequacy.

The upcoming EU regulation includes a requirement for measuring the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's banking operations is estimated at about 8.3% (8.6) based on the existing interpretations, calculated using the December-end figures. According to the draft rules, the minimum ratio is 3%.

In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include obligations, if any, imposed by the supervisor due to ECB's targeted review of internal (IRBA) models (TRIM), and obligations imposed by the supervisor due to the new definition of default.

The process based on the new definition of default recognises defaulted customers earlier, for example, based on information in external credit registers or in retail customers by extending the default to cover all exposures of an individual obligor. This new definition is expected to mean a larger number of default observations and to weaken credit risk parameters. OP Financial Group will apply a so-called two-step approach. The first step involves the change of the definition of default, which is planned to take place in March 2020. The second step to be taken later involves the calibration of credit risk parameters. The supervisory obligation related to the adoption of the new definition of default is expected to weaken OP Financial Group's CET1 ratio by 1.3 percentage points in the first step. Growth in the expected credit losses (ECL) caused by the change in the definition of default has been taken into account in the effect on capital adequacy. The growth is estimated to be less than 10% of the total amount of the ECL on 31 December 2019.

The effects of the ECB's targeted review of internal (IRBA) models (TRIM) on corporate exposures are still open. More detailed information on the effects is expected in the first half of 2020.

Insurance

The solvency of non-life and life insurance companies was strong. The increased value of investments strengthened the capital base. Meanwhile, a fall in interest rates increased insurance liabilities and reduced the capital base, especially in life insurance. Similarly, the increased value of investments raised the solvency requirement.

	Non-life insurance		Life insurance	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Capital base, € mill.*	1,008	818	1,423	1,297
Solvency capital requirement, € mill.*	699	621	687	578
Solvency ratio, %*	144	132	207	225
Solvency ratio, % (excl. transitional provision)	144	132	170	176

*including transitional provisions

ECB's supervision

OP Financial Group is supervised by the European Central Bank (ECB). On 2 February 2017, OP Financial Group received the ECB's decision to set risk weight floors for OP Financial Group's retail exposures. The relevant risk weight floors for retail exposures set by the ECB are 15.4% for mortgage-backed exposures and 32.7% for other private customer exposures.

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of mortgage-backed retail exposures as part of the targeted review of internal models (TRIM). These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met. The decision has no substantial effect on OP Financial Group's capital adequacy in the current situation where both the IRBA risk weight floor set previously by the ECB and the 15% risk weight floor on home loans set by the Finnish Financial Supervisory Authority are in force.

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB and effective as of 1 March 2019 was 2% (1.75). In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect profit distribution, for example. The capital buffer requirement set for OP Financial Group is slightly below average among the banks supervised by the ECB. As of 1 January 2020, the ECB has set the capital buffer requirement (P2R) at 2.25%. Accordingly, the new minimum CET1 ratio will be 11.3% and the new minimum capital adequacy ratio 14.8%.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has set OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) at EUR 13.4 billion, accounting for 27.3% of the total risk exposure amount at the end of 2017. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio was an estimated 43% at the end of the reporting period. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

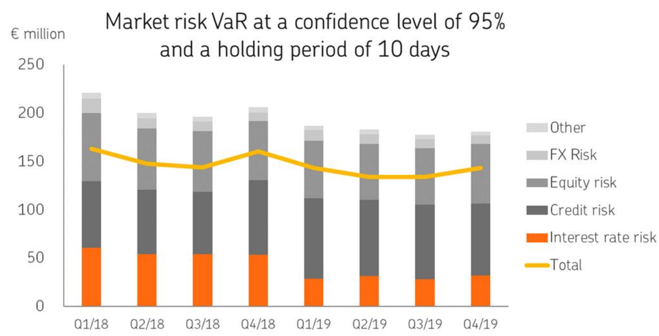
Risk exposure

OP Financial Group's risk exposure has remained unchanged. Risk-bearing capacity is strong and secures conditions for the Group's business.

The strong risk-bearing capacity and moderate target risk exposure level maintained the Group's credit risk exposure stable.

OP Financial Group's funding position and liquidity is good. The availability of funding has remained good. During the reporting period, OP Financial Group issued long-term bonds worth EUR 6.7 billion (3.3). The loan-to-deposit ratio remained stable during the reporting period.

The Group's market risk decreased during the reporting period. The Group's VaR, a measure of market risk, was EUR 143 million (160) on 31 December 2019. It includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



In the report period, the operational risk level increased due to the occurrence of an individual major risk event. Materialised operational risks resulted in EUR 15 million (6) in gross costs during the reporting period.

Retail Banking and Corporate Banking

Major risks in banking are associated with credit risk arising from customer business, and market risk.

Credit risk exposure by Banking remained stable and credit risk remained moderate.

	OP Financial Group		Retail Banking		Corporate Banking	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Exposures*, € billion	118.1	110.1	79.3	74.1	38.8	36.0
private customer exposure, € billion	59.9	56.4	57.7	54.5	2.2	1.9
in the highest borrower grades**, %	82.7	84.7	85.2	87.0	17.6	17.8
in other borrower grades (excluding default), %	16.6	14.7	14.2	12.3	81.6	81.6
classified as default, %	0.6	0.6	0.6	0.6	0.8	0.6
classified as default***, € billion	0.4	0.4	0.4	0.3	0	0.0
corporate customer exposure, € billion	51.7	48.5	19.7	18.1	32.0	30.4
in the highest borrower grades**, %	51.8	54.3	37.6	38.3	60.6	63.8
in other borrower grades (excluding default), %	46.9	44.7	60.5	59.9	38.6	35.7
classified as default, %	1.3	1.0	1.9	1.9	0.8	0.5
classified as default***, € billion	0.6	0.5	0.4	0.3	0.3	0.1
other exposures, € billion	6.7	5.2	1.9	1.5	4.6	3.7
Doubtful receivables****, € billion	3.1	3.1	2.8	2.9	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	3.2	3.4	4.1	4.5	0.9	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.0	1.3	1.3	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	2.2	2.4	2.8	3.2	0.4	0.2
Ratio of performing forborne exposures to doubtful receivables, %	66.5	69.5	68.6	71.1	42.8	36.6

*Exposures do not include OP Financial Group's credit institutions with subsidiaries or equity investments. The figures a year ago have been adjusted to be in accordance with the current monitoring.
**Private customer contracts in borrower grades A+–B-, customer exposures of corporate customers in borrower grades 1–5.5 (IG)
***Private customer contracts in borrower grade F, customer exposures of corporate customers in borrower grades 11–12
****Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables.

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The capital base covering customer exposure amounted to EUR 11.8 billion (11.4).

The most significant sectors in corporate and housing company exposures	31 Dec 2019	31 Dec 2018**
Renting and operating of residential real estate*, %	18.1	18.3
Renting and operating other real property, %	10.8	10.0
Services, %	10.6	10.1
Other sectors, %	60.6	61.6
Total, %	100	100

*A total of 93.9% of exposures within Renting and Operating of Residential Real Estate were those by housing companies and 10.0% were those guaranteed by general government.
**The figures a year ago have been adjusted to be in accordance with the current monitoring.

Retail Banking's interest rate risk measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR –40 million (–48) at the end of December. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three. The comparative data has been calculated as the effect of a one-percentage point interest rate decrease for the next 12-month net interest income.

Deposits within the scope of deposit guarantee (deposit insurance) managed by OP Financial Group totalled EUR 38.0 billion (36.0) at the end of December. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Insurance

Non-life insurance

Major risks within non-life insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance liability for annuities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates.

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 48 million (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 26 million (23).

No significant changes took place in non-life insurance's underwriting risks. Non-life insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates. The non-life insurance discount rate was decreased from 1.5% to 1.0% at the end of November. Derivatives were used to hedge against interest rate risk associated with non-life insurance liability. As a result, an item which corresponds to the change in the discount rate is shown as a positive value change in net investment income.

The Group still uses bond investments and derivative contracts to dampen earnings volatility caused by changes in interest rates used in insurance liability valuation.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 54 million (50) on 31 December 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

Life insurance

The key risks associated with life insurance are the market risks of life insurance's investment assets, the interest rate used for the valuation of insurance liabilities and a faster-than-expected life expectancy increase among those insured.

A one-year increase in life expectancy would increase insurance liability by EUR 26 million (26). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 31 million (29).

Investment risks associated with separated insurance portfolios transferred from Suomi Mutual and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separate portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 327 million (289) on 31 December 2019.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 58 million (56) on 31 December 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

Other Operations

Major risks related to Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The most significant market risk factor is the effect of credit spread changes on the value of notes and bonds included in the liquidity buffer.

The market risk in proportion to the market value of notes and bonds in the liquidity buffer (VaR with 95% confidence) remained stable during the reporting period. No major changes occurred in the asset class allocation.

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 is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 141% (143).

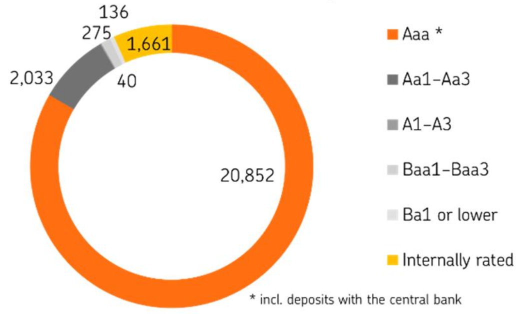
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR) which measures structural funding risk. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 112% (111).

Liquidity buffer

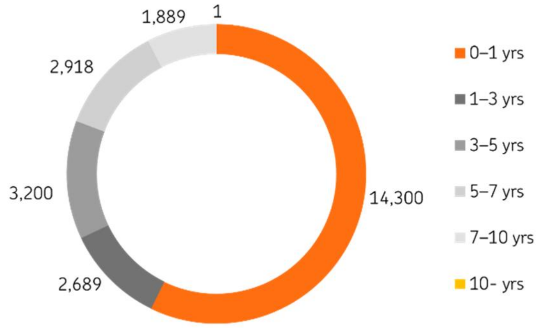
€ billion	31 Dec 2019	31 Dec 2018	Change, %
Deposits with central banks	11.9	12.2	-2.5
Notes and bonds eligible as collateral	11.1	9.2	20.9
Corporate loans eligible as collateral	0.0		
Total	23.0	21.4	7.6
Receivables ineligible as collateral	2.0	1.3	48.9
Liquidity buffer at market value	25.0	22.7	10.0
Collateral haircut	-0.8	-0.7	22.6
Liquidity buffer at collateral value	24.2	22.0	9.6

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings.

Financial assets included in the liquidity buffer by credit rating on
31 December 2019, € million



Financial assets included in the liquidity buffer by maturity on
31 December 2019, € million



Credit ratings

31 Dec 2019

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

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor's Global Ratings Europe Limited and Moody's Investors Service (Nordics) AB. When assessing OP Corporate Bank's credit rating, credit rating agencies take account of the entire OP Financial Group's financial position.

The credit ratings did not change in the reporting period.

Financial performance by segment

OP Financial Group's business segments are Retail Banking (Banking Private and SME Customers), Corporate Banking (Banking Corporate and Institutional Customers) and Insurance (Insurance Customers). The health and wellbeing business is included in the Insurance segment. Non-business segment operations are presented under the Other Operations segment. OP Financial Group prepares its segment reporting in compliance with its accounting policies.

Retail Banking

- Earnings before tax amounted to EUR 235 million (421). Excluding the effect of the transfer of earnings-related pension liability, earnings before tax increased by EUR 13 million.
- Total income increased by 1.4%. Net interest income increased by 4.0% year on year and net commissions and fees by 4.6%.
- Total expenses increased by 18.7% to EUR 1,172 million. Excluding the earnings effect of the transfer of earnings-related pension liability in 2018, expenses decreased by 1.2% and personnel costs were EUR 426 million (424). Depreciation/amortisation and impairment loss decreased by 34.7%; the figure a year earlier included EUR 45.6 million in impairment write-downs. Other operating expenses increased by 2.0% due to ICT costs and higher volumes.
- The loan portfolio increased by 4.7% and the deposit portfolio by 7.2%.
- Impairment loss on receivables were EUR 36 million (33). Non-performing receivables accounted for 1.3% (1.3) of the loan and guarantee portfolio.
- The most significant Retail Banking development investments involved the upgrades of payment and finance systems.

Key figures and ratios

€ million	Q1–4/2019	Q1–4/2018	Change, %
Net interest income	922	886	4.0
Net commissions and fees	708	677	4.6
Net investment income	-17	9	-286.0
Other income	43	62	-30.3
Total income	1,657	1,635	1.4
Personnel costs (excl. transfer of earnings-related pension liability)	426	424	0.4
Transfer of statutory earnings-related pension liability		-199	
Depreciation/amortisation and impairment loss	55	84	-34.7
Other operating expenses	692	678	2.0
Total expenses	1,172	987	18.7
Impairment loss on receivables	-36	-33	-
OP bonuses to owner-customers	-214	-194	-
Earnings before tax	235	421	-44.2
Cost/income ratio, %	70.7	60.4	10.3*
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.3	1.3	0.0*
Return on assets (ROA), %	0.24	0.43	-0.20*
Return on assets, excluding OP bonuses, %	0.45	0.63	-0.19*
€ million			
Home loans	7,799	7,633	2.2
Corporate loans	2,729	2,335	16.9
No. of brokered residential property and property transactions	12,139	12,158	-0.2
€ billion	31 Dec 2019	31 Dec 2018	Change, %
Loan portfolio			
Home loans	39.6	38.6	2.6
Corporate loans	8.1	7.4	9.2
Housing company and other loans	20.4	19.1	7.2
Total loan portfolio	68.1	65.0	4.7
Guarantee portfolio	0.8	0.6	21.4
Deposits			
Current and payment transfer	35.4	32.6	8.5
Investment deposits	19.0	18.1	4.8
Total deposits	54.4	50.8	7.2

*Change in ratio

OP Financial Group's Retail Banking segment consists of banking and asset management services for private and SME customers at OP cooperative banks and at the central cooperative consolidated.

The loan portfolio grew by 4.7% to EUR 68.1 billion. In January–December, new home loan drawdowns increased by 2.2% year on year. The home loan portfolio grew by 2.6% to EUR 39.6 billion. Customers showed continued interest in protecting home loans and housing company loans against risks. At the end of December, 24.5% (20.1) of private customer home loans were covered by interest rate protection.

The corporate loan portfolio grew strongly despite the weaker-than-average economic growth. The portfolio increased by 9.2% to EUR 8.1 billion.

The deposit portfolio grew by 7.2% to EUR 54.4 billion. Most of this increase came from current and payment transfer accounts, but also from investment deposits, with household deposits showing the strongest growth. Following a strong growth rate in the first half of 2019, the growth in corporate customer deposits continued to level off.

The aggregate number of investor and saver customers grew by almost 34,000 in the reporting period, totalling around 829,000 on 31 December 2019.

In the fourth quarter, the volume of homes and real property sold and bought through the OP Koti real estate agents increased by 3.5% year on year. The volume of transactions brokered in January–December remained at the previous year's level.

OP has been involved in developing a digital platform for selling and purchasing a home (DIAS), together with other banks, real estate businesses, a technology firm and authorities. The digitalisation of the system for selling and purchasing housing company shares started in the beginning of 2019 and will progress in stages. At the end of December, housing company shares were bought and sold digitally on a daily basis.

An extensive PSD2 regulatory changes project was completed during the reporting period. This included the implementation of external account and payment interfaces and changes in strong electronic authentication. Furthermore, OP Financial Group's card renewals progressed as planned.

Financial performance for the reporting period

Retail Banking earnings before tax were EUR 235 million (421). As a result of an increase in the loan portfolio and a decrease in funding costs, net interest income grew by 4.0% to EUR 922 million (886). Net commissions and fees rose by 4.6% to EUR 708 million (677). Net investment income and other income decreased year on year. Income increased by a total of 1.4%.

Total expenses increased by 18.7% to EUR 1,172 million (987). Excluding the effect on earnings of the transfer of earnings-related pension liability, which was carried out in 2018, total expenses decreased by 1.2%. Comparable personnel costs totalled EUR 426 million, remaining at the previous year's level (424). Depreciation/amortisation and impairment loss decreased by 34.7%; the figure a year earlier included EUR 45.6 million in impairment write-downs. Other operating expenses increased by 2.0% to EUR 692 million (678). Other operating expenses were increased by a 17-million euro rise in ICT costs. The EU stability contribution decreased by EUR 2 million year on year. The cost/income ratio was 70.7% (60.4).

Impairment loss on receivables increased to EUR 36 million (33). Non-performing receivables accounted for 1.3% (1.3) of the loan and guarantee portfolio.

Corporate Banking

- Earnings before tax amounted to EUR 311 million (408). Excluding the effect of the transfer of earnings-related pension liability, earnings before tax decreased by EUR 65 million.
- Total income decreased by 1.4%. Net interest income increased by 9.6% and net commissions and fees decreased by 3.3%. Net investment income fell by 27.6% as result of changes in the valuation models of derivatives, CVA valuation and lower capital gains than a year ago.
- Total expenses increased to EUR 277 million (232). Other operating expenses rose by 9.5% due to higher ICT costs.
- The loan portfolio increased by 6.2% and the deposit portfolio decreased by 0.3%. Assets under management increased by 12.2%.
- Impairment losses amounted to EUR 51 million (12). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant Corporate Banking segment's development investments involved the upgrades of payment, finance and asset management systems.

Key figures and ratios

€ million	Q1–4/2019	Q1–4/2018	Change, %
Net interest income	383	350	9.6
Net commissions and fees	125	130	-3.3
Net investment income	119	165	-27.6
Other income	27	20	34.7
Total income	655	664	-1.4
Personnel costs (excl. transfer of earnings-related pension liability)	76	77	-2.0
Transfer of statutory earnings-related pension liability		-32	
Depreciation/amortisation and impairment loss	20	21	-3.7
Other operating expenses	182	166	9.5
Total expenses	277	232	19.7
Impairment loss on receivables	-51	-12	-
OP bonuses to owner-customers	-16	-14	-
Earnings before tax	311	408	-23.8
Cost/income ratio, %	42.3	34.9	-7.5*
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.4	0.1*
Return on assets (ROA), %	0.85	1.43	-0.58*
Return on assets, excluding OP bonuses, %	0.90	1.47	-0.57*
€ billion	31 Dec 2019	31 Dec 2018	Change, %
Loan portfolio			
Corporate loans	14.5	13.8	5.1
Housing company and other loans	9.2	8.5	8.2
Total loan portfolio	23.7	22.3	6.2
Deposits	11.2	11.2	-0.3
Assets under management (gross)			
Mutual funds	25.6	22.7	13.1
Institutional clients	22.5	21.5	4.8
Private Banking	9.9	7.6	30.6
Total (gross)	58.0	51.7	12.2
€ million	Q1–4/2019	Q1–4/2018	Change, %
Net inflows			
Private Banking clients	49	67	-26.0
Institutional clients	-49	363	-
Total	1	430	-99.8

*Change in ratio

OP Financial Group's Corporate Banking segment consists of banking and asset management services for corporate and institutional customers. The segment comprises OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd and OP Property Management Ltd.

The loan portfolio grew by 6.2% to EUR 23.7 billion. The deposit portfolio decreased by 0.3% to EUR 11.2 billion. Demand for capital market products increased from the previous year.

The most significant Corporate Banking development investments involved the upgrades of payment, finance and asset management systems. During the reporting period, OP expanded the OP Car Finance service to also cover car sales between consumers. OP Car Finance is granted by OP Corporate Bank plc.

In April, OP introduced incoming SEPA instant credit transfers to its customers that enable them to receive real-time SEPA instant credit transfers from other financial institutions within the SEPA. In October, OP began to offer its customers both incoming and outgoing real-time SEPA instant credit transfers. The change will be carried out in stages in different channels.

In November, OP Corporate Bank plc was ranked the best bank in the Corporate Banking 2019 Finland survey conducted by Prospera among the mid-size companies category or those with net sales of EUR 0.5–1.5 billion.

In November, The Banker again rated OP as the number one bank in Finland in its Bank of the Year 2019 competition.

Within asset management, net assets inflow decreased year on year, to EUR 1 million. Assets under management increased by 12.2% to EUR 58.0 billion. Assets under management included about EUR 11 billion (11) in assets of the companies belonging to OP Financial Group.

During the reporting period, the number of OP Mutual Fund unitholders increased in gross terms by about 71,000, to 849,000 unitholders. The Morningstar rating for OP Mutual Funds was 3.21 (3.04).

Investors have shown increasing interest in sustainability themed funds. During the reporting period, OP and Finnfund announced that they would establish Finland's first global impact fund investing in emerging markets. OP Finnfund Global Impact Fund I will promote the achievement of the UN Sustainable Development Goals in a measurable way.

Financial performance for the reporting period

Corporate Banking earnings before tax were EUR 311 million (408). Total income amounted to EUR 655 million (664) and total expenses to EUR 277 million (232). Excluding the effect of the transfer of earnings-related pension liability, total expenses increased by EUR 13 million to EUR 277 million. The cost/income ratio weakened to 42.3% (34.9). Mainly as a result of an increase in the loan portfolio, net interest income grew by 9.6% to EUR 383 million.

Net commissions and fees totalled EUR 125 million (130). Asset management net commissions and fees accounted for 0.18% of the gross amount of the assets under management. A decrease in other net commissions and fees is mainly due to OP Financial Group's internal charges.

Corporate Banking segment's net commissions and fees

€ million	Q1–4/2019	Q1–4/2018	Change, %
Mutual funds	105	103	1.4
Asset management	24	21	4.2
Other	-4	5	-
Total	125	130	32.3

Net investment income fell by 27.6% to EUR 119 million. Net investment income a year ago was increased by EUR 15 million in a non-recurring capital gain. CVA valuation weakened earnings by EUR 12 million whereas a year ago it improved earnings by EUR 9 million. Changes made in the valuation models of derivatives reduced net investment income by EUR 25 million.

Total expenses increased to EUR 277 million (232). Excluding the effect of the transfer of earnings-related pension liability, personnel expenses decreased by EUR 2 million to EUR 76 million. A year ago, the transfer of the earnings-related pension liability improved earnings before tax by EUR 32 million. Other operating expenses increased by 9.5% to EUR 182 million. ICT costs increased by EUR 19 million.

Impairment loss on receivables was EUR 51 million (12). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Insurance

- Earnings before tax amounted to EUR 373 million (260), improved by higher net investment income.
- Insurance premium revenue by non-life insurance increased by 0.9% (excluding the Baltic business sold in 2018, it increased by 4.0%). The non-life insurance discount rate was decreased from 1.5% to 1.0%, which reduced net insurance income by EUR 136 million.
- Investment income totalled EUR 331 million (92), including the overlay approach. Net return on investments at fair value reported by non-life insurance was EUR 96 million (14) and that by life insurance EUR 72 million (53).
- In non-life insurance, the combined ratio was 101.9%. The operating combined ratio was 92.7% (92.0) and operating risk ratio 65.1% (64.5). The operating cost ratio was 27.7% (27.4).
- In life insurance, unit-linked insurance savings increased by 10.7% to EUR 10.9 billion.
- Development investments focused on development of electronic services and the core system upgrade.

Key figures and ratios

€ million	Q1–4/2019	Q1–4/2018	Change, %
Insurance premium revenue	1,479	1,466	0.9
Claims incurred	1,077	917	17.4
Life insurance, net risk results	29	29	0.0
Net insurance income	431	578	-25.4
Life insurance, net commissions and fees	135	115	18.1
Non-life insurance, net commissions and fees	-49	-50	-1.7
Health and wellbeing, net commissions and fees	13	11	18.0
Net commissions and fees	99	75	31.2
Net investment income	435	63	589.9
Other net income	4	14	-71.3
Total income	969	730	32.8
Personnel costs (excl. transfer of earnings-related pension liability)	133	130	1.9
Transfer of statutory earnings-related pension liability		-3	
Depreciation/amortisation and impairment loss	71	89	-20.1
Other operating expenses	269	263	2.2
Total expenses	473	480	-1.3
OP bonuses to owner-customers	-19	-18	-
Temporary exemption (overlay approach)	-104	29	-457.9
Earnings before tax	373	260	43.1
Return on assets (ROA), %	1.29	0.91	0.38*
Return on assets, excluding OP bonuses, %	1.36	0.98	0.38*
Operating combined ratio (non-life), %	92.7	92.0	
Operating risk ratio (non-life), %	65.1	64.5	
Operating cost ratio (non-life), %	27.7	27.4	
Operating ratio (life), %	35.5	36.4	

*Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance plus the health and wellbeing business. The segment includes Pohjola Insurance Ltd, A-Insurance Ltd, OP Life Assurance Company Ltd and Pohjola Hospital Ltd. Eurooppalainen Insurance Company Ltd merged into Pohjola Insurance Ltd on 31 October 2019.

OP Financial Group adopted the Pohjola brand in its non-life insurance business from 1 June 2019 when the business name of OP Insurance Ltd was changed to Pohjola Insurance Ltd. At the same time, the business name of Pohjola Health Ltd was changed to Pohjola Hospital Ltd.

Key development investments focused on the development of electronic transaction and purchase services, the conversion of the separated individual life insurance portfolio into a new management system and the non-life insurance core system upgrade initiated. A new 24/7 emergency service for managing comprehensive motor vehicle insurance losses was launched for motor vehicle insurance policyholders. The Insurance segment actively further developed and rejuvenated electronic services, investment products and savings products for saving through insurance.

Unit-linked insurance savings increased by 10.7% to EUR 10.9 billion, as a result of the favourable value performance of assets. Net assets inflow of unit-linked insurance contracts amounted to

EUR –278 (434) million. The amount of life insurance surrenders was exceptionally high as customers prepared for the amendments to the Income Tax Act effective on 1 January 2020.

Pohjola Hospital has sharpened its strategy and will focus on orthopaedics and sports clinic activities. As part of this change, Pohjola Hospital sold its occupational healthcare service business to Mehiläinen on 1 June 2019.

Customers have been satisfied with services provided by Pohjola Hospital. Among surgery customers, the NPS figure was 97 (96) in January–December.

Financial performance for the reporting period

Earnings before tax amounted to EUR 373 million (260). Net insurance income totalled EUR 431 million (578). The non-life insurance discount rate was decreased from 1.5% to 1.0%, which reduced net insurance income by EUR 136 million. Derivatives were used to hedge against interest rate risk associated with non-life insurance liability. As a result of this, an item, which corresponds to the change in the discount rate is shown as a positive value change in net investment income. The figure a year ago included EUR 16 million in net insurance income of the sold Baltic business.

Non-life insurance premium revenue

€ million	Q1–4/2019	Q1–4/2018	Change, %
Private Customers	826	798	3.6
Corporate Customers	653	624	4.6
Baltics	-	44	-
Total	1,479	1,466	0.9

Insurance premium revenue from both private and corporate customers increased in non-life insurance. It increased by 4.0%, excluding the sold Baltic business included in the figure a year ago.

Claims incurred, excluding the reduction in the discount rate and the Baltic figures, increased by 5.6%. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 87 (96) in January–December, with their claims incurred retained for own account totalling EUR 80 million (107). Changes in the provision for outstanding claims under statutory pensions reduced earnings by EUR 4 million (1).

Changes in claims for previous years, excluding the effect of the discount rate change, improved the balance on technical account by EUR 24 million (42). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 65.1% (64.5).

Net commissions and fees rose by 31.2% to EUR 99 million. Life insurance commissions and fees increased as a result of performance-based fees paid on net investment income shown on separated balance sheets.

Investment income

€ million	Q1–4/2019	Q1–4/2018
At fair value through other comprehensive income	217	107
At fair value through profit or loss	389	-8
Amortised cost	1	7
Life insurance items*	-161	-39
Unwinding of discount (non-life)	-27	-28
Associated companies	17	24
Net investment income	435	63
Temporary exemption	-104	29
Total	331	92

*Include credited interest on customers' insurance savings, changes in supplementary interest rate provisions and other technical items as well as changes in the fair value of unit-linked and separated balance sheet's investments.

In capital markets, 2019 was a very good year. Investment income totalled EUR 331 million (92), including the overlay approach. Capital gains on investment amounted to EUR 90 million (–5) in non-life insurance and to EUR 96 million (–3) in life insurance.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. The net change in the short-term life insurance supplementary interest rate provision decreased earnings by EUR 2 million. In the previous year, the net change in the short-term supplementary interest rate provision improved earnings by EUR 43 million. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 426 million (341) on 31 December 2019. Short-term supplementary interest rate provisions accounted for EUR 46 million (44) of these provisions.

Total expenses decreased by 1.3% to EUR 473 million. The figure a year ago included EUR 8.7 million in operating expenses of the Baltic business sold in 2018. Total expenses included EUR 16 million in impairment write-downs (22). In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 27.7% (27.4).

In non-life insurance, the combined ratio was 101.9%. The operating combined ratio, excluding the reduction in the discount rate, was 92.7% (92.0). The operating ratios exclude amortisation on intangible assets arising from corporate acquisitions, and the changed discount rate.

Investment

Non-life insurance: key investment indicators

€ million	Q1–4/2019	Q1–4/2018
Net return on investments at fair value, € million*	96	14
Return on investments at fair value, %	8.4	0.1
Fixed income investments' running yield, %	1.3	1.5
	31 Dec 2019	31 Dec 2018
Investment portfolio, € million	3,952	3,730
Investments within the investment grade category, %	92	94
A-rated receivables, minimum, %	61	62
Modified duration, %	4.0	4.3

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

Life insurance: key investment indicators*

€ million	Q1–4/2019	Q1–4/2018
Net return on investments at fair value, € million**	72	53
Return on investments at fair value, %	9.4	1.7
Fixed income investments' running yield, %	1.2	1.4
	31 Dec 2019	31 Dec 2018
Investment portfolio, € million	3,619	3,644
Investments within the investment grade category, %	88	95
A-rated receivables, minimum, %	64	66
Modified duration, %	2.9	4.1

*Excluding the separated balance sheets
**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 separated balance sheets.

Other Operations

Key figures and ratios

€ million	Q1–4/2019	Q1–4/2018	Change, %
Net interest income	-59	-48	-
Net commissions and fees	6	6	1.0
Net investment income	38	21	84.1
Other operating income	593	548	8.3
Total income	578	527	9.8
Personnel costs (excl. transfer of earnings-related pension liability)	148	173	-14.3
Transfer of statutory earnings-related pension liability	0	-52	-
Depreciation/amortisation and impairment loss	132	131	0.3
Other operating expenses	336	339	-0.8
Total expenses	616	590	4.3
Impairment loss on receivables	0	1	-
Earnings before tax	-37	-64	-

The Other Operations segment consists of functions that support the business segments. The segment includes the majority of OP Cooperative, OP Services Ltd and OP Corporate Bank plc's treasury functions.

Financial performance for the reporting period

Earnings before tax amounted to EUR –37 million (–64). An increase in net investment income and other operating income improved earnings. Total income increased by 9.8% to EUR 578 million.

Net interest income was EUR –59 million (–48). Wholesale funding and liquidity costs decreased net interest income over the previous year. Net investment income increased by 84.1% to EUR 38 million. The earnings effect of EUR 16 million arising from early repayment between September and December of TLTRO II funding and the discontinuance of related fair value hedge accounting improved net investment income. Early repayment of funding totalled EUR 2.0 billion in September and EUR 2.0 billion in December. Meanwhile, a fall of capital gains by EUR 13 million decreased net investment income.

Other operating income rose by 8.3% to EUR 593 million due to higher intra-Group charges.

Total expenses increased by 4.3% year on year to EUR 616 million. The transfer of statutory earnings-related pension liability at the end of 2018 reduced year-on-year pension costs by EUR 52 million. Excluding the effect of the pension liability transfer, personnel costs decreased by 14.3% to EUR 148 million. Depreciation/amortisation and impairment loss on PPE and intangible assets increased by 0.3% to EUR 132 million. Planned depreciation/amortisation increased by 29.7% to EUR 96 million. This increase resulted from higher development expenditure recognised for prior years and from the adoption of IFRS 16 Leases on 1 January 2019. Impairment write-downs decreased by EUR 28 million year on year.

Other operating expenses fell by 0.8% to EUR 336 million. Rental expenses decreased by EUR 7 million due to the application of IFRS 16 in 2019.

In the third quarter, the Vallila property was classified as a non-current asset held for sale. The property's assets recognised in the balance sheet totalled EUR 314 million and liabilities EUR 6 million at the end of the year. The Vallila property comprises a block located in Vallila, Helsinki.

In December 2019, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding, TLTRO-II funding and covered bonds was 19 basis points (14). The new senior non-preferred bond issues increased the cost. Covered bonds are reported as part of the Retail Banking segment.

OP Financial Group issued long-term senior bonds worth EUR 1.2 billion between January and December. Of those bonds, the Group issued in the international capital market a senior unsecured green bond of EUR 500 million with a maturity of five years. The inaugural green bond is targeted at international responsible institutional investors. Proceeds raised with the green bond are allocated to sustainable corporate lending. Eligible sectors to be funded include renewable energy, green buildings and sustainable land use through sustainable forestry.

In June, OP Financial Group issued its first new senior non-preferred bond of EUR 500 million with a maturity of five years. In November, OP Financial Group issued a second senior non-preferred bond of EUR 500 million with a maturity of ten years. During the reporting period, OP Financial Group issued new senior non-preferred bonds worth a total of EUR 1.2 billion. The senior non-preferred bonds meet the minimum requirement for own funds and eligible liabilities (MREL) of OP Financial Group set by the SRB.

In February, OP Financial Group issued a covered bond of EUR 1.25 billion and, in November, a covered bond of EUR 1.0 billion with a maturity of ten and seven years, respectively.

In December, OP Financial Group participated in the third series of the ECB's targeted longer-term refinancing operations (TLTRO-III) with a total of EUR 2.0 billion.

Service development

OP Financial Group invests in developing its operations and improving customer experience on an ongoing basis. The central cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT investments make up a significant portion of the costs of developing these services.

OP Financial Group's development expenditure for January–December totalled EUR 313 million (384). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 130 million (182).

In the spring of 2019, OP Financial Group concluded a five-year agreement with Tata Consultancy Services Ltd (TCS) on the production of ICT services. The agreement involves ICT infrastructure services used by OP, such as mainframe, server and capacity services. The agreement also includes data centre and cloud services.

More detailed information on OP Financial Group's investments can be found under each business segment's section in this financial statements bulletin.

Personnel

On 31 December 2019, OP Financial Group had 12,226 employees (12,066). The number of employees averaged 12,376 (12,339).

Personnel at period end

	31 Dec 2019	31 Dec 2018
Retail Banking	7,230	7,515
Corporate Banking	907	780
Insurance	2,015	1,872
Other Operations	2,074	1,899
Total	12,226	12,066

During the reporting period, 306 OP Financial Group employees (318) retired at an average age of 61.8 years (61.8).

In 2019, the Group further strengthened its risk management resources by recruiting more than 100 persons for tasks such as anti-money laundering, risk management and compliance.

In order to support the implementation of its strategy and vision, OP Financial Group began to reform its practices in autumn 2018. A new agile way of working strengthens the experience of the meaningfulness of work and is based on self-managed teams. This change in the way of working is aimed at increasing the meaningfulness of work and wellbeing at work and thereby also improving customer experience and enhancing operational efficiency. Supported by this new concept, OP Financial Group also aimed to reduce the central cooperative consolidated's total annual costs by EUR 100 million by the end of 2019. The measures taken generated cost savings of EUR 102 million by the end of 2019.

The Information and Consultation of Employees process regarding OP Financial Group's Corporate Banking and Insurance segments started on 26 August 2019 and ended on 8 October 2019. The segments' organisational structures will be amended to support the new self-directed practices. Approximately 3,000 employees work in the organisations covered by the process. As a result of the negotiations, 300 jobs ceased to exist, while 185 new roles were created. The organisations that follow the new practices took effect on 1 January 2020.

The Information and Consultation of Employees process launched in OP Financial Group's central cooperative on 7 October 2019 was completed on 12 November 2019. The central cooperative's structure will be simplified, and self-management will be increased in support functions, too. The purpose is to support businesses in responding to customer needs and streamlining processes. Approximately 1,900 employees work in the functions covered by the process. As a result of the negotiations, 460 roles ceased to exist, while around 190 new roles were created. It is estimated that these changes will bring cost savings of approximately EUR 18 million by the end of 2020.

Sakari Lehtinen (49), M.Sc. (Econ. & Bus. Adm.) and CIA, was appointed OP Financial Group's Chief Audit Executive as of 1 May 2019. He reports to OP Financial Group's President and Group Chief Executive Officer Timo Ritakallio and to the Audit Committee of OP Cooperative's Board of Directors.

Tony Vepsäläinen, Vice Chair of the Executive Board of OP Financial Group's central cooperative, Deputy to President and Group Chief Executive Officer, and Executive Vice President, Group Services, retired on 31 December 2019. Vepsäläinen was a member of the Executive Board since 2006.

On 11 December 2019, OP Cooperative's Supervisory Board appointed Chief Human Resources Officer Hannakaisa Länsisalmi as member of the Executive Management Team, and Executive Vice President, Insurance Customers Olli Lehtilä as Deputy to the President and Group Chief Executive Officer as of 1 January 2020.

OP Financial Group maintained its position as the most appealing employer in the financial services sector, based on Universum's annual employer branding survey among students conducted in May. Students in commercial studies, law and humanities voted OP as the most appealing employer in the financial sector. In October, OP Financial Group was again ranked the most appealing employer in the financial sector based on the annual Employer Branding Survey conducted by Universum among professionals in commerce, law, IT and humanities.

OP Financial Group's scheme for variable remuneration comprises short-term company-specific remuneration and long-term Group-wide remuneration. The long-term remuneration scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff.

A long-term management remuneration scheme has been confirmed for 2017–2019. OP Financial Group's personnel fund remuneration scheme continues with one-year performance periods.

In drawing up the incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2017–2019 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board (currently the Supervisory Council) has set the following long-term target performance metrics: OP Financial Group's EBT, customer experience and growth in the use of mobile services (digital services). The Group-level targets are the same in the management incentive scheme and in OP Financial Group's Personnel Fund.

On 12 June 2019, the Supervisory Board of OP Financial Group's central cooperative decided that the remuneration scheme for all personnel be updated as of 2020. OP Financial Group's variable remuneration will comprise short-term remuneration and the personnel fund. Group-level strategic goals and targets will be taken into account in the metrics of short-term remuneration and the personnel fund.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period included the accounts of 147 OP cooperative banks (156) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Mellilän Osuuspankki merged into Niinijoen Osuuspankki. Following the merger, the business name of Niinijoen Osuuspankki changed to Niinijokivarren Osuuspankki. The execution of the merger was registered on 28 February 2019.

Merimaskun Osuuspankki merged into Turun Seudun Osuuspankki. The execution of the merger was registered on 30 April 2019.

Kalkkisten Osuuspankki merged into Järvi-Hämeen Osuuspankki. The execution of the merger was registered on 30 April 2019.

Akaan Seudun Osuuspankki and Valkeakosken Osuuspankki merged into Urjalan Osuuspankki. Consequently, the business name of Urjalan Osuuspankki changed to Etelä-Pirkanmaan Osuuspankki. The execution of the merger was registered on 31 August 2019.

Länsi-Uudenmaan Osuuspankki merged into Keski-Uudenmaan Osuuspankki. Consequently, the business name of Keski-Uudenmaan Osuuspankki changed to Uudenmaan Osuuspankki. The execution of the merger was registered on 30 September 2019.

Sonkajärven Osuuspankki merged into Ylä-Savon Osuuspankki. The execution of the merger was registered on 30 September 2019.

Pihtiputaan Osuuspankki merged into Keski-Suomen Osuuspankki. The execution of the merger was registered on 31 October 2019.

Metsämaan Osuuspankki merged into Humppilan Osuuspankki. Consequently, the business name of Humppilan Osuuspankki changed to Humppilan-Metsämaan Osuuspankki. The execution of the merger was registered on 31 December 2019.

On 24 September 2019, Köyliön Osuuspankki, Vampulan Osuuspankki and Säkylän Osuuspankki accepted a merger plan, according to which Köyliön Osuuspankki and Vampulan Osuuspankki will merge into Säkylän Osuuspankki. Consequently, the business name of Säkylän Osuuspankki will change to Ala-Satakunnan Osuuspankki. The planned date for registration of the merger is 29 February 2020.

On 24 September 2019, Kihniön Osuuspankki and Virtain Osuuspankki, as well as Virtain Osuuspankki and Ruoveden Osuuspankki, accepted merger plans, according to which Kihniön Osuuspankki will merge into Virtain Osuuspankki, after which, on the same day, Virtain Osuuspankki will merge into Ruoveden Osuuspankki. Consequently, the business name of Ruoveden Osuuspankki will change to Ylä-Pirkanmaan Osuuspankki. The planned date for registration of the mergers is 29 February 2020.

On 9 December 2019 and 10 December 2019, Kannuksen Osuuspankki and Suomenselän Osuuspankki accepted a merger plan, according to which the former will merge into the latter. The planned date for registration of the merger is 31 March 2020.

On 28 November 2019, Kesälahden Osuuspankki and Pohjois-Karjalan Osuuspankki accepted a merger plan, according to which the former will merge into the latter. The planned date for registration of the merger is 30 April 2020.

On 21 January 2020, Parikkalan Osuuspankki, Simpeleen Osuuspankki and Etelä-Karjalan Osuuspankki accepted merger plans, according to which Parikkalan Osuuspankki and Simpeleen Osuuspankki will merge into Etelä-Karjalan Osuuspankki. The planned date for registration of the mergers is 31 August 2020.

Simplifying OP Cooperative Consolidated's structure

The legal restructuring of OP Financial Group's central cooperative consolidated streamlines the group structure, simplifies management and makes the cost structure slimmer.

Eurooppalainen Insurance Company Ltd merged into Pohjola Insurance Ltd. The execution of the merger was registered on 31 October 2019.

Pohjola Insurance Ltd and A-Insurance Ltd accepted a merger plan on 29 May 2019, according to which the latter will merge into the former. The Finnish Financial Supervisory Authority approved the merger on 10 December 2019. The planned date for registration of the merger is 31 March 2020.

OP Customer Services Ltd merged into OP Card Company Plc. The execution of the merger was registered on 30 November 2019.

The planned merger of OP Corporate Bank plc and Checkout Finland Oy has been cancelled.

OP Cooperative sold the entire share capital of OP Custody Ltd to OP Corporate Bank plc. The transaction was completed on 31 August 2019.

OP Corporate Bank plc transferred (business transfer) its securities´ custody, clearing and custodian business to OP Custody Ltd. The business transfer was executed on 1 November 2019.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 20 March 2019.

The Meeting re-elected for the term of three years ending in 2022 the following members to the Supervisory Board (as of 1 January 2020, the Supervisory Council) who were due to resign: entrepreneur Leif Enberg, Attorney Taija Jurmu, Senior Lecturer Marja-Liisa Kaakko, Professor Petri Sahlström and Senior Lecturer Mervi Väisänen.

New Supervisory Board members elected were Managing Director Mika Helin, Managing Director Saila Rosas, entrepreneur Carolina Sandell and agriculture and forestry entrepreneur Timo Saukkonen. With the exception of Mika Helin and Saila Rosas, the term of office of the new Supervisory Board members is 2019–2022. The terms of office of Mika Helin and Saila Rosas are 2019–2020 and 2019–2021, respectively.

The Supervisory Board comprised 36 members.

At its reorganising meeting, the Supervisory Board elected the presiding officers of the Supervisory Board. Professor of Economics Jaakko Pehkonen was re-elected the Chair and Senior Lecturer in Marketing Mervi Väisänen and Managing Director Olli Tarkkanen Vice Chairs.

Along with the presiding officers, the Supervisory Board's five committees had a key role in Supervisory Board work. The Supervisory Board Chair chaired the Supervisory Board Working Committee, Remuneration Committee and the central cooperative consolidated Executive Board's Nomination Committee. The Supervisory Board Audit Committee was chaired by Riitta Palomäki, M.Sc. (Econ. & Bus. Adm.), and the Risk Management Committee by Arto Ylimartimo, M.Sc. (Econ. & Bus. Adm.), Chair of the Board of Directors.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2019, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

The Annual Cooperative Meeting of 20 March 2019 decided to alter the central cooperative's Bylaws. The purpose of the alteration is to adopt a three-tier governance structure (Supervisory Council – Board of Directors – President and Group Chief Executive Officer). This means that, instead of the current internal Executive Board, the central cooperative will have a Board of Directors consisting of members who are not directors of the central cooperative. The Executive Board will continue as an operational Executive Management Team that supports the President and Group Chief Executive Officer. In the new structure, the Board of Directors will be responsible for the central cooperative's decision-making, except for decisions of principle which are significant to the entire OP Financial Group and defined in the Bylaws as requiring the Supervisory Council's approval. The Board of Directors will also be responsible for central cooperative supervision. The Supervisory Board's current committees (Risk Management, Audit and Remuneration Committees) will become the committees of the Board of Directors. The adopted Bylaws and the new governance structure entered into force on 1 January 2020.

At its meeting of 30 October 2019, OP Cooperative's Supervisory Board (as of 1 January 2020, the Supervisory Council) decided on the conditional composition of OP Cooperative's new Board of Directors. The Supervisory Council confirmed the appointments after the new Bylaws had entered into force on 1 January 2020.

The following persons were appointed to the Board of Directors: Leif Enberg (b. 1954, M.Sc., Econ. & Bus. Adm., Approved Board Member), Jarna Heinonen (b. 1965, D.Sc., Econ. & Bus. Adm.), Jari Himanen (b. 1962, Diploma in Bus. & Adm., eMBA), Kati Levoranta (b. 1970, LL.M., MBA), Pekka Loikkanen (b. 1959, M.Sc., Econ. & Bus. Adm., Authorised Public Accountant), Riitta Palomäki (b. 1957, M.Sc., Econ. & Bus. Adm.), Jaakko Pehkonen (b. 1960, D.Sc., Econ. & Bus. Adm.), Timo Ritakallio (b. 1962, LL.M., MBA, D.Sc., Tech.), Olli Tarkkanen (b. 1962, LL.M., eMBA) and Mervi Väisänen (b. 1963, M.Sc., Econ. & Bus. Adm., Approved Board Member). At the beginning of 2020, the Board of Directors elected Jaakko Pehkonen as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

On 11 December 2019, OP Cooperative's Supervisory Board (as of 1 January 2020, the Supervisory Council) elected from among its members Director of Administration Annukka Nikola to act as Chair and Professor Markku Sotarauta and Managing Director Ari Väänänen to act as Vice Chairs. The new Chairs assumed their responsibilities on 1 January 2020.

Due to the new, three-tiered governance structure, CFO Vesa Aho's position as OP Cooperative's CEO ceased to exist on 1 January 2020. Since that date, President and Group Chief Executive Officer Timo Ritakallio has acted as OP Cooperative's CEO.

Events after the reporting period

On 31 January 2020, OP Cooperative, OP Financial Group's central cooperative, sold the Vallila property to a South Korean-Finnish consortium which includes Varma Mutual Pension Insurance Company, NH Investment & Securities (NHIS) and Shinhan Investment Corp. The value of the transaction is 480 million euros. OP Financial Group will continue operating in the property under a long-term lease agreement. The sale of the property will improve OP Financial Group's CET1 ratio by some 0.2 percentage points. A capital gain of approximately 97 million euros will be recognised on the sale in OP Financial Group's first quarter results 2020.

Outlook for 2020

Risks in financial markets were seen to ease during the latter half of the year. Interest rates rose from the August bottom but remained lower than in early 2019. Stock prices continued their rise in the fourth quarter. Stock markets strengthened markedly during the year. The European Central Bank (ECB) cut the deposit rate from –0.4% to –0.5% in September and began in early November its asset purchases worth EUR 20 billion a month. The ECB announced that it would keep the main refinancing rate unchanged or lower until the inflation outlook is in line with the inflation target. Prolonged exceptionally low interest rates are a strain on financial institutions.

OP Financial Group expects its earnings before tax for 2020 to be at about the same level as in 2019. The most significant uncertainties in respect of the financial performance relate to interest rates, developments in capital markets and impairment losses.

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

Formulas for key figures and ratios

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. The formulas for the used Alternative Performance Measures are presented below.

Alternative Performance Measures

Return on equity (ROE), %	Financial performance for the reporting period / Equity capital (average of the beginning and end of the period)	x 100
Return on equity (ROE) excluding OP bonuses, %	Profit for the period + OP bonuses after tax / Equity capital (average of the beginning and end of the period)	x 100
Return on assets (ROA), %	Financial performance for the reporting period / Average balance sheet total (average of the beginning and end of the period)	x 100
Return on assets (ROA), excluding OP bonuses, %	Profit for the period + OP bonuses after tax / Average balance sheet total (average of the beginning and end of the period)	x 100
Cost/income ratio, %	Total expenses / Total income	x 100
Investment income	Net investment income + Overlay approach	
Total insurance liabilities	Insurance liabilities + Liabilities from unit-linked insurance and investment contracts	
Ratio of non-performing receivables to loan and guarantee portfolio, %	Non-performing receivables (net) / Loan and guarantee portfolio at end of financial year	x 100
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts in financial year	x 100
Non-life insurance:		
Operating loss ratio, %	Claims incurred, excl. changes in reserving bases and amortisation on intangible assets arising from company acquisitions / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating expense ratio, %	Operating expenses / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	
Operating risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue, excl. changes in reserving bases	x 100

Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. changes in reserving bases	x 100

Life Insurance:

Operating ratio, %	Total expenses / Expense loading + refund of management fee	x 100

Indicators based on a separate calculation

Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100
Tier 1 ratio, %	Total Tier 1 capital / Total risk exposure amount	x 100
CET1 ratio, %	CET1 capital / Total risk exposure amount	x 100
Solvency ratio, %	Capital base / Solvency capital requirement (SCR)	x 100
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows - liquidity inflows under stressed conditions	x 100
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates	Conglomerate's total capital base / Conglomerate's total minimum capital requirement	x 100

Non-life insurance operating result

€ million	Q1–4/2019	Q1–4/2018	Change, %
Insurance premium revenue	1,478	1,465	0.9
Claims incurred	1,060	1,039	2.0
Operating expenses	311	308	0.9
Amortisation adjustment of intangible assets		18	
Balance on technical account	107	136	-20.8
Reduction in the discount rate	-136		
Net investment income	307	2	-
Other income and expenses	-23	-31	-
Earnings before tax	255	106	139.4
Temporary exemption (overlay approach)	-65	23	
Earnings before tax	190	130	46.6

The non-life insurance financial indicators are calculated using expenses by function applied by non-life insurance companies, which are not presented on the same principle as in the Consolidated Income Statement.

Income statement

EUR million	Notes	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Net interest income	3	1,241	1,186	318	309
Net insurance income	4	421	566	9	134
Net commissions and fees	5	936	887	257	232
Net investment income	6	530	185	257	-51
Other operating income		53	61	12	15
Total income		**3,181**	**2,885**	**854**	**639**
Personnel costs		781	516	208	-75
Depreciation/amortisation		278	325	88	136
Other expenses	7	844	839	242	242
Total expenses		**1,903**	**1,681**	**538**	**303**
Impairments loss on receivables	8	-87	-46	-51	-22
OP bonuses to owner-customers		-249	-226	-63	-58
Temporary exemption (overlay approach)		-105	26	-40	56
Earnings before tax		**838**	**959**	**161**	**311**
Income tax expense		168	212	34	85
Profit for the period		**670**	**747**	**128**	**226**
Attributable to:					
Profit for the period attributable to owners		663	739	128	226
Profit for the period attributable to non-controlling interest		6	8	0	0
Profit for the period		**670**	**747**	**128**	**226**

Statement of comprehensive income

EUR million	Notes	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Profit for the period		**670**	**747**	**128**	**226**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		15	88	45	-38
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		62	-172	-87	-71
Cash flow hedge		135	22	-91	34
Temporary exemption (overlay approach)		108	-26	45	-56
Translation differences		0	0	0	0
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-3	-18	-9	8
Items that may be reclassified to profit or loss					
Measurement at fair value		-12	34	17	14
Cash flow hedge		-27	-4	18	-7
Temporary exemption (overlay approach)		-22	5	-9	11
Total comprehensive income for the period		**926**	**676**	**58**	**122**
Attributable to:					
Total comprehensive income for the period attributable to owners		920	668	58	122
Total comprehensive income for the period attributable to non-controlling interests		6	8	0	0
Total comprehensive income for the period		**926**	**676**	**58**	**122**

Balance sheet

EUR million	Notes	31 Dec 2019	31 Dec 2018
Cash and cash equivalents		11,988	12,350
Receivables from credit institutions		246	183
Derivative contracts	16	4,824	3,581
Receivables from customers	18	91,463	87,026
Investment assets		23,509	23,050
Assets covering unit-linked contracts		10,831	9,771
Intangible assets		1,406	1,490
Property, plant and equipment (PPE)		524	737
Other assets		1,684	1,875
Tax assets		235	232
Non-current assets held for sale		314	
Total assets		**147,024**	**140,294**
Liabilities to credit institutions		2,632	4,807
Derivative contracts		3,316	2,992
Liabilities to customers		68,289	66,112
Insurance liabilities	9	9,476	9,476
Liabilities from unit-linked insurance and investment contracts	9	10,862	9,812
Debt securities issued to the public	10	34,369	30,458
Provisions and other liabilities		3,163	2,617
Tax liabilities		1,050	921
Subordinated liabilities		1,290	1,358
Liabilities associated with non-current assets held for sale		6	
Total liabilities		**134,454**	**128,552**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative share		209	199
Profit shares		3,029	3,042
Fair value reserve	11	251	7
Other reserves		2,185	2,183
Retained earnings		6,730	6,157
Non-controlling interests		**166**	**154**
Total equity capital		**12,570**	**11,742**
Total liabilities and equity capital		**147,024**	**140,294**

Statement of changes in equity capital

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 31 December 2017	3,097	176	2,173	5,536	10,982	101	11,084
Effect of IFRS 9 transition at 1 January 2018		-28		-33	-61		-61
Change in accounting policies*				-46	-46		-46
Balance at 1 January 2018	3,097	148	2,173	5,457	10,875	101	10,976
Total comprehensive income for the period		-141		810	668	8	676
Profit for the period				739	739	8	747
Other comprehensive income		-141		70	-71		-71
Profit distribution				-90	-90	-13	-103
Change in membership and profit shares	144				144		144
Transfer of reserves			10	-10	0		0
Other				-10	-10	58	49
Balance at 31 December 2018	3,241	7	2,183	6,156	11,587	154	11,742

*Note 1

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2019	3,241	7	2,183	6,157	11,588	154	11,742
Total comprehensive income for the period		244	0	675	920	6	926
Profit for the period				663	663	6	670
Other comprehensive income		244		12	256		256
Profit distribution				-94	-94	-9	-104
Change in membership and profit shares	-3				-3		-3
Associated company transfers					0		0
Transfer of reserves			2	-2	0		0
Other				-6	-6	15	9
Balance at 31 December 2019	3,238	251	2,185	6,730	12,404	166	12,570

Cash flow statement

EUR million	Q1–4 2019	Q1–4 2018
Cash flow from operating activities		
Profit for the period	670	747
Adjustments to profit for the period	126	-61
Increase (-) or decrease (+) in operating assets	-4,266	-4,942
Receivables from credit institutions	43	88
Derivative contracts	-25	-89
Receivables from customers	-4,418	-4,910
Non-life insurance assets	254	-299
Investment assets	131	68
Other assets	-250	200
Increase (+) or decrease (-) in operating liabilities	325	44
Liabilities to credit institutions	-2,347	-420
Derivative contracts	13	-5
Liabilities to customers	2,177	562
Insurance liabilities	-25	46
Liabilities from unit-linked insurance and investment contracts	262	102
Provisions and other liabilities	246	-242
Income tax paid	-116	-145
Dividends received	76	106
A. Net cash from operating activities	-3,185	-4,251
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	0
Disposal of subsidiaries, net of cash disposed	0	67
Purchase of PPP and intangible assets	-168	-228
Proceeds from sale of PPE and intangible assets	50	16
B. Net cash used in investing activities	-118	-145
Cash flow from financing activities		
Increases in debt securities issued to the public	29,830	27,986
Decreases in debt securities issued to the public	-26,664	-24,465
Increases in cooperative and share capital	480	659
Decreases in cooperative and share capital	-485	-515
Dividends paid and interest on cooperative capital	-94	-90
Lease liabilities	-19	
C. Net cash used in financing activities	3,048	3,575
Net change in cash and cash equivalents (A+B+C)	-256	-821
Cash and cash equivalents at period-start	12,423	13,245
Cash and cash equivalents at period-end	12,168	12,423
Interest received	1,987	2,012
Interest paid	-612	-829
Cash and cash equivalents		
Liquid assets	11,988	12,350
Receivables from credit institutions payable on demand	180	74
Total	12,168	12,423

Segment reporting

Segment information

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital has been allocated to the Retail Banking and Corporate Banking segments in such a way that the CET1 ratio is 22% (21). Capital has been allocated to the Insurance segment in such a way that the non-life insurance solvency ratio (SII) is 120% (120) and the life insurance solvency ratio is 130% (130). Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Q1–4 earnings 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	922	383	-12	-59	7	1,241
of which internal net income before tax	1	-3	-11	13		
Net insurance income			431		-10	421
Net commissions and fees	708	125	99	6	-3	936
Net investment income	-17	119	435	38	-46	530
Other operating income	43	27	16	593	-626	53
Total income	**1,657**	**655**	**969**	**578**	**-678**	**3,181**
Personnel costs	426	76	133	148	-1	781
Depreciation/amortisation	55	20	71	132	0	278
Other operating expenses	692	182	269	336	-635	844
Total expenses	**1,172**	**277**	**473**	**616**	**-635**	**1,903**
Impairments loss on receivables	-36	-51	0	0	0	-87
OP bonuses to owner-customers	-214	-16	-19		0	-249
Temporary exemption (overlay approach)			-104		-1	-105
Earnings before tax*	**235**	**311**	**373**	**-37**	**-43**	**838**

Q1–4 earnings 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	886	350	-10	-48	7	1,186
of which internal net income before tax	0	-1	-9	10		
Net insurance income			578		-12	566
Net commissions and fees	677	130	75	6	-2	887
Net investment income	9	165	63	21	-73	185
Other operating income	62	20	23	548	-592	61
Total income	**1,635**	**664**	**730**	**527**	**-671**	**2,885**
Personnel costs	225	45	127	120	-1	516
Depreciation/amortisation	84	21	89	131	0	325
Other operating expenses	678	166	263	339	-607	839
Total expenses	**987**	**232**	**480**	**590**	**-608**	**1,681**
Impairments loss on receivables	-33	-12	0	-1	0	-46
OP bonuses to owner-customers	-194	-14	-18		0	-226
Temporary exemption (overlay approach)			29		-3	26
Earnings before tax*	**421**	**408**	**260**	**-64**	**-66**	**959**

* Group eliminations recognised through profit or loss are mainly due to the change in accounting policies described in Note 1.

Balance sheet 31 December 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Cash and cash equivalents	71	19	1,506	11,891	-1,499	11,988
Receivables from credit institutions	12,785	130	23	9,577	-22,269	246
Derivative contracts	507	4,384	379	468	-913	4,824
Receivables from customers	67,985	24,502	0	95	-1,118	91,463
Investment assets	316	1,006	9,798	17,626	-5,236	23,509
Assets covering unit-linked contracts			10,831			10,831
Intangible assets	43	221	791	354	-3	1,406
Property, plant and equipment (PPE)	355	2	134	43	-11	524
Other assets	247	376	869	407	-216	1,684
Tax assets	103	4	45	39	42	235
Non-current assets held for sale				314		314
Total assets	**82,411**	**30,645**	**24,376**	**40,814**	**-31,223**	**147,024**
Liabilities to credit institutions	8,965	757		15,511	-22,601	2,632
Derivative contracts	323	3,657	109	195	-968	3,316
Liabilities to customers	54,434	11,290		4,664	-2,100	68,289
Insurance liabilities			9,476			9,476
Liabilities from unit-linked insurance and investments contracts			10,862			10,862
Debt securities issued to the public	11,574	1,441		21,449	-94	34,369
Provisions and other liabilities	642	801	767	1,120	-167	3,163
Tax liabilities	483	5	201	363	-1	1,050
Subordinated liabilities	-18	9	380	1,314	-395	1,290
Liabilities associated with non-current assets held for sale				6		6
Total liabilities	**76,403**	**17,960**	**21,795**	**44,622**	**-26,326**	**134,454**
Equity						**12,570**

Balance sheet 31 December 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Cash and cash equivalents	82	19	685	12,199	-634	12,350
Receivables from credit institutions	10,820	125	21	10,109	-20,892	183
Derivative contracts	275	3,448	156	185	-483	3,581
Receivables from customers	64,914	23,009	0	15	-911	87,026
Investment assets	358	908	10,246	17,625	-6,088	23,050
Assets covering unit-linked contracts			9,771			9,771
Intangible assets	49	230	806	408	-3	1,490
Property, plant and equipment (PPE)	362	0	139	248	-11	737
Other assets	217	-153	971	1,299	-459	1,875
Tax assets	112	3	17	66	35	232
Total assets	**77,189**	**27,589**	**22,811**	**42,153**	**-29,447**	**140,294**
Liabilities to credit institutions	9,612	606		15,802	-21,214	4,807
Derivative contracts	157	3,025	37	259	-486	2,992
Liabilities to customers	50,792	11,382		5,089	-1,152	66,112
Insurance liabilities			9,476			9,476
Liabilities from unit-linked insurance and investments contracts			9,812			9,812
Debt securities issued to the public	10,120	1,011		19,492	-165	30,458
Provisions and other liabilities	554	642	788	1,029	-396	2,617
Tax liabilities	433	3	119	365	0	921
Subordinated liabilities	41	-24	380	1,356	-395	1,358
Total liabilities	**71,709**	**16,645**	**20,612**	**43,394**	**-23,808**	**128,552**
Equity						**11,742**

Notes

1. Accounting policies
2. Net interest income
3. Net insurance income
4. Net commissions and fees
5. Net investment income
6. Other operating expenses
7. Impairment losses on receivables
8. Insurance liabilities
9. Debt securities issued to the public
10. Fair value reserve after income tax
11. Collateral given
12. Classification of financial assets and liabilities
13. Recurring fair value measurements by valuation technique
14. Off-balance-sheet commitments
15. Derivative contracts
16. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements
17. Receivables from credit institutions and customers, and doubtful receivables
18. Investment distribution of the Insurance segment
19. Investment distribution in separated balance sheets
20. Capital adequacy for credit institutions
21. Exposures by rating category
22. Insurance company solvency
23. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates
24. Related-party transactions

Note 1. Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2018.

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

The Financial Statements Bulletin is available in Finnish, English and Swedish. The Finnish version is official that will be used if there is any discrepancy between the language versions.

Change in accounting policies

In Q4, OP Financial Group adopted an amortisation-based revenue recognition method for the customer margin related to a derivative clause attached to loans with an interest rate cap or interest rate collar. In accordance with its accounting policies, OP Financial Group previously recognised the fair value of the customer margin related to the derivative clause attached to loans with an interest rate cap or interest rate collar at a single point in time. After the change, customer margin accrued net interest income as the customer pays to OP Financial Group the additional margin related to the derivative clause.

The effect of this change was adjusted retrospectively in OP Financial Group's retained earnings (under equity). In addition, the income statements and balance sheets for 2018 and 2019 were restated to reflect the new revenue recognition practice. The tables below show OP Financial Group's quarterly restated income statement and balance sheet items and the effect of the change.

Balance sheet, € million	31 March 2018	Change	30 June 2018	Change	30 Sep 2018	Change	31 Dec 2018	Change
Derivative contracts	3,252	-42	3,576	-51	3,242	-44	3,581	-62
Receivables from customers	83,053	-28	84,406	-34	85,966	-54	87,026	-54
Tax assets	263	14	250	17	239	20	232	23
Equity	11,004	-56	11,223	-69	11,539	-78	11,742	-93
Balance sheet total	**136,875**	**-56**	**141,814**	**-69**	**140,175**	**-78**	**140,294**	**-93**

Income statement, € million	Q1/2018	Change	H1/2018	Change	Q1-3/2018	Change	Q1-4/2018	Change
Net interest income	285	4	577	8	877	14	1,186	20
Net investment income	64	-16	171	-36	235	-54	185	-78
Earnings before tax	226	-12	397	-28	647	-40	959	-58
Income tax	-50	2	-85	6	-127	8	-212	12
Profit for the period	176	-10	312	-22	521	-32	747	-47

Balance sheet, € million	31 March 2019	Change	30 June 2019	Change	30 Sep 2019	Change
Derivative contracts	4,372	-79	4,663	-109	5,858	-132
Receivables from customers	87,982	-40	89,669	-26	91,000	-15
Tax assets	248	24	278	27	277	29
Equity	11,938	-95	12,202	-108	12,495	-117
Balance sheet total	146,223	-95	144,158	-108	146,420	-117

Income statement, € million	Q1/2019	Change	H1/2019	Change	Q1–3/2019	Change
Net interest income	294	9	602	15	923	22
Net investment income	145	-11	218	-34	273	-52
Earnings before tax	194	-3	396	-19	676	-30
Income tax	-40	1	-77	4	-134	6
Profit for the period	154	-2	319	-15	542	-24

The change in the accounting policy decreased OP Financial Group's CET1 ratio by 0.2 percentage points on 31 December 2019. Capital adequacy measurement was not adjusted retrospectively. The change had no effect on segment reporting.

Changes in presentation

Interest income and expenses of held-for-trading notes and bonds and derivatives previously presented in net interest income have been presented in net investment income since 1 January 2019. The change has been made retrospectively. Net interest totalling EUR 9 million was transferred from net interest income for Q1–4/2018 to net investment income. The change also involved specifying the presentation of items within net interest income.

Accrued interest on held-for-trading notes and bonds and derivatives previously presented in other assets and liabilities has been presented under derivative contracts items in the balance sheet since 1 January 2019. At the same time, OP Corporate Bank specified the netting procedure of these contracts' interest. The change has been made retrospectively. As a result of the change, receivables in the assets in the balance sheet of 31 December 2018 decreased by EUR 159 million, investment assets increased by EUR 3 million and derivative contracts increased by EUR 161 million. In the balance sheet, provisions and other liabilities under liabilities decreased by EUR 168 million, derivative contracts increased by EUR 172 million and debt securities issued to the public increased by EUR 2 million. As a result of the change, the balance sheet total increased by a total of EUR 5 million on 31 December 2018.

Salvage property that has come to the company's possession in connection with claims settlement or undisputable subrogation reimbursements related to claims have been reduced from insurance liability since 1 January 2019. The items totalling EUR 62 million were previously presented under other assets in the balance sheet.

IFRS 16 Leases adoption on 1 January 2019

OP Financial Group adopted IFRS 16 Leases as of 1 January 2019, according to which leased contracts have been recognised as a right-of-use asset and lease liability in the balance sheet. OP Financial Group applied a retrospective approach in the transition to a limited extent, which is why it did not restate comparatives for 2018. The effects of transition have been presented in OP Financial Group's Notes to the Financial Statements 2018. Leased contracts are mainly those related to premises. Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in provisions and other liabilities and the related interest expenses are presented in net interest income. Management judgement has been used to assess the term of leases with indefinite duration and to determine the interest rate quoted by OP Financial Group's Treasury as the incremental borrowing rate that Treasury uses to grant loans to OP cooperative banks and OP Financial Group's subsidiaries. On 31 December 2019, the right-of-use asset amounted to EUR 53 million.

Interest rate benchmark reform

In September 2019, the IASB published a document entitled Interest Rate Benchmark Reform that amended IFRS9, IAS 39 and IFRS 7. The European Union adopted the amendments on 15 January 2020 and they are effective for accounting periods beginning or after 1 January 2020. Earlier application is allowed. OP Financial Group already applied amendments to IAS 39 during the financial year 2019. The interest rate benchmark reform has a significant effect on OP Financial Group's processes, and the Group proceeds with the changes according to its business continuity plan related to reference rates. Following the reform, the EONIA rate is calculated on the €STR by adding a fixed rate of 8.5 basis points to it until the EONIA rate ceases to exist on 31 December 2021. The determination principles of the Euribor too changed during 2019. Changes in the determination methods of the EONIA and Euribors will not affect the continuity of contract terms.The adoption of €STR in OP Financial Group will involve system changes, process changes, changes in risk and valuation models and in accounting. When it comes to hedge accounting, the change means a relief, for example, in the way that OP Financial Group can still continue with cash flow and fair value hedging despite the fact that the method of determination of the reference rate originally defined as the hedged one changes. In cash flow hedges, future cash flows can still be considered to be highly likely insofar as they depend on the reference interest rate.

New segments as of 1 January 2019

At its meeting on 6 June 2018, the Supervisory Board of OP Financial Group's central cooperative decided on a new division of responsibilities of the central cooperative's Executive Management Team, which changed the segment structure as of the beginning of 2019. In its interim reports and financial statements, OP Financial Group began financial reporting based on its new segments as of the first interim report of 2019. The 2018 segment information has been restated to correspond to the new segments. The descriptions of the business segments are presented in the Interim Report for 1 January–31 March 2019.

Classification of the Vallila real property unit as a non-current asset held for sale

Based on decisions made, OP Financial Group classified the Vallila property in the third quarter as a non-current asset held for sale. The Vallila property owned by OP Financial Group comprises a block located in Vallila, Helsinki, which was completed in 2017. In the event of its sale, OP Financial Group would continue operating in the property under a long-term lease agreement and the property would be recognised as a right-of-use asset in the balance sheet. The Vallila property was presented in full in the balance sheet of the Other Operations segment on 31 December 2019.

Itemised non-current assets held for sale:

Assets, € million	31 Dec 2019
Investment assets	90
Property, plant and equipment (PPE)	207*
Other assets	1
Tax assets	17
Total assets (A)	314
Liabilities, € million	31 Dec 2019
Provisions and other liabilities	0
Tax liabilities	6
Total liabilities (B)	6
Balance sheet net worth (A–B)	308

* VAT refund of EUR 10 million received in the fourth quarter has been deducted from the value of buildings.

Notes to the income statement

Note 2. Net interest income

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Interest income				
Receivables from credit institutions				
Interest	2	5	1	1
Negative interest	21	23	4	6
Total	24	28	5	7
Receivables from customers				
Loans	1,225	1,177	315	302
Finance lease receivables	28	23	6	6
Impaired loans and other commitments	0	1	0	0
Negative interest	10	11	3	3
Total	1,263	1,212	324	311
Notes and bonds				
Measured at fair value through profit or loss	1	2	0	0
At fair value through other comprehensive income	81	90	19	23
Amortised cost	10	1	2	0
Total	92	92	21	24
Derivative contracts				
Fair value hedge	-133	-101	-54	-27
Cash flow hedge	52	49	13	13
Ineffective portion of cash flow hedge	6	0	-2	2
Other	0	-19	14	-5
Total	-75	-70	-29	-17
Other	6	4	2	1
Total	**1,310**	**1,265**	**324**	**326**
Interest expenses				
Liabilities to credit institutions				
Interest	6	0	-1	1
Negative interest	59	64	13	15
Total	65	64	13	16
Liabilities to customers	69	60	15	17
Notes and bonds issued to the public	249	225	61	54
Subordinated liabilities				
Subordinated loans	1	2	0	0
Other	46	45	12	12
Total	47	47	12	12
Derivative contracts				
Cash flow hedge	-260	-223	-68	-53
Other	-115	-92	-28	-28
Total	-375	-315	-96	-80
Other	5	4	2	1
Total	**60**	**85**	**7**	**19**
Net interest income before fair value adjustment under hedge accounting	**1,250**	**1,180**	**317**	**307**
Hedging derivatives	-1	-22	-203	43
Value changes of hedged items	-7	28	204	-40
Total	**1,241**	**1,186**	**318**	**309**

Note 3. Net insurance income

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Net insurance premium revenue				
Premiums written	1,484	1,468	263	254
Insurance premiums ceded to reinsurers	-2	0	-3	-1
Change in provision for unearned premiums	-14	-10	119	112
Reinsurers' share	0	-3	-7	-8
Total	1,468	1,454	371	358
Net non-life insurance claims				
Claims paid	-1,017	-951	-242	-260
Insurance claims recovered from reinsurers	21	30	5	8
Change in provision for unpaid claims	-79	-6	-124	6
Reinsurers' share	2	13	-7	14
Total	-1,073	-915	-369	-232
Other non-life insurance items	-4	-3	0	0
Life Insurance risk premiums collected	29	29	7	8
Total	**421**	**566**	**9**	**134**

Note 4. Net commissions and fees

Q1–3 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q4 2019
Commission income							
Lending	102	46	0	5	-1	152	36
Deposits	1	2		0	0	3	1
Payment transfers	232	31		14	-14	264	69
Securities brokerage	4	21		0	-4	21	6
Securities issuance		6		0	0	6	2
Mutual funds	34	210	0	0	-96	148	39
Asset management	34	36	29	0	-20	81	50
Legal services	23	0			0	24	6
Guarantees	8	12		0	0	20	5
Housing service	74				0	74	18
Insurance brokerage	113		24		-86	50	7
Life insurance total expense loadings			91			91	22
Refund of unit-linked management fees			83			83	24
Health and wellbeing services			22		-1	20	3
Other	138	13		1	-113	39	11
Total	**763**	**378**	**249**	**20**	**-334**	**1,075**	**299**
Commission expenses							
Payment transfers	24	5	1	3	-11	22	8
Securities brokerage		14	0	0	-4	10	3
Securities issuance	0	2		1	0	3	0
Mutual funds		105			-97	8	2
Asset management		11	0	1	0	12	4
Insurance operations	-9		140		-86	45	15
Health and wellbeing services			8			8	2
Other	39	116	0	8	-132	31	10
Total	**55**	**253**	**150**	**13**	**-331**	**139**	**43**
Total net commissions and fees	**708**	**125**	**99**	**6**	**-3**	**936**	**257**

Q1–3 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q4 2018
Commission income							
Lending	98	44	0	4	1	147	37
Deposits	2	1		0	0	3	1
Payment transfers	212	26		13	-13	238	65
Securities brokerage	5	16			-4	17	5
Securities issuance		7		1	0	8	0
Mutual funds	31	207	0	0	-93	146	36
Asset management	35	32		1	-11	57	18
Legal services	24	0		0	0	24	7
Guarantees	7	13		0	0	20	5
Housing service	72					72	18
Insurance brokerage	115		21		-85	51	7
Life insurance total expense loadings			91		2	93	24
Refund of unit-linked management fees			89		-7	82	24
Health and wellbeing services			19		-2	17	5
Other	122	13		1	-99	37	11
Total	723	360	220	19	-310	1,012	264
Commission expenses							
Payment transfers	20	3	1	1	-12	13	4
Securities brokerage		12			-4	8	2
Securities issuance	0	1		1	2	3	1
Mutual funds		104			-94	10	2
Asset management		10	0	1	0	11	2
Insurance operations	-10		136		-85	40	8
Health and wellbeing services			7			7	2
Other	36	100	0	10	-115	32	10
Total	46	230	144	13	-309	125	32
Total net commissions and fees	677	130	75	6	-2	887	232

Note 5. Net investment income

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	68	66	15	16
Other income and expenses	2	14	1	3
Capital gains and losses	115	26	44	1
Currency fair value gains and losses	7	18	-14	4
Impairment losses and their reversal*	3	-5	0	-1
Total	194	119	46	23

* Expected credit losses (ECL) on notes and bonds of insurance

Net income recognised at fair value through profit or loss

Financial assets held for trading				
Notes and bonds				
Interest income and expenses	6	7	2	2
Fair value gains and losses	-6	-5	-13	-3
Total	0	2	-11	-1
Shares and participations				
Fair value gains and losses	12	11	-3	-5
Dividend income and share of profits	6	3	5	0
Total	18	14	2	-5
Derivatives				
Interest income and expenses	108	32	35	15
Fair value gains and losses	317	25	29	32
Total	425	57	64	47
Total	443	73	55	41
Financial assets that must measured at fair value through profit or loss				
Notes and bonds				
Interest income	24	23	6	7
Fair value gains and losses	-4	-4	-8	-3
Total	21	19	-2	4
Shares and participations				
Fair value gains and losses	140	-33	47	-56
Dividend income and share of profits	47	63	9	7
Total	186	29	56	-49
Total	207	48	54	-46
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	38	45	9	11
Fair value gains and losses	79	-39	-41	-3
Total	117	7	-32	8
Shares and participations				
Fair value gains and losses	-32	-24	-30	-7
Dividend income and share of profits	9	14	1	-3
Total	-23	-9	-29	-10
Derivatives				
Fair value gains and losses	-18	-3	-6	-1
Total	-18	-3	-6	-1
Total	76	-6	-67	-3
Total net income from financial assets recognised at fair value through profit or loss	726	115	42	-8

Net income from investment property				
Rental income	66	73	17	18
Fair value gains and losses	17	-8	-6	-12
Maintenance charges and expenses	-59	-70	-15	-25
Other	-5	-5	-1	-3
Net income from investment property total	19	-11	-5	-22
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	10	9	3	2
Interest expenses	-1	-1	0	0
Capital gains and losses	0	0	0	0
Impairment losses and their reversal	-4	2	-2	0
Loans and receivables total	5	10	1	1
Non-life insurance				
Unwinding of discount, Non-life Insurance	-27	-28	-6	-7
Life insurance				
Interest credited on customers' insurance savings	-85	-85	-21	-20
Change in supplementary interest rate provisions	-88	38	109	-12
Other technical items**	-215	-15	91	-23
Total	-387	-62	179	-54

** Other technical items include changes in other technical provisions than those in supplementary interest rate provisions.

Associated companies				
Accounted for using the fair value method	9	21	0	5
Consolidated using the equity method	-7	19	1	12
Total	2	41	1	16
Total net investment income	**530**	**185**	**257**	**-51**

Note 6. Other operating expenses

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
ICT costs				
Production	223	199	57	56
Development	131	153	43	41
Buildings	58	78	18	22
Government charges and audit fees	49	54	11	20
Purchased services	130	139	33	35
Data communications	36	38	11	10
Marketing	39	37	13	12
Corporate social responsibility	10	10	3	3
Insurance and security costs	14	9	5	3
Other	153	124	47	40
Total	844	839	242	242

Development costs

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
ICT development costs	131	153	43	41
Share of own work	52	50	15	13
Total development costs in the income statement	**183**	**203**	**58**	**54**
Capitalised ICT costs	110	170	26	37
Capitalised share of own work	12	12	3	3
Total capitalised development costs	**123**	**373**	**84**	**91**
Advance payments	7		7	
Total development costs	313	203	149	54
Depreciation/amortisation and impairment loss	192	202	64	85

Note 7. Impairment losses on receivables

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Receivables written down as loan and guarantee losses	68	70	18	27
Recoveries of receivables written down	-23	-15	-14	-7
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	41	-10	47	1
Expected credit losses (ECL) on notes and bonds*	0	1	0	1
Total	87	46	51	22

* The expected credit losses on notes and bonds in insurance operations are presented in net investment income.

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2019

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Retail Banking	60,605	6,778	173	6,951	909	68,464
Corporate Banking	25,103	1,388	306	1,693	384	27,180
Total	**85,707**	**8,166**	**479**	**8,645**	**1,292**	**95,644**
Off-balance-sheet limits						
Retail Banking	5,218	354	7	361	11	5,589
Corporate Banking	4,674	318	151	470	60	5,204
Total	**9,892**	**673**	**158**	**830**	**71**	**10,793**
Other off-balance-sheet commitments						
Retail Banking	2,775	94		94	12	2,881
Corporate Banking	7,011	1,216		1,216	70	8,297
Total	**9,786**	**1,309**		**1,309**	**82**	**11,178**
Notes and bonds						
Other Operations	12,259	93		93		12,352
Insurance	3,936	4		4	10	3,950
Total	**16,196**	**97**		**97**	**10**	**16,302**
Total exposures within the scope of accounting for expected credit losses	**121,581**	**10,245**	**637**	**10,881**	**1,455**	**133,918**

Loss allowance by stage 31 December 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Retail Banking	-16	-54	-3	-57	-188	-261
Corporate Banking	-25	-18	-3	-21	-248	-294
Total	**-40**	**-72**	**-6**	**-78**	**-436**	**-555**
Off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	0	-2
Corporate Banking	-2	-4		-4	-10	-16
Total	**-3**	**-5**		**-5**	**-10**	**-18**
Notes and bonds***						
Other Operations	-2	-1		-1		-3
Insurance	-4	-1		-1	-5	-10
Total notes and bonds	**-6**	**-1**		**-1**	**-5**	**-13**
Total	**-49**	**-79**	**-6**	**-85**	**-451**	**-585**

* Loss allowance for on- and related off-balance sheet limits is recognised as one component to deduct the balance sheet item.

** Loss allowance is recognised in provisions and other liabilities in the balance sheet.

*** Loss allowance is recognised in the fair value reserve in other comprehensive income.

The table below shows a summary of loss allowance relative to the exposure amount by impairment stage. The coverage ratio describes the ratio of loss allowance to exposure amount.

Summary and key indicators 31 December 2019	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	68,597	7,226	180	7,406	931	76,934
Corporate Banking	36,788	2,922	457	3,379	514	40,681
Loss allowance						
Retail Banking	-17	-55	-3	-58	-188	-263
Corporate Banking	-27	-22	-3	-26	-258	-310
Coverage ratio, %						
Retail Banking	-0.02%	-0.76%	-1.67%	-0.78%	-20.22%	-0.34%
Corporate Banking	-0.07%	-0.77%	-0.71%	-0.76%	-50.12%	-0.76%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**105,386**	**10,148**	**637**	**10,784**	**1,445**	**117,615**
Total loss allowance	**-43**	**-77**	**-6**	**-83**	**-446**	**-573**
Total coverage ratio, %	**-0.04%**	**-0.76%**	**-0.98%**	**-0.77%**	**-30.86%**	**-0.49%**
Carrying amount, notes and bonds						
Other Operations	12,259	93		93		12,352
Insurance	3,936	4		4	10	3,950
Loss allowance						
Other Operations	-2	-1		-1		-3
Insurance	-4	-1		-1	-5	-10
Coverage ratio, %						
Other Operations	-0.02%	-0.81%		-0.81%		-0.02%
Insurance	-0.09%	-19.84%		-19.84%	-54.58%	-0.24%
Total notes and bonds	**16,196**	**97**		**97**	**10**	**16,302**
Total loss allowance	**-6**	**-1**		**-1**	**-5**	**-13**
Total coverage ratio, %	**-0.04%**	**-1.52%**		**-1.52%**	**-54.58%**	**-0.08%**

The agreements have been grouped to correspond to OP Financial Group's new segments effective since 1 January 2019. The comparatives have been restated accordingly.

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2018

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Retail Banking	58,339	6,800	183	6,984	876	66,199
Corporate Banking	22,355	1,257	283	1,540	354	24,249
Total	**80,694**	**8,057**	**466**	**8,524**	**1,231**	**90,448**
Off-balance-sheet limits						
Retail Banking	5,755	237	1	238	9	6,001
Corporate Banking	4,443	512	139	651	86	5,180
Total	**10,198**	**749**	**141**	**889**	**94**	**11,181**
Other off-balance-sheet commitments						
Retail Banking	2,307	87		87	14	2,408
Corporate Banking	6,655	178		178	20	6,854
Total	**8,962**	**265**		**265**	**34**	**9,262**
Notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	4,677	313		313	11	5,001
Total	**16,896**	**332**		**332**	**11**	**17,240**
Total exposures within the scope of accounting for expected credit losses	**116,750**	**9,403**	**607**	**10,010**	**1,370**	**128,131**

* The amount of exposures within the scope of accounting has been specified as a result of the new division of segments.

Loss allowance by stage 31 December 2018

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Retail Banking	-12	-49	-3	-52	-202	-267
Corporate Banking	-25	-25	-3	-28	-206	-259
Total	**-37**	**-74**	**-6**	**-81**	**-409**	**-526**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1		-2
Corporate Banking	-2	-1		-1	0	-4
Total	**-3**	**-3**		**-3**	**0**	**-6**
Notes and bonds***						
Other Operations	-3	0		0		-3
Insurance	-3	-4		-4	-4	-11
Total notes and bonds	**-6**	**-4**		**-4**	**-4**	**-14**
Total	**-46**	**-81**	**-6**	**-87**	**-413**	**-546**

* Loss allowance for on- and related off-balance sheet limits is recognised as one component to deduct the balance sheet item.

** Loss allowance is recognised in provisions and other liabilities in the balance sheet.

*** Loss allowance is recognised in the fair value reserve in other comprehensive income.

The table below shows a summary of loss allowance relative to the exposure amount by impairment stage. The coverage ratio describes the ratio of loss allowance to exposure amount.

Summary and key indicators 31 December 2018	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	66,401	7,124	185	7,308	899	74,609
Corporate Banking	33,453	1,947	422	2,369	460	36,282
Loss allowance						
Retail Banking	-13	-50	-3	-54	-202	-269
Corporate Banking	-27	-26	-3	-30	-207	-263
Coverage ratio, %						
Retail Banking	-0.02%	-0.71%	-1.71%	-0.73%	-22.51%	-0.36%
Corporate Banking	-0.08%	-1.36%	-0.74%	-1.25%	-44.93%	-0.73%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**99,854**	**9,071**	**607**	**9,678**	**1,359**	**110,891**
Total loss allowance	**-40**	**-77**	**-6**	**-83**	**-409**	**-532**
Total coverage ratio, %	**-0.04%**	**-0.85%**	**-1.03%**	**-0.86%**	**-30.09%**	**-0.48%**
Carrying amount, notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	4,677	313		313	11	5,001
Loss allowance						
Other Operations	-3	0		0		-3
Insurance	-3	-4		-4	-4	-11
Coverage ratio, %						
Other Operations	-0.02%	-0.85%		-0.85%		-0.02%
Insurance	-0.07%	-1.20%		-1.20%	-34.32%	-0.22%
Total notes and bonds	**16,896**	**332**		**332**	**11**	**17,240**
Total loss allowance	**-6**	**-4**		**-4**	**-4**	**-14**
Total coverage ratio, %	**-0.04%**	**-1.18%**		**-1.18%**	**-34.32%**	**-0.08%**

The following flow statements show the changes in loss allowance by impairment stage during 2019 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2019	**40**	**83**	**409**	**532**
Transfers from Stage 1 to Stage 2	-3	22		19
Transfers from Stage 1 to Stage 3	-4		15	11
Transfers from Stage 2 to Stage 1	2	-11		-10
Transfers from Stage 2 to Stage 3		-14	33	19
Transfers from Stage 3 to Stage 2		5	-16	-11
Transfers from Stage 3 to Stage 1	1		-2	-2
Increases due to origination and acquisition	16	15	14	45
Decreases due to derecognition	-7	-14	-24	-44
Changes in risk parameters (net)	-1	-2	48	45
Decrease in allowance account due to write-offs	0	0	-31	-31
Net change in expected credit losses	**4**	**0**	**37**	**41**
Loss allowance 31 December 2019	**44**	**83**	**446**	**573**
Net change in expected credit losses Q4 2019	**3**	**0**	**44**	**47**

Transfers from Stage 1 to Stage 3 compare the current reporting-date Stage 3 of a financial asset at the beginning of the year. However, around 90% of these transfer to Stage 3 through Stage 2. The agreement may transfer directly to Stage 3 due to external payment default.

The risk parameters included in the LDG model have been calibrated in the fourth quarter of the year by removing a cure rate from credit in debt collection. This increased stage 3 loss allowance by about EUR 12 million.

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2019	**6**	**4**	**4**	**14**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		2	2
Transfers from Stage 2 to Stage 1	0	-2		-2
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	2	0	0	2
Decreases due to derecognition	-2	-2	-1	-4
Changes in risk parameters (net)	0	0	0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	**0**	**-2**	**1**	**-1**
Loss allowance 31 December 2019	**6**	**1**	**5**	**13**
Net change in expected credit losses Q4 2019	**-1**	**0**	**1**	**0**

The table below shows the change in loss allowance by impairment stage during 2018 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2018	**31**	**80**	**431**	**543**
Transfers from Stage 1 to Stage 2	-2	18		16
Transfers from Stage 1 to Stage 3	0		25	25
Transfers from Stage 2 to Stage 1	2	-16		-14
Transfers from Stage 2 to Stage 3		-8	23	15
Transfers from Stage 3 to Stage 2		9	-30	-21
Transfers from Stage 3 to Stage 1	1		-7	-6
Increases due to origination and acquisition	13	7	13	34
Decreases due to derecognition	-9	-12	-22	-43
Changes in risk parameters (net)	4	3	28	35
Decrease in allowance account due to write-offs	0	0	-52	-52
Net change in expected credit losses	**9**	**3**	**-22**	**-11**
Loss allowance 31 December 2018	**40**	**83**	**409**	**532**

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2018	**5**	**0**	**0**	**5**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		2	2
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 2 to Stage 3		0	0	0
Transfers from Stage 3 to Stage 2		0	0	0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	2	3	2	7
Decreases due to derecognition	-2	0		-2
Changes in risk parameters (net)	0			0
Changes due to update in the methodology for estimation (net)	1		0	1
Net change in expected credit losses	**1**	**4**	**3**	**8**
Loss allowance 31 December 2018	**6**	**4**	**4**	**14**

Note 8. Insurance liabilities

EUR million	31 Dec 2019	31 Dec 2018
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,571	1,510
Other provision for unpaid claims	1,101	1,056
Reserve for decreased discount rate (value of hedges of insurance liability)	-22	21
Total	2,650	2,588
Provisions for unearned premiums	584	569
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	9,086	8,298
Investment contracts	1,776	1,513
Total	10,862	9,812
Life insurance insurance liabilities	6,242	6,319
Total	**20,338**	**19,288**

Note 9. Debt securities issued to the public

EUR million	31 Dec 2019	31 Dec 2018
Bonds	12,657	9,522
Covered bonds	12,097	10,720
Other		
Certificates of deposit	0	105
Commercial paper	9,716	10,162
Included in own portfolio in trading (–)	-101	-50
Total debt securities issued to the public	**34,369**	**30,458**

Note 10. Fair value reserve after income tax

	Fair value through other comprehensive income				
EUR million	Notes and bonds	Shares and participations	Shares and participations	Cash flow hedging	Total
Balance sheet 31 December 2017	**135**	**25**		**16**	**176**
Effect of IFRS 9 transition at 1 January 2018	-2	-25			-28
Opening balance 1 January 2018	**133**	**0**		**16**	**148**
Fair value changes	-135	0	-35	66	-104
Capital gains transferred to income statement	-37		-8		-45
Impairment loss transferred to income statement			17		17
Transfers to net interest income				-45	-45
Deferred tax	34	0	5	-4	35
Closing balance 31 December 2018	**-5**		**-21**	**33**	**7**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2019	**-5**	**-21**	**33**	**7**
Fair value changes	93	70	77	241
Capital gains transferred to income statement	-32	12		-20
Impairment loss transferred to income statement		26		26
Transfers to net interest income			58	58
Deferred tax	-12	-22	-27	-61
Closing balance 31 December 2019	**44**	**65**	**141**	**251**

The fair value reserve before tax amounted to EUR 314 million (9) and the related deferred tax liability amounted to EUR 63 million (2). At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 99 million (54) and negative mark-to-market valuations EUR 11 million (82), owing to the application of the overlay approach. During the reporting period, the loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 2 million (-6) in the fair value reserve.
A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

Note 11. Collateral given

EUR million	31 Dec 2019	31 Dec 2018
Given on behalf of own liabilities and commitments		
Pledges	230	171
Loans (as collateral for covered bonds)	14,551	13,700
Others	3,496	5,775
Total collateral given*	**18,277**	**19,647**
Secured derivative liabilities	1,098	928
Other secured liabilities	2,209	4,149
Covered bonds	12,097	10,720
Total	**15,404**	**15,797**

* In addition, bonds with a book value of EUR 6.4 billion have been pledged in the central bank, of which EUR 1.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 12. Classification of financial assets and liabilities

			Fair value through profit or loss				
Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	11,988						11,988
Receivables from credit institutions	246						246
Derivative contracts			3,821			1,003	4,824
Receivables from customers	91,463						91,463
Assets covering unit-linked contracts				10,831			10,831
Notes and bonds	3	16,695	1,415	2,216	466		20,795
Equity instruments		0	77	254	1,248		1,580
Other financial assets	1,884						1,884
Financial assets							**143,612**
Other than financial instruments							3,412
Total 31 December 2019	**105,585**	**16,695**	**5,313**	**13,301**	**1,714**	**1,003**	**147,024**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	12,350						12,350
Receivables from credit institutions	183						183
Derivative contracts			3,066			515	3,581
Receivables from customers	87,026						87,026
Assets covering unit-linked contracts				9,771			9,771
Notes and bonds	4	17,124	505	2,227	451		20,312
Equity instruments		0	81	245	1,130		1,456
Other financial assets	1,940						1,940
Financial assets							**136,619**
Other than financial instruments							3,676
Total 31 December 2018	**101,503**	**17,124**	**3,652**	**12,243**	**1,581**	**515**	**140,294**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		2,632		2,632
Derivative contracts	2,887		429	3,316
Liabilities to customers		68,289		68,289
Insurance liabilities		9,476		9,476
Liabilities from unit-linked insurance and investment contracts	10,862			10,862
Debt securities issued to the public		34,369		34,369
Subordinated loans		1,290		1,290
Other financial liabilities		2,578		2,578
Financial liabilities				132,812
Other than financial liabilities				1,642
Total 31 December 2019	13,749	118,634	429	134,454

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		4,807		4,807
Derivative contracts	2,572		421	2,992
Liabilities to customers		66,112		66,112
Insurance liabilities		9,476		9,476
Liabilities from unit-linked insurance and investment contracts	9,812			9,812
Debt securities issued to the public		30,458		30,458
Subordinated loans		1,358		1,358
Other financial liabilities		2,134		2,134
Financial liabilities				127,148
Other than financial liabilities				1,404
Total 31 December 2018	12,383	114,344	421	128,552

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was approximately EUR 529 (242) 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 13. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	705	231	643	1,579
Debt instruments	2,810	750	537	4,097
Unit-linked contracts	7,048	3,783	0	10,831
Derivative financial instruments	22	4,728	74	4,824
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	13,980	1,827	888	16,695
Total financial instruments	24,565	11,319	2,143	38,027
Investment property			714	714
Total	24,565	11,319	2,857	38,741

Fair value of assets on 31 December 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	592	185	679	1,456
Debt instruments	2,107	764	312	3,184
Unit-linked contracts	6,337	3,434		9,771
Derivative financial instruments	0	3,524	57	3,581
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	13,885	3,026	214	17,124
Total financial instruments	22,921	10,933	1,262	35,116
Investment property			979	979
Total	22,921	10,933	2,241	36,095

Fair value of liabilities on 31 December 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	7,068	3,794	0	10,862
Other		12		12
Derivative financial instruments	18	3,266	32	3,316
Total	**7,086**	**7,072**	**32**	**14,190**

Fair value of liabilities on 31 December 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,364	3,448		9,812
Other		0		0
Derivative financial instruments	10	2,939	44	2,992
Total	**6,373**	**6,387**	**44**	**12,804**

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions, as well as exchange-traded derivatives. The fair value of these instruments is determined on the basis of the quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank Group's OTC derivatives and quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve uncertainty. The fair value determination of the instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity on the valuation date. This level includes the most complex OTC derivatives and derivatives with a long maturity for which the Group had to extrapolate the market data used in their value measurement, as well as certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. 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. Transfers between the levels are mainly due to the number of available market quotes.

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	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2019	991	57	214	1,262
Total gains/losses in profit or loss	-326	18	1	-308
Total gains/losses in other comprehensive income	0		1	1
Purchases	141		5	146
Sales	-85		-18	-103
Settlements	-1		-6	-7
Transfers into Level 3	466		766	1,233
Transfers out of Level 3	-6		-75	-81
Closing balance 31 December 2019	1,181	74	888	2,143

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2019	44	44
Total gains/losses in profit or loss	-11	-11
Closing balance 31 December 2019	32	32

Total gains/losses included in profit or loss by item for the financial year on 30 September 2019

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-263	-62	0	-325
Unrealised net gains (losses)	29		1	30
Total net gains (losses)	**-234**	**-62**	**2**	**-295**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by OP Corporate Bank, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 for which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2019.

Note 14. Off-balance-sheet commitments

EUR million	31 Dec 2019	31 Dec 2018
Guarantees	711	775
Other guarantee liabilities	2,459	2,162
Loan commitments	13,180	12,577
Commitments related to short-term trade transactions	333	283
Other*	1,311	1,195
Total off-balance-sheet commitments	**17,995**	**16,993**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 194 million (203).

Note 15. Derivative contracts

Total derivatives 31 December 2019

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	34,200	75,299	77,593	187,091	3,151	2,015
Cleared by the central counterparty	10,791	36,126	42,208	89,126	52	53
Currency derivatives	45,176	6,954	2,414	54,544	1,253	968
Equity and index-linked derivatives	1	2		3	0	
Credit derivatives	59	1,610	4,468	6,137	25	20
Other derivatives	233	4,599	18	4,850	74	40
Total derivatives	**79,668**	**88,463**	**84,493**	**252,624**	**4,502**	**3,043**

Total derivatives 31 December 2018

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	30,535	84,181	70,116	184,833	2,152	1,531
Cleared by the central counterparty	9,278	38,670	36,704	84,652	8	12
Currency derivatives	28,646	6,784	3,404	38,835	1,065	1,176
Equity and index-linked derivatives		3		3	0	0
Credit derivatives	15	189	2	206	4	9
Other derivatives	208	364	8	580	34	29
Total derivatives	**59,404**	**91,522**	**73,530**	**224,456**	**3,255**	**2,744**

* The fair values include accrued interest that is, excluding other than those held-for-trading derivatives, presented in the balance sheet in other assets or provisions and other liabilities. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Note 16. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

31 Dec 2019, 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: Master agreements***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Derivatives	6,703	-1,879	4,824	-2,147	-707	1,971

31 Dec 2018, 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: Master agreements***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Derivatives	4,515	-934	3,581	-1,823	-490	1,330

Financial liabilities

31 Dec 2019, 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: Master agreements***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Derivatives	5,371	-2,055	3,316	-2,147	-654	515

31 Dec 2018, 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: Master agreements***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Derivatives	3,887	-1,066	2,992	-1,823	-703	467

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -177 (-140) million euros.

** The fair values including interest accrued on held-for-trading derivatives.

***It is the practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House or ICE Clear Europe in accordance with EMIR (EU 648/2012). 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 derivatives

The ISDA Master Agreement or the Master Agreement of Finance Finland or the Group will apply to derivative transactions between the 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 17. Receivables from credit institutions and customers, and doubtful receivables

31 December 2019, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables by sector			
Non-banking corporate sector	35,192	419	34,773
Financial institutions and insurance companies	1,200	2	1,198
Households	53,016	127	52,889
Non-profit organisations	786	5	781
Public-sector entities	2,069	1	2,068
Total	**92,264**	**555**	**91,709**

31 December 2018, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables by sector			
Non-banking corporate sector	32,405	410	31,995
Financial institutions and insurance companies	1,065	2	1,064
Households	51,511	105	51,406
Non-profit organisations	814	6	808
Public-sector entities	1,985	3	1,981
Total	**87,780**	**526**	**87,254**

Doubtful and forborne receivables

31 December 2019, 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 (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		638	638	250	388
Unlikely to be paid		504	504	147	357
Forborne receivables	2,042	337	2,379	54	2,325
Total	**2,042**	**1,479**	**3,521**	**451**	**3,070**

31 December 2018, 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 (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		614	614	229	385
Unlikely to be paid		426	426	148	278
Forborne receivables	2,137	340	2,477	62	2,414
Total	**2,137**	**1,380**	**3,517**	**440**	**3,077**

The Group reports on the remaining principal as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been overdue and outstanding for over three months. Contracts with the lowest credit ratings (F for private customers and 11-12 for others) are reported as unlikely to be paid. 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. Forborne receivables are in ECL measurement at stage two or three.

Key ratio, %	31 Dec 2019	31 Dec 2018
Loss allowance, % of doubtful receivables	12.8 %	12.5 %

Note 18. Investment distribution of the Insurance segment

Non-life Insurance	31 December 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	547	14	173	5
Money market instruments and deposits**	541	14	167	4
Derivatives***	6	0	5	0
Total bonds and bond funds	2,644	67	2,857	77
Governments	447	11	498	13
Investment Grade	1,669	42	1,895	51
Emerging markets and High Yield	253	6	243	7
Structured Investments****	275	7	222	6
Total equities	426	11	360	10
Finland	116	3	60	2
Developed markets	172	4	147	4
Emerging markets	67	2	76	2
Unlisted equities	6	0	1	0
Private equity investments	65	2	76	2
Total alternative investments	35	1	28	1
Hedge funds	35	1	28	1
Total property investment	300	8	312	8
Direct property investment	159	4	157	4
Indirect property investment	141	4	155	4
Total	3,952	100	3,730	100

* Includes accrued interest income
** Includes settlement receivables and liabilities and market value of derivatives
*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents)
**** Include covered bonds, bond funds and illiquid bonds

Life Insurance	31 December 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	386	11	175	5
Money market investments and deposits**	381	11	170	5
Derivatives***	5	0	5	0
Total bonds and bond funds	2,555	71	2,826	78
Governments	516	14	623	17
Investment Grade	1,548	43	1,784	49
Emerging markets and High Yield	200	6	182	5
Structured investments****	290	8	236	6
Total equities	406	11	337	9
Finland	105	3	48	1
Developed markets	156	4	116	3
Emerging markets	61	2	57	2
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	81	2	113	3
Total alternative investments	41	1	34	1
Hedge funds	41	1	34	1
Total real property investments	231	6	271	7
Direct property investments	93	3	114	3
Indirect property investments	138	3	156	4
Total	3,619	100	3,644	100

* Includes accrued interest income
** Include settlement receivables and liabilities and market value of derivatives
*** Effect of derivatives on the allocation of the asset class (delta equivalent)
**** Include covered bonds, bond funds and illiquid bonds

Note 19. Investment distribution in separated balance sheets

Separated balance sheet 1

In connection with the portfolios' transfer, a separated balance sheet (separated balance sheet 1) was created out of the individual life insurance portfolio transferred from Suomi Mutual in 2015 and with a profit distribution policy differing from other life insurance operations.

Investment distribution in separated balance sheet 1	31 December 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**31**	**4**	**34**	**4**
Money market investments and deposits**	31	4	34	4
Derivatives***	0	0		
Total bonds and bond funds	**705**	**88**	**671**	**83**
Governments	187	23	217	27
Inflation-linked bonds	3	0	3	0
Investment Grade	417	**52**	370	**46**
Emerging markets and High Yield	48	6	36	4
Structured investments****	50	6	45	6
Total equities	**40**	**5**	**35**	**4**
Developed markets	24	3	14	2
Emerging markets	1	0	1	0
Fixed assets and unquoted equities	0	0	0	0
Private equity investments	14	2	20	2
Total alternative investments			**2**	**0**
Hedge funds			2	0
Total real property investments	**27**	**3**	**68**	**8**
Direct property investments	11	1	48	6
Indirect property investments	16	2	19	2
Total	**803**	**100**	**810**	**100**

* Includes accrued interest income

** Include settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta equivalent)

**** Include covered bonds, bond funds and illiquid bonds

Net return on investments at fair value totalled EUR 32 million (3). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Separated balance sheet 2

In connection with the portfolios' transfer, a separated balance sheet (separated balance sheet 2) was created out of the individual life insurance portfolio transferred from Suomi Mutual in 2015 and with a profit distribution policy differing from other life insurance operations.

Investment distribution in separated balance sheet 2	31 December 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**93**	**4**	**72**	**3**
Money market investments and deposits**	93	4	72	3
Derivatives***	0	0		
Total bonds and bond funds	**1,892**	**89**	**1,946**	**85**
Governments	560	26	617	27
Inflation-linked bonds	8	0	7	0
Investment Grade	1,086	51	1,000	44
Emerging markets and High Yield	10	0	93	4
Structured investments****	228	11	230	10
Total equities	**82**	**4**	**90**	**4**
Developed markets	42	2	38	2
Emerging markets	2	0	2	0
Fixed assets and unquoted equities	0	0	0	0
Private equity investments	37	2	50	2
Total alternative investments			**1**	**0**
Hedge funds			1	0
Total real property investments	**71**	**3**	**185**	**8**
Direct property investments	34	2	143	6
Indirect property investments	36	2	43	2
Total	**2,137**	**100**	**2,295**	**100**

* Includes accrued interest income

** Include settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta equivalent)

**** Include covered bonds, bond funds and illiquid bonds

Net return on investments at fair value totalled EUR 71 million (-24). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Note 20. Capital adequacy for credit institutions

Capital base, EUR million	31 Dec 2019	31 Dec 2018
OP Financial Group's equity capital	12,570	11,835
The effect of insurance companies on the Group's shareholders' equity is excluded	-237	189
Fair value reserve, cash flow hedge	-141	-33
Common Equity Tier 1 (CET1) before deductions	12,192	11,991
Intangible assets	-630	-710
Excess funding of pension liability and valuation adjustments	-76	-76
Items deducted from cooperative capital	-142	-147
Planned profit distribution and profit distribution unpaid for the previous period	-97	-94
Shortfall of ECL minus expected losses	-428	-288
Common Equity Tier 1 (CET1)	10,819	10,677
Hybrid capital to which transitional provision is applied	60	80
Additional Tier 1 capital (AT1)	60	80
Tier 1 capital (T1)	10,879	10,757
Debenture loans	806	995
Tier 2 capital (T2)	806	995
Total capital base	11,685	11,752

Terminated cooperative capital contributions refunded to customers in January 2020, as permitted by the supervisor, were deducted from CET1 capital. ECL - shortfall of expected losses increased due to the risk parameter factors set by the ECB for retail exposures.

OP Financial Group has applied transitional provisions regarding old capital instruments to subordinated loans. In the calculation of capital adequacy and the leverage ratio, the Group has not applied the IFRS 9 transitional provision.

Risk exposure amount, EUR million	31 Dec 2019	31 Dec 2018
Credit and counterparty risk	49,216	41,602
Standardised Approach (SA)	4,101	3,878
Central government and central banks exposure	304	293
Credit institution exposure	8	7
Corporate exposure	2,646	2,561
Retail exposure	1,069	961
Equity investments	22	12
Other	52	43
Internal Ratings-based Approach (IRB)	45,115	37,724
Credit institution exposure	1,023	1,083
Corporate exposure	25,580	23,474
Retail exposure	10,320	5,276
Equity investments	6,898	6,659
Other	1,293	1,233
Market and settlement risk (Standardised Approach)	1,309	1,319
Operational risk (Standardised Approach)	4,232	4,136
Valuation adjustment (CVA)	191	175
Other risks	11	
Total risk exposure amount	54,959	47,233
Risk weight floors based on ECB's decision	505	4,893
Total risk exposure amount including risk weight floors	55,464	52,126

The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP Financial Group. The IRB retail risk-weighted asset increased due to the risk parameter factors set by the ECB for retail exposures, while the effect of the ECB's risk-weight floor decreased.

EUR 279 million (261) of government exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from Common Equity Tier 1 capital.

Ratios, %	31 Dec 2019	31 Dec 2018
CET1 capital ratio	19.5	20.5
Tier 1 ratio	19.6	20.6
Capital adequacy ratio	21.1	22.5

Ratios, fully loaded, %	31 Dec 2019	31 Dec 2018
CET1 capital ratio	19.5	20.5
Tier 1 ratio	19.5	20.5
Capital adequacy ratio	21.0	22.4

Capital requirement, EUR million	31 Dec 2019	31 Dec 2018
Capital base	11,685	11,752
Capital requirement	8,068	7,448
Buffer for capital requirements	3,617	4,304

The capital requirement of 14.5% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 2.0%, the minimum requirement (P2R) of 2.0% (1.75 a year ago) set by the ECB and the changing capital conservation buffers by country for foreign exposures.

Leverage ratio, EUR million	31 Dec 2019	31 Dec 2018
Tier 1 capital (T1)	10,879	10,757
Total exposure	131,504	125,510
Leverage ratio, %	8.3	8.6

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with Commission Delegated Regulation. According to these rules, the minimum ratio is three percent. The minimum leverage ratio is based on end of quarter figures.

Overview of RWAs (EU-OV1), EUR million		RWAs 31 Dec 2019	RWAs 30 Sep 2019	Minimum capital requirements 31 Dec 2019
1	**Credit risk (excluding CCR)**	**48,385**	**48,523**	**3,871**
2	Of which the standardised approach	5,061	5,246	405
3	Of which the foundation IRB (FIRB) approach	26,105	26,048	2,088
4	Of which the advanced IRB (AIRB) approach	10,320	10,396	826
5	Of which equity IRB under the simple risk-weighted approach	451	383	36
5a	Of which equity investments under PD/LGD method	6,447	6,450	516
6	**CCR**	**698**	**821**	**56**
7	Of which mark to market	506	623	40
12	Of which CVA	191	198	15
13	**Settlement risk**	**0**		**0**
14	**Securitisation exposures in the banking book (after the cap)**	**46**	**43**	**4**
15	Of which IRB approach	46	43	4
19	**Market risk**	**1,309**	**1,397**	**105**
20	Of which the standardised approach	1,309	1,397	105
23	**Operational risk**	**4,232**	**4,232**	**339**
25	Of which standardised approach	4,232	4,232	339
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**279**	**219**	**22**
27a	**Other risks**	**11**	**21**	**1**
29	**Total**	**54,959**	**55,256**	**4,397**
30	**Risk weight floors based on ECB's decision**	**505**	**678**	**40**
31	**Total risk exposure amount including risk weight floors**	**55,464**	**55,934**	**4,437**

Total risk exposure amount increased by 0.5% during the quarter.

Risk weight floors based on the ECB's decision apply to corporate exposures of retail exposures other than SME corporate exposures. In these, floors set for the average risk weight are 15.4% for exposures secured by mortgages and 32.7% for other than exposures secured by mortgages.

RWA flow statements of credit risk exposures under the IRB approach (EU-CR8), EUR million		a RWA amounts	b Capital require-ments
1	RWAs as at the end of the previous reporting period 30 September 2019	36,444	2,916
2	Asset size	0	0
3	Asset quality	-18	-1
9	RWAs as at the end of the reporting period 31 December 2019	36,425	2,914

Changes occurred in retail exposures, corporate exposures and credit institution exposures during the last quarter are presented using the flow statements. No major changes took place in risk-weighted assets.

Note 21. Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures

Borrower grade 31 Dec 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Private customers, total	51,277	2,037	53.9	1.1	27.6	9,269	16.4	267
A	32,273	1,464	52.7	0.0	26.6	1,333	3.9	4
B	9,884	432	56.5	0.2	26.2	1,222	11.8	5
C	4,391	96	59.2	0.7	32.7	1,628	36.3	11
D	2,864	41	58.8	3.2	32.3	2,305	79.3	29
E	1,433	4	68.0	27.9	34.5	2,212	154.0	128
F	432			100.0	30.3	570	132.1	91
Corporate customers, total	1,785	155	68.4	3.7	42.7	1,051	50.0	68
1.0–2.0	1	0	74.2	0.0	35.9	0	2.8	0
2.5–5.5	519	45	66.9	0.4	25.9	74	13.2	1
6.0–7.0	701	64	68.3	1.3	44.2	332	43.4	5
7.5–8.5	371	34	68.4	5.0	56.0	346	85.5	11
9.0–10.0	140	13	75.1	24.4	50.3	191	125.7	18
11.0–12.0	53	0	66.0	100.0	79.0	107	203.5	33
Total	53,062	2,192	54.7	1.2	28.1	10,320	17.6	335

All retail exposures

Borrower grade 31 Dec 2018	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Private customers, total	49,985	1,817	54.1	0.7	16.8	4,146	7.4	159
A	31,412	1,319	52.8	0.0	15.9	571	1.7	2
B	10,647	399	56.9	0.1	15.9	523	4.7	2
C	3,915	73	61.6	0.5	22.5	690	17.3	4
D	2,172	23	65.6	2.3	21.0	795	36.2	11
E	1,429	3	69.5	20.0	21.4	1,205	84.1	59
F	409			100.0	23.5	362	88.5	80
Corporate customers, total	2,099	173	68.4	3.6	40.1	1,130	47.1	71
1.0–2.0	1	0	65.9	0.0	26.4	0	2.0	0
2.5–5.5	591	48	67.3	0.4	26.7	88	13.7	1
6.0–7.0	838	73	68.3	1.4	42.2	378	41.5	5
7.5–8.5	457	39	67.7	4.9	48.3	368	74.2	12
9.0–10.0	154	13	76.3	24.7	49.8	208	124.7	21
11.0–12.0	57	0	75.7	100.0	59.2	88	153.8	33
Total	52,084	1,990	55.0	0.9	17.8	5,276	9.0	230

The average private customer PDs and LGDs increased especially as a result of the ECB's risk parameter factors, and conservatism added to the models also increased the parameters. Higher parameters also increased risk weights and expected losses. The defaults, or borrower grades F, 11.0 and 12.0, are not included in the average PD and risk weight.

Corporate exposures (FIRB) by rating category

Borrower grade 31 Dec 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	699	298	85.2	0.0	43.0	139	13.9	0
2.5–5.5	17,368	3,375	71.5	0.2	44.0	8,327	40.1	21
6.0–7.0	8,500	1,726	70.6	1.2	42.7	8,649	84.6	53
7.5–8.5	4,956	891	72.0	4.4	42.9	7,085	121.2	110
9.0–10.0	677	63	69.0	24.3	42.2	1,379	186.4	75
11.0–12.0	714	64	60.9	100.0	44.0	0	0.0	343
Total	32,914	6,417	71.7	1.6	43.4	25,580	66.3	601

Borrower grade 31 Dec 2018	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	748	381	84.2	0.0	44.4	166	14.7	0
2.5–5.5	16,058	3,815	72.7	0.2	43.8	8,031	40.4	20
6.0–7.0	7,823	1,464	72.1	1.3	43.0	8,067	86.8	52
7.5–8.5	4,082	679	72.6	4.5	43.0	5,673	119.1	91
9.0–10.0	672	140	68.4	19.9	43.4	1,538	189.4	69
11.0–12.0	658	22	60.7	100.0	44.1			301
Total	30,041	6,502	73.0	1.5	43.5	23,474	65.4	533

*The defaults, or borrower grades 11.0 and 12.0, are not included in the average PD and risk weight.

Credit institution exposures (FIRB) by rating category

Borrower grade 31 Dec 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	3,123	30	77.2	0.0	12.8	172	5.5	0
2.5–5.5	4,429	414	68.3	0.1	13.9	673	13.9	1
6.0–7.0	12	57	51.6	2.4	45.0	108	155.5	1
7.5–8.5	21	13	43.0	4.9	45.0	64	183.6	1
9.0–10.0	1	2	42.1	11.8	45.0	6	246.7	0
Total	7,586	516	65.2	0.1	13.9	1,023	12.6	3

Borrower grade 31 Dec 2018	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	2,584	40	76.1	0.0	13.2	146	5.6	0
2.5–5.5	4,458	426	66.7	0.1	16.6	755	15.5	1
6.0–7.0	23	7	30.8	1.6	45.0	40	131.9	0
7.5–8.5	55	13	36.8	4.7	45.0	127	186.6	1
9.0–10.0	1	1	37.0	11.5	45.0	6	246.1	0
Total	7,123	491	65.0	0.1	15.9	1,083	14.2	3

The defaults, or borrower grades 11.0 and 12.0, are not included in the average PD and risk weight. The borrower grade breakdown for a year ago has been adjusted.

Note 22. Insurance company solvency

	31 Dec 2019		31 Dec 2018	
EUR million	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,423**	**1,008**	**1,297**	**818**
Solvency capital requirement (SCR)				
Market risk	770	457	732	421
Insurance risk	471	564	351	281
Counterparty risk	23	38	30	36
Operational risk	32	45	34	45
Diversification benefits and loss absorbency	-609	-405	-570	-162
Total	**687**	**699**	**578**	**621**
Buffer for SCR	**736**	**309**	**719**	**197**
Solvency ratio (SCR), %	**207**	**144**	**225**	**132**
Solvency ratio (SCR), % (excluding transitional provision)	**170**	**144**	**176**	**132**

The figures are based on OP Financial Group's estimate, and transitional provisions have been taken into account in them.

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

EUR million	31 Dec 2019	31 Dec 2018
OP Financial Group's equity capital	12,570	11,835
Hybrid instruments and debenture bonds	866	1,075
Other sector-specific items excluded from capital base	-349	-349
Goodwill and intangible assets	-1,393	-1,501
Insurance business valuation differences*	720	735
Proposed profit distribution	-97	-94
Items under IFRS deducted from capital base**	-150	-46
Shortfall of ECL minus expected losses	-402	-262
Conglomerate's capital base, total	**11,766**	**11,393**
Regulatory capital requirement for credit institutions***	7,132	6,528
Regulatory capital requirement for insurance operations*	1,386	1,199
Conglomerate's total minimum capital requirement	**8,518**	**7,727**
Conglomerate's capital adequacy	**3,248**	**3,666**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**138**	**147**

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR.

** Excess funding of pension liability, portion of cash flow hedge of fair value reserve.

*** Total risk exposure amount x 14.5%, a year ago 14.3%

Transitional provisions have been taken into account in figures.

Note 24. Related-party transactions

The related parties of OP Financial Group include companies consolidated into OP Financial Group's financial statements, associates, administrative personnel, their close family members included, and other related party companies. The administrative personnel comprise OP Financial Group's President and Group Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members of the Executive Board and Supervisory Board members. 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.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2018.

Financial reporting in 2020

Time of publication of 2019 reports:

OP Financial Group's Report by the Board of Directors and Financial Statements for 2019	Week 9
OP Financial Group's Corporate Governance Statement 2019	Week 9
OP Financial Group's Annual Review 2019 (incl. CSR Reporting)	Week 9
OP Amalgamation Capital Adequacy Report 2019	Week 9

Schedule for Interim Reports in 2020:

Interim Report Q1/2020	28 April 2020
Half-year Financial Report H1/2020	21 July 2020
Interim Report Q1–3/2020	22 October 2020

Helsinki, 4 February 2020

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