OP Corporate Bank plc's Financial Statements Bulletin 1 January – 31 December 2019

OP Corporate Bank plc's Financial Statements Bulletin 1 January–31 December 2019

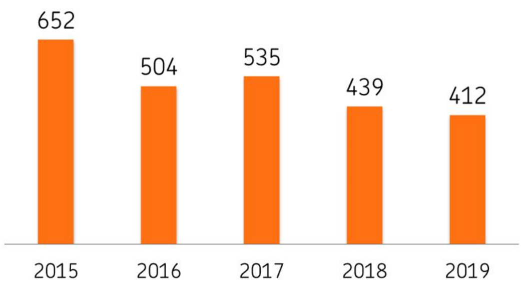
Earnings before tax Q1–4/2019	Net interest income Q1–4/2019	Net insurance income Q1–4/2019	CET1 ratio 31 Dec 2019
€412 million	+8%	–27%	14.9%

- Consolidated earnings before tax were EUR 412 million (439). Total income rose by 11% and total expenses by 4%. Investment income increased by 76% to EUR 384 million and net interest income by 8% to EUR 295 million. OP Financial Group transferred the management 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 34 million a year ago. In view of this, comparable expenses decreased by 2%. Earnings for the reporting period were eroded by a EUR 146 million decrease in net insurance income, a EUR 38 million increase in impairment loss on receivables and a EUR 28 million increase in ICT costs.
- Corporate Banking earnings before tax decreased by 27% to EUR 262 million. The earnings were reduced by lower net investment income, higher expenses and higher impairment loss on receivables. The decrease in net investment income was affected by changes made in the valuation models of derivatives, value changes in credit and counterparty risks of derivatives, and lower capital gains than a year ago. Net interest income increased by 9.7% to EUR 383 million. The loan portfolio increased in the year to December by 6.2% to EUR 23.7 billion. The cost/income ratio was 41.1% (32.6).
- Insurance earnings before tax increased by 66% to EUR 200 million due to growth in investment income. Investment income was EUR 242 million (28). Net insurance income decreased to EUR 402 million (549). The reduction in the discount rate of insurance liability reduced net insurance income by EUR 136 million. The operating combined ratio was 92.7% (92.0).
- Other Operations earnings before tax were EUR –50 million (–42) as a result of a decrease in net interest income. Liquidity and access to funding remained good.
- The CET1 ratio was 14.9% (15.1) on 31 December 2019. The planned adoption of a new definition of default in March 2020 is expected to weaken the CET1 ratio by 0.7 percentage points.

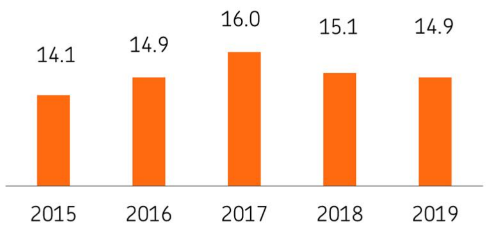
Earnings before tax, € million	Q1–4/2019	Q1–4/2018	Change, %
Corporate Banking	262	361	-27.2
Insurance	200	120	66.1
Other Operations	-50	-42	-
Group total	412	439	-6.2
Return on equity (ROE), %	7.8	8.5	-0.7*
Return on assets (ROA), %	0.49	0.54	-0.05*

Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2018 are used as comparatives.
*Change in ratio

Earnings before Tax, € million



Common Equity Tier1 ratio (CET1), %



OP Corporate Bank plc's Financial Statements Bulletin 1 January–31 December 2019

Contents

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.

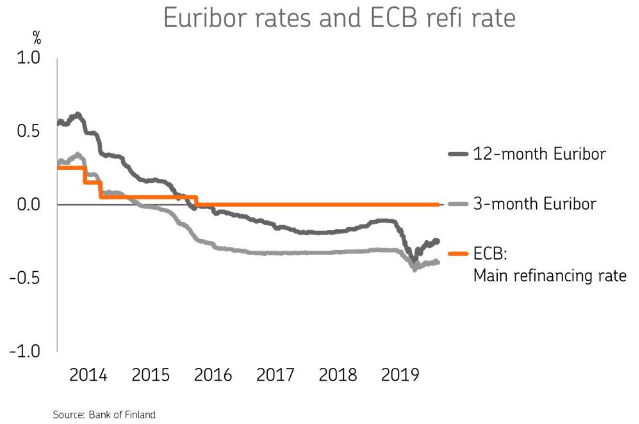
Economic growth is expected to remain subdued in Finland's main export markets. The European Central Bank has stated that the main refinancing rates will remain unchanged or lower until the inflation outlook is in line with the inflation target. Finnish economic growth is expected to be slow as exports 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.

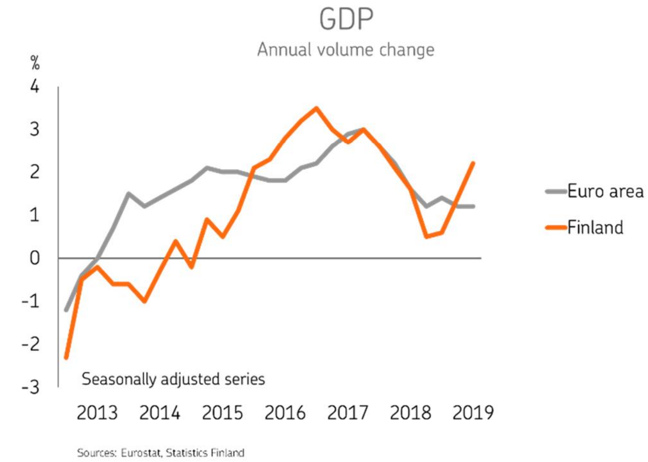
In the fourth quarter of the year, growth in total consumer loans accelerated to 3.0%. Greater demand for home loans supported this positive development. Based on the statistics of the Bank of Finland, the growth rate of consumer loans slowed to 4.3%. This growth in consumer loans came solely from unsecured 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.

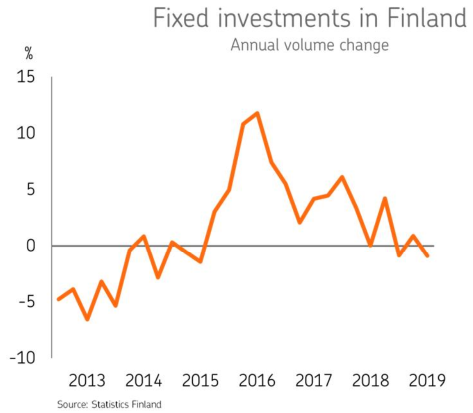
Total deposits increased by 4.3% over the previous year. The annual growth rate of household deposits decelerated to 6.6%. Corporate deposits increased by 5.0% over the previous year whereas the volume of deposits by public-sector entities decreased.

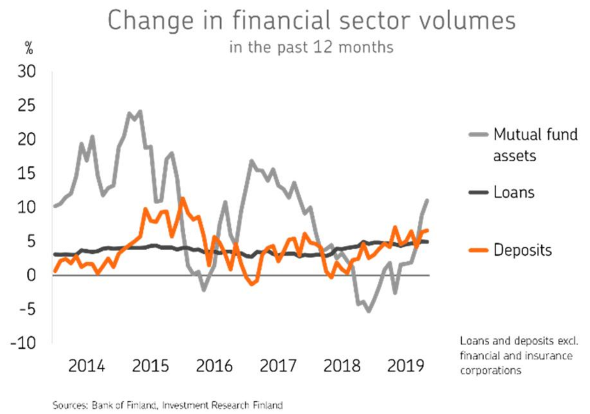
The value of mutual funds registered in Finland rose to EUR 124.7 billion at the end of 2019. Favourable developments in the investment environment increased the values of equity funds and bond funds.

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.









Consolidated earnings

€ million	Q1–4/ 2019	Q1–4/ 2018	Change, %	Q4/ 2019	Q4/ 2018	Change, %
Net interest income	295	274	7.6	84	72	17.0
Net insurance income	402	548	-26.7	3	127	-97.6
Net commissions and fees	-28	-23	-	-12	-11	-
Net investment income	450	200	125.6	227	-1	-
Other operating income	47	47	-0.6	9	11	-18.8
Total income	1,165	1,046	11.4	311	198	57.5
Personnel costs (excl. transfer of earnings-related pension liability)	184	193	-4.9	46	55	-16.3
Transfer of statutory earnings-related pension liability		-34			-34	
Depreciation/amortisation and impairment loss	63	83	-24.6	25	31	-17.7
Other operating expenses	386	369	4.7	99	102	-2.4
Total expenses	632	611	3.5	171	154	11.1
Impairment loss on receivables	-51	-13	-	-40	-7	-
OP bonuses to owner-customers	-4	-2	-	-1	-1	-
Temporary exemption (overlay approach)	-66	19	-447.7	-19	32	-157.9
Total earnings before tax	412	439	-6.2	81	69	17.7

The 2018 comparatives have been changed as described in the Notes, as a result of the change in presentation of trading interest income and expenses.

January–December

Consolidated earnings before tax were EUR 412 million (439). Total income increased by 11.4% to EUR 1,165 million and total expenses by 3.5% to EUR 632 million. Higher net investment income and net interest income added to total income. Net insurance income was lower than a year ago. This was due to a reduction in the discount rate applied to insurance liability calculation. In addition, higher impairment loss on receivables and ICT costs, as well as personnel costs that were higher than a year ago, reduced earnings. Transferring the management of the statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company reduced personnel costs a year ago.

Net interest income rose to EUR 295 million (274). Net interest income improved mainly due to growth in the loan portfolio of the Corporate Banking segment. Net insurance income fell to EUR 402 million (548). Insurance premium revenue increased by 0.9%. Excluding the Baltic business sold a year ago, it increased by 4.0%. The reduction in the discount rate for insurance liability increased Non-life Insurance claims incurred by EUR 136 million. Claims incurred, excluding the reduction in the discount rate and the Baltic business, increased by 5.6%. The operating combined ratio was 92.7% (92.0) in the Insurance segment.

Net commissions and fees totalled EUR –28 million (–23). Commission income increased by EUR 11 million to EUR 171 million and commission expenses by EUR 16 million to EUR 199 million. Commission income rose due to commissions and fees from securities brokerage, lending and health and wellbeing services, which were higher than a year earlier. The fees OP Corporate Bank Group pays to OP Financial Group's member cooperative banks for non-life insurance and derivatives sales increase commission expenses and turn net commissions and fees negative. Commission expenses paid to member banks grew by EUR 15 million, year on year. Excluding these internal commission expenses, commission expenses were at the level recorded a year ago.

Net investment income totalled EUR 450 million (200). Net income from financial assets recognised at fair value through profit or loss rose by EUR 229 million to EUR 375 million. An item corresponding to the change in the discount rate of the Non-life Insurance insurance liability, EUR 136 million, is shown in a positive value change in net investment income. Changes in the fair value of investments recognised through profit or loss increased by EUR 92 million. Net income from financial assets recognised at fair value through other comprehensive income rose by EUR 26 million to EUR 91 million. Capital gains on notes and bonds mainly increased these items through other comprehensive income. The Insurance segment's net investment income increased to EUR 308 million (9). Net investment income for the Corporate Banking segment decreased to EUR 115 million (162) and that for Other Operations to EUR 26 million (27). A temporary exemption (overlay approach) is applied to non-life insurance equity instruments recognised at fair value through profit or loss, which eroded earnings for the period by

EUR 66 million whereas it improved earnings by EUR 19 million a year ago. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under equity. Including the overlay approach, investment income for the period, EUR 384 million, increased by EUR 166 million. Investment income for the Insurance segment rose year on year by EUR 214 million to EUR 242 million. Return on investments by Non-life Insurance at fair value was 8.4% (0.1).

Other operating income amounted to EUR 47 million (47). Capital gain on the divestment of the occupational healthcare service business and growth in income received from member banks within OP Financial Group increased the income for the period. Capital gain on the sale of the Baltic non-life insurance business increased income by EUR 16 million a year ago.

Total expenses were EUR 632 million (611). The transfer a year ago of the earnings-related pension liability to Ilmarinen Mutual Pension Insurance Company reduced costs a year ago by EUR 34 million. Excluding the effect of this transfer, personnel costs year on year decreased by EUR 10 million totalling EUR 184 million. Depreciation/amortisation and impairment loss decreased to EUR 63 million (83). Depreciation on assets generated by business acquisitions increased depreciation and amortisation by EUR 18 million in the previous year. Impairment write-downs were EUR 6 million lower than the year before. Depreciation and amortisation was increased by EUR 3 million due to depreciation of the right-of-use assets under IFRS 16 adopted at the beginning of the reporting period. Other operating expenses were increased by a 28-million euro rise in ICT costs. ICT costs in production increased by EUR 23 million to EUR 137 million and development costs by EUR 9 million to EUR 106 million. These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 38 million (34). Charges of financial authorities were EUR 2 million lower than a year ago.

Impairment loss on receivables increased by EUR 38 million to EUR 51 million. 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. Expected credit losses on notes and bonds were not significant.

October–December

Earnings before tax rose to EUR 81 million (69). Total income rose by 57.5% and total expenses by 11.1%. Higher investment income and net interest income added to total income. Net insurance income decreased and impairment loss on receivables increased year on year.

Net interest income increased by 17% to EUR 84 million. Net insurance income fell to EUR 3 million (127). 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 13 million. Net commissions and fees totalled EUR –12 million (–11). Commission income of EUR 42 million remained at the same level as a year ago. While higher year-on-year commission income from securities issuance, securities brokerage and lending increased commission income, commission income was reduced by lower income from health and wellbeing services. Commission expenses were increased mainly by insurance business fees which were EUR 2 million higher than a year ago. Net investment income increased to EUR 227 million (–1). Value changes recognised at fair value through profit or loss increased net investment income by EUR 217 million and dividend income by EUR 5 million. Capital gains on notes and bonds recognised at fair value through other comprehensive income increased net investment income by EUR 23 million. The overlay approach applied to equity investments reduced fourth-quarter earnings by EUR 19 million whereas it improved earnings a year ago by EUR 32 million. In total, investment income rose by EUR 177 million year on year to EUR 208 million. Other operating income amounted to EUR 9 million (11).

Total expenses increased by EUR 17 million year on year to EUR 171 million. This increase came from higher year-on-year personnel costs and an increase of EUR 6 million in ICT costs. The transfer at the end of 2018 of the earnings-related pension liability to Ilmarinen Mutual Pension Insurance Company reduced year-on-year pension costs. Excluding the effect of this transfer, total expenses decreased by 9.0% and personnel costs by 16.3% to EUR 46 million. Expenses were decreased by a 5-million euro decrease in depreciation/amortisation and impairment loss and a 5-million euro reduction in the EU stability contribution over the previous year caused by the change in the accounting practice.

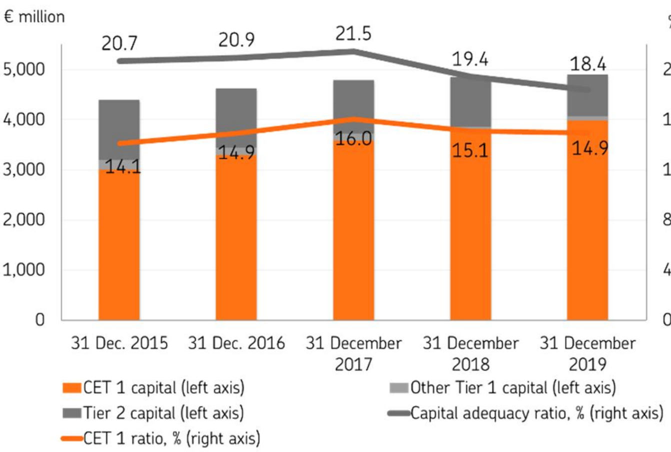
Impairment loss on receivables was EUR 40 million, or EUR 33 million higher than a year ago. Changes in credit risk parameters, final loan losses, growth in the loan portfolio and the transfer of loans between impairment stages affected the increase in impairment loss on receivables.

October–December highlights

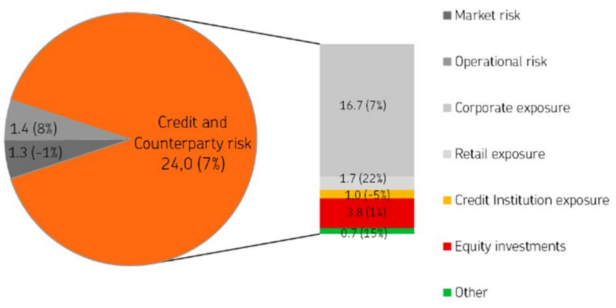
In October, OP Corporate Bank's Board of Directors decided to close down its Shanghai representative office. Measures to close down the office have been taken and the final closedown date depends on the Chinese authorities and on the termination of the existing contracts.

Group's capital adequacy

Capital base and capital adequacy



Risk Exposure Amount 31 December 2019
Total €26.7 billion
(change from year end 7%)



Capital adequacy for credit institutions

The Group's CET1 ratio was 14.9% (15.1) on 31 December 2019.

As a credit institution, the Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the minimum CET1 ratio to 7%.

The CET1 capital totalled EUR 4.0 billion (3.8) on 31 December 2019. Insurance business result is not included in CET1 capital.

On 31 December 2019, the risk exposure amount (REA) totalled EUR 26.7 billion (25.0), or 6.6% higher than on 31 December 2018. The average credit risk weights remained unchanged and, in particular, the corporate loan portfolio increased from its 2018-end level. OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the European Central Bank (ECB). Equity investments include EUR 3.7 billion in risk-weighted assets of OP Corporate Bank Group's internal insurance holdings with a risk weight of around 280%. OP Corporate Bank Group is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. As part of OP Financial Group, OP Corporate Bank plc is supervised by the ECB.

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.

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 imposed by the supervisor due to ECB's targeted review of internal 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. The supervisory obligation related to the planned adoption of the new definition of default in March 2020 is expected to weaken the CET1 ratio by 0.7 percentage points. 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 5%.

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

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.

Solvency of non-life insurance companies

The increased value of investments strengthened the capital base of non-life insurance. Similarly, the increased value of shares raised the solvency requirement. The solvency position strengthened during the year.

€ million	31 Dec 2019	31 Dec 2018
Capital base, € million*	1,008	818
Solvency capital requirement (SCR), € million*	699	621
Solvency ratio, %*	144	132
Solvency ratio, % (excluding transitional provision)	144	132

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 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

Pohjola Insurance Ltd's financial strength ratings on 31 December 2019

Rating agency	Rating	Outlook
Standard & Poor's	A+	Stable
Moody's	A2	Stable

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor's Global Ratings Europe Limited and Moody's Investors Service (Nordics) AB. Pohjola Insurance Ltd has financial strength ratings affirmed by Standard & Poor's Credit Market Services Europe Limited and Moody's Deutschland GmbH. When assessing the companies' credit ratings, credit rating agencies take account of the entire OP Financial Group's financial standing.

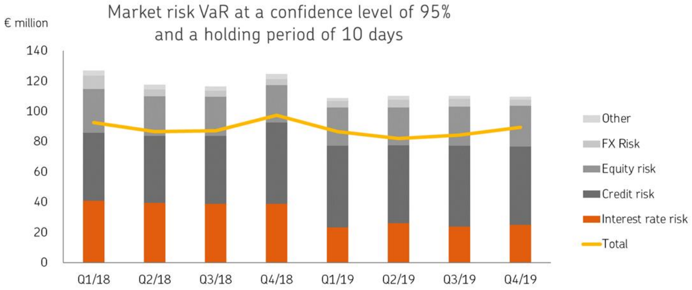
The ratings of OP Corporate Bank plc did not change in 2019.

In January 2019, Moody's upgraded Pohjola Insurance Ltd's financial strength rating by one notch from A3 to A2. Moody's kept the rating outlook stable. The underlying reasons for the upgrade were insurance operations' close integration with OP's business and capital management, strong non-life insurance market share and good financial fundamentals.

Group risk exposure

The Group's funding and liquidity position is good. The availability of funding has remained good.

The Group's market risk decreased during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 90 million (98) on 31 December 2019. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



The Group expects its operational risks to be moderate as targeted. Costs for operational risks realised during the reporting period were not significant.

Corporate Banking

Within Corporate Banking, key risks are associated with credit risk arising from customer business, and market risks.

Credit risk exposure remained stable and credit risk remained moderate.

	31 Dec 2019	31 Dec 2018
Exposures*, € billion	38.8	36.0
corporate customer exposures, € billion	32.0	30.4
in the highest borrower grades**, %	60.6	63.8
in other borrower grades (excluding default), %	38.6	35.7
classified as default, %	0.8	0.5
classified as default***, € billion	0.3	0.1
private customer exposures, € billion	2.2	1.9
in the highest borrower grades**, %	17.6	17.8
in other borrower grades (excluding default), %	81.6	81.6
classified as default, %	0.8	0.6
classified as default***, € billion	0.0	0.0
other exposures, € billion	4.6	3.7
Doubtful receivables****, € billion	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.9	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	0.4	0.2
Ratio of performing forborne exposures to doubtful receivables, %	42.8	36.6

*Exposures of the Corporate Banking segment. Derivatives and FX Trading, and bonds were transferred from the Other Operations segment to the Corporate Banking segment as of 1 January 2019. The comparative has been adjusted.
**Private customer contracts in borrower grades A+–B-, and corporate customer exposures in borrower grades 1–5.5 (IG)
***Private customer contracts in borrower grade F, and corporate customer exposures 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.

Two customers' exposure exceeded ten per cent of the capital base after allowances and other recognition of credit risk mitigation. The amount of large corporate customer exposures totalled EUR 1.2 billion and OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.9 billion (4.9).

The most significant sectors in corporate exposures	31 Dec 2019	31 Dec 2018
Services, %	12.3	11.1
Energy, %	11.6	12.9
Trade, %	11.5	10.6
Other sectors, %	64.6	65.4
Total	100	100

Exposures by the Baltic operations grew to EUR 3.9 billion (3.3), accounting for 9.9% (9.2) of total exposures of the Corporate Banking segment.

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 of this, an item, which corresponds to the change in the discount rate, is shown in 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.

Other Operations

Major risks related to the Other Operations segment 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 maintained by OP Corporate Bank and consisting 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).

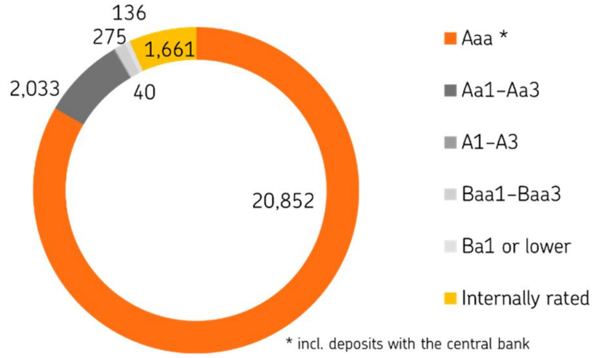
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR, which measures structural funding risk. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR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

Liquidity buffer

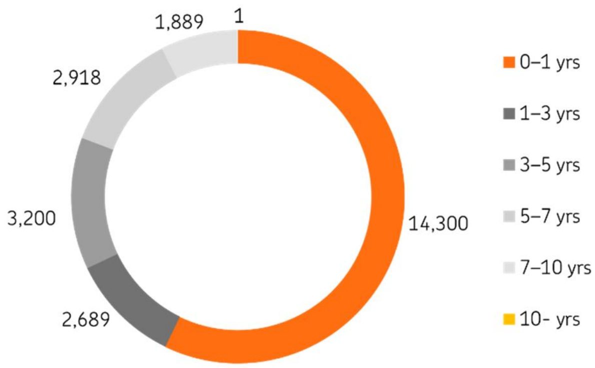
€ billion	31 Dec 2019	31 Dec 2018	Change, %
Deposits with central banks	11.9	12.2	-2.5
Notes and bonds eligible as collateral	11.1	9.2	20.9
Corporate loans eligible as collateral	0.0		
Total	23.0	21.4	7.6
Receivables ineligible as collateral	2.0	1.3	48.9
Liquidity buffer at market value	25.0	22.7	10.0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



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of the segments Other Operations and Corporate Banking, exposures of OP Financial Group represented 16.0%. These exposures increased during the reporting period by EUR 131 million, or 1.1%. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Other Operations exposures	31 Dec 2019	31 Dec 2018
Total Other Operations exposures*, EUR billion	36.7	48.2
Financial and insurance institutions' exposures, EUR billion	18.9	18.5
Public-sector entities' exposures, EUR billion	16.5	28.5
Corporate and housing company exposures, EUR billion	1.3	1.2
in the highest borrower grades, %	99.9	99.8
in other borrower grades, %	0.1	0.2

*Derivatives and FX Trading and bonds were transferred from the Other Operations segment to the Corporate Banking segment as of 1 January 2019. The comparative has been adjusted

Financial performance by segment

OP Corporate Bank Group's business segments are Corporate Banking and Insurance. Non-business segment operations are presented in the Other Operations segment. Segment reporting is based on the accounting policies applied in OP Corporate Bank's consolidated financial statements.

Corporate Banking

- Earnings before tax decreased by 27.2% to EUR 262 million due to lower net investment income and higher impairment loss on receivables.
- Total income decreased by 3.0%. Net interest income increased by 9.7%. Net investment income fell by 28.9% as result of changes made in the valuation models of derivatives, changes in the valuation of credit and counterparty risk (CVA) and lower capital gains than a year ago.
- Total expenses rose to EUR 220 million (180), of which ICT costs accounted for EUR 15 million. Excluding the transfer of the earnings-related pension liability a year ago, expenses increased by 3.9%.
- The loan portfolio increased in the year to December by 6.2% to EUR 23.7 billion.
- Impairment loss on receivables weakened earnings by EUR 51 million (12). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant development investments involved the development of finance and payment systems.

Key figures and ratios

€ million	Q1–4/2019	Q1–4/2018	Change, %
Net interest income	383	349	9.7
Net commissions and fees	11	21	-48.6
Net investment income	115	162	-28.9
Other operating income	26	19	33.9
Total income	536	552	-3.0
Personnel costs (excl. transfer of earnings-related pension liability)	58	62	-6.6
Transfer of statutory earnings-related pension liability		-32	
Depreciation/amortisation and impairment loss	14	16	-11.8
Other operating expenses	148	134	10.6
Total expenses	220	180	22.3
Impairment loss on receivables	-51	-12	
OP bonuses	-2		
Earnings before tax	262	361	-27.2
Cost/income ratio, %	41.1	32.6	8.5**
Ratio of non-performing receivables to loan and guarantee portfolio, %*	0.5	0.4	0.1**
Return on assets (ROA), %	0.91	1.30	-0.39**
Return on assets, excluding OP bonuses, %	0.92	1.30	-0.38**
	31 Dec 2019	31 Dec 2018	Change, %
Loan portfolio, € billion	23.7	22.3	6.2
Guarantee portfolio, € billion	3.1	2.6	20.4

*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.
**Change in ratio.

The Corporate Banking segment provides corporate and institutional customers with financing and cash management services and financing services for foreign trade. The services also range from the arrangement of debt issues, corporate finance, custody, equity, foreign exchange, money market and derivative products to investment research. OP Corporate Bank's branches and subsidiaries in Estonia, Latvia and Lithuania provide asset and sales finance solutions.

Corporate Banking's loan portfolio increased in the year to December by 6.2% to EUR 23.7 billion. The guarantee portfolio totalled EUR 3.1 billion (2.6) and committed standby credit facilities amounted to EUR 4.2 billion (4.3). Demand for capital market products increased from the previous year.
During the reporting period, OP extended the OP Car Finance service to also cover car sales between consumers. In car finance, OP launched OP Car Leasing for private individuals. 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.

Financial performance for the reporting period

Earnings before tax decreased by 27.2% to EUR 262 million (361). Total income decreased by 3.0%. Total expenses increased by 22.3%, but when excluding the transfer of the earnings-related pension liability in the previous year, total expenses increased by 3.9%. The cost/income ratio weakened to 41.1% year on year (32.6).

Mainly as a result of an increase in the loan portfolio, net interest income grew by 9.7% to EUR 383 million (349). Net commissions and fees decreased to EUR 11 million (21). The decrease in net commissions and fees was affected by the increase in commissions paid to cooperative banks within OP Financial Group.

Net investment income totalled EUR 115 million, representing a decrease of 28.9% year on year. Net investment income a year ago was increased by EUR 15 million in a non-recurring capital gain. CVA valuation weakened the income by EUR 12 million whereas a year ago it improved the income by EUR 9 million. Changes made in the valuation models of derivatives reduced net investment income by EUR 25 million.

Other operating income was EUR 7 million higher than the year before. The increase in income was affected by income received from cooperative banks within OP Financial Group. Impairment loss on receivables was EUR 51 million (12). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Total expenses were EUR 220 million (180). Excluding the 32-million euro effect of the transfer of earnings-related pension liability a year ago, personnel costs decreased by EUR 4 million to EUR 58 million. Other operating expenses increased by EUR 14 million year on year. ICT costs were mainly increased by higher production costs.

Insurance

- Earnings before tax increased by 66.1% to EUR 200 million (120) due to higher capital gains on investments.
- Insurance premium revenue 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 242 million (28), including the overlay approach. Net return on investments at fair value totalled EUR 96 million (14).
- 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).
- Development investments focused on the development of electronic services and the core system upgrade initiated.

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
Net insurance income	402	549	-26.7
Non-life insurance, net commissions and fees	-49	-53	-
Health and wellbeing, net commissions and fees	13	12	12.9
Net commissions and fees	-36	-41	-
Net investment income	308	9	-
Other net income	-4	6	-166.1
Total income	671	522	28.4
Personnel costs	125	124	0.9
Depreciation/amortisation and impairment loss	47	65	-27.8
Other operating expenses	230	230	0.4
Total expenses	403	419	-3.9
OP bonuses to owner-customers	-2	-2	-
Temporary exemption (overlay approach)	-66	19	-447.7
Earnings before tax	200	120	66.1
Return on assets (ROA), %	2.93	1.76	1.16*
Return on assets, excluding OP bonuses, %	2.96	1.79	1.16*
Operating combined ratio, %	92.7	92.0	
Operating risk ratio, %	65.1	64.5	
Operating cost ratio, %	27.7	27.4	

* Change in ratio.

The Insurance segment provides non-life insurance services through two companies operating in Finland. Pohjola Insurance Ltd is a general non-life insurance company and A-Insurance Ltd focuses on non-life insurance for commercial transport. Eurooppalainen Insurance Company Ltd, which specialises in travel insurance policies, merged with Pohjola Insurance Ltd on 31 October 2019. Non-life insurance products include non-life products sold to corporate and private customers. The Insurance segment also includes Pohjola Hospital Ltd which runs five hospitals.

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.

Pohjola Hospital sharpened its strategy to 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.

Insurance premium revenue from both private and corporate customers increased during the reporting period. Premium revenue increased by 4.0%, excluding premium revenue from the sold Baltic business included in the figure a year ago.

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

Key development investments focused on the development of electronic transaction and purchase services and the core system upgrade initiated. A new 24/7 emergency service for managing comprehensive motor vehicle insurance losses was launched for motor vehicle insurance policyholders.

Financial performance for the reporting period

Earnings before tax amounted to EUR 200 million (120). Net insurance income decreased to EUR 402 million (549). The non-life insurance discount rate was decreased from 1.5% to 1.0%, which reduced net insurance income by EUR 136 million. The figure a year ago included EUR 16 million in net insurance income of the sold Baltic business.

The combined ratio was 101.9% while the operating combined ratio was 92.7% (92.0). The operating ratios exclude amortisation on intangible assets arising from corporate acquisitions, and the changed discount rate.

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

Premium revenue increased by 4.0%, excluding premium revenue from the Baltic business included in the figure a year ago.

Claims incurred, excluding the reduction in the discount rate and the Baltic operations, 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).

Expenses decreased by 3.9%, down EUR 16 million from a year ago. The figure a year ago included EUR 8.7 million in operating expenses of the sold Baltic business. The operating cost ratio (including indirect loss adjustment expenses) was 27.7% (27.4).

Investment

Investment income

€ million	Q1–4/2019	Q1–4/2018
At fair value through other comprehensive income	84	38
At fair value through profit or loss	249	-5
Amortised cost	1	2
Non-life insurance items	-27	-28
Associated companies	1	1
Net investment income	308	9
Overlay approach	-66	19
Total	242	28

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.

Other Operations

- Earnings before tax were EUR –50 million (–42).
- Wholesale funding and liquidity costs decreased net interest income.
- Liquidity and access to funding remained good.

Key figures and ratios

€ million	Q1–4/2019	Q1–4/2018	Change, %
Net interest income	-64	-54	-
Net commissions and fees	-2	-1	-
Net investment income	26	27	-5.5
Other operating income	7	6	14.5
Total income	-33	-21	-
Personnel costs (excl. transfer of earnings-related pension liability)	1	7	-88.3
Transfer of statutory earnings-related pension liability		-2	-
Other expenses	17	14	18.2
Total expenses	18	20	-9.6
Impairment loss on receivables	0	-1	-
Earnings before tax	-50	-42	-
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-3.8	-1.2	-

Functions supporting OP Financial Group, such as Group Treasury and the liquidity buffer, are centralised within Other Operations. Other Operations is also responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Income generated by Other Operations derives mainly from net interest income and net investment income. The most significant risk categories are market risks and credit risk. In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Other Operations.

Financial performance for the reporting period

As of the beginning of the reporting period, the OP Corporate Bank Group's internal operating model was changed by transferring fixed income and FX trading as well as bonds trading from the Other Operations segment to the Corporate Banking segment. In addition, two subsidiaries were transferred to the Insurance segment. Comparatives have been adjusted accordingly.

Earnings before tax amounted to EUR –50 million (–42). Earnings before tax at fair value were EUR –51 million (–146).

Wholesale funding and liquidity costs decreased net interest income over the previous year.

Net investment income totalled EUR 26 million (27). 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. Net investment income included EUR 7 million (20) in capital gains on notes and bonds and EUR –1 million (1) in dividend income.

OP Corporate Bank's access to funding remained good. OP Corporate Bank issued long-term senior bonds worth a total of EUR 1.2 billion between January and December. This included a senior unsecured green bond of EUR 500 million with a maturity of five years that OP Corporate Bank issued in the international capital market in February. The inaugural green bond was 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 Corporate Bank issued its first new senior non-preferred bond of EUR 500 million with a maturity of five years. In November, OP Corporate Bank issued a second senior non-preferred bond of EUR 500 million with a maturity of ten years. During the reporting period, OP Corporate Bank 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 December, OP Corporate Bank participated in the third series of the ECB's targeted longer-term refinancing operations (TLTRO-III) with a total of EUR 2.0 billion.

In December 2019, the average margin of senior and senior non-preferred wholesale funding and TLTRO funding was 22 basis points (14). The new senior non-preferred bond issues increased the cost.

On 31 December 2019, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 3.8 billion higher than funding borrowed by them from Group Treasury. The change in the net position was mainly due to OP Mortgage Bank's covered bond funding which results in higher volumes of OP cooperative banks' investments in Group Treasury than before.

Group restructuring

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

Corporate governance and management

Tony Vepsäläinen and Tiia Tuovinen stepped down from the Board of Directors on 30 June 2019. Olli-Pekka Saario, Managing Director of OP Turun Seutu, and Pasi Sorri, Managing Director of OP Keski-Suomi, were elected new members of the Board of Directors as of 1 July 2019.

Personnel and remuneration

On 31 December 2019, the Group had 2,675 employees (2,507). During the reporting period, personnel chiefly increased in Insurance, mainly as a result of OP Financial Group's internal reorganisation.

Personnel at period end

	31 Dec 2019	31 Dec 2018
Corporate Banking	700	679
Insurance	1,947	1,791
Other Operations	28	36
Total	2,675	2,507

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 scheme for variable remuneration within OP Financial Group and OP Corporate Bank consists of short-term, company-specific remuneration and OP Financial Group-wide long-term 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 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 goal and targets are taken into account in the metrics of short-term remuneration and the personnel fund.

Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2019, the company's distributable earnings, which include EUR 144,039,687.27 in profit for the financial year, totalled EUR 1,145,929,653.65. The company's distributable funds totalled EUR 1,477,310,490.71.

The Board of Directors proposes that no dividend be distributed and that the profit for the financial year 2019 is entered in the account of retained earnings/loss.

The company's financial position has not undergone any material changes since the end of the financial year 2019. The company has good liquidity.

Outlook for 2020

Risks in financial markets were seen to have been eased 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.

In 2020, the quality of the loan portfolio and demand for loans are expected to remain good and Non-life Insurance premium revenue is expected to remain at a healthy level. The most significant uncertainties affecting earnings relate to changes in the interest rate and investment environment, market growth rate, changes in the competitive situation, impairment loss on receivables and the effect of large claims on claims expenditure.

In 2020, full-year earnings estimates will only be provided at the OP Financial Group level, in its financial statements bulletin and interim reports.

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 of the future development in the operating environment and the future financial performance of OP Corporate Bank Group and its various functions, 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 / Shareholders' equity (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 / Shareholders' equity (average of the beginning and end of the period)	x 100
Return on assets (ROA), %	Financial performance for the reporting period / 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 / Balance sheet total (average of the beginning and end of the period)	x 100
Dividend payout ratio, %	Dividend per share / Earnings per share	x 100
Dividend per share	Dividends paid for the financial year / Share-issue adjusted number of shares on the balance sheet date	
Equity per share	Shareholders' equity / Share-issue adjusted number of shares on the balance sheet date	
Cost/income ratio, %	Total expenses / Total income	x 100
Ratio of non-performing receivables to loan and guarantee portfolio, %	Non-performing receivables (net) / Loan and guarantee portfolio at period end	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 key ratios:

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	
Operational risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue, excl. net changes in reserving bases	x 100
Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. net changes in reserving bases	x 100

Key indicators based on a separate calculation

Capital adequacy ratio, %

$$\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$$

Tier 1 capital ratio, %

$$\frac{\text{Total Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$$

CET1 ratio, %

$$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$$

Solvency ratio, %

$$\frac{\text{Capital base}}{\text{Solvency capital requirement (SCR)}} \times 100$$

Leverage ratio, %

$$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$$

Liquidity coverage requirement (LCR), %

$$\frac{\text{Liquid assets}}{\text{Liquidity outflows – liquidity inflows under stressed conditions}} \times 100$$

Net Stable Funding Ratio (NSFR), %

$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$$

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

$$\frac{\text{Conglomerate's total capital base}}{\text{Conglomerate's total minimum capital base}} \times 100$$

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.

Consolidated income statement

EUR million	Note	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Net interest income	2	295	274	84	72
Net insurance income	3	402	548	3	127
Net commissions and fees	4	-28	-23	-12	-11
Net investment income	5	450	200	227	-1
Other operating income		47	47	9	11
Total income		**1,165**	**1,046**	**311**	**198**
Personnel costs		184	159	46	21
Depreciation/amortisation		63	83	25	31
Other expenses	6	386	369	99	102
Total expenses		**632**	**611**	**171**	**154**
Impairment of receivables	7	-51	-13	-40	-7
OP bonuses to owner-customers		-4	-2	-1	-1
Temporary exemption (overlay approach)		-66	19	-19	32
Earnings before tax		**412**	**439**	**81**	**69**
Income tax expense		79	87	15	19
Profit for the period		**332**	**352**	**65**	**49**
Attributable to:					
Attributable to owners of the Parent		328	346	67	50
Attributable to non-controlling interest		5	7	-2	-1
Profit for the period		**332**	**352**	**65**	**49**

Consolidated statement of comprehensive income

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Profit for the period	**332**	**352**	**65**	**49**
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	-6	23	9	1
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	35	-141	-52	-68
Cash flow hedge	0	-2	1	1
Temporary exemption (overlay approach)	66	-19	19	-32
Translation differences	0	0		0
Income tax on other comprehensive income				
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	1	-5	-2	0
Items that may be reclassified to profit or loss				
Measurement at fair value	-7	28	10	14
Cash flow hedge	0	0	0	0
Temporary exemption (overlay approach)	-13	4	-4	6
Total comprehensive income for the period	**409**	**241**	**46**	**-29**
Attributable to:				
Total comprehensive income attributable to owners of the Parent	404	234	48	-28
Total comprehensive income attributable to non-controlling interest	5	7	-2	-1
Total comprehensive income for the period	**409**	**241**	**46**	**-29**

Consolidated balance sheet

EUR million	Note	31 Dec 2019	31 Dec 2018
Cash and cash equivalents		11,914	12,239
Receivables from credit institutions		9,126	9,726
Derivative contracts	15	4,874	3,663
Receivables from customers	17	23,829	22,351
Investment assets		17,174	16,353
Intangible assets		709	722
Property, plant and equipment (PPE)		114	117
Other assets		1,334	1,489
Tax assets		51	65
Total assets		**69,126**	**66,725**
Liabilities to credit institutions		15,334	15,575
Derivative contracts		3,882	3,287
Liabilities to customers		15,503	16,422
Insurance liabilities	8	3,234	3,157
Debt securities issued to the public	9	22,726	20,338
Provisions and other liabilities		2,148	1,897
Tax liabilities		452	421
Subordinated liabilities		1,474	1,482
Total liabilities		**64,752**	**62,577**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	10	70	-12
Other reserves		1,093	1,093
Retained earnings		2,710	2,559
Non-controlling interest		74	80
Total equity capital		**4,374**	**4,147**
Total liabilities and equity capital		**69,126**	**66,725**

Consolidated statement of changes in equity

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**428**	**-12**	**1,093**	**2,559**	**4,067**	**80**	**4,147**
Total comprehensive income for the period		81		323	404	5	409
Profit for the period				328	328	5	332
Other comprehensive income		81		-5	77		77
Profit distribution				-173	-173	-11	-184
Other			0	0	0	1	1
Balance at 31 December 2019	**428**	**70**	**1,093**	**2,710**	**4,299**	**74**	**4,374**

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**428**	**164**	**1,093**	**2,404**	**4,089**	**60**	**4,149**
Effect of IFRS 9 transition at 1 January 2018		-46		2	-45		-45
Equity at 1 January 2018	**428**	**118**	**1,093**	**2,406**	**4,044**	**60**	**4,104**
Total comprehensive income for the period		-129		364	234	7	241
Profit for the period				346	346	7	352
Other comprehensive income		-129		18	-111		-111
Profit distribution				-211	-211	-13	-224
Other			0	0	0	26	26
Balance at 31 December 2018	**428**	**-12**	**1,093**	**2,559**	**4,067**	**80**	**4,147**

Consolidated cash flow statement

EUR million	Q1–4 2019	Q1–4 2018
Cash flow from operating activities		
Profit for the period	332	352
Adjustments to profit for the period	249	-124
Increase (-) or decrease (+) in operating assets	**-1,482**	**-2,656**
Receivables from credit institutions	471	-66
Derivative contracts	-53	-89
Receivables from customers	-1,503	-2,264
Investment assets	-433	-381
Other assets	36	144
Increase (+) or decrease (-) in operating liabilities	**-1,110**	**-1,027**
Liabilities to credit institutions	-414	1,470
Derivative contracts	5	-7
Liabilities to customers	-918	-2,415
Insurance liabilities	-14	58
Provisions and other liabilities	231	-133
Income tax paid	-53	-85
Dividends received	32	39
A. Net cash from operating activities	**-2,032**	**-3,500**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-42	-45
Proceeds from sale of PPE and intangible assets	4	1
B. Net cash used in investing activities	**-39**	**23**
Cash flow from financing activities		
Increases in debt securities issued to the public	27,587	27,007
Decreases in debt securities issued to the public	-25,795	-23,489
Dividends paid	-173	-211
Lease liabilities	-3	
C. Net cash provided by (used in) financing activities	**1,617**	**3,258**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-453**	**-219**
Cash and cash equivalents at year-start	**13,355**	**13,575**
Cash and cash equivalents at year-end	**12,902**	**13,355**
Interest received	**1,097**	**1,189**
Interest paid	**763**	**-914**
Cash and cash equivalents		
Liquid assets	11,914	12,239
Receivables from financial institutions payable on demand	988	1,116
Total	**12,902**	**13,355**

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 Corporate Banking segment 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 solvency ratio (SII) is 120% (120%). Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Q1–4 earnings 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	383	-19	-64	-5	295
- of which internal net income before tax	-3	-14	17		
Net insurance income		402		-1	402
Net commissions and fees	11	-36	-2	-1	-28
Net investment income	115	308	26	1	450
Other operating income	26	16	7	-2	47
Total income	**536**	**671**	**-33**	**-8**	**1,165**
Personnel costs	58	125	1	0	184
Depreciation/amortisation and impairment losses	14	47	1	0	63
Other operating expenses	148	230	16	-8	386
Total expenses	**220**	**403**	**18**	**-8**	**632**
Impairments loss on receivables	-51	0	0		-51
OP bonuses to owner-customers	-2	-2			-4
Temporary exemption (overlay approach)		-66			-66
Earnings before tax	**262**	**200**	**-50**		**412**

Q1–4 earnings 2018, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	349	-17	-54	-4	274
- of which internal net income before tax	-1	-12	13		
Net insurance income		549		-1	548
Net commissions and fees	21	-41	-1	-1	-23
Net investment income	162	9	27	1	200
Other operating income	19	23	6	-2	47
Total income	**552**	**522**	**-21**	**-7**	**1,046**
Personnel costs	30	124	5	0	159
Depreciation/amortisation and impairment losses	16	65	2	0	83
Other operating expenses	134	230	12	-7	369
Total expenses	**180**	**419**	**20**	**-7**	**611**
Impairments loss on receivables	-12	0	-1		-13
OP bonuses to owner-customers		-2			-2
Temporary exemption (overlay approach)		19			19
Earnings before tax	**361**	**120**	**-42**		**439**

Balance sheet 31 December 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Cash and cash equivalents	19	617	11,891	-613	11,914
Receivables from credit institutions	124	12	9,023	-33	9,126
Derivative contracts	4,384	23	468	0	4,874
Receivables from customers	24,502	0	111	-784	23,829
Investment assets	1,005	3,503	12,699	-34	17,174
Intangible assets	45	645	19		709
Property, plant and equipment (PPE)	1	111	2		114
Other assets	339	684	321	-10	1,334
Tax assets	0	11	40		51
Total assets	**30,418**	**5,606**	**34,576**	**-1,474**	**69,126**
Liabilities to credit institutions	757		15,361	-784	15,334
Derivative contracts	3,657	38	195	-8	3,882
Liabilities to customers	11,349	136	4,664	-646	15,503
Insurance liabilities		3,234			3,234
Debt securities issued to the public	1,441		21,318	-34	22,726
Provisions and other liabilities	764	388	998	-2	2,148
Tax liabilities	2	95	355	0	452
Subordinated liabilities	9	135	1,329		1,474
Total liabilities	**17,979**	**4,026**	**44,221**	**-1,474**	**64,752**
Equity					**4,374**

Balance sheet 31 December 2018, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Cash and cash equivalents	19	249	12,199	-227	12,239
Receivables from credit institutions	116	15	9,614	-18	9,726
Derivative contracts	3,448	32	185	-3	3,663
Receivables from customers	23,009	0	21	-679	22,351
Investment assets	878	3,633	11,878	-35	16,353
Intangible assets	52	646	23	0	722
Property, plant and equipment (PPE)	0	114	2	0	117
Other assets	-180	749	1,116	-197	1,489
Tax assets	0	12	53	0	65
Total assets	**27,341**	**5,451**	**35,092**	**-1,159**	**66,725**
Liabilities to credit institutions	606		15,647	-679	15,575
Derivative contracts	3,025	11	259	-9	3,287
Liabilities to customers	11,442	136	5,089	-246	16,422
Insurance liabilities		3,157			3,157
Debt securities issued to the public	1,011		19,362	-34	20,338
Provisions and other liabilities	609	561	919	-192	1,897
Tax liabilities	1	67	353	0	421
Subordinated liabilities	-24	135	1,371		1,482
Total liabilities	**16,670**	**4,067**	**43,000**	**-1,159**	**62,577**
Equity					**4,147**

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 loss 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. Capital adequacy for credit institutions
20. Exposures by rating category
21. Insurance company solvency
22. 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 consolidated financial statements 2018.

The Financial Statements Bulletin is based on unaudited figures. 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 and will be used if there is any discrepancy between the language versions.

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 10 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, the Group specified the netting procedure of these contracts' interest. The change has been made retrospectively. As a result of the change, other receivables in the balance sheet assets of 31 December 2018 decreased by EUR 159 million, investment assets increased by EUR 3 million and derivative contracts increased by EUR 171 million. In the balance sheet, provisions and other liabilities under liabilities decreased by EUR 231 million, derivative contracts increased by EUR 244 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 15 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. These items, totalling EUR 62 million, were previously presented under other assets in the balance sheet.

IFRS 16 Leases adoption on 1 January 2019

OP Corporate Bank 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 Corporate Bank 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 Corporate Bank'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 5 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 on 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 Corporate Bank 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.

OP Corporate Bank Group's business segments are Corporate Banking and Insurance. Non-business segment operations are presented under the Other Operations segment. Segment reporting conforms to the Group's accounting policies applied to the consolidated financial statements. Defining segments and presentation are based on management reporting. The segments' earnings and profitability are assessed in terms of EBT.

Corporate Banking

Corporate Banking provides corporate and institutional customers with financing and cash management services and financing services for foreign trade. The services also range from the arrangement of debt issues, corporate finance services, custody, equity, foreign exchange, money market and derivative products to investment research. OP Corporate Bank's branches and subsidiaries in Estonia, Latvia and Lithuania provide asset and sales finance solutions. Net income derives mainly from net interest income, commissions and fees, and net investment income. Expenses mainly come from personnel and ICT costs. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

Insurance

The Insurance segment provides non-life insurance services through two companies operating in Finland. Pohjola Insurance Ltd is a general non-life insurance company and A-Insurance Ltd focuses on non-life insurance for commercial transport. Non-life insurance products include non-life products sold to corporate and private customers. Net income generated by Insurance derives mainly from net insurance income and net investment income. The most significant risks in non-life insurance pertain to underwriting risks and investment risks.

The Insurance segment also includes Pohjola Hospital Ltd which has five Pohjola Hospitals. The hospitals focus on orthopaedics and sports clinic services. Pohjola Hospital's earnings come from doctor's fees and billing for treatment and diagnostics.

Risks related to statutory defined benefit pension plans for the Group's personnel only affect the Insurance segment. However, the related risk level is moderate.

Other Operations

Functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer, have been centralised within Other Operations. Other Operations is also responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Net income generated by Other Operations derives mainly from net interest income and net investment income. The most significant risk categories are market risks and credit risk. In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Other Operations.

Segment accounting policies

Segment reporting conforms to the Group's accounting policies applied to the consolidated financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments, and inter-segment Group eliminations are reported under 'Group eliminations'.

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to capital adequacy measurement are allocated among the business segments. Capital has been allocated to the Corporate Banking segment 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 segment's solvency ratio (SII) is 120% (120). Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned. The allocation of equity capital to the business segments is carried out through OP Financial Group's Treasury under other operations, which means that any earnings effect of equity capital differing from the target level is shown under Other operations.

Note 2 Net interest income

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Interest income				
Receivables from credit institutions				
Interest	17	23	4	5
Negative interest	11	14	1	3
Total	27	36	6	8
Receivables from customers				
Loans	346	318	92	85
Finance lease receivables	31	27	8	7
Impaired loans and other commitments	0	1	0	0
Negative interest	15	14	4	3
Total	392	359	104	96
Notes and bonds				
Measured at fair value through profit or loss	1	1	0	0
At fair value through other comprehensive income	81	90	19	23
Amortised cost	0	0		
Total	81	91	19	23
Derivative contracts				
Fair value hedge	-109	-112	-30	-31
Cash flow hedge	0	3		0
Ineffective portion of cash flow hedge	0	0	0	0
Other	6	7	2	1
Total	-103	-103	-29	-29
Other	5	3	2	1
Total	**403**	**386**	**102**	**99**
Interest expenses				
Liabilities to credit institutions				
Interest	88	68	20	20
Negative interest	66	68	15	16
Total	154	137	35	36
Liabilities to customers	9	2	0	2
Debt securities issued to the public	171	146	42	37
Subordinated liabilities				
Subordinated loans	4	5	1	1
Other	45	44	11	11
Total	49	49	12	12
Derivative contracts				
Cash flow hedge	-164	-132	-43	-33
Other	-115	-92	-28	-28
Total	-279	-224	-71	-61
Other	5	4	2	1
Total	**109**	**113**	**20**	**28**
Net interest income before fair value adjustment under hedge accounting	**294**	**274**	**82**	**72**
Hedging derivatives	14	5	-20	1
Value changes of hedged items	-13	-5	22	0
Total	**295**	**274**	**84**	**72**

Note 3 Net insurance income

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Net insurance premium revenue				
Premiums written	1,494	1,478	264	255
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	**1,478**	**1,465**	**372**	**359**
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
Total	**402**	**548**	**3**	**127**

Note 4 Net commissions and fees

Q1–4/2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total	Q4/2019
Commission income						
Lending	46	0	0	-1	45	12
Deposits	2		0	0	1	0
Payment transfers	24		0	-1	23	6
Securities brokerage	21		0	0	21	6
Securities issuance	6		0	0	6	2
Mutual funds	0		0	0	0	0
Asset management	13			0	13	4
Legal services	0				0	0
Guarantees	12		0	0	12	3
Insurance brokerage		13			13	3
Health and wellbeing services		22		0	21	3
Other	13		0	0	13	2
Total commission income	**138**	**35**	**0**	**-2**	**171**	**42**
Commission expenses						
Payment transfers	2	1	0	-1	2	1
Securities brokerage	8		0	0	7	2
Securities issuance	2		1	0	2	0
Asset management	3	0	1	0	4	1
Insurance operations		62			62	19
Health and wellbeing services		8			8	2
Other*	113	0	1	0	114	29
Total commission expenses	**127**	**71**	**2**	**-1**	**199**	**54**
Total net commissions and fees	**11**	**-36**	**-2**	**-1**	**-28**	**-12**

* The item includes EUR 106 million in commission expenses paid to member banks arising from derivatives trading. In October–December, commissions paid totalled EUR 27 million.

Q1–4/2018, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total	Q4/2018
Commission income						
Lending	44	0	0	0	44	11
Deposits	1		0	0	1	0
Payment transfers	22		0	-1	22	6
Securities brokerage	16				16	5
Securities issuance	7		1	0	8	0
Mutual funds	0		0	0	0	0
Asset management	13		0	0	13	4
Legal services	0		0	0	0	0
Guarantees	13		0	0	13	4
Insurance brokerage		12			12	3
Health and wellbeing services		19		0	19	6
Other	13		0	0	13	3
Total commission income	**130**	**31**	**1**	**-2**	**160**	**42**
Commission expenses						
Payment transfers	2	1	0	-1	2	0
Securities brokerage	6			0	6	2
Securities issuance	1		1		1	1
Asset management	3	0	1	0	4	1
Insurance operations		64			64	17
Health and wellbeing services		7			7	2
Other*	98	0	1	0	98	30
Total commission expenses	**109**	**73**	**2**	**-1**	**183**	**53**
Total net commissions and fees	**21**	**-41**	**-1**	**-1**	**-23**	**-11**

* The item includes EUR 91 million in commission expenses paid to member banks arising from derivatives trading. In October–December, commissions paid totalled EUR 28 million.

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	36	35	8	9
Other income and expenses	-9	2	-5	0
Capital gains and losses	58	24	23	0
Currency fair value gains and losses	3	8	-6	2
Impairment losses and their reversal*	2	-3	1	-1
Total	91	65	21	10
Total	**91**	**65**	**21**	**10**
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Fair value gains and losses	-1	-5	-8	-3
Interest income and expenses	6	7	2	1
Total	4	2	-6	-1
Shares and participations				
Fair value gains and losses	-5	3	-6	-1
Dividend income	5	2	4	0
Total	0	6	-1	-1
Derivatives				
Fair value gains and losses	248	115	184	17
Interest income and expenses	11	6	8	9
Total	259	121	192	26
Total	264	129	184	23
Financial assets that shall be measured at fair value through profit or loss				
Notes and bonds				
Interest income	2	2	1	0
Fair value gains and losses	-3	-3	-4	-2
Total	0	-1	-3	-2
Shares and participations				
Fair value gains and losses	85	-12	30	-32
Dividend income	27	28	5	3
Total	112	17	35	-29
Total	112	16	31	-31
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income		1		1
Fair value gains and losses		0		0
Total		1		1
Total		1		1
Total net income recognised at fair value through profit or loss	**375**	**146**	**216**	**-6**

Net income from investment property				
Rental income	27	26	7	7
Fair value gains and losses	3	7	-5	1
Maintenance charges and expenses	-19	-18	-6	-5
Other	-4	-4	-1	-2
Net income from investment property total	**7**	**11**	**-4**	**0**
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	5	5	1	1
Interest expenses	-1	-1	0	0
Impairment losses and their reversal	-2	0	-1	0
Loans and receivables total	**3**	**4**	**0**	**1**
Non-life Insurance				
Unwinding of discount, Non-life Insurance	-27	-28	-6	-7
Associates				
Consolidated using the equity method	1	1	0	0
Total	**1**	**1**	**0**	**0**
Total net investment income	**450**	**200**	**227**	**-1**

* Expected credit losses (ECL) on notes and bonds

Note 6 Other operating expenses

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
ICT costs				
Production	137	114	36	31
Development	67	62	17	16
Buildings	7	13	2	3
Government charges and audit fees	40	39	9	13
Services purchased	34	50	8	12
Data communications	10	10	2	2
Marketing	13	13	4	4
Corporate social responsibility	2	3	0	1
Insurance and security	4	4	1	1
Other	72	61	19	18
Total	**386**	**369**	**99**	**102**

Development costs

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
ICT development costs	67	62	17	16
Share of own work	1	1	0	0
Total development costs in the income statement	**68**	**63**	**18**	**16**
Capitalised ICT costs	38	34	12	8
Capitalised share of own work	0	0	0	
Total capitalised development costs	**38**	**34**	**12**	**8**
Total development costs	**106**	**97**	**30**	**24**
Depreciation/amortisation and impairment loss	49	57	22	25

Note 7 Impairment loss on receivables

EUR million	Q1–4 2019	Q1–4 2018	Q4 2019	Q4 2018
Receivables written off as loan or guarantee losses	-4	-21	-1	-5
Recoveries of receivables written off	1	1	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-47	9	-40	-1
Expected credit losses (ECL) on notes and bonds*	0	-1	0	-1
Total	**-51**	**-13**	**-40**	**-7**

* 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)						
Corporate Banking	25,103	1,388	306	1,693	384	27,180
Total	**25,103**	**1,388**	**306**	**1,693**	**384**	**27,180**
Off-balance-sheet limits						
Corporate Banking	4,674	318	151	470	60	5,204
Total	**4,674**	**318**	**151**	**470**	**60**	**5,204**
Other off-balance-sheet commitments						
Corporate Banking	7,011	1,216		1,216	70	8,297
Total	**7,011**	**1,216**		**1,216**	**70**	**8,297**
Notes and bonds						
Other Operations	12,259	93		93		12,352
Insurance	1,990	2		2	5	1,998
Total	**14,250**	**95**		**95**	**5**	**14,350**
Total exposures within the scope of accounting for expected credit losses	**51,038**	**3,017**	**457**	**3,474**	**519**	**55,031**

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						
Corporate Banking	-25	-18	-3	-21	-248	-294
Total	**-25**	**-18**	**-3**	**-21**	**-248**	**-294**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-4		-4	-10	-16
Total	**-2**	**-4**		**-4**	**-10**	**-16**
Notes and bonds***						
Other Operations	-2	-1		-1		-3
Insurance	-2	-0		0	-3	-5
Total notes and bonds	**-4**	**-1**		**-1**	**-3**	**-8**
Total	**-31**	**-24**	**-3**	**-27**	**-260**	**-318**

* 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						
Corporate Banking	36,788	2,922	457	3,379	514	40,681
Loss allowance						
Corporate Banking	-27	-22	-3	-26	-258	-310
Coverage ratio, %						
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	**36,788**	**2,922**	**457**	**3,379**	**514**	**40,681**
Total loss allowance	**-27**	**-22**	**-3**	**-26**	**-258**	**-310**
Total coverage ratio, %	**-0.07%**	**-0.77%**	**-0.71%**	**-0.76%**	**-50.12%**	**-0.76%**
Carrying amount, notes and bonds						
Other Operations	12,259	93		93		12,352
Insurance	1,990	2		2	5	1,998
Loss allowance						
Other Operations	-2	-1		-1		-3
Insurance	-2	-0		-0	-3	-5
Coverage ratio, %						
Other Operations	-0.02%	-0.81%		-0.81%		-0.02%
Insurance	-0.09%	-18.51%		-18.51%	-53.78%	-0.24%
Total notes and bonds	**14,250**	**95**		**93**	**5**	**14,350**
Total loss allowance	**-4**	**-1**		**-1**	**-3**	**-8**
Total coverage ratio, %	**-0.03%**	**-1.18%**		**-0.81%**	**-53.78%**	**-0.06%**

The agreements have been grouped to correspond to OP Financial Group's new segments effective of 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)						
Corporate Banking	22,997	1,257	283	1,540	360	24,897
Total	**22,997**	**1,257**	**283**	**1,540**	**360**	**24,897**
Off-balance-sheet limits						
Corporate Banking	4,443	512	139	651	86	5,180
Total	**4,443**	**512**	**139**	**651**	**86**	**5,180**
Other off-balance-sheet commitments						
Corporate Banking	6,655	178		178	20	6,854
Total	**6,655**	**178**		**178**	**20**	**6,854**
Notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	2,321	195		195	6	2,522
Total	**14,540**	**215**		**215**	**6**	**14,761**
Total exposures within the scope of accounting for expected credit losses	**48,636**	**2,162**	**422**	**2,584**	**472**	**51,692**

* The amount of exposures within the scope of accounting has been specified as a result of 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						
Corporate Banking	-25	-25	-3	-28	-206	-259
Total	**-25**	**-25**	**-3**	**-28**	**-206**	**-259**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-1		-1	0	-4
Total	**-2**	**-1**		**-1**	**0**	**-4**
Notes and bonds***						
Other Operations	-3	0		0		-3
Insurance	-2	-2		-2	-2	-6
Total notes and bonds	**-4**	**-2**		**-2**	**-2**	**-9**
Total	**-31**	**-29**	**-3**	**-32**	**-208**	**-272**

* 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						
Corporate Banking	34,096	1,947	422	2,369	466	36,931
Loss allowance						
Corporate Banking	-27	-26	-3	-30	-207	-263
Coverage ratio, %						
Corporate Banking	-0.08%	-1.36%	-0.74%	-1.25%	-44.32%	-0.71%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**34,096**	**1,947**	**422**	**2,369**	**466**	**36,931**
Total loss allowance	**-27**	**-26**	**-3**	**-30**	**-207**	**-263**
Total coverage ratio, %	**-0.08%**	**-1.36%**	**-0.74%**	**-1.25%**	**-44.32%**	**-0.71%**
Carrying amount, notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	2,321	195		195	6	2,522
Loss allowance						
Other Operations	-3	0		0		-3
Insurance	-2	-2		-2	-2	-6
Coverage ratio, %						
Other Operations	-0.02%	-0.85%		-0.85%		-0.02%
Insurance	-0.08%	-1.13%		-1.13%	-33.79%	-0.24%
Total notes and bonds	**14,540**	**215**		**215**	**6**	**14,761**
Total loss allowance	**-4**	**-2**		**-2**	**-2**	**-9**
Total coverage ratio, %	**-0.03%**	**-1.10%**		**-1.10%**	**-33.79%**	**-0.06%**

The following flow statements shows 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 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	**27**	**30**	**207**	**263**
Transfers from Stage 1 to Stage 2	-1	9		8
Transfers from Stage 1 to Stage 3	-4		7	3
Transfers from Stage 2 to Stage 1	0	-3		-3
Transfers from Stage 2 to Stage 3		-7	9	2
Transfers from Stage 3 to Stage 2		0	-2	-2
Transfers from Stage 3 to Stage 1	0		-1	-1
Increases due to origination and acquisition	8	4	6	19
Decreases due to derecognition	-4	-4	-7	-14
Changes in risk parameters (net)	0	-4	40	37
Decrease in allowance account due to write-offs			-2	-2
Net change in expected credit losses	**0**	**-4**	**51**	**47**
Loss allowance 31 December 2019	**27**	**26**	**257**	**310**
Net change in expected credit losses Q4 2019	**1**	**-3**	**41**	**40**

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 transfers to Stage 3 through Stage 2. The agreement may transfer directly to Stage 3 due to external payment default.

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	**4**	**2**	**2**	**9**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	0	-1		-1
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	1	0	0	1
Decreases due to derecognition	-2	-1	0	-3
Changes in risk parameters (net)	-1	0	0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	**0**	**-1**	**1**	**-1**
Loss allowance 31 December 2019	**4**	**1**	**3**	**8**
Net change in expected credit losses Q4 2019	**-1**	**0**	**0**	**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 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2018	18	32	223	273
Transfers from Stage 1 to Stage 2	-1	5		4
Transfers from Stage 1 to Stage 3	0		2	2
Transfers from Stage 2 to Stage 1	1	-4		-3
Transfers from Stage 2 to Stage 3		-2	4	2
Transfers from Stage 3 to Stage 2		1	-4	-4
Transfers from Stage 3 to Stage 1	0		-2	-2
Increases due to origination and acquisition	8	2	6	17
Decreases due to derecognition	-2	-5	-8	-16
Changes in risk parameters (net)	3	2	16	22
Decrease in allowance account due to write-offs			-30	-30
Net change in expected credit losses	**9**	**-2**	**-16**	**-10**
Loss allowance 31 December 2018	**27**	**30**	**207**	**263**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2018	**3**	**0**	**0**	**4**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	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	1	2	1	4
Decreases due to derecognition	-1	0		-1
Changes in risk parameters (net)	0			0
Changes due to update in the methodology for estimation (net)	1			1
Net change in expected credit losses	**1**	**2**	**2**	**5**
Loss allowance 31 December 2018	**4**	**2**	**2**	**9**

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 insurance liability hedges and recognition of sold hedges)	-22	21
Total	2,650	2,588
Provisions for unearned premiums	584	569
Total	**3,234**	**3,157**

Note 9 Debt securities issued to the public

EUR million	31 Dec 2019	31 Dec 2018
Bonds	13,110	10,121
Other		
Certificates of deposit		105
Commercial paper	9,716	10,162
Included in own portfolio in trading (–)	-101	-50
Total debt securities issued to the public	**22,726**	**20,338**

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 (overlay approach)	Cash flow hedging	Total
Balance sheet 31 December 2017	**117**	**45**		**2**	**164**
Effect of IFRS 9 transition at 1 January 2018	-1	-45			-46
Opening balance 1 January 2018	**115**	**0**		**2**	**118**
Fair value changes	-111	0	-20	1	-130
Capital gains transferred to income statement	-30		-3		-33
Impairment loss transferred to income statement			5		5
Transfers to net interest income				-3	-3
Deferred tax	28	0	4	0	32
Closing balance 31 December 2018	**3**		**-15**	**0**	**-12**

EUR million	Fair value through other comprehensive income Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2019	**3**	**-15**	**0**	**-12**
Fair value changes	52	41	0	93
Capital gains transferred to income statement	-17	12		-4
Impairment loss transferred to income statement		13		13
Transfers to net interest income			0	0
Deferred tax	-7	-13	0	-20
Closing balance 31 December 2019	**31**	**38**	**0**	**70**

The fair value reserve before tax amounted to EUR 87 million positive at the end of the reporting period and the related deferred tax liability was EUR 17 million. At the end of the reporting period a year ago, the fair value reserve was EUR 15 million negative and the related deferred tax asset was EUR 3 million. At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 51 million (24) and negative mark-to-market valuations EUR 3 million (43), 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 in the fair value reserve.

The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments.

Note 11 Collateral given

EUR million	31 Dec 2019	31 Dec 2018
Given on behalf of own liabilities and commitments		
Pledges	79	59
Others	3,496	5,775
Total collateral given*	**3,575**	**5,834**
Secured derivative liabilities	1,098	928
Other secured liabilities	2,093	4,072
Total secured liabilities	**3,191**	**5,000**

* 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

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	11,914					11,914
Receivables from credit institutions	9,126					9,126
Derivative contracts			4,407		468	4,874
Receivables from customers	23,829					23,829
Notes and bonds		14,899	1,033	42		15,975
Equity instruments		0	23	694		717
Other financial assets	1,393					1,393
Financial assets						67,828
Other than financial assets						1,297
Total 31 December 2019	**46,262**	**14,899**	**5,463**	**737**	**468**	**69,126**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	12,239					12,239
Receivables from credit institutions	9,726					9,726
Derivative contracts			3,476		187	3,663
Receivables from customers	22,351					22,351
Notes and bonds		14,730	501	46		15,278
Equity instruments		0	36	616		651
Other financial assets	1,521					1,521
Financial assets						**65,429**
Other than financial assets						1,296
Total 31 December 2018	**45,838**	**14,730**	**4,013**	**662**	**187**	**66,725**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		15,334		15,334
Derivative contracts	3,683		199	3,882
Liabilities to customers		15,503		15,503
Insurance liabilities		3,234		3,234
Debt securities issued to the public		22,726		22,726
Subordinated loans		1,474		1,474
Other financial liabilities		1,991		1,991
Financial liabilities				**64,143**
Other than financial liabilities				609
Total 31 December 2019	**3,683**	**60,260**	**199**	**64,752**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		15,575		15,575
Derivative contracts	3,023		264	3,287
Liabilities to customers		16,422		16,422
Insurance liabilities		3,157		3,157
Debt securities issued to the public		20,338		20,338
Subordinated loans		1,482		1,482
Other financial liabilities		1,779		1,779
Financial liabilities				**62,038**
Other than financial liabilities				539
Total 31 December 2018	**3,023**	**58,752**	**264**	**62,577**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December 2019, the fair value of these debt instruments was approximately EUR 232 million (102) 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	334	58	325	717
Debt instruments	484	82	510	1,076
Derivative financial instruments	11	4,789	74	4,874
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	12,470	1,556	874	14,899
Total financial instruments	**13,299**	**6,485**	**1,783**	**21,566**
Investment property			339	339
Total	**13,299**	**6,485**	**2,121**	**21,905**

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	297	53	301	651
Debt instruments	115	133	299	547
Derivative financial instruments	0	3,606	57	3,663
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	11,873	2,666	191	14,730
Total financial instruments	**12,286**	**6,459**	**848**	**19,592**
Investment property			320	320
Total	**12,286**	**6,459**	**1,168**	**19,912**

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				
Other		12		12
Derivative financial instruments	9	3,841	32	3,882
Total	**9**	**3,853**	**32**	**3,894**

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				
Other		0		0
Derivative financial instruments	10	3,233	44	3,287
Total	**10**	**3,234**	**44**	**3,287**

Level 1: Quoted prices in active markets

This level includes equities listed on 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 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	**600**	**57**	**191**	**848**
Total gains/losses in profit or loss	-265	18	0	-247
Total gains/losses in other			0	0
Purchases	93		2	95
Sales	-59		-8	-67
Settlements	0		-4	-4
Transfers into Level 3	465		762	1,226
Transfers out of Level 3			-69	-69
Closing balance 31 December 2019	**834**	**74**	**875**	**1,783**

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 31 December 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)	-264	-1	0	-264
Unrealised net gains (losses)	29		0	29
Total net gains (losses)	**-235**	**-1**	**1**	**-235**

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	550	647
Other guarantee liabilities	1,882	1,668
Loan commitments	5,146	5,257
Commitments related to short-term trade transactions	315	265
Other*	699	712
Total off-balance-sheet commitments	**8,593**	**8,549**

* 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	47,526	87,484	86,157	221,167	3,198	2,506
Cleared by the central counterparty	10,791	36,126	42,208	89,126	52	53
Currency derivatives	45,365	6,954	2,414	54,733	1,250	972
Equity and index-linked derivatives	1	2		3	0	
Credit derivatives	59	892	112	1,063	14	12
Other derivatives	233	435	18	686	68	38
Total derivatives	**93,185**	**95,766**	**88,701**	**277,652**	**4,530**	**3,529**

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	42,330	94,366	79,799	216,494	2,223	1,740
Cleared by the central counterparty	9,278	38,670	36,704	84,652	8	12
Currency derivatives	29,019	6,784	3,404	39,208	1,065	1,177
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	**71,572**	**101,706**	**83,213**	**256,491**	**3,327**	**2,955**

* 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 or in 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 December 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		Net amount
				Master agreements***	Collateral received	
Derivatives	6,753	-1,879	4,874	-2,303	-707	1,865

31 December 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		Net amount
				Master agreements***	Collateral received	
Derivatives	4,597	-934	3,663	-1,884	-490	1,289

Financial liabilities

31 December 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		Net amount
				Master agreements***	Collateral given	
Derivatives	5,937	-2,055	3,882	-2,303	-654	925

31 December 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		Net amount
				Master agreements***	Collateral given	
Derivatives	4,353	-1,066	3,287	-1,884	-703	700

* 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 from credit institutions and customers by sector			
Non-banking corporate sector	19,766	274	19,492
Financial institutions and insurance companies	9,986	1	9,986
Households	2,233	15	2,219
Non-profit organisations	342	3	339
Public sector entities	920	1	920
Total	**33,249**	**294**	**32,955**

31 December 2018, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables from credit institutions and customers by sector			
Non-banking corporate sector	18,338	241	18,097
Financial institutions and insurance companies	10,503	2	10,501
Households	1,966	10	1,956
Non-profit organisations	368	3	364
Public sector entities	1,162	3	1,159
Total	**32,337**	**259**	**32,078**

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, total (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		126	126	110	16
Unlikely to be paid		241	241	124	117
Forborne loans	106	20	126	12	115
Total	**106**	**387**	**493**	**245**	**247**

Doubtful and forborne receivables 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)	Individually assessed impairment	Receivables from credit institutions and customers (net)
Over 90 days past due		86	86	83	3
Unlikely to be paid		194	194	115	79
Forborne loans	53	22	75	12	62
Total	**53**	**301**	**354**	**210**	**145**

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	49.8%	59.1%

Note 18 Investment distribution of the Insurance segment

Investment asset portfolio allocation	31 December 2019 Fair value, EUR million*	%	31 December 2018 Fair value, EUR million*	%
Money market total	547	14	173	5
Money market instruments and deposits**	541	14	167	4
Derivative instruments***	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
Fixed assets and 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 investments	300	8	312	8
Direct property investments	159	4	157	4
Indirect property investments	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, loan funds and illiquid bonds.

Note 19 Capital adequacy for credit institutions

EUR million	31 Dec 2019	31 Dec 2018
OP Corporate Bank Group's equity capital	**4,374**	**4,147**
Elimination of insurance companies' effect in equity capital	-202	-6
Fair value reserve, cash flow hedging	0	0
Common Equity Tier 1 (CET1) before deductions	**4,171**	**4,141**
Intangible assets	-51	-63
Excess funding of pension liability and valuation adjustments	-26	-29
Expected profit distribution		-173
Shortfall of ECL minus expected losses	-112	-105
Common Equity Tier 1 (CET1)	**3,982**	**3,772**
Subordinated loans to which transitional provisions applies	82	90
Additional Tier 1 capital (AT1)	**82**	**90**
Tier 1 capital (T1)	**4,064**	**3,862**
Debenture loans	811	944
Excess of ECL minus expected losses	26	47
Tier 2 capital (T2)	**837**	**990**
Total capital base	**4,900**	**4,852**

OP Corporate Bank 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	**23,753**	**22,216**
Standardised Approach (SA)	**2,687**	**2,458**
Central government and central banks exposure	78	85
Credit institution exposure	8	6
Corporate exposure	2,540	2,327
Retail exposure	8	6
Equity investments	8	0
Other	45	34
Internal Ratings-based Approach (IRB)	**21,066**	**19,758**
Credit institution exposure	1,023	1,083
Corporate exposure	14,148	13,198
Retail exposure	1,725	1,416
Equity investments	3,772	3,725
Other	399	336
Market and settlement risk (Standardised Approach)	**1,309**	**1,319**
Operational risk (Standardised Approach)	**1,387**	**1,285**
Valuation adjustment (CVA)	**191**	**175**
Other risks	**11**	
Total risk exposure amount	**26,651**	**24,996**

The risk weight of equity investments includes EUR 3.7 billion in insurance holdings within OP Financial Group.

EUR 59 million (62) of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from Common Equity Tier 1 capital.

Ratios, %	31 Dec 2019	31 Dec 2018
CET1 ratio	14.9	15.1
Tier 1 ratio	15.2	15.5
Capital adequacy ratio	18.4	19.4

Rations without the effects of transitional provisions, %	31 Dec 2019	31 Dec 2018
CET1 ratio	14.9	15.1
Tier 1 ratio	14.9	15.1
Capital adequacy ratio	18.1	19.1

Capital requirement, EUR million	31 Dec 2019	31 Dec 2018
Capital base	4,900	4,852
Capital requirement	2,824	2,642
Buffer for capital requirements	2,077	2,210

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the institution-specific capital conservation buffer for foreign exposures.

Note 20 Exposures by rating category

Corporate exposure by rating category (FIRB)

31 December 2019

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	794	292	85.7	0.0	43.2	156	14.3	0
2.5–5.5	11,711	2,974	71.5	0.2	44.3	5,704	38.8	11
6.0–7.0	3,890	1,148	69.9	1.2	42.9	4,653	92.4	25
7.5–8.5	1,954	411	71.7	4.1	43.0	3,109	131.4	42
9.0–10.0	210	33	70.1	28.5	41.4	526	215.6	28
11.0–12.0	346	52	60.2	100.0	44.6			178
Total	**18,906**	**4,911**	**71.7**	**1.1**	**43.8**	**14,148**	**60.4**	**284**

31 December 2018

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	850	366	84.9	0.0	44.6	182	15.0	0
2.5–5.5	11,098	3,310	72.6	0.2	44.0	5,632	39.1	11
6.0–7.0	3,431	928	72.3	1.3	43.5	4,156	95.3	23
7.5–8.5	1,619	361	73.5	4.3	43.5	2,655	134.1	37
9.0–10.0	163	102	68.2	16.0	44.4	573	216.7	19
11.0–12.0	289	12	61.3	100.0	44.7			135
Total	**17,450**	**5,079**	**73.3**	**0.9**	**43.9**	**13,198**	**59.4**	**225**

The defaults, i.e. rating categories 11.0 and 12.0, are not included in the average PD and risk weight.

Note 21 Insurance company solvency

EUR million	31 Dec 2019	31 Dec 2018
Eligible capital	**1,008**	**818**
Solvency capital requirement (SCR)		
Market risk	457	421
Underwriting risk	564	281
Counterparty risk	38	36
Operational risk	45	45
Diversification benefits and loss absorbency	-405	-162
Total	699	621
Buffer for SCR	**309**	**197**
SCR ratio, %	**144**	**132**
SCR ratio, % excluding transitional provisions	**144**	**132**

The figures are according to insurance companies' estimates and transitional provisions have been taken into account in them.

Note 22 Related-party transactions

OP Corporate Bank Group's related parties comprise its parent company OP Cooperative, subsidiaries consolidated into the Group, associates and administrative personnel and other related-party entities. OP Corporate Bank Group's administrative personnel comprises OP Corporate Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP Financial Group Central Cooperative Consolidated.

Standard terms and conditions for credit are applied to loans granted to the related parties. 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

OP Corporate Bank's Report by the Board of Directors and Financial Statements for 2019	Week 9
OP Corporate Bank's Corporate Governance Statement 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

OP Corporate Bank plc
Board of Directors

For additional information, please contact
Katja Keitaanniemi, President and CEO, tel. +358 (0)10 252 1387
Tuuli Kousa, Chief Communications Officer, tel. +358 (0)10 252 2957

www.op.fi